

Adways Inc. (Tokyo Stock Exchange Mothers: 2489)

Financial Results Presentation for 3Q FY2013

(from October 2013 to December 2013)

January 31, 2014

President and CEO, Haruhisa Okamura

Topics

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- 2** Business Overview P.10
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3Q FY2013 Performance

1. 3Q FY2013 Performance: Cumulative

Cumulative Quarterly Results (YoY)

(¥mn)

	3Q FY2013 (Cumulative)	3Q FY2013 (Cumulative)		
		Results	Change (¥mn)	Change (%)
Net Sales	22,272	15,582	+6,690	+42.9%
Gross Profits	3,959	2,766	+1,192	+43.1%
SG&A Expenses	3,425	2,509	+916	+36.5%
Operating Profits	533	257	+276	+107.5%
Recurring Profits	489	313	+176	+56.2%
Net Profits	348	274	+74	+27.0%

Net Sales
Increased ¥6,690mn YoY (+42.9%)

Operating Profits
Increased ¥276mn YoY (+107.5%)

1. 3Q FY2013 Performance: Quarterly

Quarterly Results (QoQ, YoY)

(¥mn)

	3Q FY2013	QoQ 2Q FY2013			YoY 3Q FY2013		
		Results	Change (¥mn)	Change (%)	Results	Change (¥mn)	Change (%)
Net Sales	7,781	7,651	+130	+1.7%	5,826	+1,955	+33.6%
Gross Profits	1,392	1,384	+7	+0.6%	1,014	+378	+37.3%
SG&A Expenses	1,161	1,120	+41	+3.7%	896	+264	+29.5%
Operating Profits	230	263	-33	-12.7%	117	+113	+96.4%
Recurring Profits	232	265	-32	-12.5%	124	+108	+87.5%
Net Profits	104	261	-157	-60.2%	213	-108	-50.8%

Net Sales

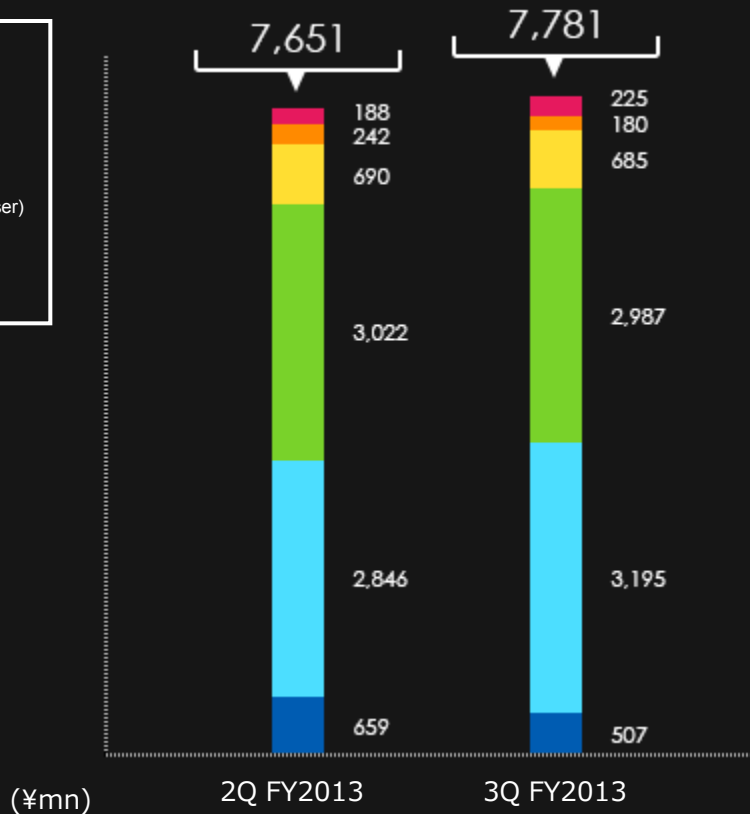
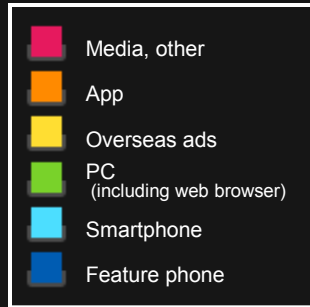
Increased ¥1,955mn YoY (+33.6%)

Operating Profits

Increased ¥113mn YoY (+96.4%)

1. 3Q FY2013 Performance: Net Sales

QoQ Change



Domestic advertising: ¥6,690mn

QoQ : +¥161mn (+2.5%)

-Smartphone : ¥3,195mn

→ +¥348mn (+12.3%)

- PC (including web browser) : ¥2,987mn

→ -¥35mn (-1.1%)

- Feature phone : ¥507mn

→ -¥152mn (-23.1%)

App: ¥180mn

QoQ: -¥62mn (-25.6%)

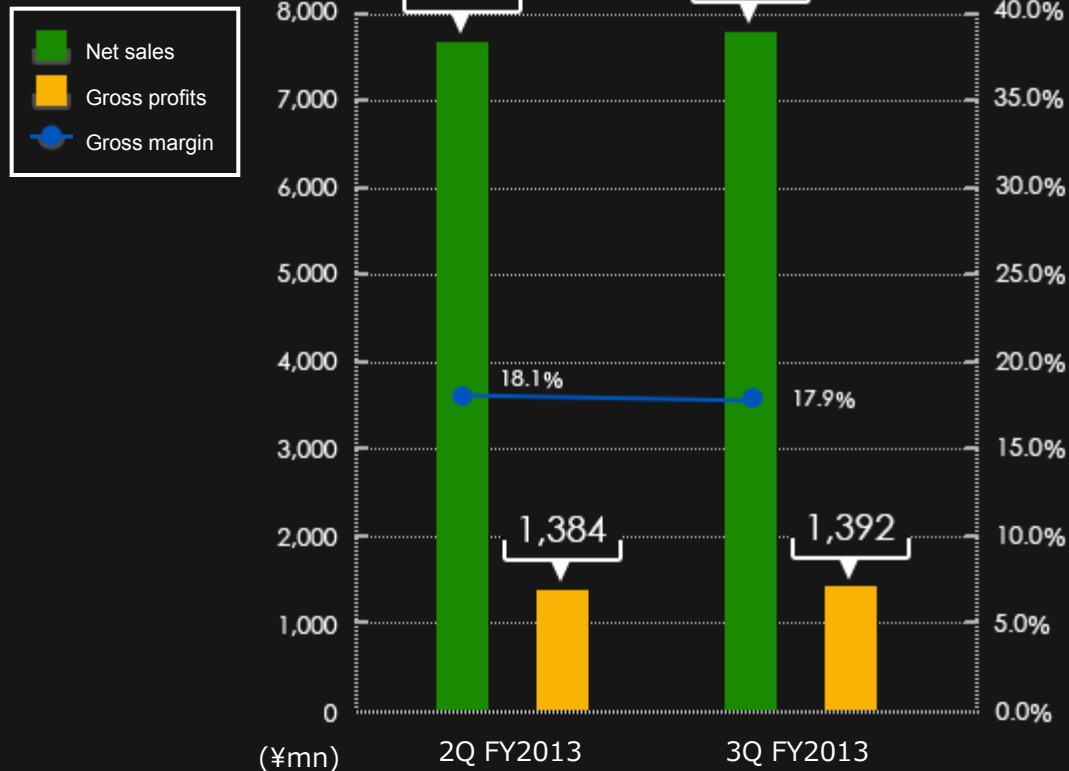
Overseas advertising : ¥685mn

QoQ : -¥5mn (-0.8%)

※The accounting periods of our overseas subsidiaries end in December, so their 3Q FY2013 (July-September) figures are consolidated with the Adways Group's 3Q FY2013 (October-December) figures.

