

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

- 1 2Q FY2013 Performance ..... P.2
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# 2Q FY2013 Performance

# 1. 2Q FY2013 Performance: Cumulative

## Cumulative Quarterly Results (YoY)

(¥mn)

	2Q FY2013 (Cumulative)	2Q FY2012 (Cumulative)		
		Results	Change (¥mn)	Change (%)
Net Sales	14,490	9,755	+4,735	+48.5%
Gross Profit	2,566	1,751	+814	+46.5%
SG&A Expenses	2,263	1,612	+651	+40.4%
Operating Profit	303	139	+163	+116.8%
Recurring Profit	256	188	+67	+35.7%
Net Profit	243	61	+182	+296.2%

Net Sales

**Increased ¥4,735mn YoY (+48.5%)**

Net Profit

**Increased ¥182mn YoY (+296.2%)**

# 1. 2Q FY2013 Performance: Quarterly

## Quarterly Results (QoQ, YoY)

(¥mn)

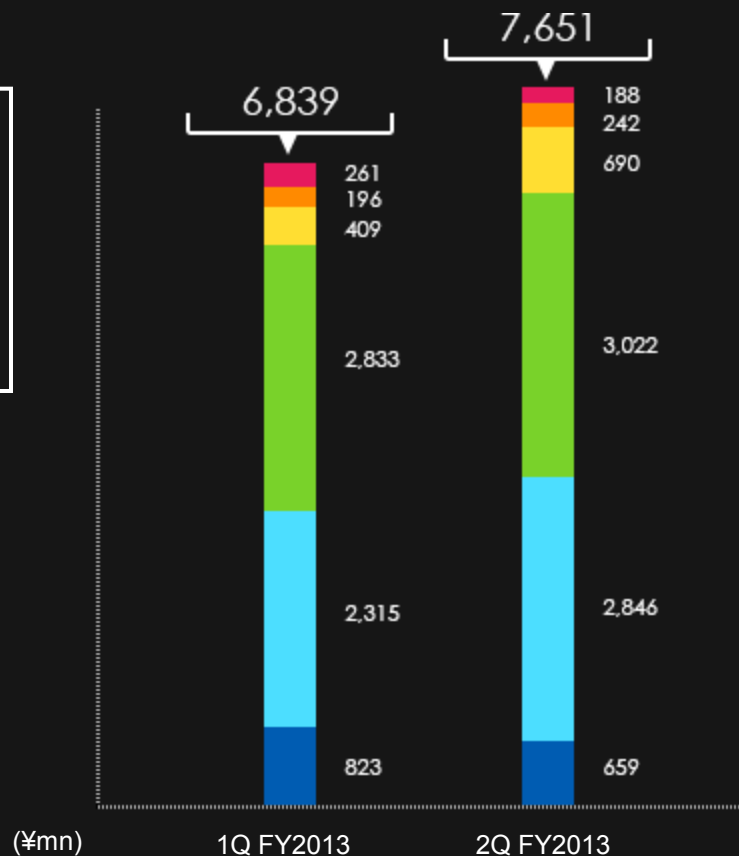
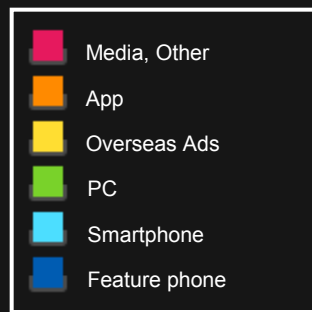
	2Q FY2013	QoQ 1Q FY2013			YoY 2Q FY2012		
		Results	Change (¥mn)	Change (%)	Results	Change (¥mn)	Change (%)
Net Sales	7,651	6,839	+812	11.9%	5,278	+2,372	+45.0%
Gross Profit	1,384	1,182	+202	17.1%	909	+474	+52.2%
SG&A Expenses	1,120	1,143	-22	-2.0%	818	+301	+36.9%
Operating Profit	263	39	+224	571.9%	90	+173	+190.6%
Recurring Profit	265	-8	+273	-	103	+161	+154.9%
Net Profit	261	-18	+280	-	41	+220	+533.5%

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

Operating Profit  
**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**

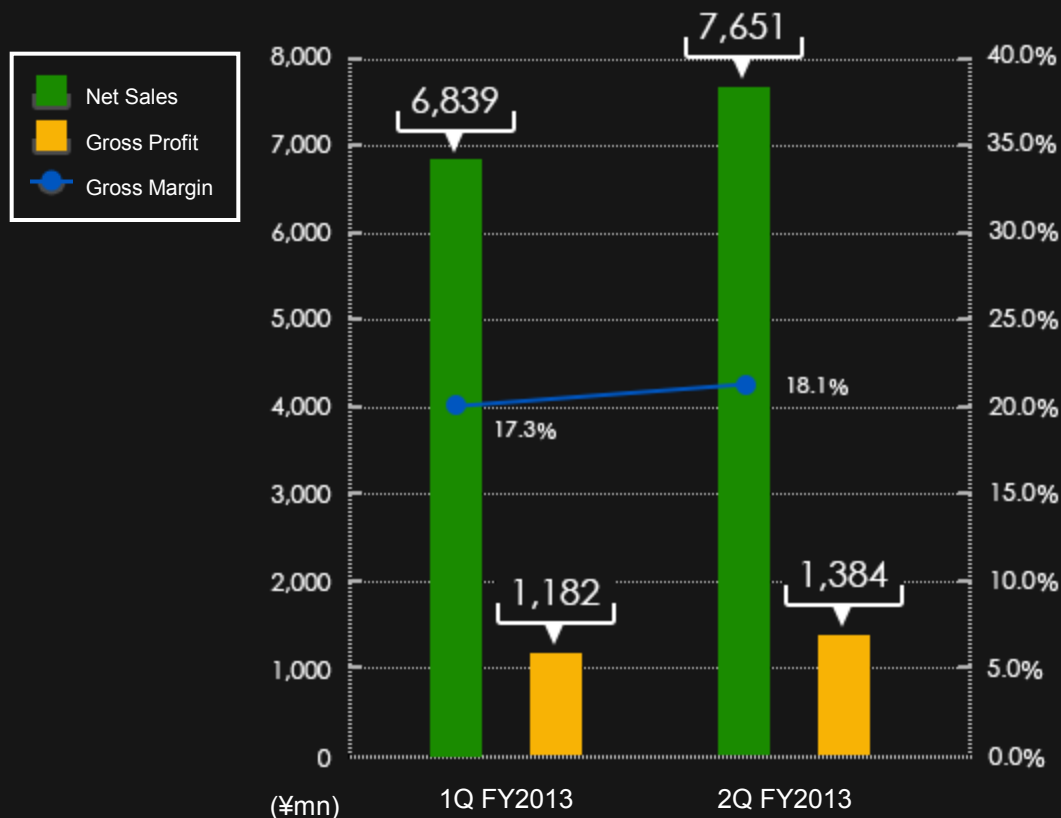
QoQ: **+¥281mn (+68.7%)**

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 Profit

## QoQ Change



**Gross Profit in 2Q: ¥1,384mn**

QoQ : +¥202mn (+17.1%)

