



ADWAYS

August 2016, Presentation Material

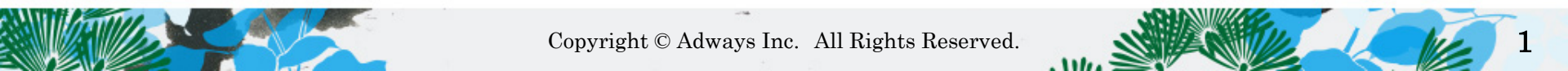
TOKYO STOCK EXCHANGE MOTHERS STOCK CODE:2489
Financial Results Presentation for 1Q FY2016

August 3, 2016 President and CEO, Haruhisa Okamura



Topics

- | | | |
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1. 1Q FY2016 Performance



1. 1Q FY2016 Performance

Quarterly Results (YoY, QoQ)

(¥mn)

	1Q FY2016	YoY 1Q FY2016			QoQ 4Q FY2016		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	10,454	9,482	+ 971	+ 10.2%	10,750	- 296	- 2.8%
Gross Profit	1,761	1,798	- 37	- 2.1%	1,846	- 84	- 4.6%
SG&A Expenses	1,765	1,593	+ 171	+ 10.8%	1,701	+ 64	+ 3.8%
Operating Profit	- 3	204	- 208	-	145	- 149	-
Recurring Profit	- 22	220	- 242	-	136	- 158	-
Net Profit (attributable to parent company shareholders)	- 164	121	- 286	-	- 106	- 57	-

Net Sales

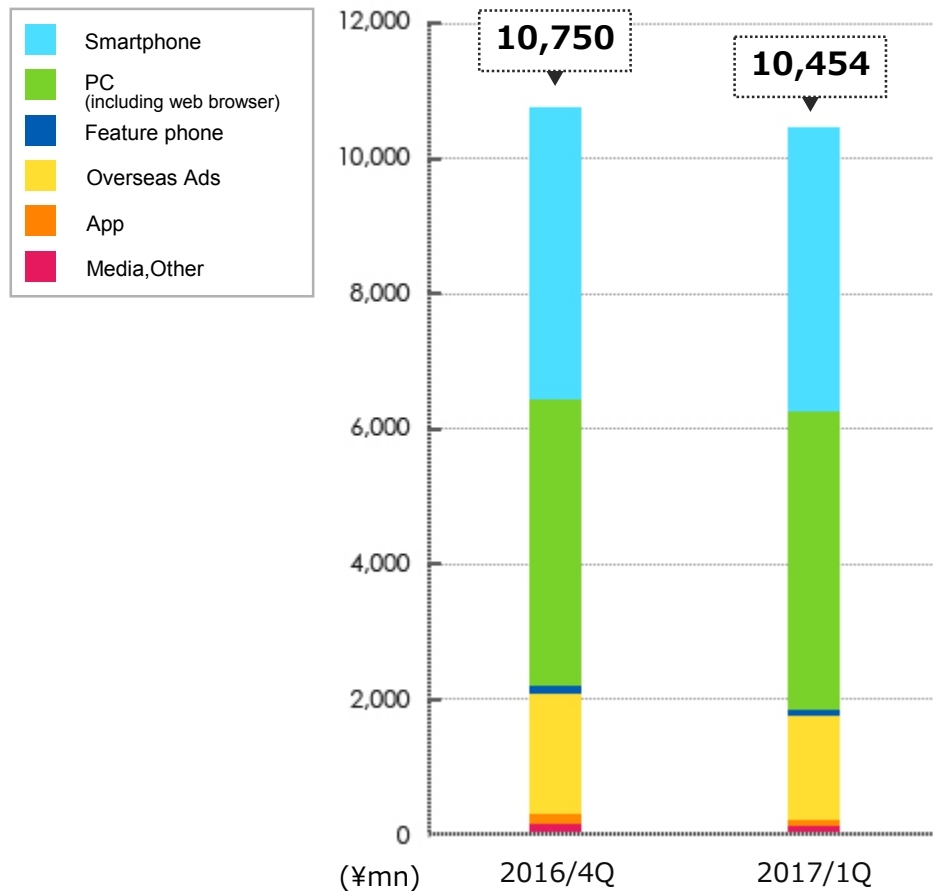
Increased ¥971mn YoY (+10.2%)
Decreased ¥296mn QoQ (-2.8%)

Operating Profit

Decreased ¥208mn YoY
Decreased ¥149mn QoQ

1. 1Q FY2016 Performance: Net Sales

QoQ Change



Domestic Advertising **¥8,715mn**

QoQ : -¥3mn (-0.04%)

Smartphone : ¥4,234mn

QoQ : -¥96mn (-2.2%)

Decreased due to a reaction to spending spree of budgets before the year-end in Mar.

PC (including web browser) : ¥4,388mn

QoQ : +¥119mn (+2.8%)

Core financial clients remain stable.

Overseas Advertising **¥1,520mn**

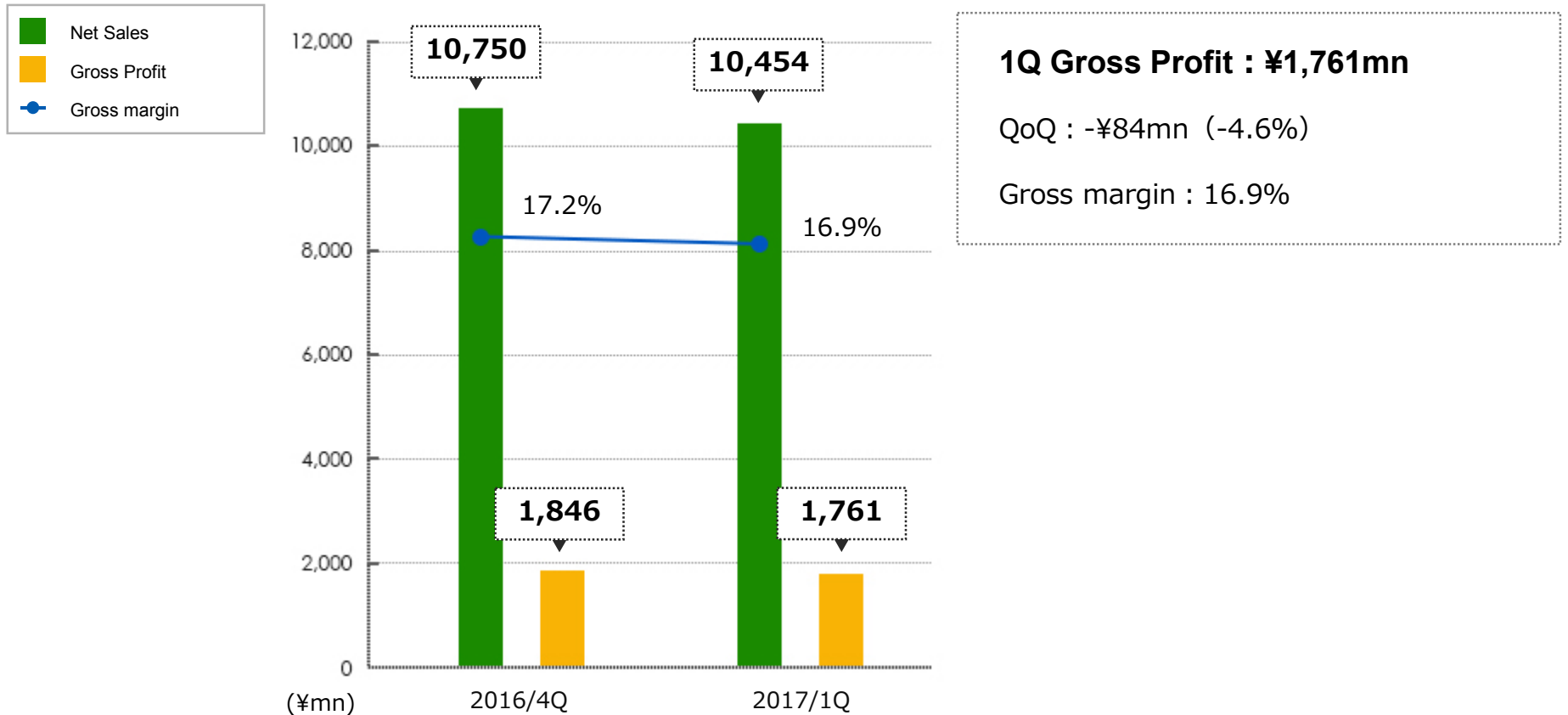
QoQ : -¥228mn (-13.1%)

