



# ADWAYS

February 2017, Presentation Material


TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489

**Financial Results Presentation for 3Q FY2016**

February 3, 2016 President and CEO, Haruhisa Okamura

# Topics

- |  |       |      |
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| 3. Shareholder returns                                   | ..... | P.13 |
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# 1. 3Q FY2016 Performance

# 1. 3Q FY2016 Performance: Cumulative

## Cumulative Quarterly Results (YoY)

(¥mn)

	3Q FY2016 (Cumulative)	YoY 3Q FY2015 (Cumulative)		
		Result	Change (¥mn)	Change (%)
Net Sales	30,615	28,863	+1,751	+6.1%
Gross Profit	5,212	5,340	-128	-2.4%
SG&A Expenses	5,053	4,798	+255	+5.3%
Operating Profit	158	542	-384	-70.8%
Recurring Profit	119	607	-487	-80.3%
Net Profit attributable to parent company shareholders	-251	252	-504	—

### Net Sales

Increased      ¥1,751mn YoY    (+6.1%)

### Operating Profit

Decreased      ¥384mn YoY    (-70.8%)

# 1. 3Q FY2016 Performance:

## Quarterly Results (YoY, QoQ)

(¥mn)

	3Q FY2016	YoY 3Q FY2015			QoQ 2Q FY2016		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	10,292	9,237	+1,054	+11.4%	9,868	+423	+4.3%
Gross Profit	1,811	1,723	+87	+5.1%	1,639	+171	+10.5%
SG&A Expenses	1,645	1,658	-12	-0.8%	1,642	+3	+0.2%
Operating Profit	165	64	+100	+154.3%	-3	+168	—
Recurring Profit	179	88	+90	+102.4%	-36	+216	—
Net Profit attributable to parent company shareholders	4	-29	+33	—	-91	+95	—

## Revenues and profits increased on YoY and QoQ bases

### Net Sales

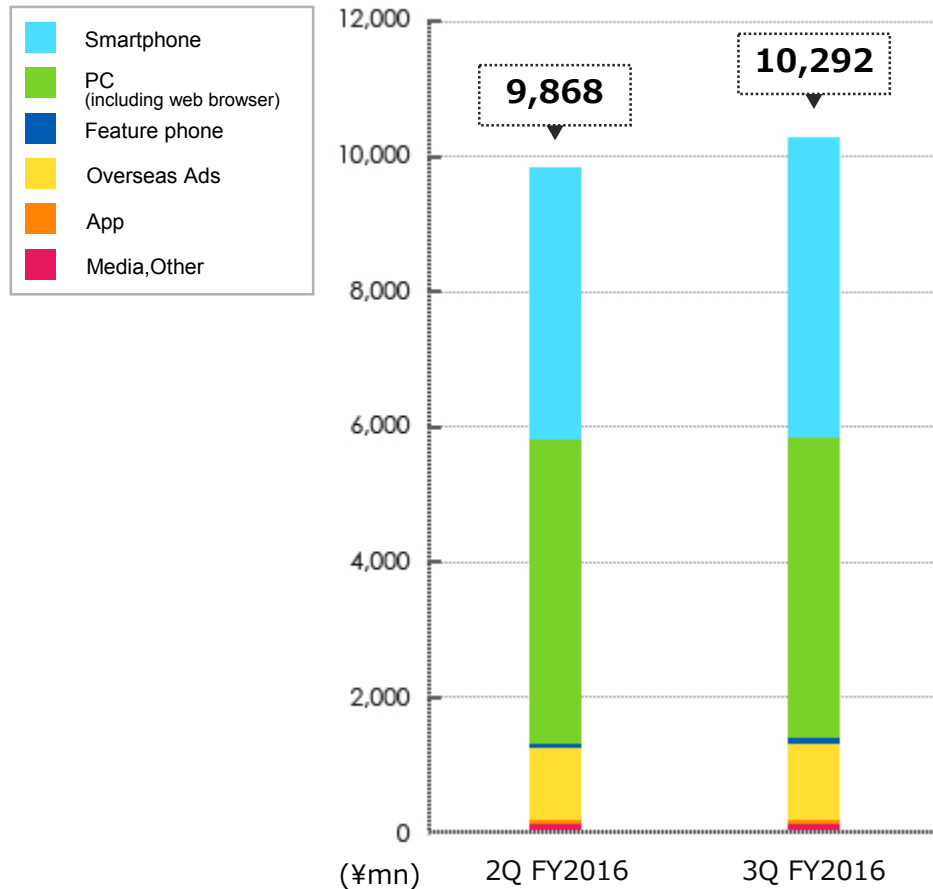
Increased ¥1,054 mn YoY (+11.4%)  
Increased ¥423 mn QoQ (+4.3%)

### Operating Profit

Increased ¥100 mn YoY (+154.3%)  
Increased ¥168 mn QoQ (—%)

# 1. 3Q FY2016 Performance: Net Sales

## QoQ Change



### Domestic Advertising **¥9,012mn**

QoQ: +¥403mn(+4.7%)

Smartphone: ¥4,446mn

QoQ : +¥428mn(+10.7%)

- Focusing on enhancing the efficiency of the Sales operations and acquiring new campaigns and major titles led to sales growth

PC (including web browser) : ¥4,481mn

QoQ : -¥25mn(-0.6%)

- Financial campaigns performed well

### Overseas Advertising **¥1,111mn**

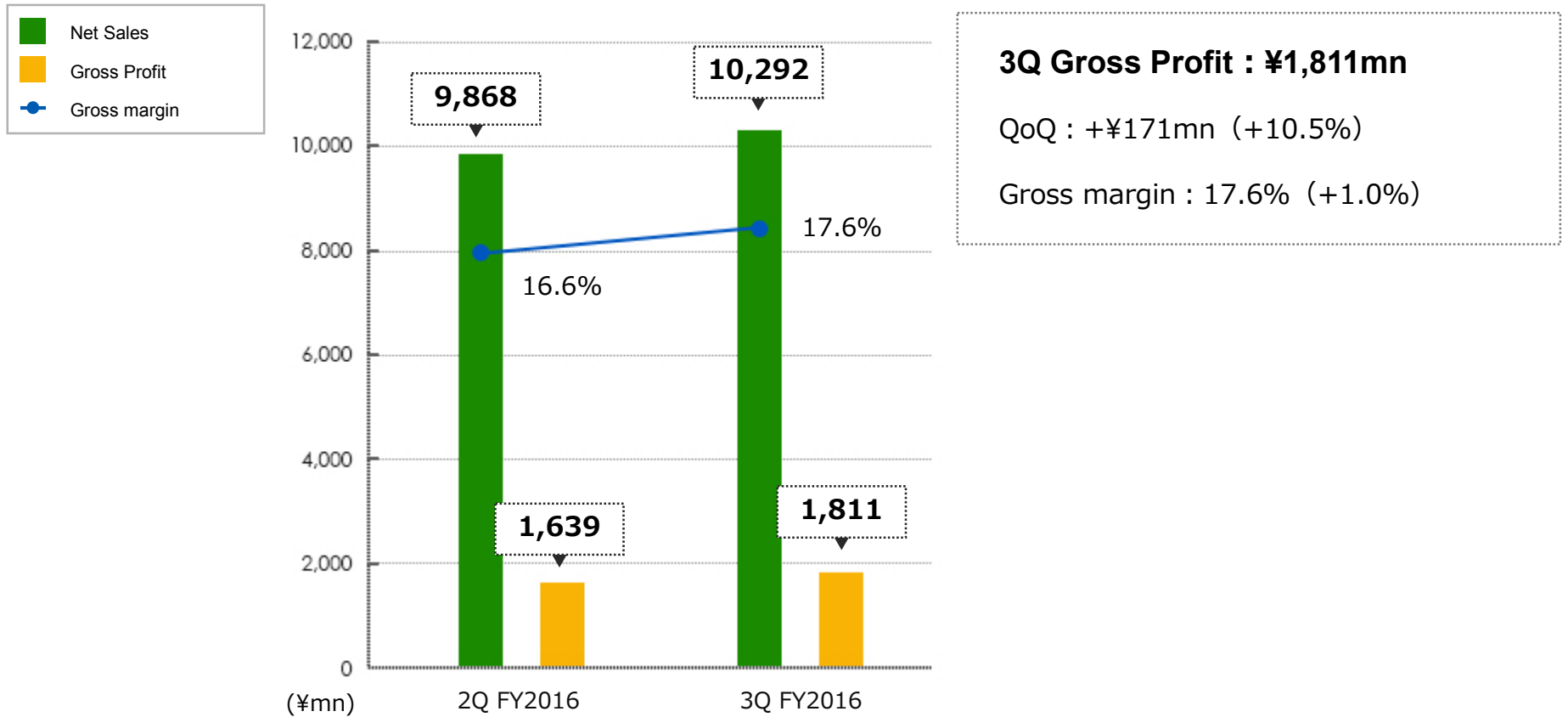
QoQ : +¥33mn (+3.1%)

Overall sales is currently in a recovery trend, as the structural reinforcement has been taken place after the decline of sales for main overseas markets for app marketing in last quarter.