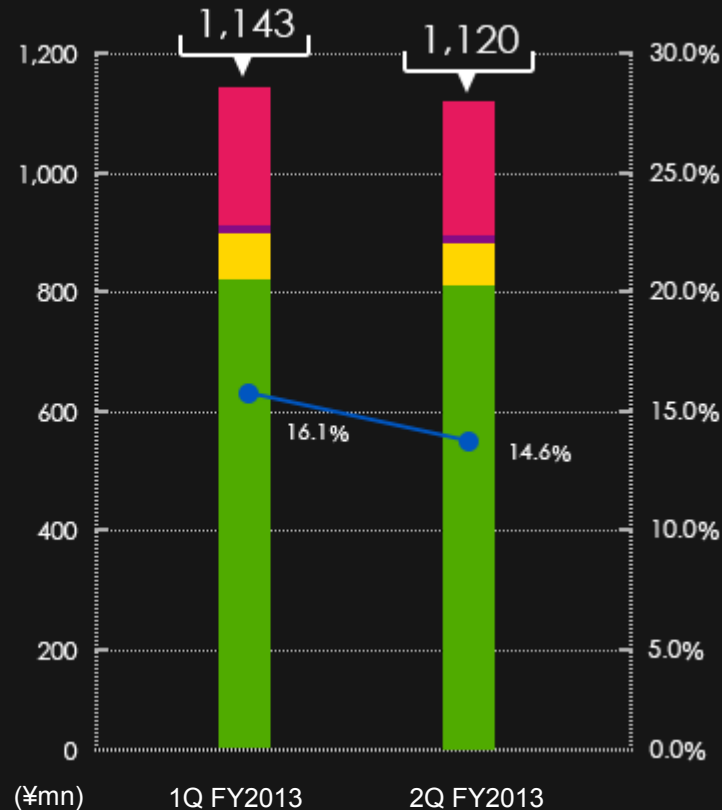
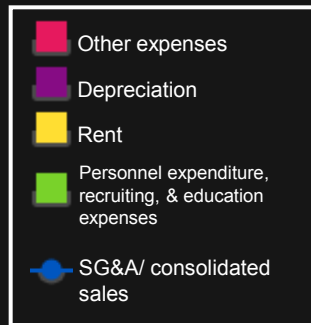
Gross Margin : +0.8ppt

Gross margin rose in line with net sales growth as Domestic and Overseas Advertising increased.



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

## QoQ Change



**2Q SG&A Expenses : ¥1,120mn**

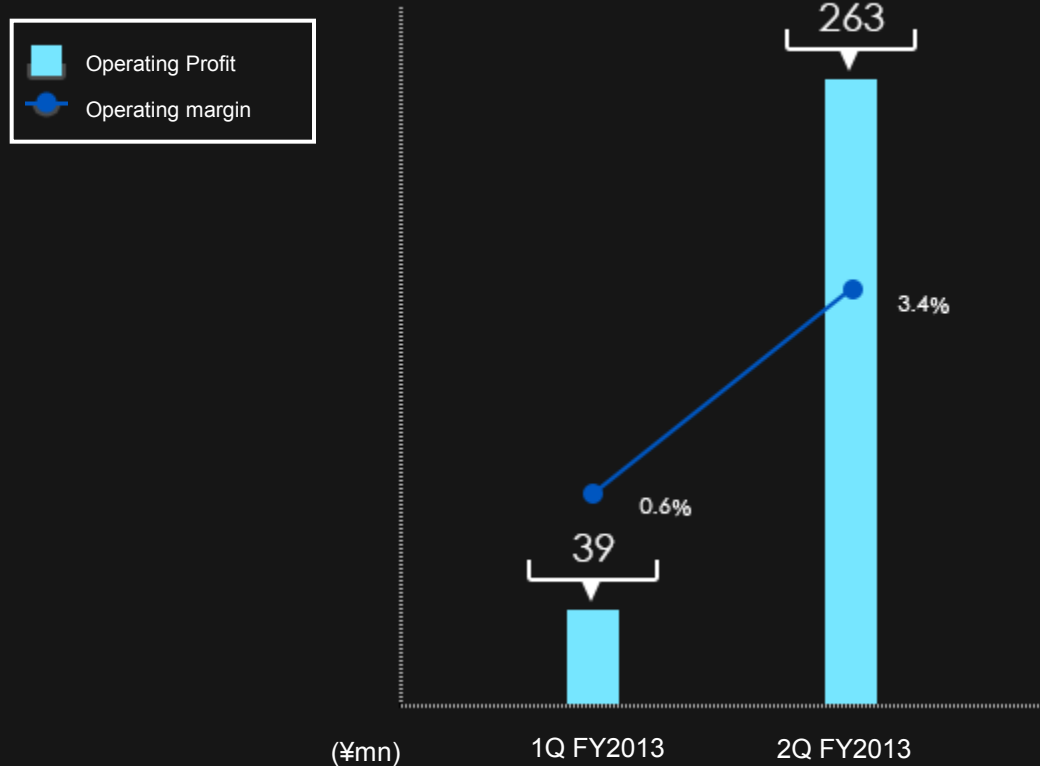
QoQ: -¥22mn (-2.0%)

SG&A to sales ratio: -1.5ppt

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

# 1. 2Q FY2013 Performance: Operating Profit

## QoQ Change



**Operating Profit : ¥263mn**

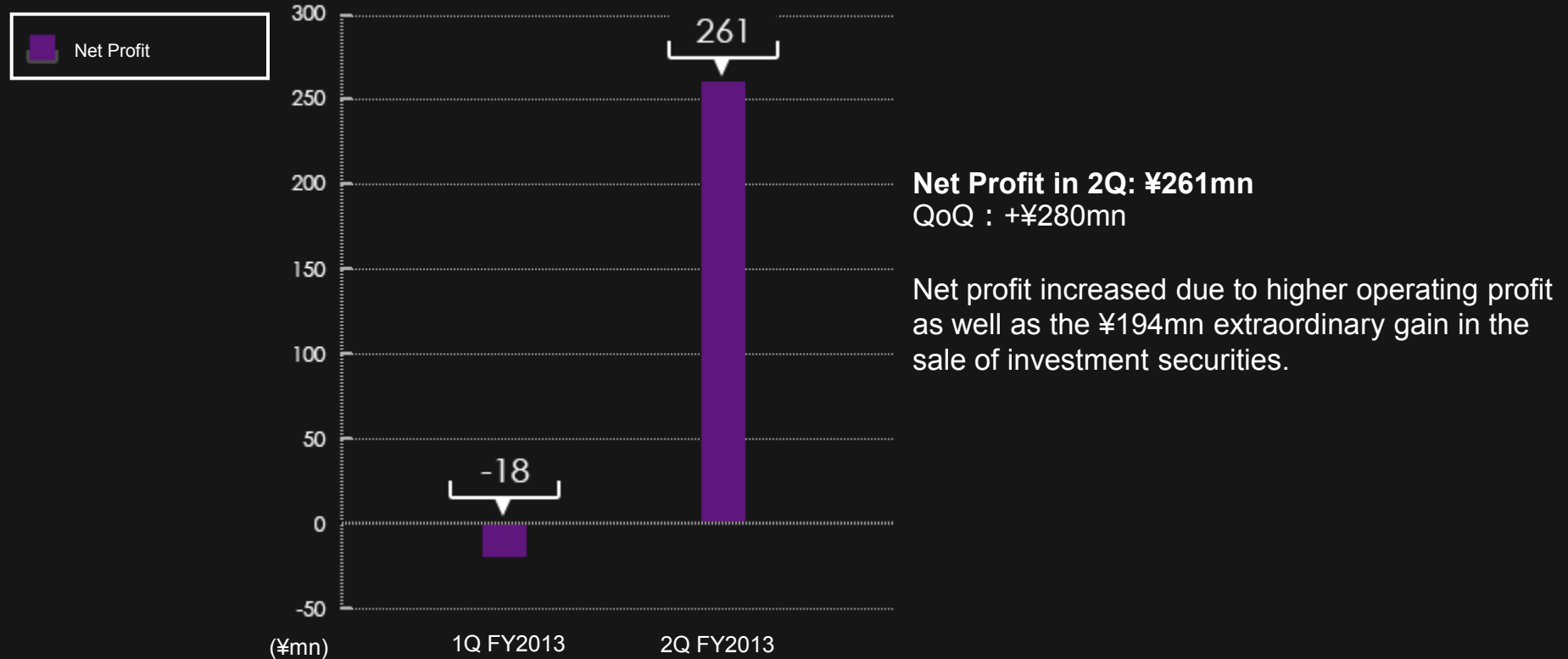
QoQ: +¥224mn (+571.9%)

