



# **ADWAYS**

**May 2016, Presentation Material**

**TOKYO STOCK EXCHANGE MOTHERS STOCK CODE:2489**

**Financial Results Presentation for 4Q FY2015**

**May 13, 2016**

**President and CEO, Haruhisa Okamura**

- |  |         |      |
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The background is a vibrant red with a subtle texture. In the top-left and top-right corners, there are clusters of white and red cherry blossoms with yellow centers, some with green leaves. In the bottom-right corner, there is a stylized illustration of Mount Fuji with a white snow-capped peak and a blue base. The title "1. Full Year FY2015 Performance" is centered in a white serif font.

# 1. Full Year FY2015 Performance

# 1. Full Year FY2015 Performance

## Full Year FY2015 Guidance and Results

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit attributable to parent company shareholders
Previous Guidance	38,000	510	580	110
Results	39,613	687	744	145
Progress *	104.2%	134.8%	128.3%	132.4%

\* Figures below second decimal place rounded off.

# 1. Full Year FY2015 Performance

## Cumulative Quarterly Results (YoY)

(¥mn)

	FY2015 (Cumulative)	YoY FY2014 (Cumulative)		
		Result	Change (¥mn)	Change (%)
Net Sales	39,613	35,890	+ 3,722	+ 10.4%
Gross Profit	7,187	6,891	+ 295	+4.3%
SG&A Expenses	6,499	5,834	+ 665	+ 11.4%
Operating Profit	687	1,057	− 369	− 35.0%
Recurring Profit	744	1,197	− 453	− 37.8%
Net Profit attributable to parent company shareholders	145	686	− 540	− 78.8%

... **Record high**

### Net Sales

Increased 3,722mn YoY (+10.4%)

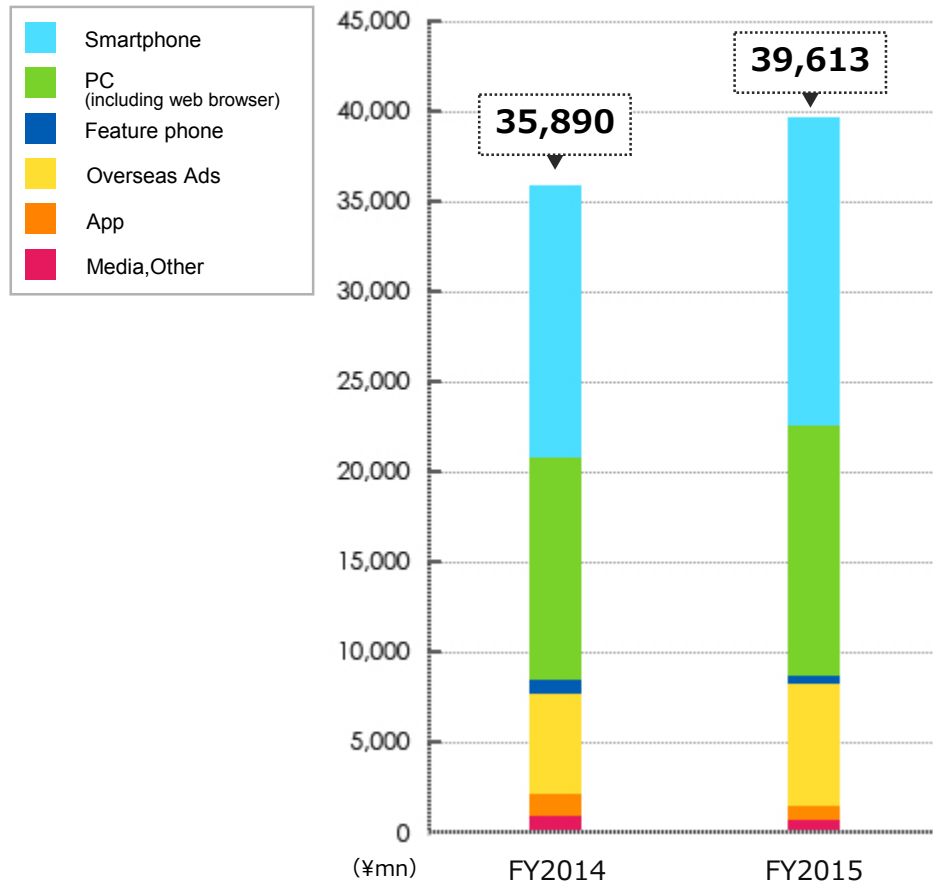
### Operating Profit

Decreased 369mn YoY (− 35.0%)



# 1. Full Year FY2015 Performance: Net Sales

## YoY Change



### Domestic Advertising **¥31,584mn**

YoY : +¥3,275mn (+11.6%)

Smartphone : ¥17,149mn

YoY : +¥1,985mn (+13.1%)

-Steady growth throughout the year

PC (including web browser) : ¥13,941mn

YoY : +1,575mn (+12.7%)

-Due to the increase of core financial transactions

Feature phone : ¥493mn

YoY : - ¥285mn (- 36.6%)

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

### Overseas Advertising **¥6,813mn**

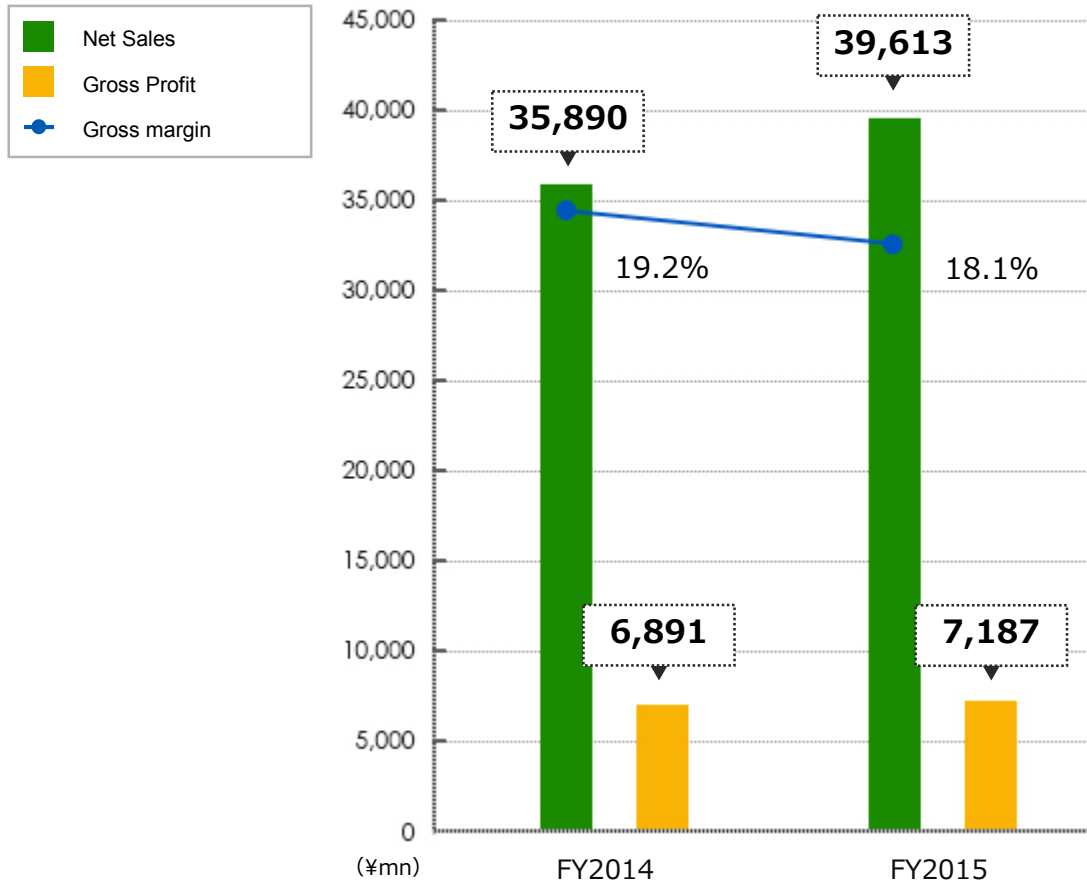
YoY : +¥1,239mn (+22.2%)

-There was a temporary downturn caused by the effect of the backlash from isolated business transactions, but there was still favorable growth across the entire year

\* The accounting periods of our overseas subsidiaries end in December, so their FY2015 (January – December) figures are consolidated with the Adways Group's FY2015 (April – March) figures.

# 1. Full Year FY2015 Performance: Gross Profit

## YoY Change



**FY2014 Gross Profit : ¥7,187mn**

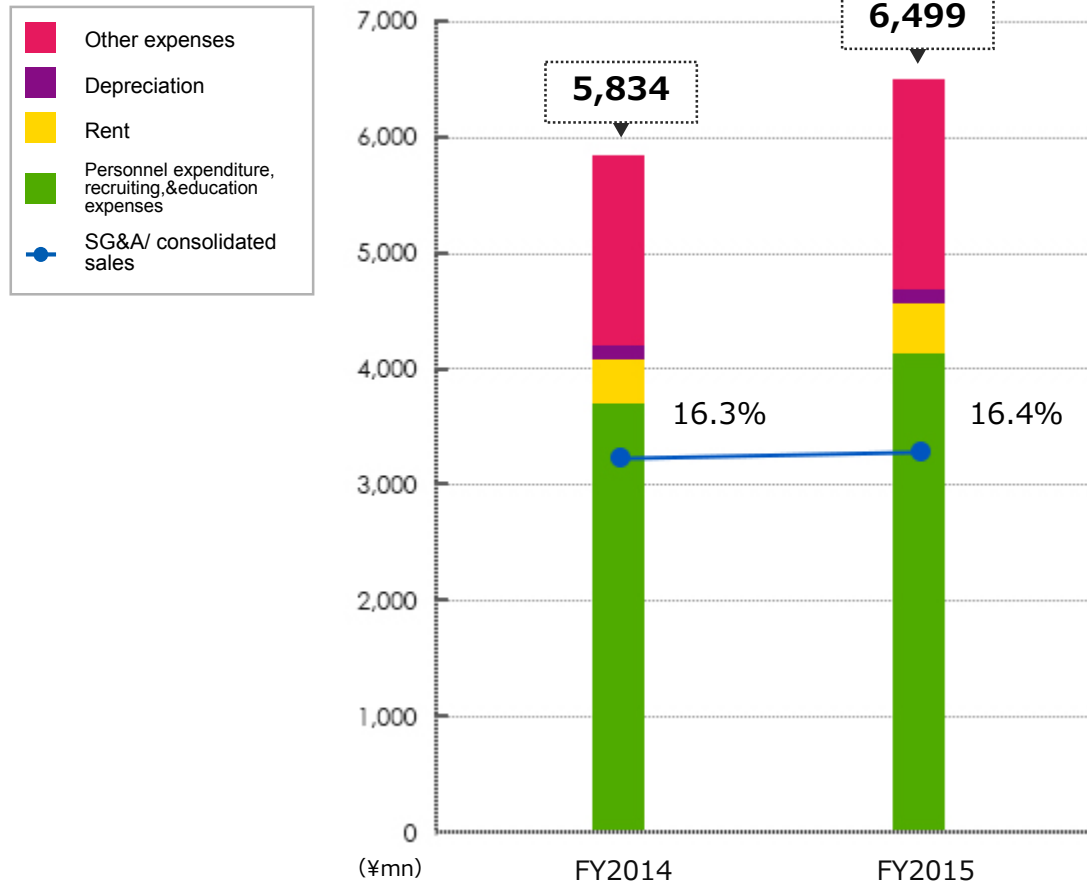
YoY : +¥295mn (+4.3%)

