



# ADWAYS

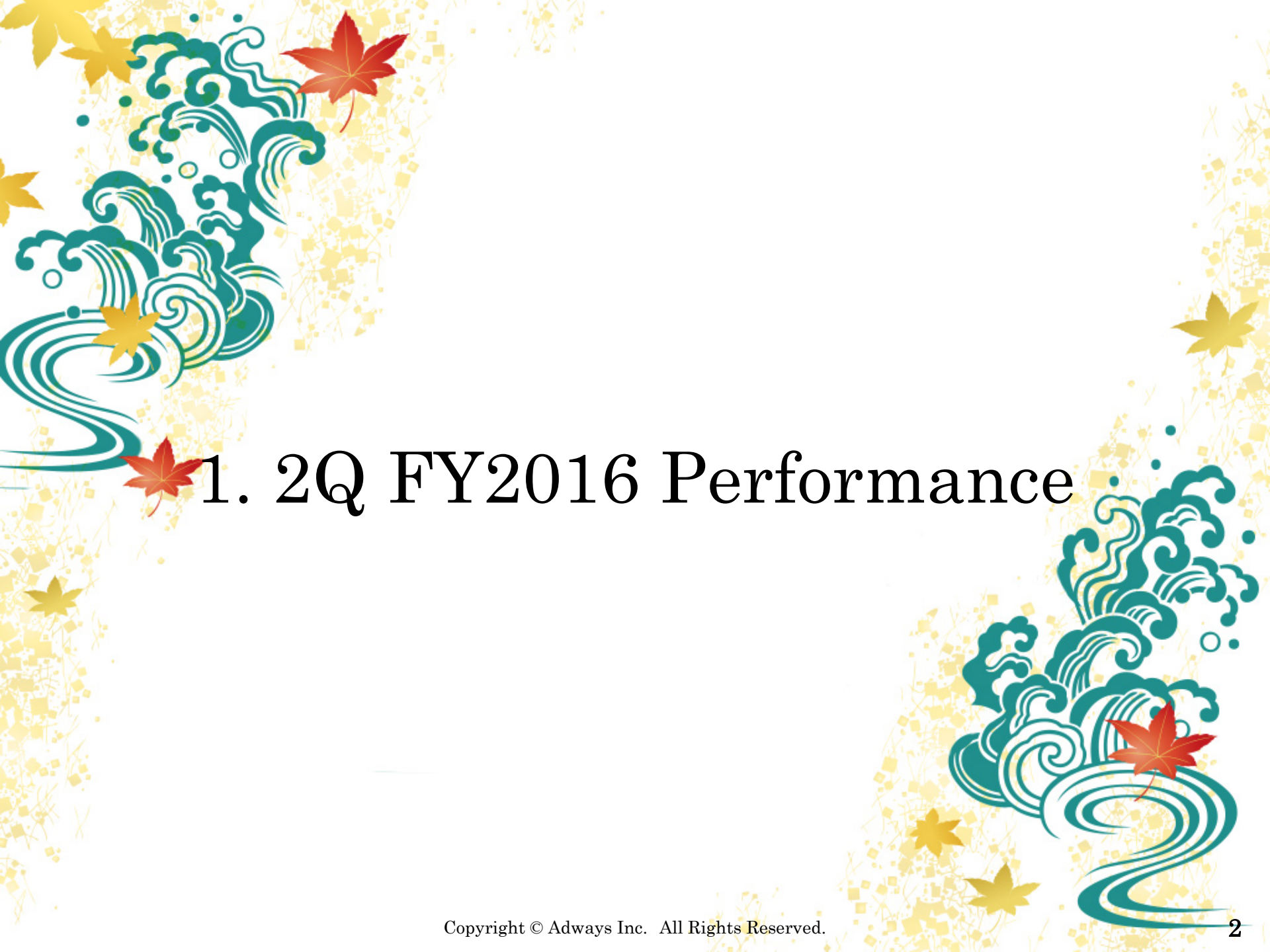
November 2016, Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489  
Financial Results Presentation for 2Q FY2016

November 3, 2016 President and CEO, Haruhisa Okamura

# Topics

1. 2Q FY2016 Performance ..... P.2
2. Business Overview ..... P.10
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# 1. 2Q FY2016 Performance



# 1. 2Q FY2016 Performance: Cumulative

## Cumulative Quarterly Results (YoY)

(¥mn)

	2Q FY2016 (Cumulative)	YoY 2Q FY2015 (Cumulative)		
		Result	Change (¥mn)	Change (%)
Net Sales	20,322	19,625	+ 697	+ 3.6%
Gross Profit	3,400	3,616	-216	-6.0%
SG&A Expenses	3,407	3,139	+268	+ 8.5%
Operating Profit	-7	477	-484	—
Recurring Profit	-59	519	-578	—
Net Profit	-256	281	-537	—

### Net Sales

Increased      ¥697mn      YoY      (+3.6%)

### Operating Profit

Decreased      ¥484mn      YoY      (—%)

# 1. 2Q FY2016 Performance: Cumulative

## Quarterly Results (YoY, QoQ)

(¥mn)

	2Q FY2016	YoY 2Q FY2015			QoQ 1Q FY2016		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	9,868	10,142	- 274	-2.7%	10,454	-585	-5.6%
Gross Profit	1,639	1,818	- 178	-9.8%	1,761	-122	-6.9%
SG&A Expenses	1,642	1,545	+ 96	+ 6.3%	1,765	-123	-7.0%
Operating Profit	-3	272	-275	—	-3	+ 0	—
Recurring Profit	-36	298	-335	—	-22	-14	—
Net Profit	-91	159	-251	—	-164	+ 72	—

### Net Sales

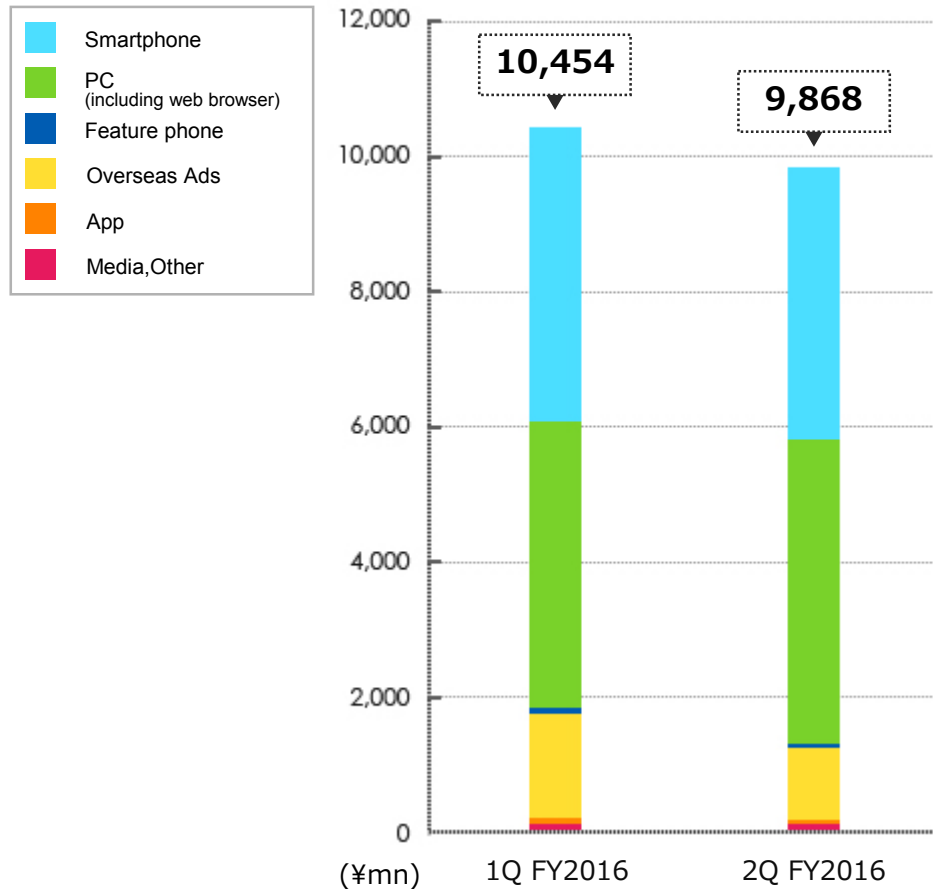
Increased      ¥274mn      YoY      (-2.7%)  
 Decreased      ¥585mn      QoQ      (-5.6%)