Operating margin : +2.8ppt

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

# 1. 2Q FY2013 Performance: Net Profit

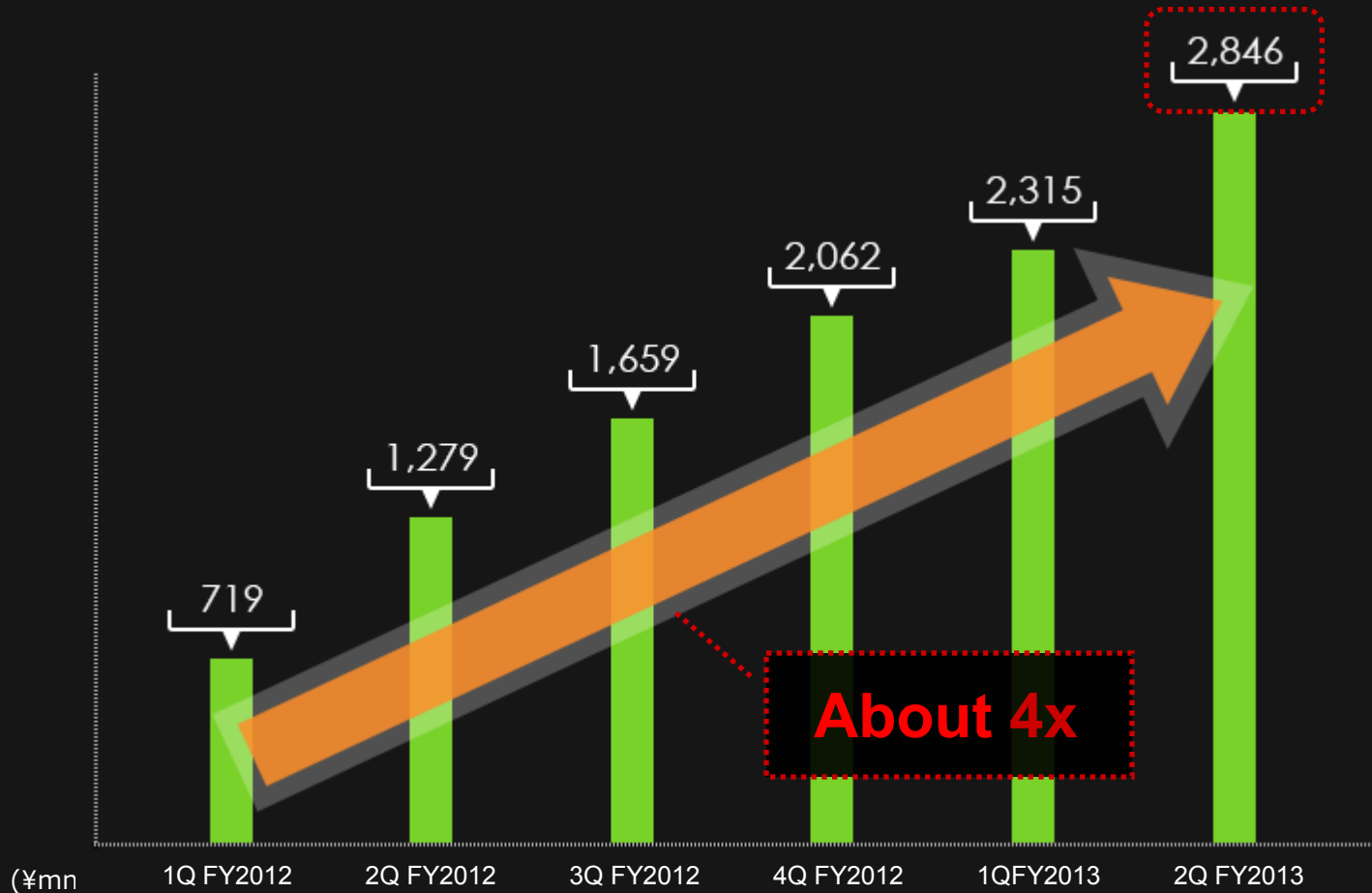
## QoQ Change



## 2 Business Overview

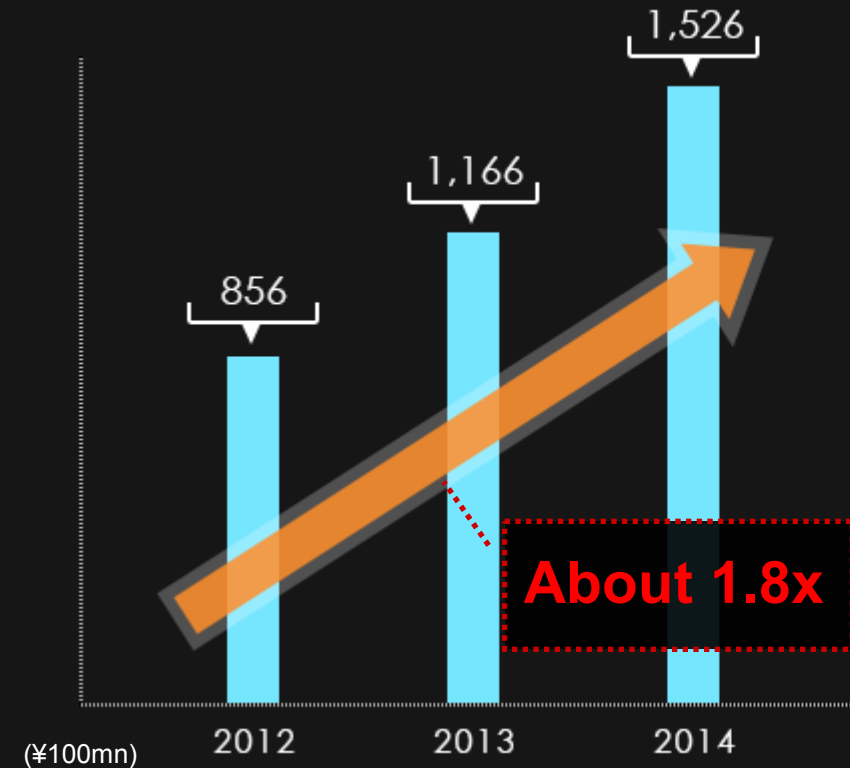
## 2. Business Overview: Domestic Advertising Business

Sales Up 4x YoY in Adways' Smartphone Advertising Business

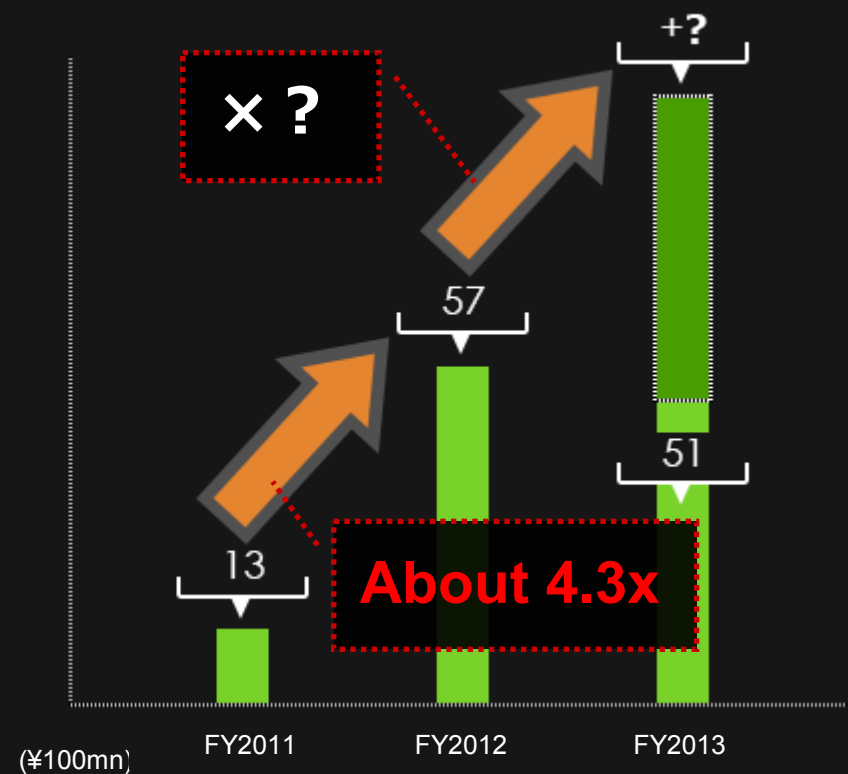


## 2. Business Overview: Domestic Advertising Business

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.
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
95	D3PUBLISHER INC.
96	sanyohanbai co.,ltd
97	Something Big
98	Net Dreamers Co.,LTD.
99	Amatz Inc.
100	3rdKind Inc.



