



ADWAYS

August 2017, Presentation Material


TOKYO STOCK EXCHANGE MOTHERS STOCK CODE:2489

Financial Results Presentation for 1Q FY2017

August 2, 2017 Founder and CEO, Haruhisa Okamura

Topics

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1. 1Q FY2017 Performance



1. 1Q FY2017 Performance

Quarterly Results (YoY, QoQ)

(¥mn)

	1Q FY2017	YoY 1Q FY2016			QoQ 4Q FY2016		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	10,694	10,454	+240	+2.3%	11,714	-1,020	-8.7
Gross Profit	1,854	1,761	+93	+5.3%	2,123	-268	-12.7
SG&A Expenses	1,692	1,765	-73	-4.1%	1,965	-273	-13.9
Operating Profit	162	-3	+166	-	157	+4	+3.0
Ordinary Profit	154	-22	+176	-	128	+26	+20.3
Profit attributable to owners of parent	-54	-164	+109	-	-199	+144	-

Net Sales

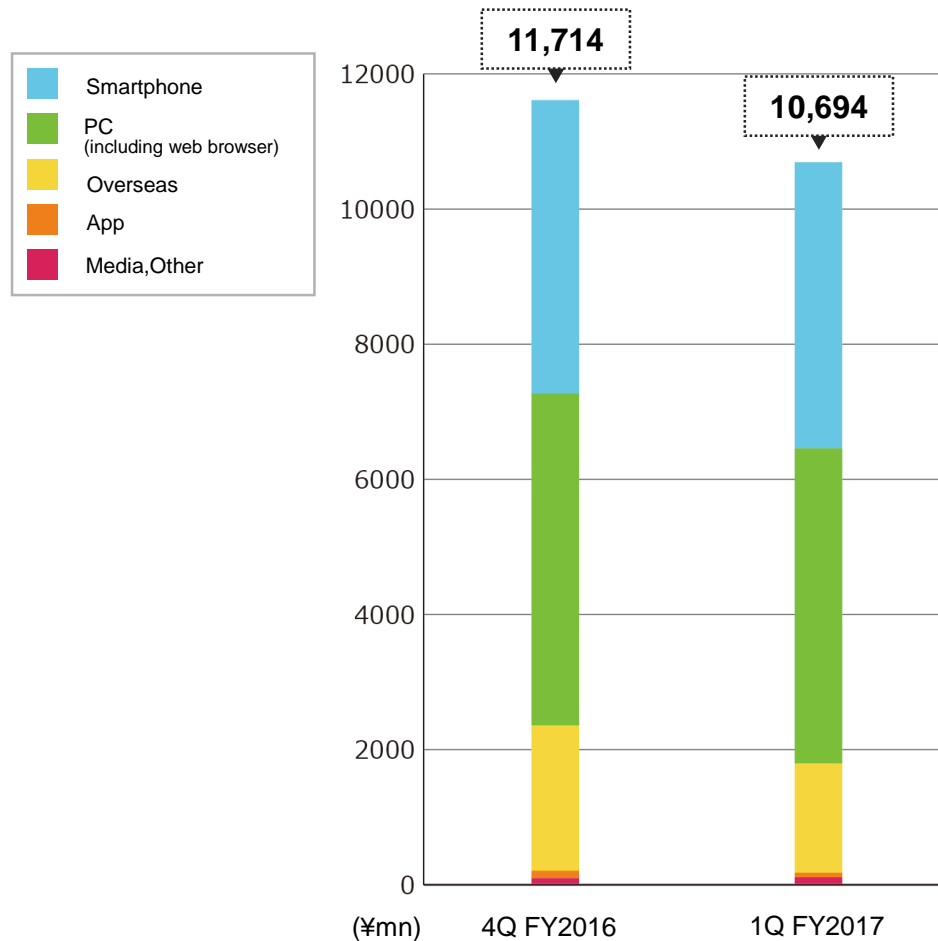
Increased ¥240mn YoY (+2.3%)
Decreased ¥1,020mn QoQ (-8.7%)

Operating Profit

Increased ¥166mn YoY (-)
Increased ¥4mn QoQ (+3.0%)

1. 1Q FY2017 Performance

Net Sales (QoQ Change)



Domestic Advertising

¥8,894mn

QoQ : -¥458mn (-4.9%)

Smartphone (Mainly app advertising): ¥4,231mn

QoQ : -¥210mn (-4.7%)

- There was a seasonal decline in the first quarter, common to each fiscal year, but sales in this segment, including those via smartphone web browser incorporated in the Internet, exceeded expectations.

PC (PC web advertising and smartphone web advertising) : ¥4,663mn

QoQ : -¥248mn (-5.1%)

- There was a period of decline in the first quarter, common to each fiscal year, but sales in this segment increase by about ¥274mn compared to the same period last year.

Overseas

¥1,617mn

QoQ : -¥533mn (-24.8%)

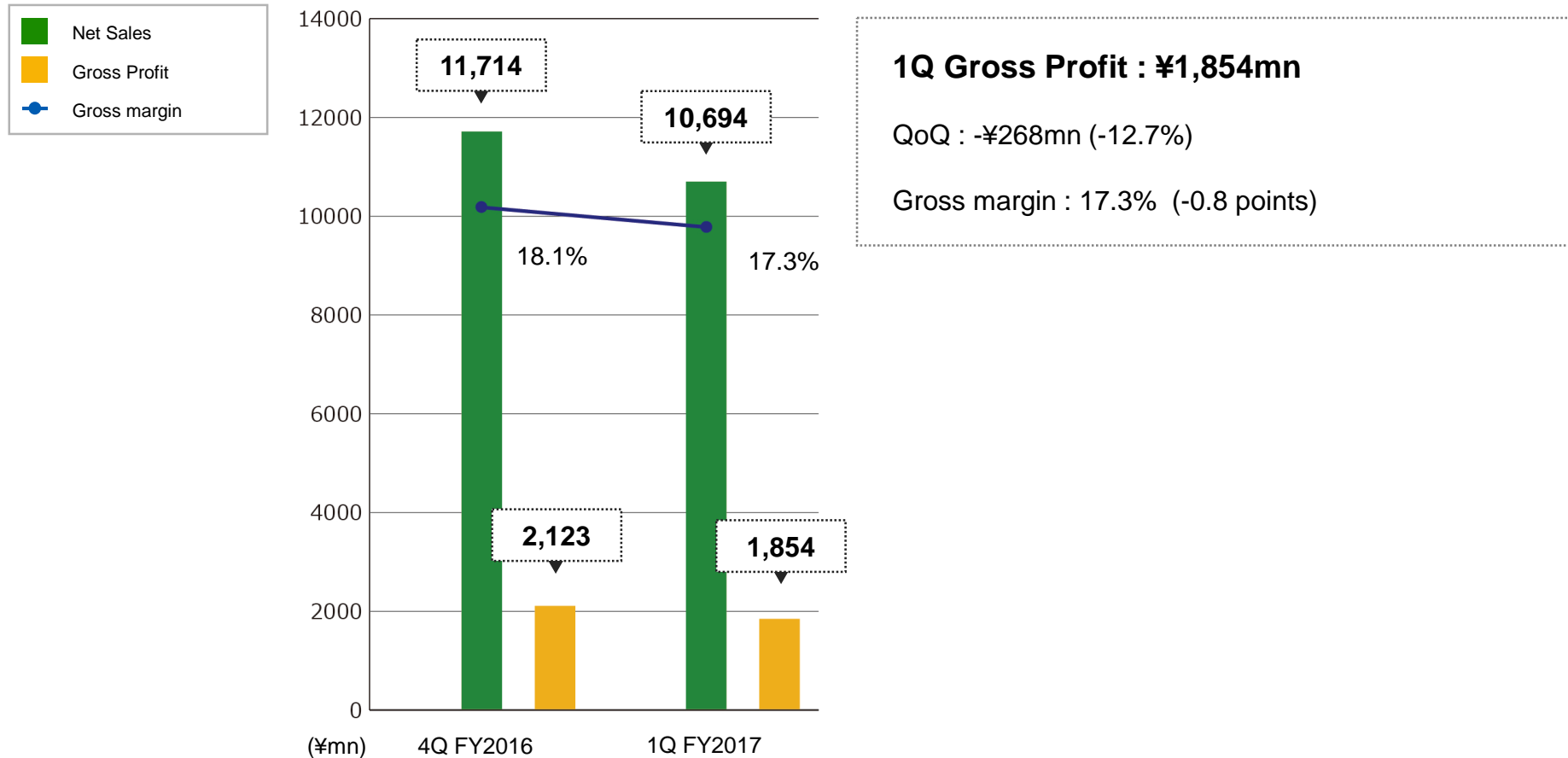
- This segment was negative due to contrast with the increased sales brought about by the exchange rate fluctuations at the end of the previous fiscal year (FY2016), but still grew by approximately ¥97mn compared to the same period last year.

