



# ADVANCEWAYS

May 2015  
Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489  
Financial Results Presentation for 4Q FY2014

May 14, 2015  
President and CEO, Haruhisa Okamura



# Topics

1. Full Year FY2014 Performance	●.....●	P.2
2. 4Q FY2014 Performance	●.....●	P.12
3. Business Overview	●.....●	P.19
4. Future Strategy	●.....●	P.24
5. Supplementary Materials	●.....●	P.29





# 1. Full Year FY2014 Performance



# 1. Full Year FY2014 Performance

## Full Year FY2014 Guidance and Results

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit
Previous Guidance	35,500	1,000	1,100	600
Results	35,890	1,057	1,197	686
Progress *	101.1%	105.7%	108.8%	114.4%

\* Figures below second decimal place rounded off.

# 1. Full Year FY2014 Performance

## Dividends

---

Final dividend to be ¥3.36 per share.

Ordinary dividend ¥2.35

Commemorative dividend ¥1.01

Due to a return to profitability in overseas advertising,  
a commemorative dividend of 6% has been added,  
raising the dividend payout ratio from 14% to **20%**.

\*Adways adopts the unit share system of 100 shares as one unit.

\*The adoption and implementation is subject to resolution at the general shareholders' meeting for FY2014.

# 1. Full Year FY2014 Performance

## Cumulative Quarterly Results (YoY)

	FY2014 (Cumulative)	YoY FY2013 (Cumulative)		
		Result	Change (¥mn)	Change (%)
Net Sales	35,890	31,521	+4,369	+13.9%
Gross Profit	6,891	5,603	+1,288	+23.0%
SG&A Expenses	5,834	4,755	+1,078	+22.7%
Operating Profit	1,057	847	+209	+24.7%
Recurring Profit	1,197	840	+356	+42.4%
Net Profit	686	551	+134	+24.4%

(¥mn)

### Net Sales

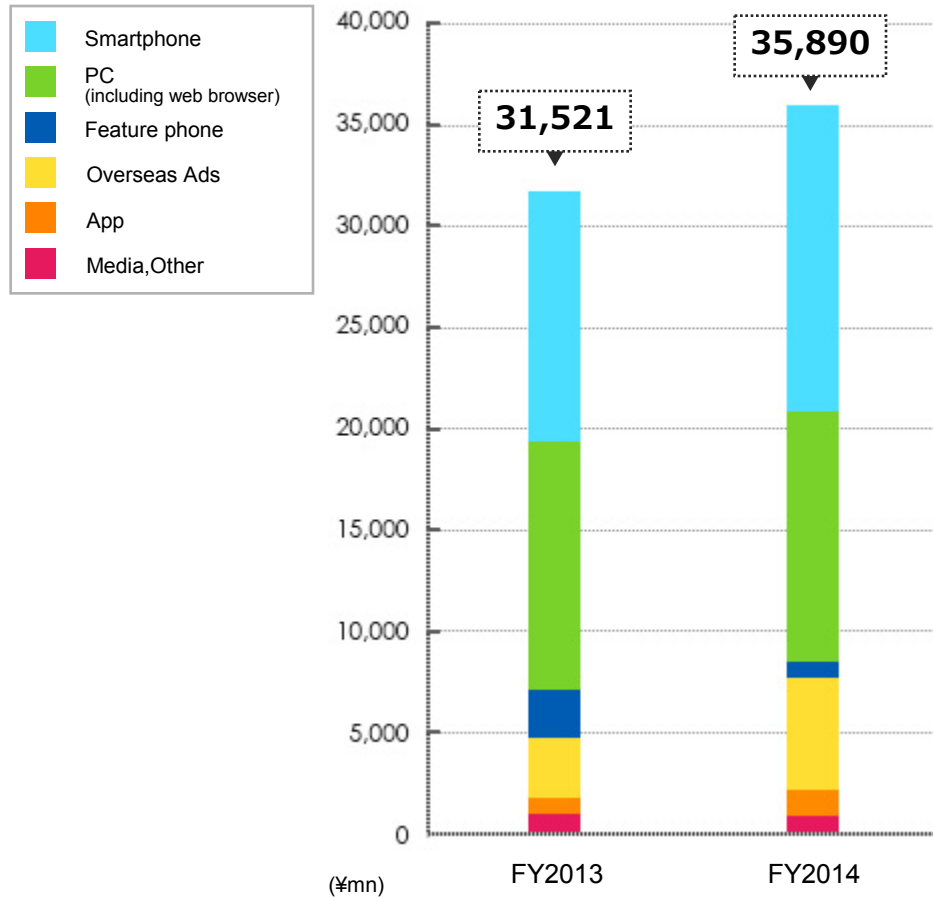
Increased      ¥4,369mn YoY      (+13.9%)

### Operating Profit

Increased      ¥209mn YoY      (+24.7%)

# 1. Full Year FY2014 Performance: Net Sales

## YoY Change



### Domestic Advertising **¥28,308mn**

YoY : +¥1,379mn (+5.1%)

Smartphone : ¥15,163mn

YoY : +¥2,923mn (+23.9%)

-despite being impacted by a temporary decline,  
we achieved steady growth over the course of the year

PC (including web browser) : ¥12,365mn

YoY : +¥64mn (+0.5%)

-despite seasonal declines, results remained  
mostly unchanged from the preceding year

Feature phone : ¥779mn

YoY : -¥1,608mn (-67.4%)

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

### Overseas Advertising **¥5,573mn**

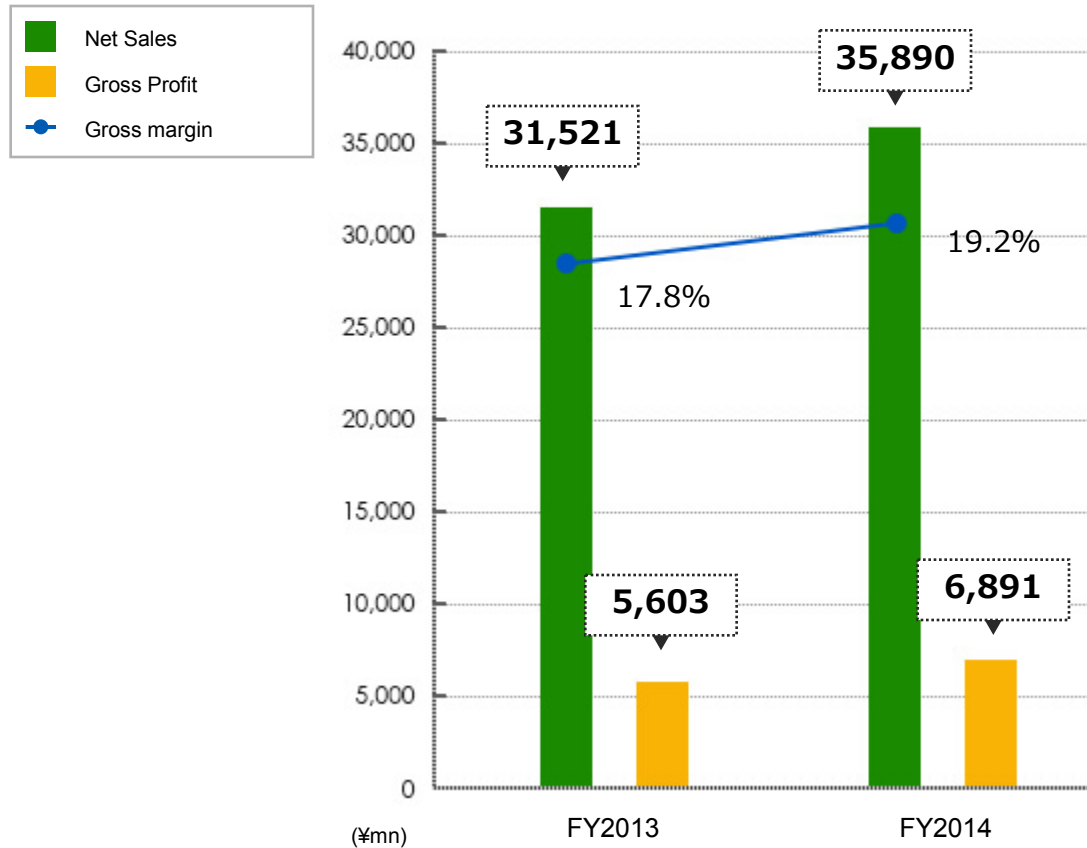
YoY : +¥2,677mn (+92.5%)

-increase due to strong business

\* The accounting periods of our overseas subsidiaries end in December, so their FY2014 (January – December) figures are consolidated with the Adways Group's FY2014 (April – March) figures.

# 1. Full Year FY2014 Performance: Gross Profit

## YoY Change



**FY2014 Gross Profit : ¥6,891mn**

YoY : +¥1,288mn (+23.0%)

Gross margin : 19.2% (+1.4ppt)

-in addition to increased sales, we succeeded in achieving an increase in gross profit due to a shift in earnings structure, including the elimination of unprofitable operations by narrowing down services

