



ADWAYS

May 2017, Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE:2489
Financial Results Presentation for Full Year FY2016

May 12, 2017 President and CEO, Haruhisa Okamura

Topics

- | | | |
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The background of the slide is a collage of various decorative elements. In the top left, there are several overlapping squares with geometric patterns: a blue one with a white circle pattern, a red one with a white triangle pattern, and a green one with a white circle pattern. A large, dark, abstract shape resembling a splash or a drop is positioned in the center-left. To the right, there is a large, yellow, textured area that looks like a stylized sun or a large drop. In the bottom right corner, there is a small square with a red and white geometric pattern. The overall design is vibrant and artistic.

1. Full Year FY2016 Performance

1. Full Year FY2016 Performance

Full Year FY2016 Guidance and Results

(¥mn)

	Net Sales	Operating Profit	Recurring Profit	Net Profit attributable to parent company shareholders
Previous Guidance	42,310	131	123	-457
Results	42,329	315	248	-450
Progress *	100.0%	241.0%	201.8%	—

*Figures below second decimal place rounded off

1. Full Year FY2016 Performance

Cumulative Quarterly Results (YoY)

(¥mn)

	FY2016 (Cumulative)	YoY FY2015 (Cumulative)		
		Result	Change (¥mn)	Change (%)
Net Sales	42,329	39,613	+2,715	+6.9%
Gross Profit	7,335	7,187	+148	+2.1%
SG&A Expenses	7,019	6,499	+520	+8.0%
Operating Profit	315	687	-371	-54.1%
Recurring Profit	248	744	-495	-66.6%
Net Profit attributable to parent company shareholders	-450	145	-596	—

- Highest records for Net Sales and Gross Profit

Net Sales

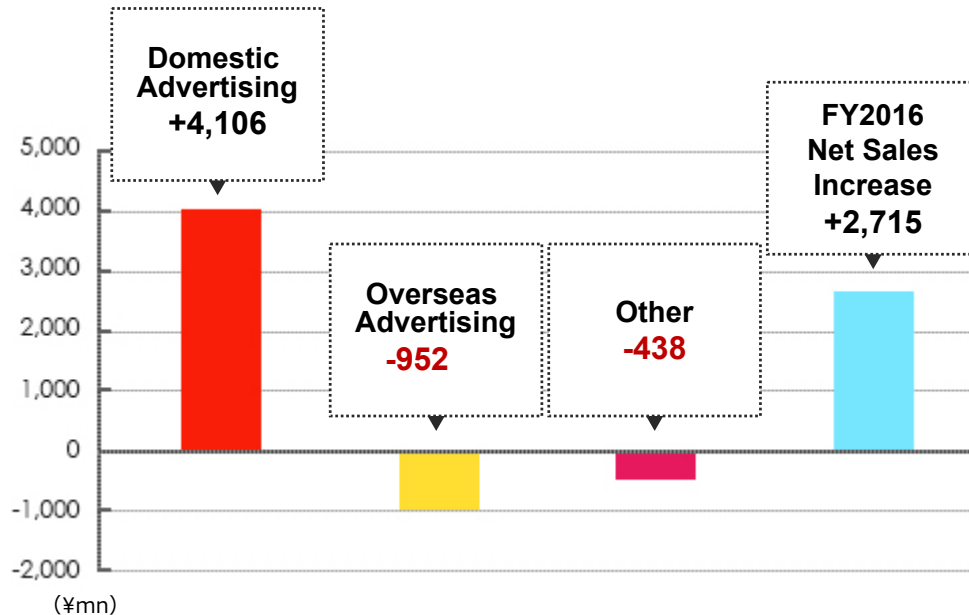
Increased 2,715mn YoY (+6.9%)

Operating Profit

Decreased 371mn YoY (-54.1%)

1. Full Year FY2016 Performance

[Summary] FY2016 Rise and Fall in Sales Per Segment (YoY)



	FY 2016	FY 2015	Change
Domestic Advertising	35,690	31,584	+4,106
Overseas Advertising	5,860	6,813	-952
Other	778	1,216	-438
Net Sales	42,329	39,613	+2,715

(¥mn)

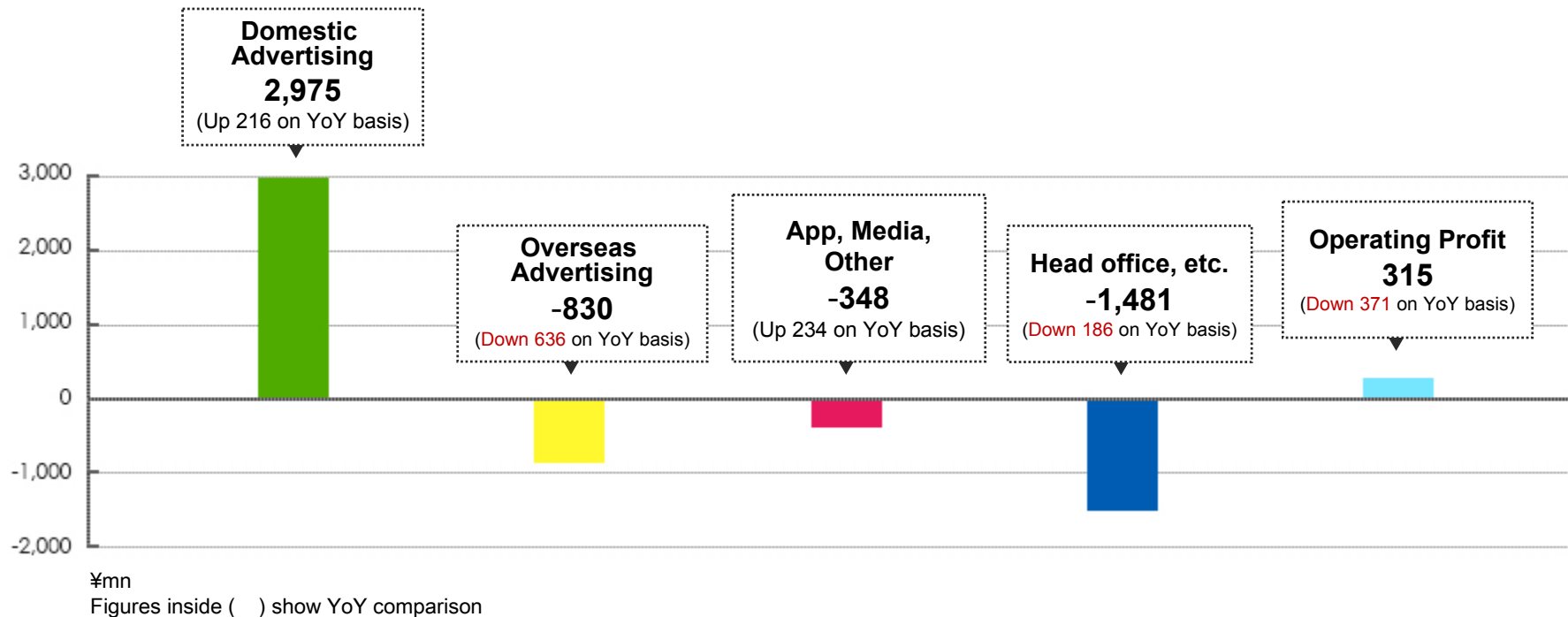
Sales in the domestic advertising segment increased by ¥4,106 million (up 13%) compared to the previous year, and is still growing.

In the overseas segment, sales dropped by ¥952 million (down 14%) compared to the previous year owing to the inability to cope with the market fluctuations, but for the next year, a new platform will be introduced to realize improvements.

* The accounting periods of our overseas subsidiaries excluding India end in December, so their FY2016 (January – December) figures are consolidated with the Adways Group's FY2016 (April – March) figures.

1. Full Year FY2016 Performance

[Summary] FY2016 Operating Profits Per Segment

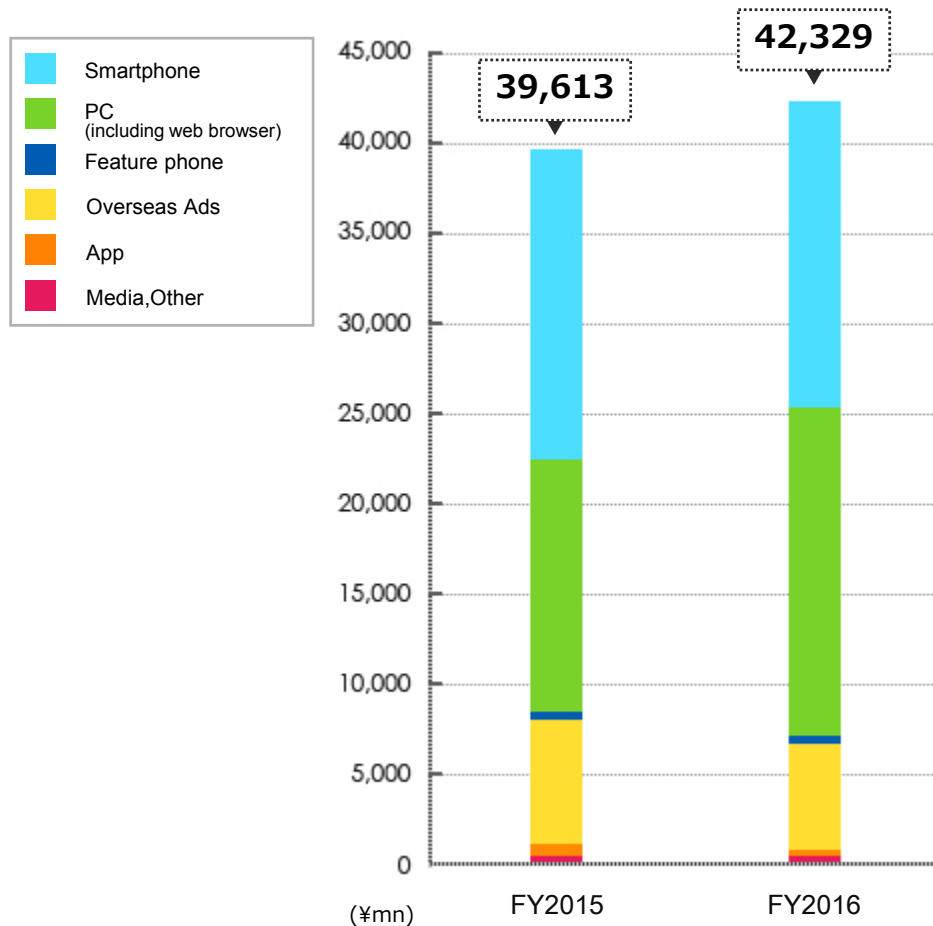


In terms of operating profit, the domestic advertising segment continued to growth, and for the next year, its operating profit is expected to keep on rising by enhancing efficiency.

The overseas segment suffered from negative operating profit following the drop in sales, but in the next year, it is projected to improve through enhancing efficiency that will be realized by the introduction of a new platform.