* The accounting periods of our overseas subsidiaries excluding India end in December, so their 1Q FY2017 (January – March) figures are consolidated with the Adways Group's 1Q FY2017 (April – June) figures.

* Sales of feature phones and smartphones had been divided until the last fiscal year, but given small sales figures for feature phones, the sales of both segments have been combined and reported as advertising for smartphones starting the first quarter of the current fiscal year.

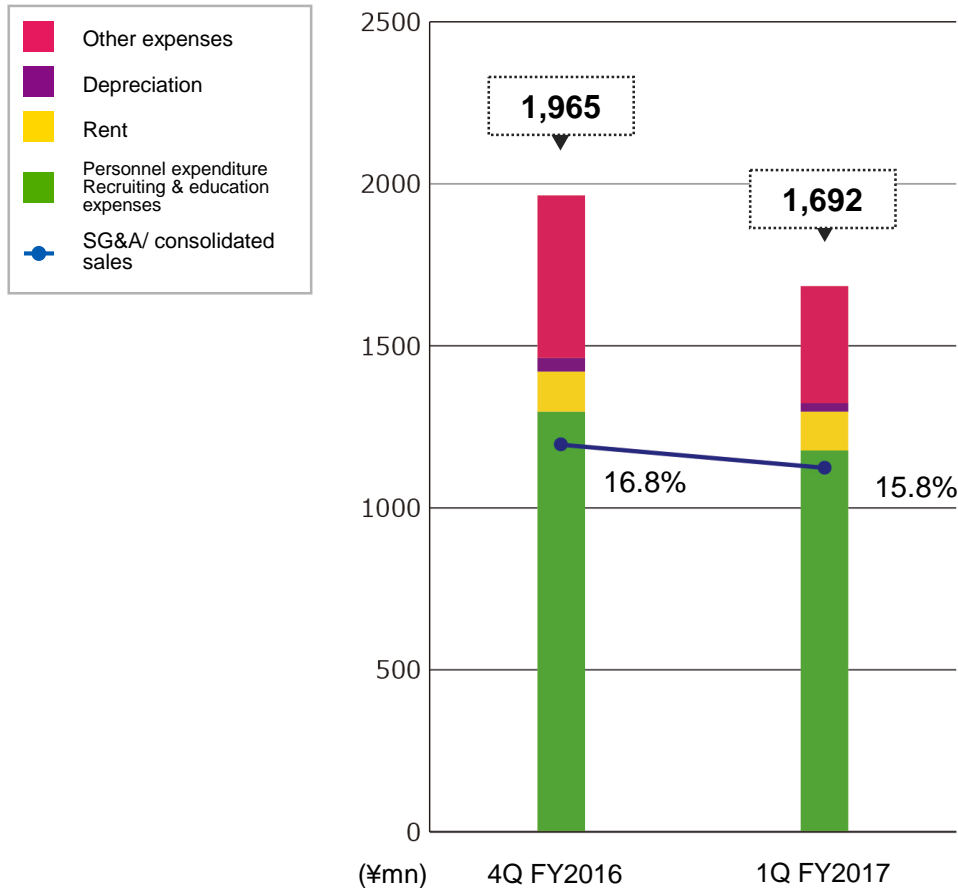
1. 1Q FY2017 Performance

Gross Profit (QoQ Change)



1. 1Q FY2017 Performance

SG&A Expenses (QoQ Change)



1Q SG&A Expenses : ¥1,692mn

QoQ : -¥273mn (-13.9%)

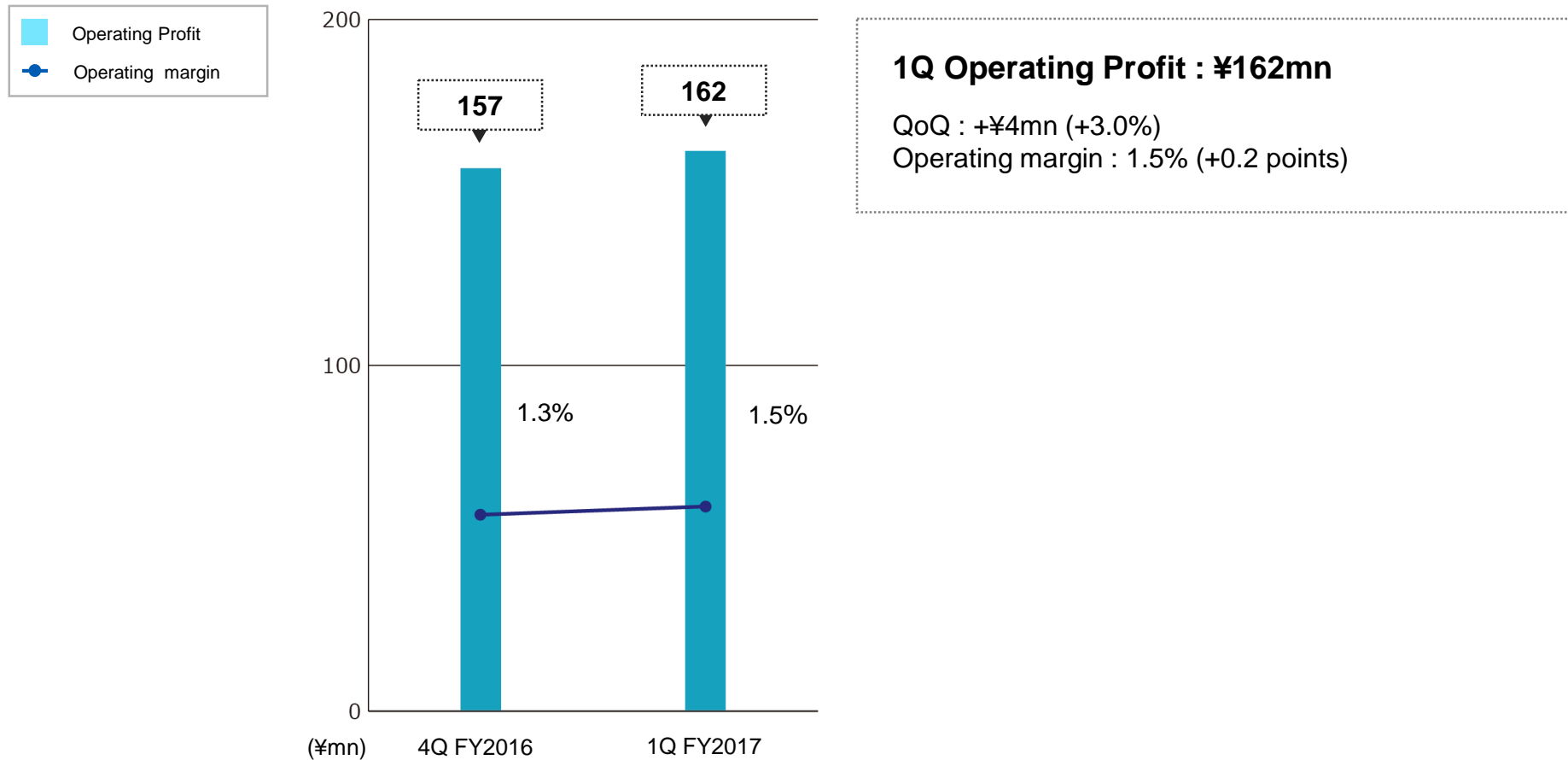
SG&A to Sales ratio : 15.8% (-1.0 points)