Gross margin : 18.1%

-Advertising publishing rates have risen and overall profit from sales have decreased due to prior investments such as the purchase of media space, our policy to expand market share, and the acceptance of large one-time business deals with low interest rates

# 1. Full Year FY2015 Performance: SG&A Expenses

## YoY Change



### FY2015 SG&A Expenses : ¥6,499mn

YoY : +¥665mn (+11.4%)

SG&A to Sales ratio : 16.4%

Personnel expenditure, recruiting & education expenses : +¥407mn

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

Other expenses : +¥210mn

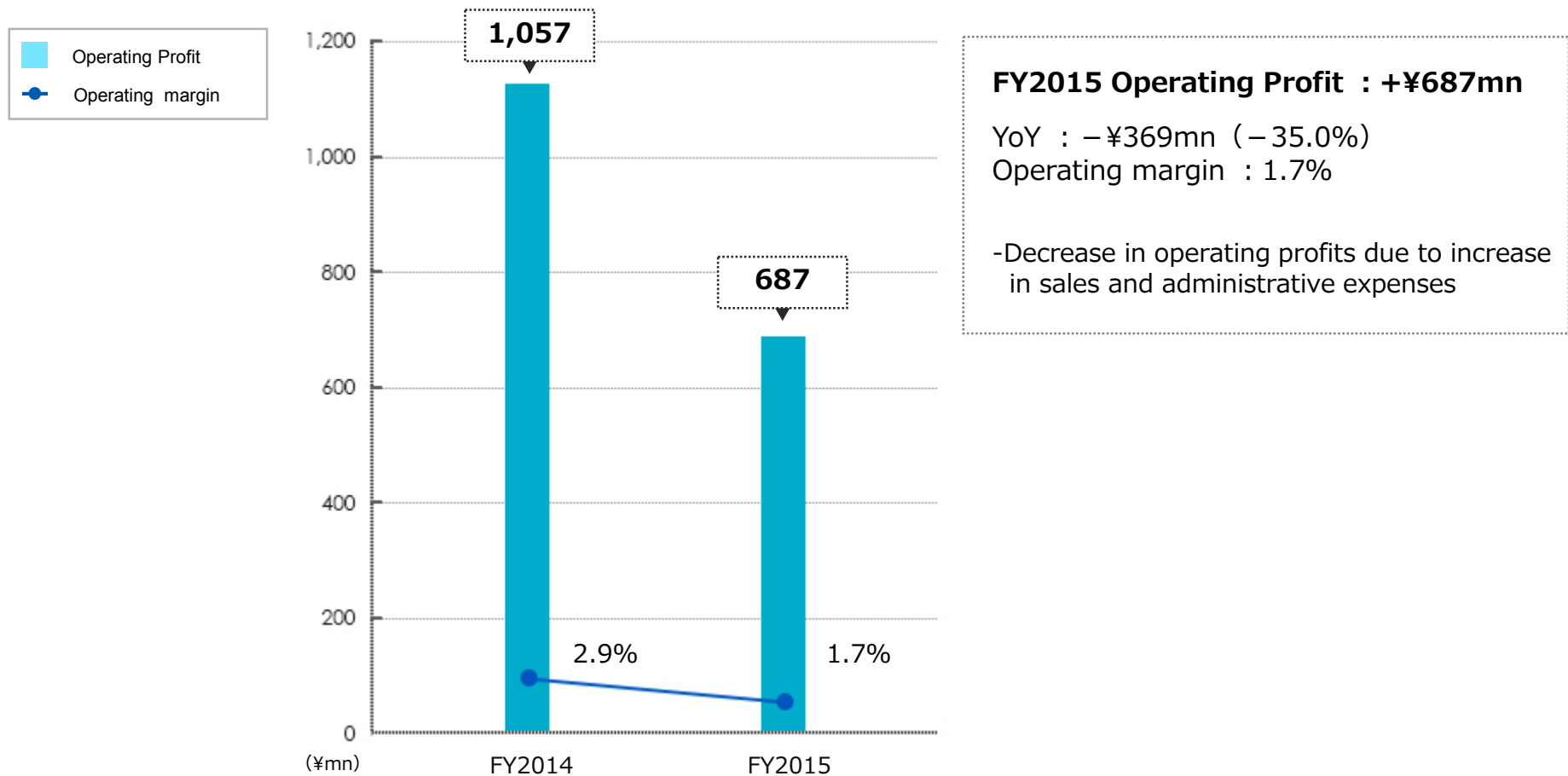
- increase in outsourcing, R&D and related expenses (+¥24mn)
- increase in events, advertising and promotion costs(+¥51mn)
- Increase in remuneration payments (+¥40mn)
- increase in reserves of overseas businesses (+¥35mn)

Invest in personnel and facilities toward the expansion of overseas and smart phone advertising businesses



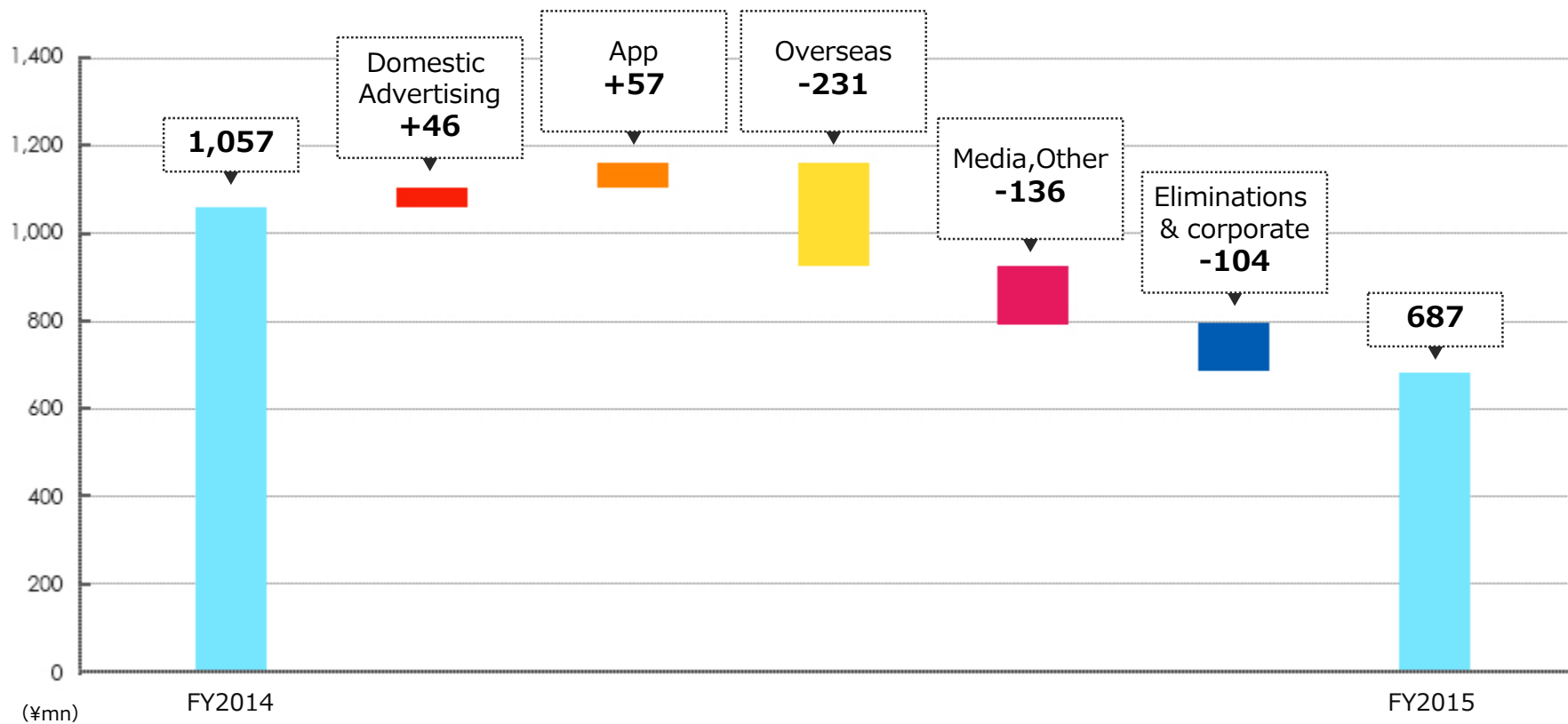
# 1. Full Year FY2015 Performance: Operating Profit

## YoY Change



# 1. Full Year FY2015 Performance: Operating Profit

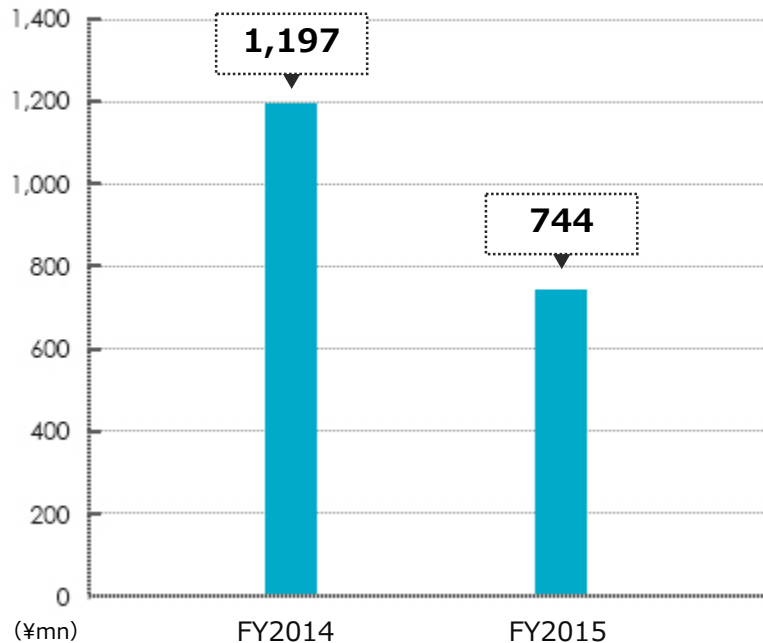
## Trends in operating profits per segment



# 1. Full Year FY2015 Performance:

Recurring Profit and Net Profit attributable to Parent company shareholders

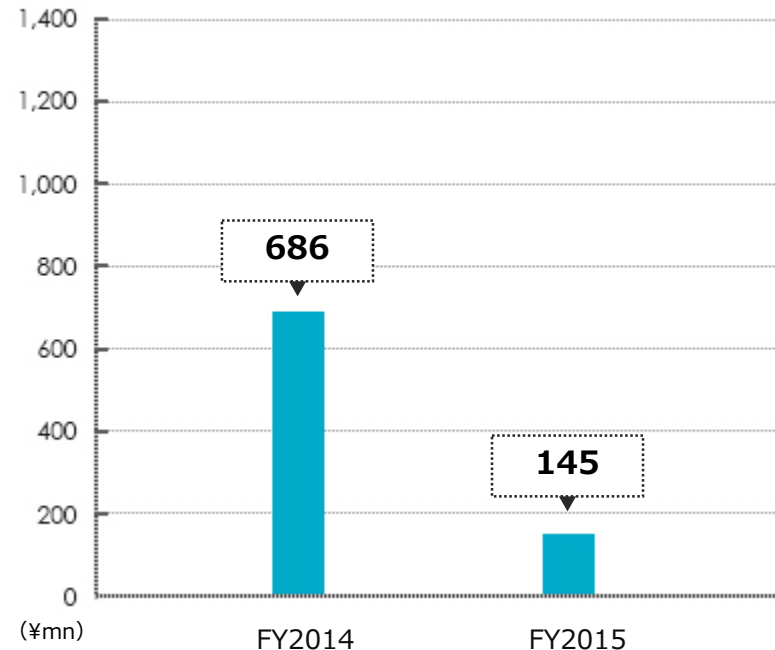
## YoY Change



**FY2015 Recurring Profit : ¥744mn**

YoY : -¥453mn (-37.8%)

## YoY Change



**FY2015 Net Profit attributable to parent company shareholders : ¥145mn**

YoY : -¥540mn (-78.8%)



The background is a solid red color. In the top-left and top-right corners, there are clusters of stylized cherry blossoms in white and red, with green centers and yellow outlines. Some blossoms are fully open, while others are in bud. In the bottom-right corner, there is a stylized illustration of Mount Fuji, with a white snow-capped peak and a blue base. The title "2. 4Q FY2015 Performance" is centered in the middle of the slide in a white serif font.