•For global operations except India, the fiscal year starts in January and ends in December. e.g.) Q3 for global business: July to September

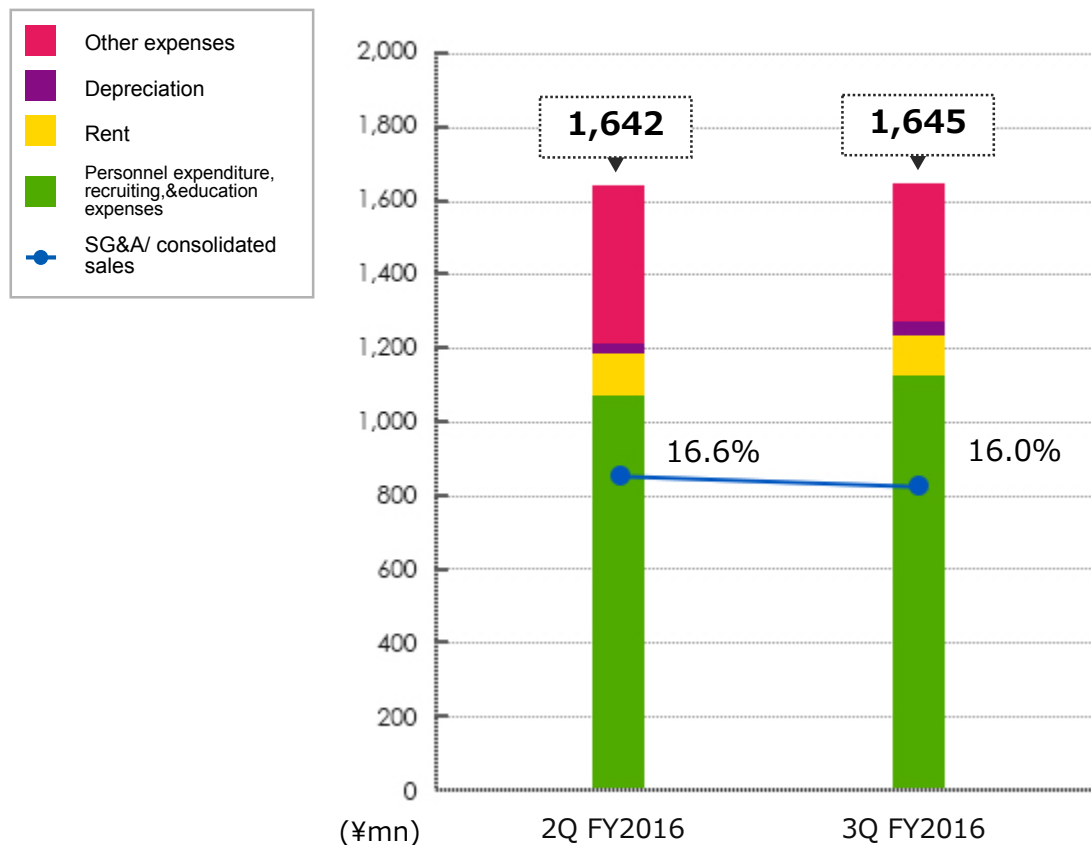
# 1. 3Q FY2016 Performance: Gross Profit

## QoQ Change



# 1. 3Q FY2016 Performance: SG&A Expenses

## QoQ Change



### 3Q SG&A Expenses : ¥1,645mn

QoQ : +¥3mn (+0.2%)

SG&A to Sales ratio : 16.0% (-0.6%)

#### [Main Factors of Increase]

Personnel expenditure increased by ¥54mn due to personnel reinforcement for organization structure

#### [Main Factors of Decline]

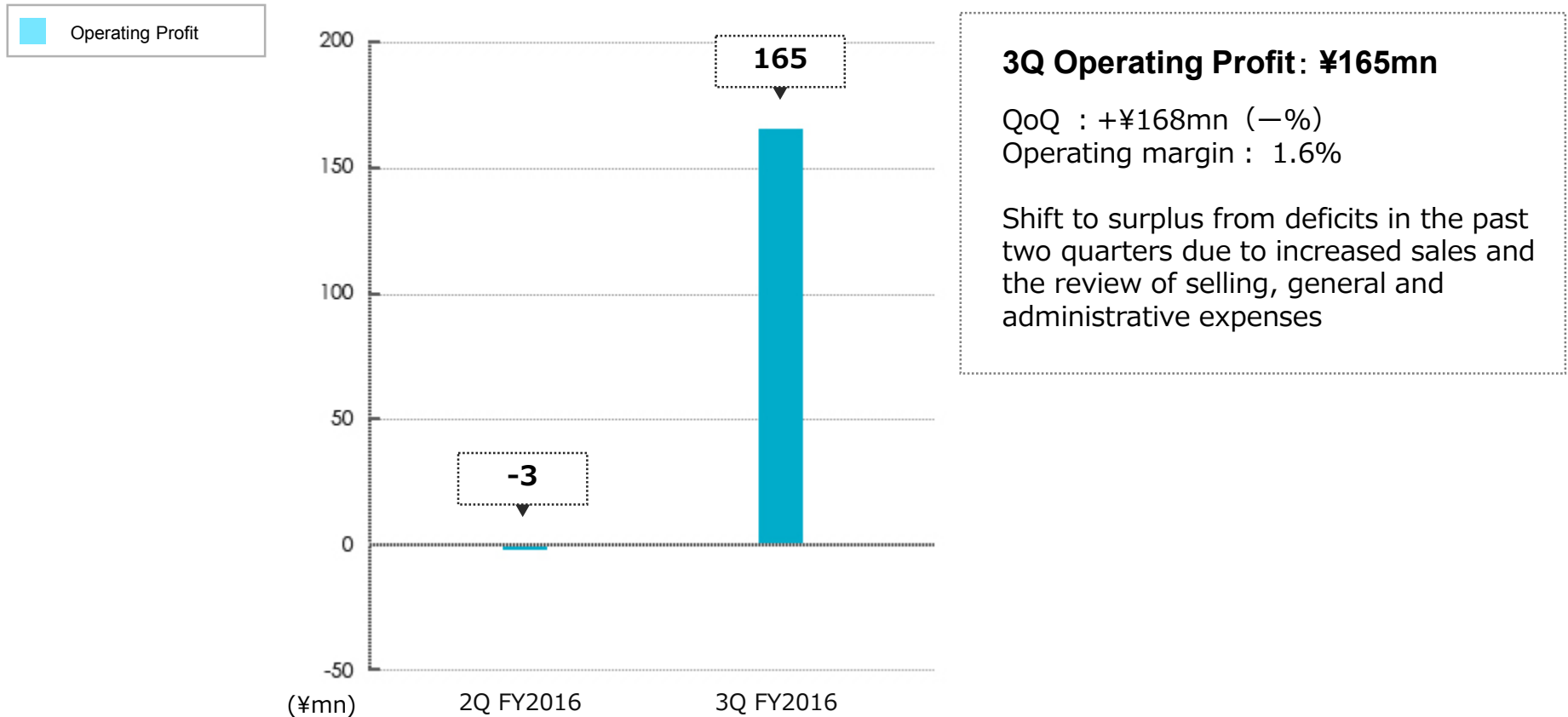
- Research and development costs: ¥22mn
- Advertising expenses: ¥12mn
- Payment of remuneration: ¥9mn

Total increase of ¥3mn due to the rise of personnel expenditures for strengthening organization and cost review

Dropped in terms of selling, general and administrative expenses ratio

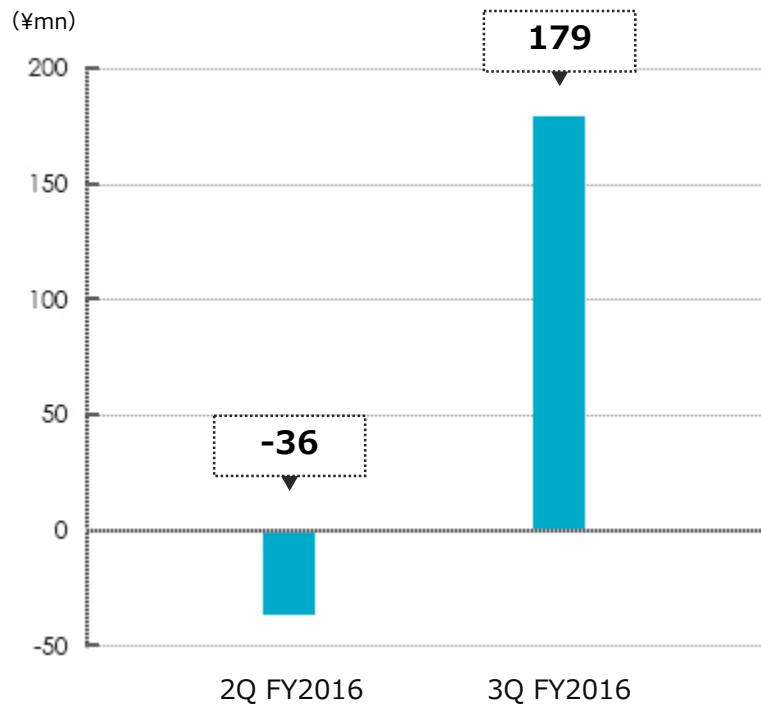
# 1. 3Q FY2016 Performance: Operating Profit

