



**UNITED**

Full Year, Fiscal Year Ending March 2016

# **Consolidated Financial Results**

---

May 10, 2016

**United, Inc.**  
(TSE Mothers, Code 2497)

# Contents

---

<b>1. Financial Highlight &amp; Business Results Forecast for Year Ending in March 2017</b>	<b>P4</b>
<b>2. Ad-Tech Business</b>	<b>P12</b>
<b>3. Smartphone Application Business</b>	<b>P17</b>
<b>4. Investment Business</b>	<b>P23</b>
<b>5. Summary</b>	<b>P25</b>
<b>6. Reference Material</b>	<b>P27</b>

All of the opinions, predictions, forecasts and the like presented in this document are those made by UNITED, Inc. based on information available at the time of preparation of the document, but no guarantee is made as to the accuracy of this information. Actual results may differ greatly from these forecasts due to changes in various factors. Company names and product names presented in this document are trademarks or registered trademarks of their respective owners.

# Our vision & mission

---

## **Vision**

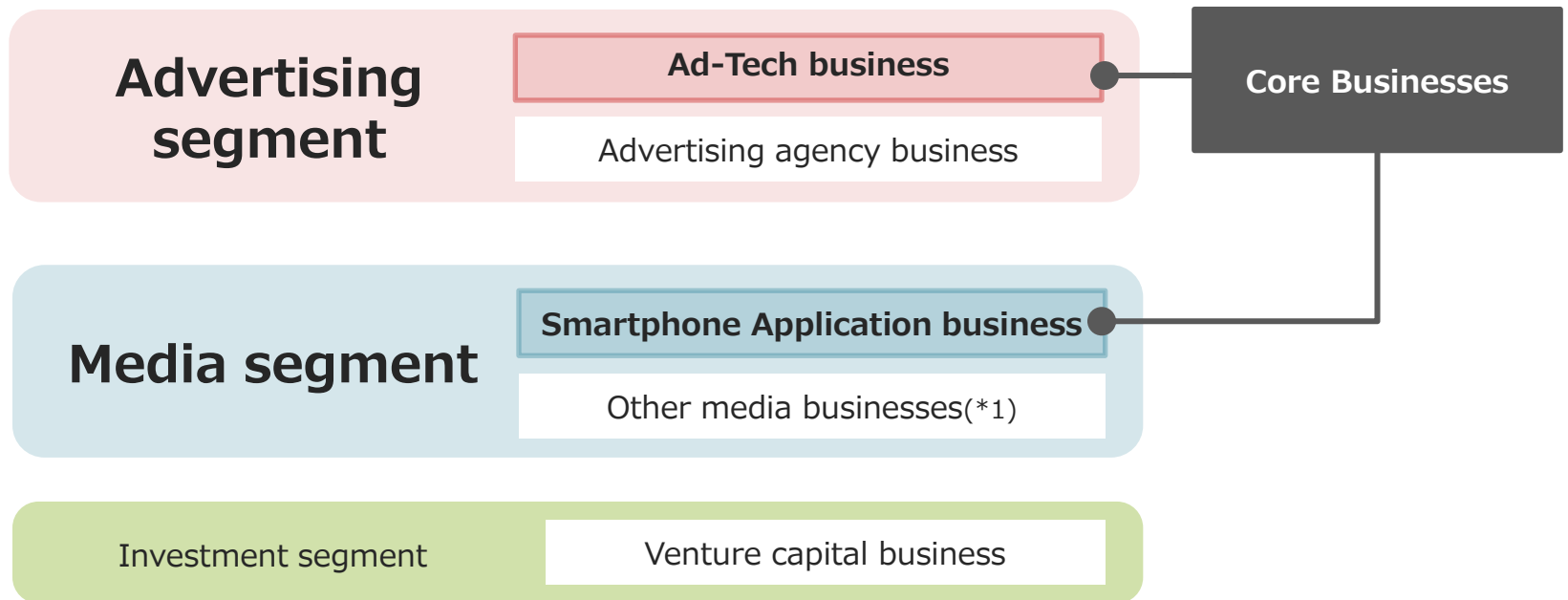
Become the leading internet firm in Japan

## **Mission**

Create new value through continued challenges and contribute to society

# Our Core Business

We are putting effort into the **ad-tech business** and **smartphone application business** expecting to see market growth in the future, actively investing in these two to achieve business growth.