Mainly affected by the pullback in advertisement purchase after the Chinese New Year in East Asia

•For global operations except India, the fiscal year starts in January and ends in December. e.g.) Q1 for global business: January to March

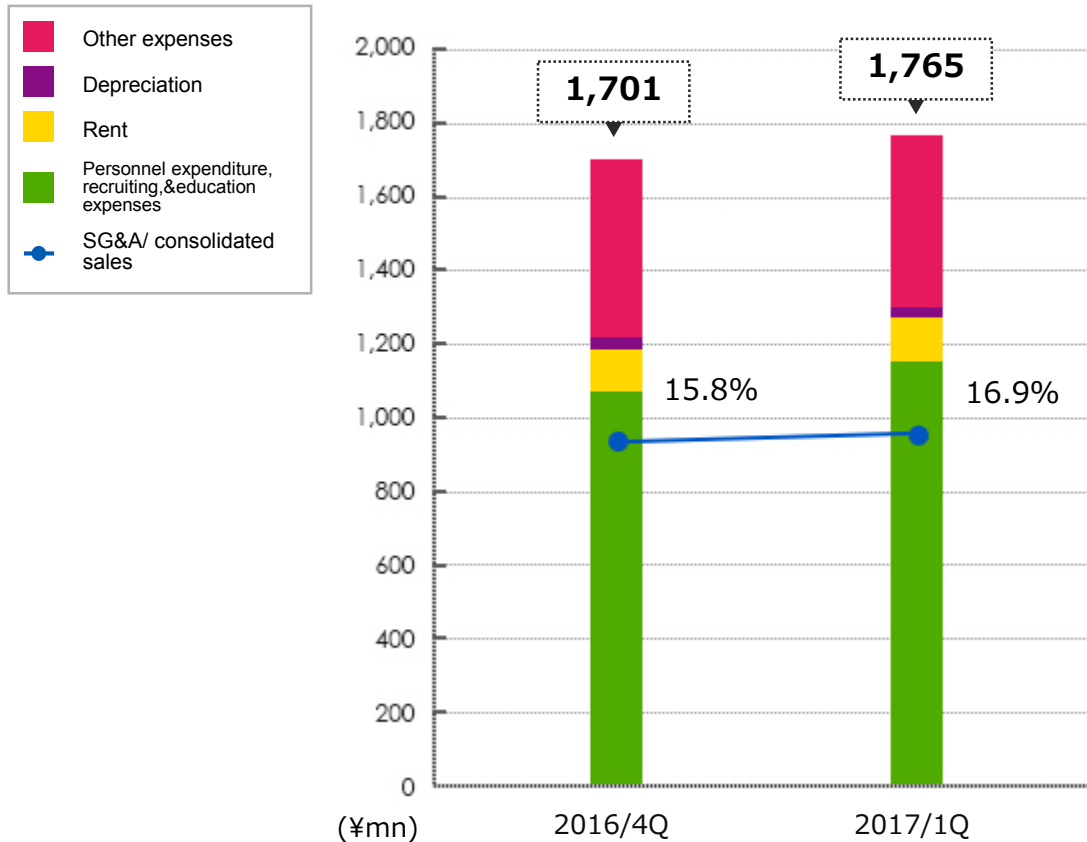
1. 1Q FY2016 Performance: Gross Profit

QoQ Change



1. 1Q FY2016 Performance: SG&A Expenses

YoY Change



1Q SG&A Expenses : ¥1,765mn

QoQ : +¥64mn (+3.8%)