## 2. 4Q FY2015 Performance

## 2. 4Q FY2015 Performance



### Quarterly Results (YoY, QoQ)

(¥mn)

	4Q FY2015	YoY 4Q FY2014			QoQ 3Q FY2015		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	10,750	9,852	+898	+9.1%	9,237	+1,513	+16.4%
Gross Profit	1,846	1,940	− 94	− 4.9%	1,723	+122	+7.1%
SG&A Expenses	1,701	1,673	+28	+1.7%	1,658	+42	+2.6%
Operating Profit	145	267	− 122	− 45.8%	64	+80	+123.4%
Recurring Profit	136	317	− 180	− 57.0%	88	+47	+54.1%
Net Profit attributable to parent company shareholders	− 106	172	− 279	− %	− 29	− 77	− %

#### Net Sales

Increased      ¥ 898mn YoY (+9.1%)  
Increased      1,513mn QoQ (+16.4%)

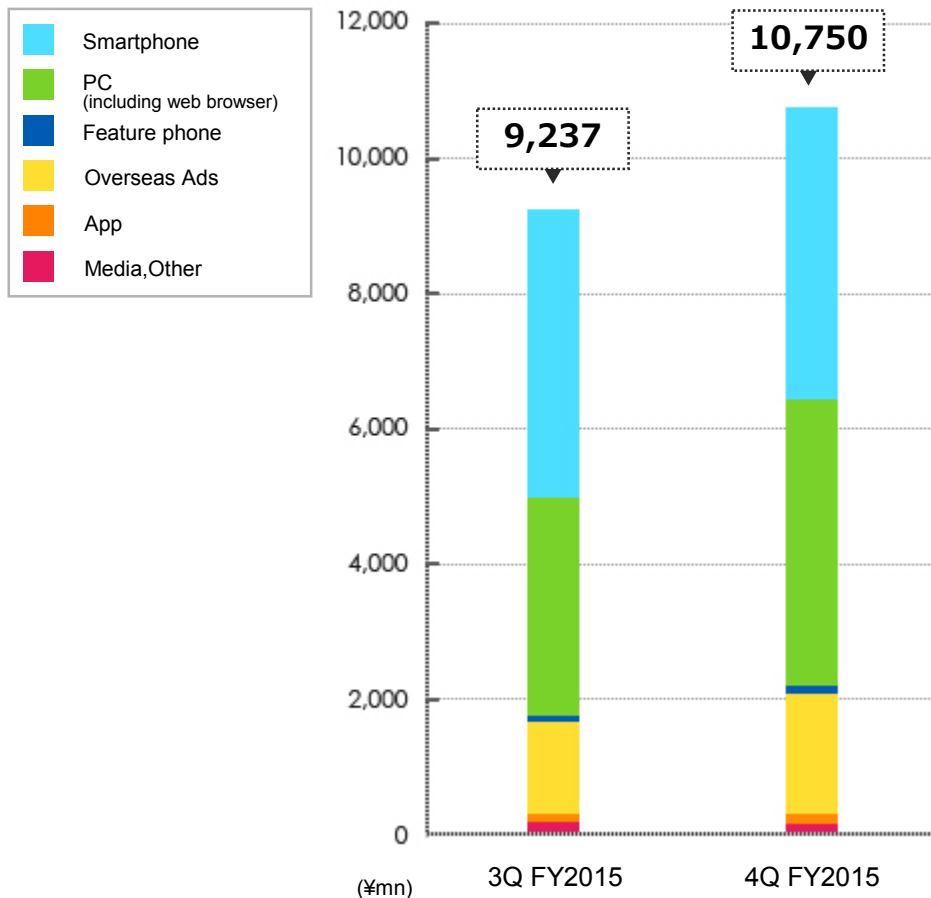
#### Operating Profit

Decreased      ¥122mn YoY (− 45.8%)  
Increased      ¥80mn QoQ (+123.4%)



## 2. 4Q FY2015 Performance: Net Sales

### QoQ Change



#### Domestic Advertising **¥8,719mn**

QoQ : +¥1,083mn (+14.2%)

Smartphone : ¥4,331mn

QoQ : +¥27mn (+0.6%)

- Remained almost unchanged thanks to steady orders from major clients

PC (including web browser) : ¥4,268mn

QoQ : +1,076mn (+33.7%)

- Core financial services dramatically increased

#### Overseas Advertising **¥1,748mn**

QoQ : +¥430mn (+32.6%)

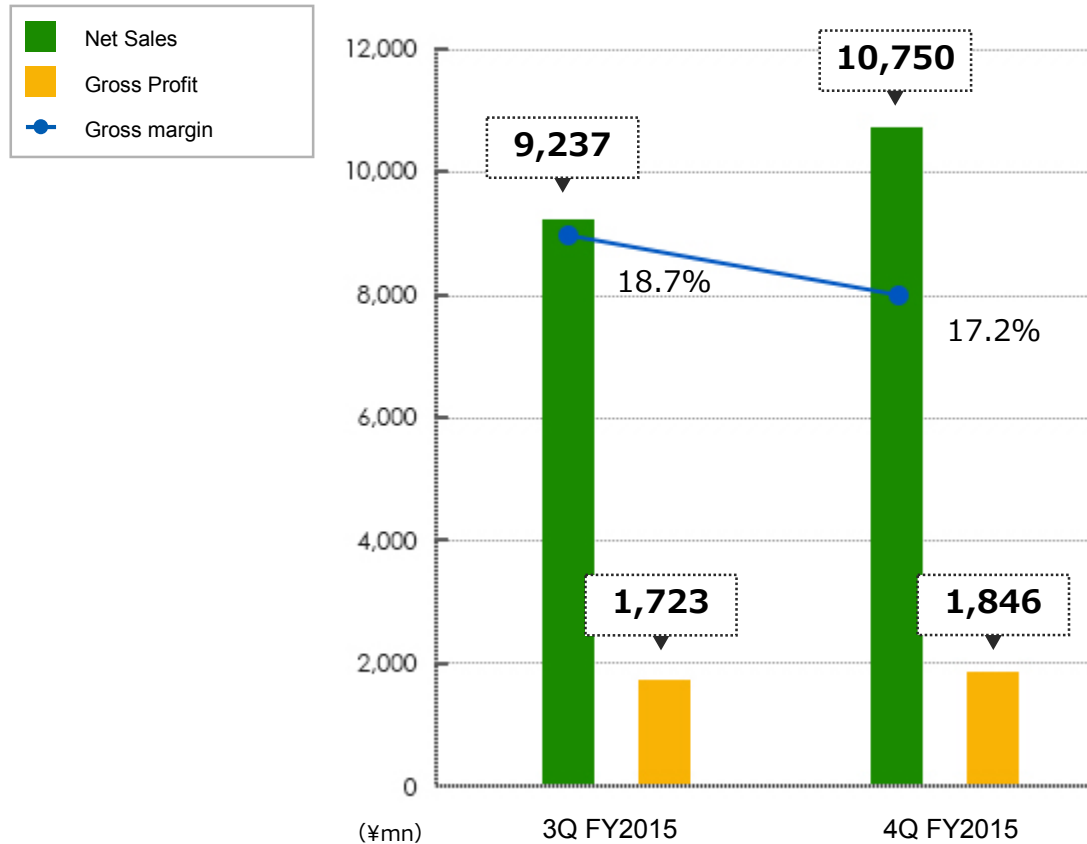
- Increased due to demand at the end of the fiscal year

\* The accounting periods of our overseas subsidiaries end in December, so their 4Q FY2015 (October – December) figures are consolidated with the Adways Group's 4Q FY2015 (January – March) figures.



## 2. 4Q FY2015 Performance: Gross Profit

### QoQ Change



**4Q Gross Profit : ¥1,846mn**

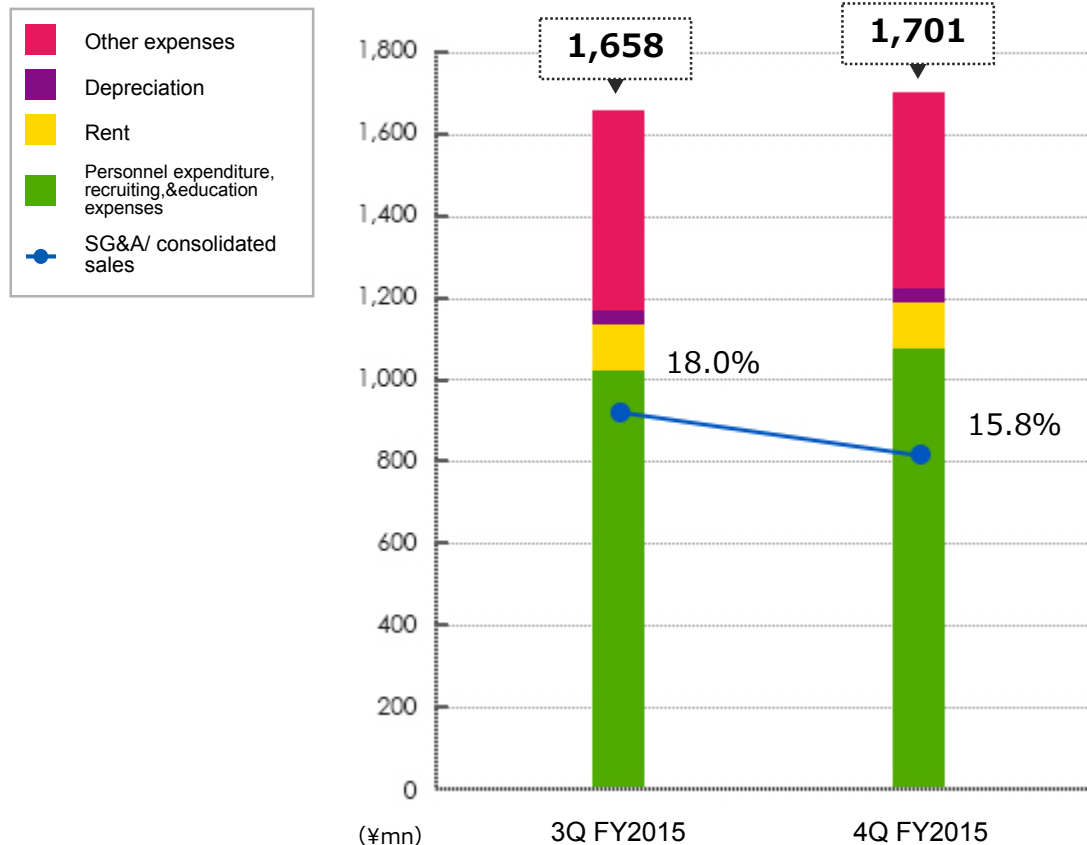
QoQ : +¥122mn (+7.1%)