[Main Factors of Decline]

- Personnel expenditure : -¥120mn
 - Decreased in contrast to the rise in personnel expenditure mainly brought about by the foreign exchange fluctuations in the previous quarter.
- Provision of allowance for doubtful accounts : -¥47mn
 - The decline is attributable to growth in the previous quarter.
- Outsourcing expenses : -¥26mn
- Research and development costs : -¥20mn

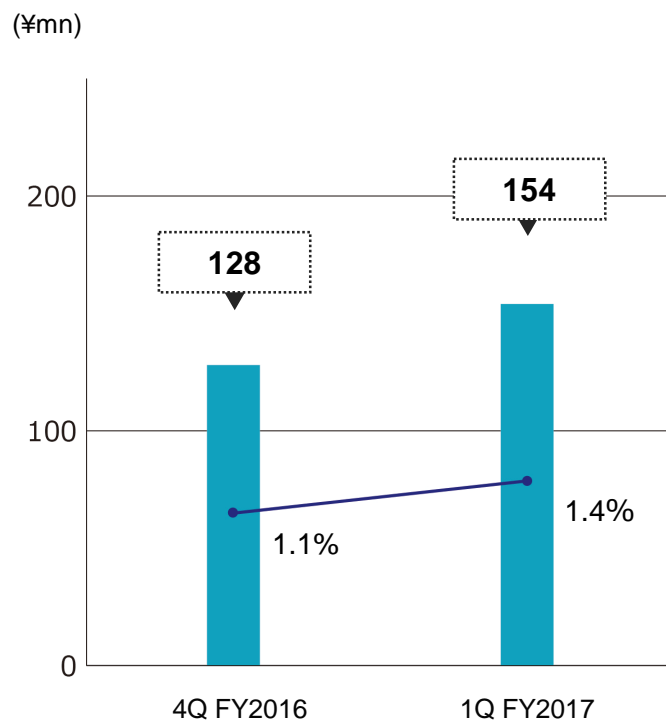
1. 1Q FY2017 Performance

Operating Profit (QoQ Change)



1. 1Q FY2017 Performance

Ordinary Profit (QoQ Change)

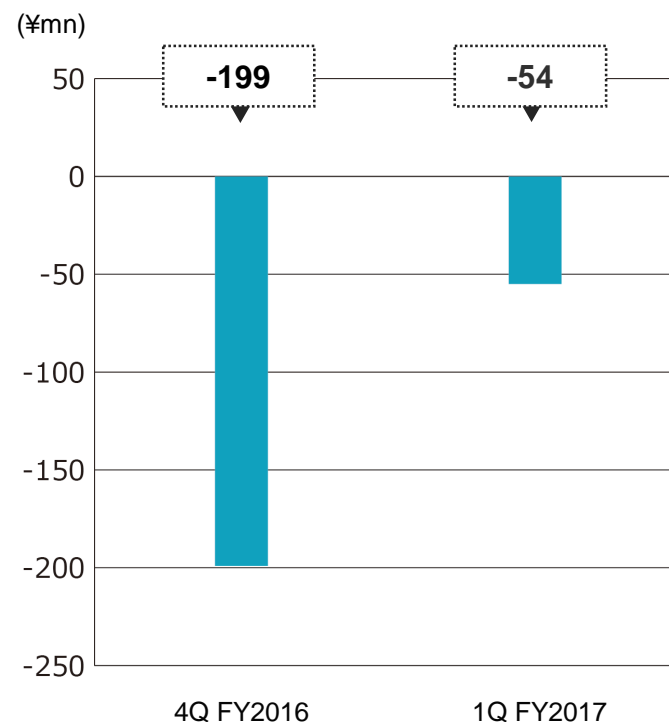


1Q Ordinary Profit : ¥154mn

QoQ : +¥26mn (+20.3%)

Ordinary margin : 1.4% (+0.3 points)

Profit attributable to owners of parent (QoQ Change)

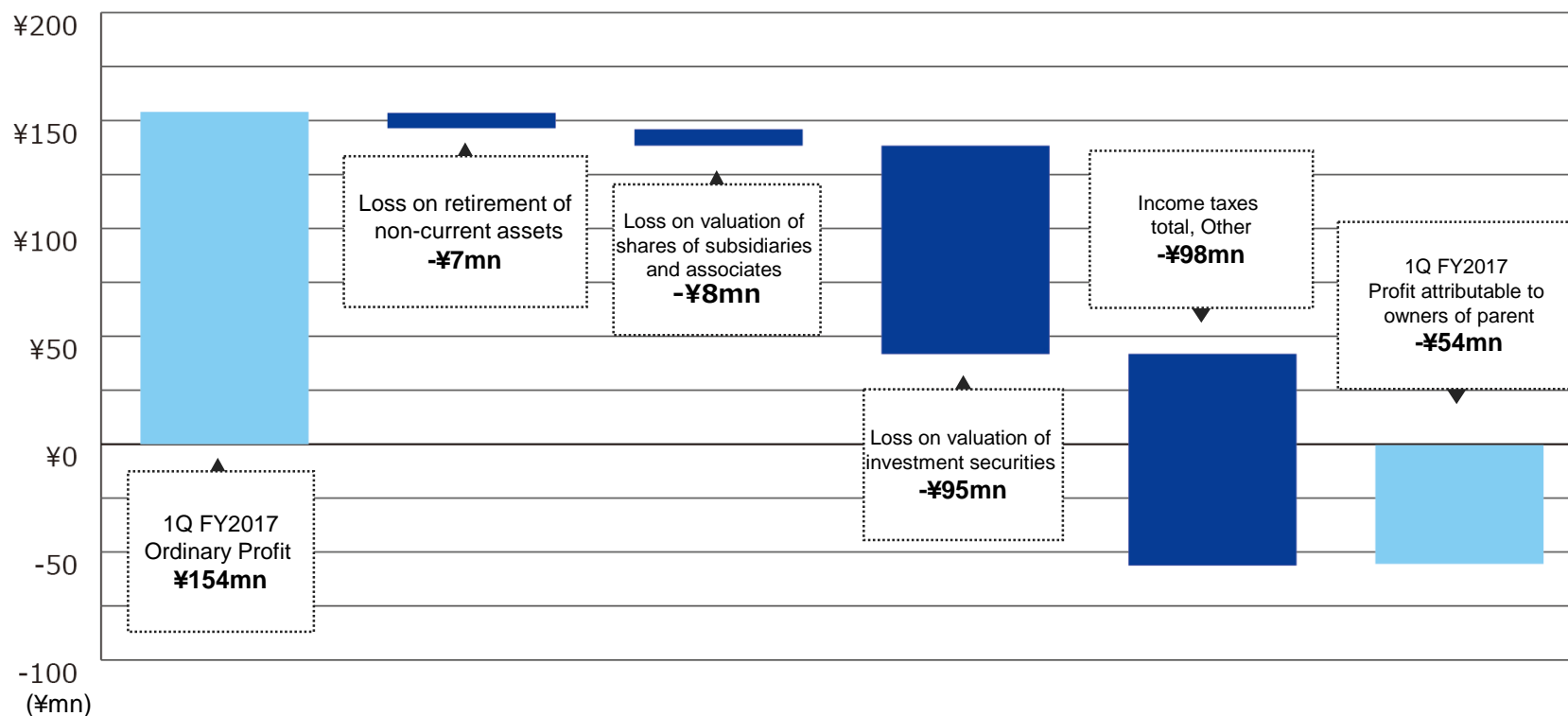


1Q Profit attributable to owners of parent : -¥54mn

QoQ : +¥144mn (—%)

1. 1Q FY2017 Performance

Breakdown of 1Q FY2017 Profit attributable to owners of parent



Loss on retirement of non-current assets [-¥7mn]

Loss on valuation of shares of subsidiaries and associates [-¥8mn]

Loss on valuation of investment securities [-¥95mn]: No. of individual stocks (9 companies)

Income taxes total, Other [-¥98mn]: Including ¥79mn corporate tax for head office



2. FY2017 Consolidated Performance Forecast



2. FY2017 Consolidated Performance Forecast

FY2017 Consolidated Performance Forecast values (April 1, 2017 - March 31, 2018)

(¥mn)

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent
FY2017 Forecast	46,000	560	730	220
1Q Results	10,694	162	154	-54
Progress rate	23.2%	29.0%	21.2%	-

【FY2017 Dividend Forecast】

¥2.35 per share

【Dividend Guidance】

We recognize that ensuring continuous shareholder returns and improving our corporate value are highly important issues, thus we implement various strategies. Regarding dividends for the past 3 years (FY2015- FY2017), we are aiming to provide dividend per share calculated from dividend payout ratio based on the current fiscal year excluding the first fiscal year, (note: the current fiscal year is the 18th, thus the dividend payout ratio will be 17%) or 2.35 yen per share (the ordinary dividend for the FY2014), whichever is higher.