\*1 Email advertising, internet research, sports marketing

# **1. Financial Highlight & Business Results Forecast for Year Ending in March 2017**

# Highlights of Financial Results for the Year

Whole

## Consolidated Financial Results for the Year

- **Sales and profit increased against the same period last year** (Growth rate compared to the last fiscal year)

<b>Sales</b>	<b>11,131 million yen</b> (+34%)
<b>Operating profit</b>	<b>1,509 million yen</b> (+307%)
<b>Net profit</b>	<b>1,579 million yen</b> (+186%)

Core Business

## Ad Tech Business

- **Sales: 4,942 million yen** (+46%)

Accelerated growth of DSP “Bypass” and SSP “AdStir” in the second half led by advance investment in Q3.

## Smartphone App Business

- **Sales: 1,457 million yen** (-21%)

Reduced revenue due to the effect of business structure transformation

Revenue grew in Q3 onward mainly led by social game “Crash Fever”

# Full Year Consolidated P/L Statement

**Revenue (+34%) and Operating Profit (+307%) grew compared to the same period last year**

Sales of 1,274 million yen and operating profit of 1,217 million yen generated from the profit of stock sales associated with the listing of an investing company in the investment business segment in Q2.

Advertising segment: Revenue and profit increased with the growth of DSP "Bypass" and SSP "AdStir"

Media segment: Profit and revenue decreased due to Smartphone App business structural transformation

	(Million yen)		
	Fiscal year 2016 ending March	Previous fiscal year Fiscal year 2015 ending March	Vs. Previous fiscal year Increase /decrease rate
<b>Sales</b>	<b>11,131</b>	<b>8,330</b>	<b>+34%</b>
Advertising segment	6,517	4,918	+33%
Media segment	2,781	3,357	-17%
Investment segment	1,916	149	+1,184%
Inter-segment elimination	-84	-93	-
<b>Total profit from sales</b>	<b>3,525</b>	<b>2,113</b>	<b>+67%</b>
Advertising segment	1,175	1,001	+17%
Media segment	490	983	-50%
Investment segment	1,858	128	+1,346%
Inter-segment elimination	1	0	-
<b>Selling, general and administrative expenses</b>	<b>2,016</b>	<b>1,742</b>	<b>+16%</b>
<b>Operating profit</b>	<b>1,509</b>	<b>370</b>	<b>+307%</b>
Advertising segment	598	548	+9%
Media segment	-319	268	-
Investment segment	1,798	102	+1,656%
Headquarter expense	-568	-548	-
<b>Current profit</b>	<b>1,663</b>	<b>626</b>	<b>+165%</b>
<b>Quarterly net profit</b>	<b>1,579</b>	<b>551</b>	<b>+186%</b>
Extraordinary profit and loss	249	-79	-
Tax expense, etc.	333	4	+7,347%

# Changes in Sales and Operating Profits

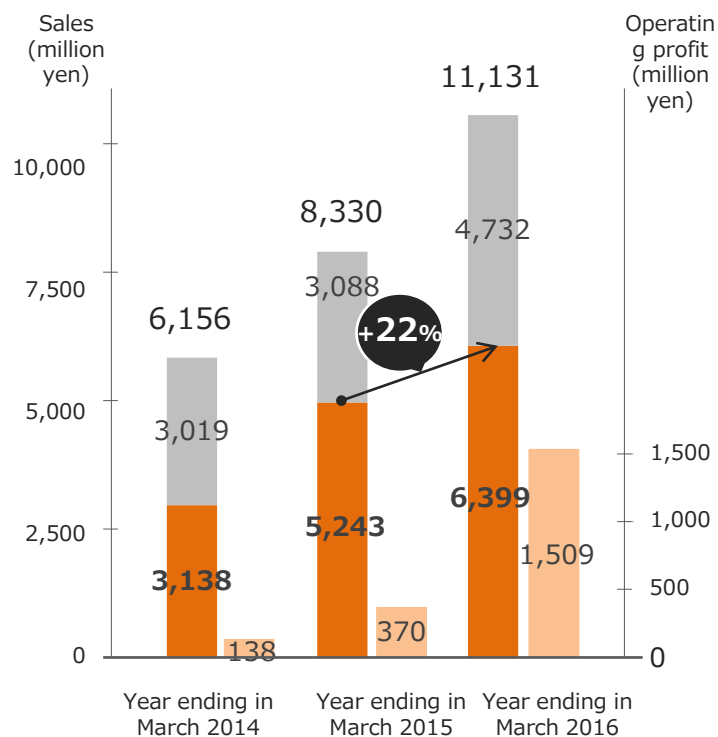
**Sales of core businesses for the year** (Ad Tech Business + Smartphone App Business):  
+22% compared with the last fiscal year