Gross margin : 17.2%

-Gross profit margin from sales decreased due to the acceptance of orders with low interest rates from clients of core financial services

## 2. 4Q FY2015 Performance: SG&A Expenses

### QoQ Change



#### 4Q SG&A Expenses : ¥1,701mn

QoQ : +¥42mn (+2.6%)

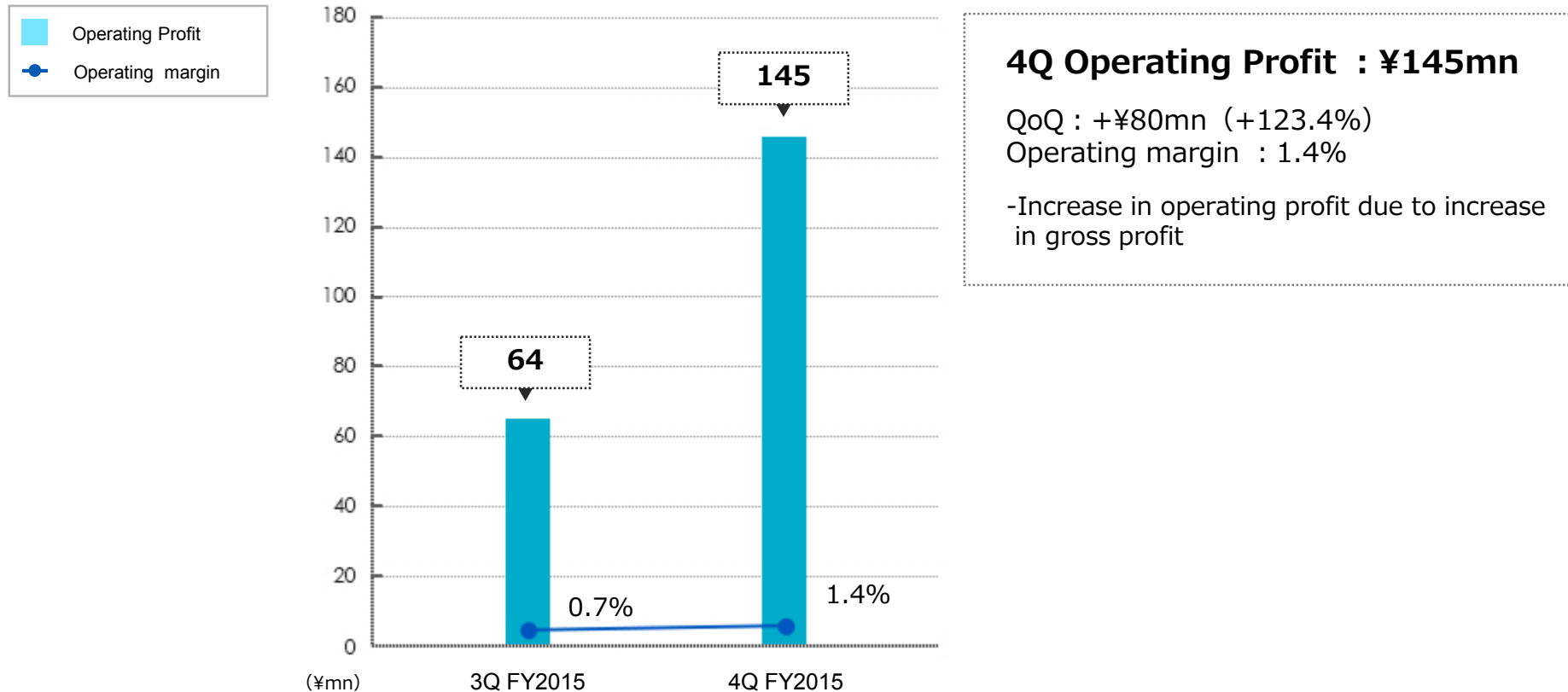
SG&A to Sales ratio : 15.8%

Personnel expenditure, recruiting & education expenses : +¥46mn

-Personnel overhead costs have increased due to the employment of mid-career employees and the increase in manpower following overseas expansion

## 2. 4Q FY2015 Performance: Operating Profit

### QoQ Change

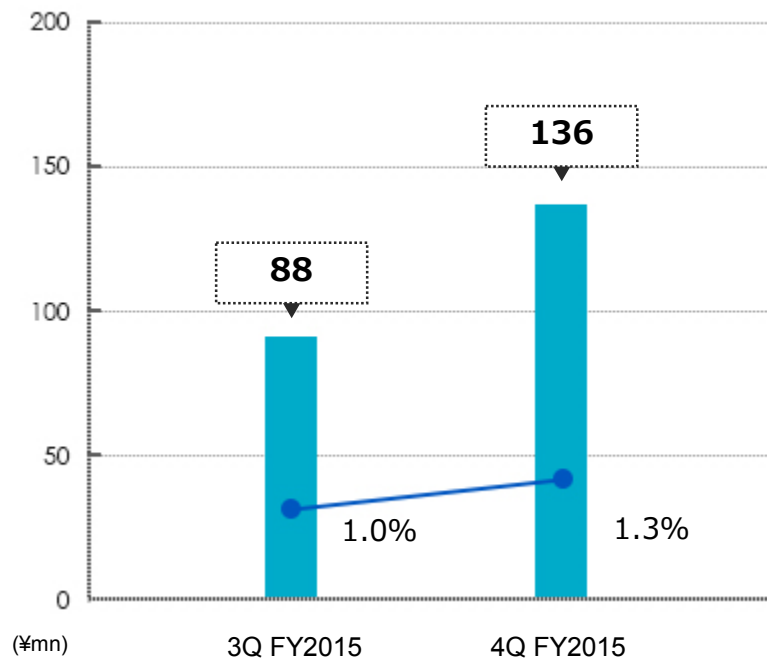




## 2. 4Q FY2015 Performance:

Recurring Profit and Net Profit attributable to Parent company shareholders

### QoQ Change

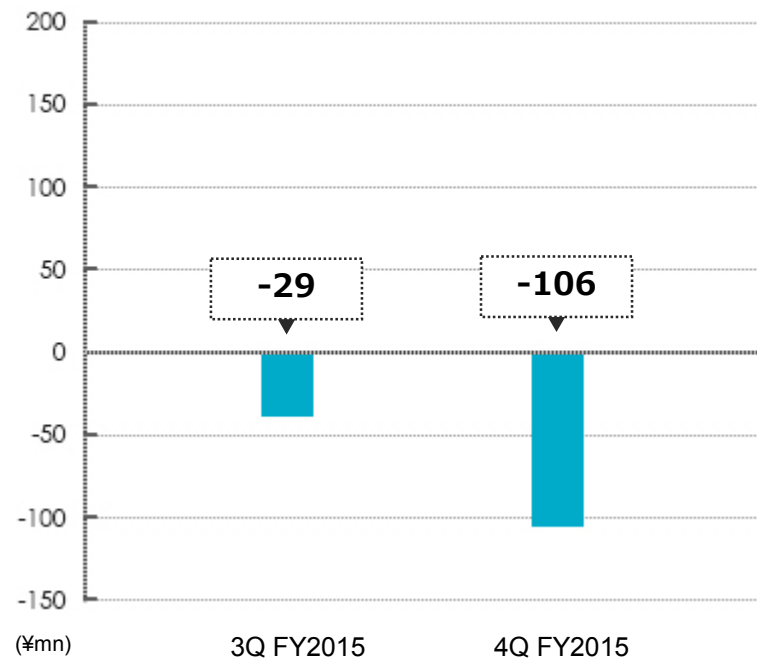


**4Q Recurring Profit : ¥136mn**

QoQ : +¥47mn (+54.1%)

Recurring Profit margin : 1.3%

### QoQ Change



**4Q Net Profit attributable to parent company shareholders : -¥106mn**

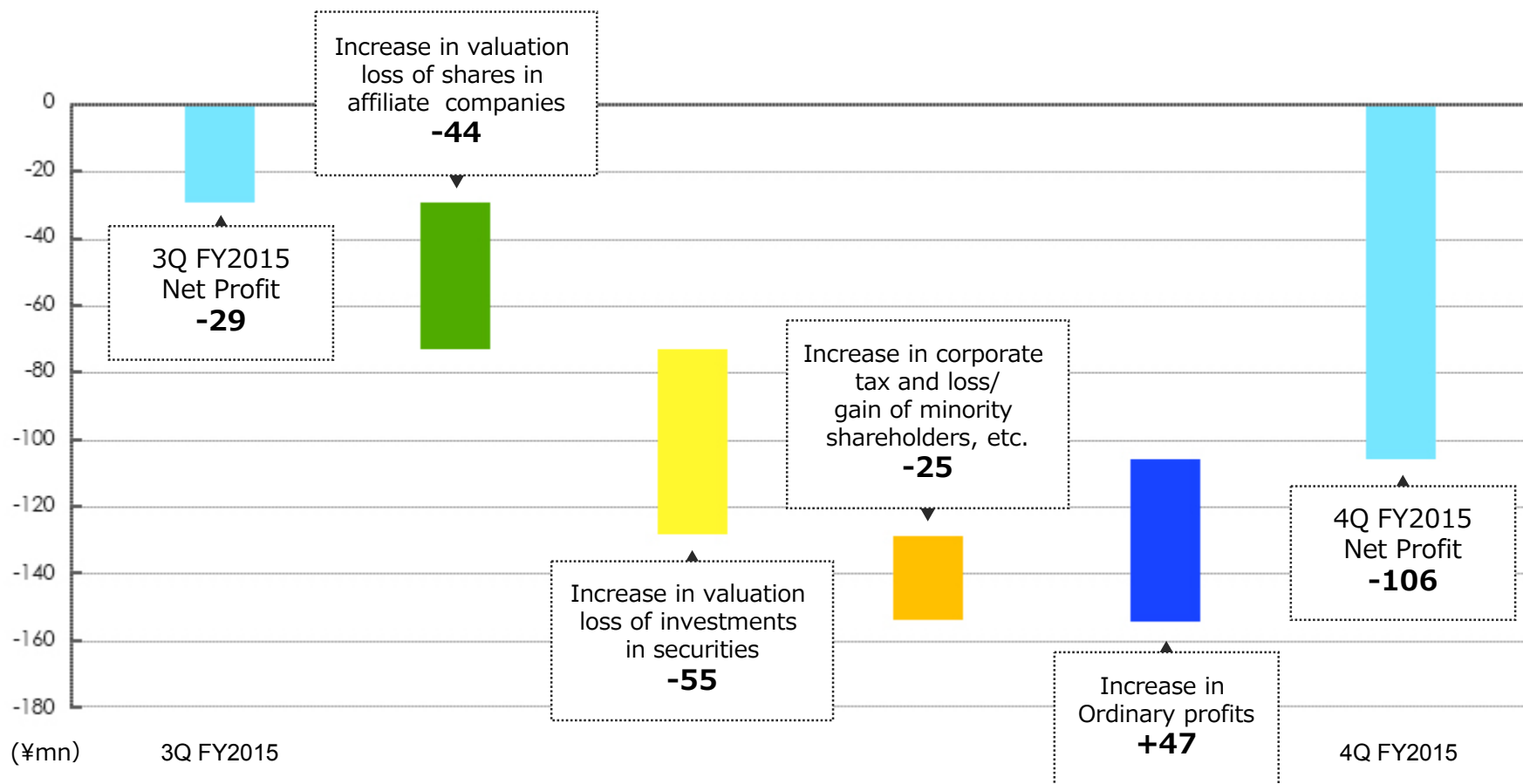
QoQ : -¥77mn (- %)


Net Profit margin : - %

## 2. 4Q FY2015 Performance:

Net profit attributable to  
Parent company shareholders

Trend in the quarterly net profits that belong to the stockholders of our parent company





### 3. Shareholder returns & FY2016 Consolidated Performance Forecast



# 3. Shareholder returns

## Dividends and Dividend Policy

### 【 Dividends for the end of FY2015 】

**¥2.35 per share**

### 【 Dividend Policy 】

We recognize that ensuring continuous shareholder returns and improving our corporate value are weighty issues and so we implement different strategies. For dividends, we are aiming to be able to provide the value of the dividend per share that is calculated from dividend trends based on the value of dividends in the span of 3 years (excluding the first fiscal year) which includes this fiscal year, (reference: this fiscal year's 15%) or 2.35 yen per share (the average dividend performance for the previous fiscal year), whichever is higher.