### Operating Profit

Decreased      ¥208mn      YoY      (—%)  
 Decreased      ¥149mn      QoQ      (—%)

# 1. 2Q FY2016 Performance: Net Sales

## QoQ Change



### Domestic Advertising **¥8,598mn**

QoQ : -¥116mn (-1.3%)

Smartphone : ¥4,017mn

QoQ : -¥217mn (-5.1%)

Delay with]] the new big campaign

PC (including web browser) : ¥4,506mn

QoQ : +¥118mn (+2.7%)

Main financial campaigns performed well

### Overseas Advertising **¥1,078mn**

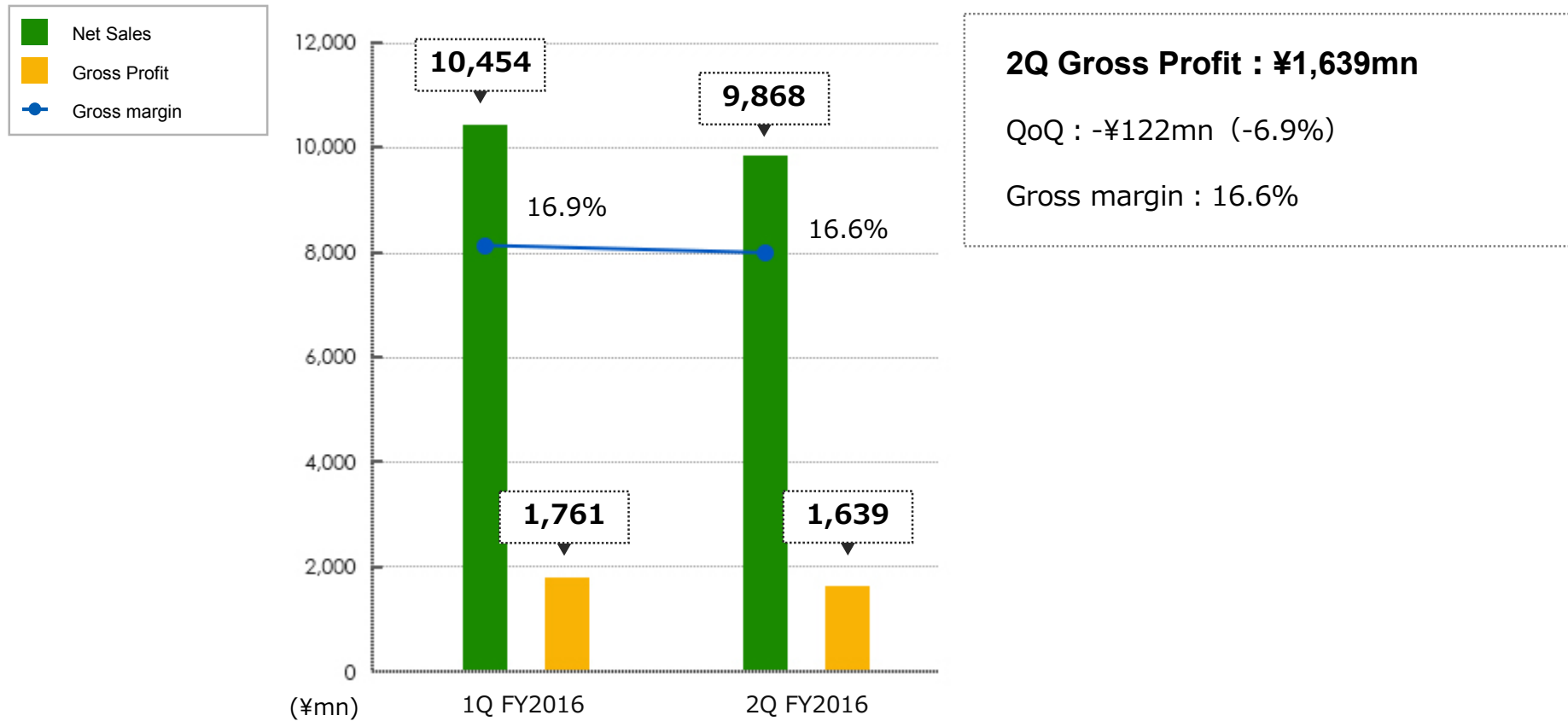
QoQ : ¥441mn (-29.1%)

Impacted by the temporary pullbacks in the consumption of Japanese goods due to the state of a strong yen, and the temporary decrease in sales in the main markets for app marketing (South Korea, Taiwan and China)

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

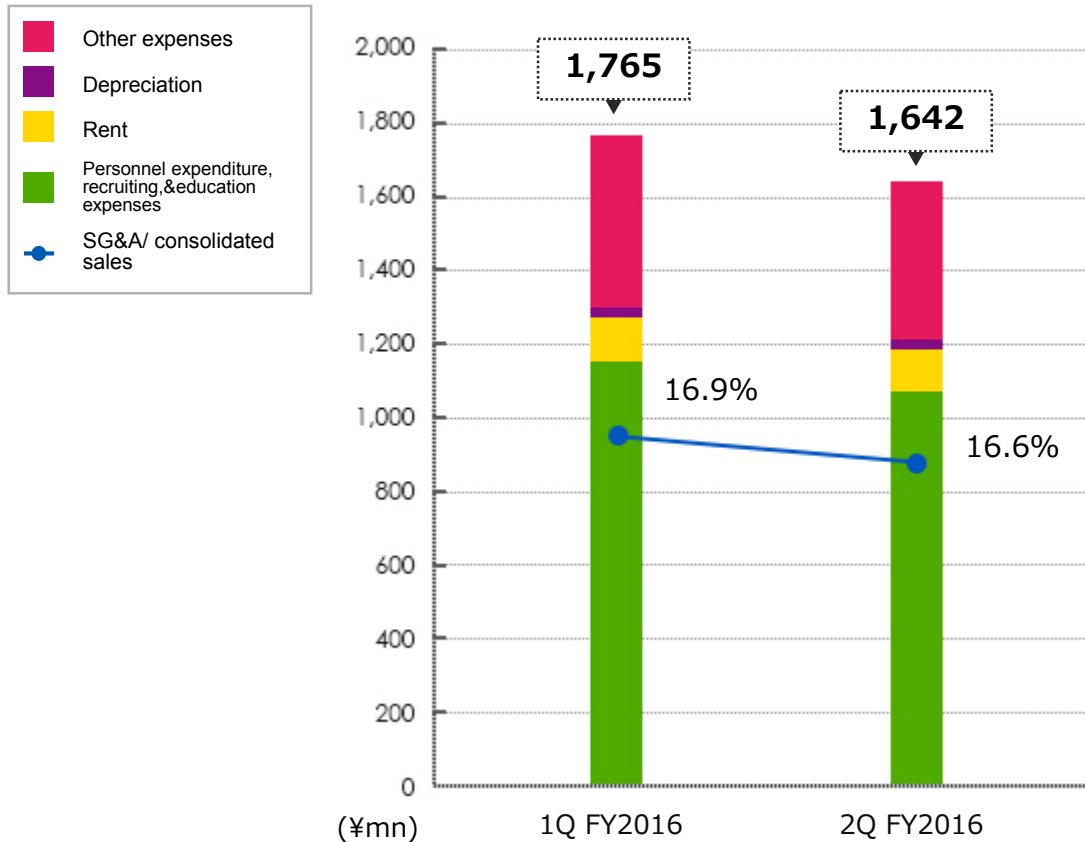
# 1. 2Q FY2016 Performance: Gross Profit

## QoQ Change



# 1. 2Q FY2016 Performance: SG&A Expenses

## QoQ Change



**2Q SG&A Expenses : ¥1,642mn**

QoQ : +¥123mn (-7.0%)