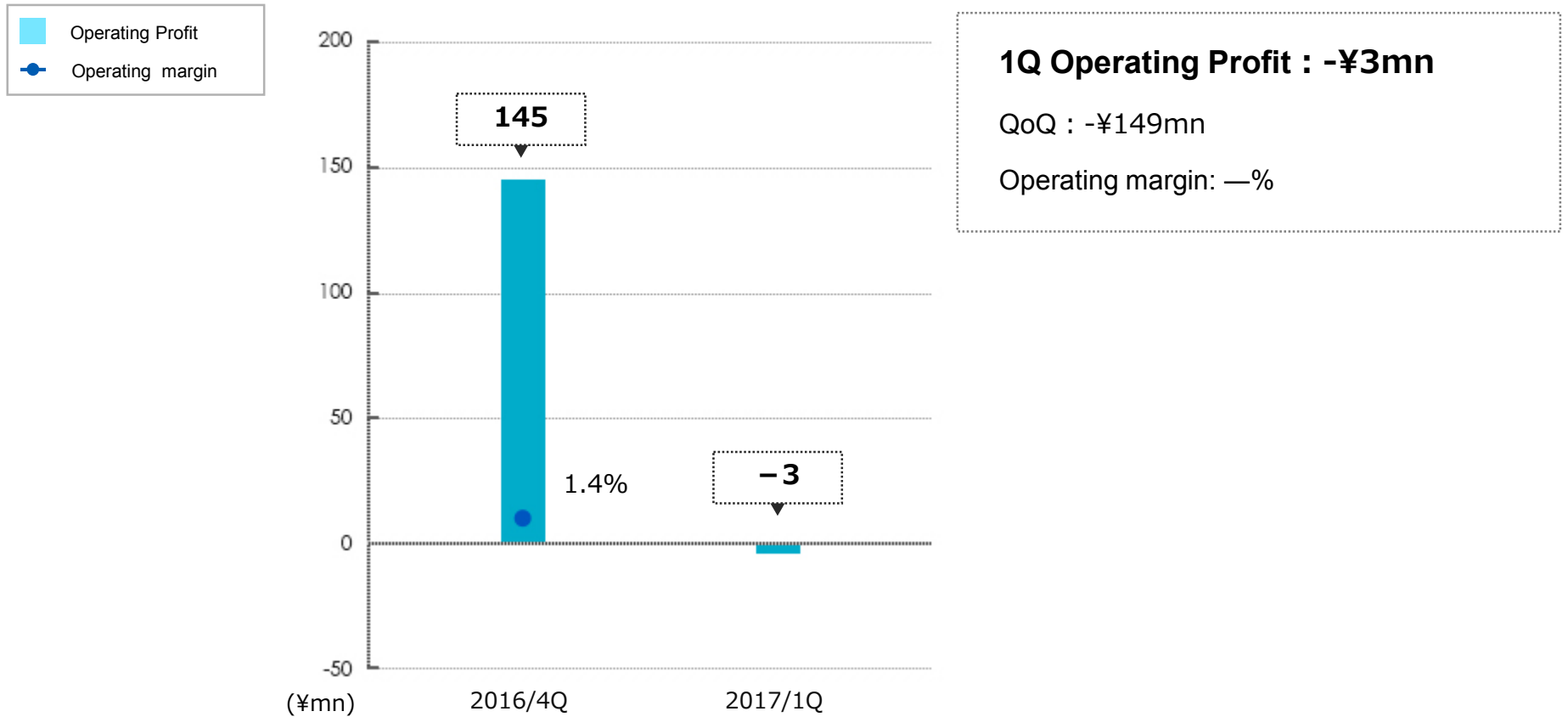
SG&A to Sales ratio : 16.9%

Personnel expenditure, recruiting & education expenses : +¥80mn

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

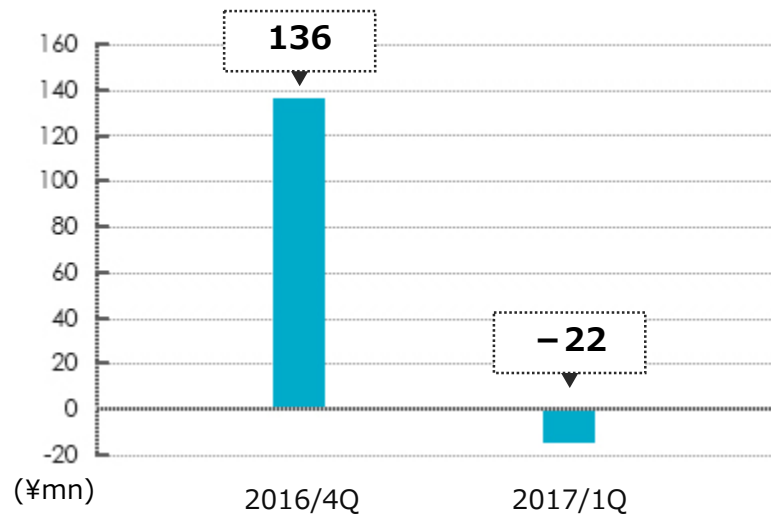
1. 1Q FY2016 Performance: Operating Profit

QoQ Change



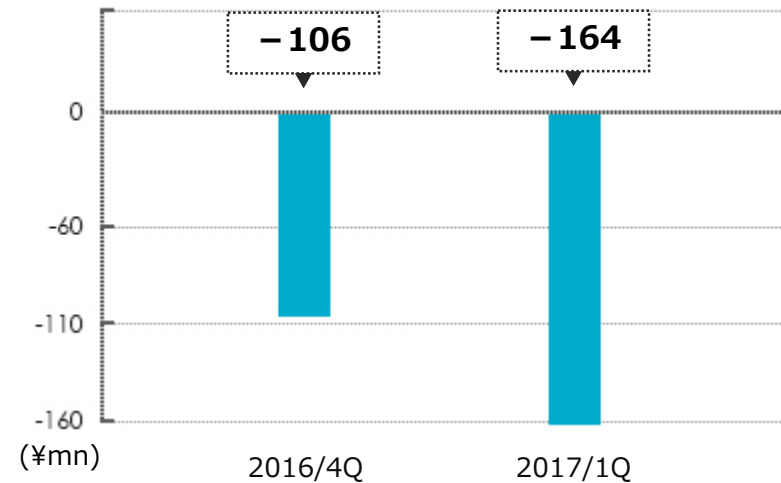
1. 1Q FY2016 Performance: Recurring Profit Net Profit (attributable to parent company shareholders)

QoQ Change



1Q Recurring Profit : -¥22mn

QoQ : -¥158mn



Main reasons for decline in profit :

- Loss on valuation of investment securities (impairment losses of investments)
- Corporate taxes, etc.

1Q Net Profit : -¥164mn

(attributable to parent company shareholders)