## QoQ Change



# 1. 3Q FY2016 Performance: Recurring Profit and Net Profit

## QoQ Change

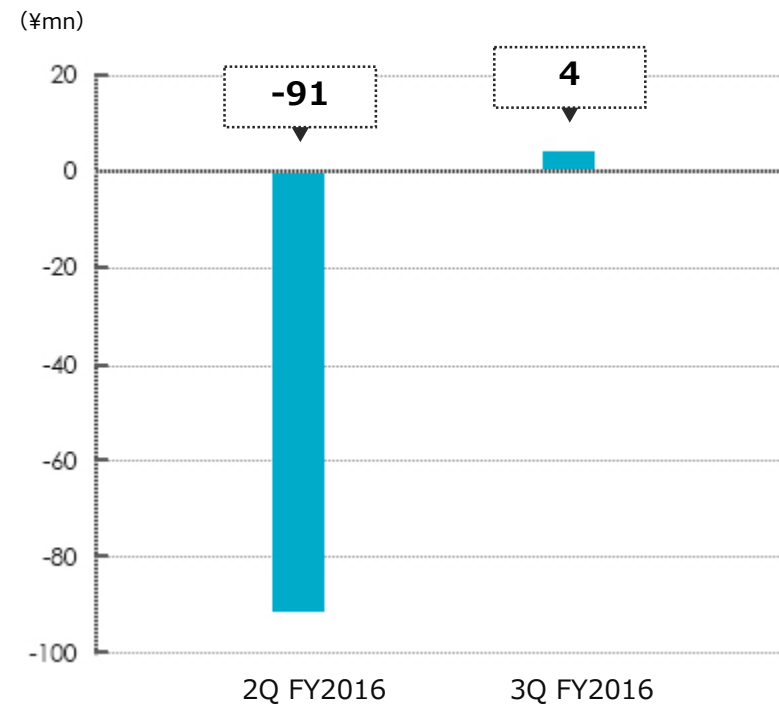


**3Q Recurring Profit: ¥179mn**

QoQ: +¥216mn (—%)

Recurring Profit margin: —%

## QoQ Change



**3Q Net Profit : ¥4mn**

QoQ : +¥95mn (—%)

Net Profit margin : —%



## 2. FY2016 Consolidated Performance Forecast

# 2. FY2016 Consolidated Performance Forecast

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

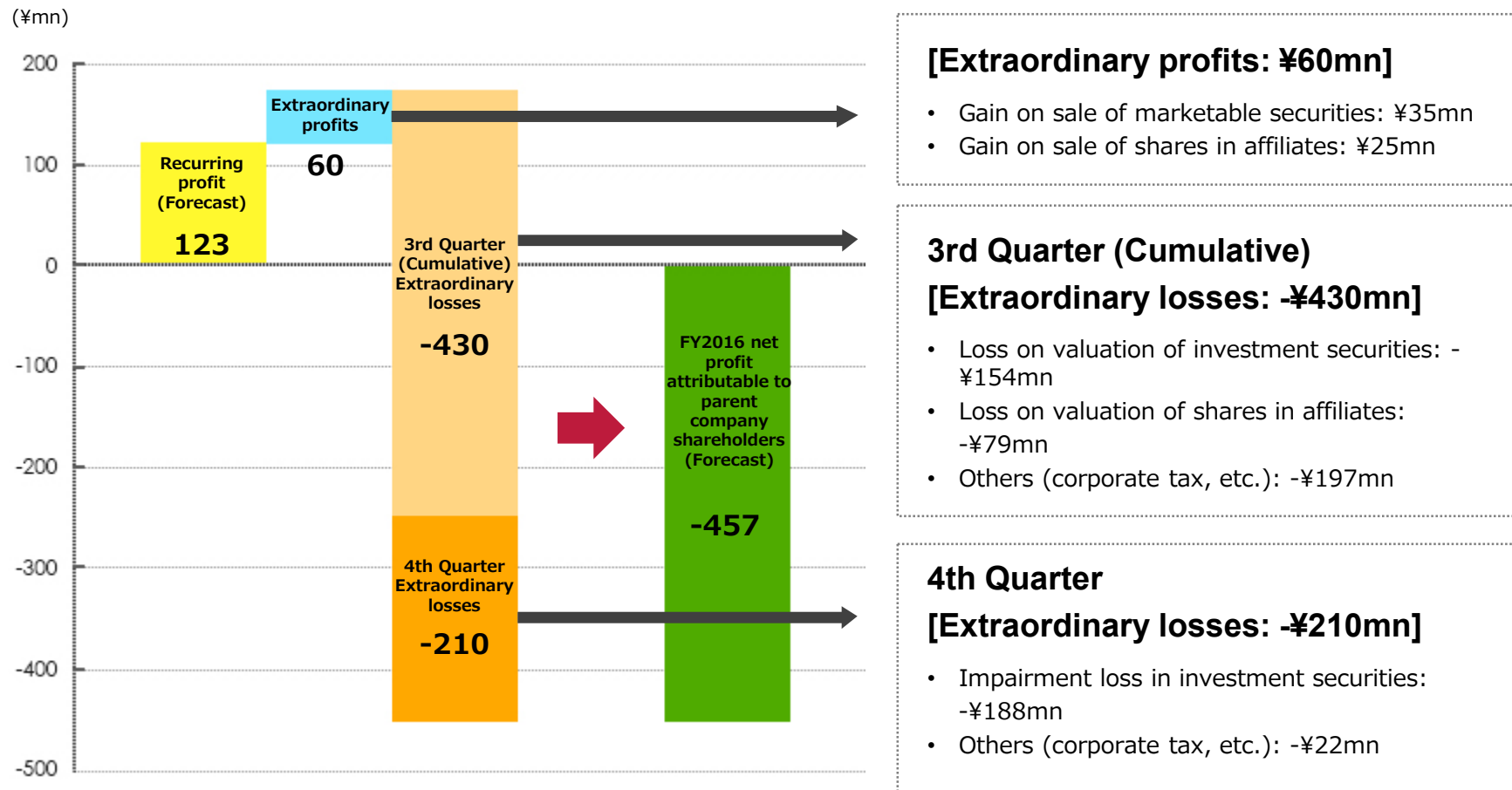
(¥mn)

	Previous Forecast (A)	Current Forecast (B)	Amount of increase/decrease ※(B-A)	Rate of increase/decrease ※(B/A)	FY2016 Cumulative results (C)	Progress rate (C/B)	(reference) FY2015 Cumulative results
Net sales	41,000 ~ 44,000	42,310	+1,310	+3.2%	30,615	72.4%	39,613
Operating Profit	100 ~ 500	131	+31	+31.0%	158	120.6%	687
Recurring Profit	100 ~ 500	123	+23	+23.0%	119	96.7%	744
Net Profit attributable to parent company shareholders	10 ~ 200	-457	-467	—%	-251	54.9%	145

\*The Adways Group disclosed its full-year consolidated performance forecast using range-type figures, thus the amount of increase/decrease and the rate of increase/decrease are at the lower limits of the forecasted range.

# 2. FY2016 Consolidated Performance Forecast

## Consolidated Performance Forecast values for 4Q FY2016





### 3. Shareholder returns

# 3. Shareholder returns

## Dividend Forecast and Dividend Guidance

### 【Dividend Guidance】

We recognize that ensuring continuous shareholder returns and improving our corporate value are weighty issues thus we implement various 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 the previous fiscal year (FY2015), (reference: this fiscal year is the 17th fiscal year, thus it will be 16%) or 2.35 yen per share (the ordinary dividend for the previous fiscal year), whichever is higher.

## ¥2.35 per share

\*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 will be formally decided and implemented through the resolution of our company's 17th General Shareholders' Meeting.