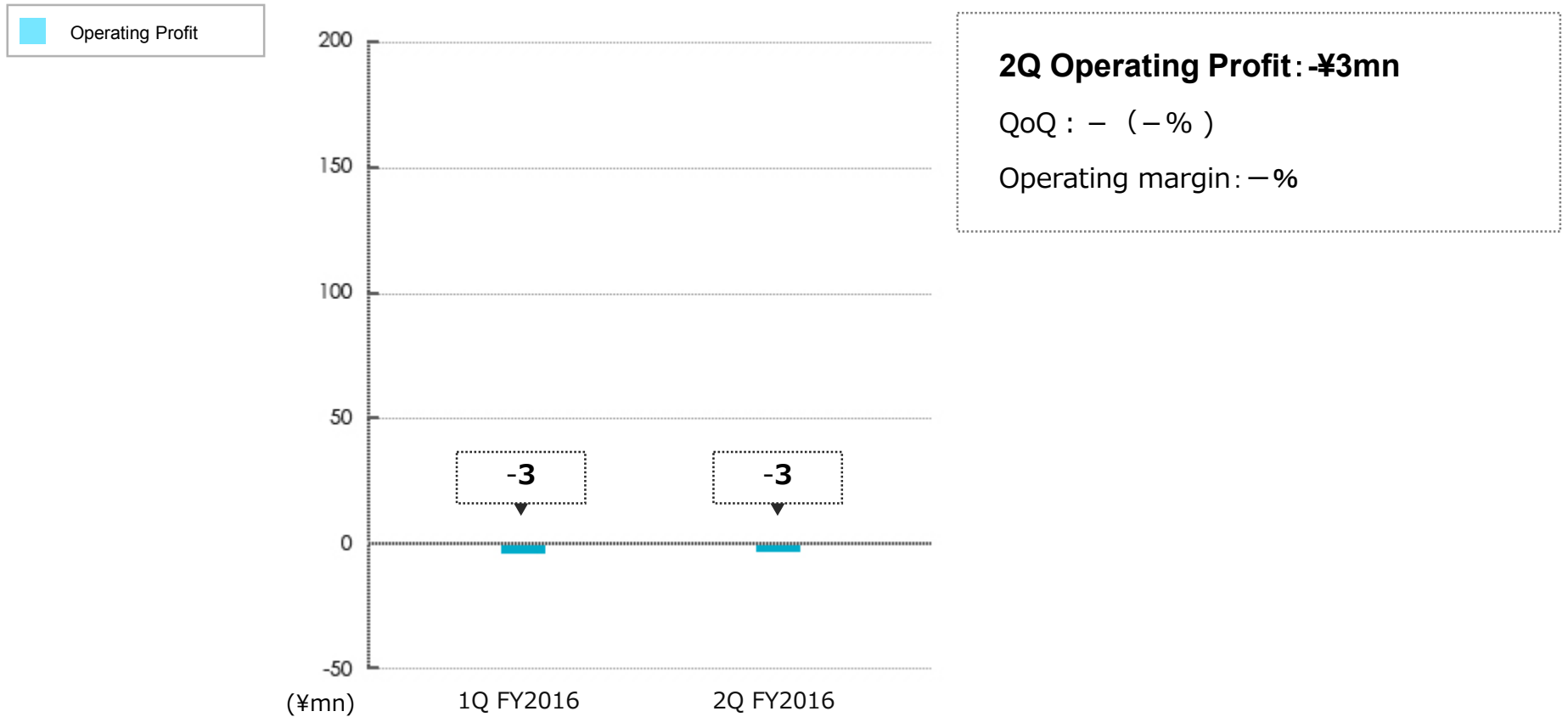
SG&A to Sales ratio : 16.6%

Personnel expenditure, recruiting & education expenses: Reduction of approximately 80 million yen.  
- Personnel expenditure dropped due to the staff reduction as part of the organization revision



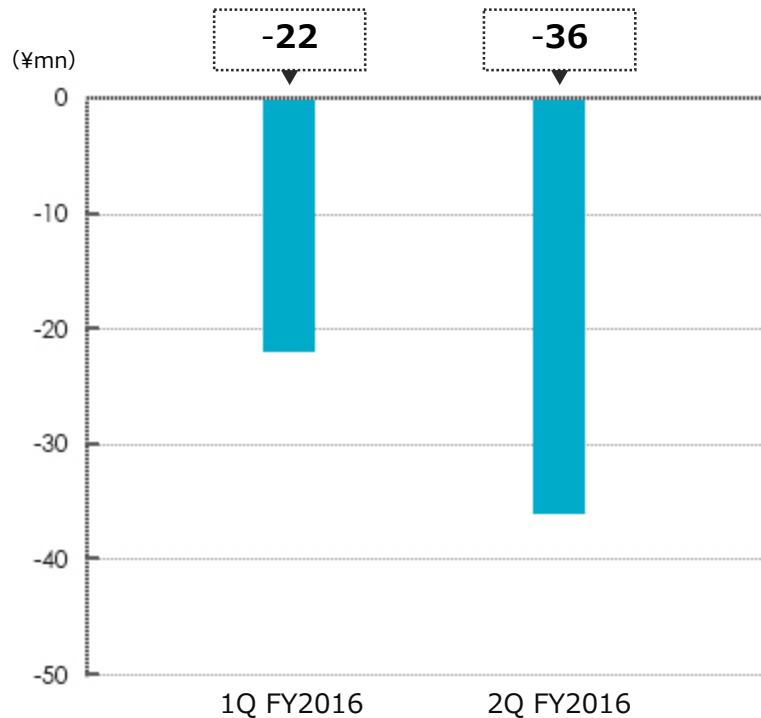
# 1. 2Q FY2016 Performance: Operating Profit

## QoQ Change



# 1. 2Q FY2016 Performance: Recurring Profit and Net Profit

## QoQ Change

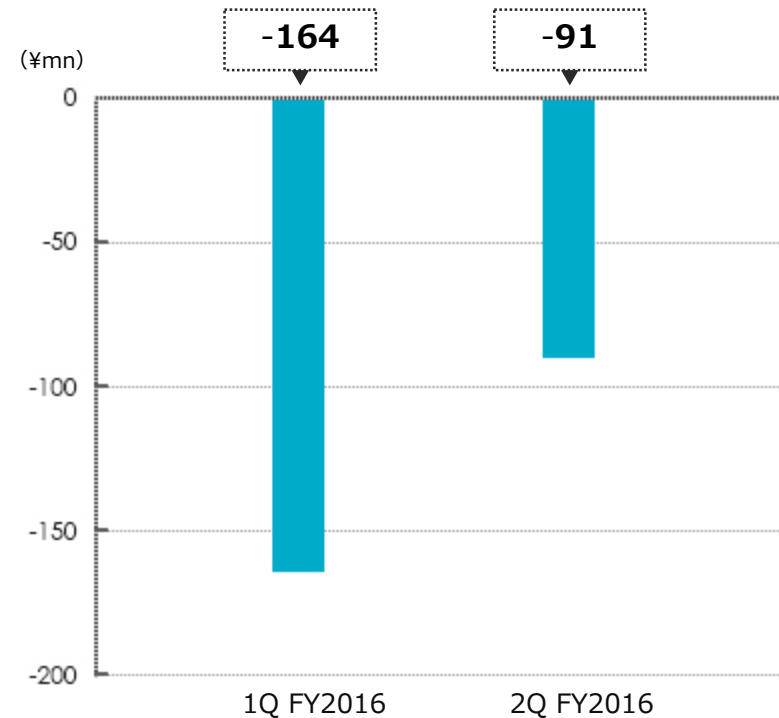


**2Q Recurring Profit: -¥36mn**

QoQ: -¥14mn (—%)

Recurring Profit margin: —%

## QoQ Change



**2Q Net Profit : -¥91mn**

QoQ : +¥72mn (—%)