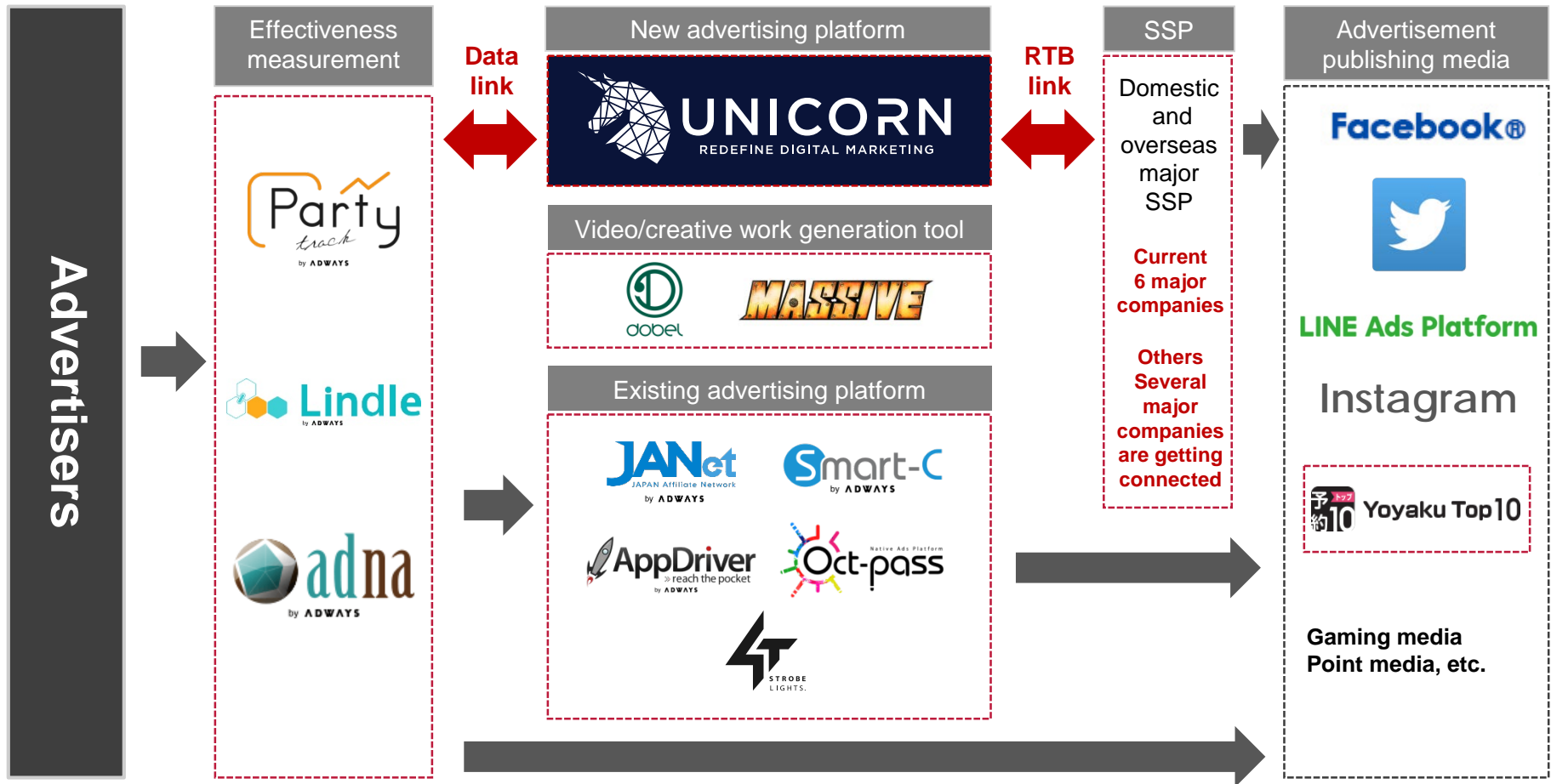
*However, please take note that it is possible for the dividend policy to change due to changes in the business climate such as significant performance fluctuations and sizable M&A deals in the future.



3. Business Overview

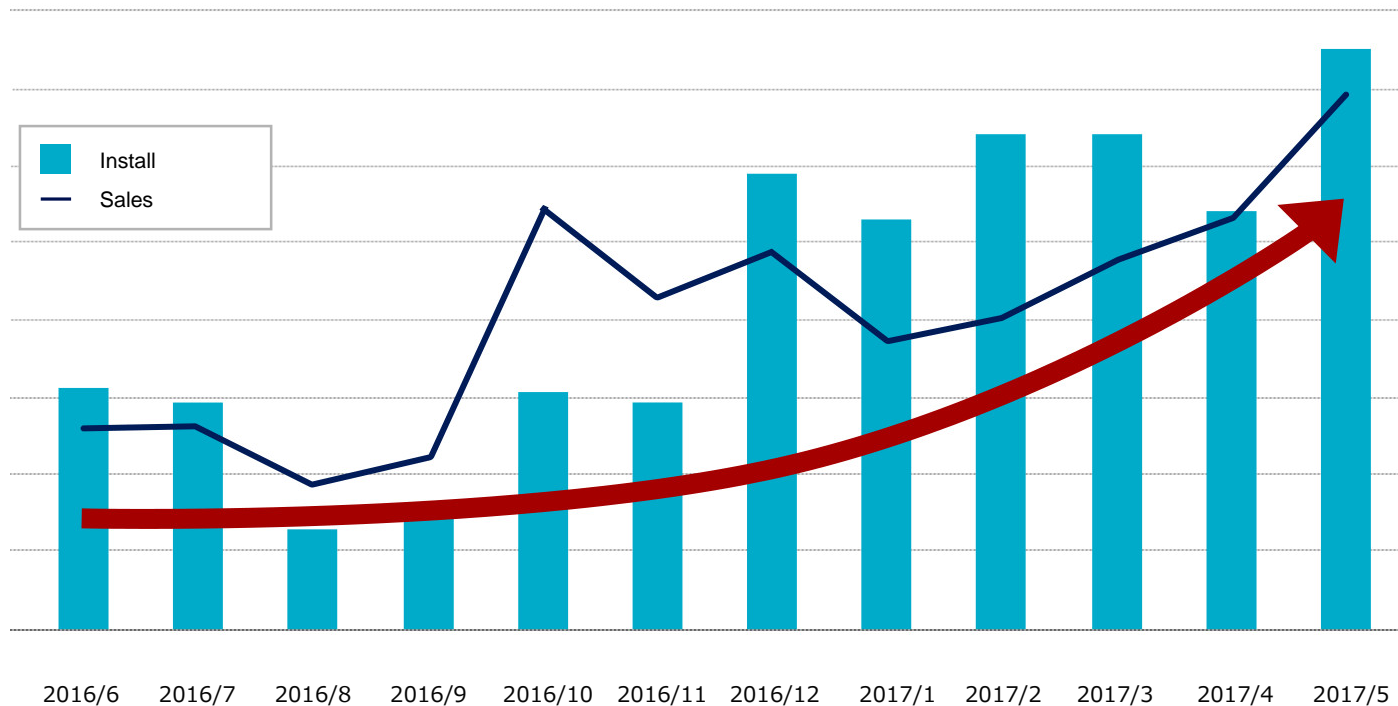
3. Business Overview: App Marketing

“Platform&Borderless”