1. 3Q FY2013 Performance: Gross Profits

QoQ Change



3Q Gross Profits: ¥1,392mn

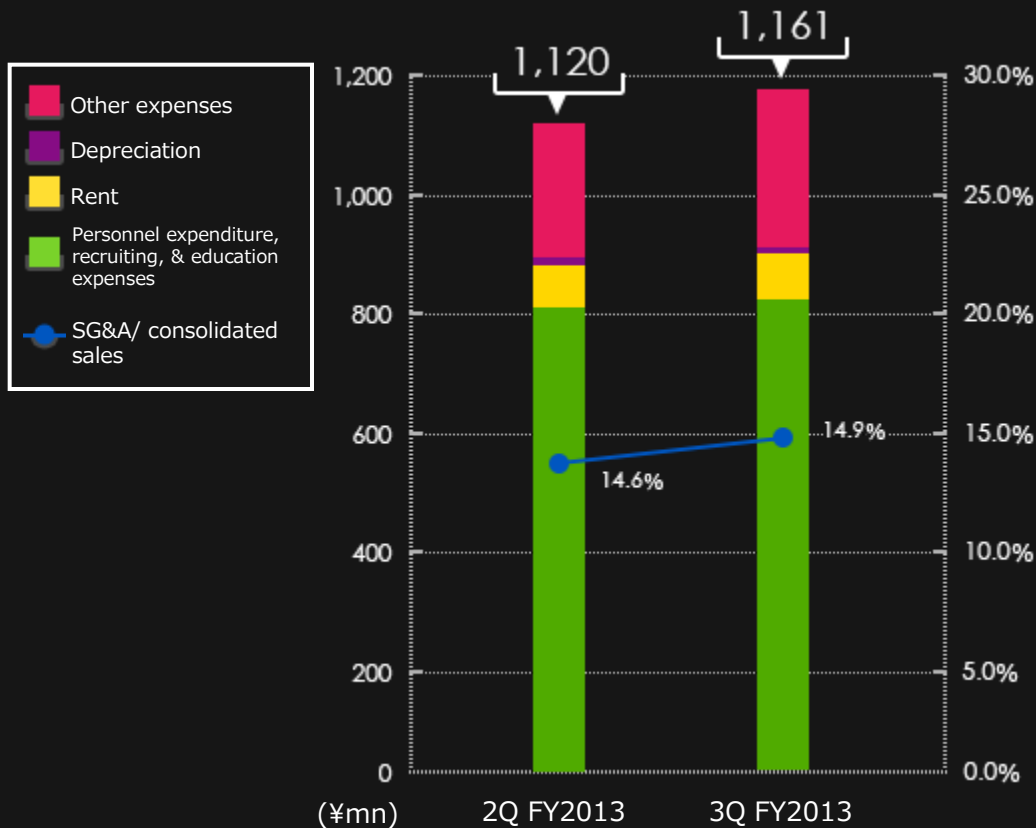
QoQ : +¥7mn (+0.6%)
Gross Margin : -0.2ppt

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

After rising in 2Q due to some spot development orders, gross margin in 3Q remained at about the same level.

1. 3Q FY2013 Performance: SG&A Expenses

QoQ Change



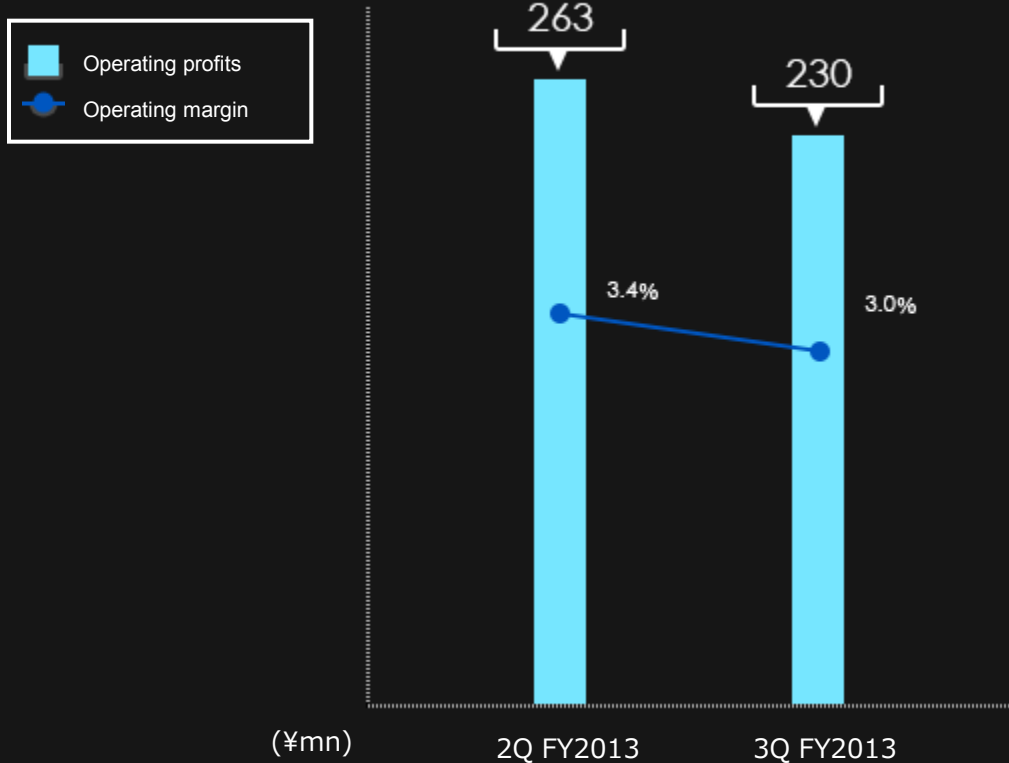
3Q SG&A Expenses : ¥1,161mn

QoQ: +¥41mn (+3.7%)
SG&A to sales ratio: +0.3ppt

SG&A expenses primarily rose due to increased recruiting expenses and higher taxes/compensation related to fund procurements.

1. 3Q FY2013 Performance: Operating Profits

QoQ Change



3Q Operating Profits: ¥230mn

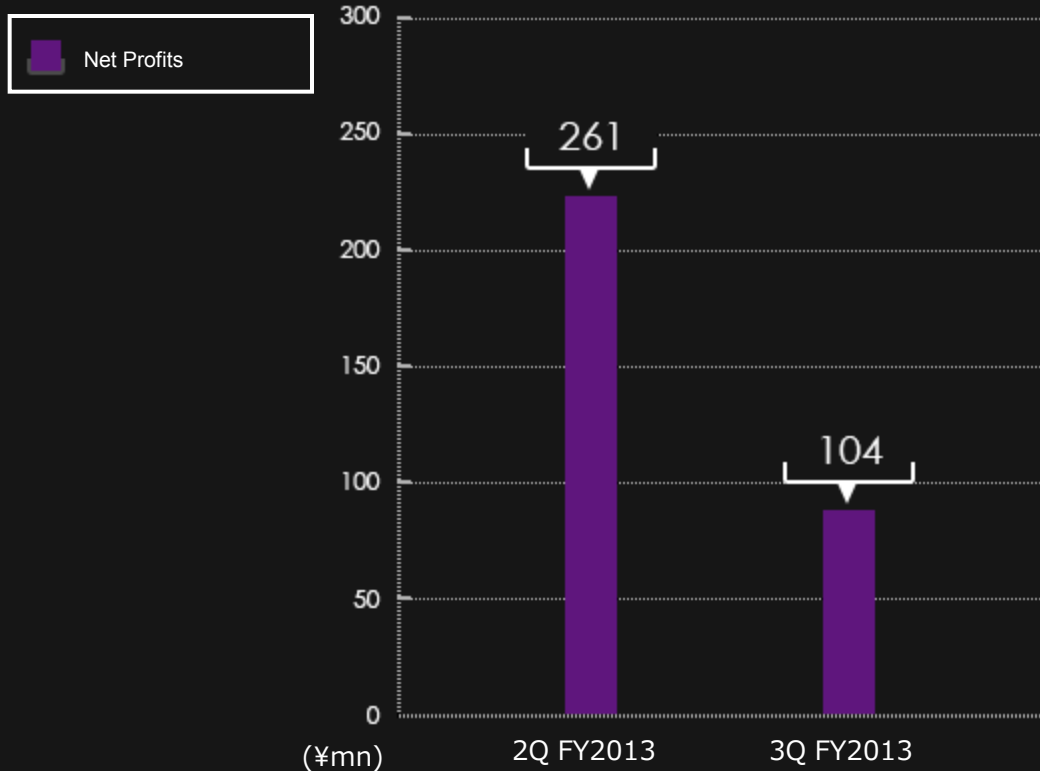
QoQ : -¥33mn (-12.7%)

Operating margin: -0.4ppt

Operating profits decreased due to higher fund procurement-related expenses.