Net Profit margin : —%



## 2. Business Overview

# Beyond Everything Internet

2017.3-2019.3

**App  
Marketing**

**Global  
EC**

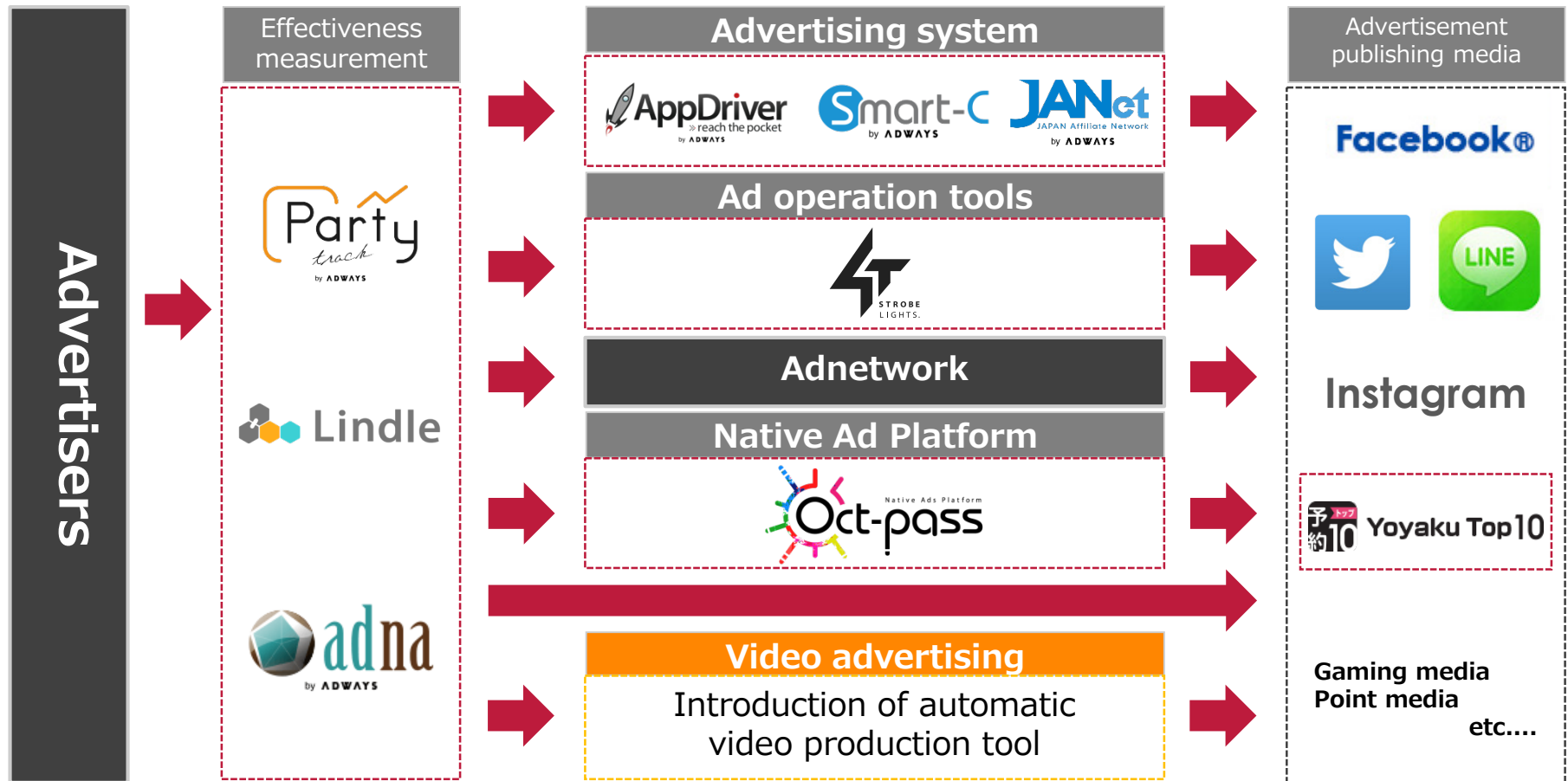
**EC  
Data**



## 2. Business Overview~ App Marketing

Aiming to develop products that will connect users and clients worldwide

### “Platform&Borderless”



## 2. Business Overview~ App Marketing

### Accelerate expansion of global ad platform



**Acquired stocks of Mist Technologies, Inc.,  
a tech venture from the Univ. of Tokyo Graduate School**



(C)TechCrunch Japan

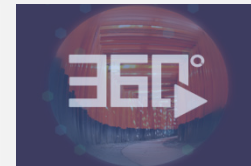
#### Technologies owned by Mist Technologies (Partial)

「MistCDN」



System to  
reduce server  
load by 80%  
during  
congestion

「360 VR Player」



World's first  
360-degree  
video player on  
browsers

「Mist Inline Player」

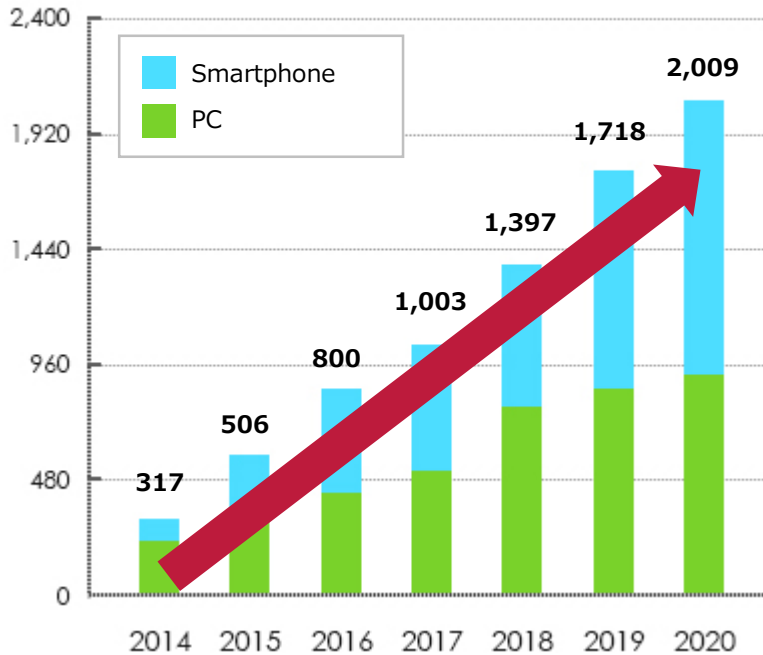


Rich video player  
on mobile/PC

## 2. Business Overview~ App Marketing

### 【Video Ad Market Forecast】 <Per Device> (2014-2020)

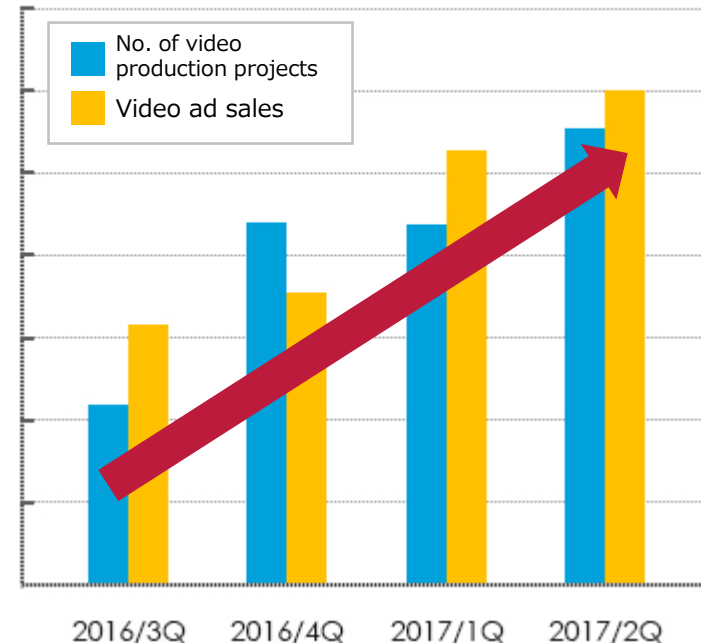
(Unit: Hundred million yen)



**Market to double by 2020!**

Reference: Japan Video Ad Market by Online Video Research Institute

### Adways' Video Ad Sales Trend



**Sales and number of projects have approximately doubled within a year**

Reference: Reference numerical values from Adways' Management Accounting

## 2. Business Overview~ App Marketing

**Enabling prompt response** in the growing video ad segment!

Current issues at hands

Difficult for anybody to  
master specialized  
software

Takes time to give  
shape to ideas

Takes time and labor to  
produce large amounts  
of same patterns

**Automatic video production tool  
DOBEL (Tentative name)**

※Video tool for internal use

Composite image is easy  
to make



Rough video production can be  
easily done



Multiple same-pattern banners  
can be generated





## 2. Business Overview ~ App Marketing

# “Platform & Borderless”

~Continuous effort on overseas expansion~



India



Korea



Japan



China



Hongkong



Taiwan



Thailand



Vietnam



Philippines



Singapore



Indonesia

### [Vietnamese subsidiary]

Partnership with Sohagame, a major mobile game publisher



USA

### [USA subsidiary]

Starting business partnership with TROPHIT for “PreLaunch.Me”

### [Southeast Asian region]

Starting the native ad network service “Blue Bee Native”

## 2. Business Overview~ Global E-commerce

**Aiming business expansion  
and enhanced efficiency in the future**

### 【Global EC Business Menu】



**Cross-border  
marketing**

**Customer service**

**Overseas distribution  
services**

**Points to be further reinforced in the future:**

**Expanding partnership  
with EC malls**



Major EC sites  
EC apps, etc.