1. Full Year FY2016 Performance: Net Sales

YoY Change



Domestic Advertising **¥35,690mn**

YoY : +¥4,106mn (+13.0%)

Smartphone (Mainly app advertising) : **¥17,029mn**

YoY : -¥120mn (-0.7%)

- The decline in new titles and reduced budget of major clients effected negatively

PC (PC web advertising and smartphone web advertising) : **¥18,288mn**

YoY : +¥4,347mn (+31.2%)

- Sales increased due to the strong sales results for smartphone web advertisement in E-Commerce area

Overseas Advertising **¥5,860mn**

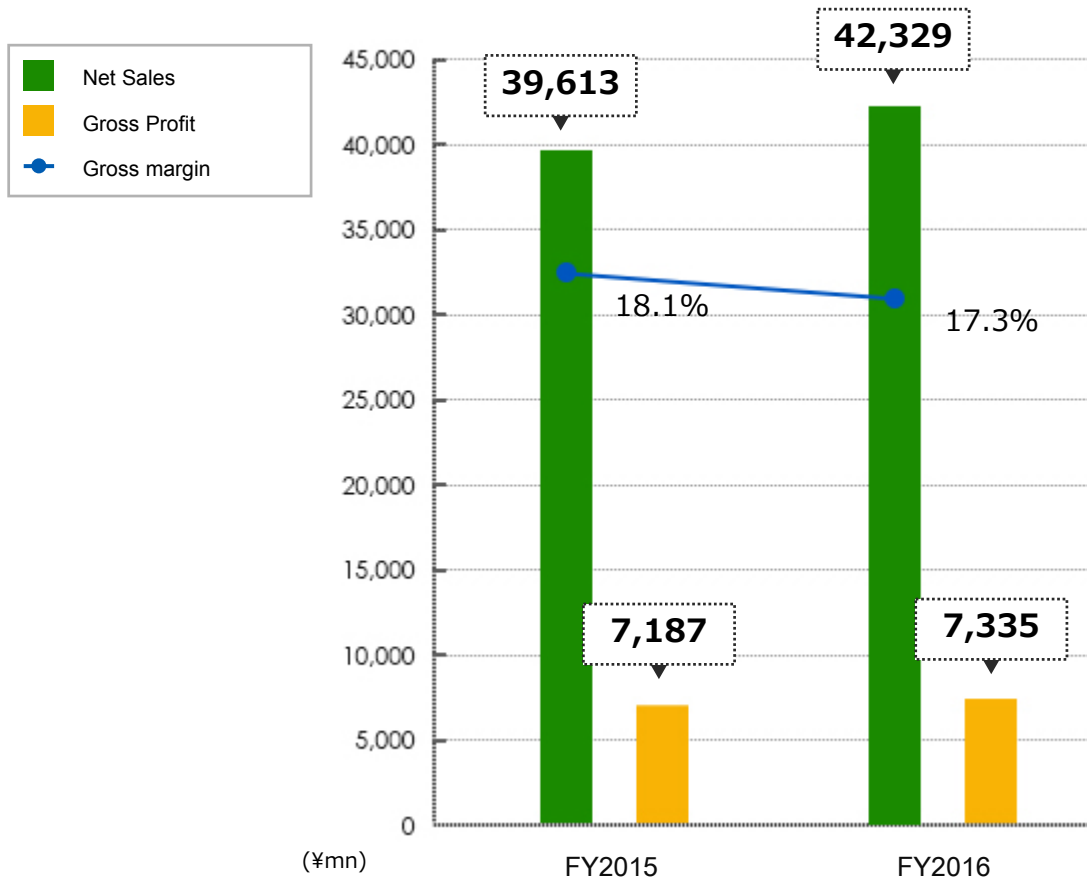
YoY : -¥952mn (-14.0%)

- Influenced by the pullback in consumption of cross-border E-Commerce users due to currency fluctuations, and by the decline in sales in East Asia

* The accounting periods of our overseas subsidiaries excluding India end in December, so their FY2016 (January – December) figures are consolidated with the Adways Group's FY2016 (April – March) figures.

1. Full Year FY2016 Performance: Gross Profit

YoY Change



FY2016 Gross Profit : ¥7,335mn

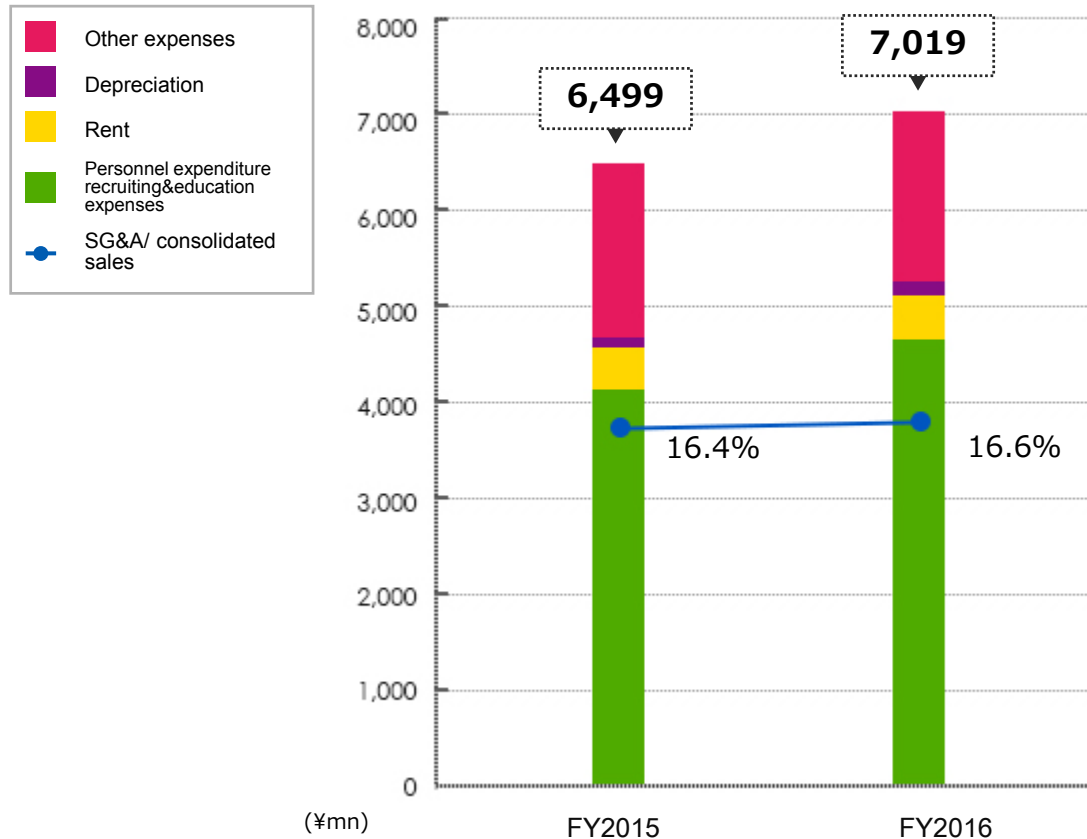
YoY : +¥148mn (+2.1%)

Gross margin : 17.3% (-0.8%)

[Main cause of reduction in gross profit margin]
The increasing competitiveness in the market
and the delay of improving the efficiency

1. Full Year FY2016 Performance: SG&A Expenses

YoY Change



FY2016 SG&A Expenses : ¥7,019mn

YoY : +¥520mn (+8.0%)

SG&A to Sales ratio : 16.6% (+0.2%)

[Main Factors of Increase]

- Personnel expenditure : ¥518mn
- Outsourcing expenses : ¥32mn
- Professional Fee : ¥25mn
- Rent : ¥23mn

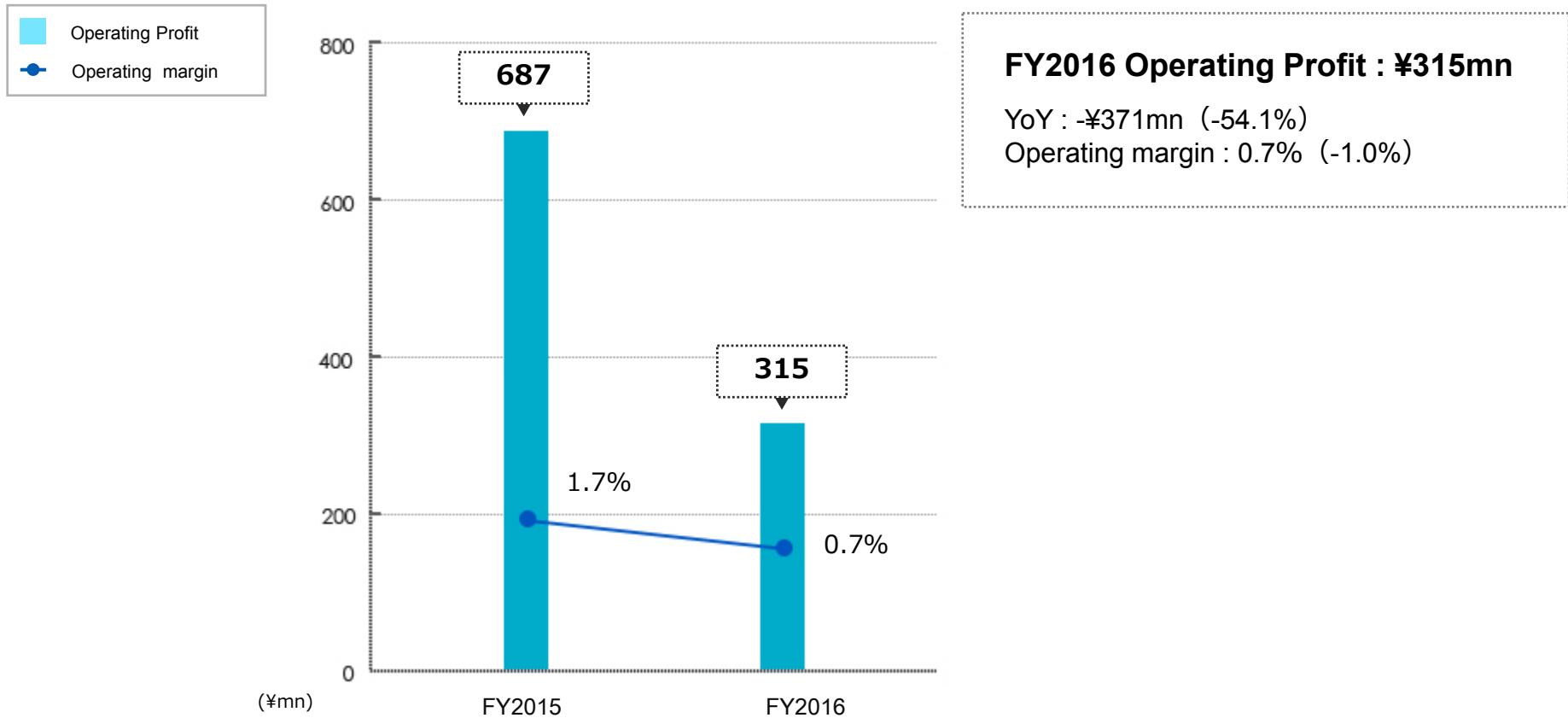
[Main Factors of Decline]

- Research and development costs : ¥42mn
- Bad Debt Loss: ¥27mn

Sales in the domestic advertising segment grew, but with the delay in improving efficiency and the increased personnel expenditure and outsourcing costs, the expenses rose by ¥520 million, while the SG&A expenses rose 0.2 points