## 4. Business Overview

# Beyond Everything Internet

2017.3-2019.3



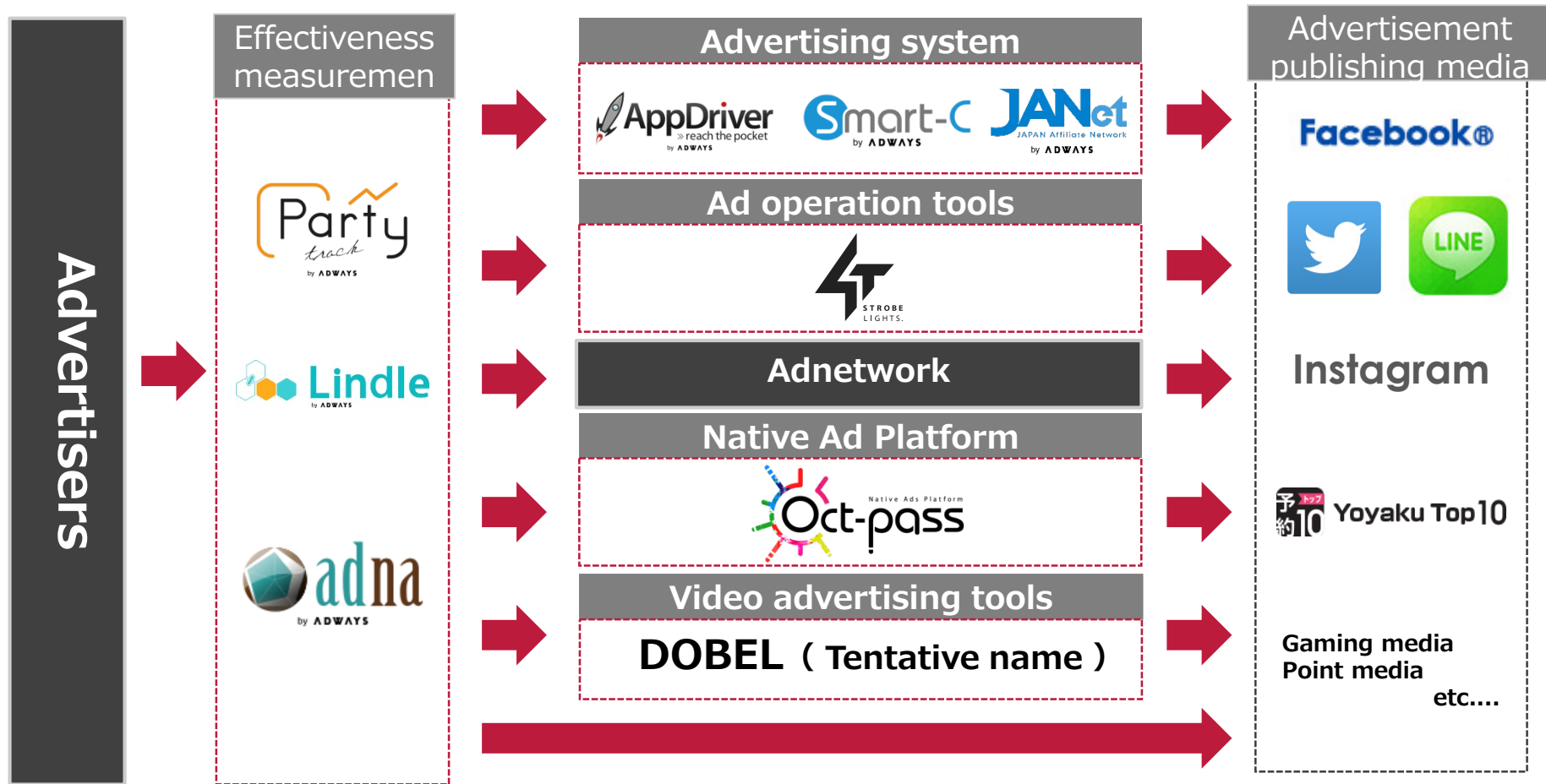
**App  
Marketing**

**Global  
EC**

**EC  
Data**

# 4. Business Overview: App Marketing

## “Platform&Borderless”



# Adways' Business Target "Platform & Borderless"

Realization of connecting worldwide advertisers and users around the world

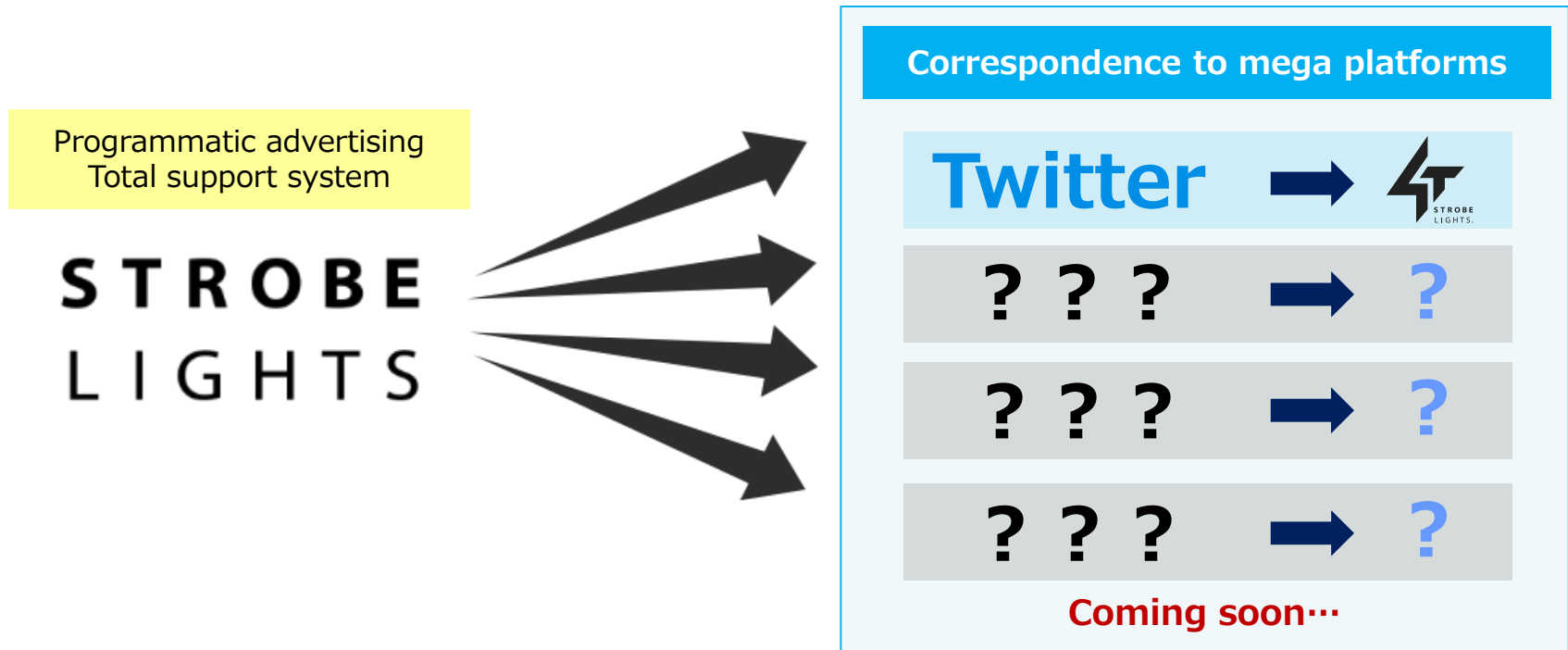


Able to deliver app to users around the world in a simple and efficient manner

You can find the app you like at anytime

# 4. Business Overview: App Marketing

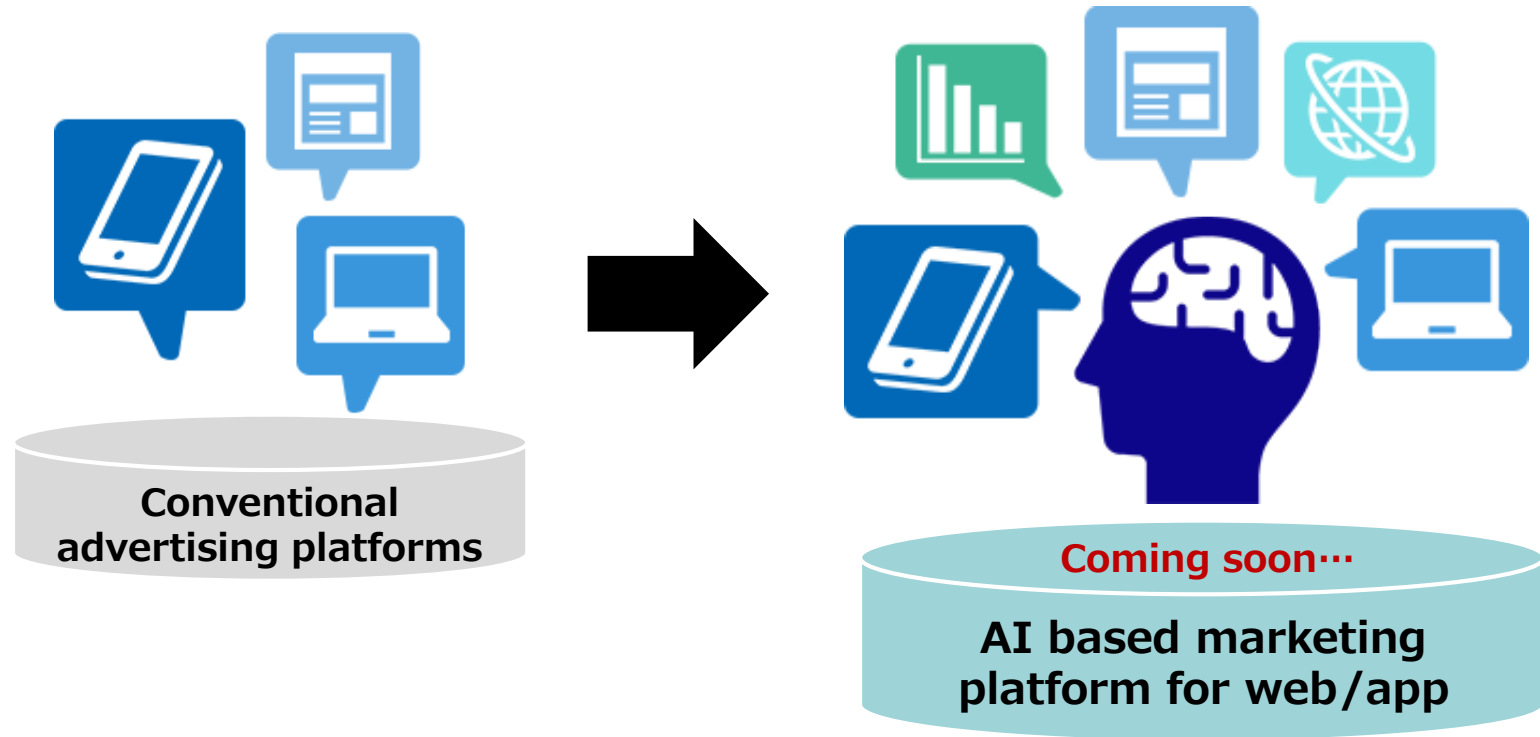
**Total ad operation support system for global mega platform**  
**New services will start full-fledged operation soon**