However, please take note that it is possible for the dividend policy to change due to changes in the business climate such as significant performance fluctuations and sizeable M&A deals in the future fiscal years.

\*Our company has adopted a unit share system that converts 100 shares into 1 unit.

\*This matter was formally decided and implemented through the resolution of our company's 16th General Shareholders' Meeting.

# 3. Shareholder returns

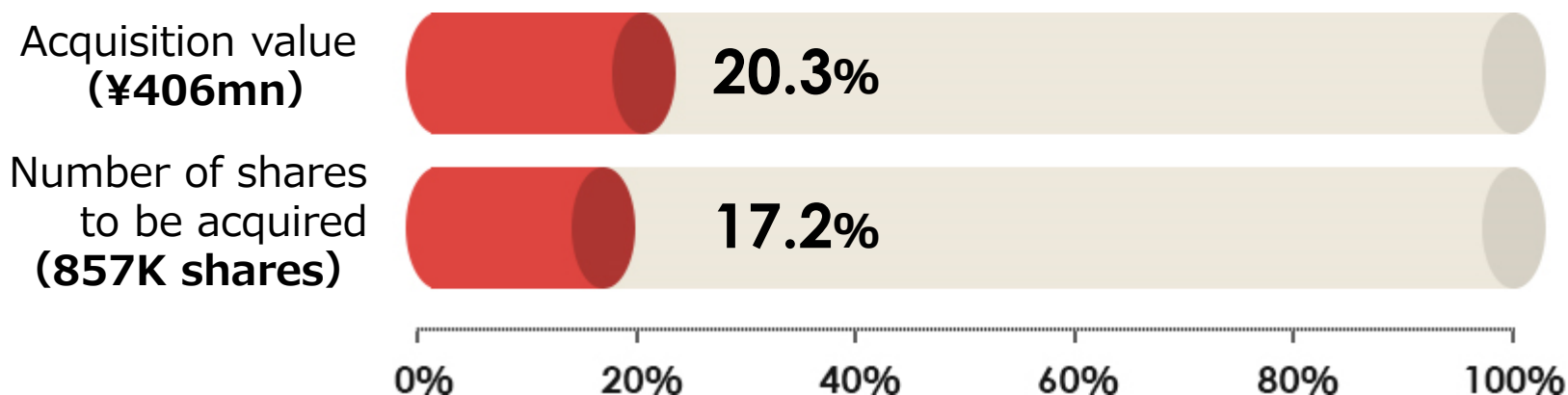
(Aprile 30,2016)

## Progress situation of the acquisition of treasury shares

Acquisition value: ¥2,000mn (maximum)

Number of shares to be acquired : 5 million shares (maximum)  
(12.0% to total outstanding shares)

Acquisition period: February 4th, 2016 -August 31st, 2016



\*The above figures are shown on an agreed-upon basis.

# 3. FY2016 Consolidated Performance Forecast

## FY2016 Consolidated Performance Forecast values (April 1, 2016 - March 31, 2017)

(¥mn)

	Net sales	Operating Profit	Recurring Profit	Net Profit attributable to parent company shareholders
FY2016 Forecast	41,000 ~ 44,000	100 ~ 500	100 ~ 500	10 ~ 200
FY2015 YoY	+ 3.5% ~ + 11.1%	-85.5% ~ -27.3%	-86.6% ~ -32.8%	-93.1% ~ + 37.3%
FY2015 (cumulative)	39,613	687	744	145



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## 4. Business Overview



# Beyond Everything Internet

2017 - 2019

**App  
Marketing**

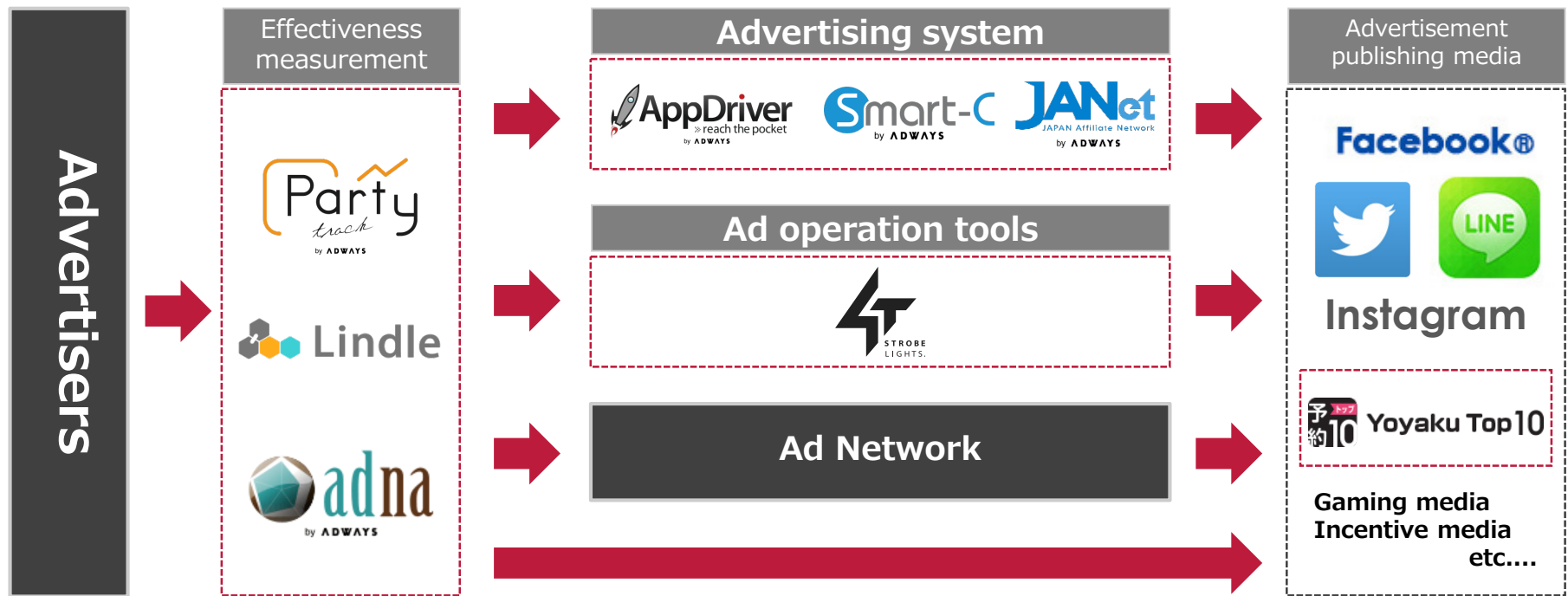
**Global  
E-commerce**

**E-commerce  
Data**

## 4. Business Overview: App Marketing

Aiming to develop products that will connect users and clients across the globe

### “Platform&Borderless”

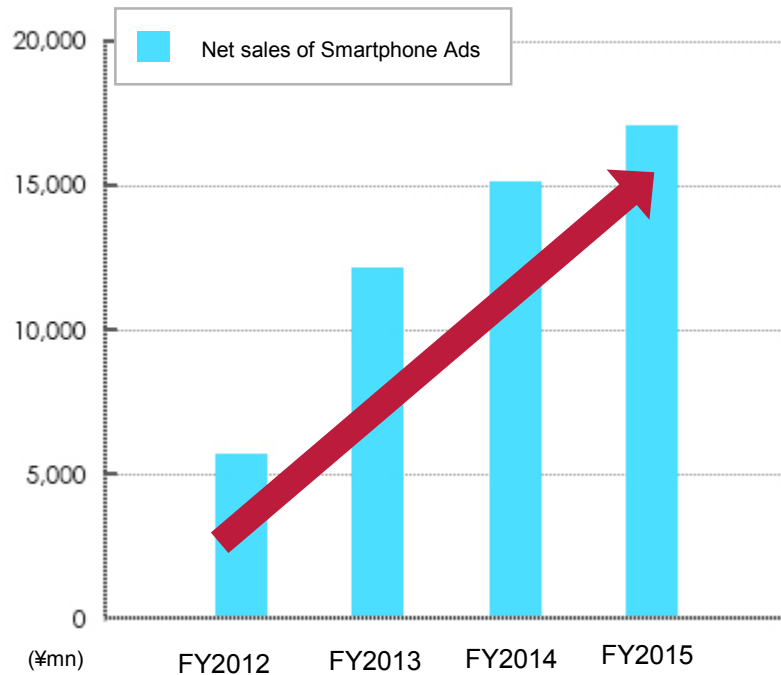


# 4. Business Overview: App Marketing

## Domestic and Overseas Ad Businesses

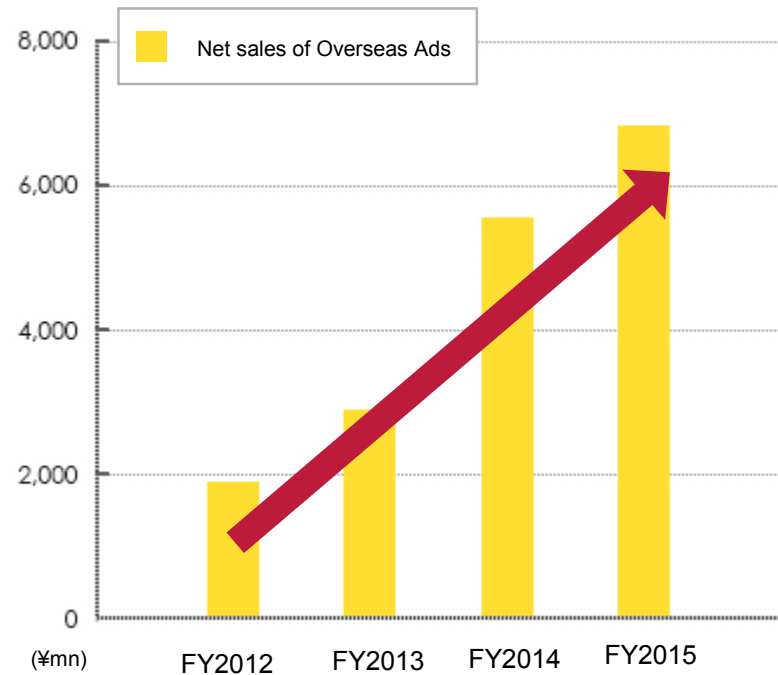
### Domestic Ads (Smartphone Ads)