3. Business Overview: App Marketing

Trend of Sales and Number of Installations with UNICORN



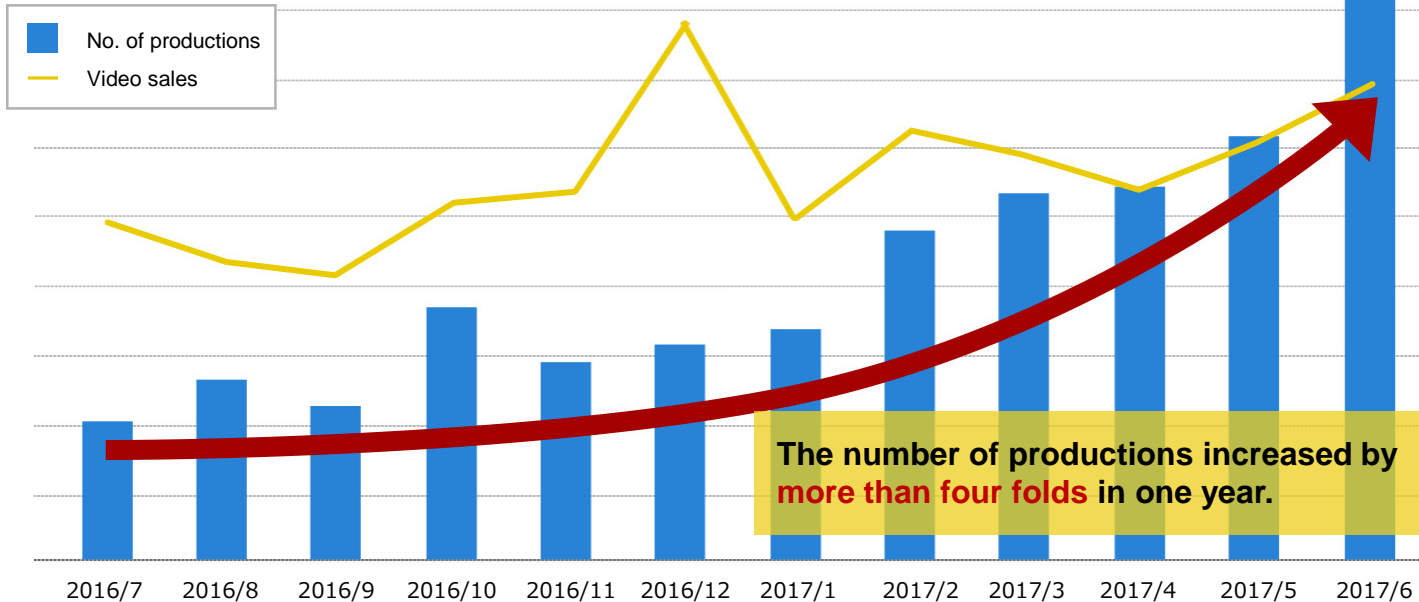
Toward a more effective KPI (advertising performance) through the implementation of a fully automated optimization platform.

With the repetition of automated optimization, it is projected that advertising performance will continue to grow.

3. Business Overview: App Marketing (Video Advertising)

Targeting the rapidly growing Internet video advertising market
Strengthening the internal organization and continuously increasing the number of productions.

Trend in our company's video advertising sales and number of productions



Video production tool
**Full-fledged roll-out
of Dobel**

Enhance efficiency and curb SG&A expenses through the introduction of the tool, toward the expansion of sales and profits in the growing market.

3. Business Overview: Global Marketing

Continuously focusing on overseas markets, especially Asia

【New overseas expansion】

【Taiwan】



Native ad network service, which has a track record in China and Southeast Asia, will be fully introduced to the Taiwanese market. We aim to maximize revenues and profits through the expansion of the advertising model.

【Press Release】

~Partnership with Mega Platform~



Certified as “App Attribution Partner” by Google

*Announced in the press release dated May 18, 2017

3. Business Overview: Global EC/E-Commerce Data

【Global E-Commerce】

Cross-border E-Commerce transfer service that is projected to continue to expand in the future



Business tie-up with Minimal Technologies, Inc., which manages a website multilingualization tool

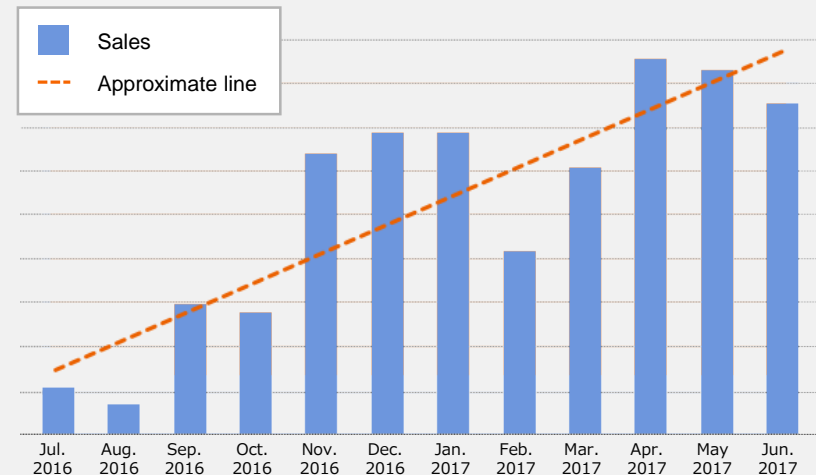


Enabling one-stop multilingual support of E-Commerce sites toward the expansion of sales through the improvement of user merits.

*Announced in the press release dated May 26, 2017


【E-Commerce Data】

Provide “present” data needed in E-Commerce strategy



In the buildup earnings model, E-Commerce data business sales are evolving on a bullish tone.

*November-January was affected by the increase brought about by the Christmas season and Chinese New Year



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

OMG, This is Amazing



Thank you very much for attending our presentation today.

The 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 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 August 2, 2017 and a variety of factors may cause the statements to differ from actual results.