By further developing the "4T", the dedicated tool for Twitter, we plan to release **a total ad operation support system for global mega platform.**

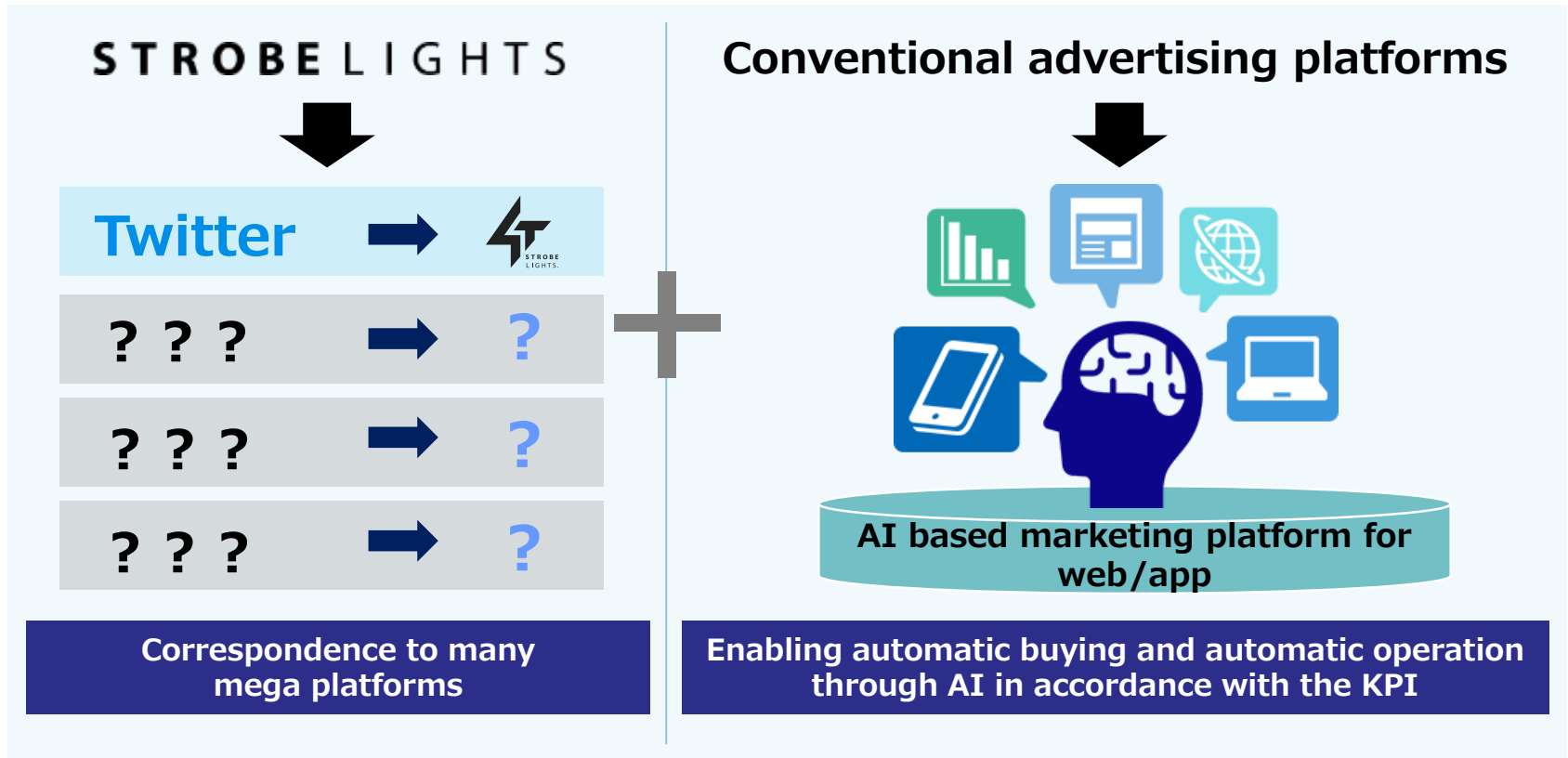
# 4. Business Overview: App Marketing

**AI based marketing platform for web/app**  
**New services is currently under development**



Enabling **"automatic buying"** and **"automatic operation"** through **AI**  
in accordance with the KPI of advertisers

# 4. Business Overview: App Marketing



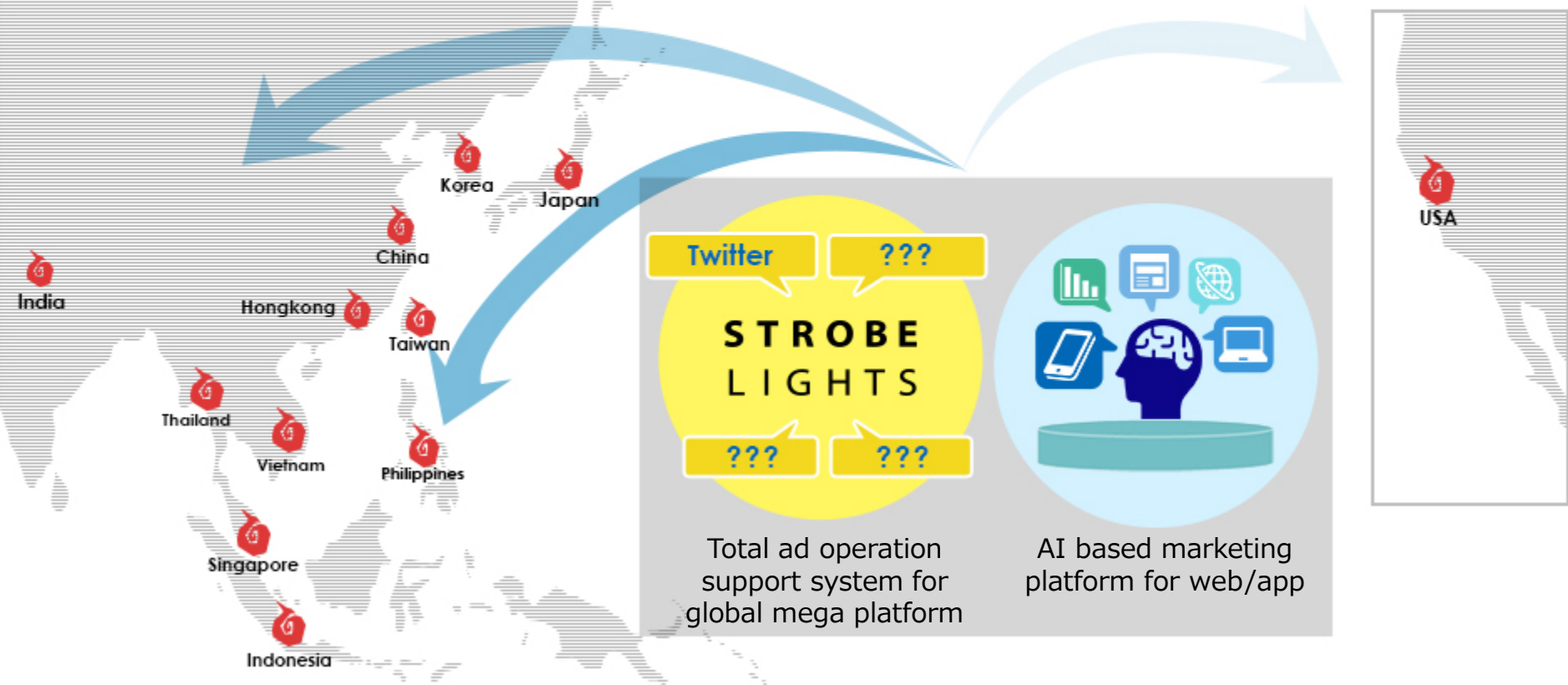
Toward full automation, cost reduction and enhanced efficiency

**Targeting better advertising quality and increased sales and profits through these**

# 4. Business Overview~ App Marketing

## “Platform&Borderless”

The new advertising tool will head to the vast market of Asia!  
Proactive launch is scheduled, starting with East Asia!