Renewed

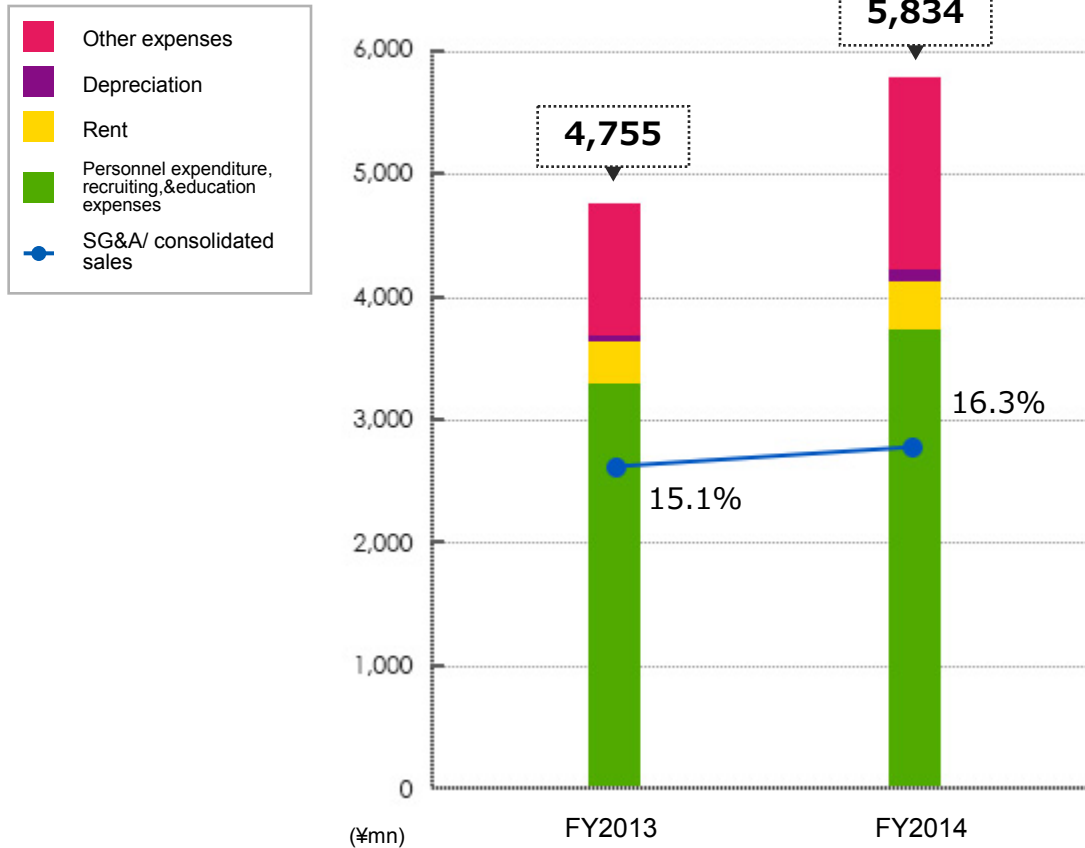
**Record high**

in net sales and gross profit.



# 1. Full Year FY2014 Performance: SG&A Expenses

## YoY Change



### FY2014 SG&A Expenses : ¥5,834mn

YoY : +¥1,078mn (+22.7%)

SG&A to Sales ratio : 16.3%

### Personnel expenditure, recruiting & education expenses : +¥433mn

- increase in recruiting of new graduates
- increase in personnel expenditure through expansion of overseas business

### Depreciation : +¥50mn

- increase due to relocation of headquarters and related expenses

### Rent : +¥76mn

- increase due to relocation of headquarters and related expenses

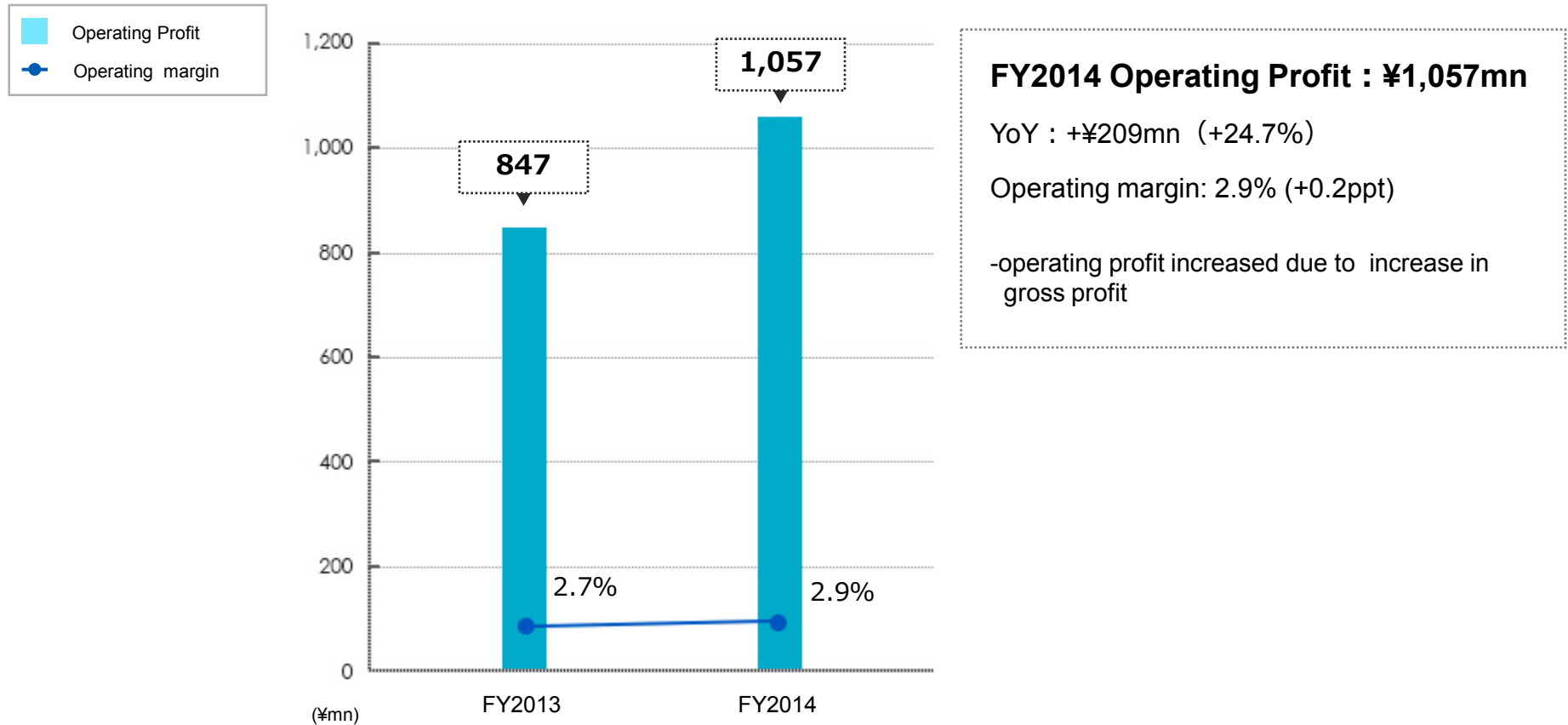
### Other expenses : +¥518mn

- increase in outsourcing, R&D and related expenses (+¥176mn)
- increase in server and related expenses due to business expansion (+¥175mn)
- increase in events, advertising and promotion costs (+¥63mn)
- increase in overseas trips (+¥49mn)
- increase in reserves of overseas businesses (+¥21mn)

Investment in overseas, smartphone ads businesses, relocation of headquarters

# 1. Full Year FY2014 Performance: Operating Profit

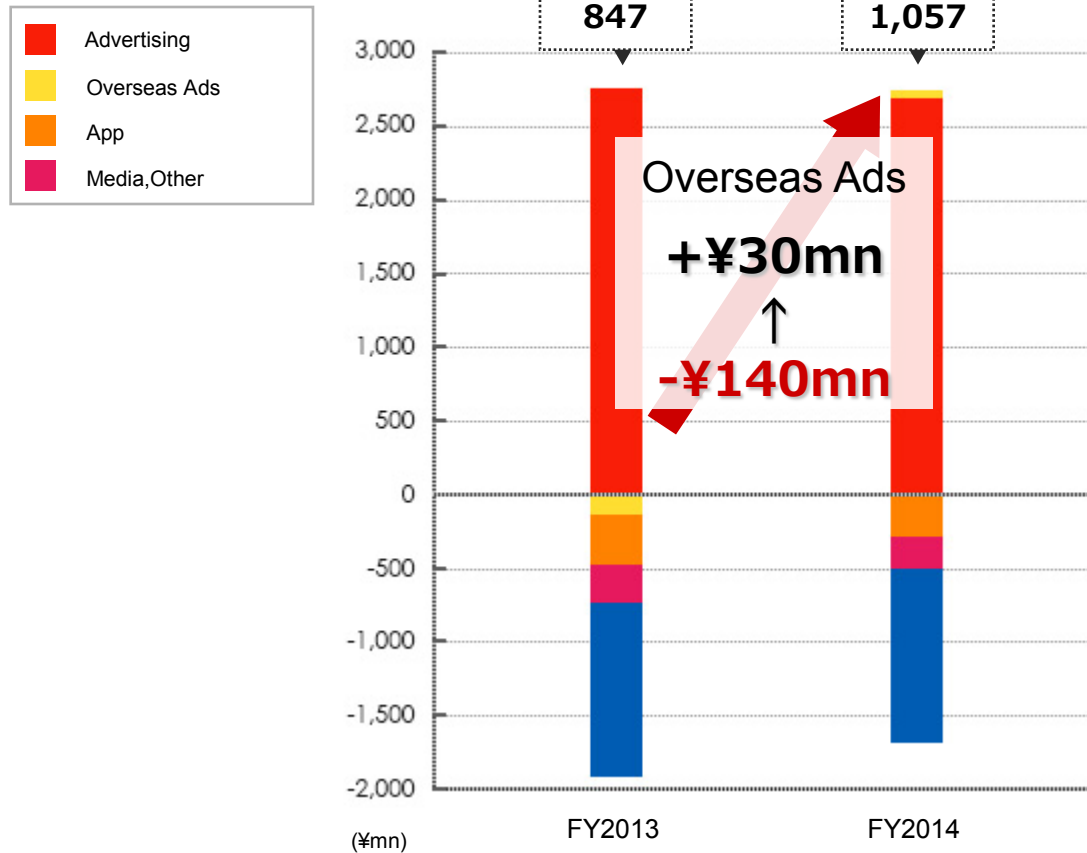
## YoY Change





# 1. Full Year FY2014 Performance: Operating Profit

## YoY Change by Segment

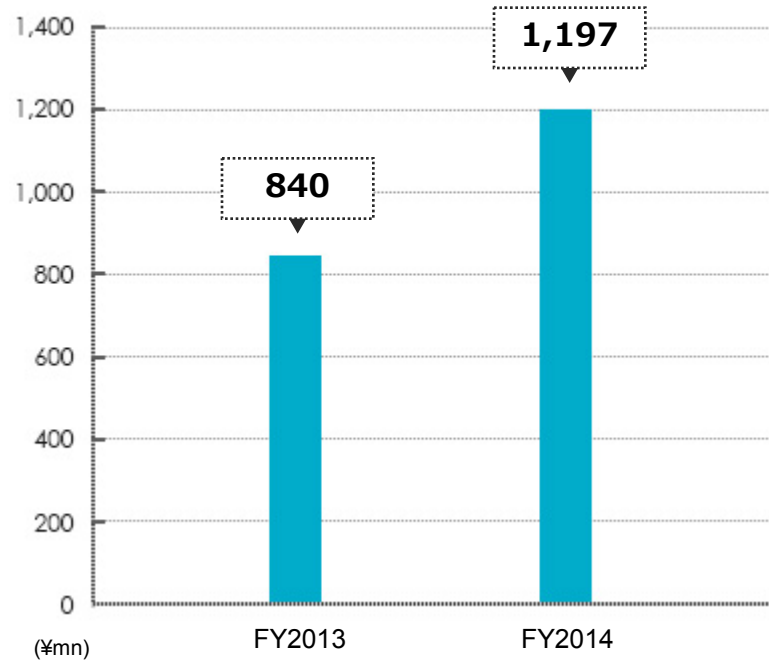


**YoY : +¥209mn (+24.7%)**

Achieved turnaround to profitability of ¥30mn (+170mn YoY) from a deficit of -¥140mn with growth in Overseas Ads