1. Full Year FY2016 Performance: Operating Profit

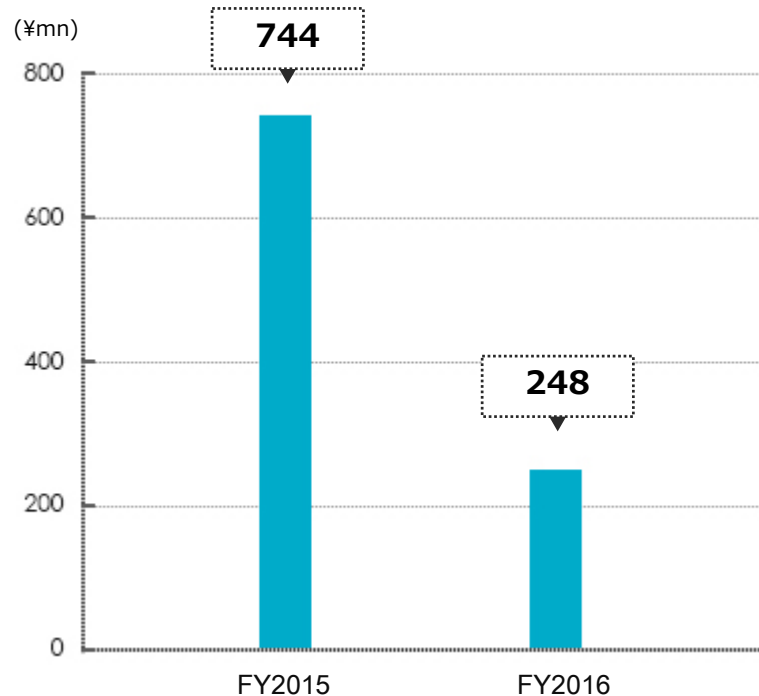
YoY Change



1. Full Year FY2016 Performance:

Recurring Profit and
Net Profit attributable to
Parent company shareholders

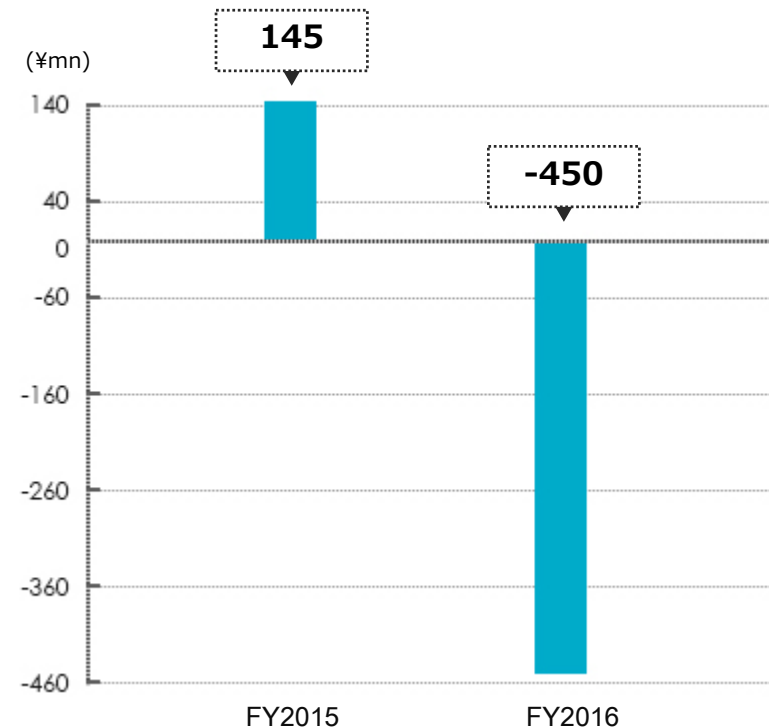
YoY Change



FY2016 Recurring Profit : ¥248mn

YoY : -¥495mn (-66.6%)

YoY Change

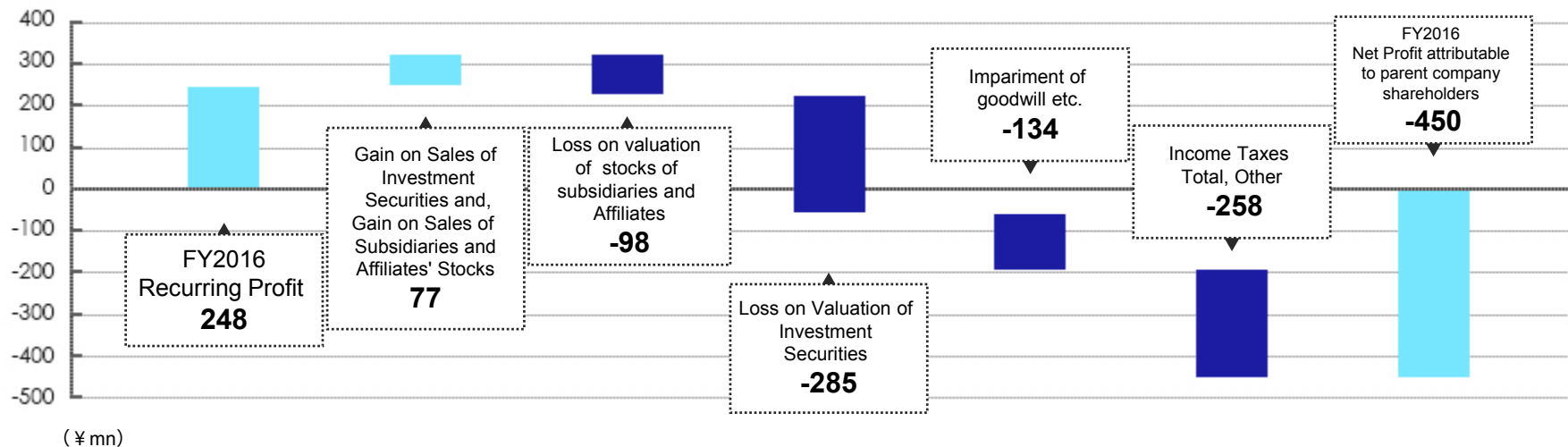


**FY2016 Net Profit attributable to parent
company shareholders : -¥450mn**

YoY : -¥596mn (—%)

1. Full Year FY2016 Performance

Breakdown of FY2016 Net Profit attributable to parent company shareholders

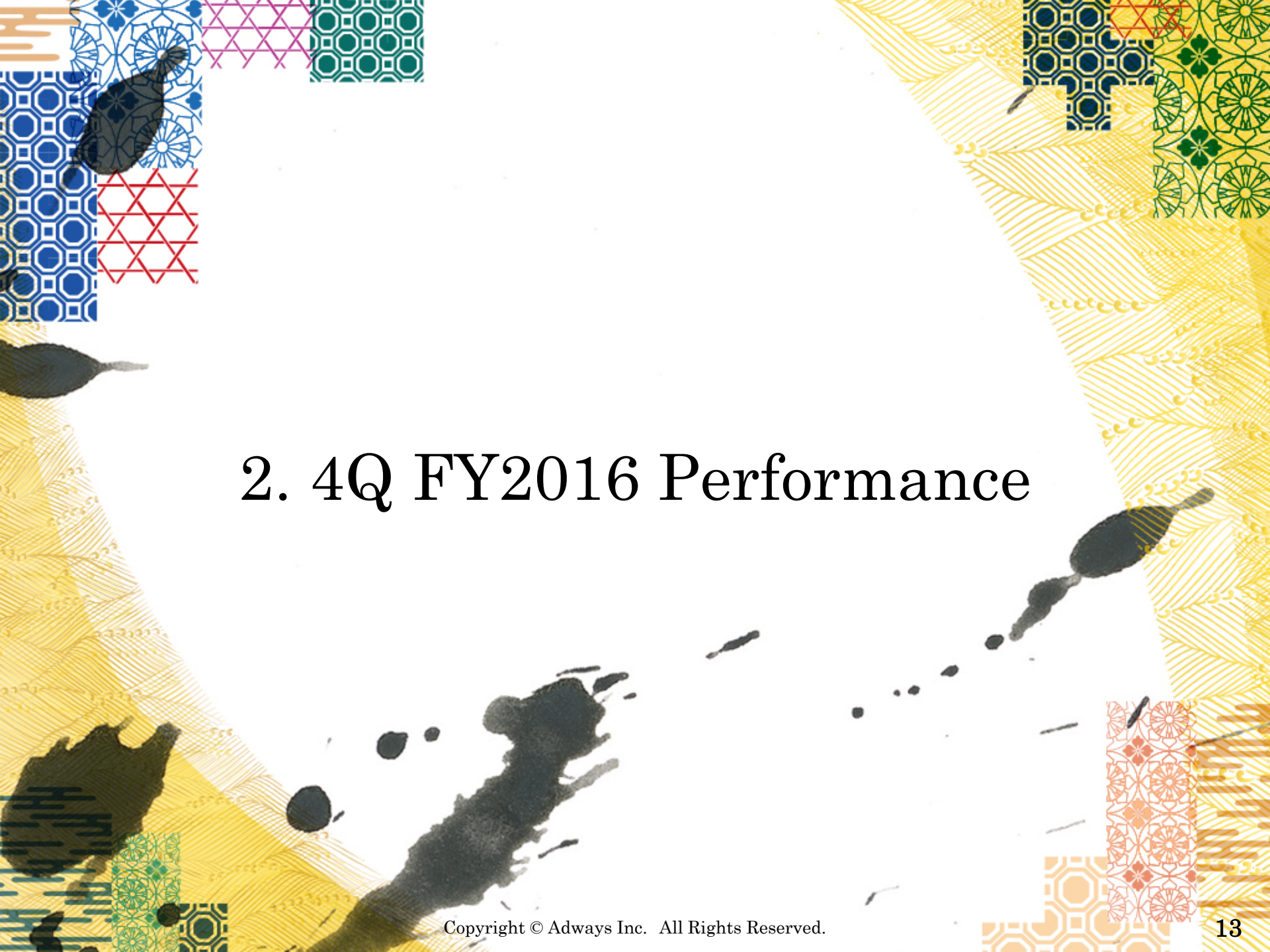


Loss on valuation of stocks of subsidiaries and affiliates[-¥98mn]: Thai subsidiary/Indonesian subsidiary/Vietnamese subsidiary

Loss on Valuation of Investment Securities[-¥285mn]: No. of individual stocks (25 companies)

Impairment of goodwill etc.[-¥134mn]: Goodwill of the "Pocket Money" business, the point app service of the Indian subsidiary, etc.

Income Taxes Total, Other[-¥258mn]: Including ¥239mn corporate tax for head office

The background of the slide is a collage of various decorative elements. In the top left, there are several overlapping squares with geometric patterns: a blue one with a white circle pattern, a red one with a white triangle pattern, and a green one with a white circle pattern. A large, dark, abstract shape resembling a splash or a drop is positioned in the center-left. To the right, there is a large, yellow, textured area that looks like a stylized sun or a large drop. In the bottom right corner, there is a small square with a red and white geometric pattern. The overall design is vibrant and artistic.

2. 4Q FY2016 Performance

2. 4Q FY2016 Performance

Quarterly Results (YoY, QoQ)

(¥mn)

	4Q FY2016	YoY 4Q FY2015			QoQ 3Q FY2016		
		Result	Change (¥mn)	Change (%)	Result	Change (¥mn)	Change (%)
Net Sales	11,714	10,750	+963	+9.0%	10,292	+1,422	+13.8%
Gross Profit	2,123	1,846	+276	+15.0%	1,811	+312	+17.2%
SG&A Expenses	1,965	1,701	+264	+15.5%	1,645	+319	+19.4%
Operating Profit	157	145	+12	+8.5%	165	-7	-4.7%
Recurring Profit	128	136	-7	-5.8%	179	-50	-28.3%
Net Profit attributable to parent company shareholders	-199	-106	-92	—	4	-203	—