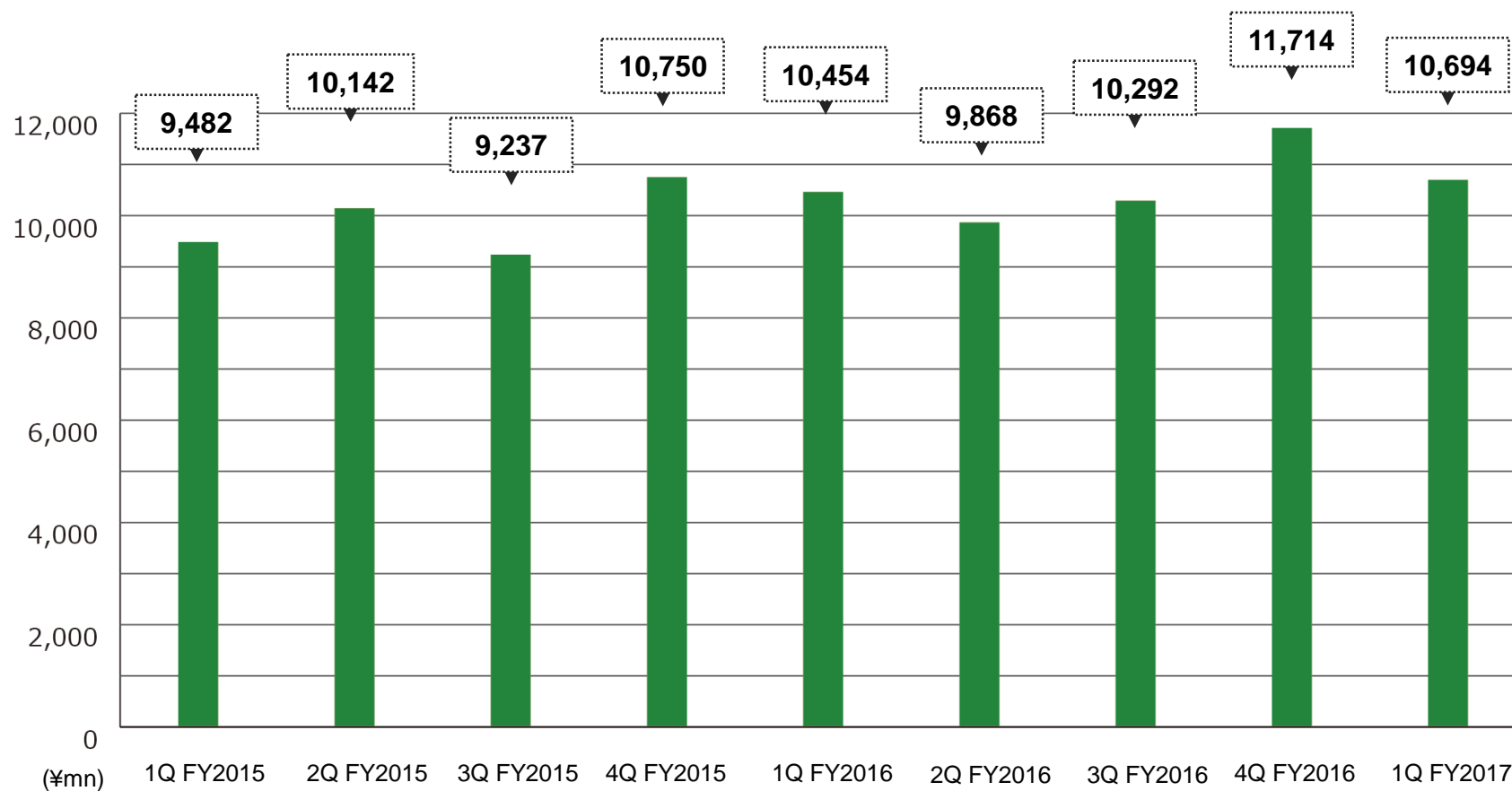


4. Supplementary Materials



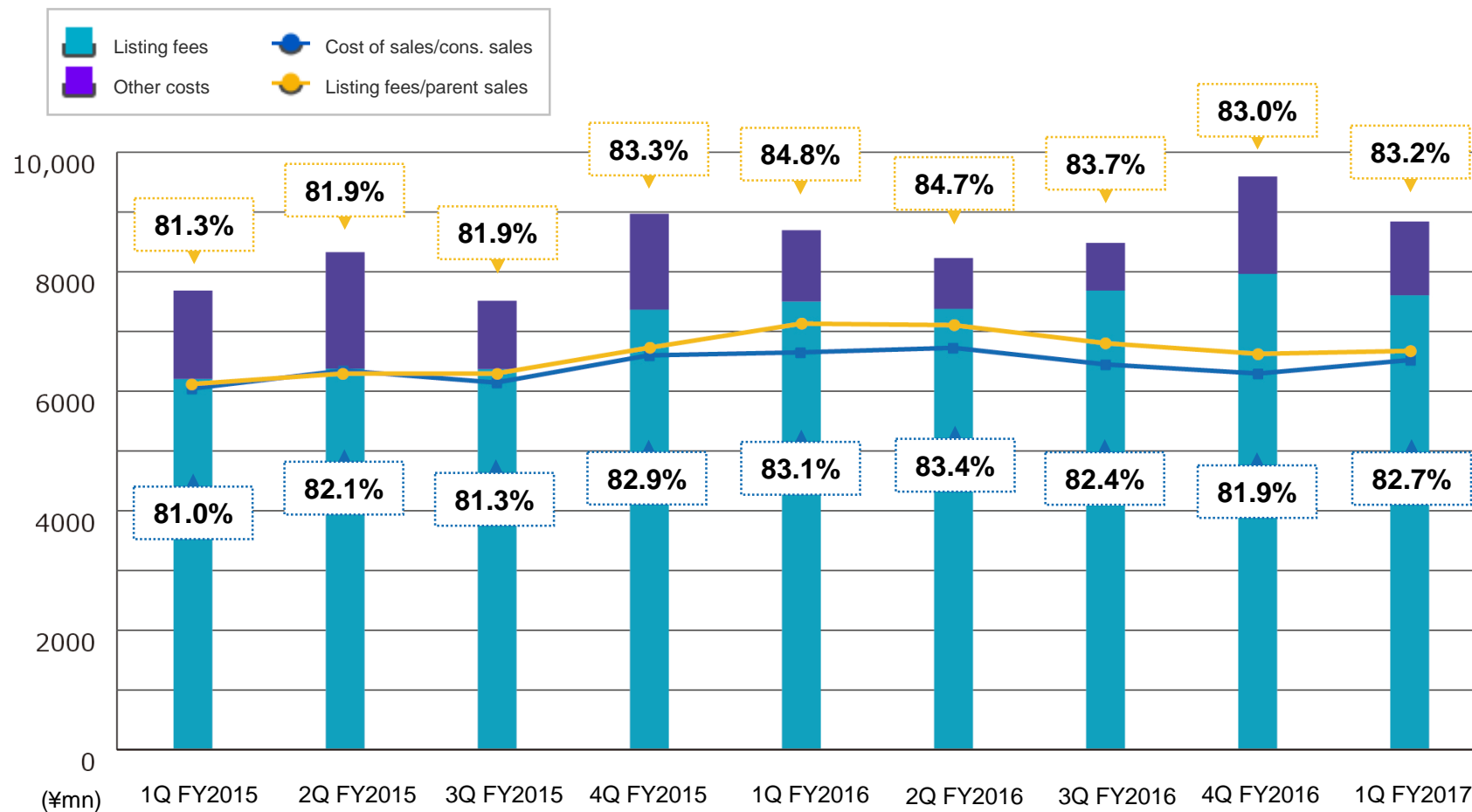
4. Supplementary Materials

Quarterly Change in Consolidated Sales



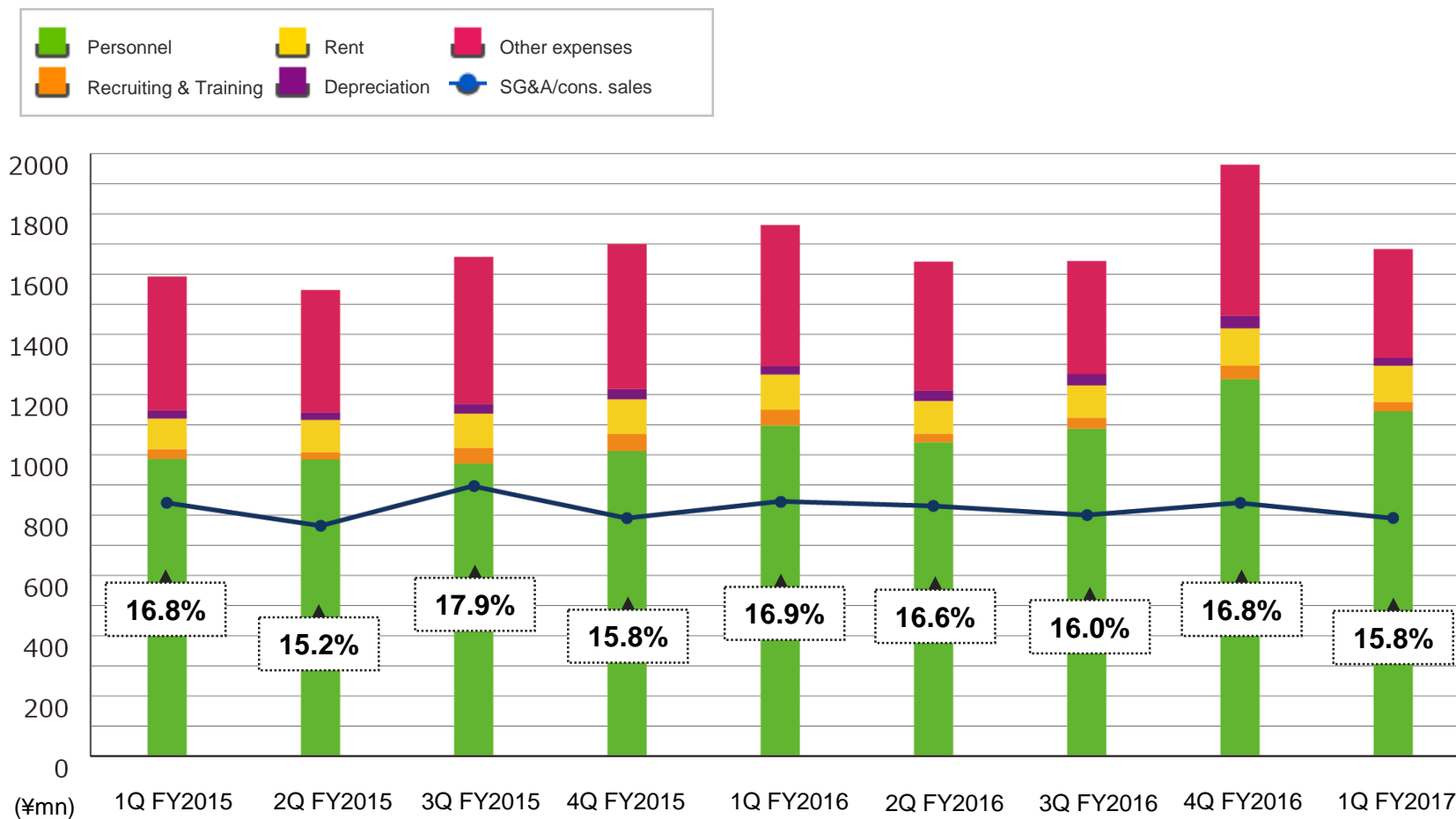
4. Supplementary Materials

Quarterly Change in Consolidated Cost of Sale