# 1. Full Year FY2014 Performance: Recurring Profit and Net Profit

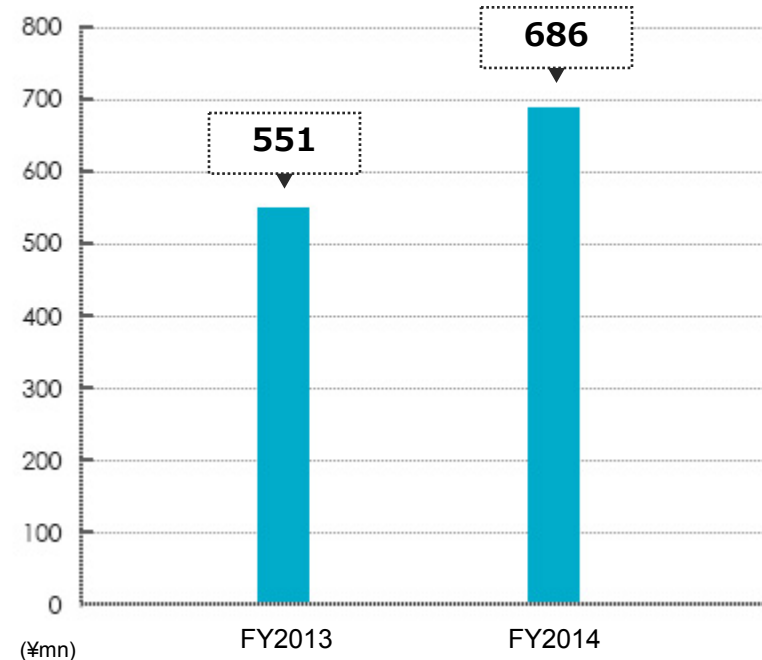
## YoY Change



**FY2014 Recurring Profit : ¥1,197mn**

YoY : +¥356mn (+42.4%)

## YoY Change



**FY2014 Net Profit : ¥686mn**

YoY : +¥134mn (+24.4%)





## 2. 4Q FY2014 Performance



## 2. 4Q FY2014 Performance

### Quarterly Results (YoY, QoQ)

	4Q FY2014	YoY 4Q FY2013			QoQ 3Q FY2014		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	9,852	9,248	+603	+6.5%	8,511	+1,340	+15.8%
Gross Profit	1,940	1,643	+296	+18.1%	1,693	+247	+14.6%
SG&A Expenses	1,673	1,329	+343	+25.8%	1,497	+175	+11.7%
Operating Profit	267	314	-46	-14.8%	195	+72	+37.1%
Recurring Profit	317	351	-34	-9.8%	247	+69	+27.9%
Net Profit	172	203	-30	-15.0%	128	+44	+34.2%

(¥mn)

#### Net Sales

Increased      ¥603mn    YoY      (+6.5%)  
Increased      ¥1,340mn    QoQ      (+15.8%)

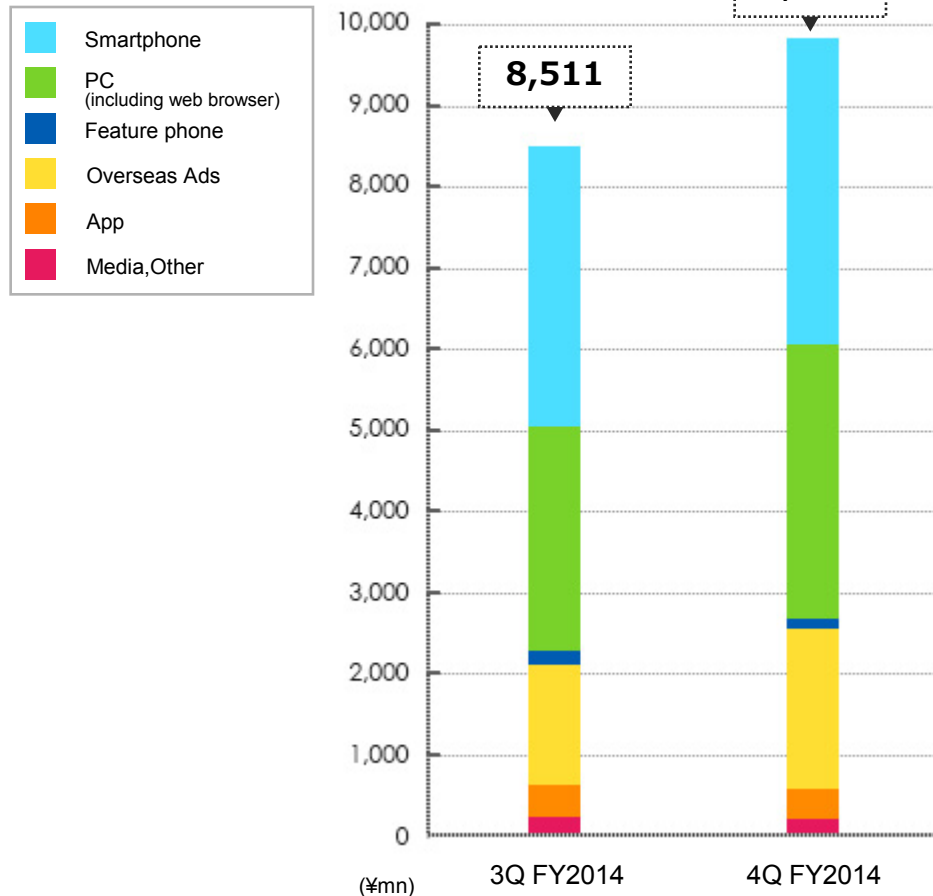
#### Operating Profit

Decreased      ¥46mn    YoY      (-14.8%)  
Increased      ¥72mn    QoQ      (+37.1%)



## 2. 4Q FY2014 Performance: Net Sales

### QoQ Change



#### Domestic Advertising **¥7,301mn**

QoQ : +¥894mn (+14.0%)

Smartphone : ¥3,807mn

QoQ : +¥335mn (+9.7%)

-recovery on track from temporary cut back on advertisement placement by game app clients

PC (includeing web browser) : ¥3,352mn

QoQ : +¥582mn (+21.0%)

-icrease in demand from clients in financial industry

Feature phone : ¥140mn

QoQ : -¥24mn (-14.6%)

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

#### Overseas Advertising **¥1,985mn**

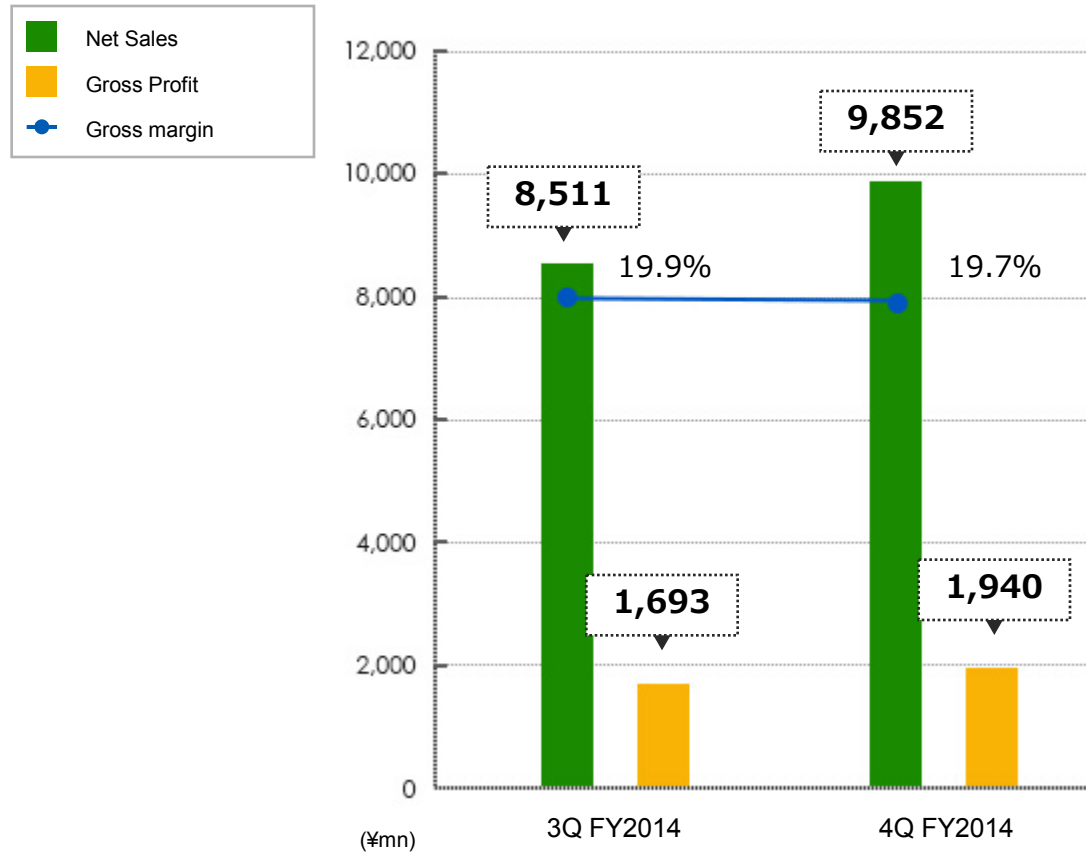
QoQ : +¥489mn (+32.8%)

-increase due to strong business

\* The accounting periods of our overseas subsidiaries end in December, so their 4Q FY2014 (October – December) figures are consolidated with the Adways Group's 4Q FY2014 (January – March) figures.