**Tie-ups with shops  
famous among foreigners**



Major drugstores,  
electronic retail  
stores, major  
apparels, etc.



**Enhancing efficiency  
through partnership**



Other companies'  
ASP and EC tools,  
logistic companies,  
etc.

## 2. Business Overview ~ Global E-commerce


### Sample EC app for tourists in Japan

~Increase in number of users  
and the amount spent on the app by tourists in Japan~

#### [Advertising contract with major electronic retail stores]

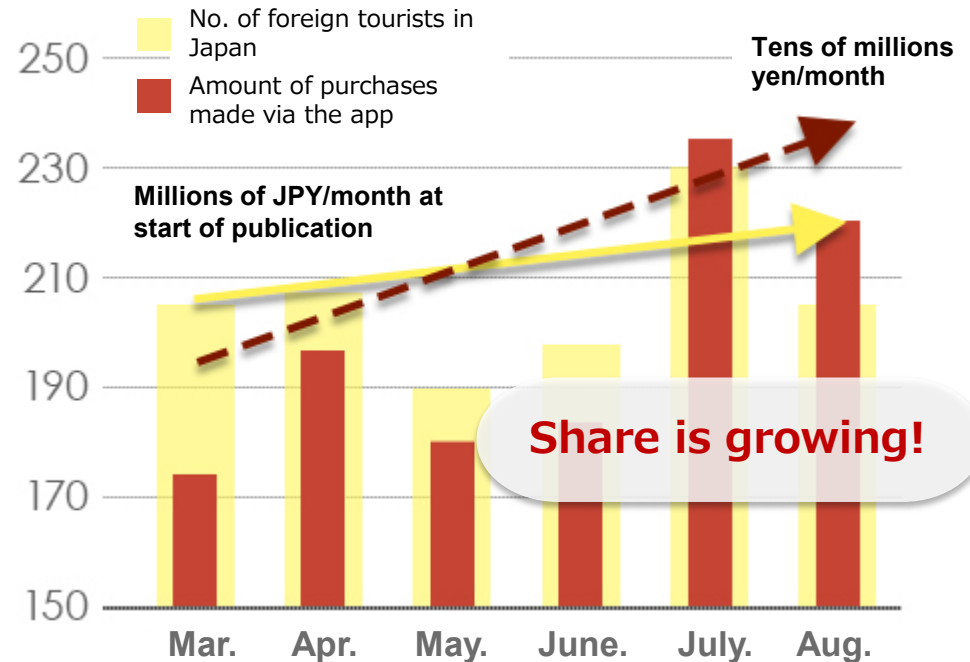
Posting of **discount coupon codes** that can be used while traveling in Japan

**“Japan Shopping Scanner”**  
EC app for attracting Chinese tourists to visit Japan



**Total DL: 200,000**  
(As of end of September)  
Still growing by about 5% per month

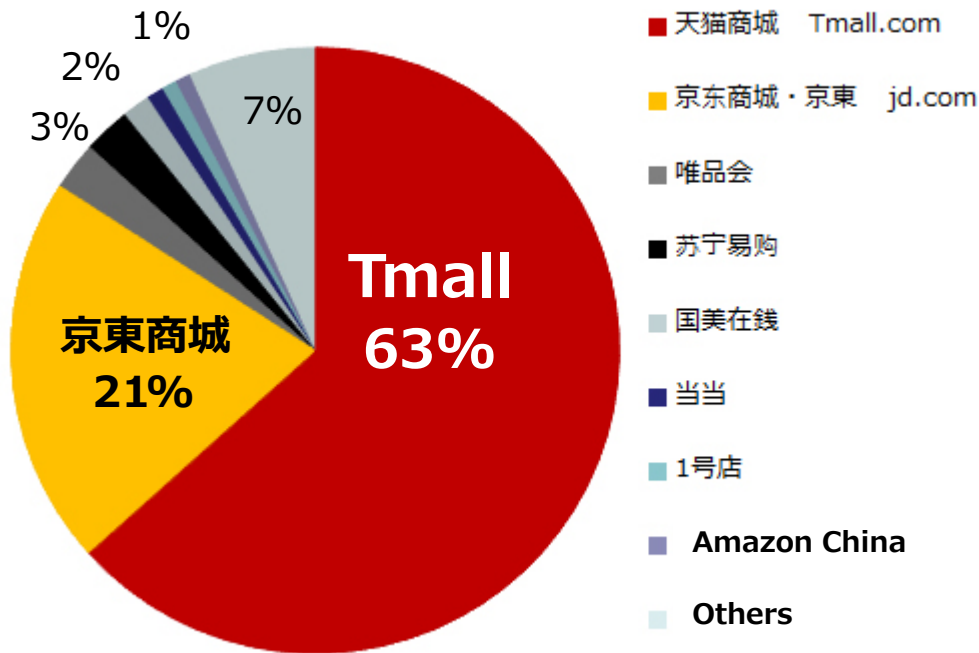
#### Comparison of Trends in the No. of Foreign Tourists in Japan and the Amount of Purchases Made via the App



## 2. Business Overview~ Ecommerce Data

**Enabling to gather data  
from 2 major EC sites in China's EC market!**

China's domestic EC sites' (B2C) share ratios



Following the **No.1: Tmall (63%)**,  
the **No.2: Jingdong Mall (21%)**  
will also be covered starting Oct.  
2016!

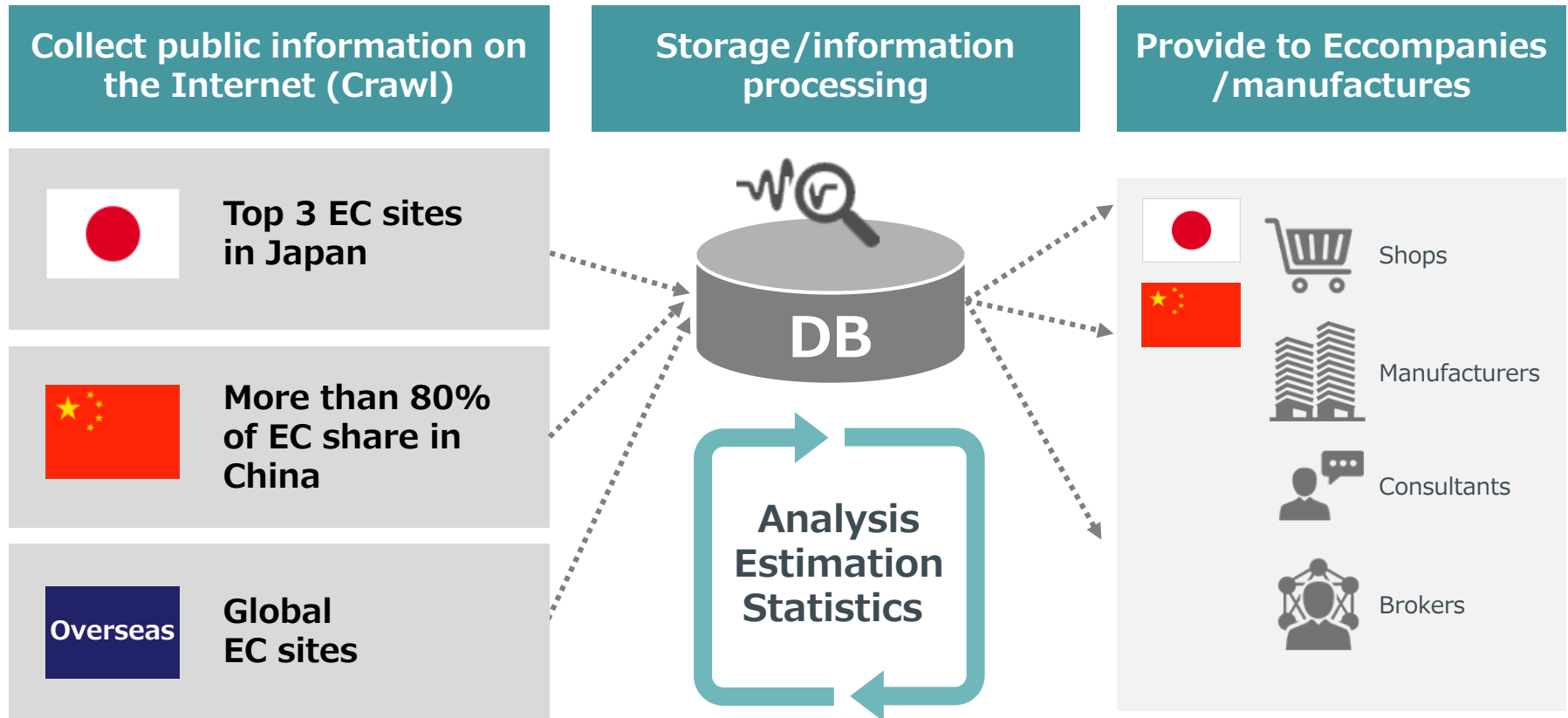
**data on more than  
80% of China's  
domestic EC market  
(B2C) data can now be  
obtained!**