Highest records for Net Sales and Gross Profit

Net Sales

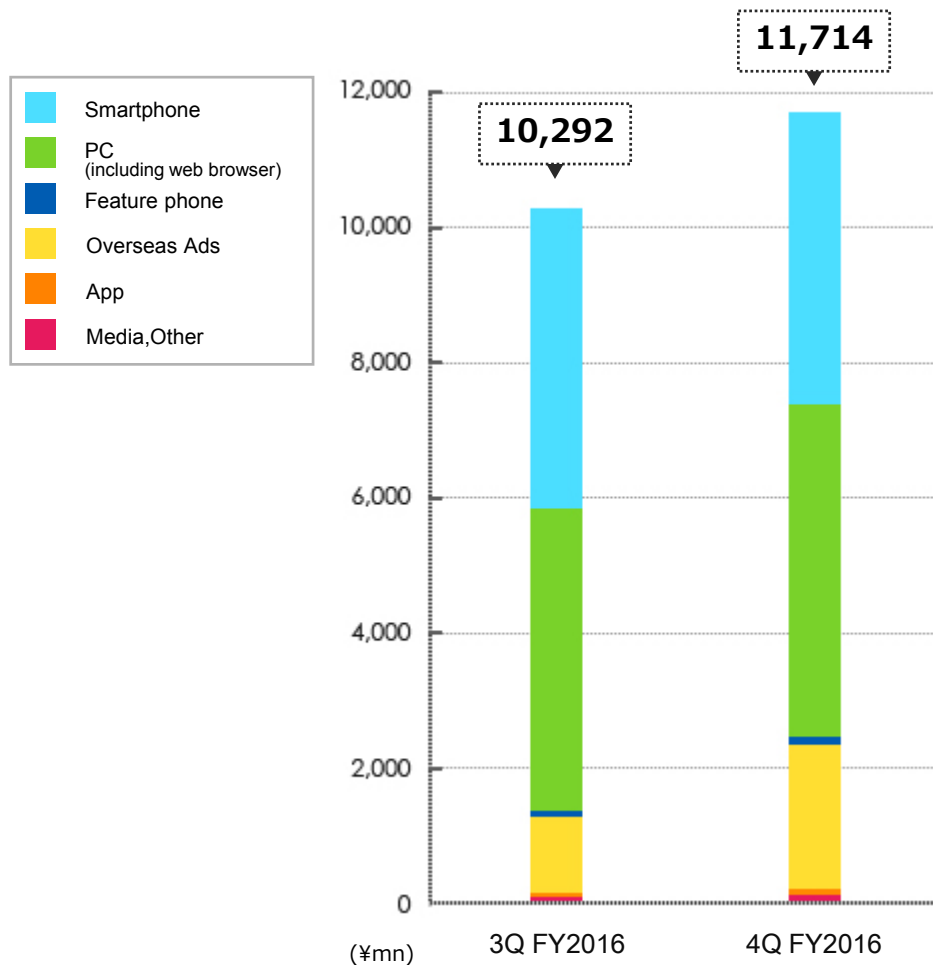
Increased ¥963mn YoY (+9.0%)
Increased ¥1,422mn QoQ (+13.8%)

Operating Profit

Increased ¥12mn YoY (+8.5%)
Decreased ¥7mn QoQ (-4.7%)

2. 4Q FY2016 Performance: Net Sales

QoQ Change



Domestic Advertising **¥9,353mn**

QoQ : +¥340mn (+3.8%)

Smartphone (Mainly app advertising): **¥4,331mn**

QoQ : -¥115mn (-2.6%)

- The backlash from the large orders at the end of the year impacted negatively on a QoQ basis

PC (PC web advertising and smartphone web advertising): **¥4,911mn**

QoQ : +¥429mn (+9.6%)

- Sales increased due to the strong sales results for smartphone web advertisement in E-Commerce area

Overseas Advertising **¥2,151mn**

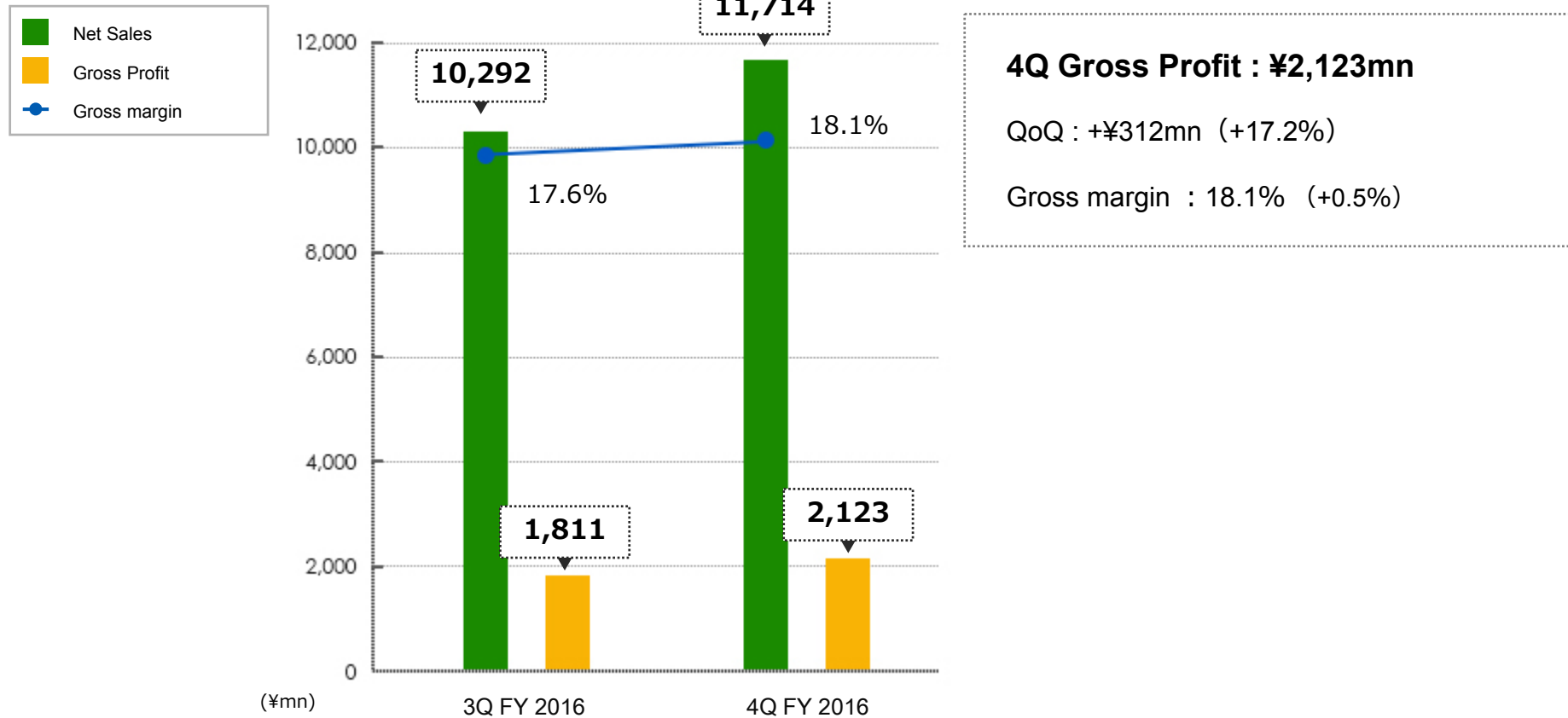
QoQ : +¥1,039mn (+93.5%)

- The improvement in organization structure, etc. in East Asia (China, South Korea and Taiwan), which is a major market, had a positive effect, while the figures increased due to the fluctuations in the exchange rate at the time of account settlement at the overseas subsidiaries

* The accounting periods of our overseas subsidiaries excluding India end in December, so their 4Q FY2016 (October – December) figures are consolidated with the Adways Group's 4Q FY2016 (January – March) figures.

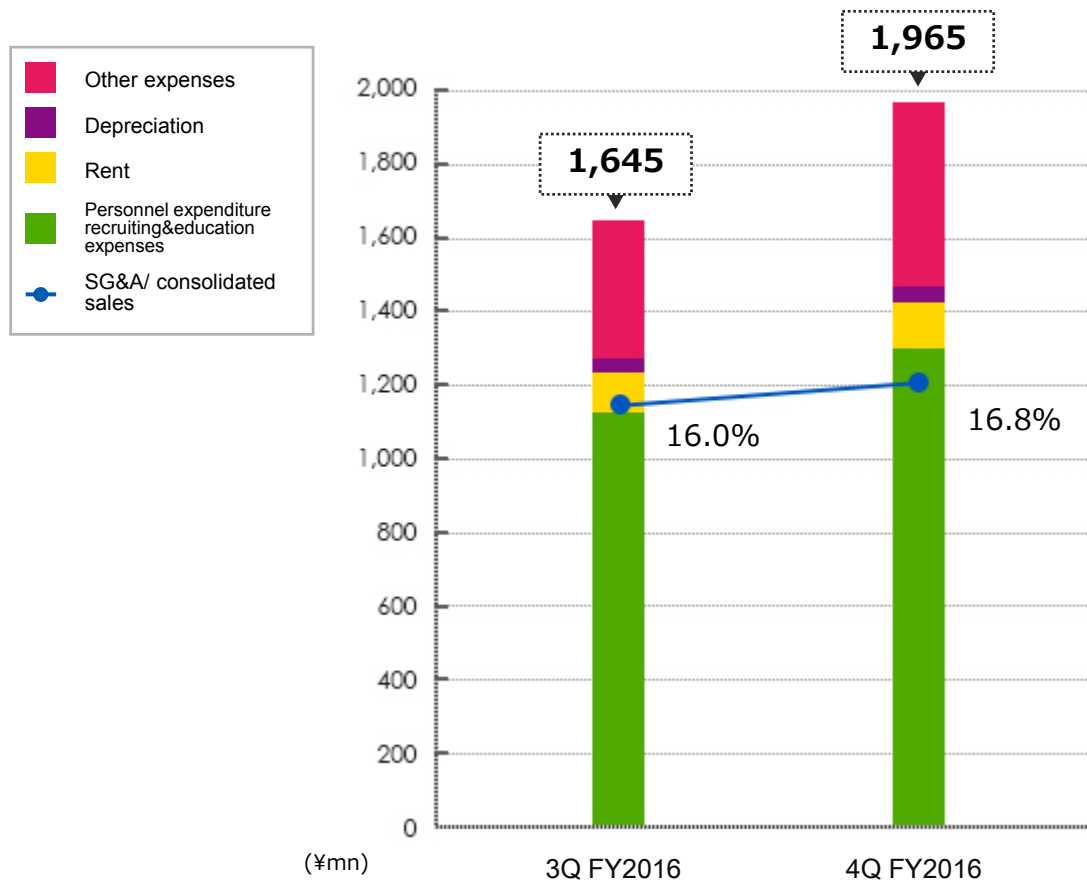
2. 4Q FY2016 Performance: Gross Profit

QoQ Change



2. 4Q FY2016 Performance: SG&A Expenses

QoQ Change



4Q SG&A Expenses : ¥1,965mn

QoQ : +¥319mn (+19.4%)