1. 3Q FY2013 Performance: Net Profits

QoQ Change



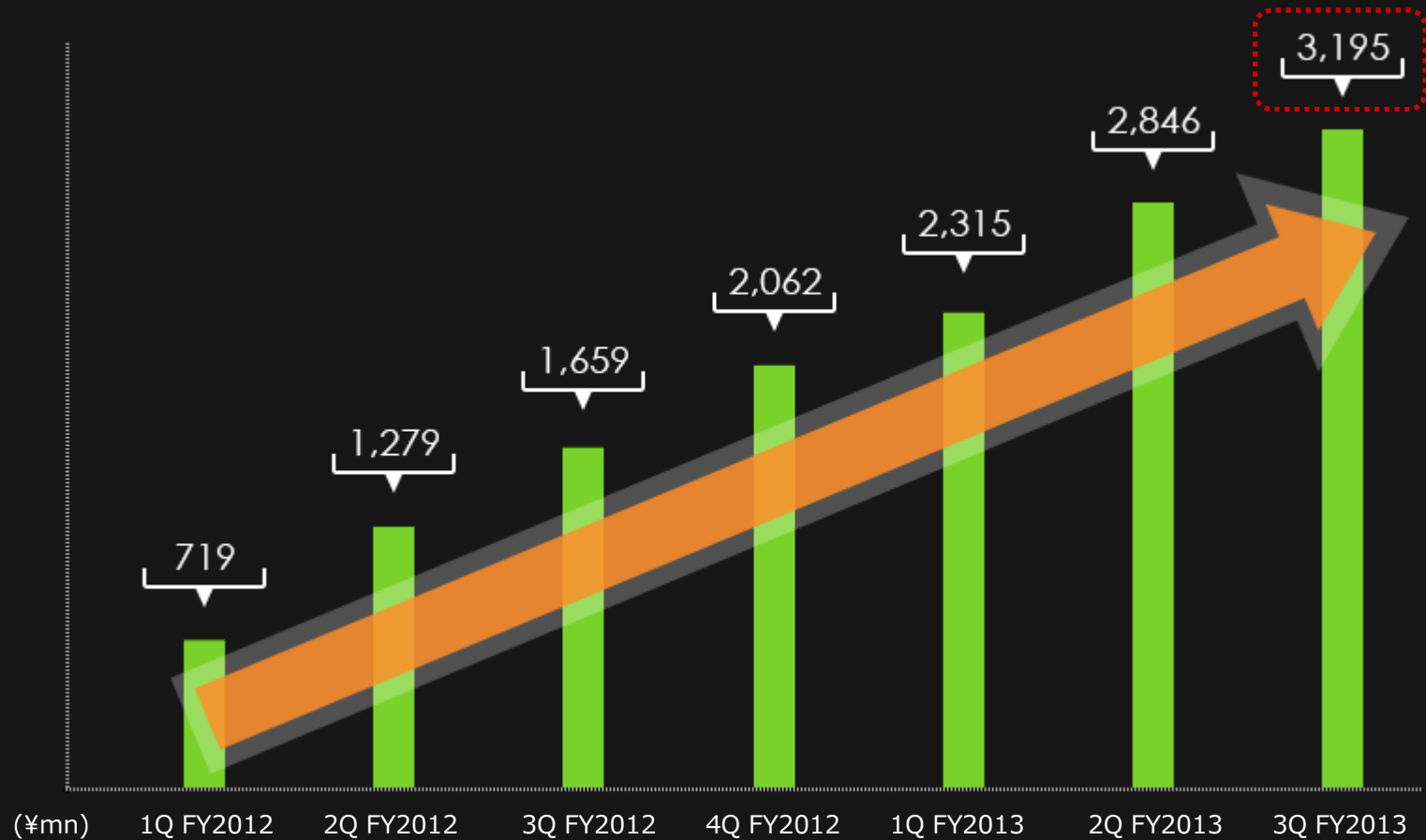
3Q Net Profits: ¥104mn
QoQ : -¥157mn (-60.2%)

Net profits in 2Q increased by more than ¥100mn due to extraordinary gains on the sale of investment securities. In 3Q, Adways recognized impairment loss of about ¥35mn. Core businesses grew strongly, however, so net profits excluding extraordinary items grew QoQ.

2 Business Overview

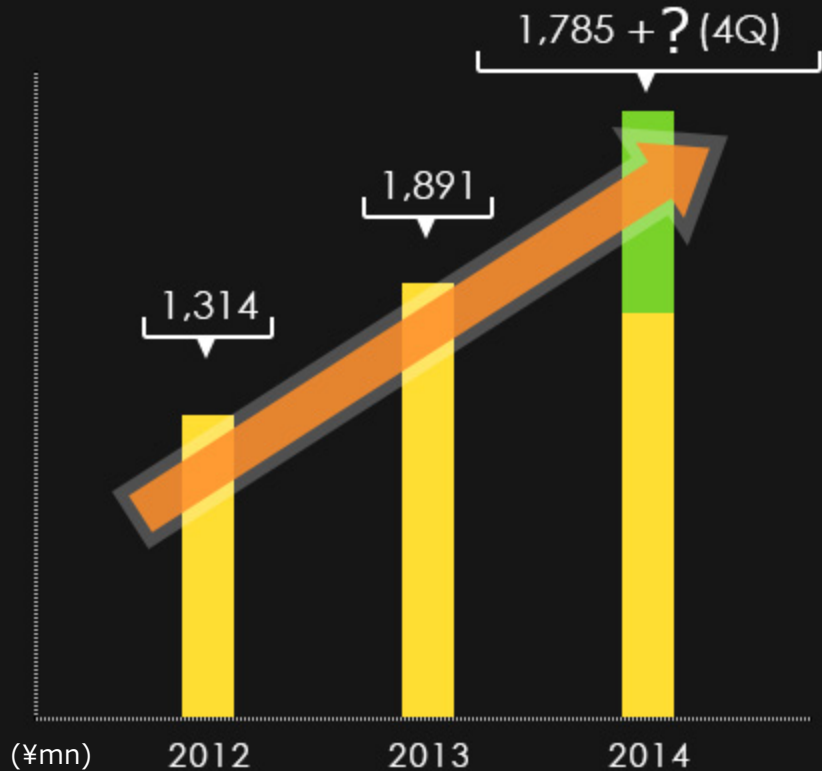
2. Business Overview: Domestic Smartphone Advertising Business

Sales of Adways Smartphone Advertising Business



2. Business Overview: Global Advertising

Sales Growth of Global Advertising Business



2013 Enhancing smartphone advertising in East Asia 
2012 Expanded office network 
2011 Entered Southeast Asia market 

2. Business Overview: Global Business

South Korea

- Affiliate marketing for smartphones
- Effect measurement system for smartphones



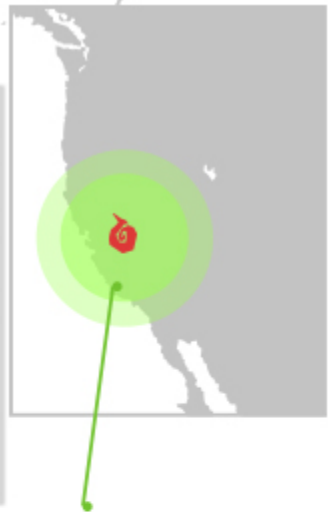
Taiwan

- Affiliate marketing for smartphones
- Effect measurement system for smartphones



Japan

- Affiliate marketing for PCs
- Affiliate marketing for mobile phones
- Affiliate marketing for smartphones
- Effect measurement system for smartphones



USA

- Effect measurement system for smartphones



China

- Affiliate marketing for PCs
- Affiliate marketing for smartphones



Southeast Asia

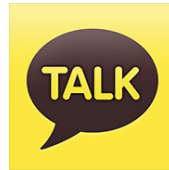
- Affiliate marketing for smartphones
- Effect measurement system for smartphones



2. Business Overview: Major Partnerships in 3Q



Enlarge the market for LINE free coins.
Start to sell in the Asia market.