# 4. Business Overview~ Global EC / EC Data

## 【Global EC】

### Borderless EC experience!

Target further business expansion through positive business partnerships



Expand the client base through partnerships with major EC sites

## 【EC Data】


### Provide the "NOW" data of the EC market!



Release of "EC Data Lab", the dedicated information media of the EC data service "Nint"



Release the actual report for a single day of Tmall, the largest EC site in China, which recorded transactions amounting to more than 1.9 trillion in a single day



# Beyond Everything Internet

インターネットの全てを越えていく

なにこれ  
すげー  
みんなのはじめて

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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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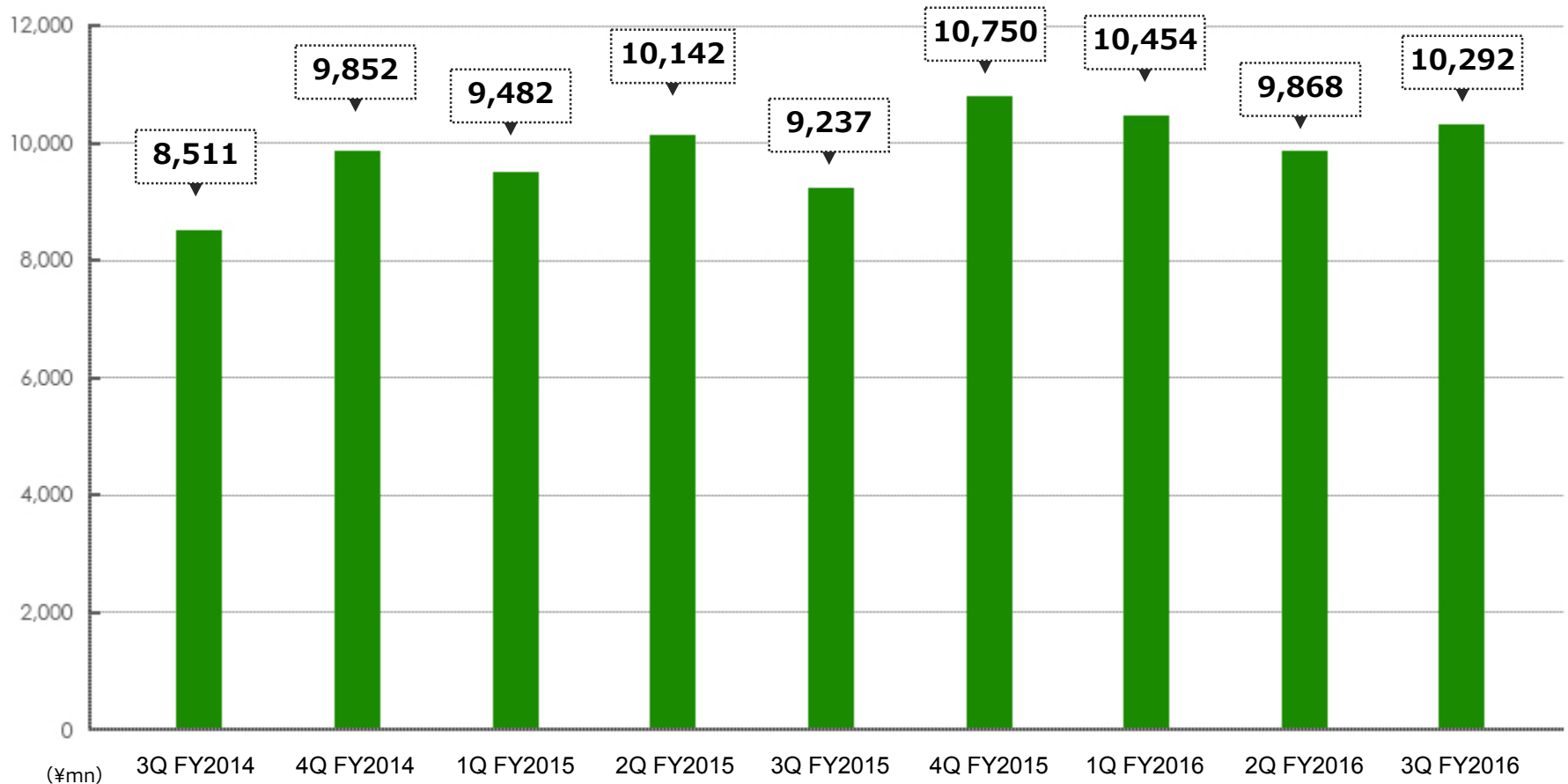
Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecast related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. Actual results may differ from the 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 February 3 2017 and a variety of factors may cause the statements to differ from actual results.