QoQ : -¥57mn



2. Business Overview



Beyond Everything Internet

2017.3-2019.3

3 Business Areas of Focus in the Future



**App
Marketing**

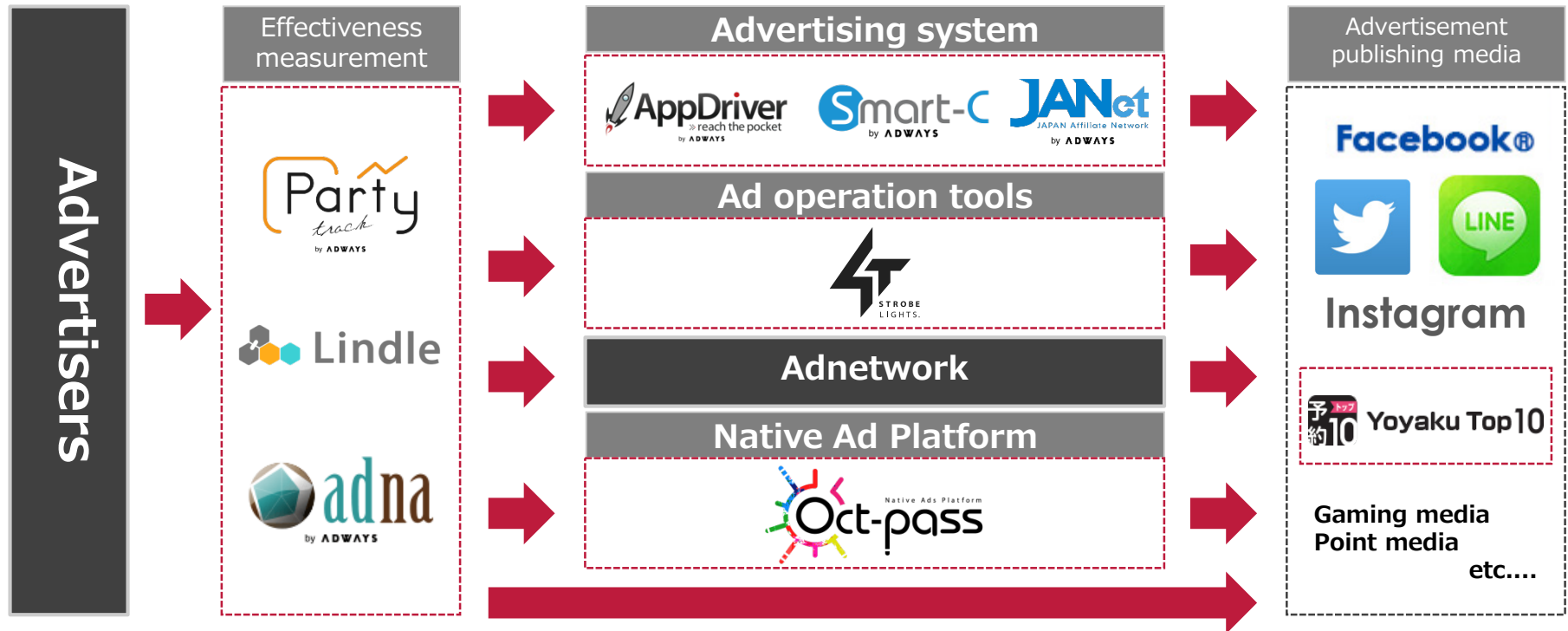
**Global
EC**

**EC
Data**

2. Business Overview~ App Marketing

Aiming to develop products that will connect users and clients worldwide

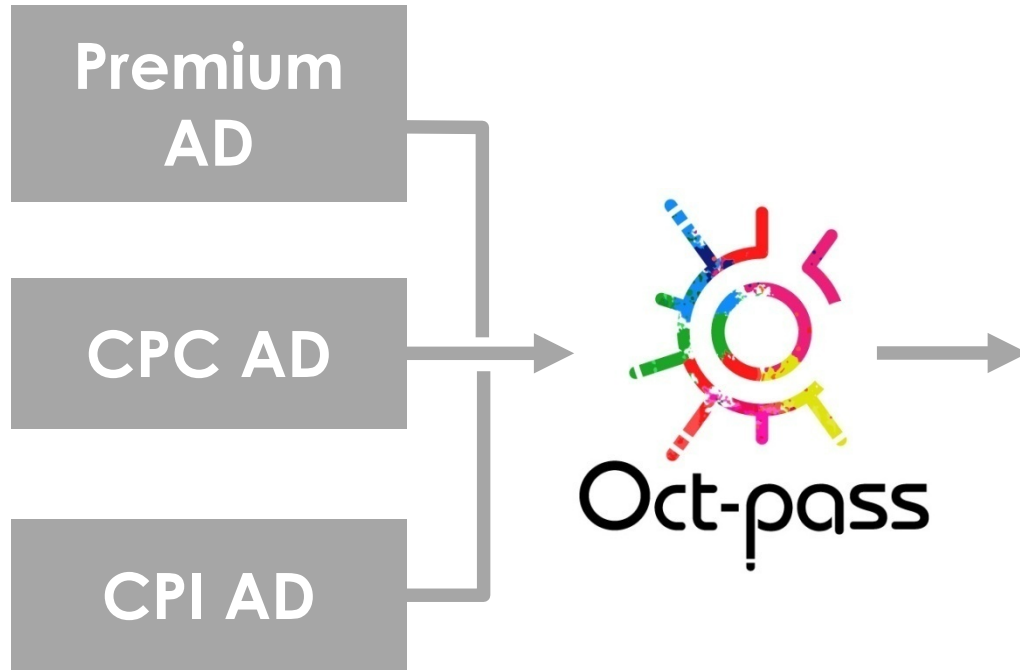
“Platform&Borderless”



Smartphone Native Ad Platform “Oct-pass ” fully launched!!

2. Business Overview~ App Marketing

Why does Oct-pass grow in the market?



■ Infeed-Type



Feed-type advertising – the ad is displayed between the contents and posts corresponding to the design of the SNS feed

■ Recommend Widget-Type



The ad is displayed as a widget in the "Related Articles", etc. of news media and other sites

■ Promotion Listing-Type



Advertisement frame in commerce and other commercial sites

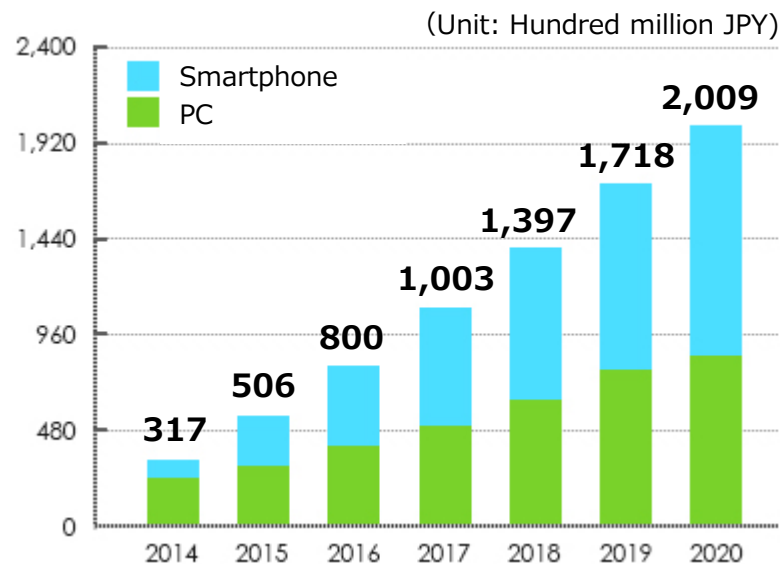
⋮ And many other advertising models

**Reduce the number of conventional work procedures.
Maximize advertising profits through various advertising models.**

2. Business Overview~ App Marketing

Also focusing on the rapidly growing video ads

Online Video Ad Spending by Device



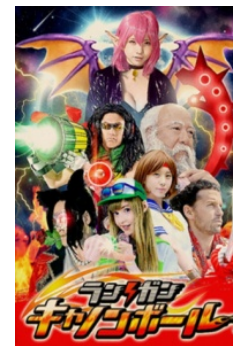
Market to **double in size by 2020!**

Expansion of Online Video Advertising Business

- PC and mobile video ads are both on the rise.
- Ad distribution based on the needs of customers
- Increased the number of video creative/running team.



<Creative Sample>



SQUARE ENIX™

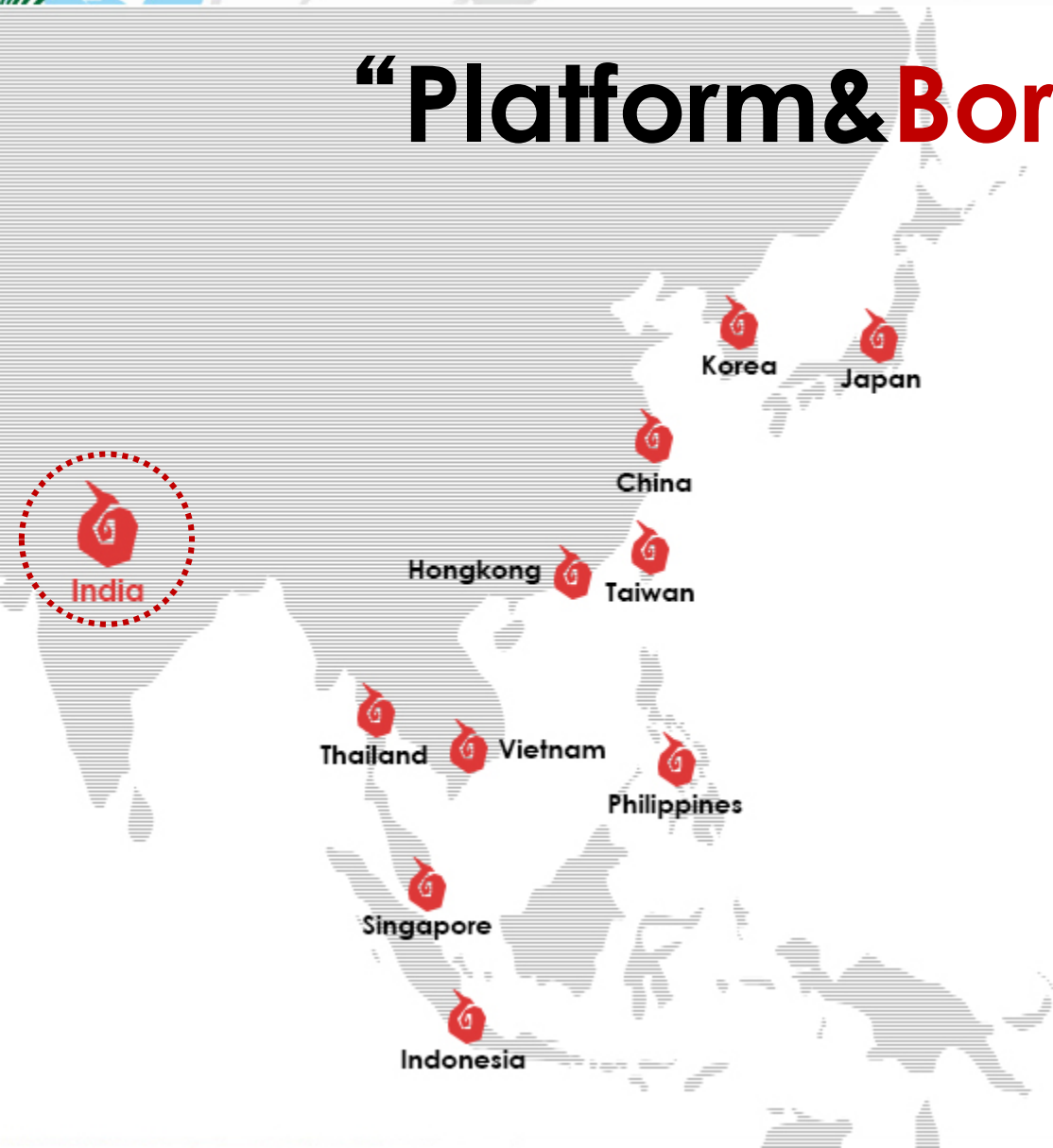
Smartphone app
「RunGun Cannonball」

Created
live-action CM

Reference: Japan Video Ad Market by Online Video Research Institute

2. Business Overview~ App Marketing

“Platform&Borderless”