Pull in more clients and support monetization
by introducing AppDriver to Kakao Game.



Strengthen global promotion through
partnership with one of the world's largest
mobile adnetworks.



Develop a new product by combining "5Rocks",
a game data analysis tool and "Partytrack",
an advertising effectiveness measurement tool.

2. Business Overview: Kakao Talk

Partnership with “Kakao Talk”, the largest free call and email app for smartphones in South Korea



Distributing reward ads to “Kakao Game” users

KAKAO

Company which operates “Kakao Talk”, the largest free call and email app for smartphones in South Korea.

Kakao Talk

As of November 18, 2013



KakaoTalk

Users	over 100 mn
Countries	over 230 nations
Languages	13 languages

Kakao Game

As of July, 2013

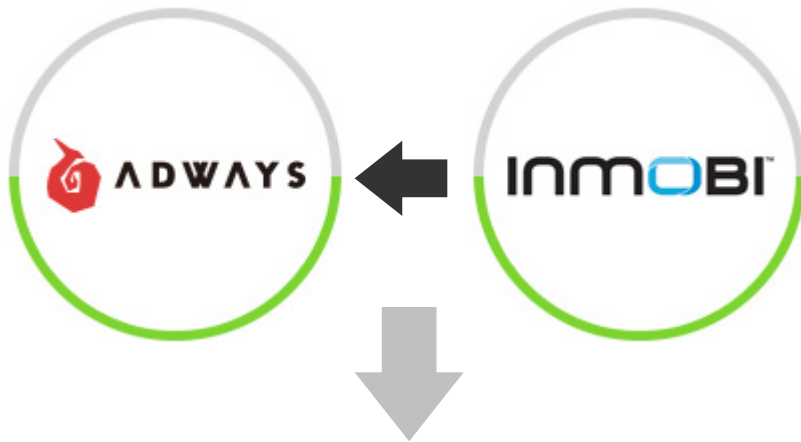


KakaoGame

Total users
Over **300**million

2. Business Overview: InMobi

Global business partnership with InMobi



Through this partnership

(1) Acquire large global network

(2) Enable support for global promotions

(1) One of the world's largest mobile adnetworks

Countries ••••• **165** nations
Impressions ••••• over **120** bn/month
Promotion coverage ••••• **691mn** users

As of January, 20, 2014

(2) Provide support for global marketing

- Information of market of each country
- Co-host events
- Operation support for promotions
- Creative support
- Analysis tool

2. Business overview: 5Rocks

5Rocks provides “5Rocks”, a growth hack tool



What is a growth hack tool ?

Enable to analyze game data in detail

Real-time statistical information, game players' behavior and charge status etc...

Provides the most appropriate campaign per user category based on results

Announcements, discounts, rewards, promotions etc ...

Instantly analyze campaign results, operate game site effectively

Effective for maximizing game monetization
Many large game companies utilizing this tool

2. Business Overview: 5Rocks



- **Advertising effectiveness measurement tool**
- Diversity and completeness of acquired information
- **Adnetwork for smartphone apps**

- Game **data analysis**
- Information analysis in real-time
- **Game developer network**



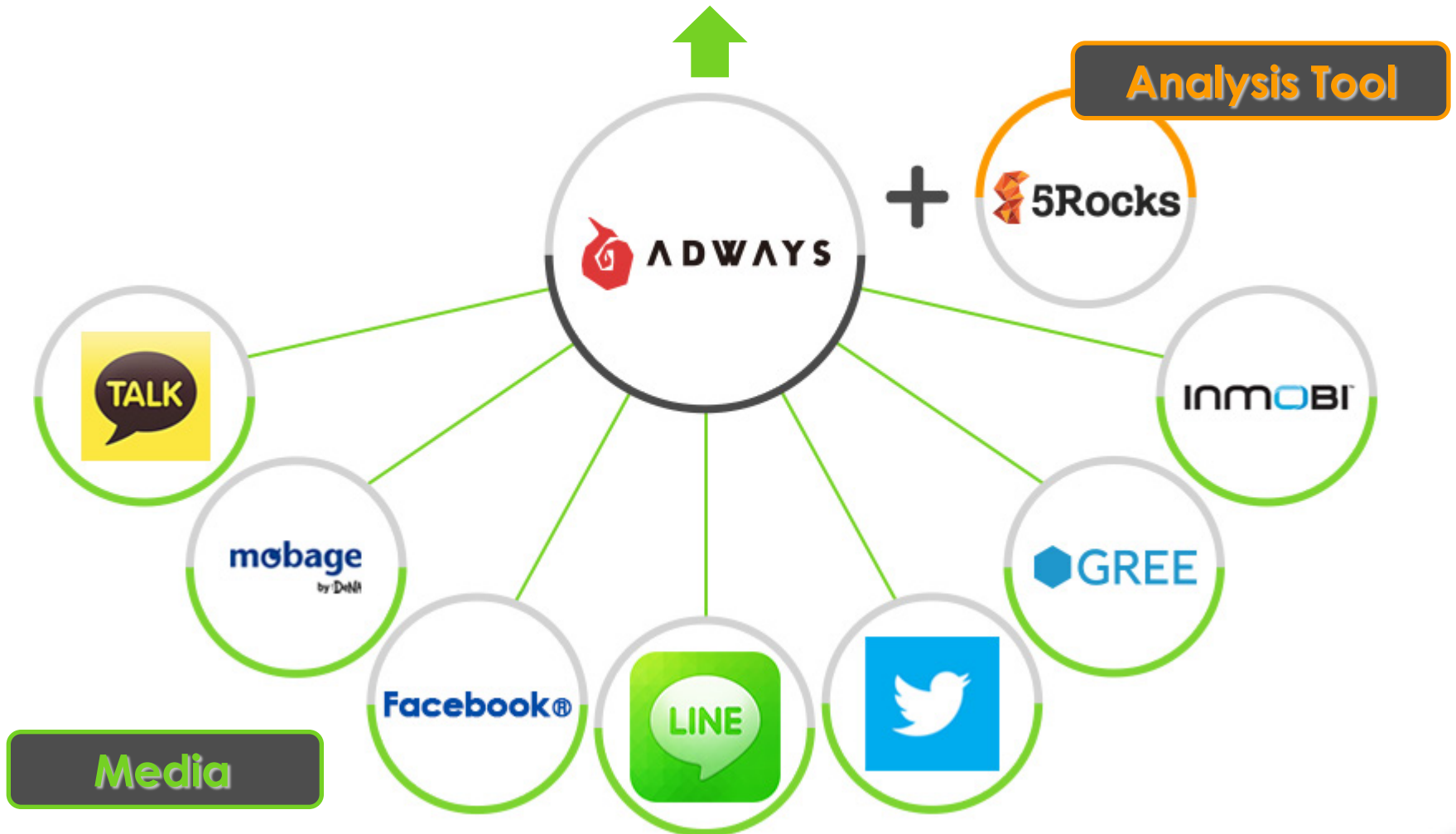
Jointly develop new product that can take detailed measurements and analyze with high accuracy



Differentiate from other products

2. Business Overview: Differentiating our service via partnerships

Differentiating ourselves from competitors for our clients



2. Business Overview: Future Initiatives

Invest



Commercialize



Monetize

Investment phase:
Sow seeds

Growth phase:
Investments
start to bud

Earning phase:
Investments bear
fruit

2012-2013

2014-2015

2016-2017

3 FY2013 Guidance

3. FY2013 Guidance

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

(¥ mn)

	Net Sales	Operating Profits	Recurring Profits	Net Profits
Previous Guidance (A)	29,500	600	550	400
Revised Guidance (B)	30,000	790	770	500
Change (B – A)	500	190	220	100
Change ※ (%)	1.7%	31.2%	40.0%	25.0%
3Q Cumulative Performance (C)	22,272	533	489	348
Progress (C/B)	74.2%	67.5%	63.5%	69.7%
(Reference) FY2012 Cumulative Results	22,639	413	429	304

※Figures below second decimal place rounded off.