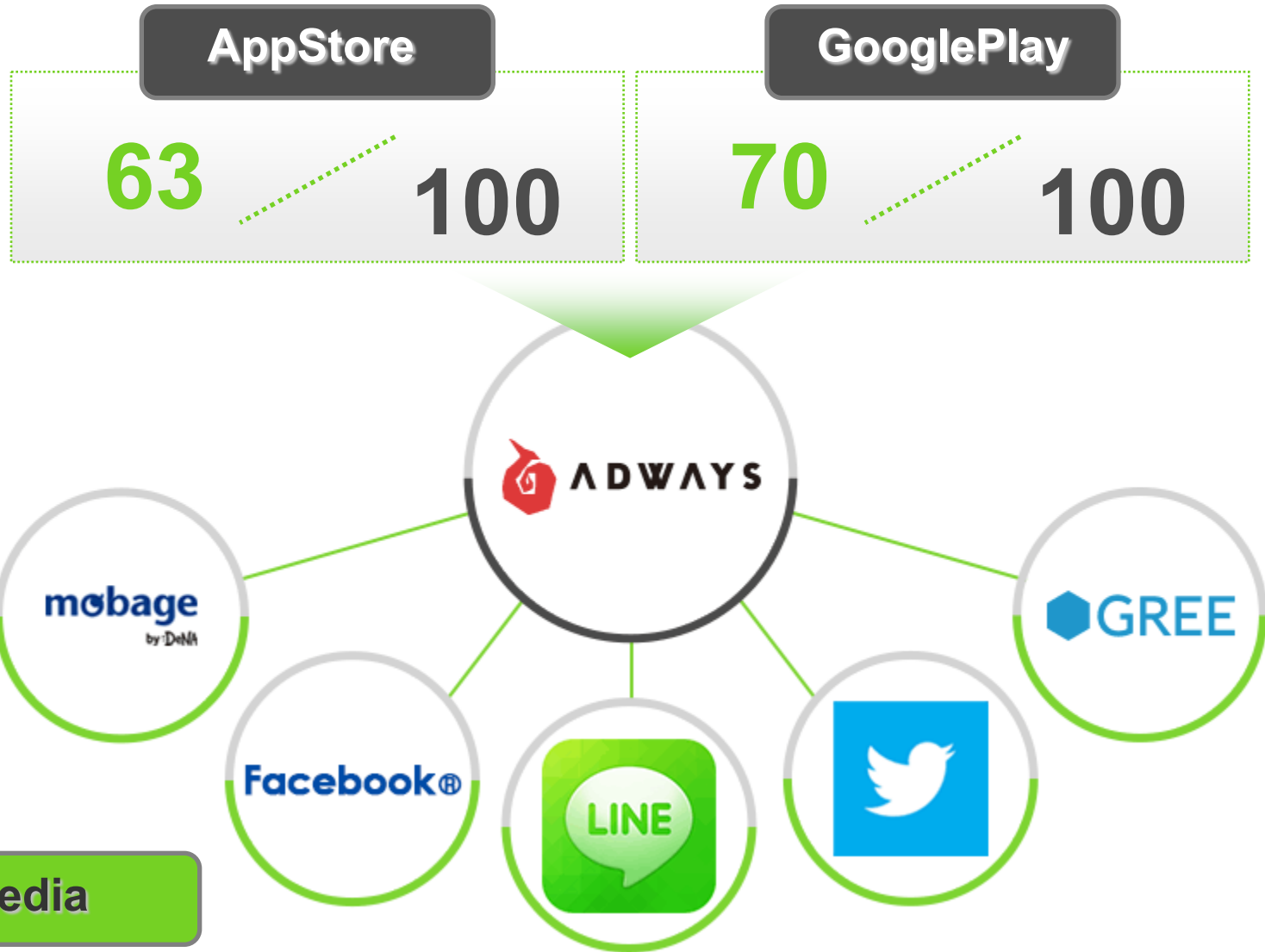
ADWAYS

70

100



## 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)



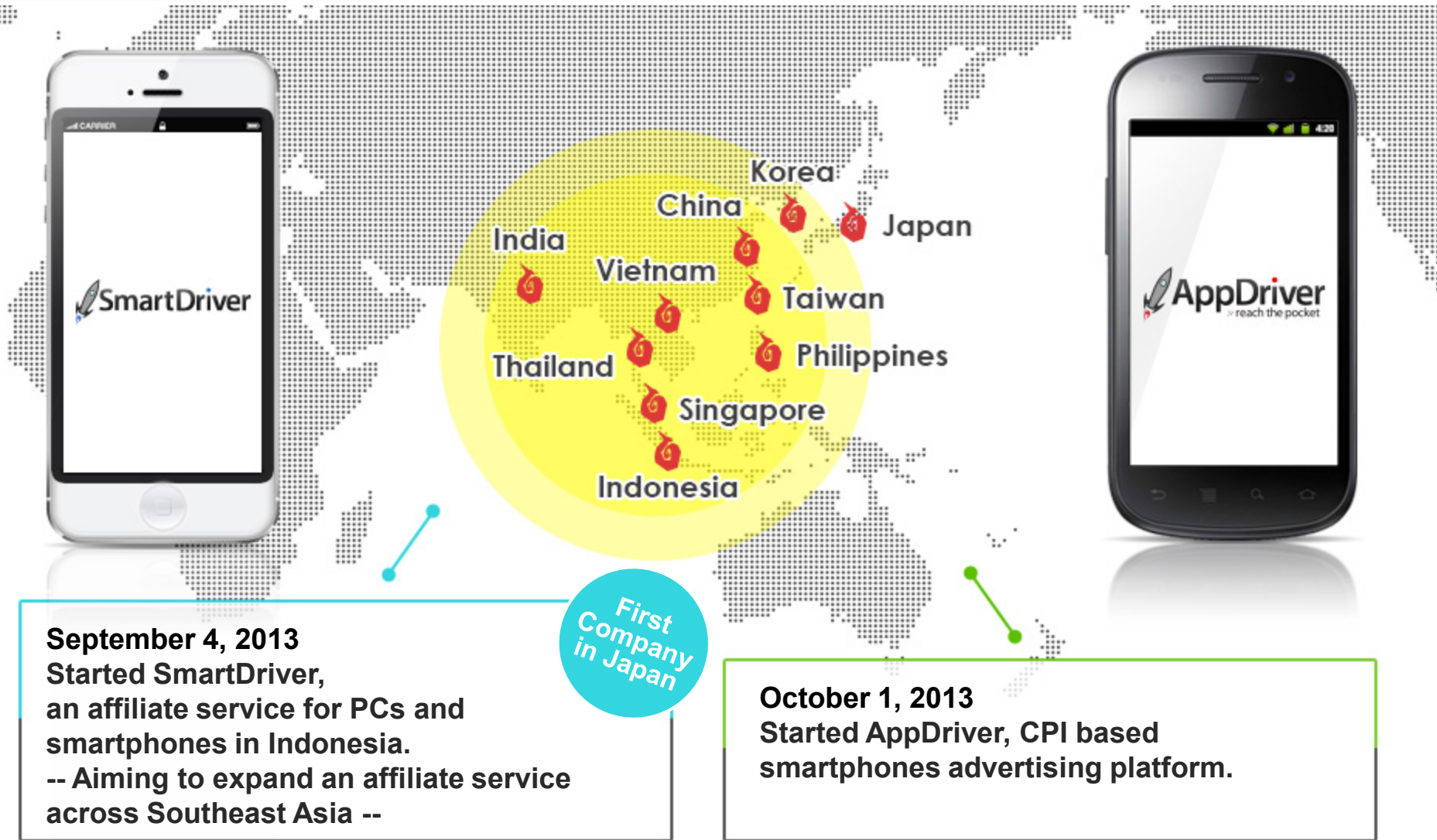
**Ameba**

**Over 30mn**  
members

(As of June 2013)

**Total: About 1.75 bn**

## 2. Business Overview: Overseas Business



## 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.

## 2. Business Overview: Future Initiatives

Invest



**Commercialize**



Monetize



# 3 FY2013 Guidance

# 3. FY2013 Guidance (Revised)

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

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit
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.

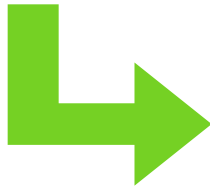
- ◆ Factor 1 : Domestic advertising business performed strongly
- ◆ Factor 2 : Sold investment securities



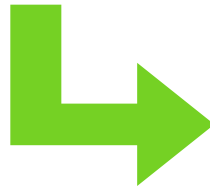
# 3. Issuing warrants

Ninth warrant (private placement)

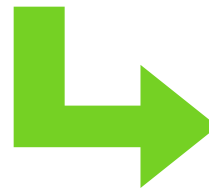
Cash & Deposits at End-Sep 2013  
**¥4.5bn**



Fund-raise by the 9<sup>th</sup> share  
acquisition rights  