Global

New



Opened Indian subsidiary

Acquired India's giant reward-based app "Pocket Money"

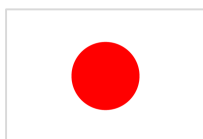
ADWAYS
INDIA



More than 6 million installed in India

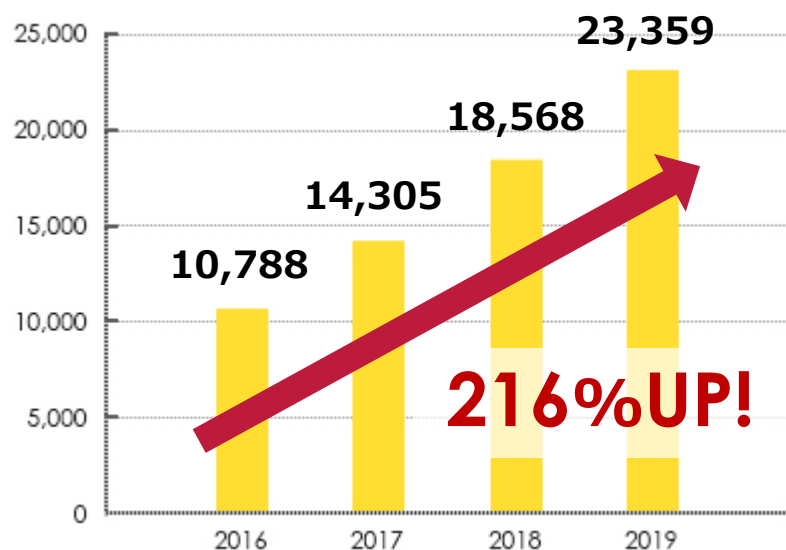
2. Business Overview~ Global E-commerce

Expansion of Cross-Border Ecommerce



China's Purchase Amount in Cross-Border Ecommerce Estimate

(Unit: Hundred million JPY)



Overseas delivery service 「Leyifan」



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



Even after they return home, they can still make purchases
through the overseas delivery service !

Reference: FY2015 Report on infrastructure development to facilitate the computerization and service orientation of our country's economic society (market study on electronic commercial transactions)" – release on June 2016 by the Ministry of Economy, Trade and Industry (METI)

2. Business Overview~ Global E-commerce

May 2016, picking up orders at Taiwan's FamilyMart store pickup started!



Store Pickup available 24 hours at 3,000+ FamilyMarts!



**Aiming to provide
"Ecommerce experience that goes beyond borders"**

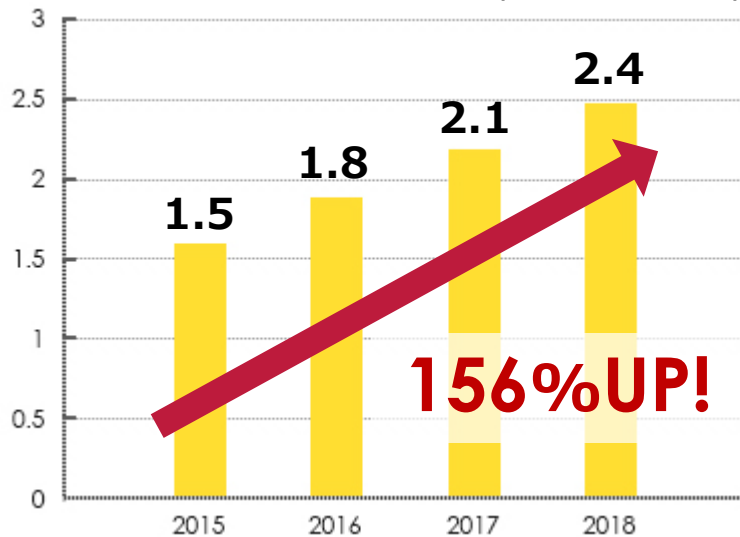
2. Business Overview~ Ecommerce Data

Expansion of the Global Ecommerce Market



Global Retail Ecommerce Market Estimate

(Unit: Trillion USD)



Providing data
of the 3 major EC sites!



Rakuten

Amazon Japan

Yahoo! Shopping



Collect information
available on
Internet

Store info in data-
base and process
information

Provide to E-com-
merce businesses
and manufacturers

Reference: eMarketer.com's Retail Market Scale Worldwide 2013-2018 Trillion USD

2. Business Overview~ Ecommerce Data

Nint has started providing China's Ecommerce data to Japan's top and the world's 9th * leading research company Intage!



We will now be able to provide higher quality information and stronger support to cross-border Ecommerce businesses carrying out Ecommerce in China.

※Presented in the AMA GLOBAL TOP 50 Report (Top 50 Global Marketing Research Companies) of the Marketing News of the American Marketing Association

なにこれ
すげー
一回のはじめて

OMG, This is Amazing



Thank you very much for attending our presentation today.

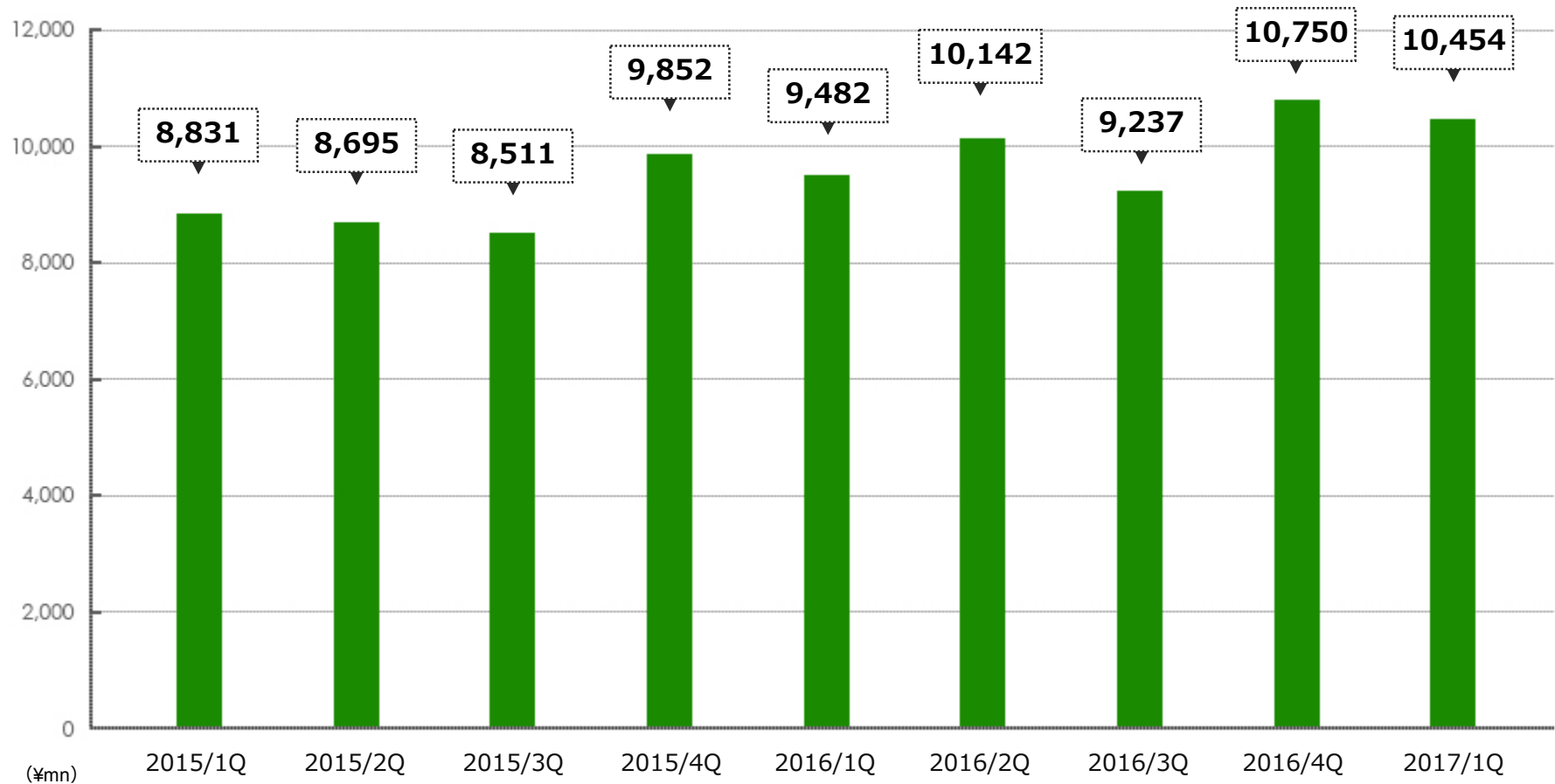
Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecast related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. Actual results may differ from the 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 Aug3, 2017 and a variety of factors may cause the statements to differ from actual results.