## 2. 4Q FY2014 Performance: Gross Profit

### QoQ Change



**4Q Gross Profit : ¥1,940mn**

QoQ : +¥247mn (+14.6%)

Gross margin : 19.7%

-gross profit increased due to increase in net sales

Renewed

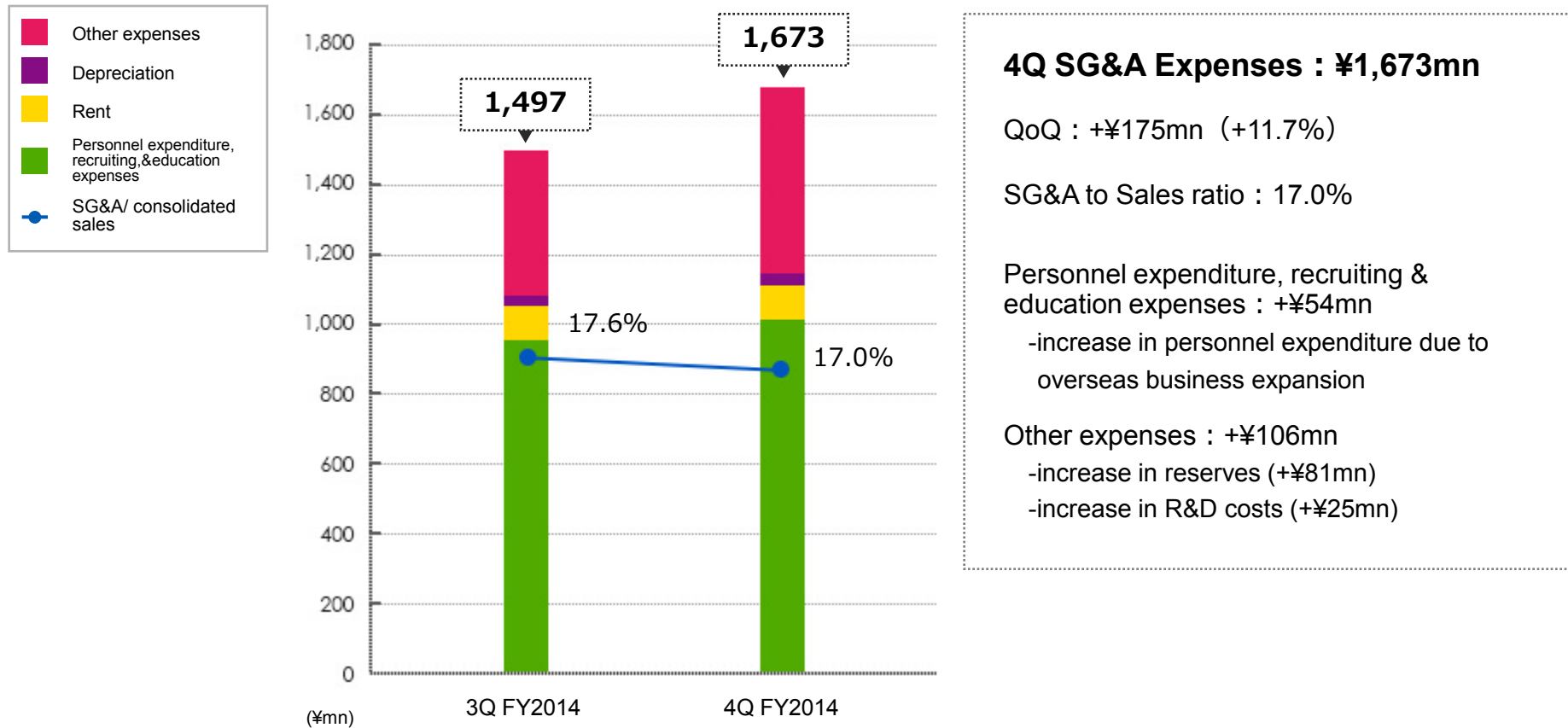
**Record high**

in net sales and gross profit.



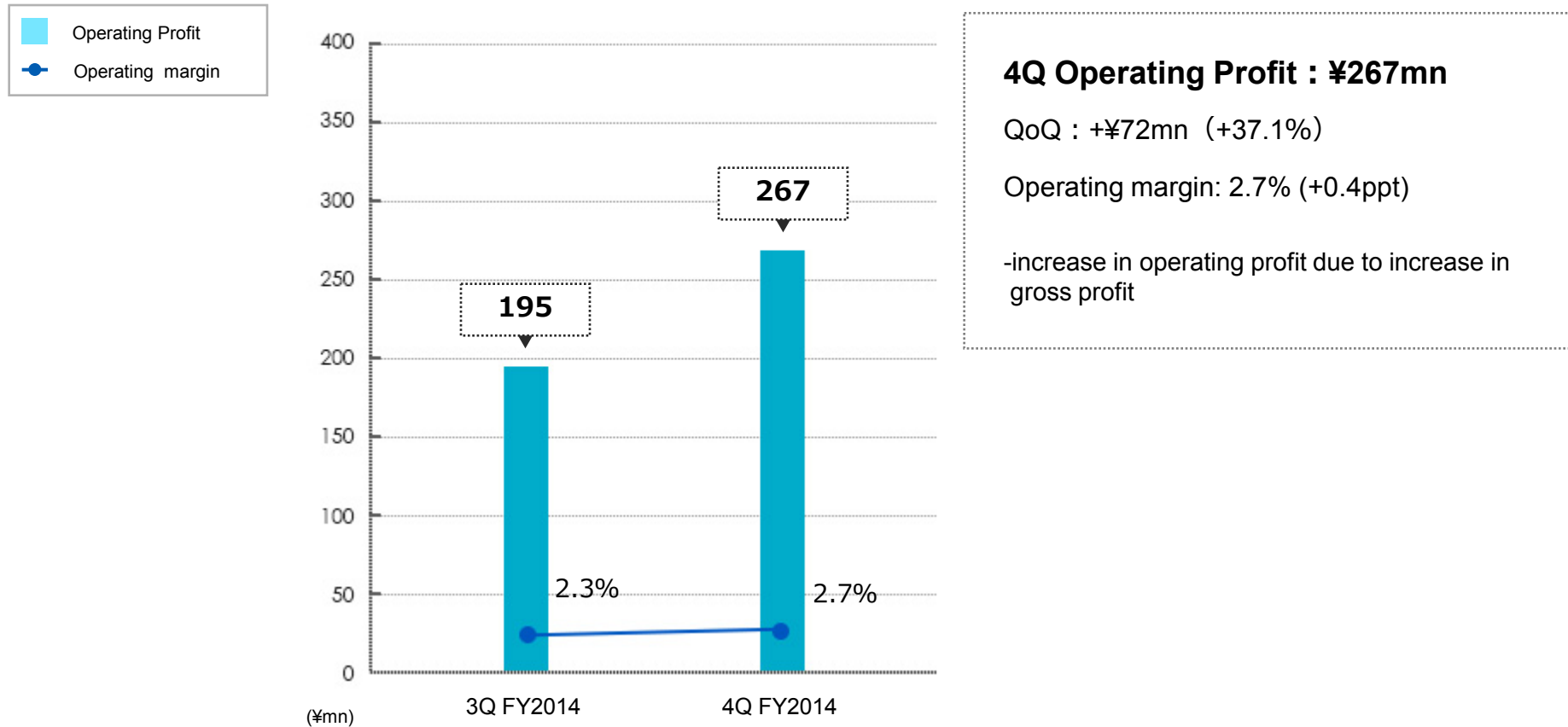
## 2. 4Q FY2014 Performance: SG&A Expenses

### QoQ Change



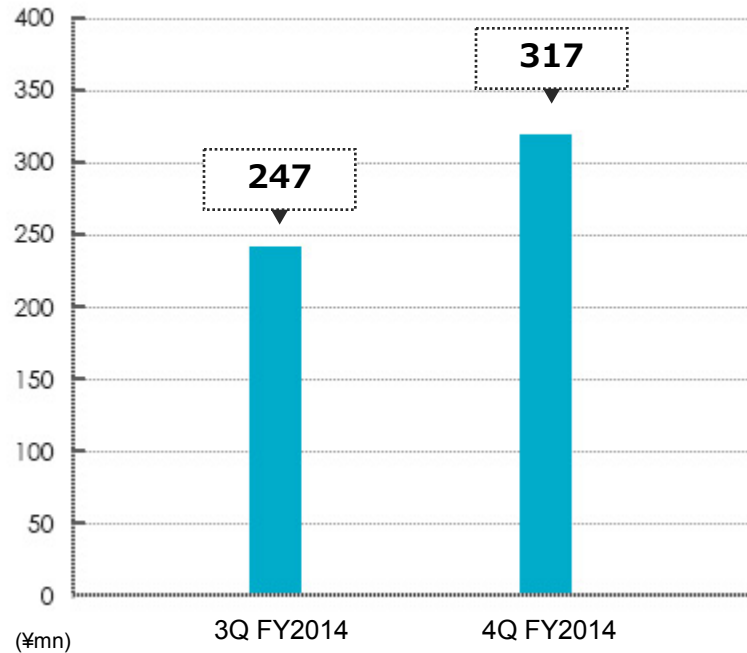
## 2. 4Q FY2014 Performance: Operating Profit