**+ over ¥6bn**



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



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

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

# 3. Stock Split and Unit Share System

## Stock split and unit share system

Shares Outstanding  
Before Split  
**81,100**



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

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

Market cap  
**¥32.8bn**  
(9/25/2013)

Shares Outstanding After Split  
**40,550,000**

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

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

Market cap  
**¥72.6bn**  
(10/30/2013)

※ Volume calculated with shares outstanding before split.

# Thank you very much for attending our presentation today.

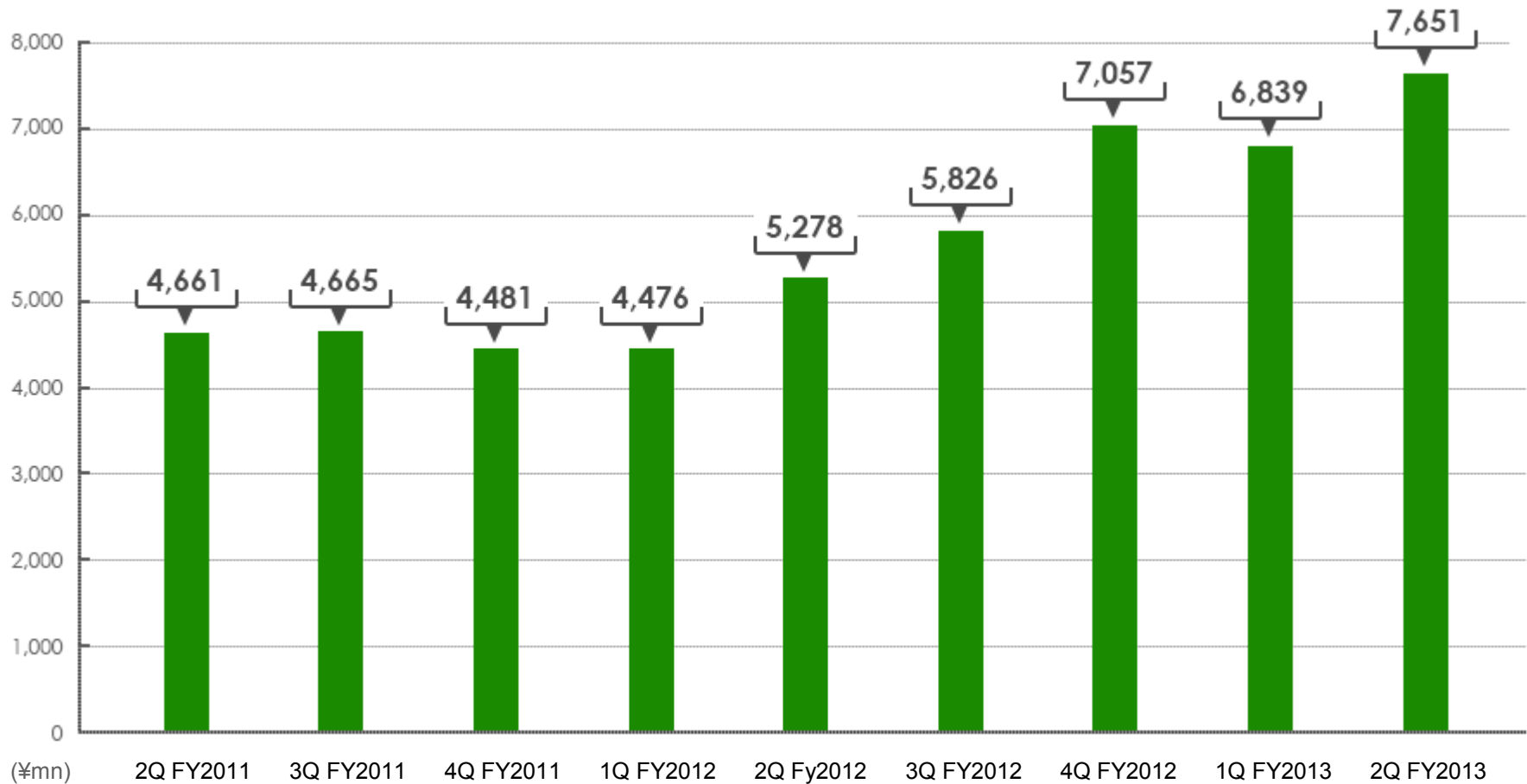
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Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook and estimates related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. 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 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