3. Supplementary Materials

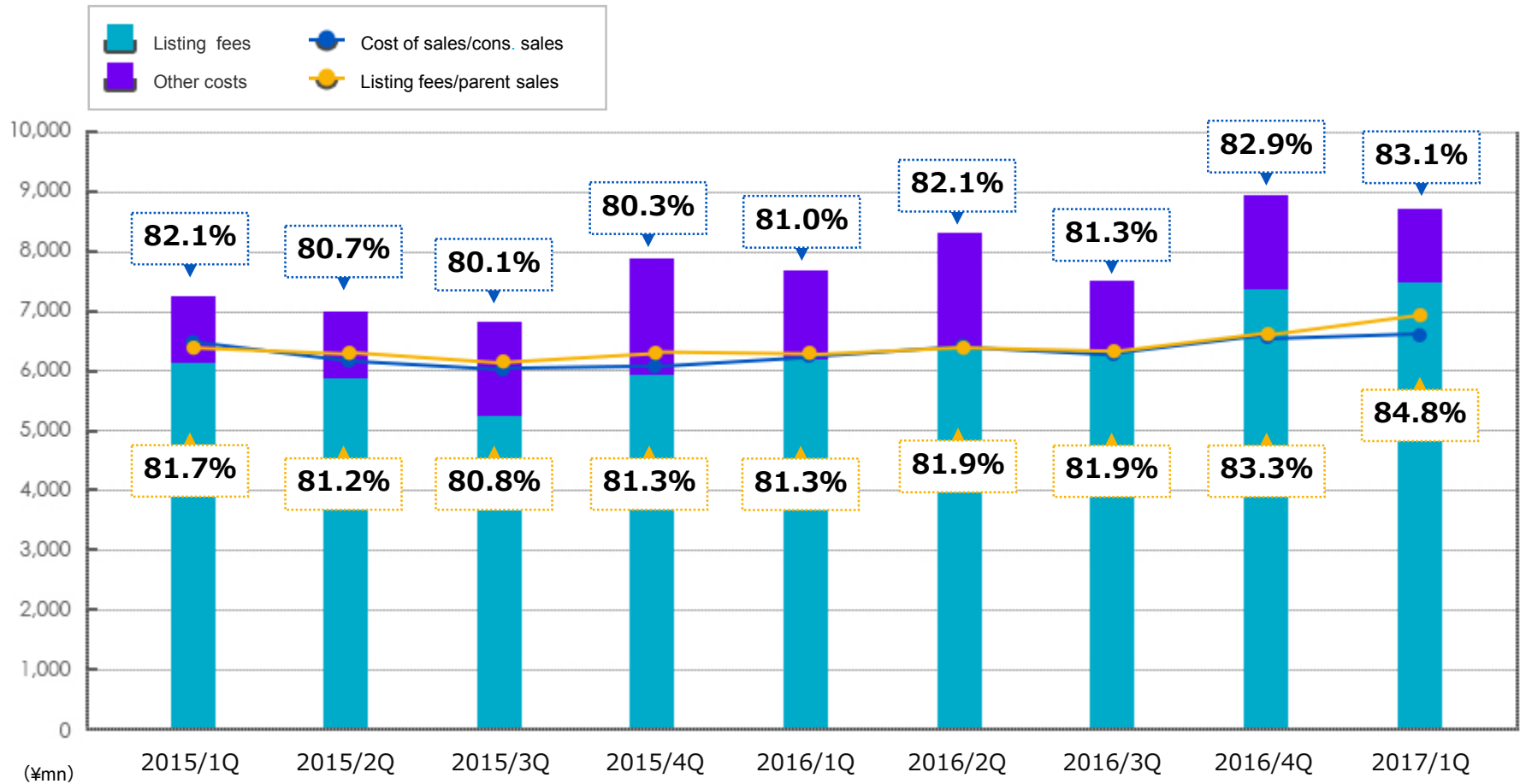
3. Supplementary Materials

Consolidated sales (Quarterly)



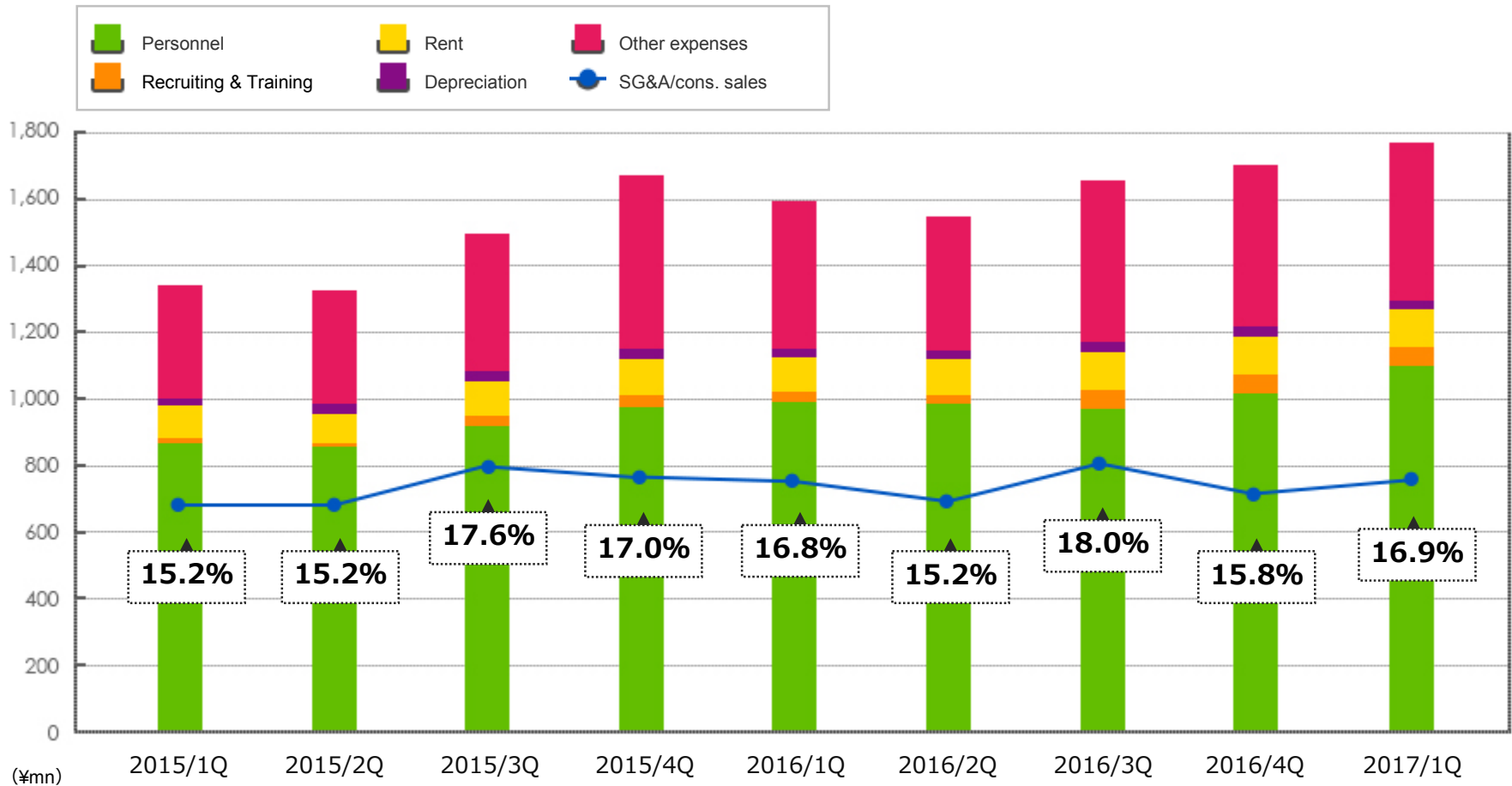
3. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