**Q4 sales of core businesses (Jan-Mar): +51% compared with the same period last year, +19% compared with the pervious quarter**

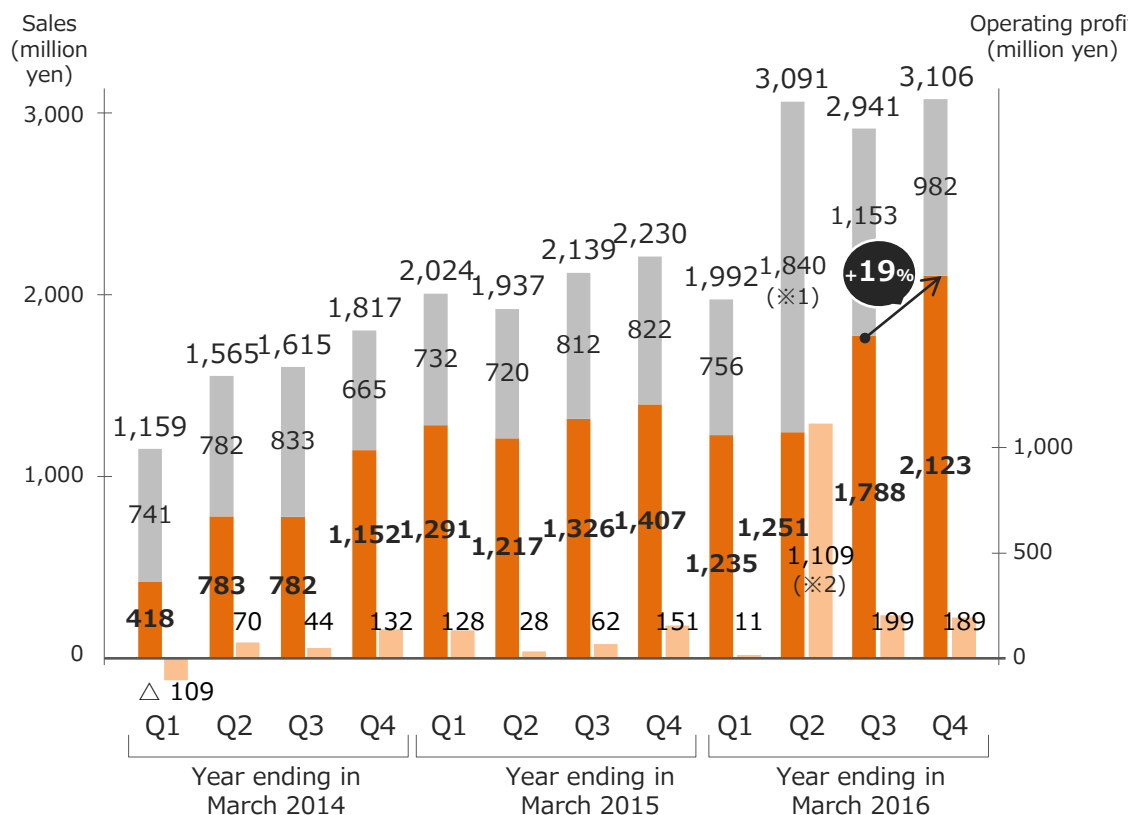
Profit increase led by the growth of Ad Tech Business

■ Sales of core businesses 
 ■ Sales of other businesses 
 ■ Operating profit

## Yearly Changes



## Quarterly Changes



(\*1,2) Sales of 1,274 million yen and operating profit of 1,217 million yen generated in the investment segment from the profit of stock sales associated with the listing of an investing



# Comparison of Financial Results Forecast and Actual Results

Announced the correction of consolidated financial results forecast on July 30 against the forecast on May 11 (Sales: 1-1.2 billion yen, Operating Margin: 800-1,000 million yen)

## Sales



+34% sales increase against the last year, falling short of the forecast

## Operating Profit



+307% profit increase against last year, landing within the scope of forecast

# Dividends

Dividends paid according to the dividend policy “targeting a consolidated dividend payout ratio of 20%”