- ◆ Reason for revision: Domestic advertising business performed strongly

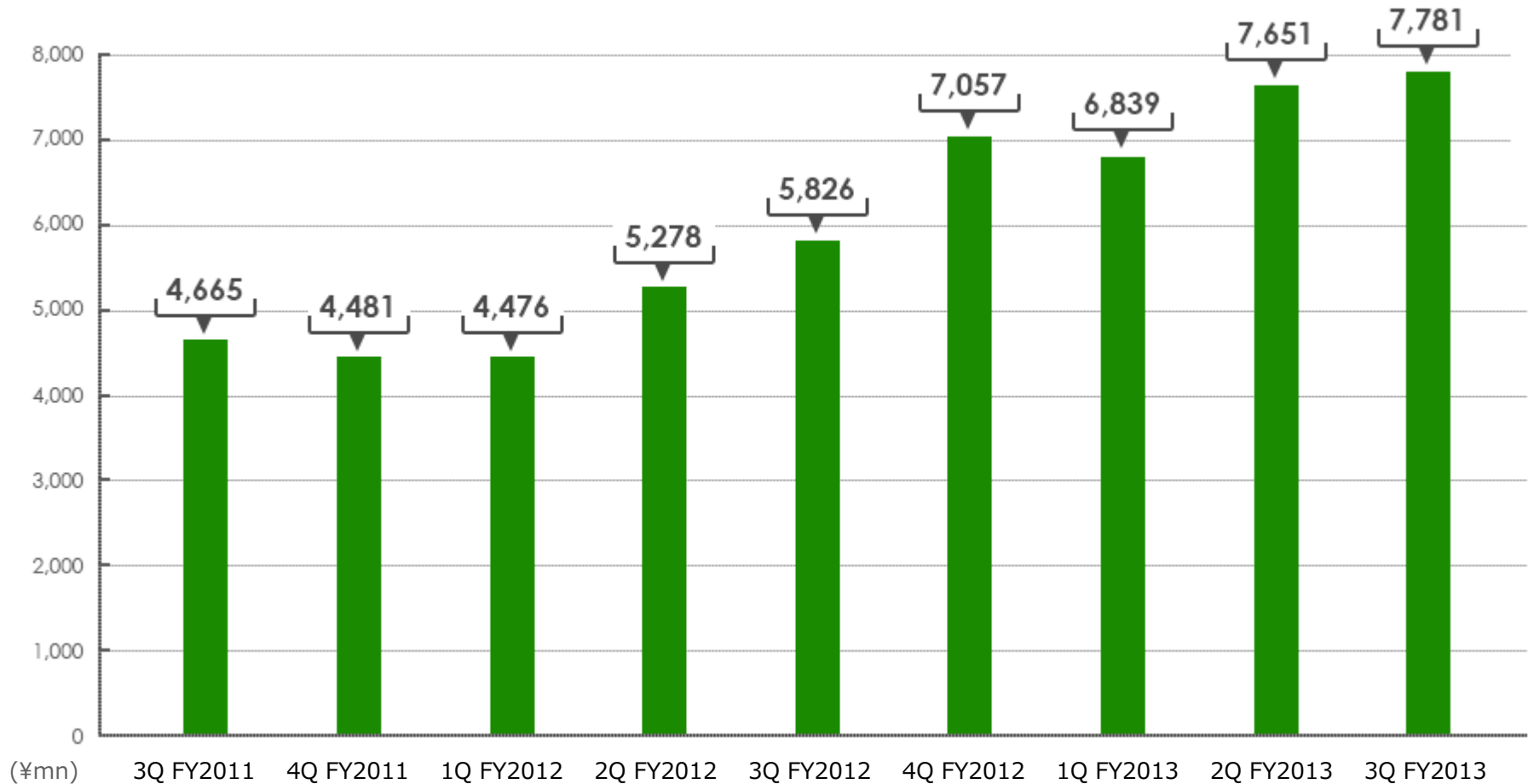
Thank you very much for attending our presentation today.

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 January 31, 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.

4 Supplementary Materials

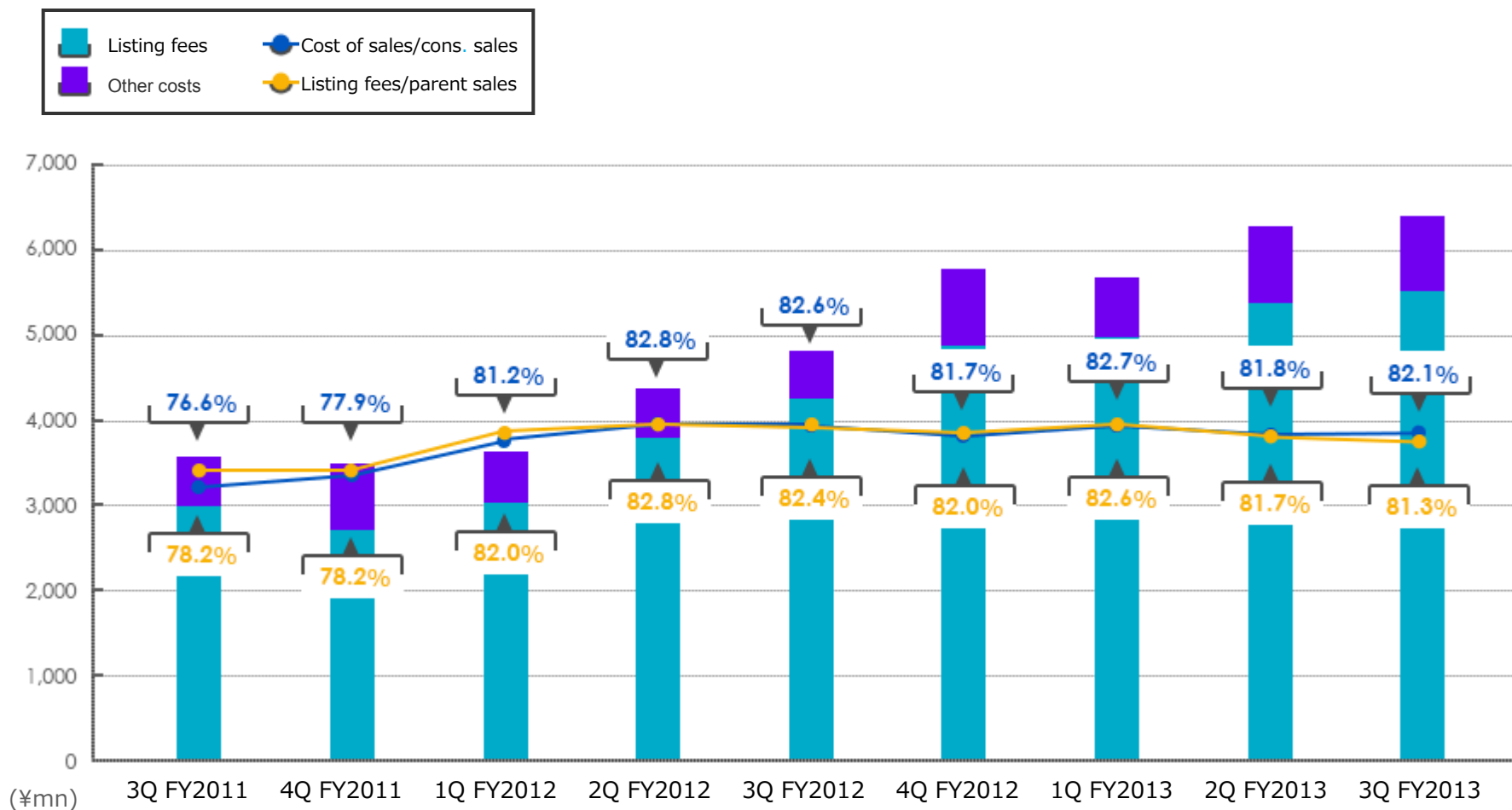
4. Supplementary Materials

Consolidated sales (Quarterly)