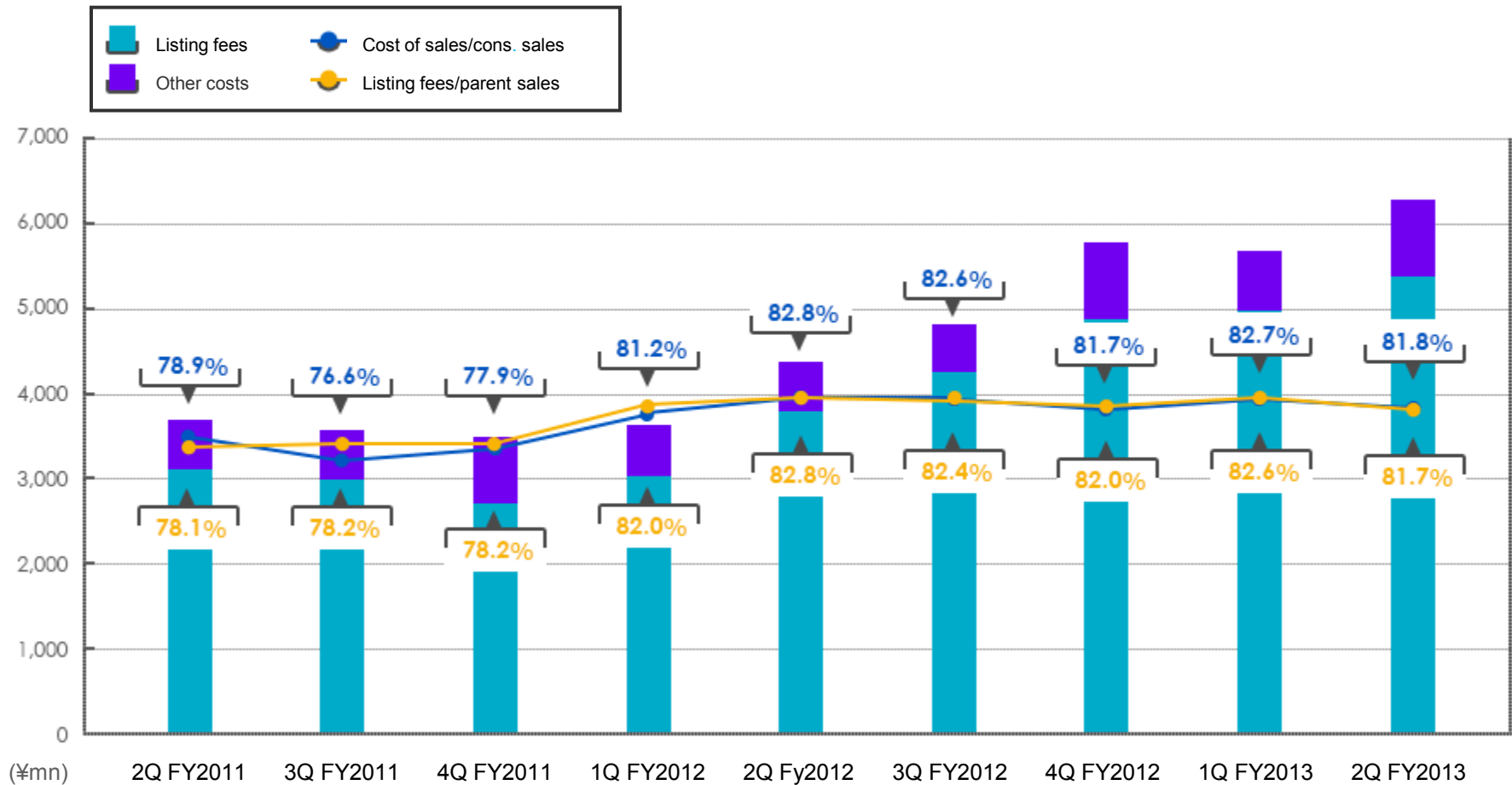
# 5. Supplementary materials

## Consolidated sales (Quarterly)



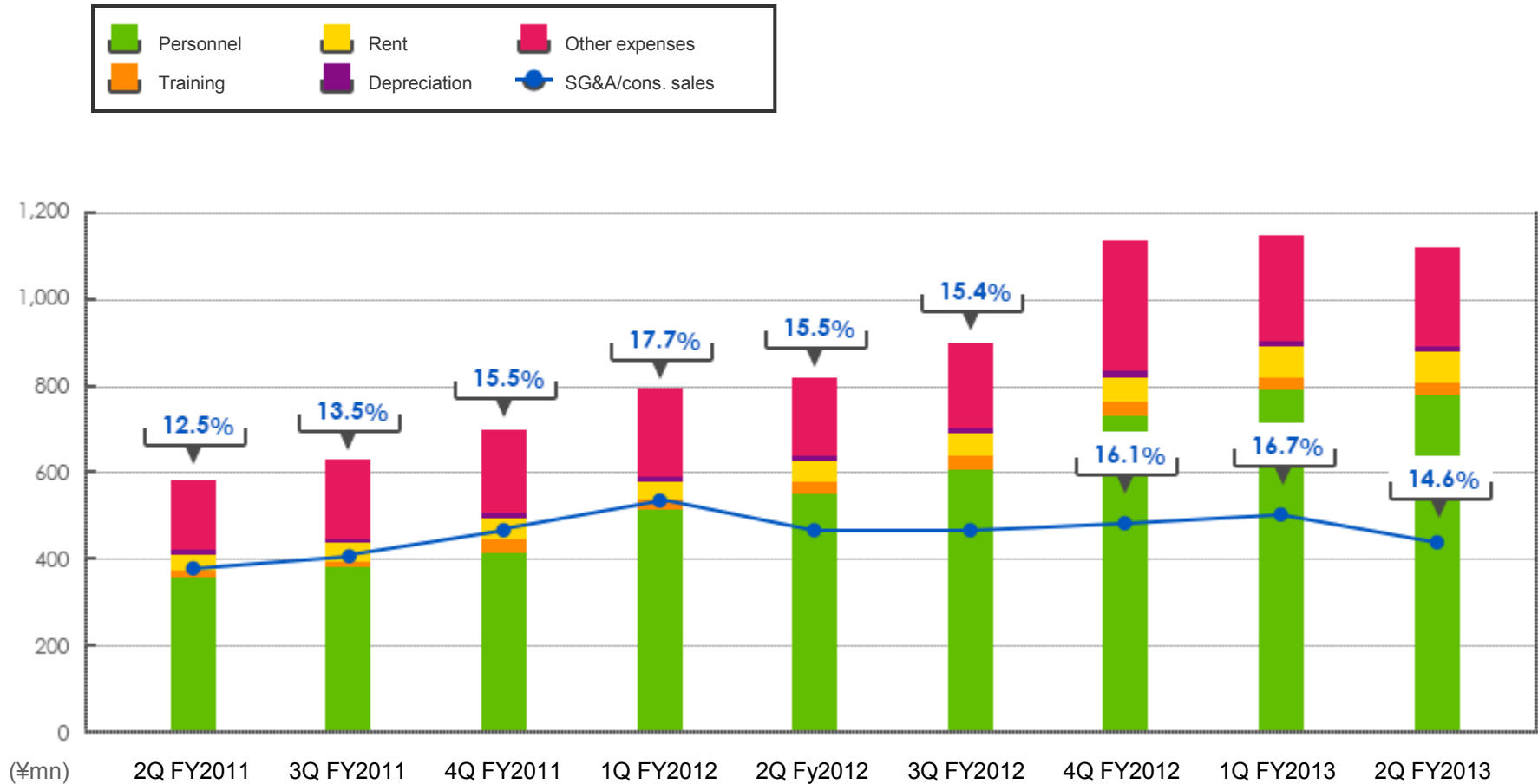
# 5. Supplementary materials

## Consolidated Cost of Sales (Quarterly)



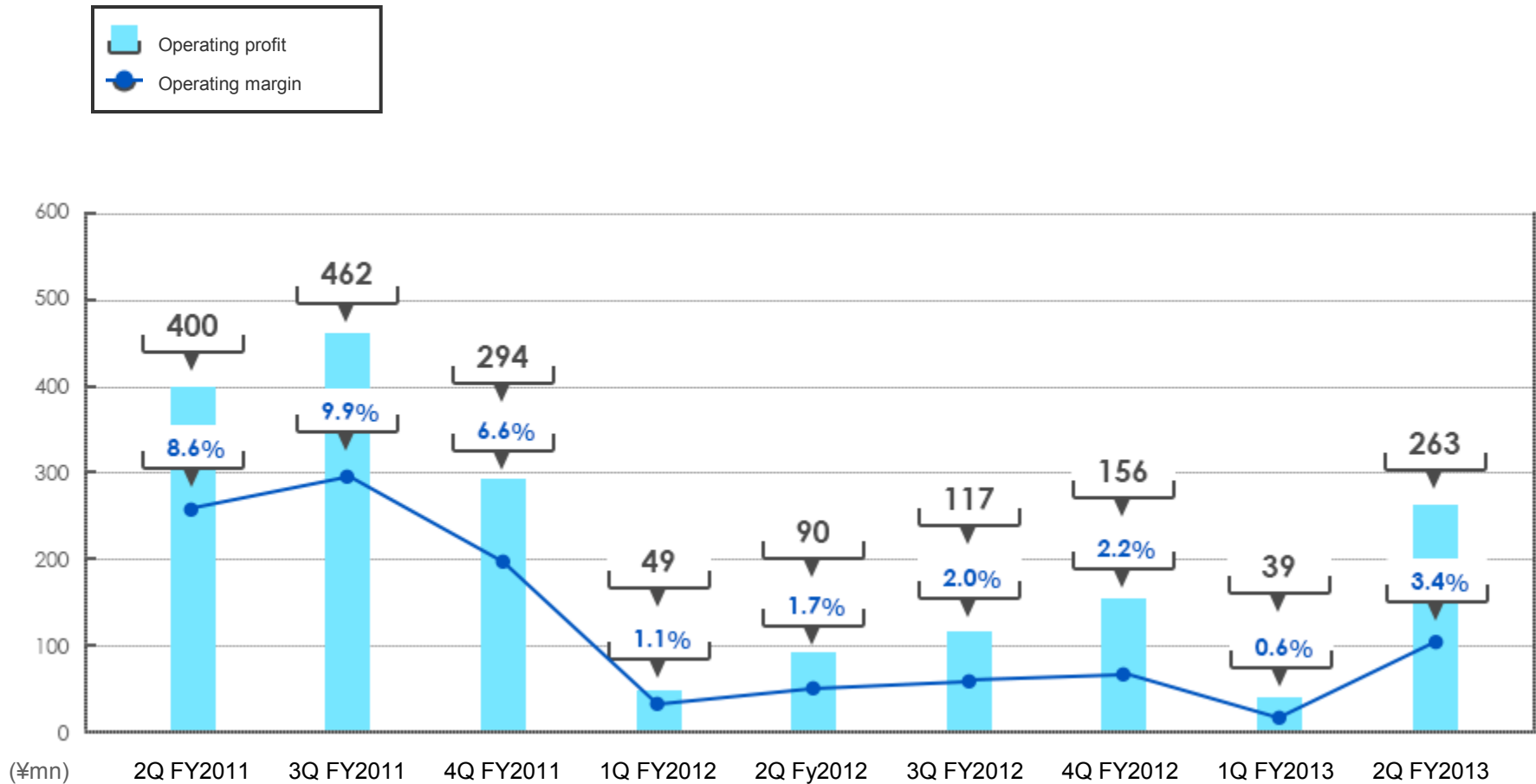
# 5. Supplementary materials

## Consolidated SG&A Expenses (Quarterly)



# 5. Supplementary materials

## Consolidated Operating Profit (Quarterly)





# 5. Supplementary materials

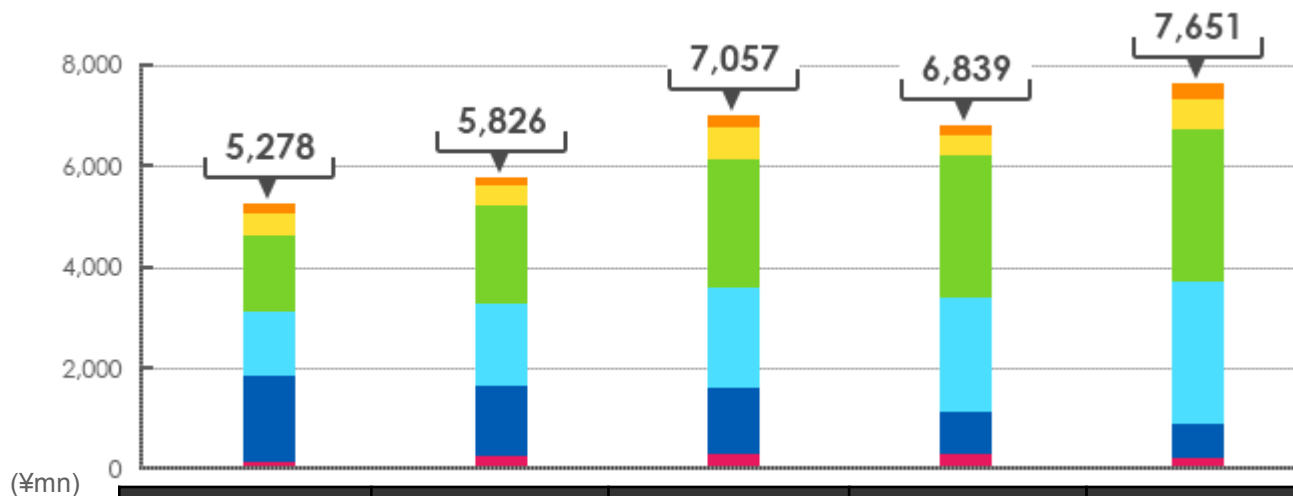
## Consolidated Balance Sheet (QoQ)

(¥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)