**+9 yen dividend increase for the year against the last fiscal year**

## Details of Annual Dividends

		This Fiscal Year (Year ending in March 2016)	Previous Fiscal Year (Year ending in March 2015)
Dividend per share	Interim	9.00 yen	1.00 yen
	Year-end	5.00 yen	4.00 yen
	<b>Annual</b>	<b>14.00 yen</b>	<b>5.00 yen</b>
Total dividends (annual)		324 million yen	117 million yen

# Share Repurchase

## Details of share repurchase (Acquisition completed on April 21, 2016)

1.	Type of acquired shares	Common Stock
2.	Total number of acquired shares	329,200 shares
3.	Total amount of acquired shares	499,988,200 yen
4.	Acquisition period	March 7, 2016 to April 21, 2016
5.	Acquisition method	Market purchase by trust

# Financial Results Forecast for the Year Ending in March 2017

## Financial results forecast is not disclosed at this point in time

In May this year, **large-scale promotion (TVCM + Net advertising) for “Crash Fever” with strong sales** will start

→ Due to difficulty in forecasting the effect of promotion in particular, financial results forecast will be disclosed when the effect is determined.

## Business Policy

Ad Tech Business	Continue to grow by utilizing its unique strength in an expanding market Positioned as profit-generating business
Smartphone App Business	Aim for dramatic profit growth primarily led by “Crash Fever”
Investment Business	Continue new investment and contribute to earnings

## Consolidated Financial Results Forecast

**Sales:** Plan to increase revenue primarily in core business

**Operating profit:** Negative earnings expected for Q1 due to the effect of large-scale promotion & investment related to overseas expansion for “Crash Fever”