## 4. Supplementary Materials

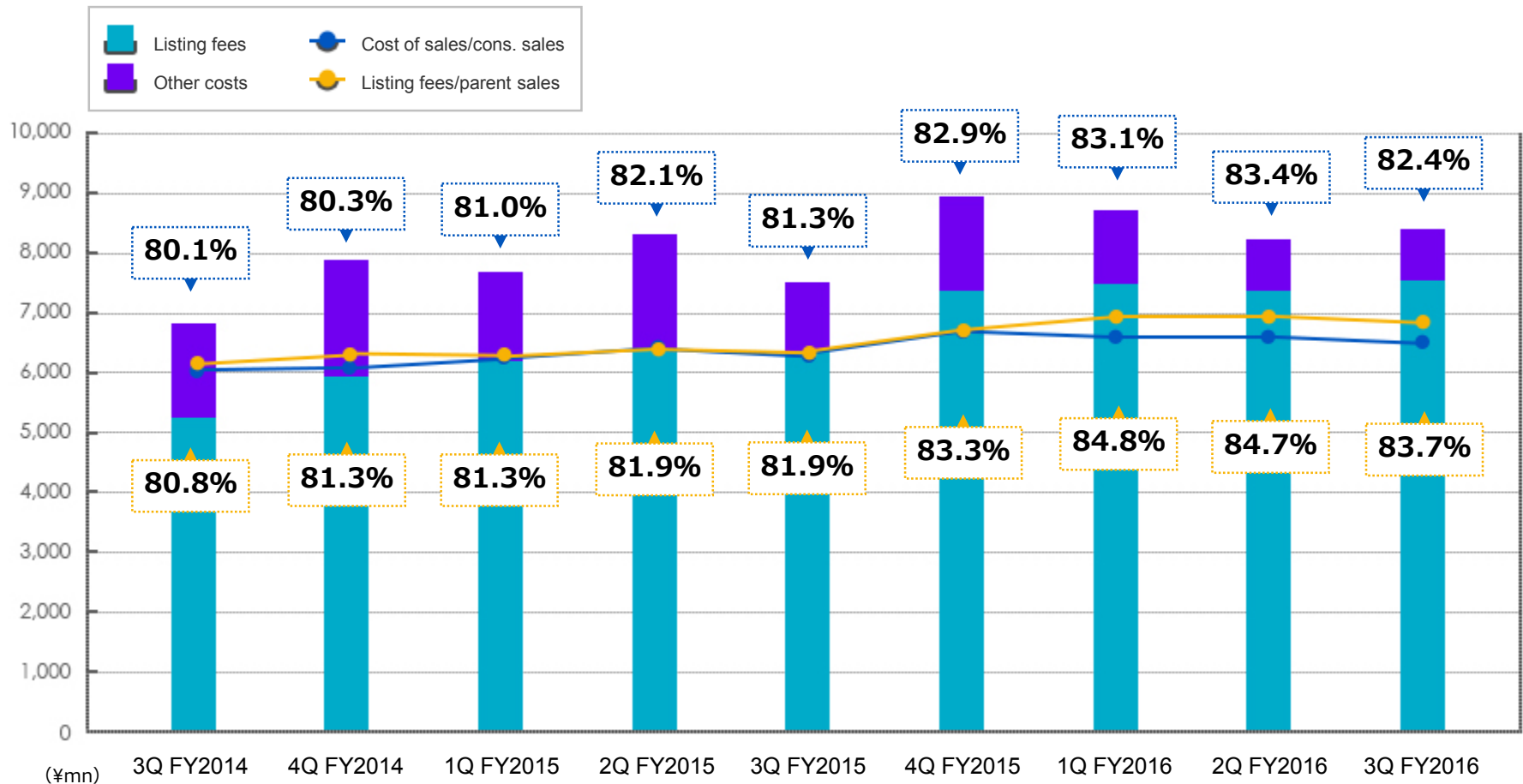
# 5. Supplementary Materials

## Consolidated sales (Quarterly)



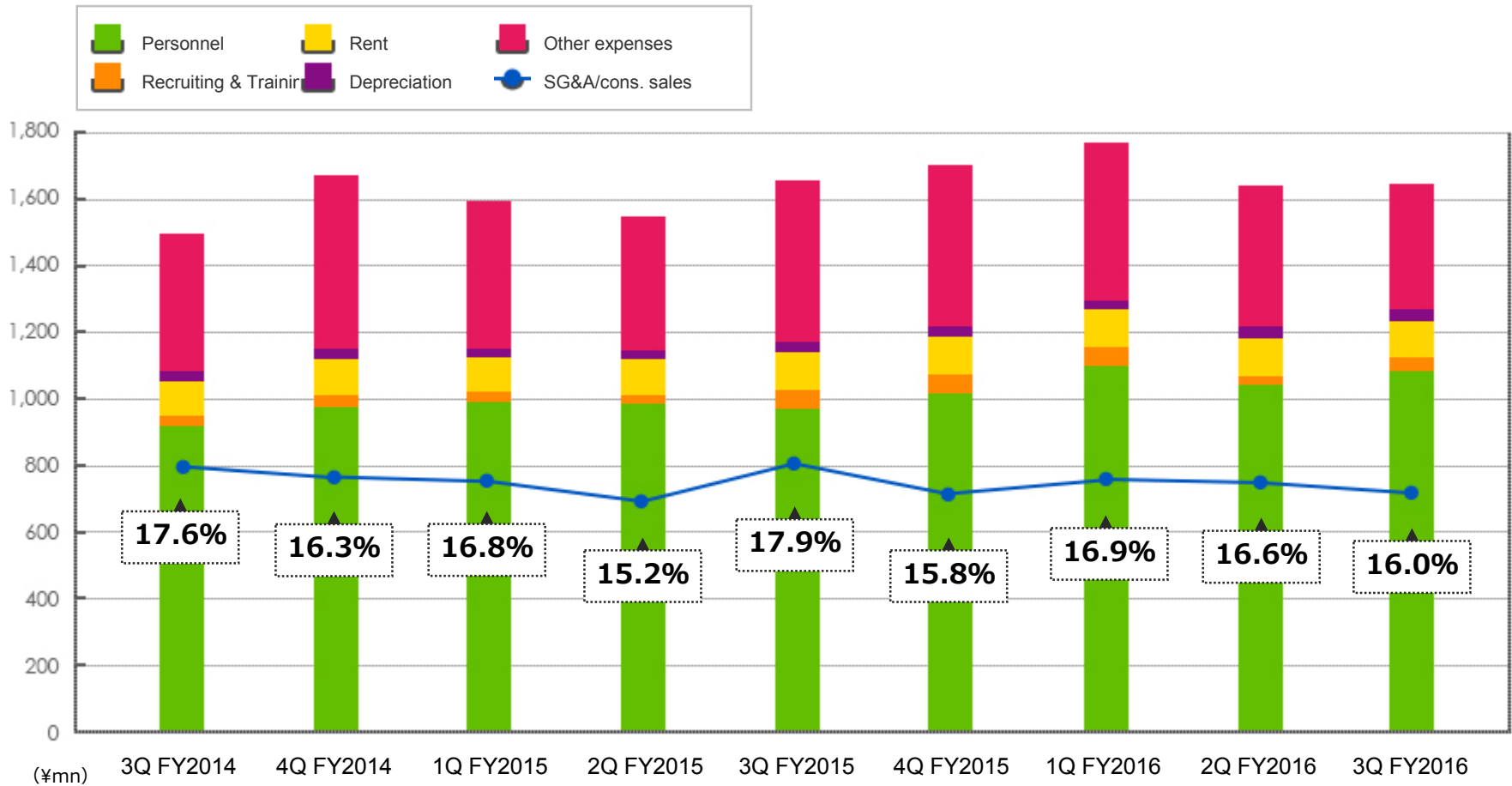
# 5. Supplementary Materials

## Consolidated Cost of Sales (Quarterly)



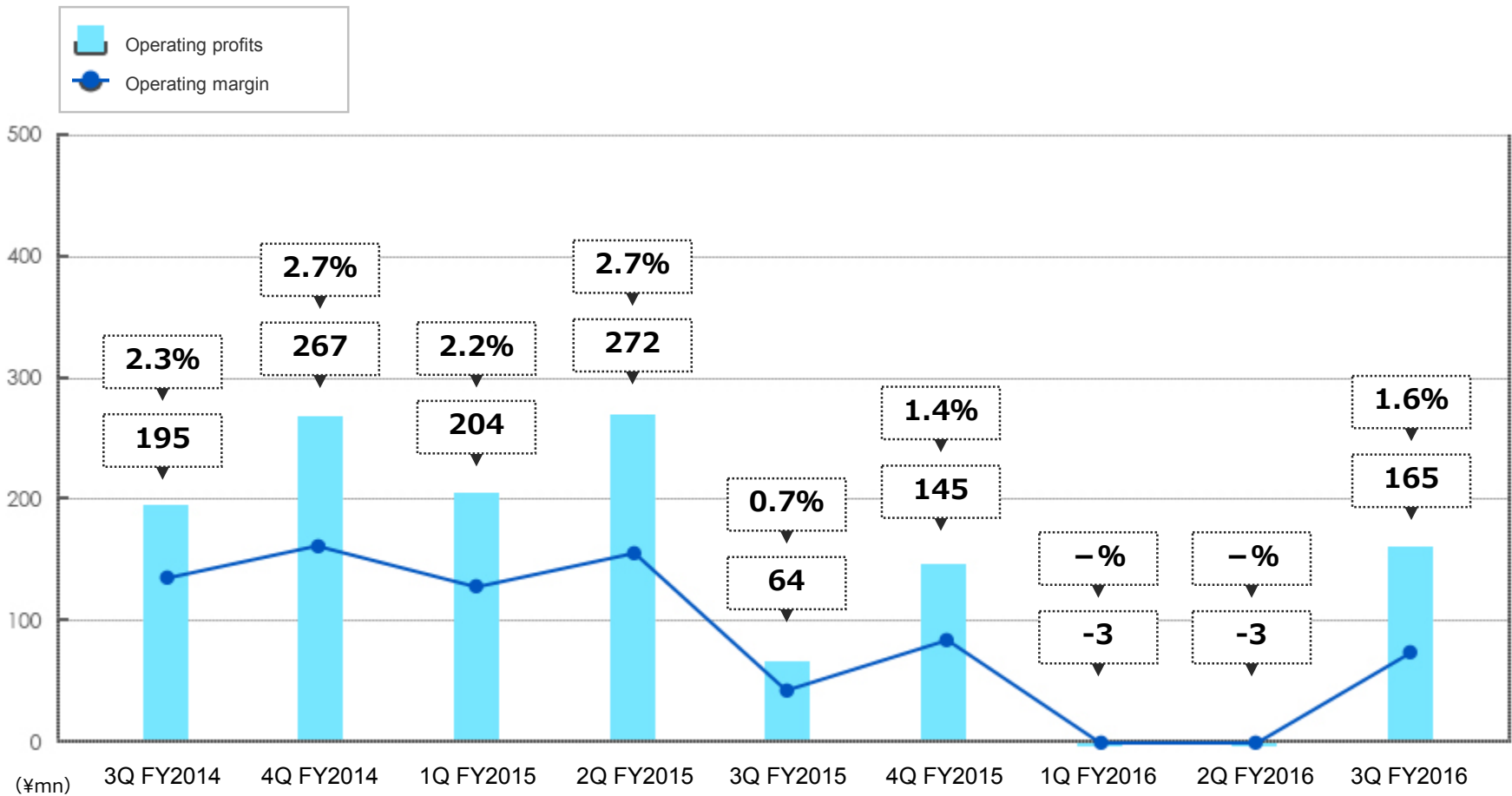
# 5. Supplementary Materials

## Consolidated SG&A Expenses (Quarterly)



# 5. Supplementary Materials

## Consolidated Operating Profit (Quarterly)



# 5. Supplementary Materials

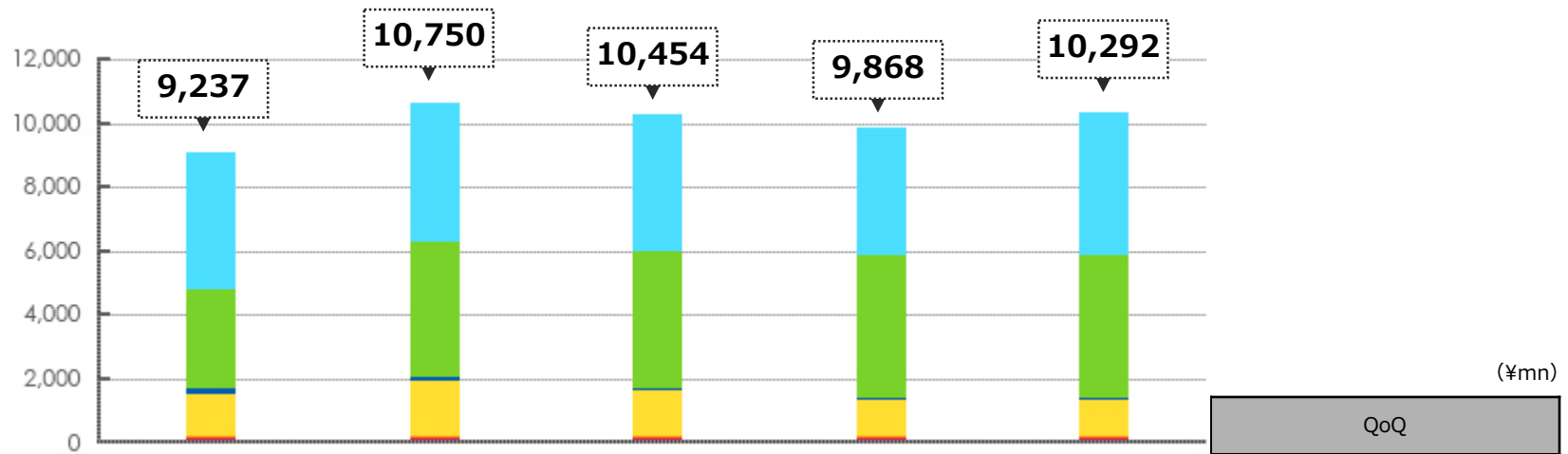
## Consolidated Balance Sheet (QoQ)