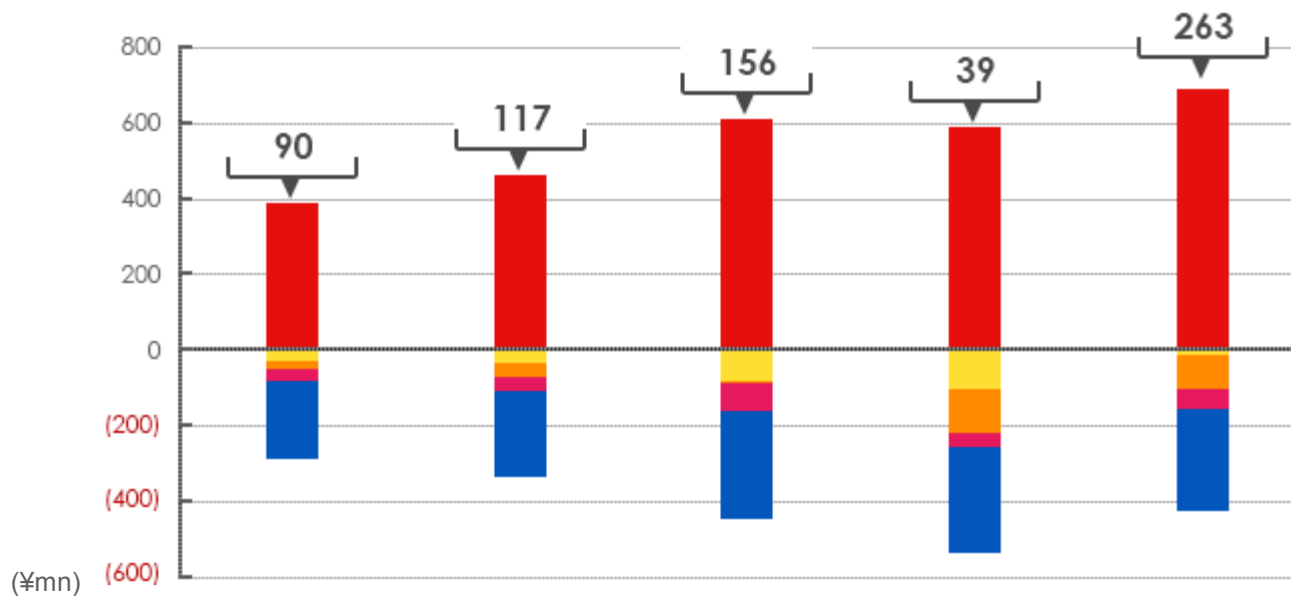







	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	QoQ	
						Change (¥mn)	Change (%)
Feature phone	1,694	1,384	1,328	823	659	-163	-19.9%
Smartphone	1,279	1,659	2,062	2,315	2,846	+531	23.0%
PC	1,562	1,957	2,508	2,833	3,022	+189	6.7%
Overseas Ads	430	424	653	409	690	+281	68.7%
App	185	168	235	196	242	+46	23.4%
Media, Other	126	231	269	261	188	-72	-27.7%
<b>Total</b>	<b>5,278</b>	<b>5,826</b>	<b>7,057</b>	<b>6,839</b>	<b>7,651</b>	<b>+812</b>	<b>11.9%</b>