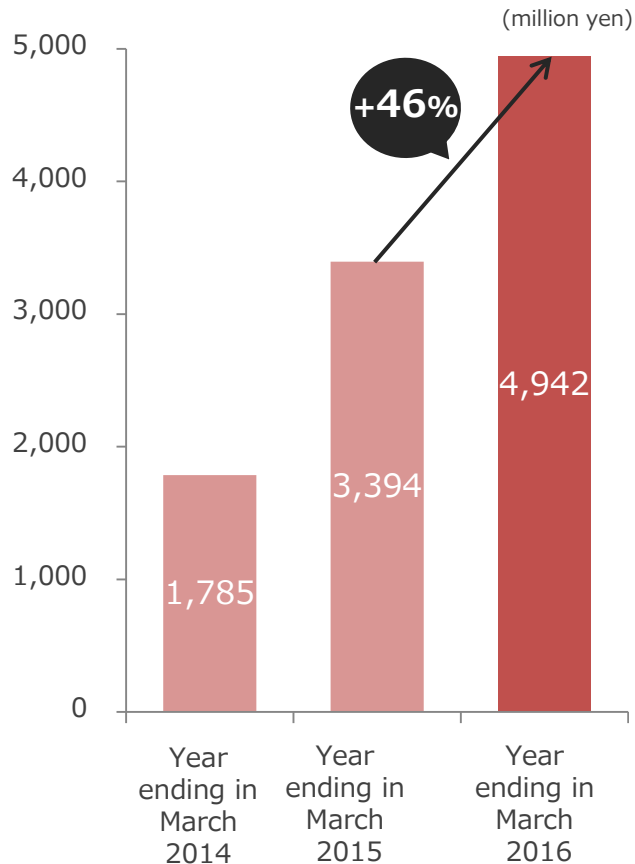
## **2. Ad-Tech Business**

# Ad Tech Business: Changes in Sales

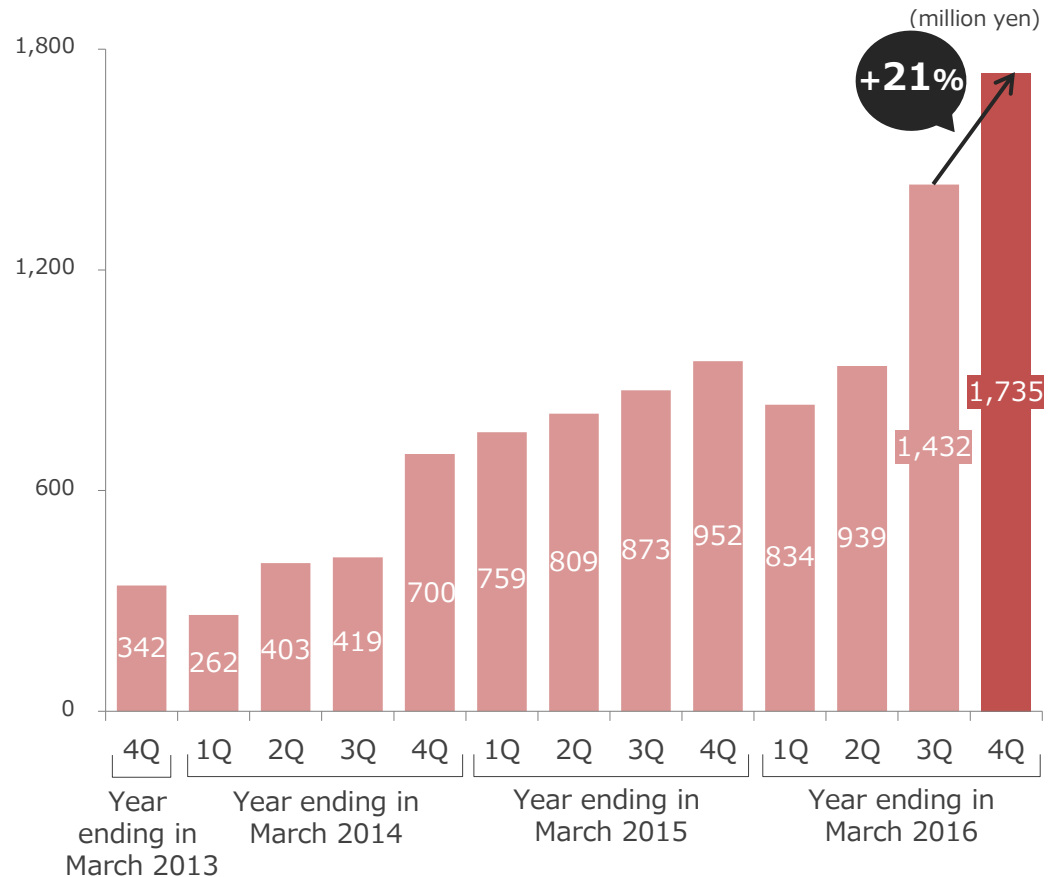
**Sales for the year against previous fiscal year : +46%**  
**Q4 sales (Jan-Mar) against the previous quarter: +21%**

DSP “Bypass” and SSP “AdStir” continued to grow boosted also by the advertisement peak period of Q4.

## Yearly changes



## Quarterly changes

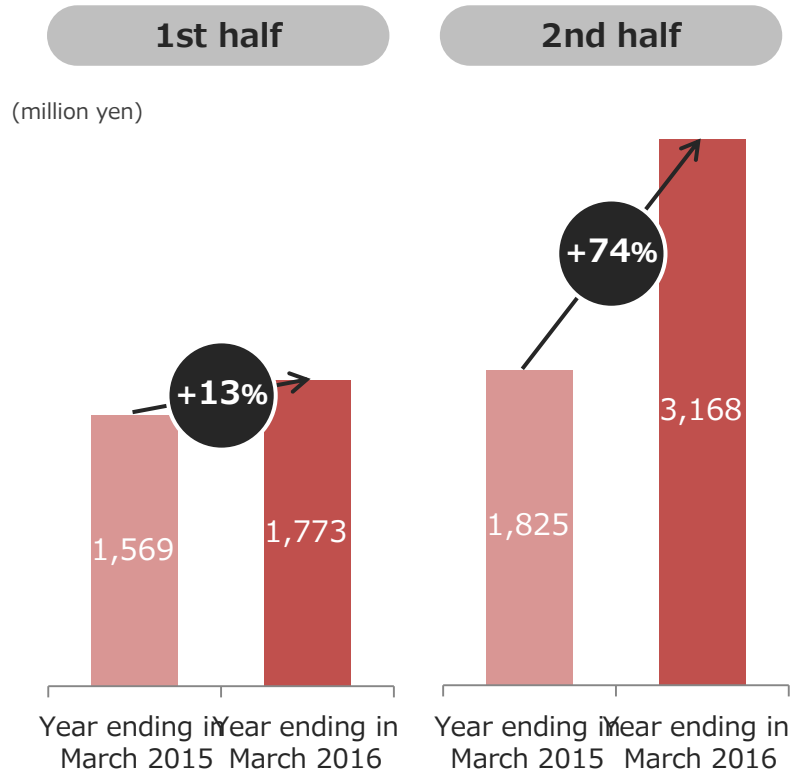


# Summary of Year Ending in March 2016

- The measure of advance investment mainly taken in Q3 contributed to the accelerated growth of Ad Tech Business in the 2nd half.
- Under the influence of advanced investment in Q3, the gross profit rate declined, but has improved in Q4 (continuous improvement is expected in Q1 onward)
- **Revenue and profit growth is also planned as a profit generating business after the year ending in March 2017**