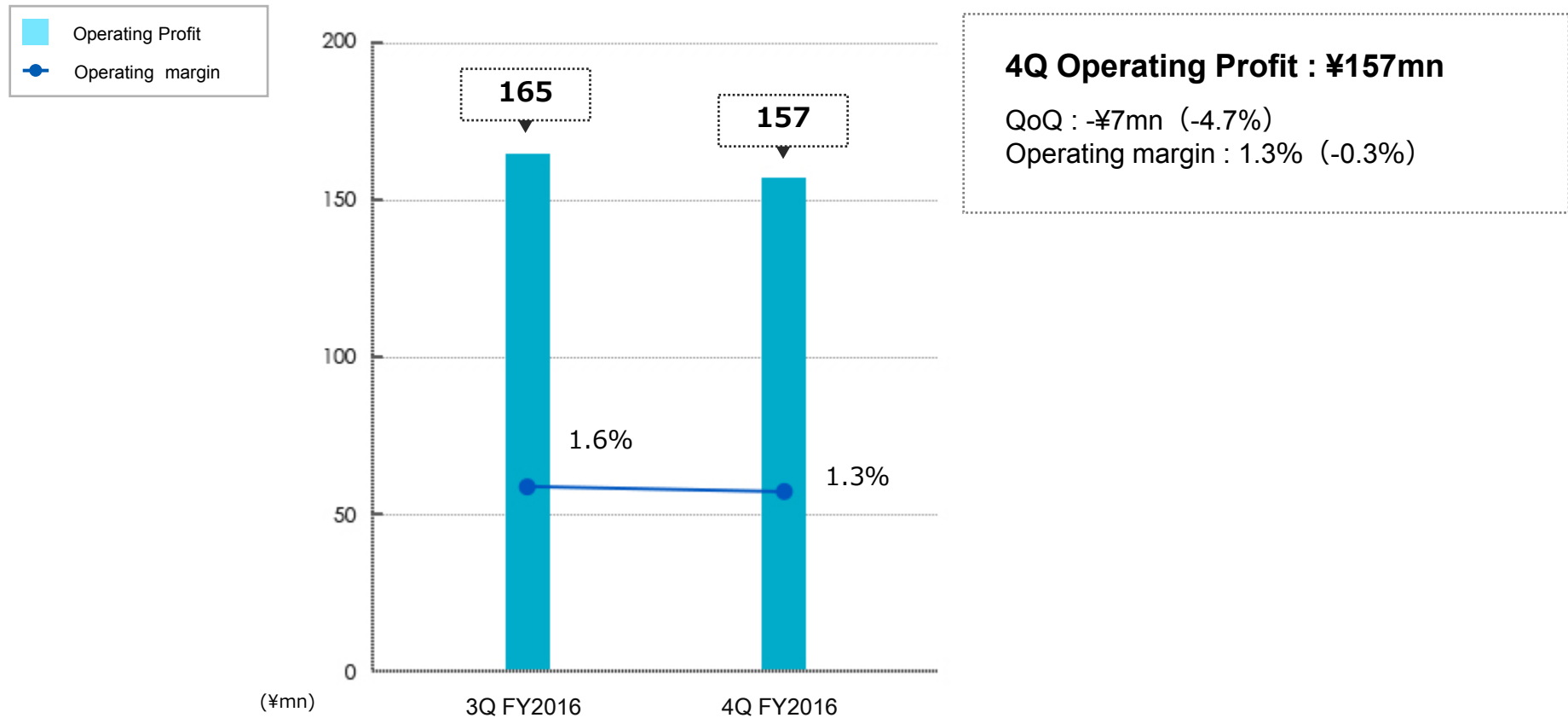
SG&A to Sales ratio : 16.8% (+0.8%)

[Main Factors of Increase]

- Personnel expenditure : ¥173mn
 - Increase in overseas personnel expenditure due mainly to exchange rate fluctuations
- Provision of Allowance for Doubtful Accounts : ¥45mn
 - Provision of Allowance for Doubtful Receivables due to increased bad debts
- Commission paid : ¥16mn
- Rent : ¥16mn

2. 4Q FY2016 Performance: Operating Profit

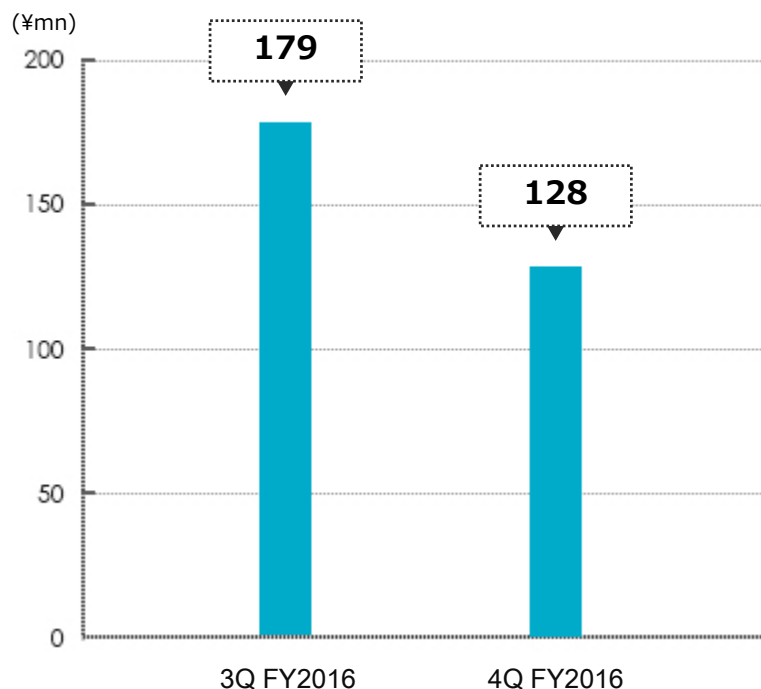
QoQ Change



2. 4Q FY2016 Performance:

Recurring Profit and
Net Profit attributable to
Parent company shareholders

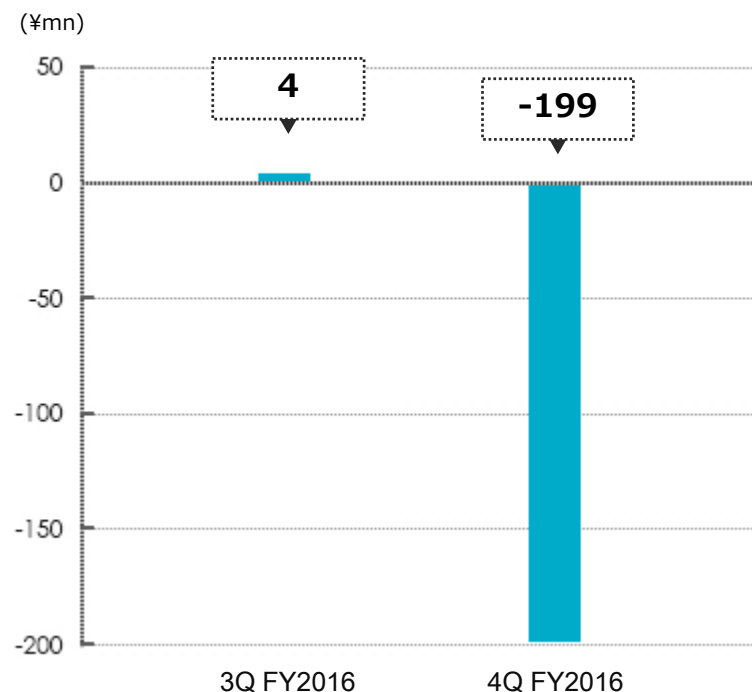
QoQ Change



4Q Recurring Profit : ¥128mn

QoQ : -¥50mn (-28.3%)

QoQ Change

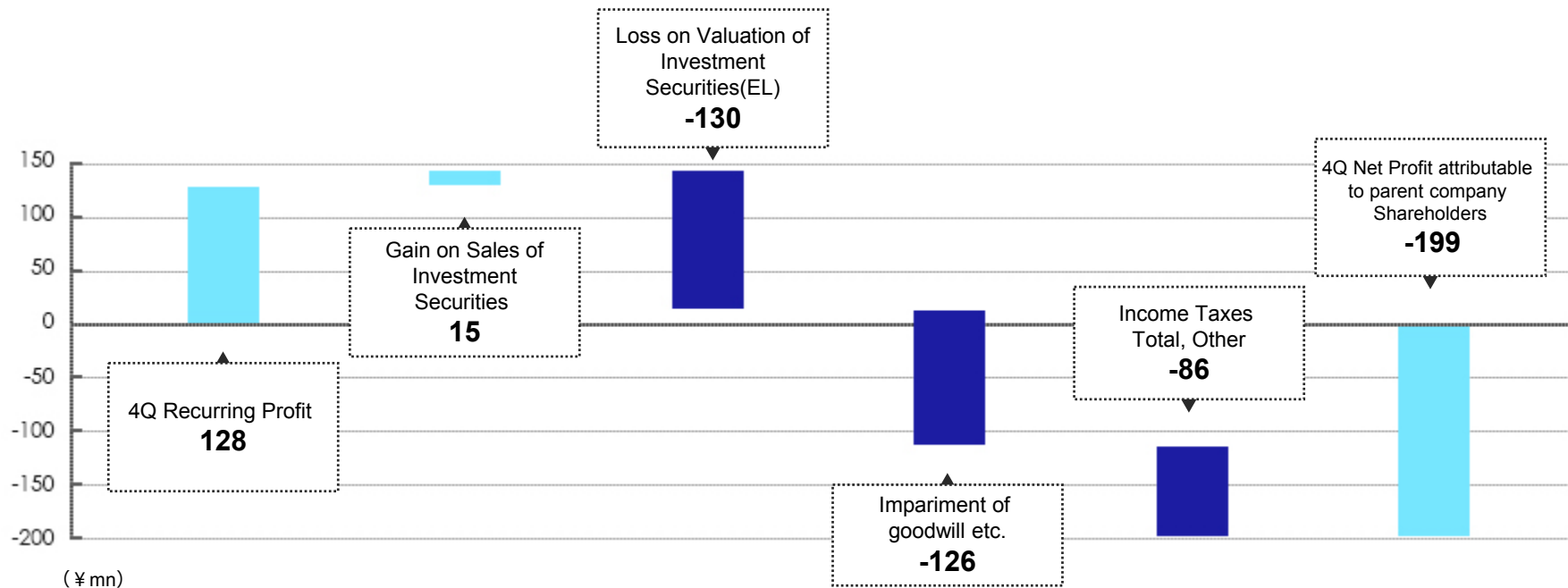


**4Q Net Profit attributable to parent company
shareholders : -¥199mn**

QoQ : -¥203mn (—%)

2. 4Q FY2016 Performance

Breakdown of 4Q Net Profit attributable to parent company shareholders



Loss on Valuation of Investment Securities(EL) [-¥130mn]: No. of individual stocks (8 companies)

Impairment of goodwill etc.[-¥126mn]: Goodwill of the "Pocket Money" business, the point app service of the Indian subsidiary

Income Taxes Total ,Other[-¥86mn]: Including ¥80mn corporate tax for head office

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3. Shareholder returns & FY2017 Consolidated Performance Forecast

3. FY2017 Consolidated Performance Forecast

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

(¥mn)

	Net sales	Operating Profit	Recurring Profit	Net Profit attributable to parent company shareholders
FY2017 Forecast	46,000	560	730	220
FY2016 (cumulative)	42,329	315	248	-450
*FY2016 YoY	+8.7%	+77.4%	+194.1%	-

*Figures below second decimal place rounded off

3. Shareholder returns

Dividend Forecast and 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: next fiscal year is the 18th fiscal year, thus it will be 17%) or 2.35 yen per share (the ordinary dividend for the previous fiscal year), whichever is higher.

	Dividend per share
Dividends Forecast for the end of FY2017	¥2.35 or payout ratio of 17%, whichever is higher
Dividends for the end of FY2016	¥2.35

*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 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 General Shareholders' Meeting.

3. Shareholder returns

Acquisition of Own Shares

Acquisition value : ¥999,950,500

Number of shares acquired : 1,980,100 shares

Date of acquisition: February 28th, 2017

Ownership Status of Own Shares After Acquisition

Total number of issued shares: 41,583,500 shares

Number of own shares: 2,837,700 shares

(Ratio against the total number of issued shares: 6.82%)

※The above figures are expressed on a contract basis.

The background of the slide is a collage of various decorative elements. In the top-left corner, there are several overlapping squares with geometric patterns: a blue square with a white hexagonal pattern, a red square with a white triangular pattern, a pink square with a white diamond pattern, and a green square with a white circular pattern. A large, dark, irregular ink blot is positioned over the blue and red squares. In the top-right corner, there is a yellow square with a white wavy pattern, a blue square with a white hexagonal pattern, and a green square with a white circular pattern. A large, dark, irregular ink blot is positioned over the yellow square. In the bottom-left corner, there is a yellow square with a white wavy pattern, a green square with a white circular pattern, and a blue square with a white hexagonal pattern. A large, dark, irregular ink blot is positioned over the yellow square. In the bottom-right corner, there is a yellow square with a white wavy pattern, a red square with a white diamond pattern, and a green square with a white circular pattern. A large, dark, irregular ink blot is positioned over the yellow square. The title "4. Business Overview" is centered in the middle of the slide in a black serif font.