### QoQ Change



## 2. 4Q FY2014 Performance: Recurring Profit and Net Profit

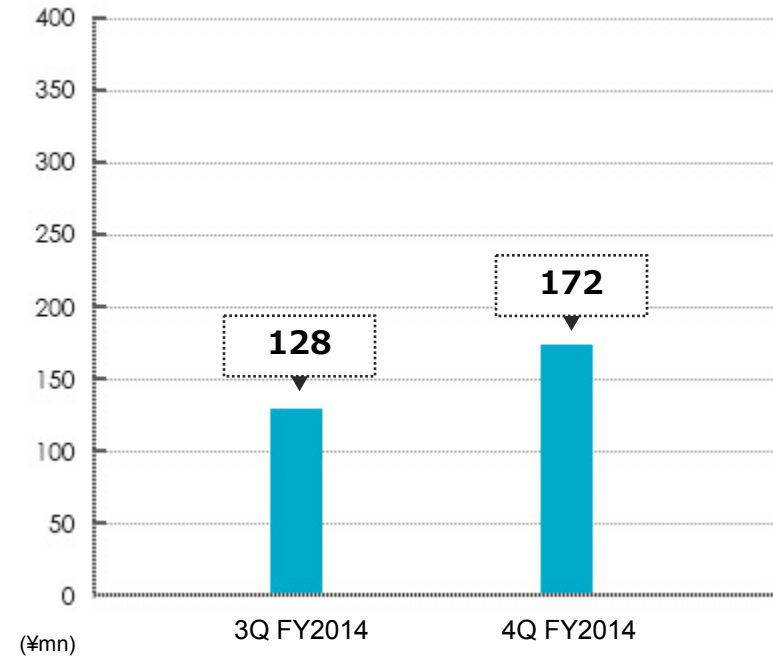
### QoQ Change



**4Q Recurring Profit : ¥317mn**

QoQ : +¥69mn (+27.9%)

### QoQ Change



**4Q Net Profit : ¥172mn**

QoQ : +¥44mn (+34.2%)





## 3. Business Overview

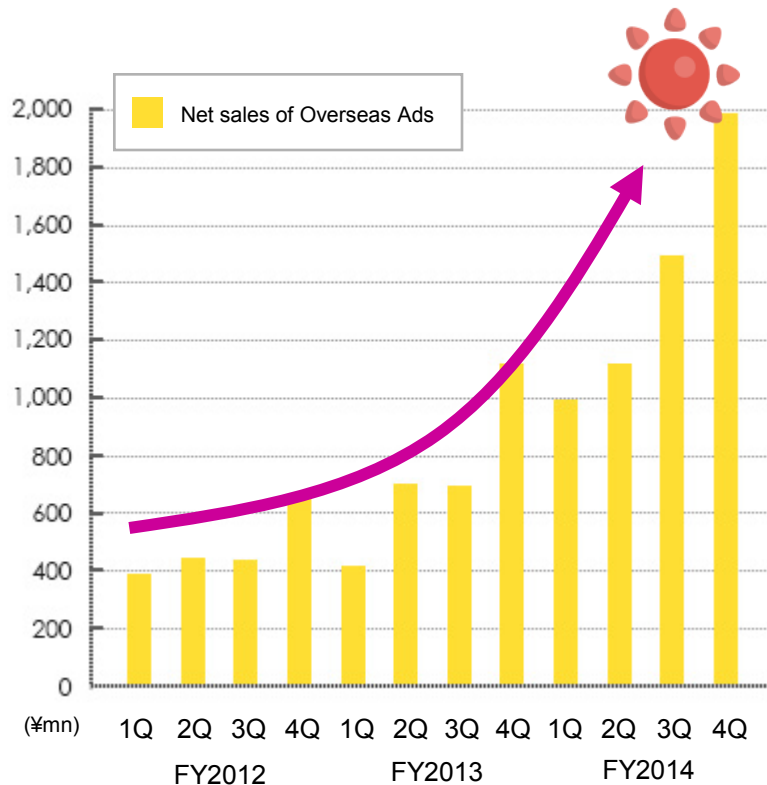


# 3. Business Overview

## Overseas and Domestic Ads Businesses

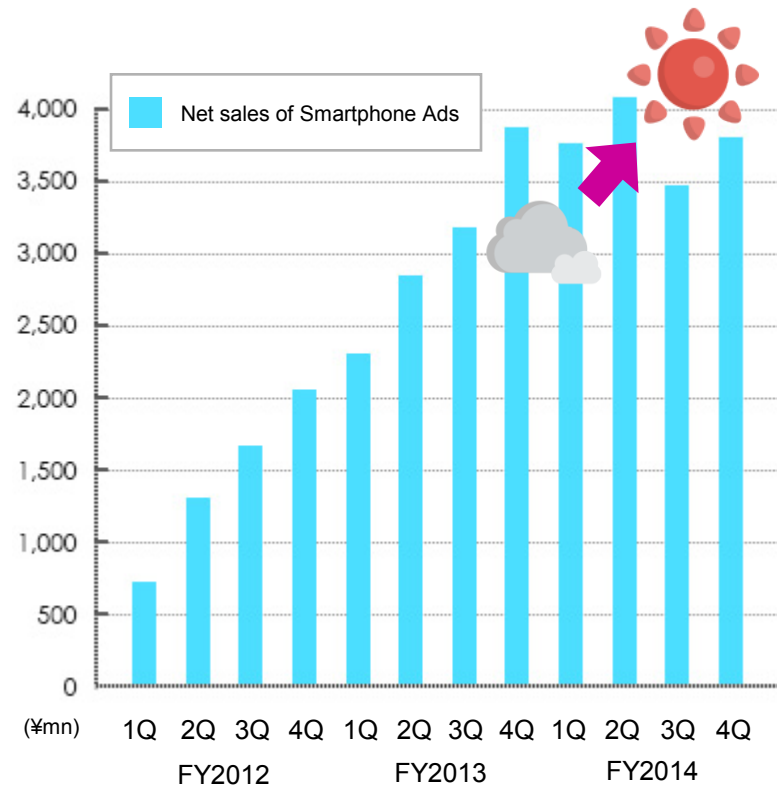
### Overseas Ads

Net sales increased by two times YoY due to business expansion mainly in China, Taiwan and South Korea



### Domestic Ads (Smartphone Ads)

Recovery trend became evident in the 4Q despite decrease in net sales with temporary impact

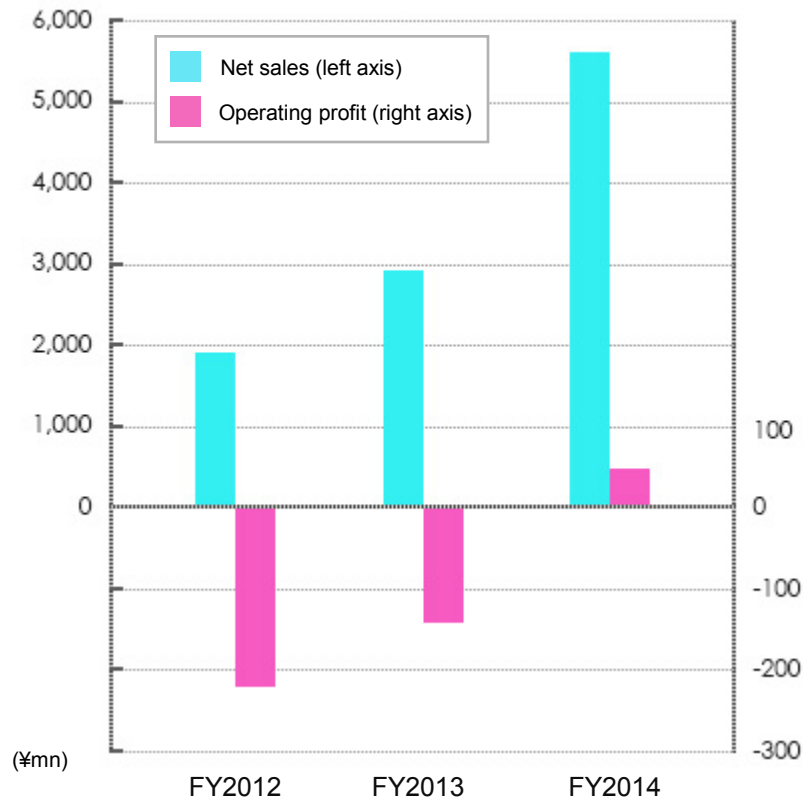




# 3. Business Overview

## The overseas business drives growth as the second core of revenue following the domestic business

Overseas Net Sales and Operating Profit



Net sales : ¥5.5bn  
Operating Profit : ¥37mn  
**Achieved turnaround to profit**

YoY

Net sales nearly doubled  
Operating profit increased by  
approximately ¥170mn

(Net sales surpassed the previous forecast,  
but allowance for doubtful accounts held  
operating profit below the previous forecast)

\* The accounting periods of our overseas subsidiaries end in December, so their fiscal year (January – December) figures are consolidated with the Adways Group's fiscal year (April – March) figures.