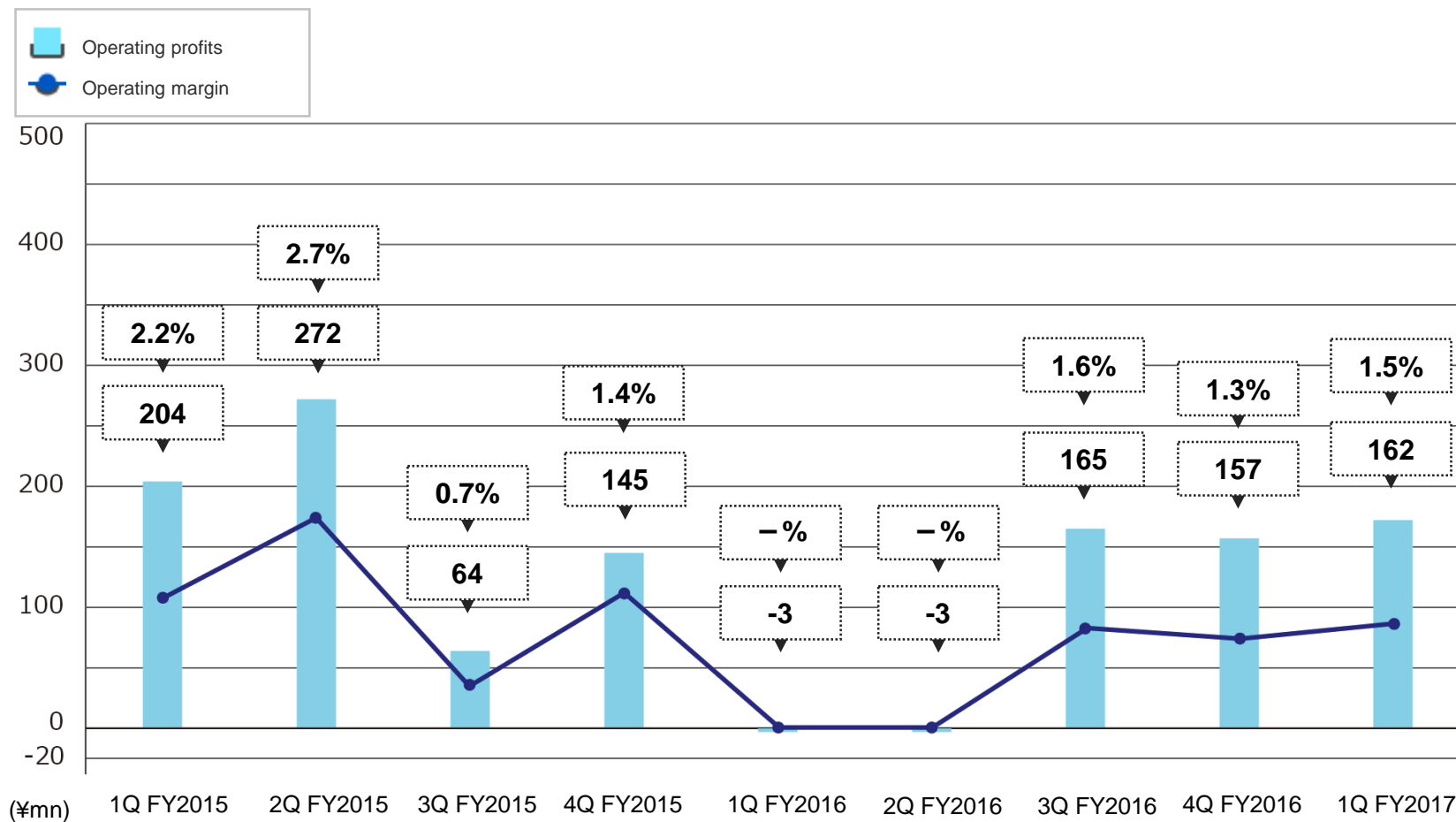
4. Supplementary Materials

Quarterly Change in Consolidated SG&A Expenses



4. Supplementary Materials

Quarterly Change in Consolidated Operating Profit



4. Supplementary Materials

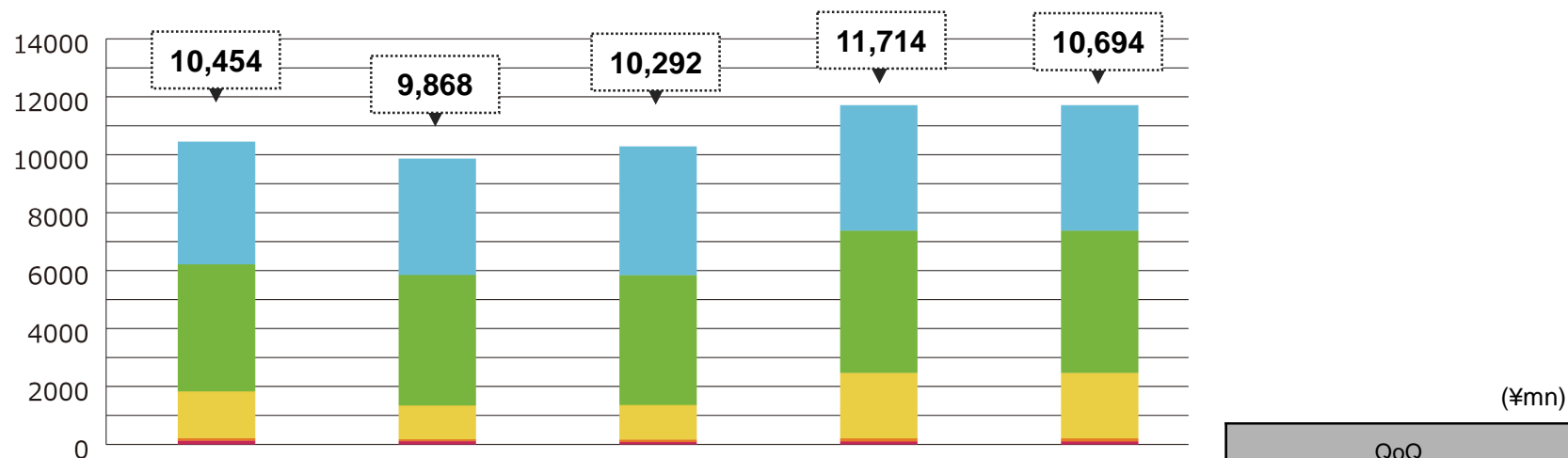
Consolidated Balance Sheet (QoQ)