4. Business Overview



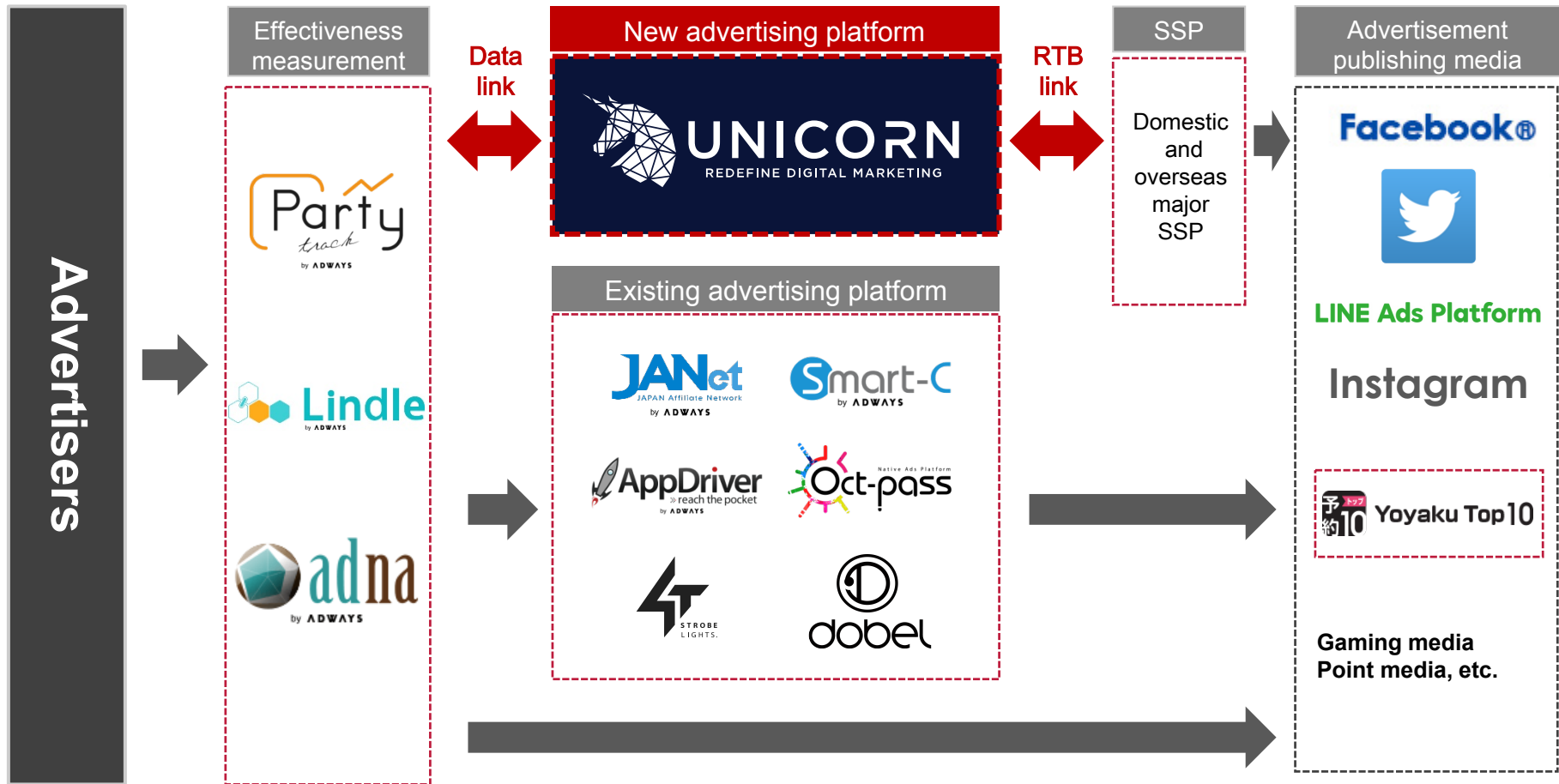
UNICORN

REDEFINE DIGITAL MARKETING

Marketers should not focus on crunching numbers.
Marketers should focus on decision making and being creative.

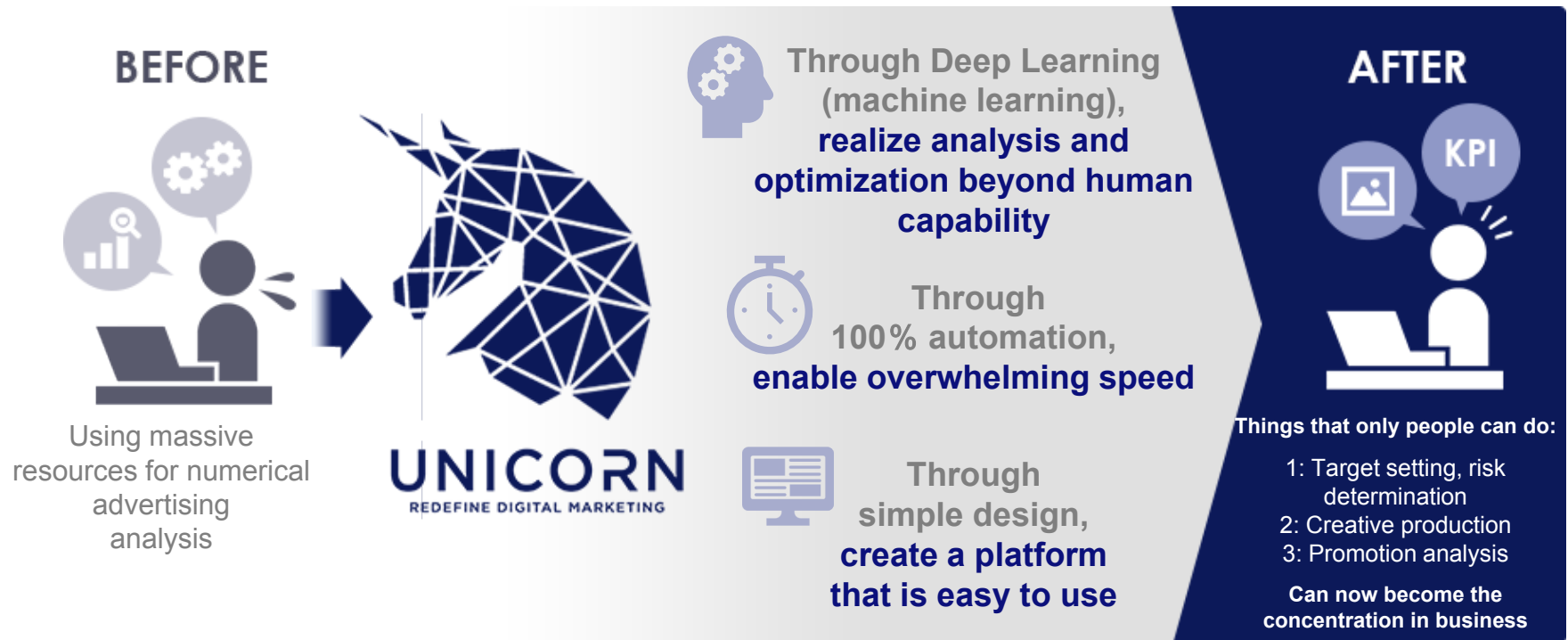
4. Business Overview: App Marketing

“Platform&Borderless”



4. Business Overview: App Marketing

Launched the most advanced full automated optimization platform in the Internet advertising segment



Enabling more effective and fast advertising operations for clients through the introduction of a new platform that is totally different from the existing DSP

4. Business Overview: Global Marketing

**Expanding advertising platforms predominantly Asia
by capitalizing on the network of global offices**

2016.6.7

[Southeast Asia]
Start providing the native ad
network 「Blue Bee Native」



2016.6.29

Establish Indian subsidiary
Take over the point app service
"Pocket Money" business

POKKT

2016.8.4

[Vietnamese subsidiary]
Enter into partnership with major
mobile game publisher Sohagame

sohagame

2016.10.5

[USA subsidiary]
Start partnership with TROPHiT on
「PreLaunch.Me」

TROPHiT
POWER UP YOUR GAME

India

Thailand

Vietnam

Singapore

Indonesia

Hongkong

Taiwan

China

Philippines

Korea

Japan

**Future Overseas
Development**



UNICORN
REDEFINE DIGITAL MARKETING

STROBELIGHTS

USA

The new platform enables optimum ad placement at the fastest speed

4. Business Overview: Global E-Commerce/E-Commerce Data

【Global E-Commerce】

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



Start business partnership with Excite's Taiwanese subsidiary
~Promote synergy between Taiwanese advertising/cross-border E-Commerce and media~



Promote synergy between the cross-border E-Commerce and advertising business of Adways and the media business of Excite.
Additionally, develop new local businesses by effectively utilizing each others businesses.

【E-Commerce Data】


Provide “present” data needed in E-Commerce strategy



Following Tmall Global, Taobao and JD Worldwide,
start providing data of Kaola.com



Cover more than 80% of the platform of China's E-Commerce sites to provide further support to companies that carry out China's cross-border E-Commerce



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.

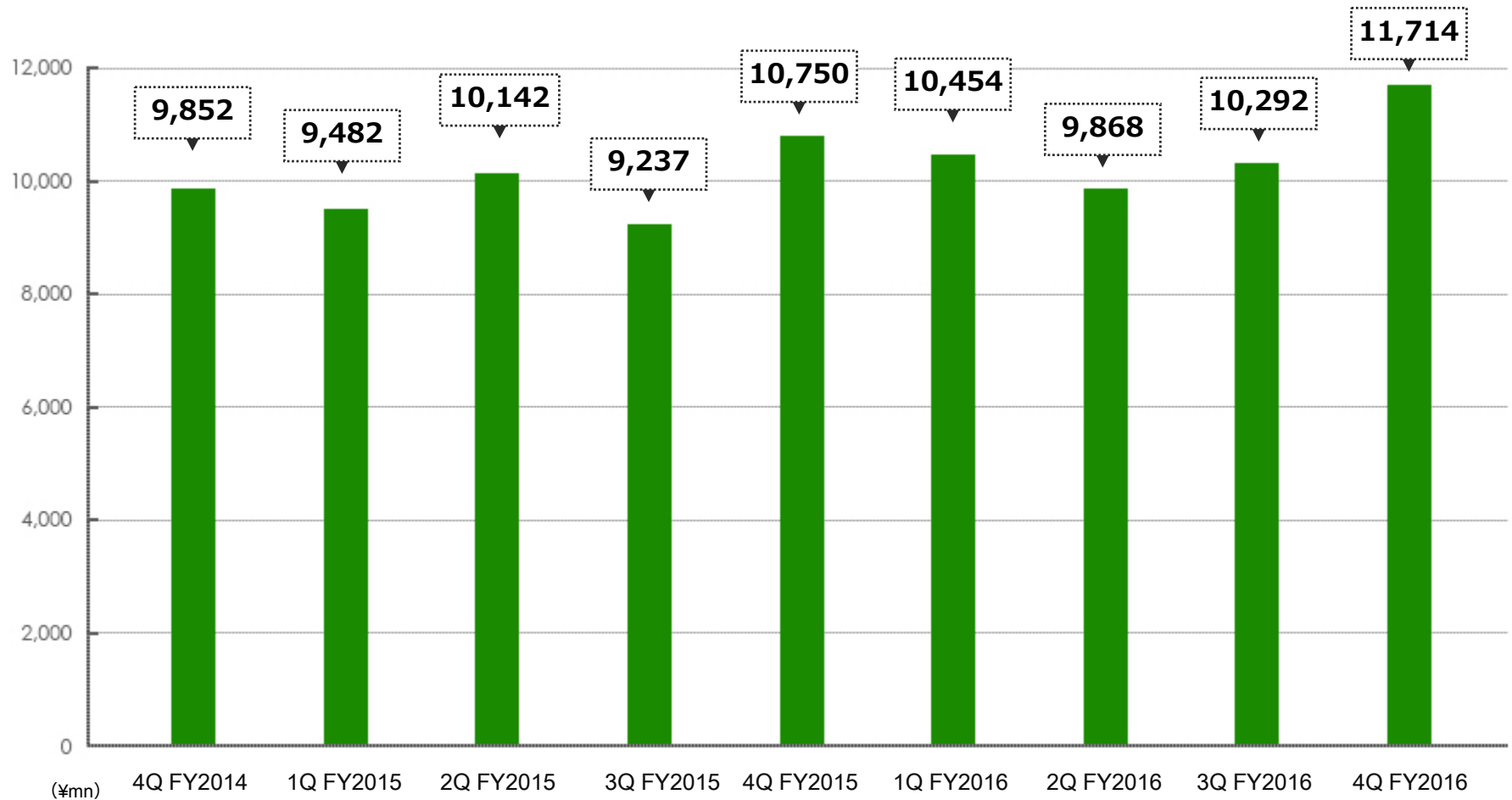
Information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecast related to its business and industry trends. Such statements are inevitably subject to certain risks and uncertainties. Actual results may differ from the 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 May 12, 2017 and a variety of factors may cause the statements to differ from actual results.