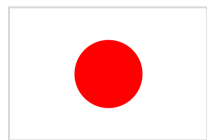
# 3. Business Overview

## Take in Demand for Cross-border EC Market

### Cross-border EC Market Scale

FY2013

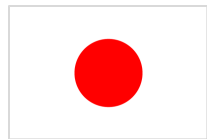
FY2020 (forecast)



390.2



876.6



432.3



872.2



(¥bn)

### Target growing overseas EC market

Develop overseas delivery agents  
utilizing bases in ten countries  
abroad and affiliate services  
connecting Asia

Source: Ministry of Economy, Trade and Industry – August 2014  
FY 2013 Report: Development of Infrastructure Related to Economic and Societal  
Informatization and Shift to Service-based Economy (e-commerce Market Survey)



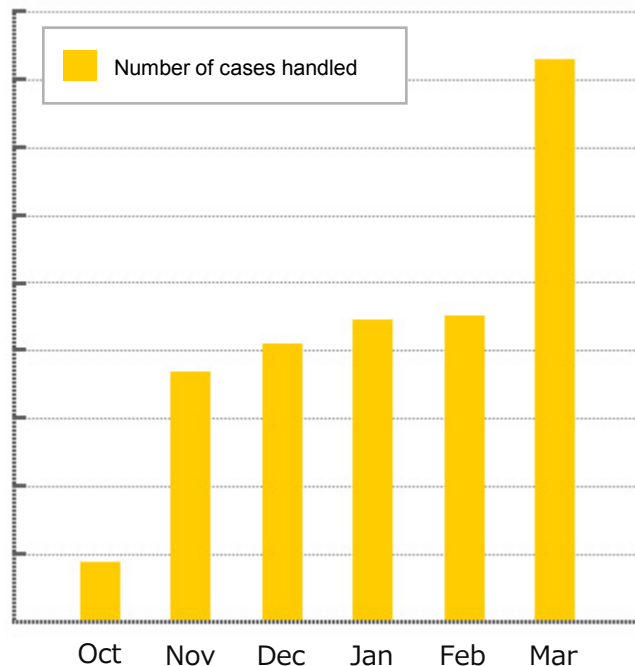
# 3. Business Overview

## Newly launched services expanding steadily

**CHANet** 成果网  
by ADWAYS

×

**乐一番**  
Leyifan.com



\*Figures are reference values by Adways' management accounting

In the six months since the launch of delivery agency services

Number of cases handled increased by approximately 10x

Amount handled increased by approximately 20x





## 4. Future Strategy



## 4. Future Strategy

**Maximize business with focus on Smartphone and Ad Technology while utilizing existing resources**



**SmartPhone**

×

**Ad Technology**

×

**Global**

# 4. Future Strategy

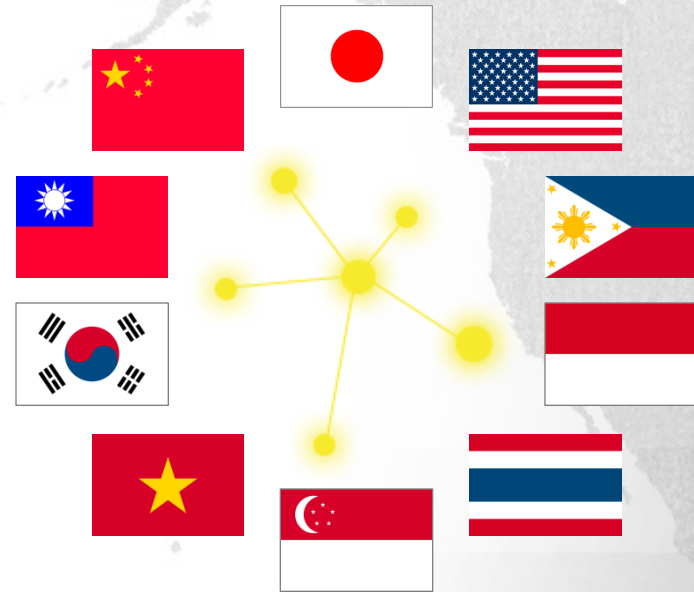
**To Date**



**Going Forward**



Local development as national agents in various countries



Connect smartphone promotion freely via global ads platform

## 4. Future Strategy

**2015**

**"Platform & Borderless"**

**SmartPhone x Ad Technology x Global**



**2014**

Smartphone x Ads Agency x Overseas Countries



**2013**

Smartphone x Ads Network x Domestic





**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 May14, 2015 and a variety of factors may cause the statements to differ from actual results.