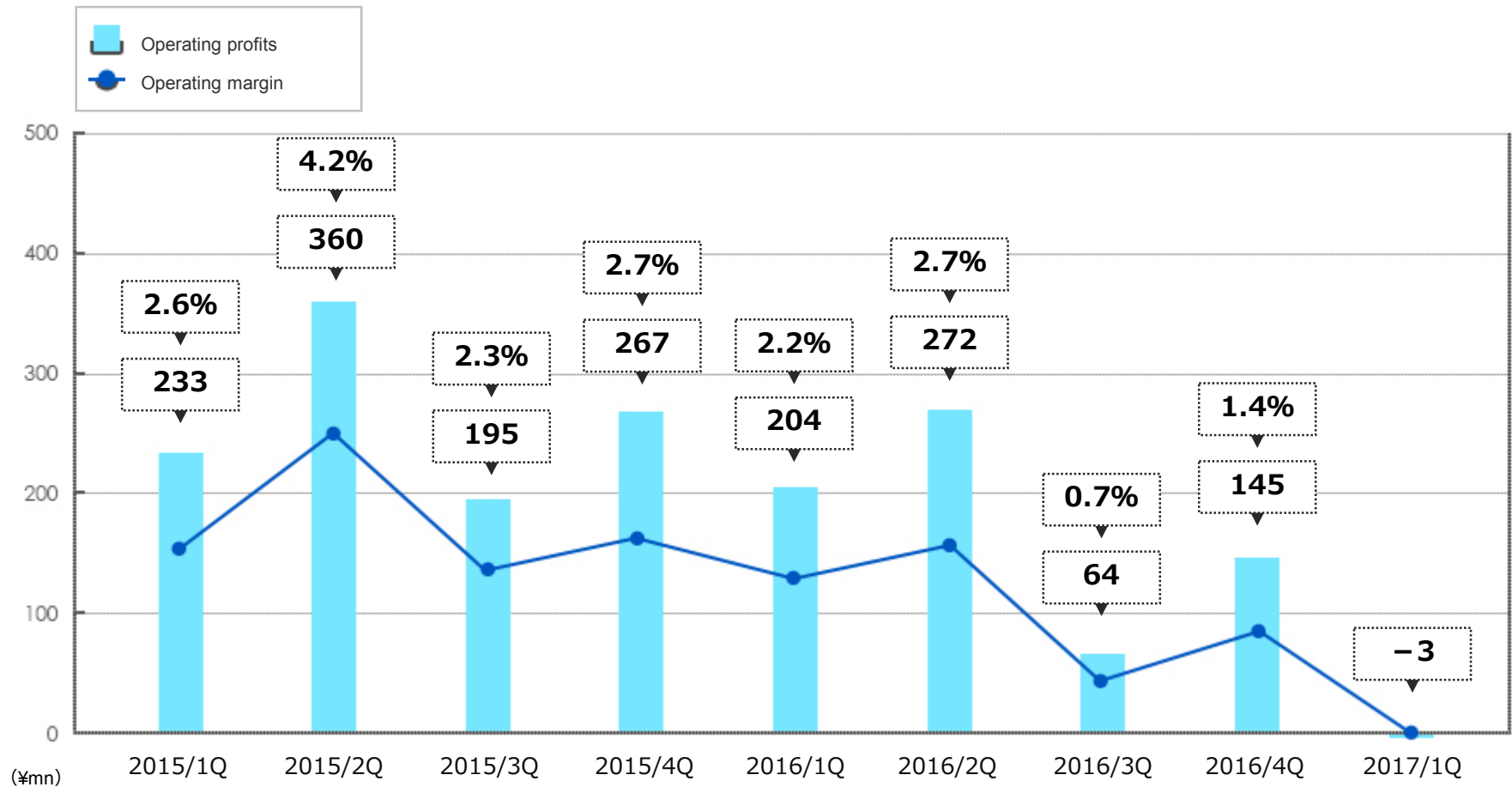
3. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



3. Supplementary Materials

Consolidated Operating Profit (Quarterly)



3. Supplementary Materials

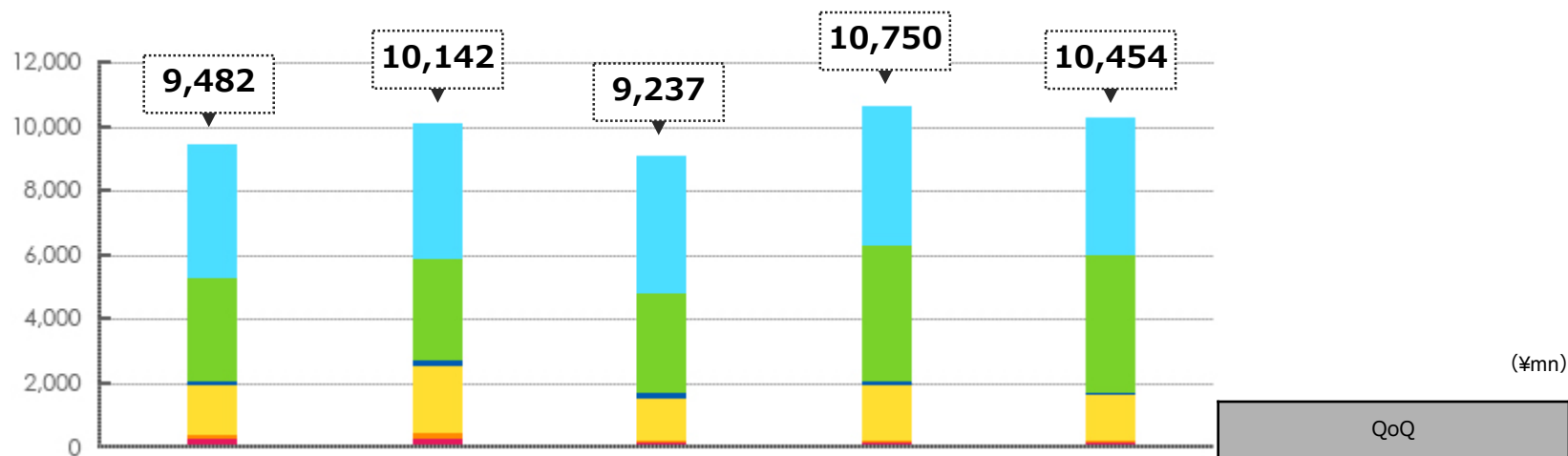
Consolidated Balance Sheet (QoQ)