Stable growth by establishing a revenue base



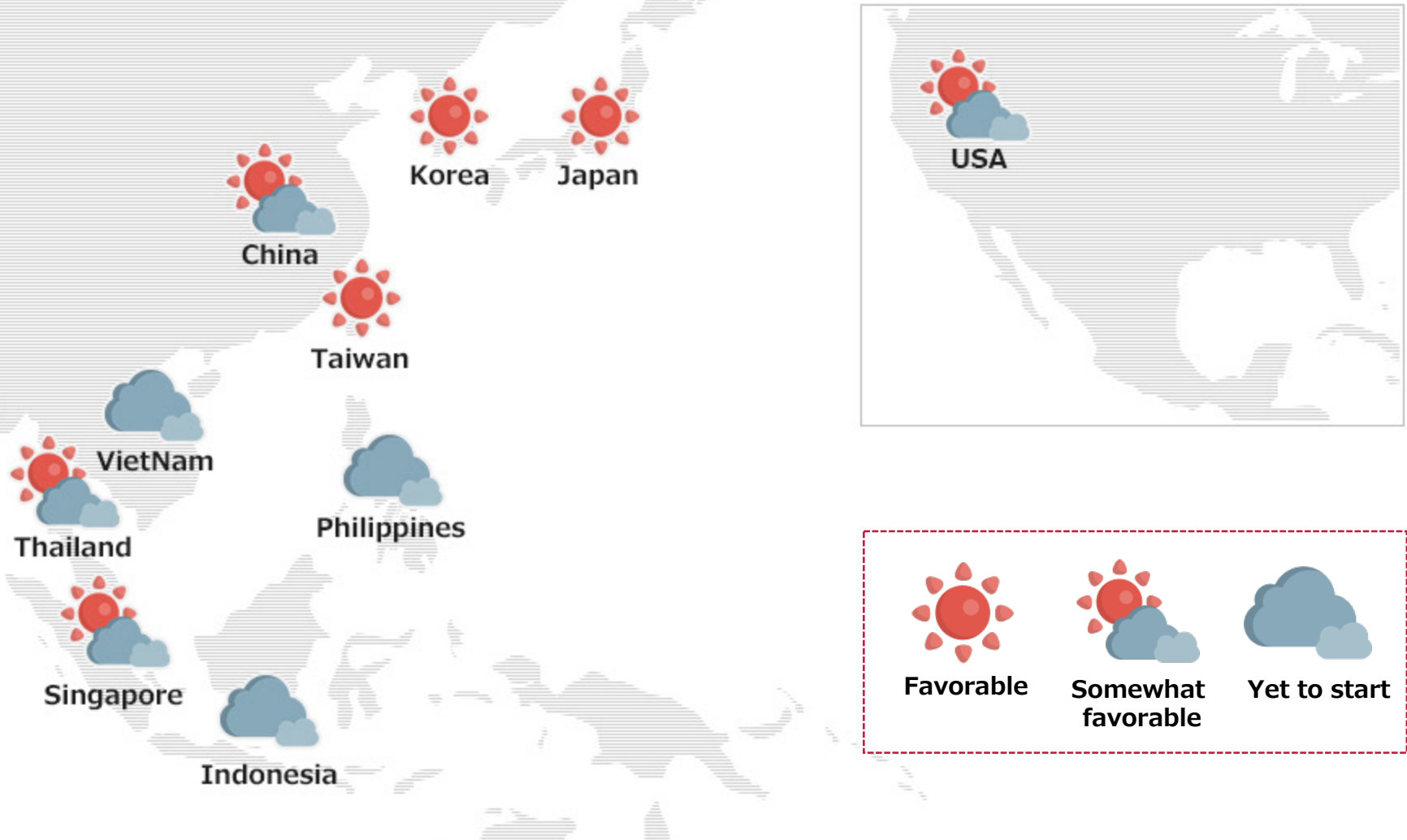
### Overseas Ads

Sales are steadily increasing due to business expansion, centering in Taiwan and Korea



## 4. Business Overview: App Marketing

### Status of advertising operations in each country





## 4. Business Overview: App Marketing (video ad)

The gaming event service "Gamix" has begun full-fledged operation!  
~We held a tie-up event with DeNA about popular YouTubers~

**Left Side YouTubers:**

- Yuka Kuramochi Channel
- Saki Yoshida Channel!
- Mami Channel
- Shoko Channel

**Right Side YouTubers:**

- Miss Ruru Games Live
- Amu Chan!
- Paka Channel
- Purotan Diary



Popular Youtubers with many videos!!

# 4. Business Overview: Global E-commerce

## Global E-commerce service "Logistics x Marketing"

### Inbound

Consumer market for foreign visitors **¥6 trillion**



「Japan Shopping Scanner」  
An app for attracting Chinese tourists to visit Japan



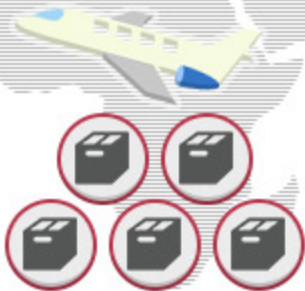
Cross-border marketing



**crossbound**

Marketing support site geared towards the Chinese region

Customer-attracting service



Overseas delivery service

**楽一番**  
Leyifan.com

Scale of cross-border E-commerce markets **¥4 trillion**

### Outbound

Reference: Published by Ministry of Economy, Trade and Industry  
Japan National Tourist Office (JNTO) published

# 4. Business Overview: Global E-commerce

## Attracting Chinese tourists to visit Japan with the "Japan Shopping Scanner" app



### App functions

#### Scans merchandise bar code

Searches for the lowest price,  
translates description  
Browse product reviews  
Guide to stores (MAP)  
Offers coupons



### Ad distribution

#### Retailers, E-commerce site operators

Mount all types of product campaigns such as advertising and coupon distribution within the app for users before they come to Japan



Even after they return to their country, they can still make purchases through the overseas delivery service !

**楽一番**  
Leyifan.com



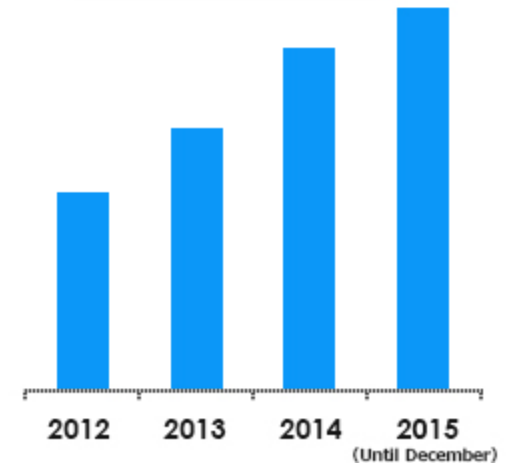
## 4. Business Overview: E-commerce Data

The very first E-commerce data service in Japan to offer information strategies to e-commerce



# of companies using Nint

Over **27,000** companies



The World's Ecommerce market in 2018  
**ALMOST DOUBLE!**

**¥157**trillion  
(2014)

**¥298**trillion  
(2018)

Reference: eMarketer forecast, 2014.12  
"Retail Sales Worldwide Will Top \$22Trillion This Year"



# 4. Business Overview: E-commerce Data

**Started providing E-commerce data of "Yahoo! Shopping",  
following "Rakuten" and "Amazon"!**

**Started in September 2014**

**Rakuten**

Number of stores opened

**44,201 stores**

Reference: Rakuten, Inc.  
Slideshow presentation on  
"Fiscal Year 2015 Full-Year and  
4th Quarter Financial Results"



**May 9, 2016**

**Service started**

**Started in October 2015**

**Amazon Japan**

Number of stores opened

**178,000 stores**

Reference: The Nikkei  
August 6, 2015  
morning edition article

**Yahoo! Shopping**

**399,333 stores**

**e-commerce**

**Total amount distributed  
domestically**

**1.5 Trillion yen**

Reference: <http://ir.yahoo.co.jp/jp/archives/present/>  
"Fiscal Year 2015 full-year and 4th quarter presentation materials"  
The number of stores indicates the number of Yahoo! Shopping  
Store IDs.



なにこれ  
すげー  
この初めて

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OMG, This is Amazing

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**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, 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 May13, 2016 and a variety of factors may cause the statements to differ from actual results.



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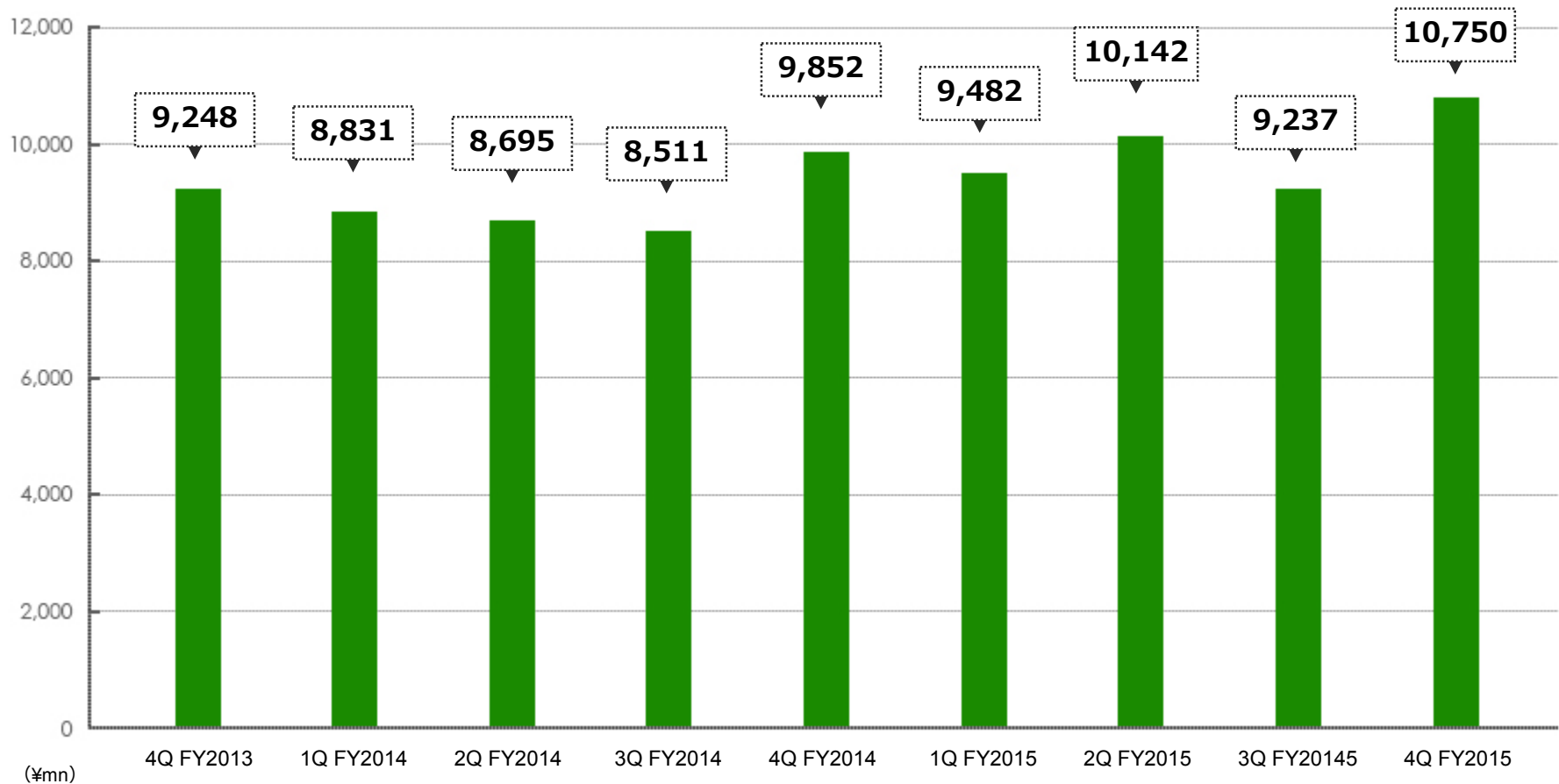
## 5. Supplementary Materials