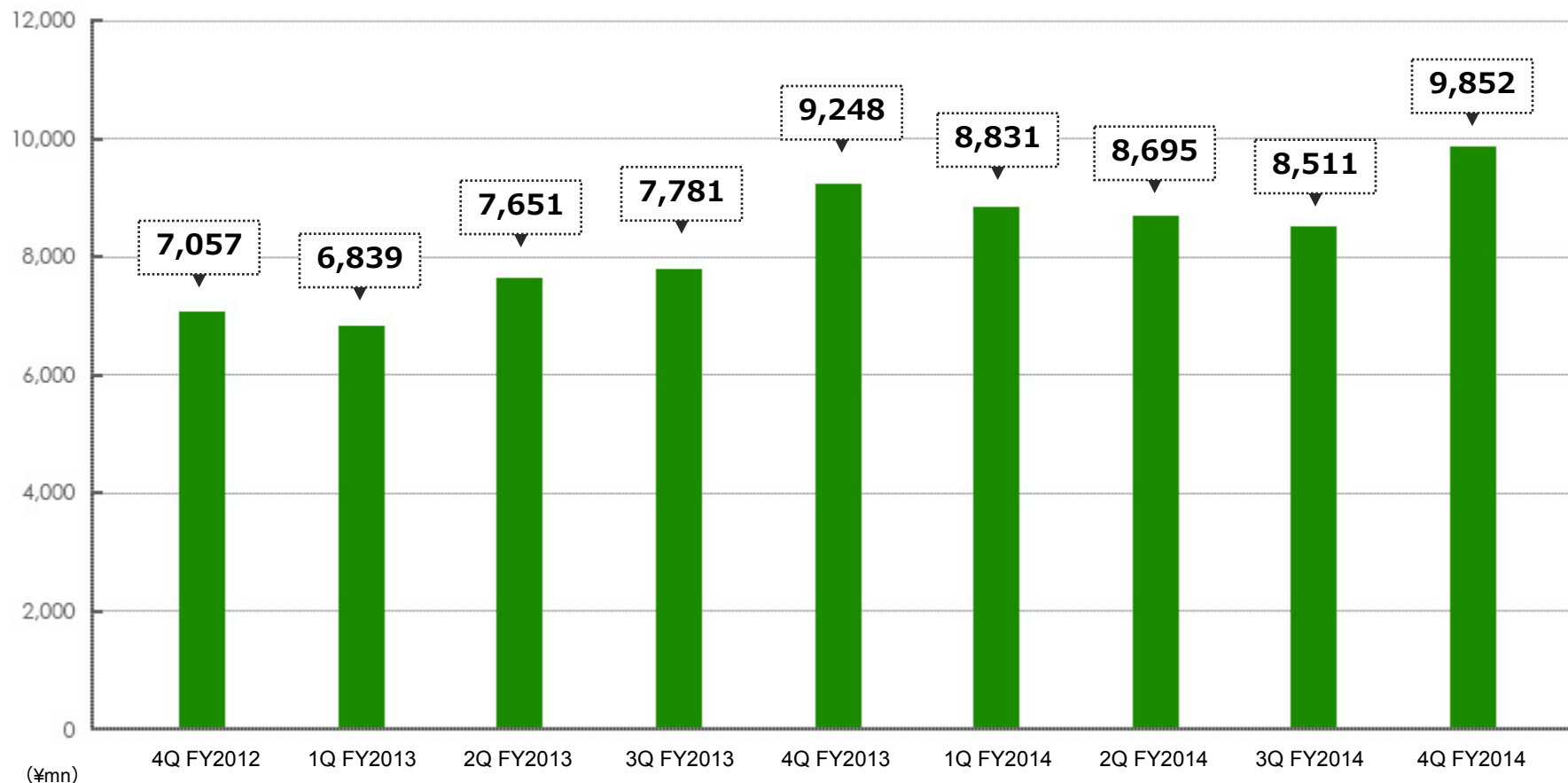


## 5. Supplementary Materials



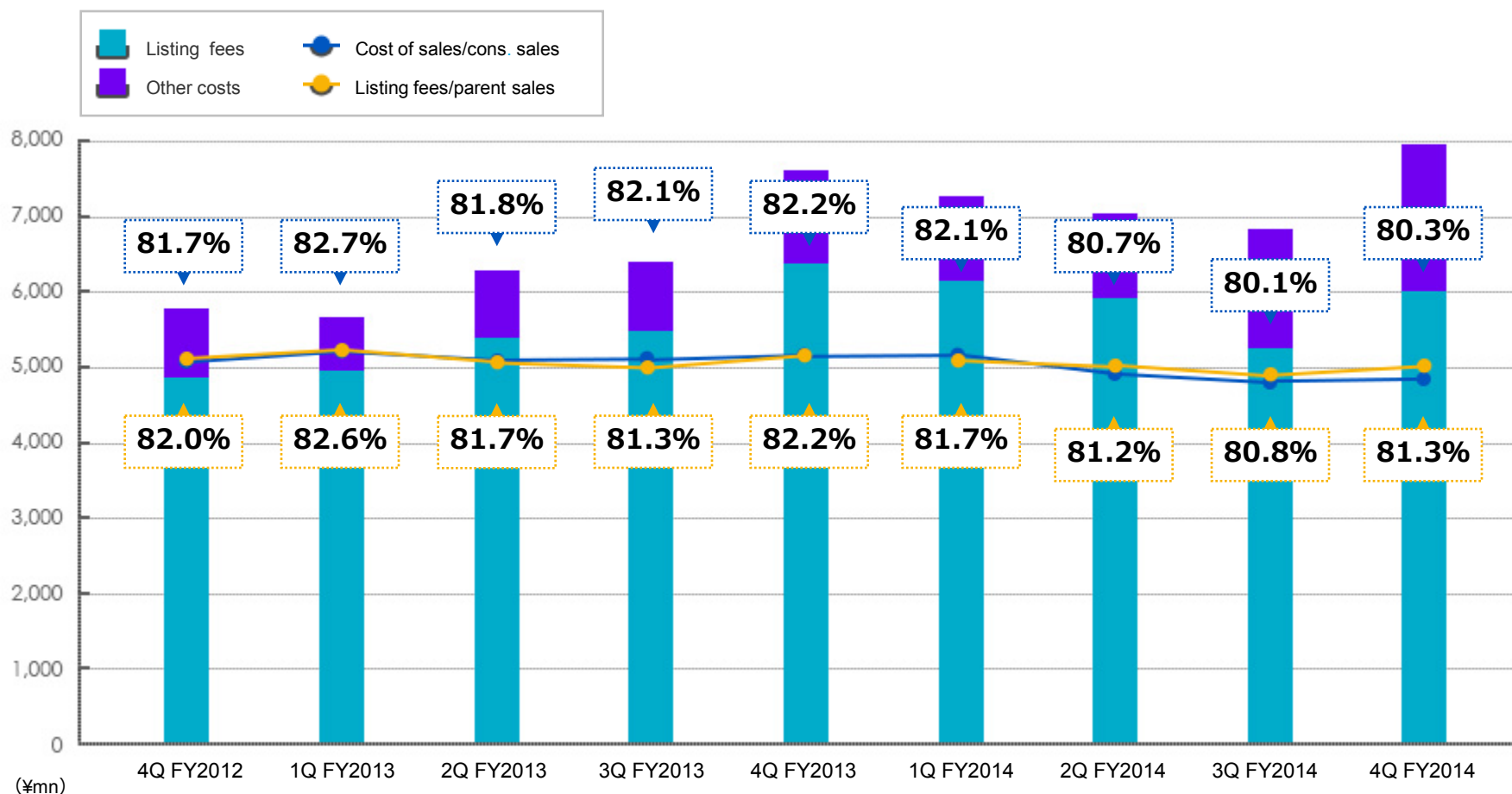
# 5. Supplementary Materials

## Consolidated sales (Quarterly)



# 5. Supplementary Materials

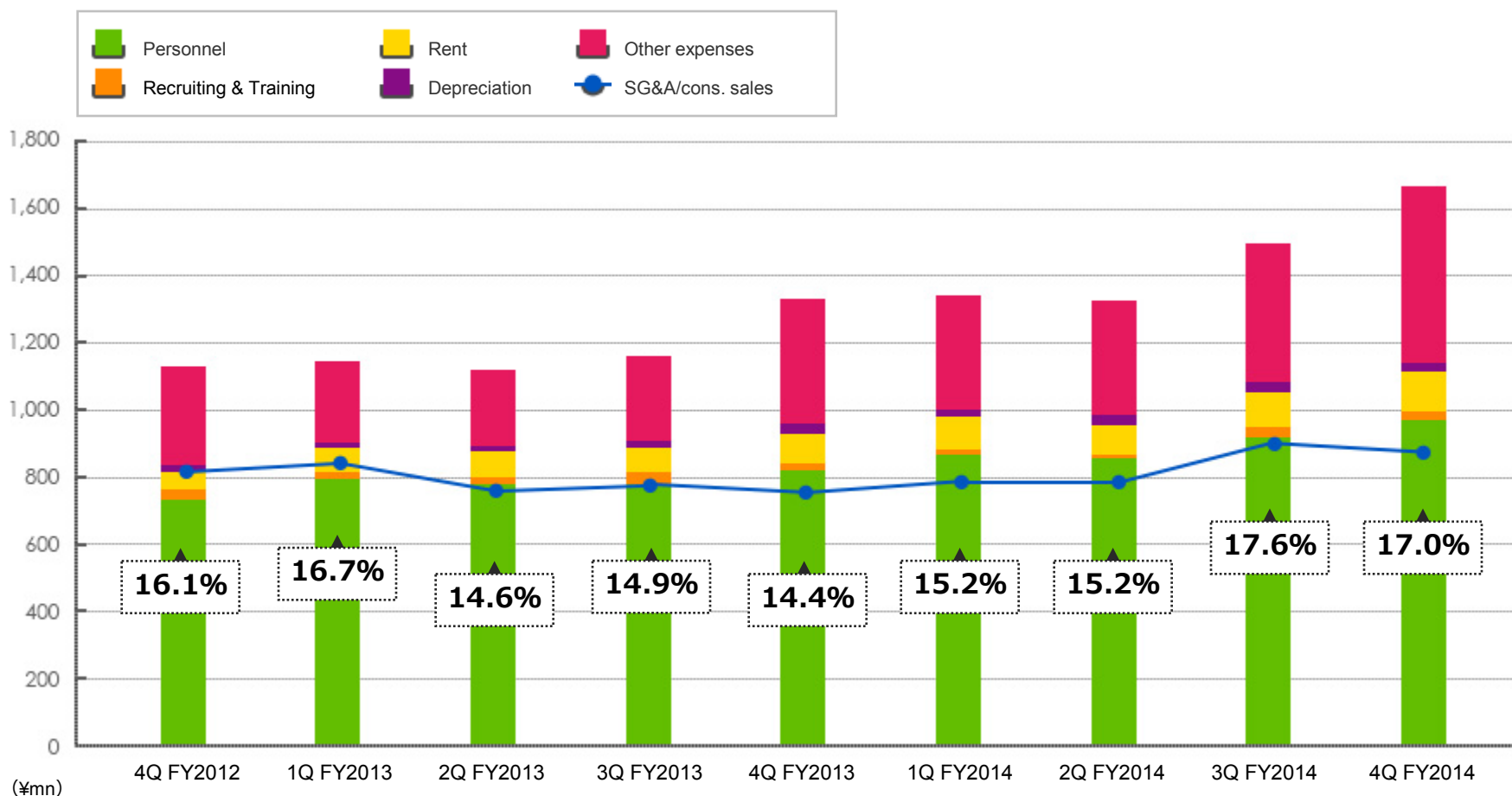
## Consolidated Cost of Sales (Quarterly)





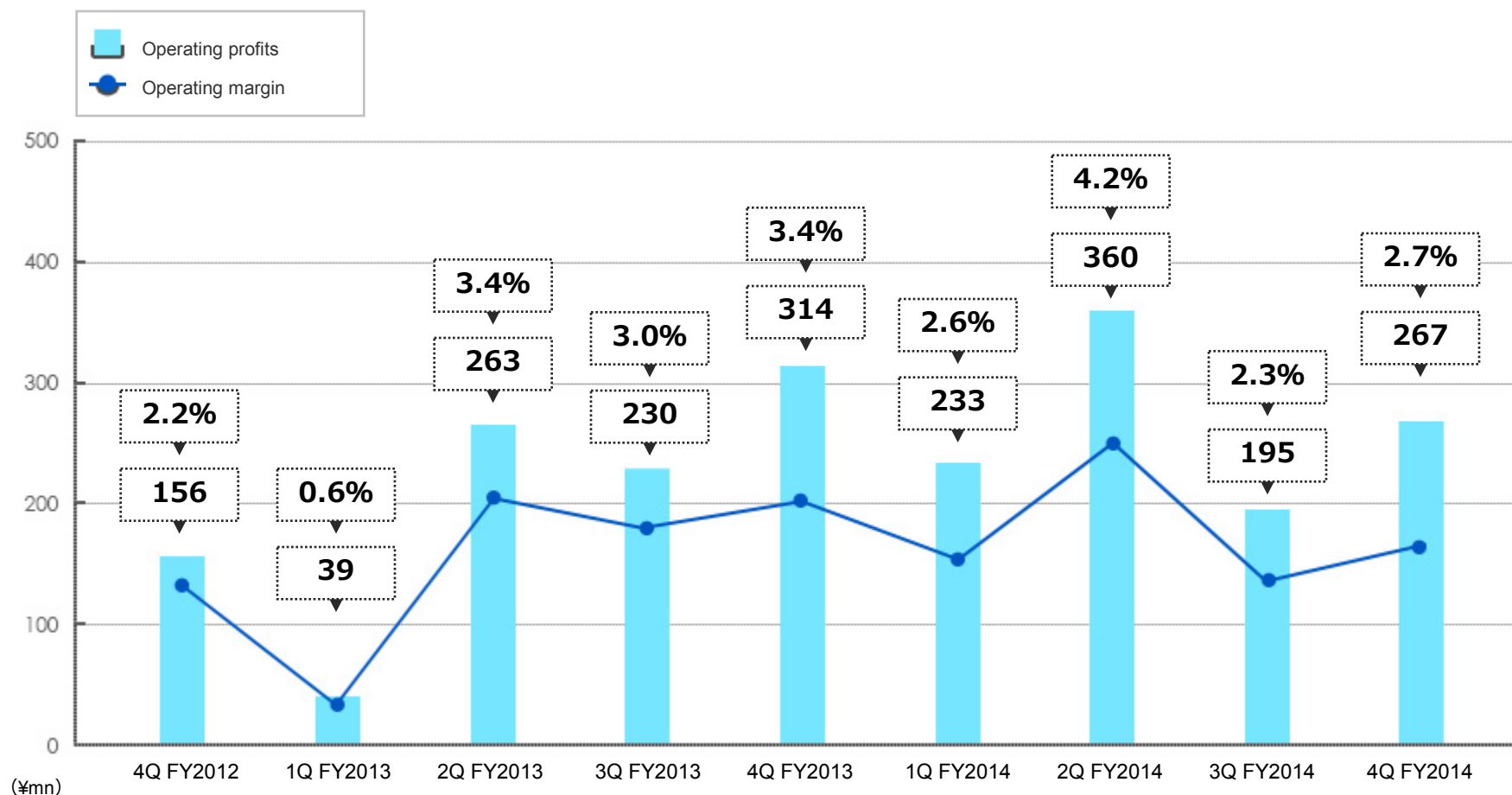
# 5. Supplementary Materials

## Consolidated SG&A Expenses (Quarterly)



# 5. Supplementary Materials

## Consolidated Operating Profit (Quarterly)





# 5. Supplementary Materials

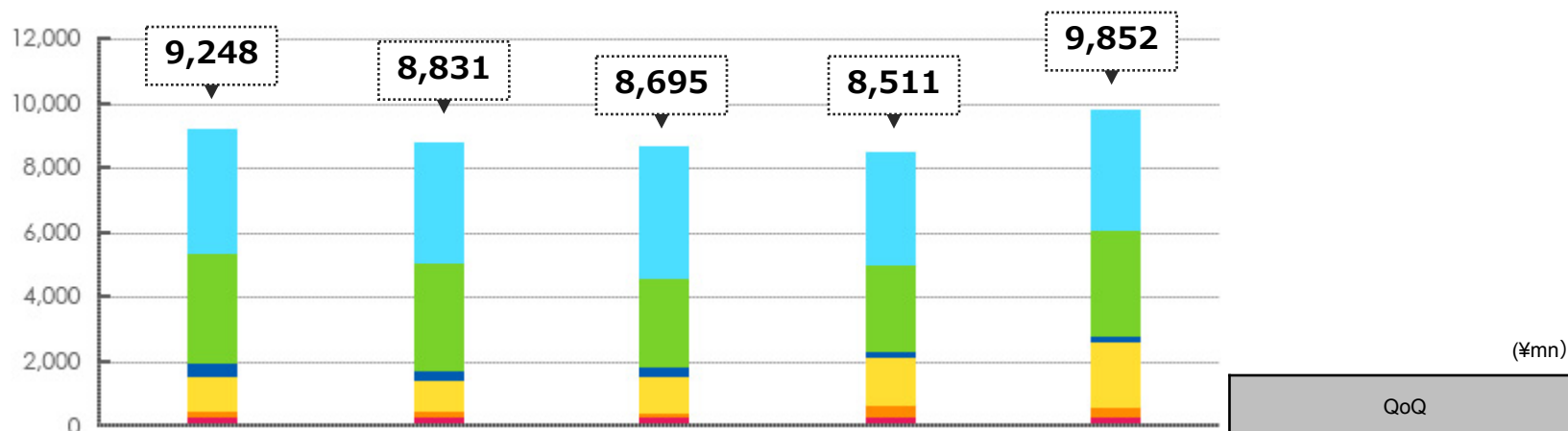
## Consolidated Balance Sheet (QoQ)