(¥mn)

	3Q FY2016	2Q FY2016	Change (¥mn)	Change (%)
Current Assets	15,671	15,626	+44	+0.3%
(Cash and Deposits)	9,479	9,701	-222	-2.3%
Fixed Assets	2,688	2,661	+ 27	+ 1.0%
Total Assets	18,359	18,287	+71	+0.4%
Current Liabilities	6,474	6,479	-5	-0.1%
Fixed Liabilities	107	107	-0	-0.4%
Total Liabilities	6,581	6,587	-5	-0.1%
Net Assets	11,777	11,700	+77	+0.7%

# 5. Supplementary Materials

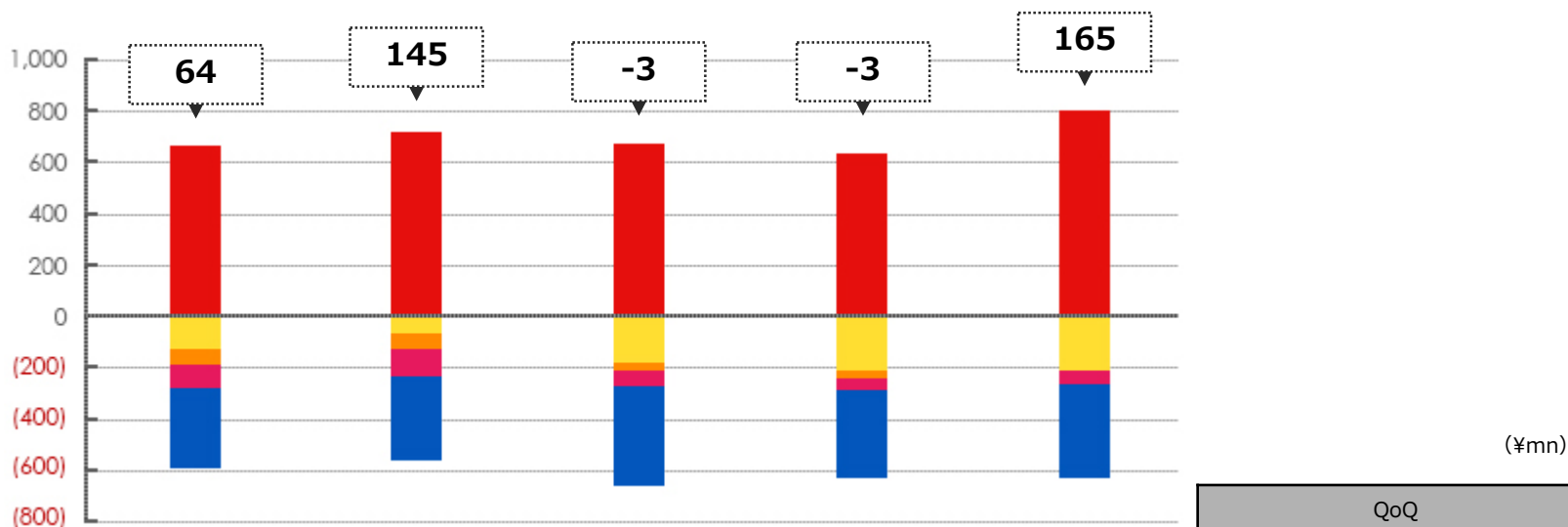
## Breakdown of Consolidated Sales by Segment (Quarterly)



	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	Change (¥mn)	Change (%)
Smartphone	4,304	4,331	4,234	4,017	4,446	+428	+10.7%
PC	3,192	4,268	4,388	4,506	4,481	-25	-0.6%
Feature phone	139	118	92	85	84	-0	-0.6%
Overseas Advertising	1,318	1,748	1,520	1,078	1,111	+33	+3.1%
App	156	156	87	62	80	+17	+28.5%
Media, Other	128	126	130	118	87	-31	-26.2%
<b>Total</b>	<b>9,237</b>	<b>10,750</b>	<b>10,454</b>	<b>9,868</b>	<b>10,292</b>	<b>+423</b>	<b>+4.3%</b>

# 5. Supplementary Materials

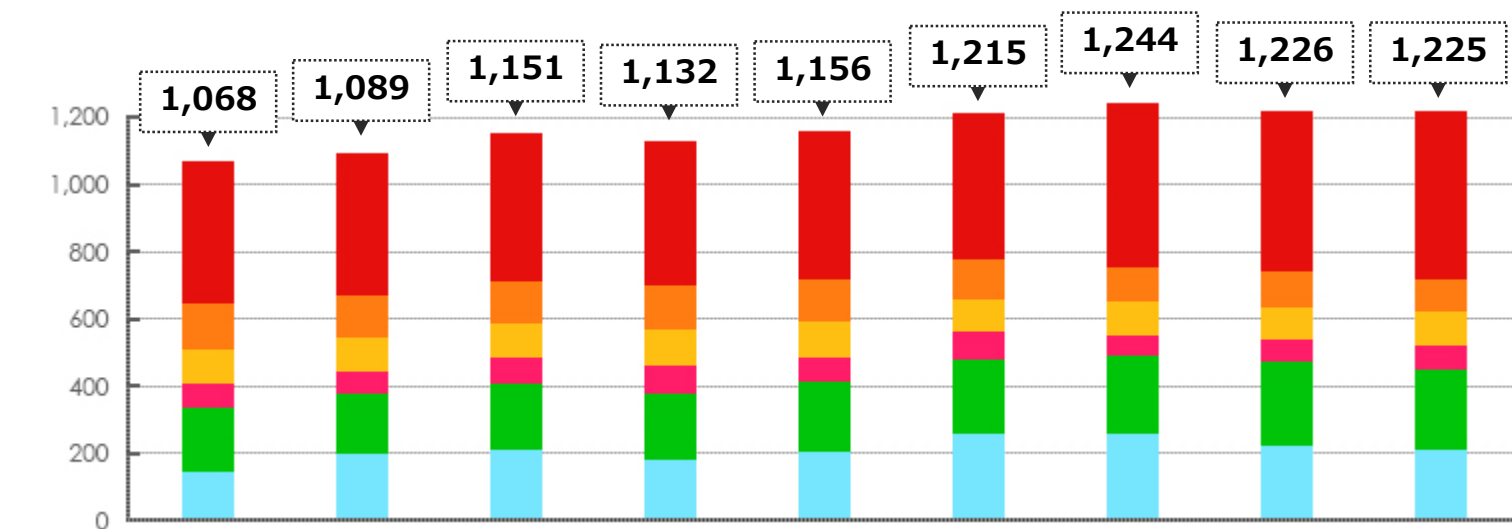
## Breakdown of Consolidated Operating Profit by Segment (Quarterly)



	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	QoQ	
						Change(¥mn)	Change (%)
Advertising	663	715	660	633	805	171	+27.1%
Overseas advertising	-133	-71	-185	-207	-208	-1	—%
App	-55	-53	-26	-33	-5	28	—%
Media, Other	-96	-113	-66	-48	-53	-5	—%
Eliminations & corporate	-313	-331	-386	-347	-371	-24	—%
<b>Total</b>	<b>64</b>	<b>145</b>	<b>-3</b>	<b>-3</b>	<b>165</b>	<b>+168</b>	<b>—%</b>

# 5. Supplementary Materials

## Group Employees (Quarterly)



(Persons)	3Q FY2014	4Q FY2014	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016
ADW Japan	425	421	443	430	439	436	489	492	499
ADW China	139	132	125	130	126	122	103	103	104
ADW Shanghai (R&D center)	105	101	100	107	108	101	96	97	105
Domestic subs	60	59	80	79	73	79	69	67	65
Overseas subs(except China)	204	188	201	206	206	218	226	251	244
Temps, part-timers	135	188	202	180	204	259	261	216	208
Total	1,068	1,089	1,151	1,132	1,156	1,215	1,244	1,226	1,225

# 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 December 2016)

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

Employees 1,225 including temp workers (As of end of December 2016)