Reference: China's domestic EC sites' (B2C) share ratios in 4QFY2015  
2015年第4季度中国网络零售B2C市场交易份额



## 2. Business Overview~ Ecommerce Data

### Nint's Data Business Model (Strengths)



**Data needed “NOW” in EC strategy can be extracted**



なにこれ  
すげー  
一回のはじめて

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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 November 4 2016 and a variety of factors may cause the statements to differ from actual results.

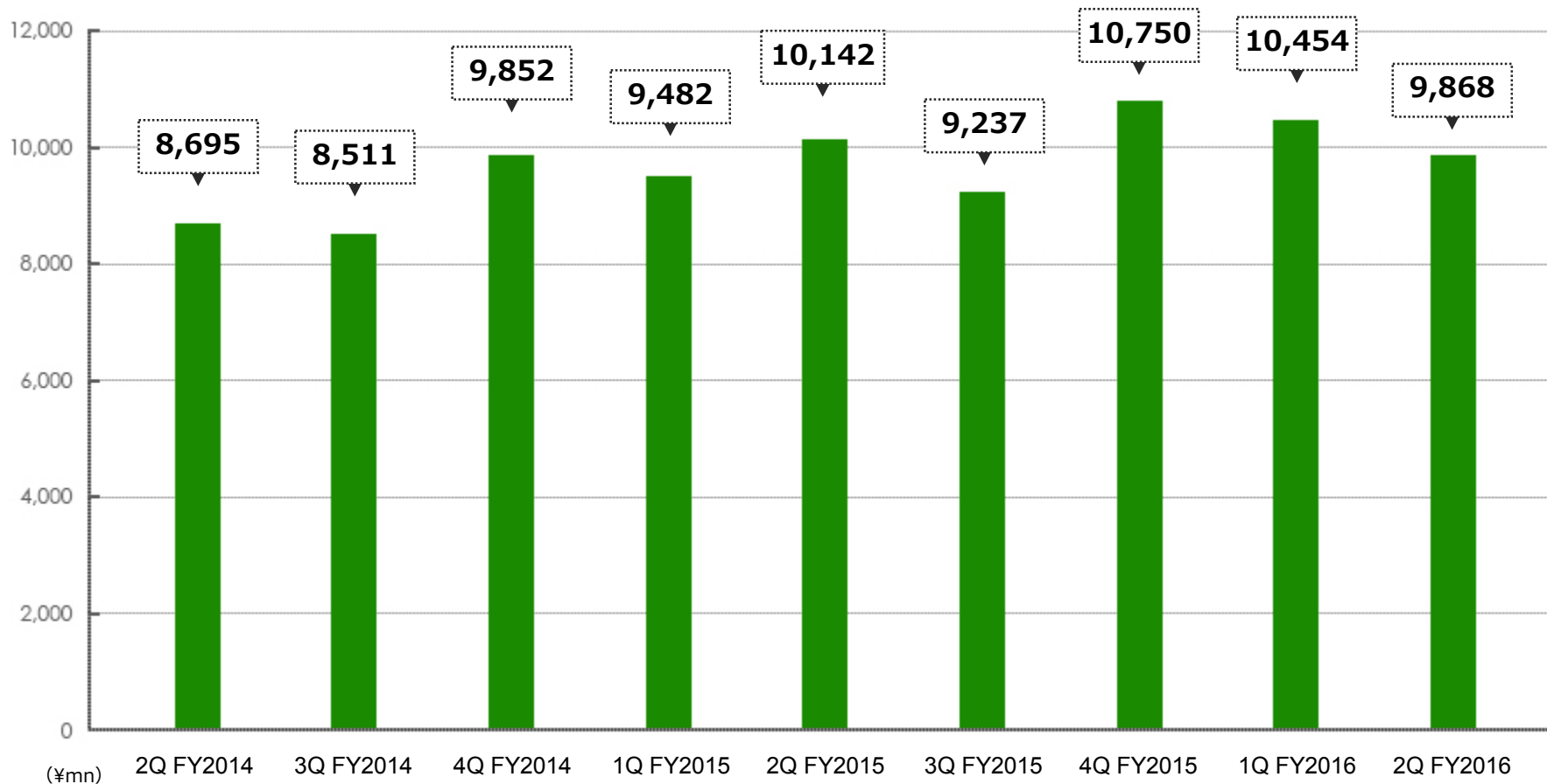


### 3. Supplementary Materials



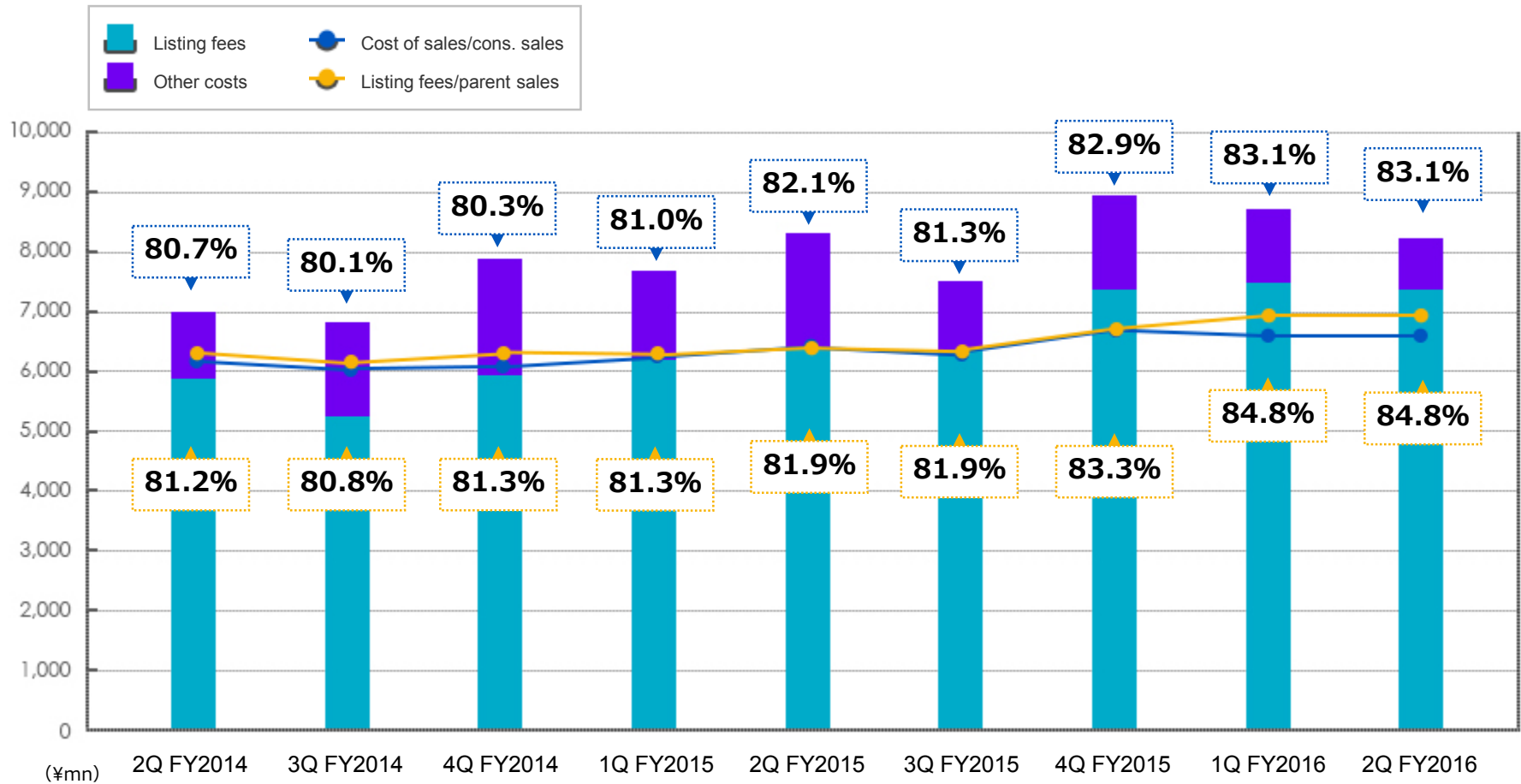
### 3. Supplementary Materials

#### Consolidated sales (Quarterly)



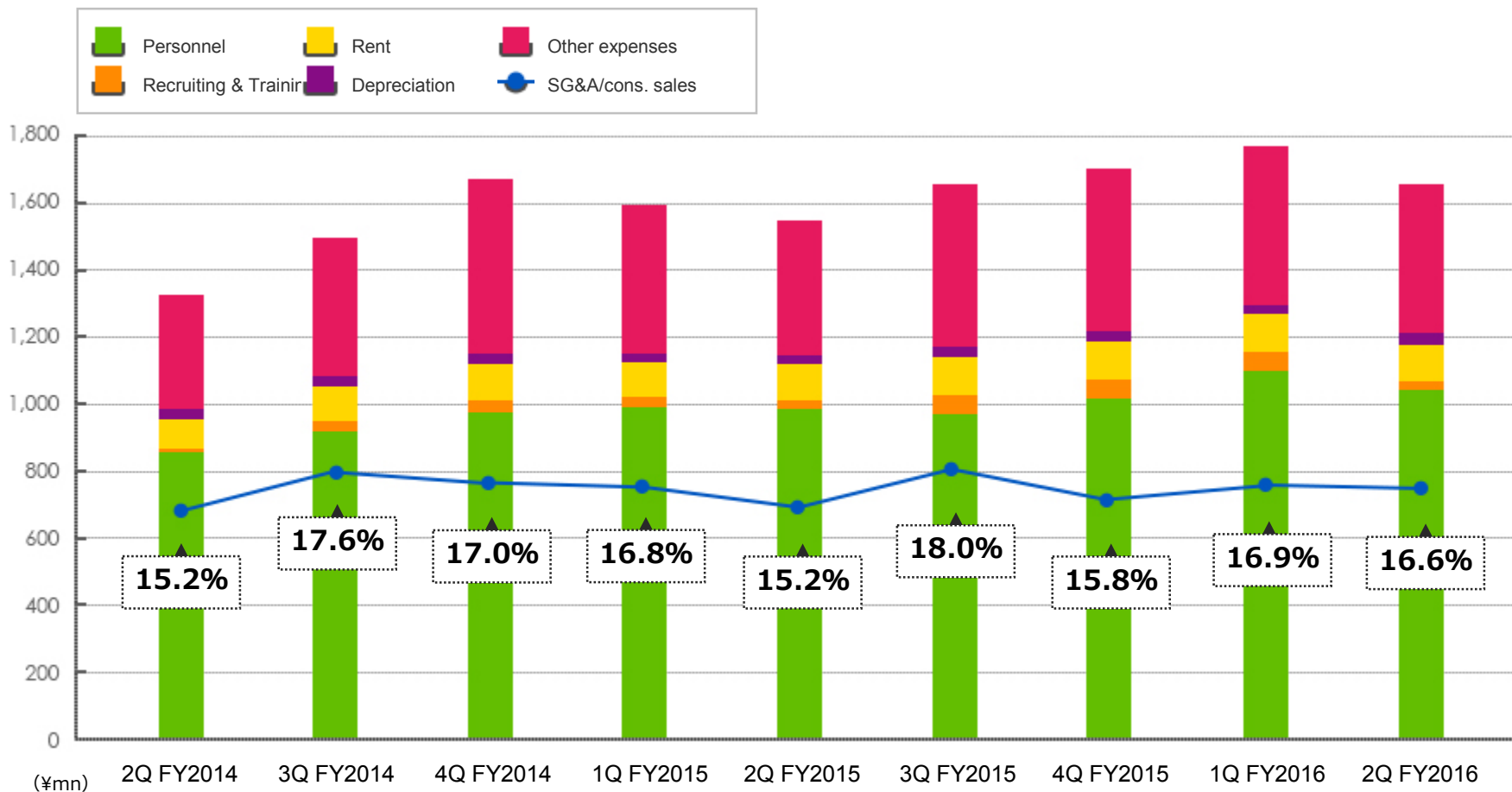
# 3. Supplementary Materials

## Consolidated Cost of Sales (Quarterly)



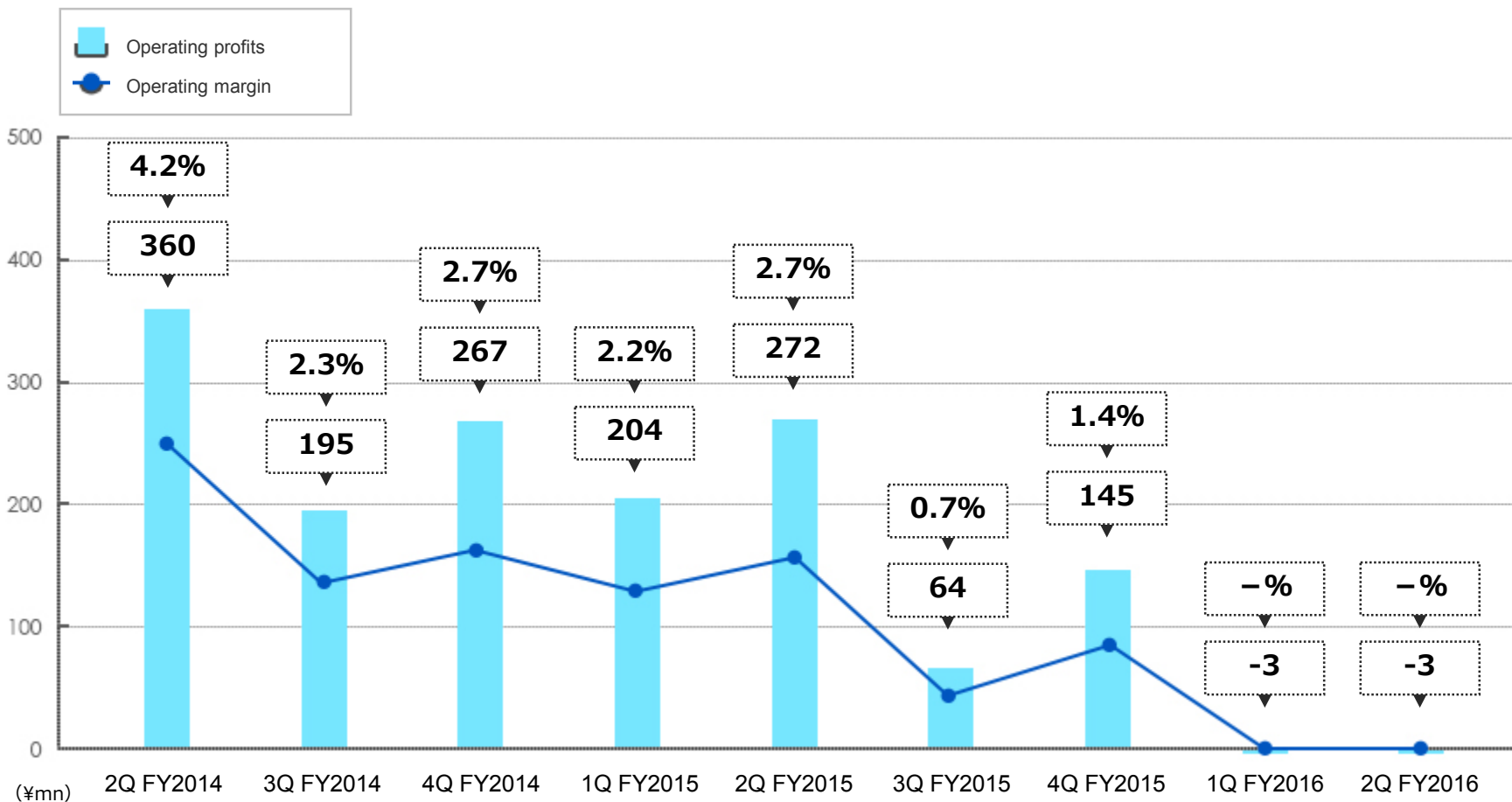