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5. Supplementary Materials

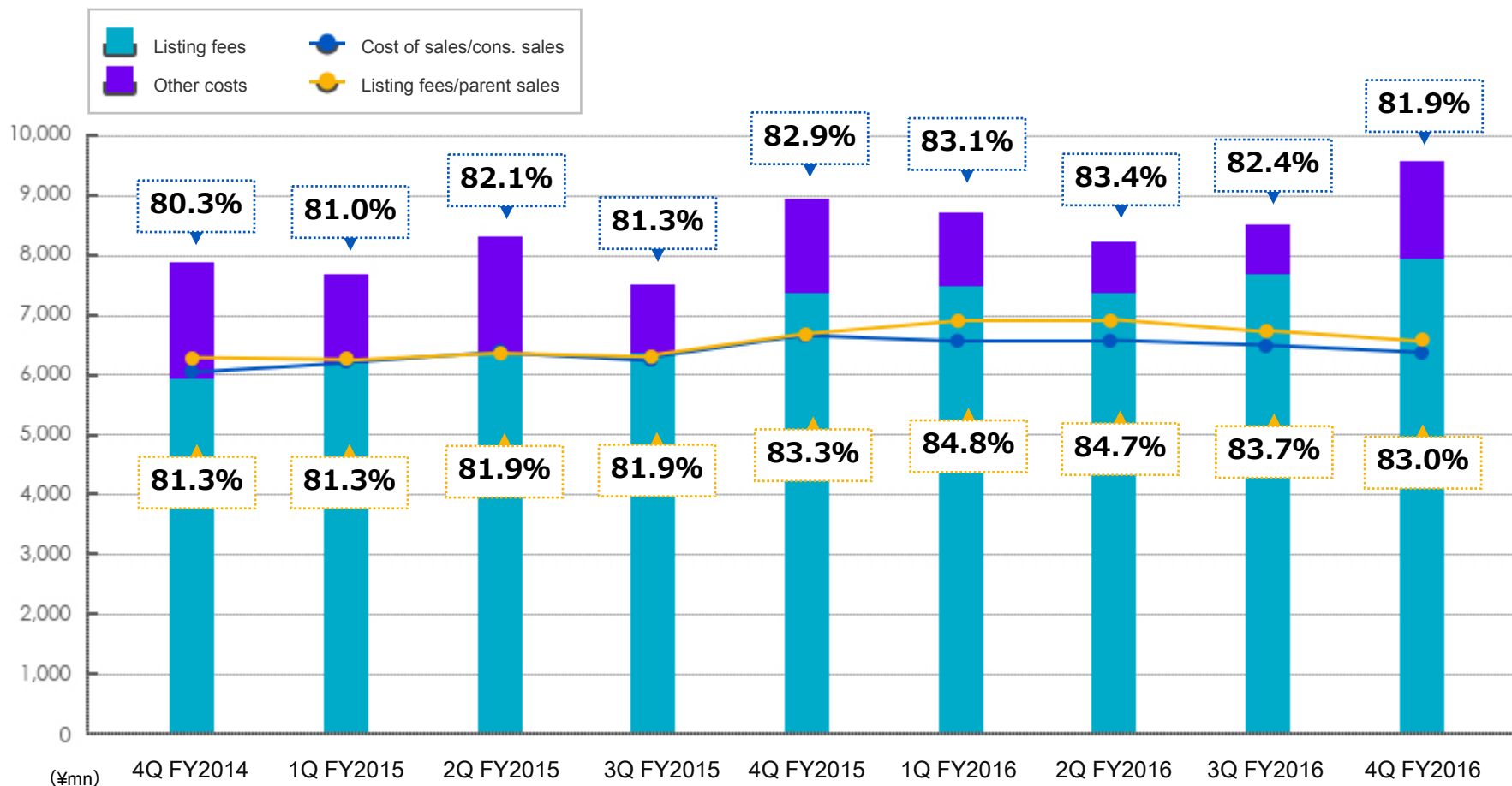
5. Supplementary Materials

Consolidated sales (Quarterly)



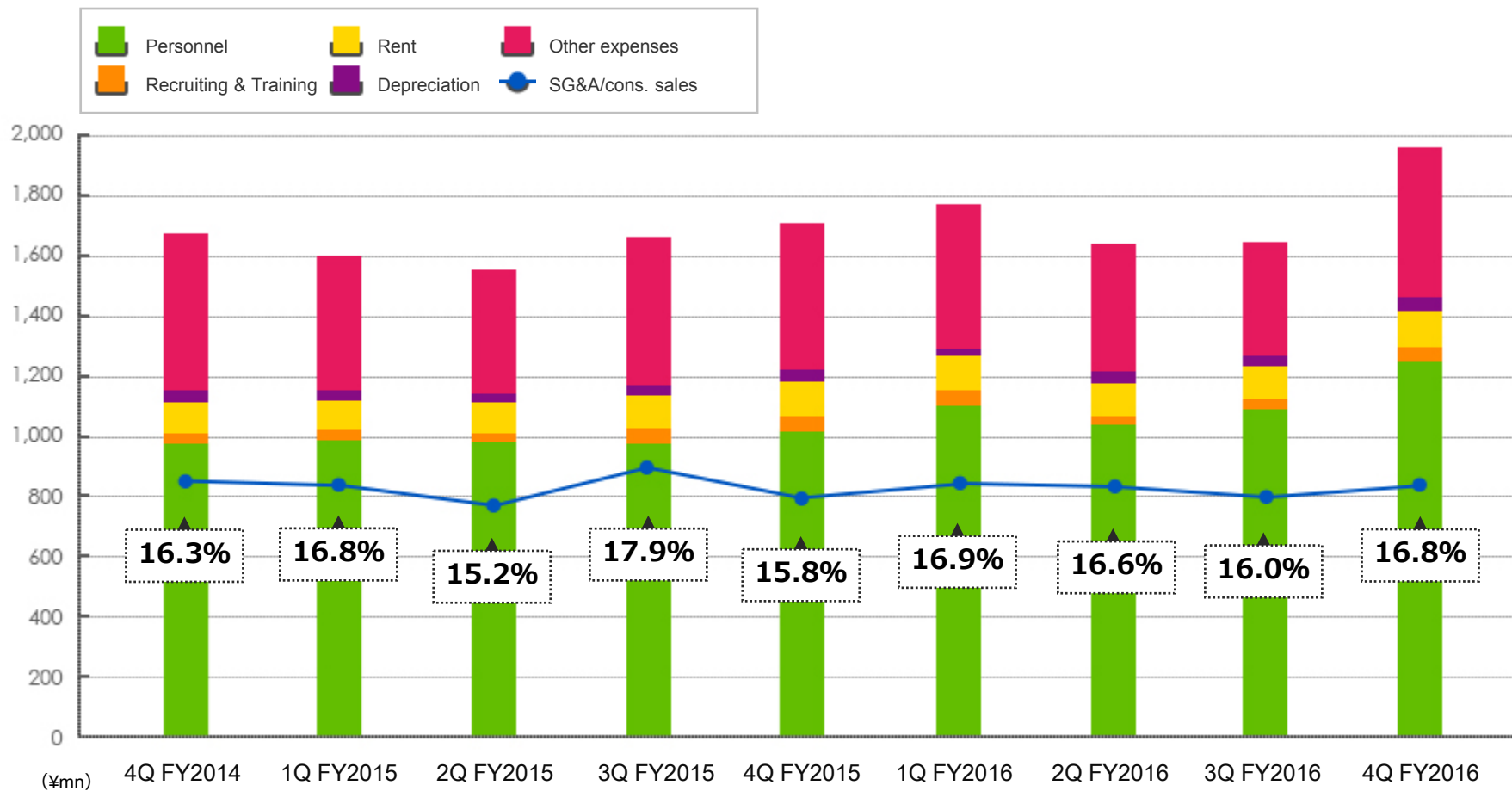
5. Supplementary Materials

Consolidated Cost of Sales (Quarterly)



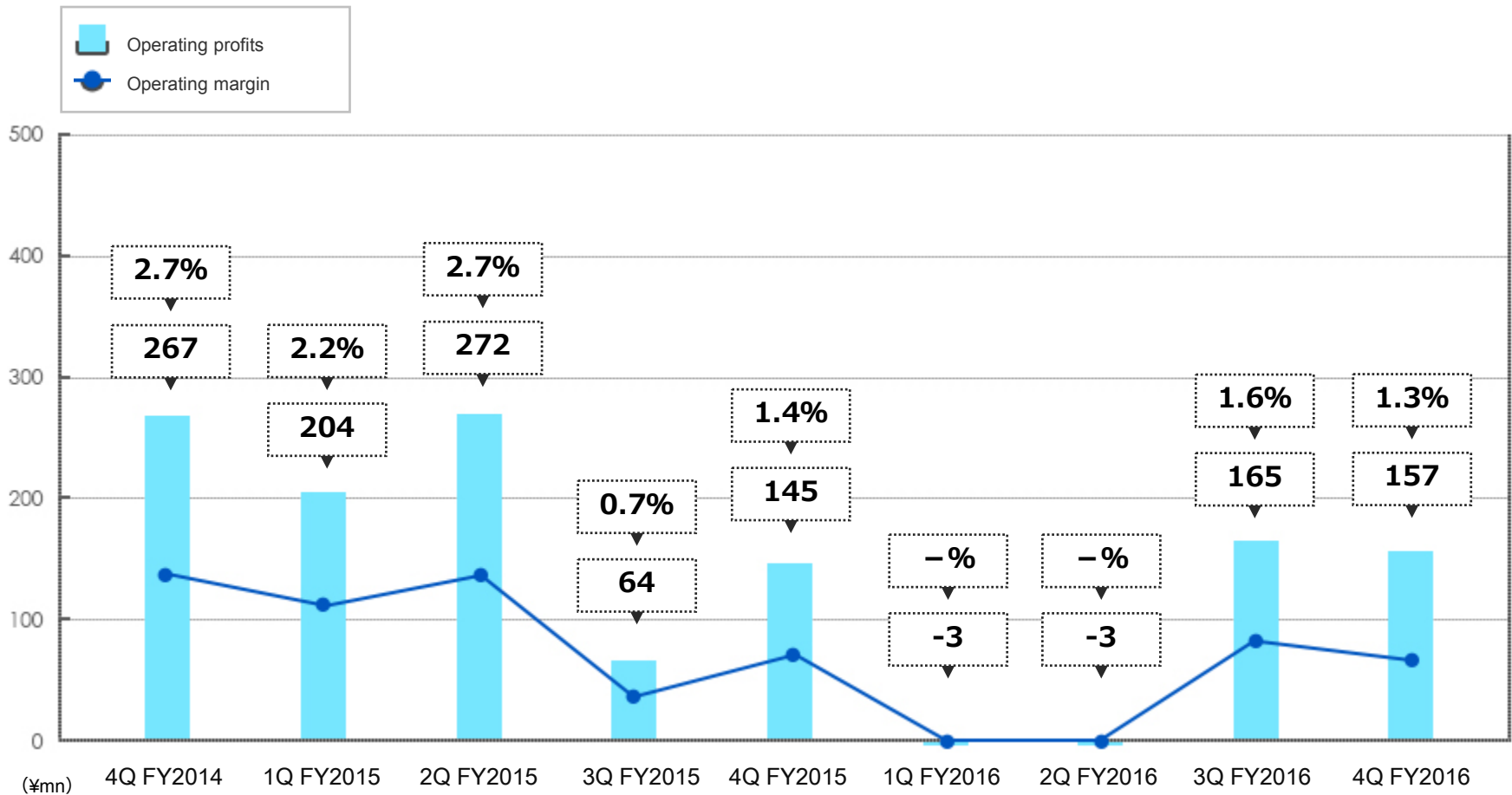
5. Supplementary Materials

Consolidated SG&A Expenses (Quarterly)