# 5. Supplementary Materials

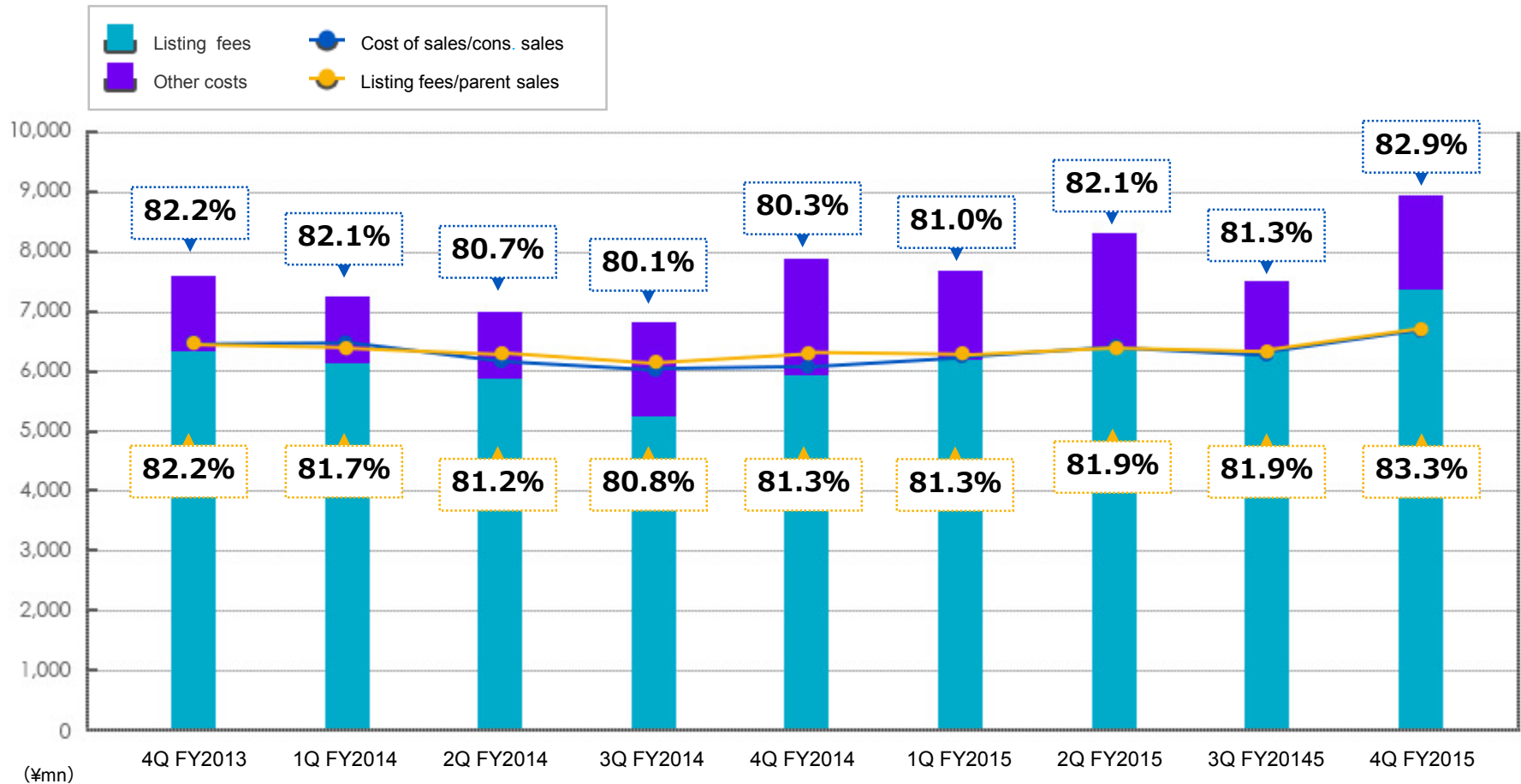


## Consolidated sales (Quarterly)



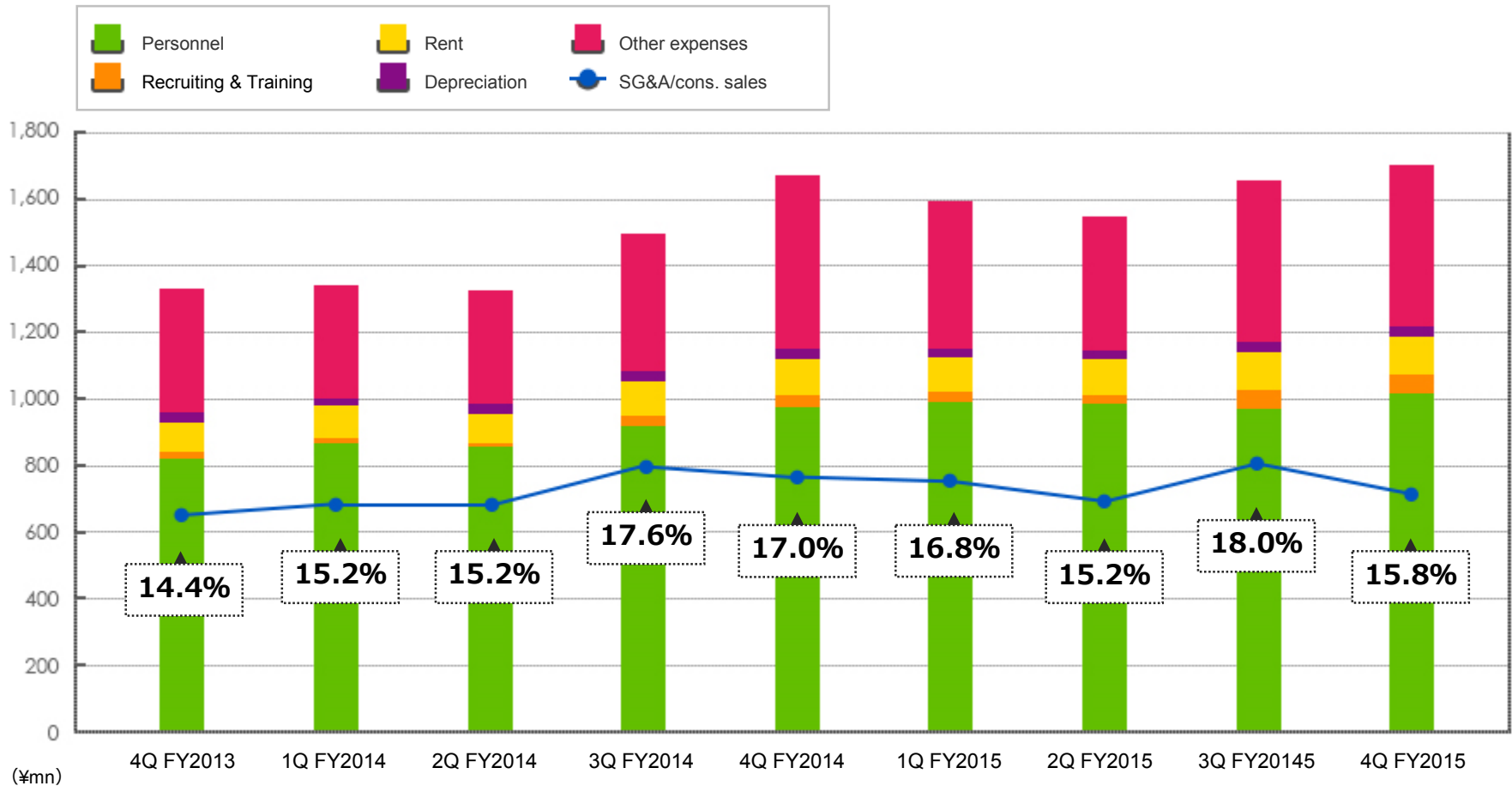
# 5. Supplementary Materials

## Consolidated Cost of Sales (Quarterly)



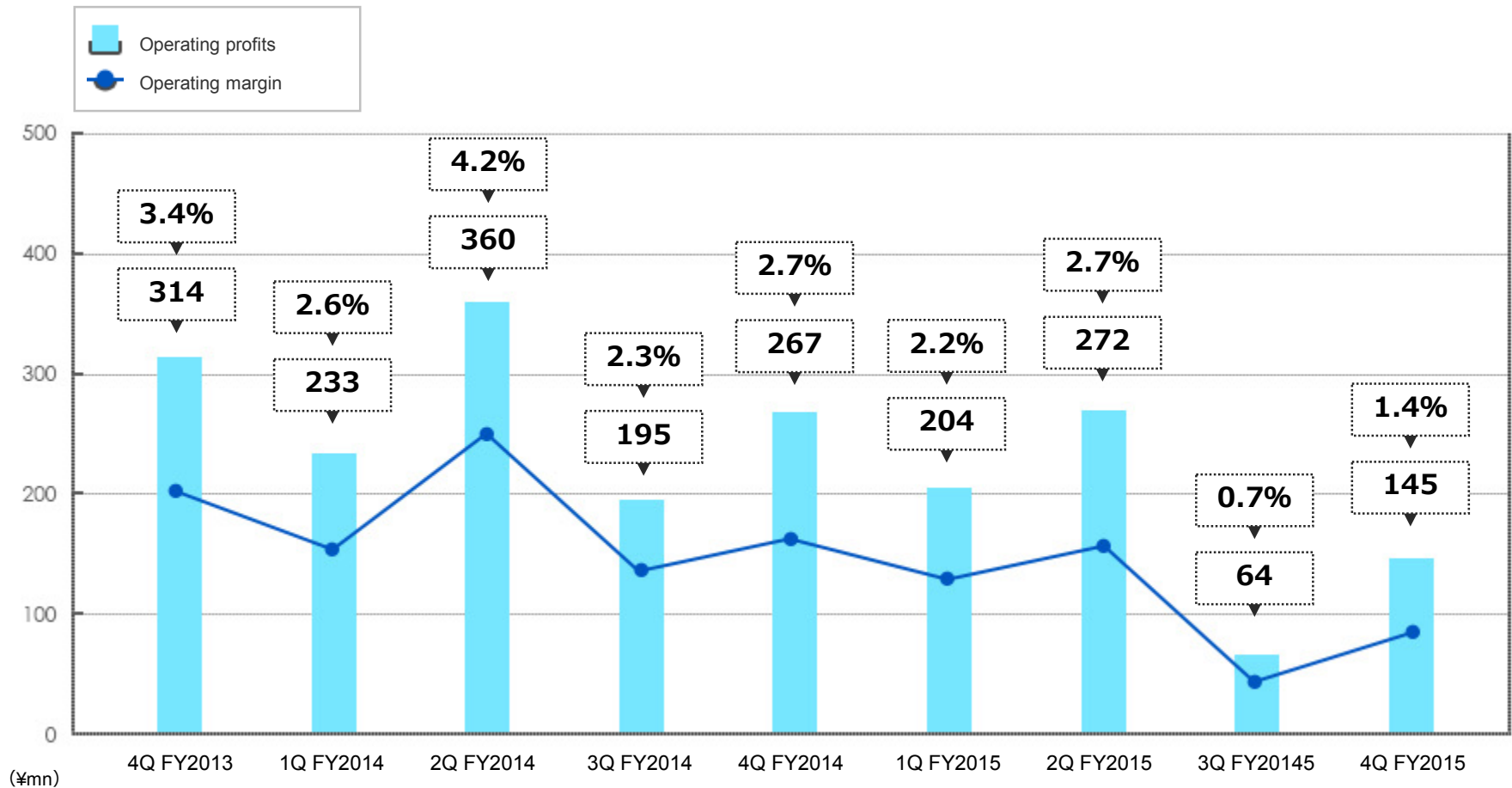
# 5. Supplementary Materials

## Consolidated SG&A Expenses (Quarterly)



# 5. Supplementary Materials

## Consolidated Operating Profit (Quarterly)





# 5. Supplementary Materials



## Consolidated Balance Sheet (QoQ)

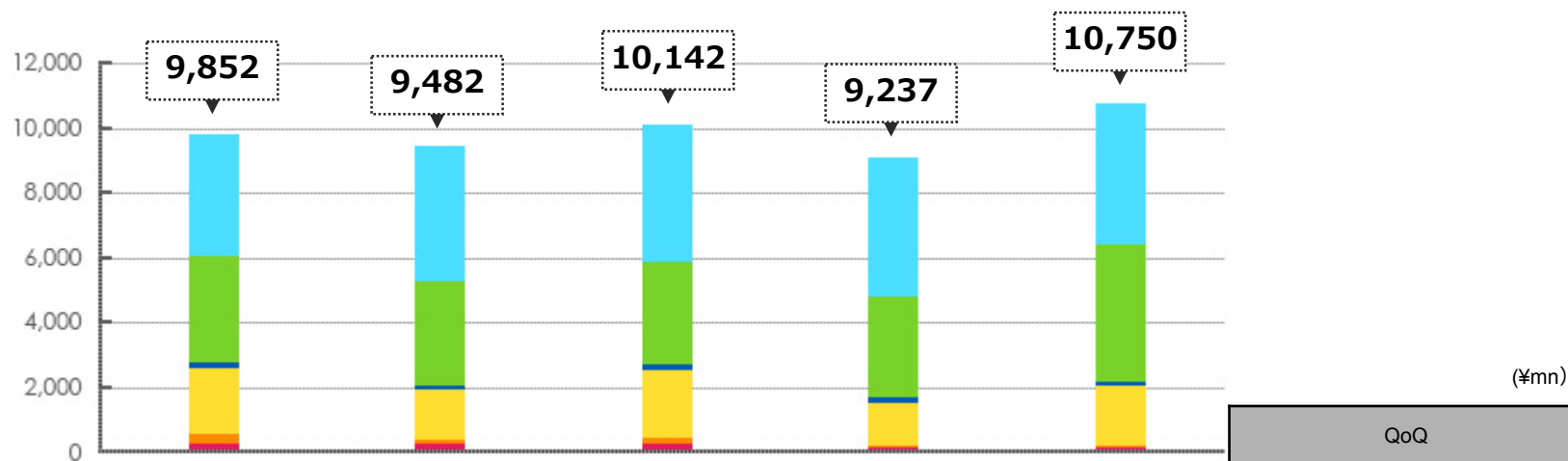
(¥mn)

	4Q FY2015	3Q FY2015	Change (¥mn)	Change (%)
Current Assets	17,583	17,204	+379	+2.2 %
(Cash and Deposits)	10,918	11,289	▲370	▲3.3%
Fixed Assets	2,366	2,336	+30	+1.3%
Total Assets	19,950	19,541	+409	+2.1%
Current Liabilities	7,350	6,440	+909	+14.1%
Fixed Liabilities	110	113	▲2	▲2.4%
Total Liabilities	7,461	6,553	+907	+13.8%
Net Assets	12,489	12,987	▲497	▲3.8%



# 5. Supplementary Materials

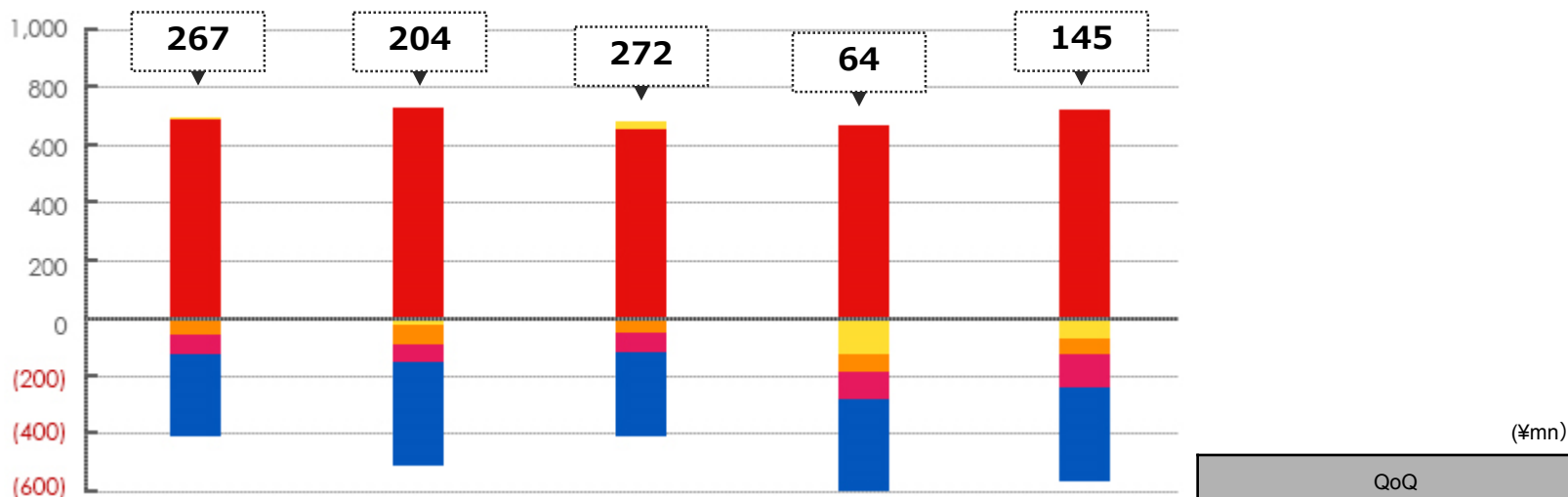
## Breakdown of Consolidated Sales by Segment (Quarterly)



	4Q FY2014	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	QoQ	
						Change(¥mn)	Change (%)
Smartphone	3,807	4,250	4,262	4,304	4,331	+27	+0.6%
PC	3,352	3,229	3,250	3,192	4,268	+1,076	+33.7%
Feature phone	140	113	122	139	118	▲20	▲14.7%
Overseas advertising	1,985	1,582	2,163	1,318	1,748	+430	+32.6%
App	389	125	206	156	156	+0	+0.4%
Media, Other	176	180	136	128	126	▲1	▲1.3%
<b>Total</b>	<b>9,852</b>	<b>9,482</b>	<b>10,142</b>	<b>9,237</b>	<b>10,750</b>	<b>+1,513</b>	<b>+16.4%</b>