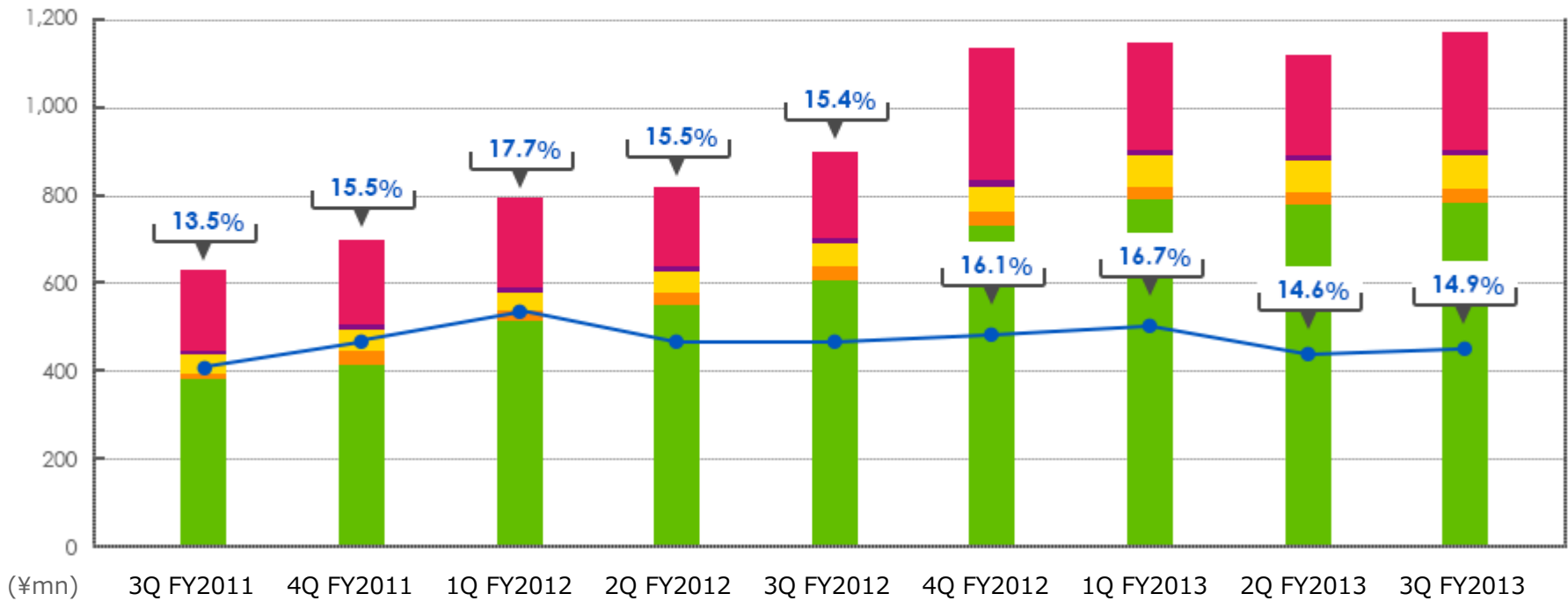
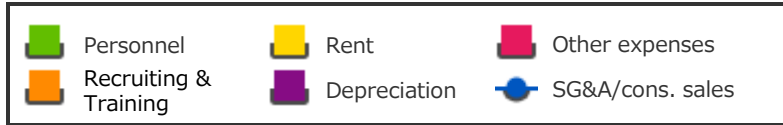
4. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



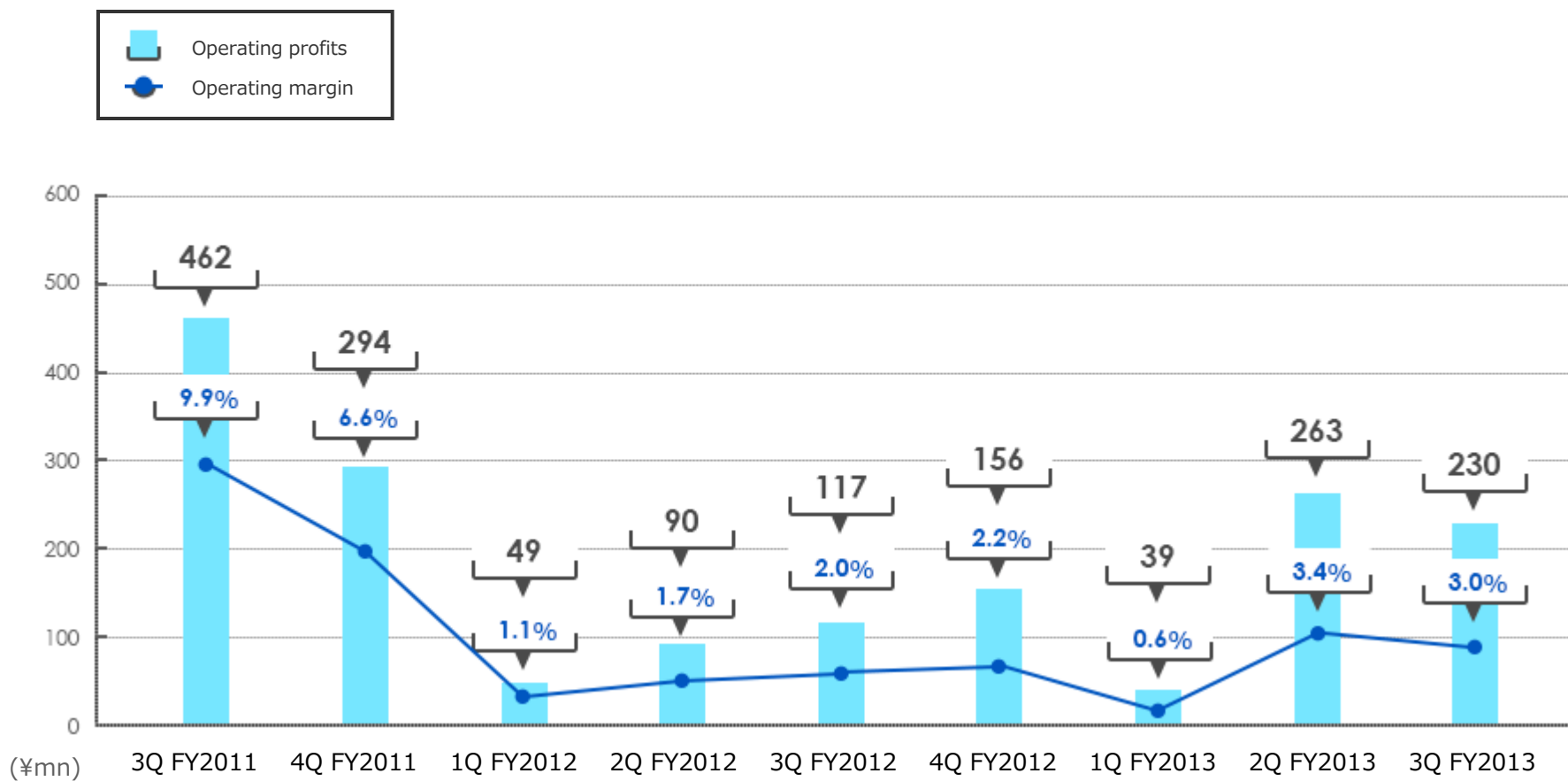
4. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