5. Supplementary Materials

Consolidated Operating Profit (Quarterly)



5. Supplementary Materials

Consolidated Balance Sheet (QoQ)

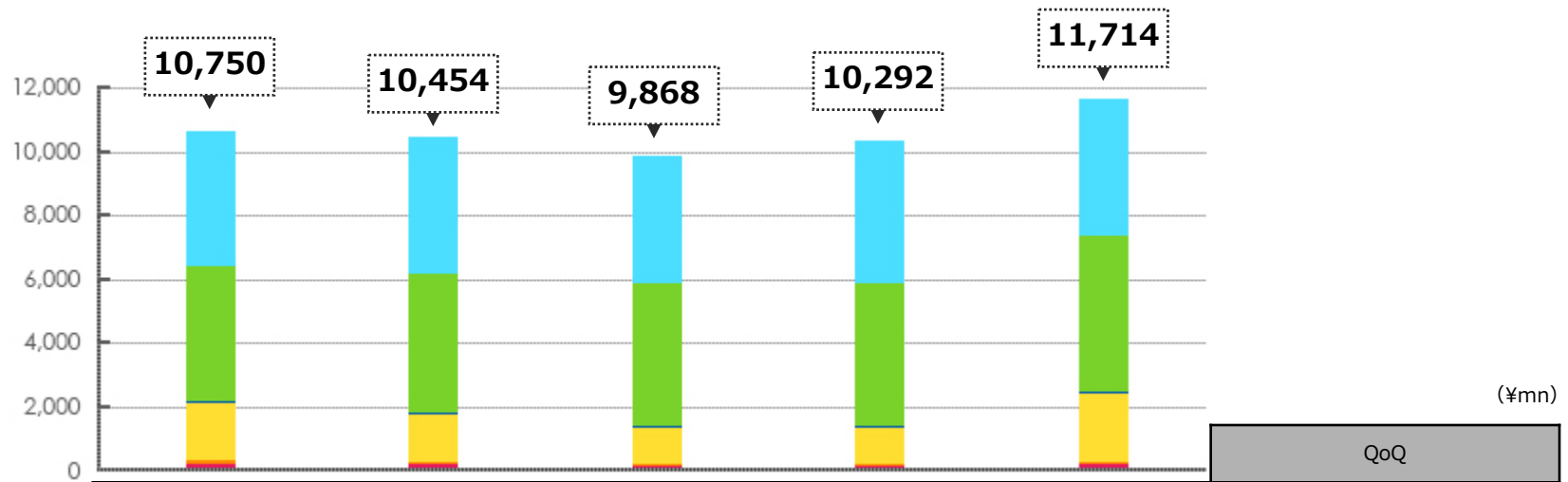
(¥mn)

	4Q FY2016	3Q FY2016	Change (¥mn)	Change (%)
Current Assets	15,449	15,671	-221	-1.4%
(Cash and Deposits)	8,853	9,479	-625	-6.6%
Fixed Assets	2,867	2,688	+179	+6.7%
Total Assets	18,316	18,359	-42	-0.2%
Current Liabilities	7,144	6,474	+669	+10.3%
Fixed Liabilities	120	107	+13	+12.7%
Total Liabilities	7,265	6,581	+683	+10.4%
Net Assets	11,051	11,777	-726	-6.2%

The acquisition of own shares (¥999 million) has led to reduced cash and net assets

5. Supplementary Materials

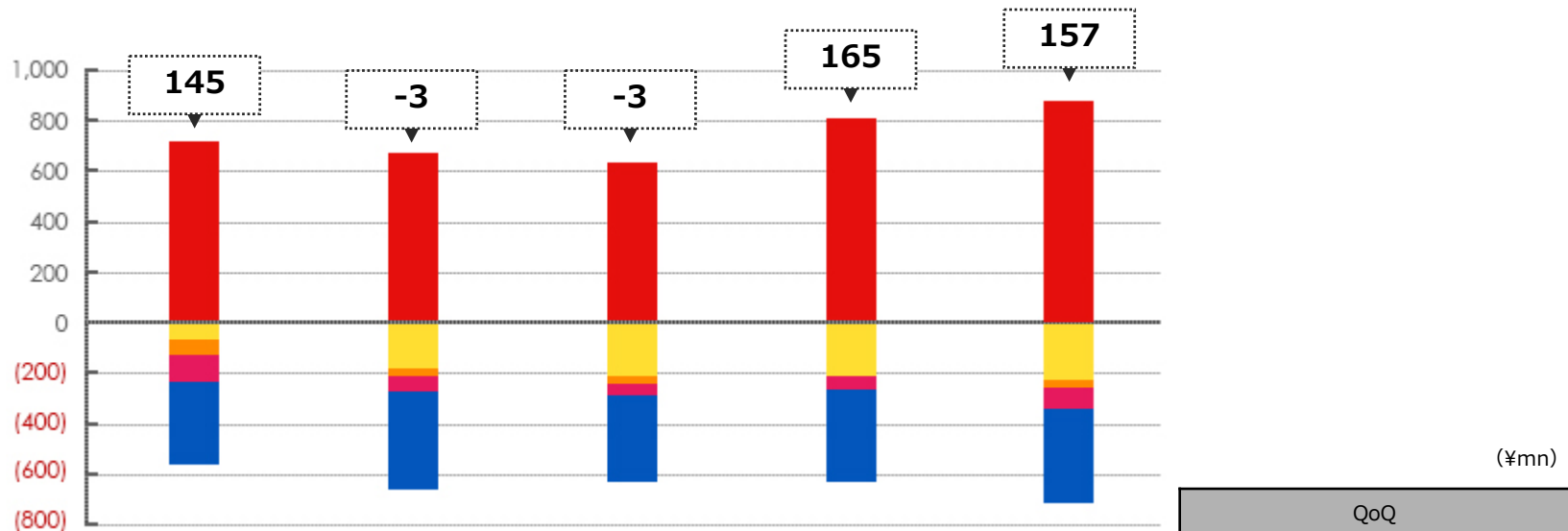
Breakdown of Consolidated Sales by Segment (Quarterly)



	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016	QoQ	
						Change (¥mn)	Change (%)
Smartphone	4,331	4,234	4,017	4,446	4,331	-115	-2.6%
PC	4,268	4,388	4,506	4,481	4,911	+429	+9.6%
Feature phone	118	92	85	84	110	+26	+31.2%
Overseas Advertising	1,748	1,520	1,078	1,111	2,151	+1,039	+93.5%
App	156	87	62	80	107	+27	+33.8%
Media, Other	126	130	118	87	102	+14	+16.9%
Total	10,750	10,454	9,868	10,292	11,714	+1,422	+13.8%

5. Supplementary Materials

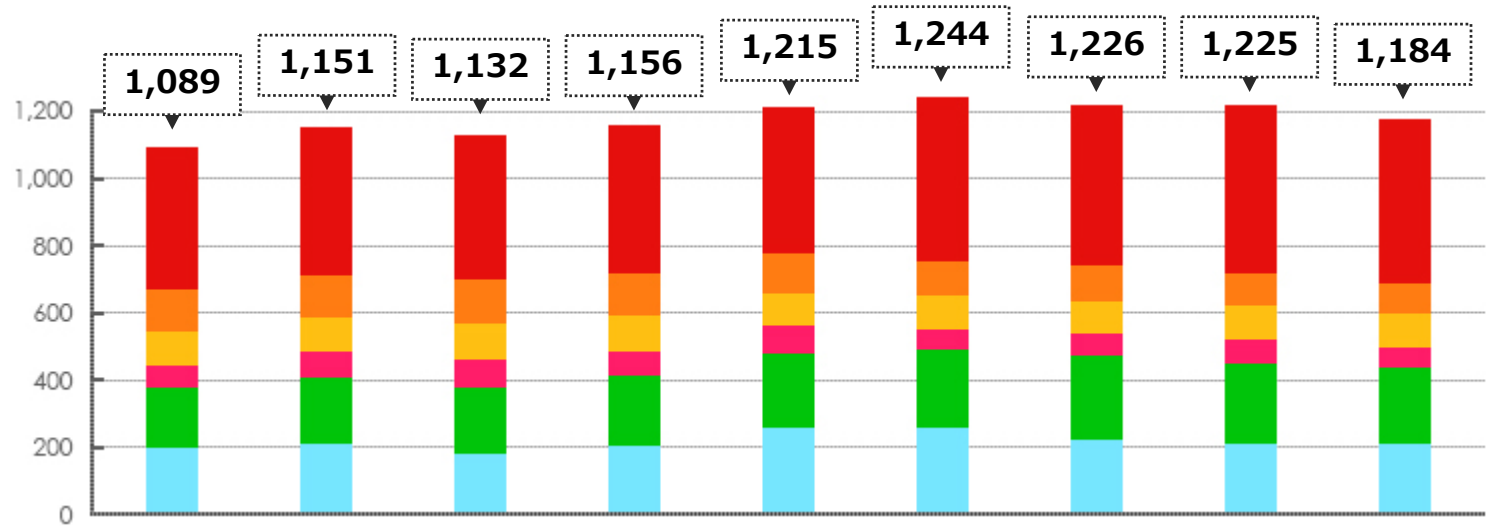
Breakdown of Consolidated Operating Profit by Segment (Quarterly)



	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016	QoQ	
						Change(¥mn)	Change (%)
Advertising	715	660	633	805	875	+70	+8.8%
Overseas Advertising	-71	-185	-207	-208	-228	-20	—
App	-53	-26	-33	-5	-31	-26	—
Media, Other	-113	-66	-48	-53	-82	-29	—
Eliminations & corporate	-331	-386	-347	-371	-375	-3	—
Total	145	-3	-3	165	157	-7	-4.7%

5. Supplementary Materials

Group Employees (Quarterly)



(Persons)		4Q FY2014	1Q FY2015	2Q FY2015	3Q FY2015	4Q FY2015	1Q FY2016	2Q FY2016	3Q FY2016	4Q FY2016
■	ADW Japan	421	443	430	439	436	489	492	499	496
■	ADW China	132	125	130	126	122	103	103	104	92
■	ADW Shanghai (R&D center)	101	100	107	108	101	96	97	105	100
■	Domestic subs	59	80	79	73	79	69	67	65	60
■	Overseas subs(except China)	188	201	206	206	218	226	251	244	229
■	Temps, part-timers	188	202	180	204	259	261	216	208	207
Total		1,089	1,151	1,132	1,156	1,215	1,244	1,226	1,225	1,184

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 2017)

Net Sales ¥ 42,329mn (FY2016, Consolidated)

Employees 1,184 (for the entire Group) (As of end of March 2017)

* including temp workers