# 5. Supplementary Materials

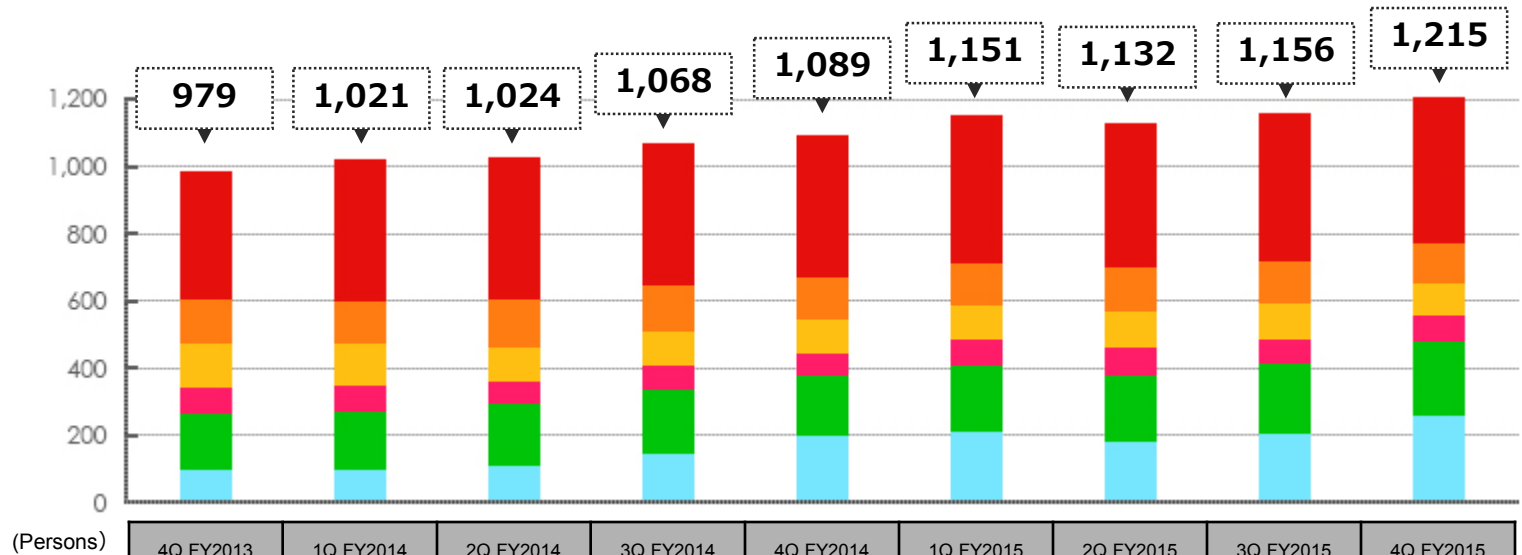
## Breakdown of Consolidated Operating Profit by Segment (Quarterly)



	4Q FY2014	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	QoQ	
						Change(¥mn)	Change (%)
Advertising	686	725	654	663	715	+52	+7.9%
Overseas Advertising	▲6	▲22	34	▲133	▲71	+61	—
App	▲63	▲70	▲50	▲55	▲53	+2	—
Media, Other	▲69	▲69	▲73	▲96	▲113	▲17	—
Eliminations & corporate	▲280	▲357	▲293	▲313	▲331	▲17	—
<b>Total</b>	<b>267</b>	<b>204</b>	<b>272</b>	<b>64</b>	<b>145</b>	<b>+80</b>	<b>+123.4%</b>

# 5. Supplementary Materials

## Group Employees (Quarterly)



	4Q FY2013	1Q FY2014	2Q FY2014	3Q FY2014	4Q FY2014	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015
ADW Japan	380	425	429	425	421	443	430	439	436
ADW China	132	127	135	139	132	125	130	126	122
ADW Shanghai (R&D center)	131	122	108	105	101	100	107	108	101
Domestic subs	73	77	64	60	59	80	79	73	79
Overseas subs(ex. China)	169	176	187	204	188	201	206	206	218
Temps, part-timers	94	94	101	135	188	202	180	204	259
<b>Total</b>	<b>979</b>	<b>1,021</b>	<b>1,024</b>	<b>1,068</b>	<b>1,089</b>	<b>1,151</b>	<b>1,132</b>	<b>1,156</b>	<b>1,215</b>



# 5. Supplementary Materials



## Company Overview

Company name Adways Inc.

Founded February 28, 2001

Business overview Internet business

President & CEO Haruhisa Okamura

Capital ¥1,605mn (As of end of March 2016)

Net Sales ¥ 39,613mn (FY2015, Consolidated)

Employees 1,215 including temp workers (As of end of March 2016)