(¥mn)

	1Q FY2017	4Q FY2016	Change (¥mn)	Change (%)
Current Assets	14,788	15,449	-661	-4.3
(Cash and Deposits)	8,704	8,853	-149	-1.7
Non-current Assets	2,799	2,867	-67	-2.4
Total Assets	17,587	18,316	-728	-4.0
Current Liabilities	6,602	7,144	-541	-7.6
Non-current Liabilities	116	120	-4	-3.8
Total Liabilities	6,719	7,265	-545	-7.5
Net Assets	10,868	11,051	-182	-1.7

4. Supplementary Materials

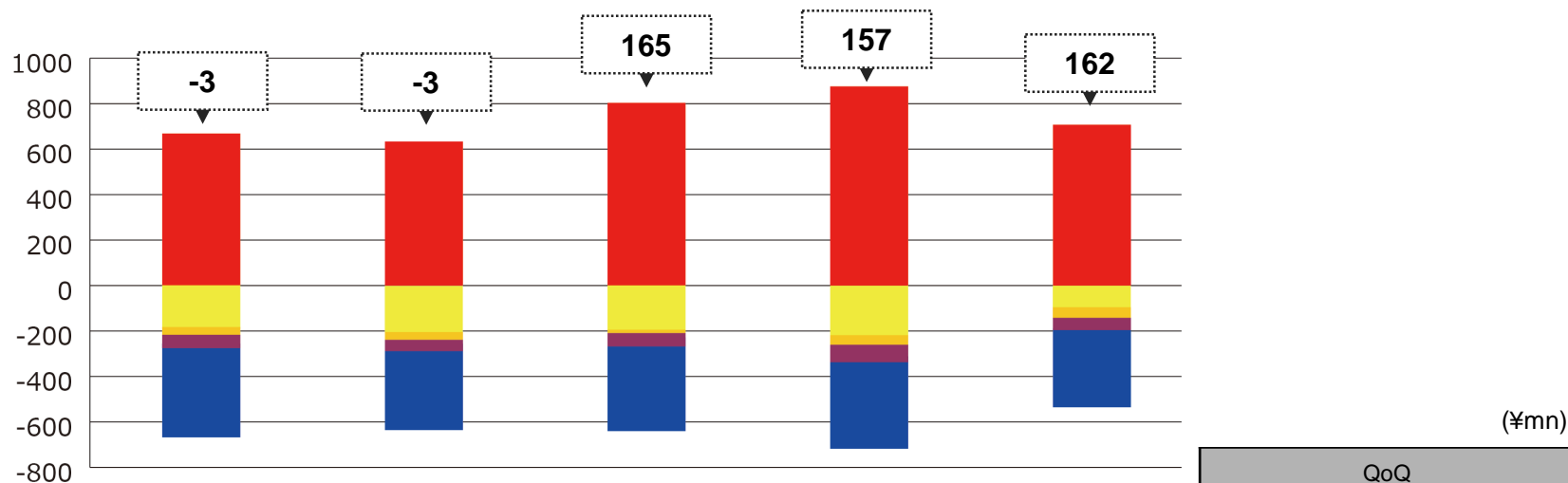
Quarterly Breakdown of Consolidated Sales by Segment



	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016	1Q FY2017	QoQ	
						Change (¥mn)	Change (%)
Smartphone	4,326	4,102	4,530	4,442	4,231	-210	-4.7
PC	4,388	4,506	4,481	4,911	4,663	-248	-5.1
Overseas	1,520	1,078	1,111	2,151	1,617	-533	-24.8
App	87	62	80	107	68	-39	-36.6
Media, Other	130	118	87	102	113	+ 10	+10.6
Total	10,454	9,868	10,292	11,714	10,694	-1,020	-8.7

4. Supplementary Materials

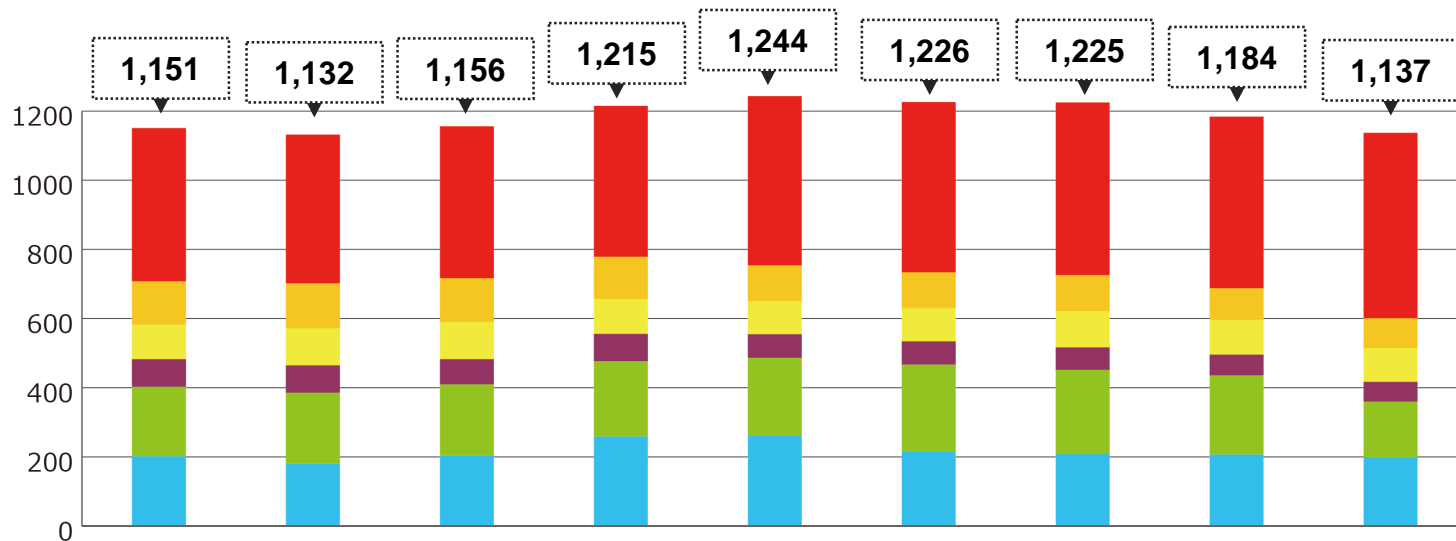
Quarterly Breakdown of Consolidated Operating Profit by Segment



	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016	1Q FY2017	QoQ	
						Change (¥mn)	Change (%)
Advertising	660	633	805	875	699	-176	-20.1
Overseas	-185	-207	-208	-228	-101	+127	-
App	-26	-33	-5	-31	-40	-8	-
Media, Other	-66	-48	-53	-82	-52	+30	-
Eliminations & corporate	-386	-347	-371	-375	-343	+31	-
Total	-3	-3	165	157	162	+4	+3.0

4. Supplementary Materials

Quarterly Change in Group Employees



(Persons)		1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016	1Q FY2017
■	ADW Japan	443	430	439	436	489	492	499	496	536
■	ADW China	125	130	126	122	103	103	104	92	86
■	ADW Shanghai (R&D center)	100	107	108	101	96	97	105	100	98
■	Domestic subsidiaries	80	79	73	79	69	67	65	60	57
■	Overseas subsidiaries (excluding China)	201	206	206	218	226	251	244	229	161
■	Temporary workers, part-time employees	202	180	204	259	261	216	208	207	199
Total		1,151	1,132	1,156	1,215	1,244	1,226	1,225	1,184	1,137

4. Supplementary Materials

Company Overview

Company name	Adways Inc.	
Founded	February 28, 2001	
Business overview	Internet business	
Founder and CEO	Haruhisa Okamura	
Capital	¥1,605mn	(As of end of June 2017)
Net Sales	¥ 42,329mn	(FY2016, Consolidated)
Employees	1,137 (for the entire Group)	(As of end of June 2017)
* including temporary workers		