4. Supplementary Materials

Consolidated Operating Profits (Quarterly)



4. Supplementary Materials

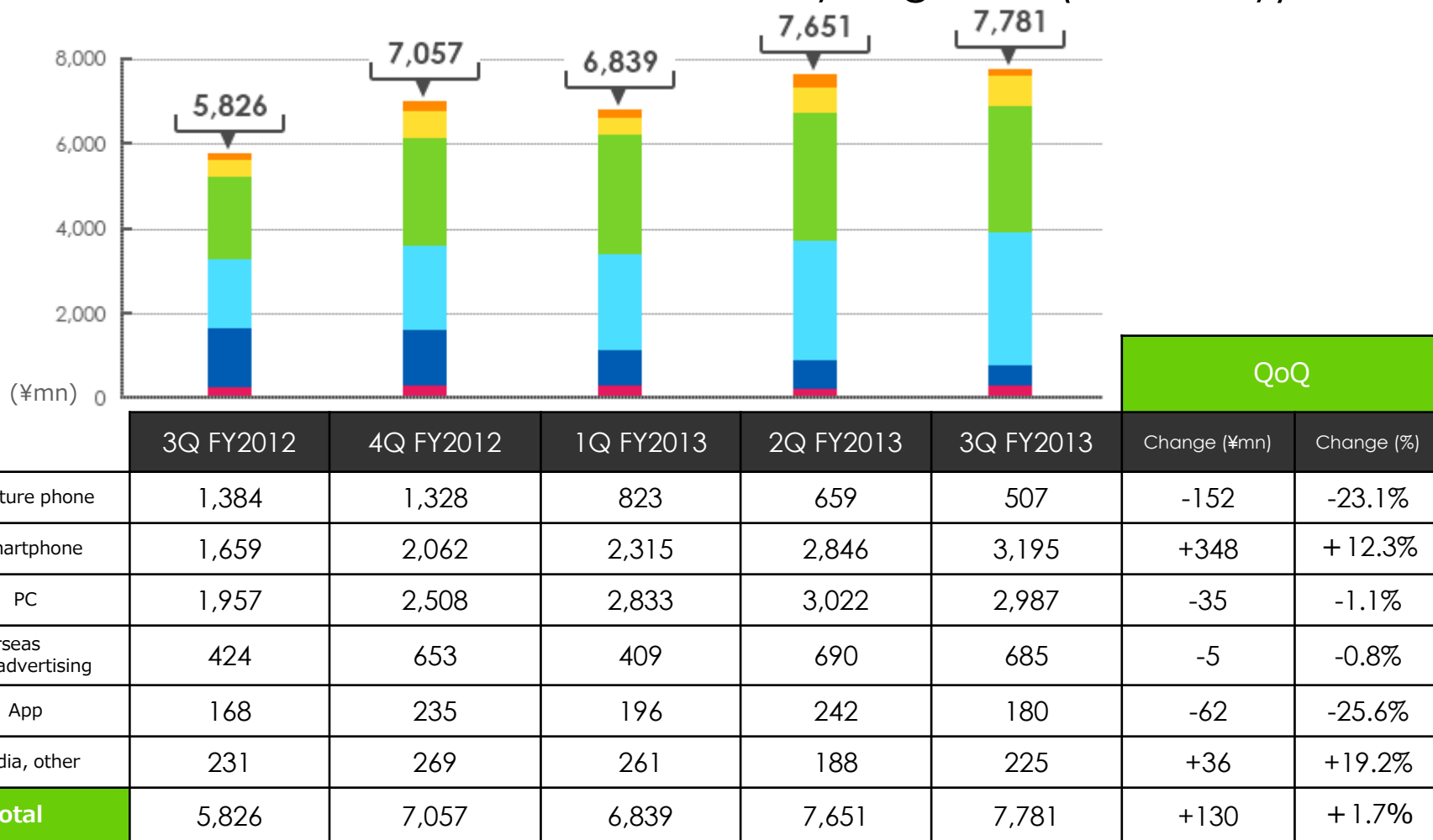
Consolidated Balance Sheet (QoQ)

(¥mn)

	3Q FY2013	2Q FY2013	Change (¥mn)	Change (%)
Current Assets	15,036	8,888	+6,148	+69.2%
(Cash and Deposits)	10,559	4,531	+6,027	+133.0%
Fixed Assets	1,336	1,249	+87	+7.0%
Total Assets	16,372	10,137	+6,235	+61.5%
Current Liabilities	4,857	4,856	+0	+0.0%
Fixed Liabilities	55	52	+2	+5.1%
Total Liabilities	4,912	4,909	+3	+0.1%
Net Assets	11,459	5,227	+6,231	+119.2%

4. Supplementary Materials

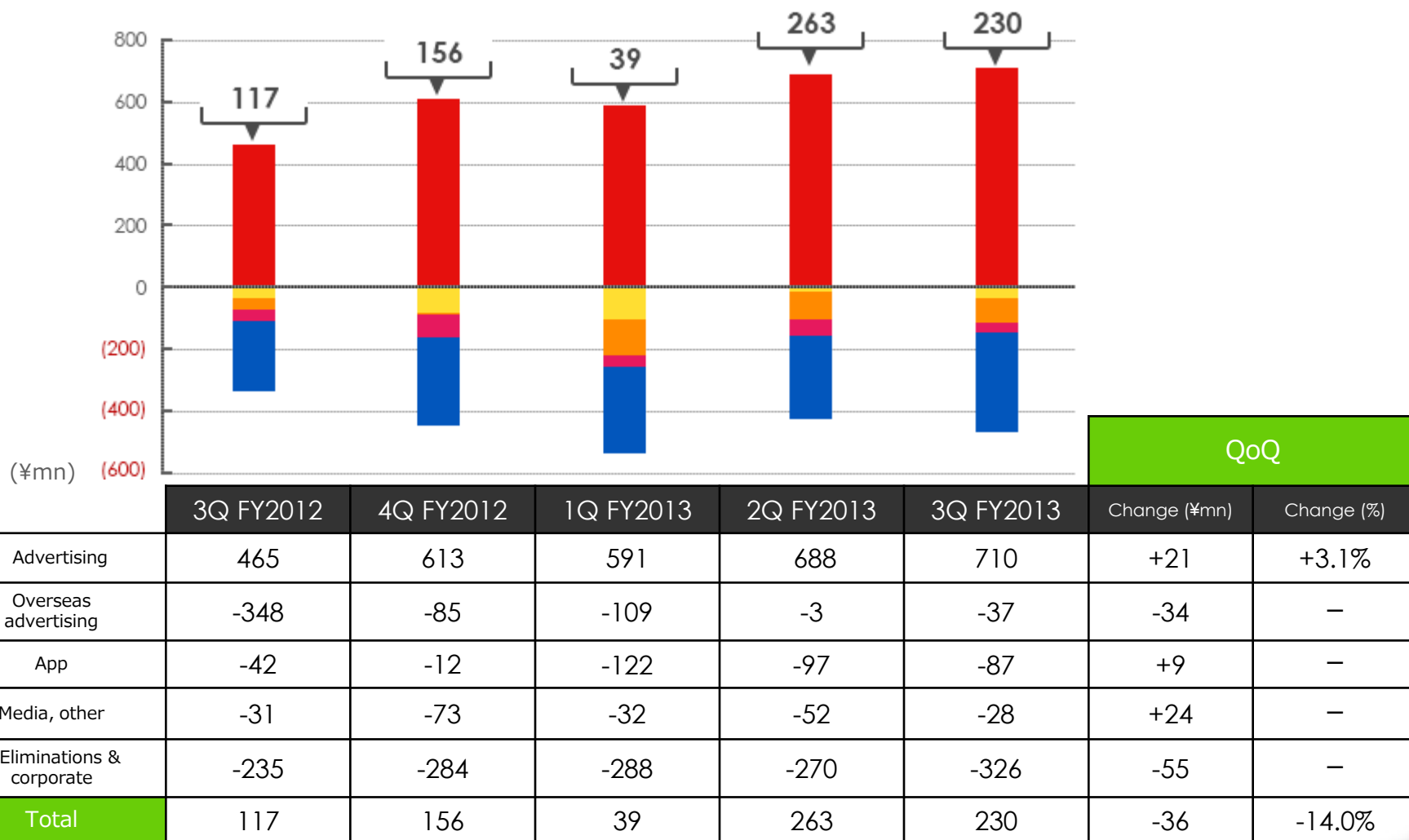
Breakdown of Consolidated Sales by Segment (Quarterly)



※“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 FY3/13.