# 3. Supplementary Materials

## Consolidated SG&A Expenses (Quarterly)



# 3. Supplementary Materials

## Consolidated Operating Profit (Quarterly)





### 3. Supplementary Materials

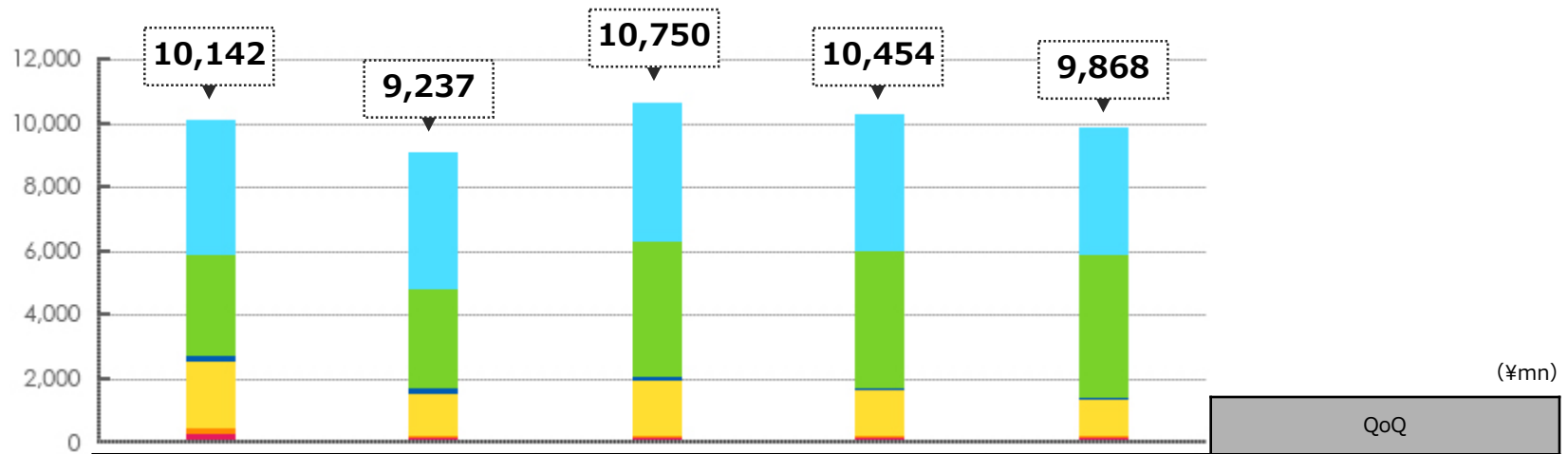
#### Consolidated Balance Sheet (QoQ)

(¥mn)

	2Q FY2016	1Q FY2016	Change (¥mn)	Change (%)
Current Assets	15,626	16,561	-934	-5.6%
(Cash and Deposits)	9,701	10,301	-600	-5.8%
Fixed Assets	2,661	2,435	+ 225	+ 9.2%
Total Assets	18,287	18,996	-709	-3.7%
Current Liabilities	6,479	6,789	-310	-4.6%
Fixed Liabilities	107	109	-1	-1.5%
Total Liabilities	6,587	6,899	-311	-4.5%
Net Assets	11,700	12,097	-397	-3.3%

### 3. Supplementary Materials

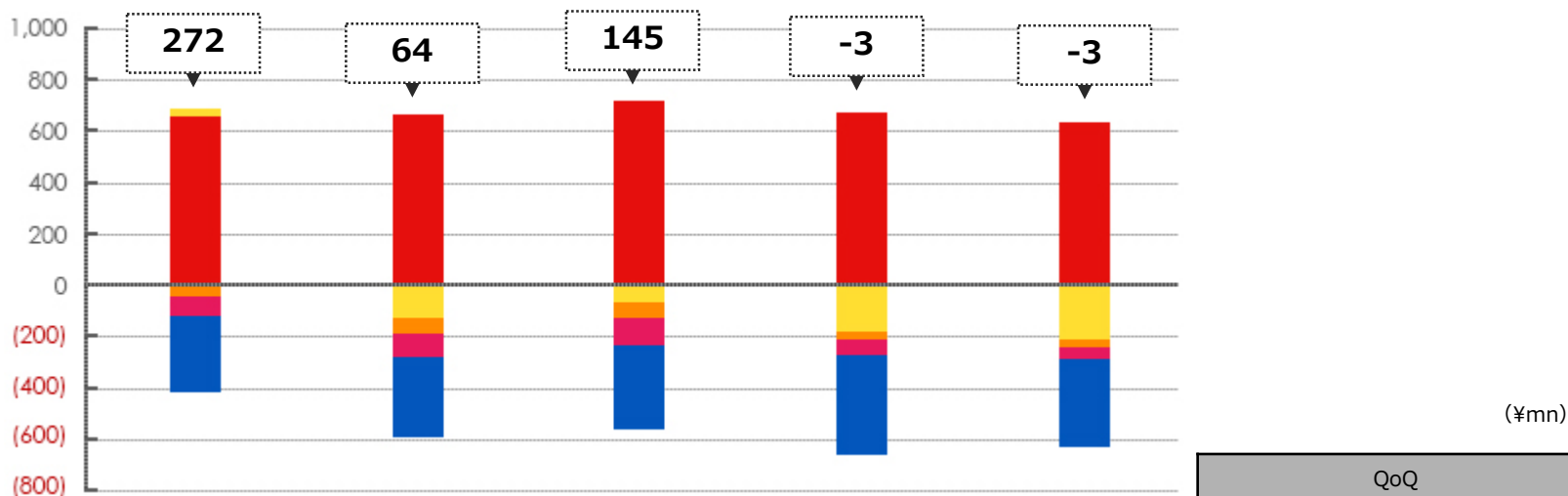
#### Breakdown of Consolidated Sales by Segment (Quarterly)



	2016/2Q	2016/3Q	2016/4Q	2017/1Q	2017/2Q	QoQ	
						Change (¥mn)	Change (%)
Smartphone	4,262	4,304	4,331	4,234	4,017	-217	-5.1%
PC	3,250	3,192	4,268	4,388	4,506	+118	+2.7%
Feature phone	122	139	118	92	85	-7	-7.7%
Overseas Advertising	2,163	1,318	1,748	1,520	1,078	-441	-29.1%
App	206	156	156	87	62	-25	-29.0%
Media, Other	136	128	126	130	118	-11	-9.0%
<b>Total</b>	<b>10,142</b>	<b>9,237</b>	<b>10,750</b>	<b>10,454</b>	<b>9,868</b>	<b>-585</b>	<b>-5.6%</b>

# 3. Supplementary Materials

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



	2Q FY2015	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	QoQ	
						Change(¥mn)	Change (%)
Advertising	654	663	715	660	633	-27	-4.1%
Overseas advertising	34	-133	-71	-185	-207	-21	—
App	-50	-55	-53	-26	-33	-7	—
Media, Other	-73	-96	-113	-66	-48	+18	—
Eliminations & corporate	-293	-313	-331	-386	-347	+39	—
<b>Total</b>	<b>272</b>	<b>64</b>	<b>145</b>	<b>-3</b>	<b>-3</b>	<b>+0</b>	<b>—</b>

# 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 September 2016)

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

Employees 1,226 including temp workers (As of end of September 2016)