(¥mn)

	4Q FY2014	3Q FY2014	Change (¥mn)	Change (%)
Current Assets	17,674	15,832	+ 1,841	+ 11.6 %
(Cash and Deposits)	11,668	10,664	+ 1,004	+ 9.4%
Fixed Assets	2,132	2,342	-210	-9.0%
Total Assets	19,806	18,175	+ 1,631	+ 9.0%
Current Liabilities	6,613	5,266	+ 1,347	+ 25.6%
Fixed Liabilities	102	152	-50	-32.9%
Total Liabilities	6,715	5,418	+ 1,296	+ 23.9%
Net Assets	13,090	12,756	+334	+ 2.6%

# 5. Supplementary Materials

## Breakdown of Consolidated Sales by Segment (Quarterly)

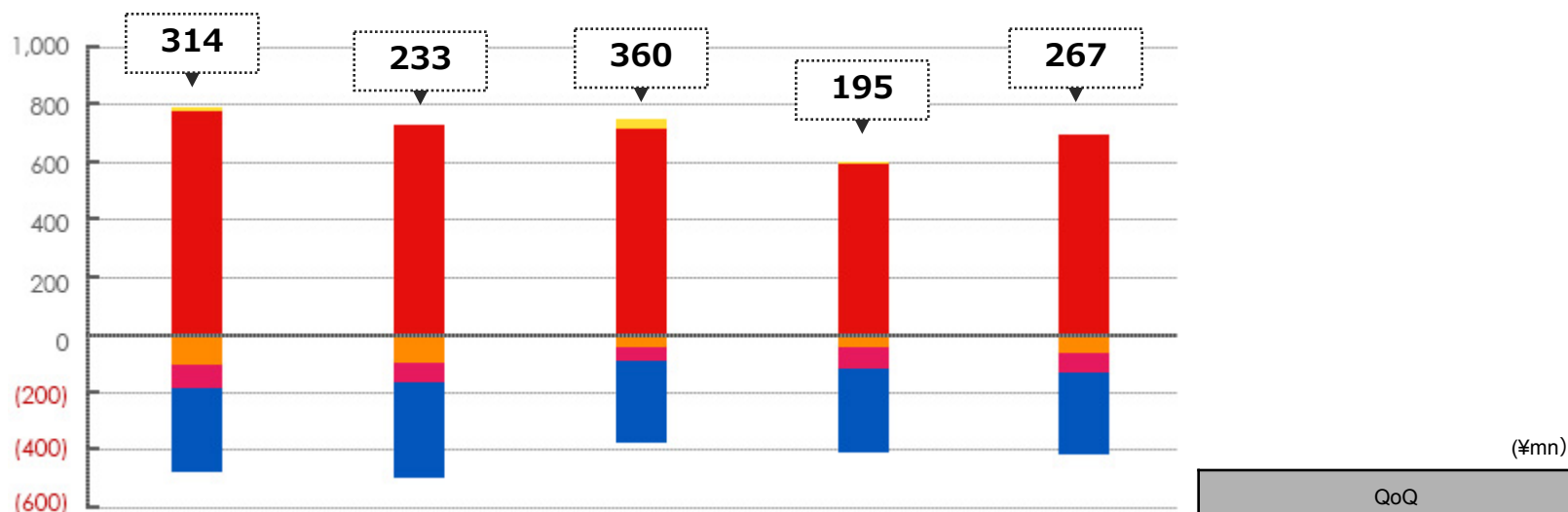


	4Q FY2013	1Q FY2014	2Q FY2014	3Q FY2014	4Q FY2014	QoQ	
						Change(¥mn)	Change (%)
Smartphone	3,882	3,775	4,108	3,472	3,807	+ 335	+ 9.7%
PC	3,458	3,392	2,850	2,770	3,352	+ 582	+ 21.0%
Feature phone	397	281	192	164	140	-24	-14.6%
Overseas advertising	1,109	979	1,113	1,495	1,985	+ 489	+ 32.8%
App	225	233	247	399	389	-9	-2.5%
Media, Other	175	169	183	209	176	-33	-15.9%
<b>Total</b>	<b>9,248</b>	<b>8,831</b>	<b>8,695</b>	<b>8,511</b>	<b>9,852</b>	<b>+ 1,340</b>	<b>+ 15.8%</b>



# 5. Supplementary Materials

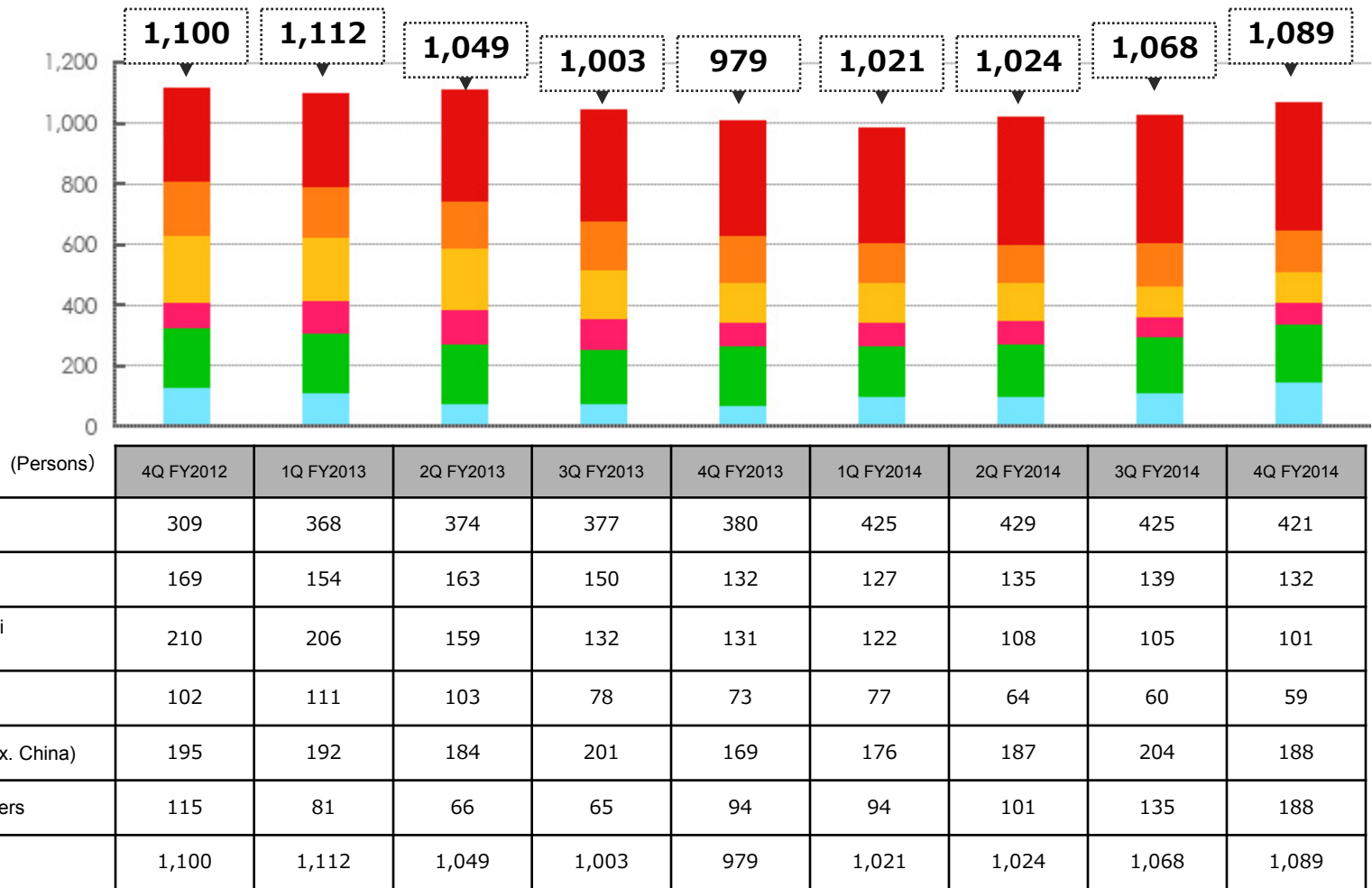
## Breakdown of Consolidated Operating Profit by Segment (Quarterly)



	4Q FY2013	1Q FY2014	2Q FY2014	3Q FY2014	4Q FY2014	QoQ	
						Change(¥mn)	Change (%)
Advertising	777	725	703	597	686	+ 88	+ 14.9%
Overseas Advertising	12	-1	35	9	-6	-16	—
App	-104	-91	-47	-85	-63	+ 22	—
Media, Other	-80	-72	-41	-32	-69	-36	—
Eliminations & corporate	-291	-326	-289	-294	-280	+ 13	—
<b>Total</b>	<b>314</b>	<b>233</b>	<b>360</b>	<b>195</b>	<b>267</b>	<b>+ 72</b>	<b>+ 37.1%</b>

# 5. Supplementary Materials

## Group Employees (Quarterly)





# 5. Supplementary Materials

## Company Overview

Company name Adways Inc.

Founded February 28, 2001

Business overview Internet business

President & CEO Haruhisa Okamura

Capital ¥1,603mn (As of end of March 2015)

Net Sales ¥ 35,890mn (FY2014, Consolidated)

Employees 1,089 including temp workers (As of end of March 2015)