※"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

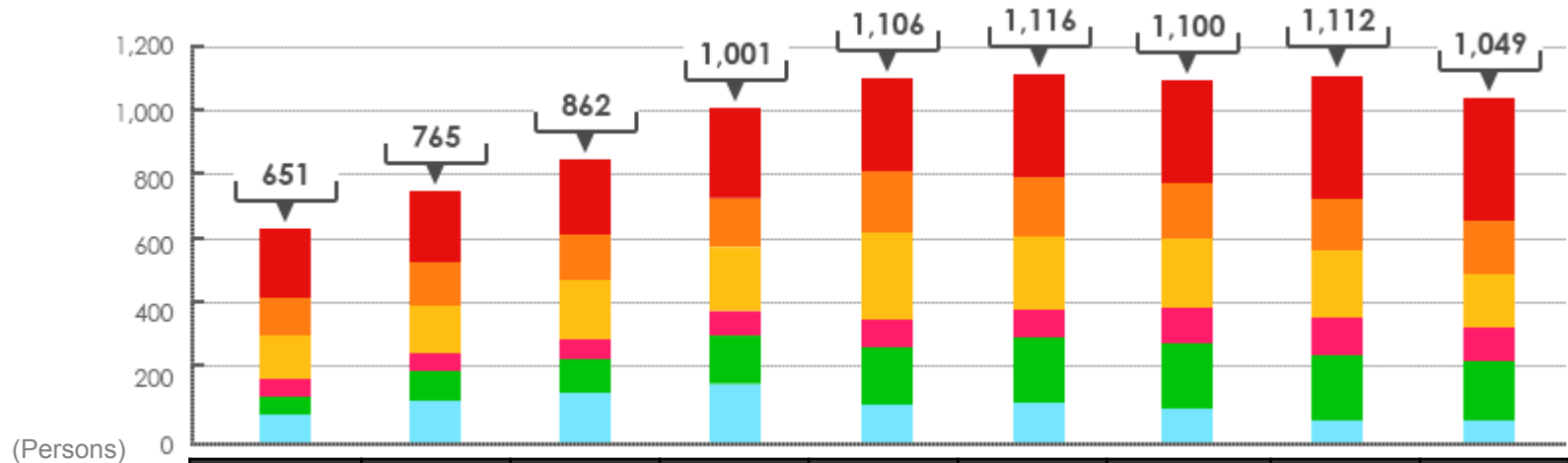
## Breakdown of Consolidated Operating Profit by Segment (Quarterly)



						QoQ	
						Change (¥mn)	Change (%)
 Advertising	2Q FY2012	3Q FY2012	4Q FY2012	1Q FY2013	2Q FY2013	+96	+16.4%
 Overseas Advertising	-34	-348	-85	-109	-3	+106	—
 App	-25	-42	-12	-122	-97	+24	—
 Media, Other	-31	-31	-73	-32	-52	-20	—
 Eliminations & corporate	-204	-235	-284	-288	-270	+17	—
<b>Total</b>	<b>90</b>	<b>117</b>	<b>156</b>	<b>39</b>	<b>263</b>	<b>+224</b>	<b>574.0%</b>

# 5. Supplementary materials

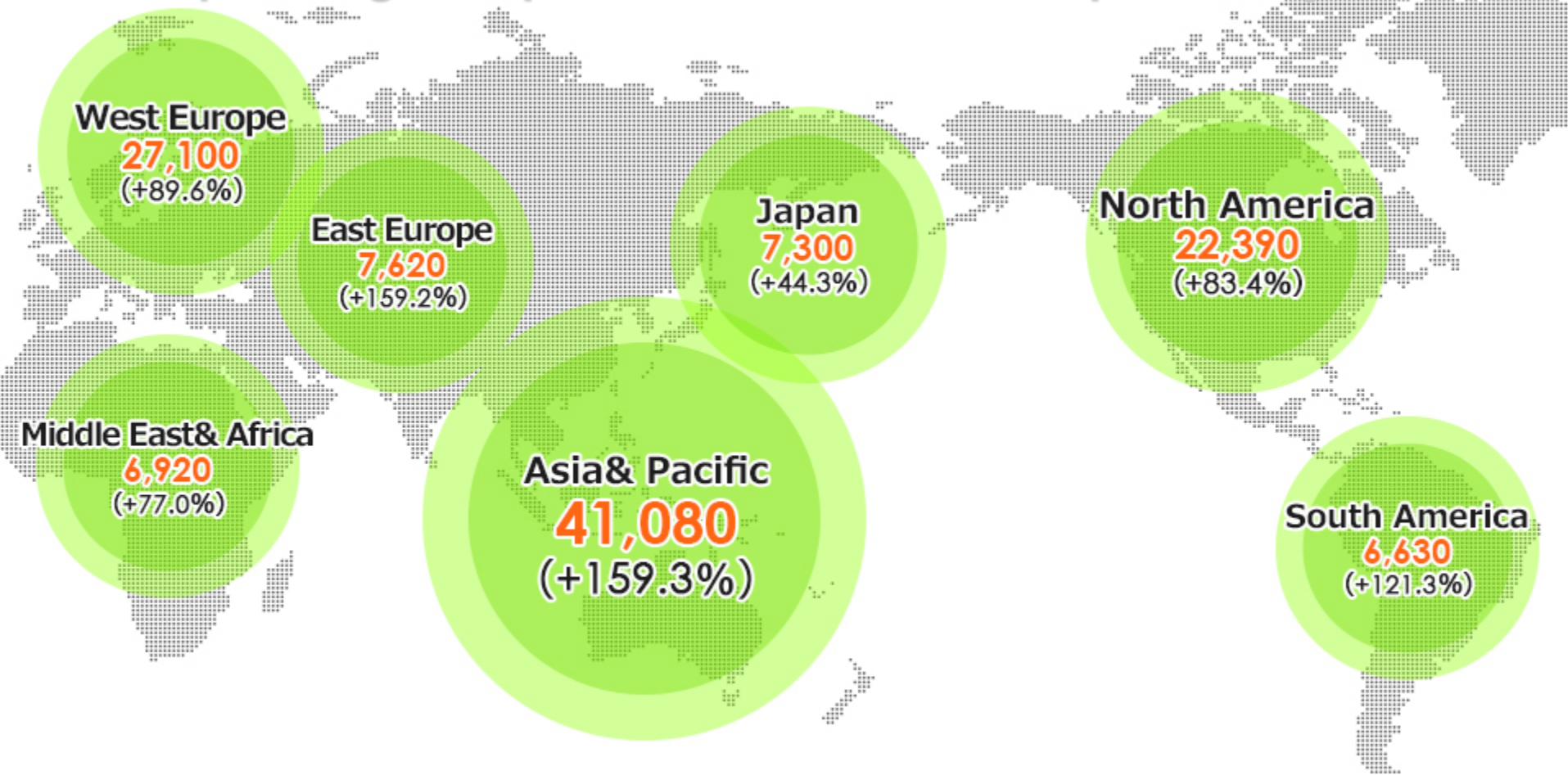
Group Employees (Quarterly)



	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
<b>Total</b>	<b>651</b>	<b>765</b>	<b>862</b>	<b>1,001</b>	<b>1,106</b>	<b>1,116</b>	<b>1,100</b>	<b>1,112</b>	<b>1,049</b>

# 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