(¥mn)

	1Q FY2016	4Q FY2015	Change (¥mn)	Change (%)
Current Assets	16,561	17,583	− 1,022	− 5.8%
(Cash and Deposits)	10,301	10,918	− 616	− 5.7%
Fixed Assets	2,435	2,366	+ 68	+ 2.9%
Total Assets	18,996	19,950	− 953	− 4.8%
Current Liabilities	6,789	7,350	− 560	− 7.6%
Fixed Liabilities	109	110	− 1	− 1.0%
Total Liabilities	6,899	7,461	− 561	− 7.5%
Net Assets	12,097	12,489	− 392	− 3.1%

3. Supplementary Materials

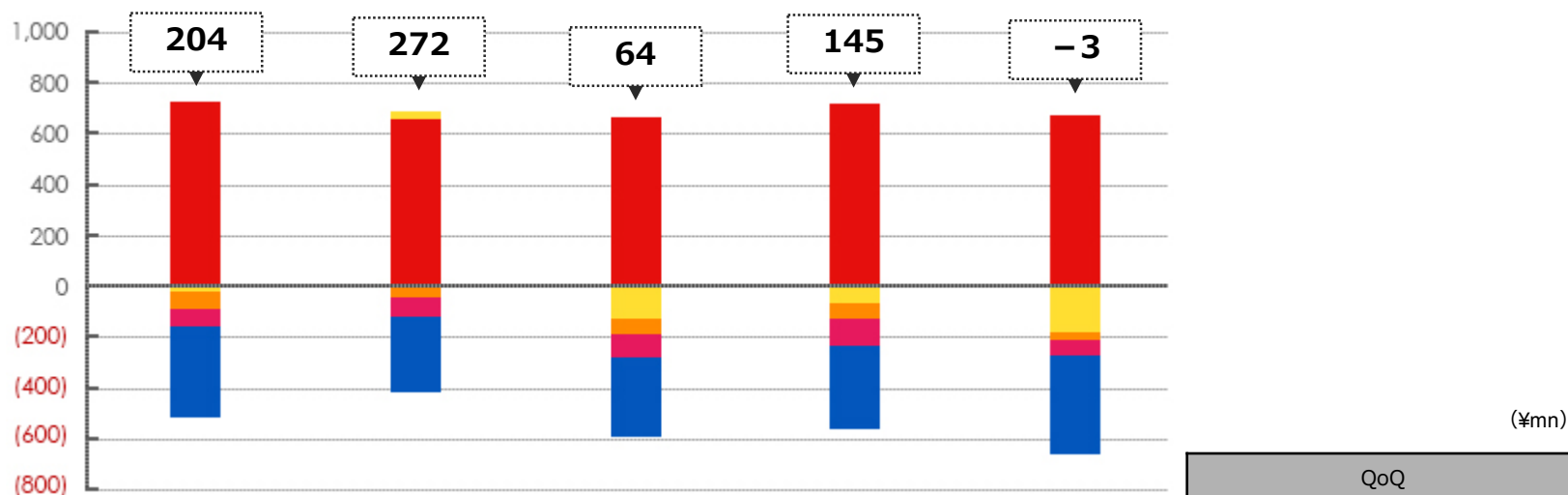
Breakdown of Consolidated Sales by Segment (Quarterly)



	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	1Q FY2016	QoQ	
						Change(¥mn)	Change (%)
Smartphone	4,250	4,262	4,304	4,331	4,234	-96	-2.2%
PC	3,229	3,250	3,192	4,268	4,388	+119	+2.8%
Feature phone	113	122	139	118	92	-26	-22.3%
Overseas advertising	1,582	2,163	1,318	1,748	1,520	-228	-13.1%
App	125	206	156	156	88	-68	-43.8%
Media, Other	180	136	128	126	130	+4	+3.5%
Total	9,482	10,142	9,237	10,750	10,454	-296	-2.8%

3. Supplementary Materials

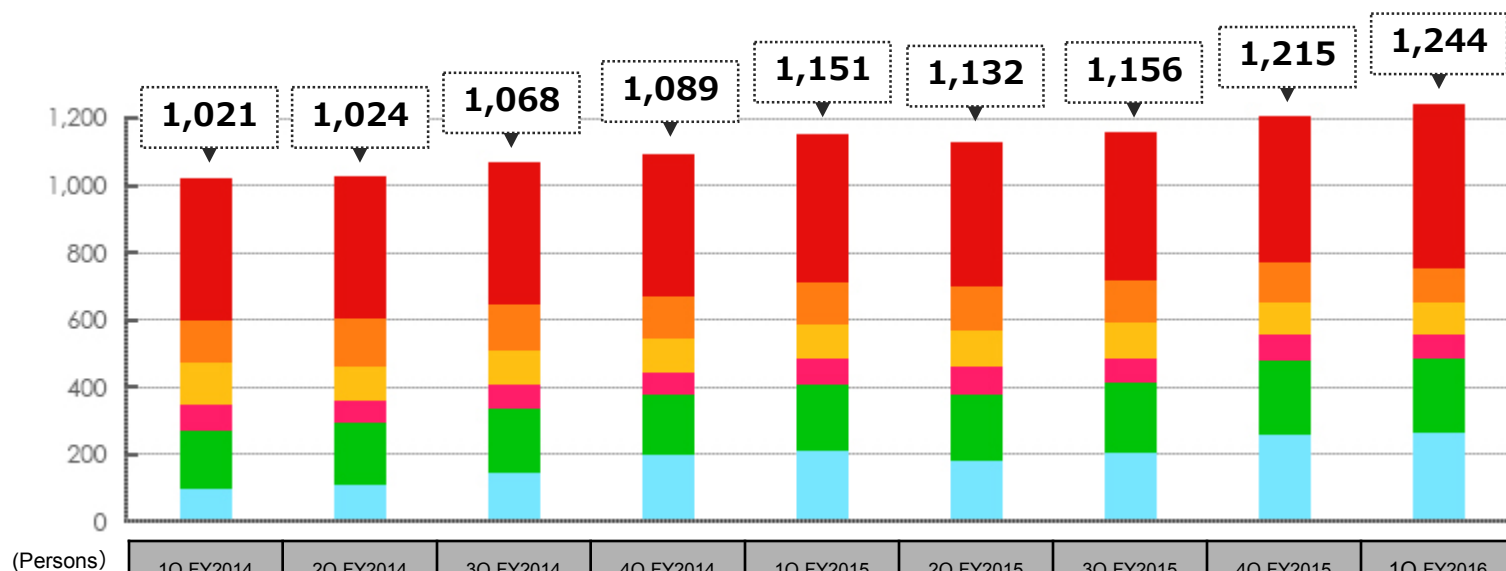
Breakdown of Consolidated Operating Profit by Segment (Quarterly)



						QoQ	
						Change(¥mn)	Change (%)
■ Advertising	1Q FY2014	2Q FY2014	3Q FY2014	4Q FY2014	1Q FY2015	- 54	- 7.6%
■ Overseas advertising	- 22	34	- 133	- 71	- 185	- 113	-
■ App	- 70	- 50	- 55	- 53	- 26	+ 27	-
■ Media, Other	- 69	- 73	- 96	- 113	- 66	+ 47	-
■ Eliminations & corporate	- 357	- 293	- 313	- 331	- 386	- 55	-
Total	204	272	64	145	- 3	- 149	-

3. Supplementary Materials

Group Employees (Quarterly)



3. 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 June 2016)

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

Employees 1,244 including temp workers (As of end of June 2016)