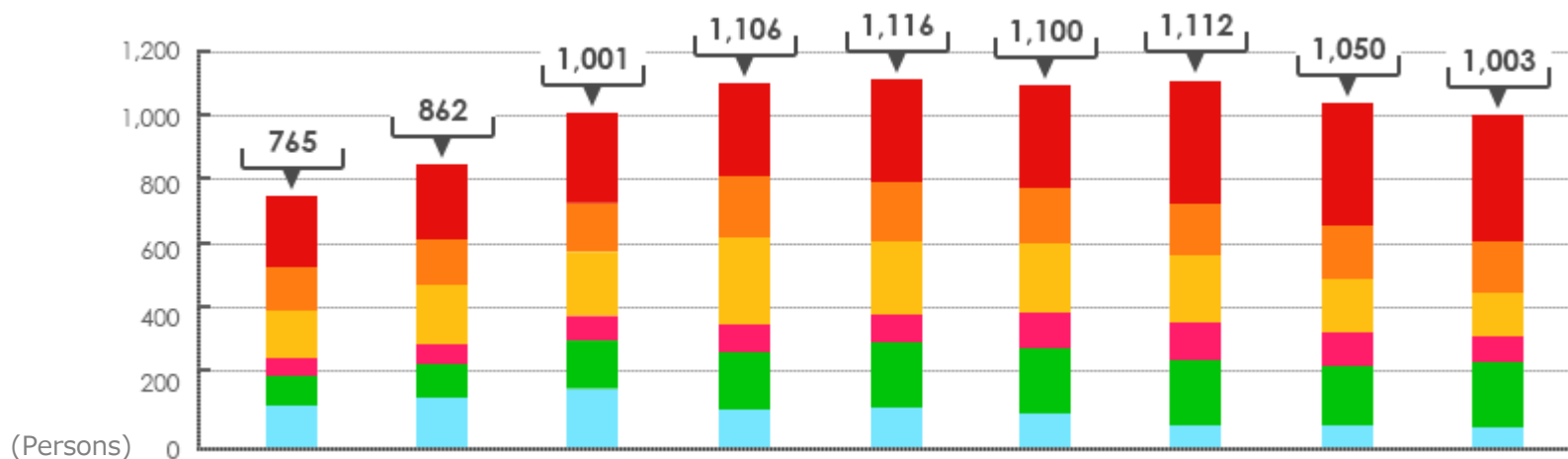
4. Supplementary Materials

Breakdown of Consolidated Operating Profits by Segment (Quarterly)



4. Supplementary Materials

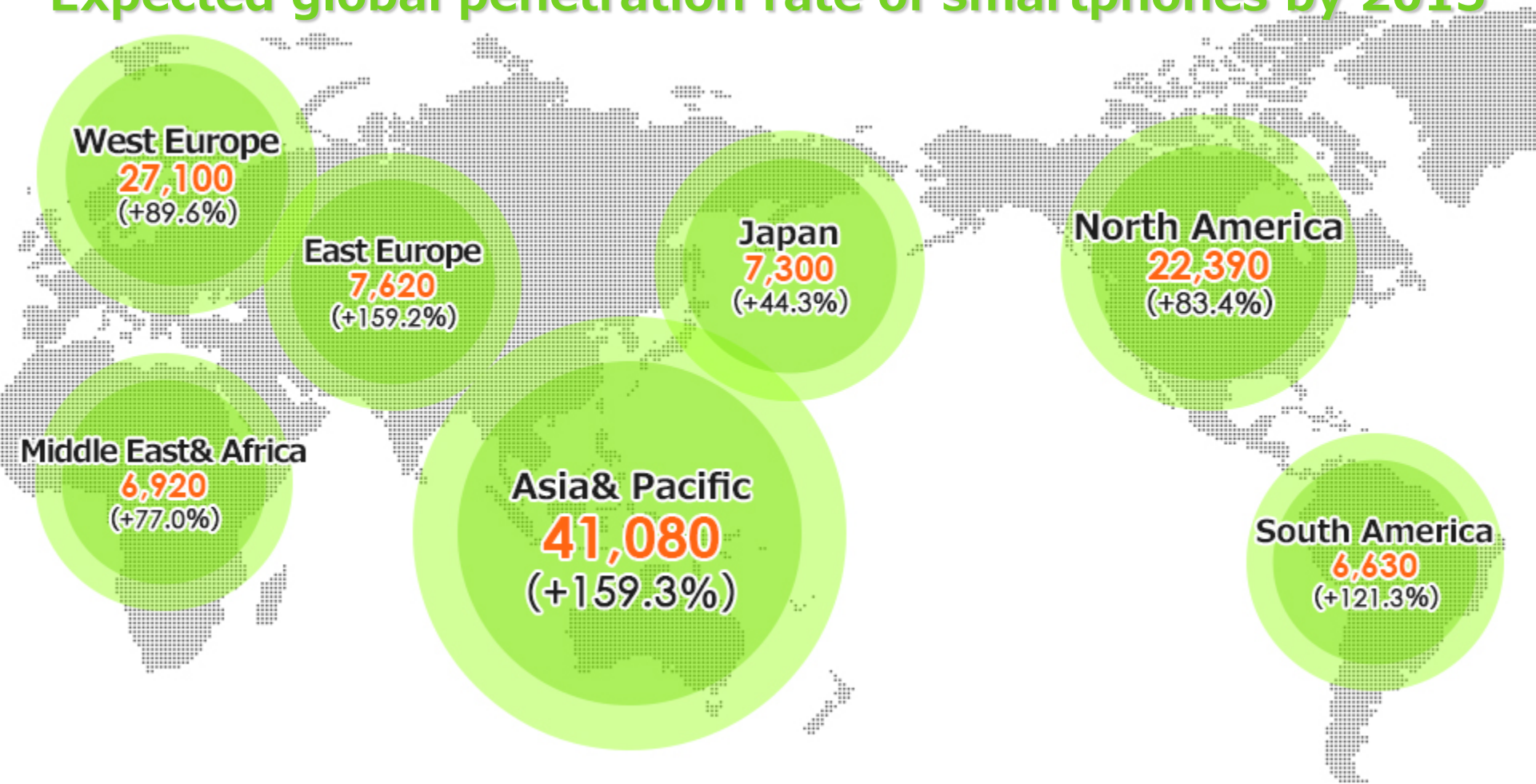
Group Employees (Quarterly)



	3Q FY2011	4Q FY2011	1Q FY2012	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	3Q FY2013
ADW Japan	213	231	272	282	305	309	368	374	377
ADW China	133	138	142	185	181	169	154	163	150
ADW Shanghai (R&D center)	139	174	189	256	219	210	206	159	132
Domestic subs	56	56	70	88	89	102	111	103	78
Overseas subs (ex. China)	84	100	149	171	190	195	192	184	201
Temps, part-timers	140	163	179	124	132	115	81	66	65
Total	765	862	1,001	1,106	1,116	1,100	1,112	1,049	1,003

4. Supplementary Materials

Expected global penetration rate of smartphones by 2015



Reference: eMarketer
Compared to 2011

(Ten thousand smartphones)

4. Supplementary Materials

Company Overview

Company name Adways Inc.

Founded February 28, 2001

Business overview Internet business

President & CEO Haruhisa Okamura

Capital ¥1,487mn (as of end-December 2013)

Net Sales ¥ 22,639mn (FY2012, Consolidated)

Employees 1,003 including temp workers (as of end-December, 2013)