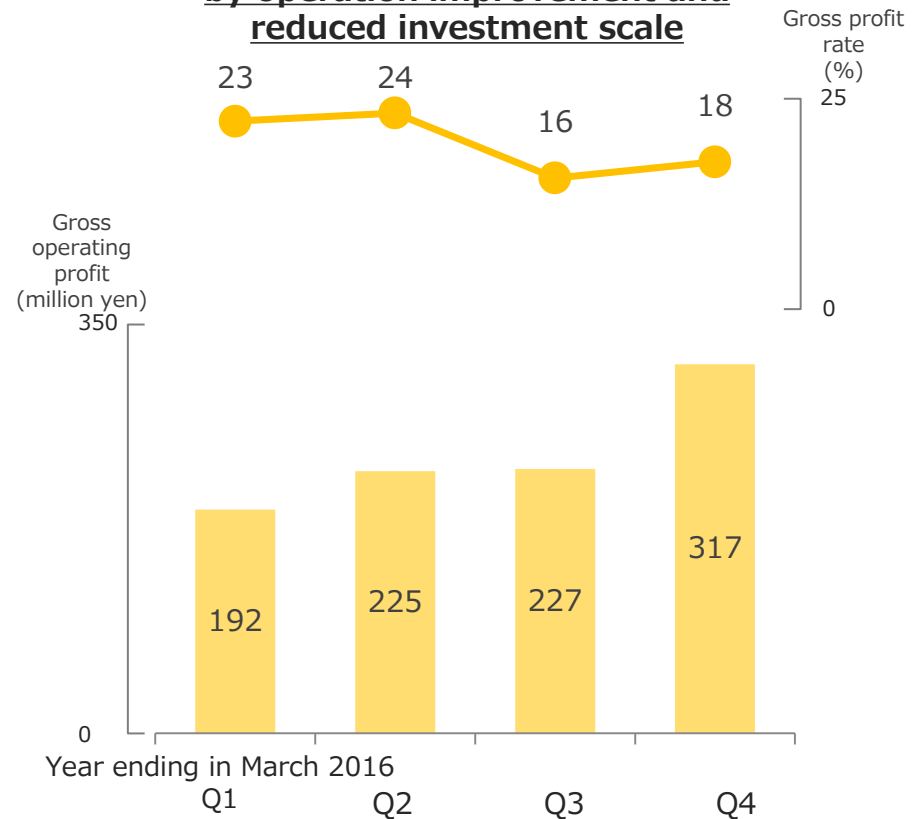
## Ad Tech Business: Comparison of half-year sales against the same period last year

### Accelerated growth in the 2nd half



## Ad Tech Business: Changes in gross profit rates/amounts

### Gross profit rate improved in Q4 led by operation improvement and reduced investment scale



# Ad Tech Business: Market Trend

## Our Ad Tech business specializes in the smartphone segment

“Demand for smartphones” in programmatic deals (\*) is expected to grow continuously for the time being.

### Estimated total/forecast of programmatic market size by device (unit: 100 million yen)



(Source : Joint survey by VOYAGE GROUP/Seed Planning in April 2015)

\* Included are the amount of placement of display ads, native ads, and video ads traded via channels by ad network and DSP/RTB or “other non-traditional new channels.”



# Policy toward Growth in Year Ending in March 2017

Our Ad Tech Business continues to grow based on “specializing in smartphones,” “Utilization of both DSP & SSP.” and “open platform strategy,” and We aim for further growth by measures such as function improvement and focus on apps.

## Features of Our Ad Tech Business (See P. 34-35 for details)

### Specializing in smartphones

Specialize in the smartphone segment, a growing market

### Utilization of both DSP & SSP

Improve functions effectively based on feedback from both Demand Side & Supply Side

### Open platform strategy

Expand the size by proactively promoting connection with SSP & DSP of other companies



## Measures toward further growth



- Further expand sales of App projects
- Continuously improve CPA optimization logic  
→ Improvement of accuracy of artificial intelligence (AI) bidding, etc.



- Expand inventories focusing on App market
- Reinforce supporting new formats such as videos and in-feed

### **3. Smartphone Application Business**

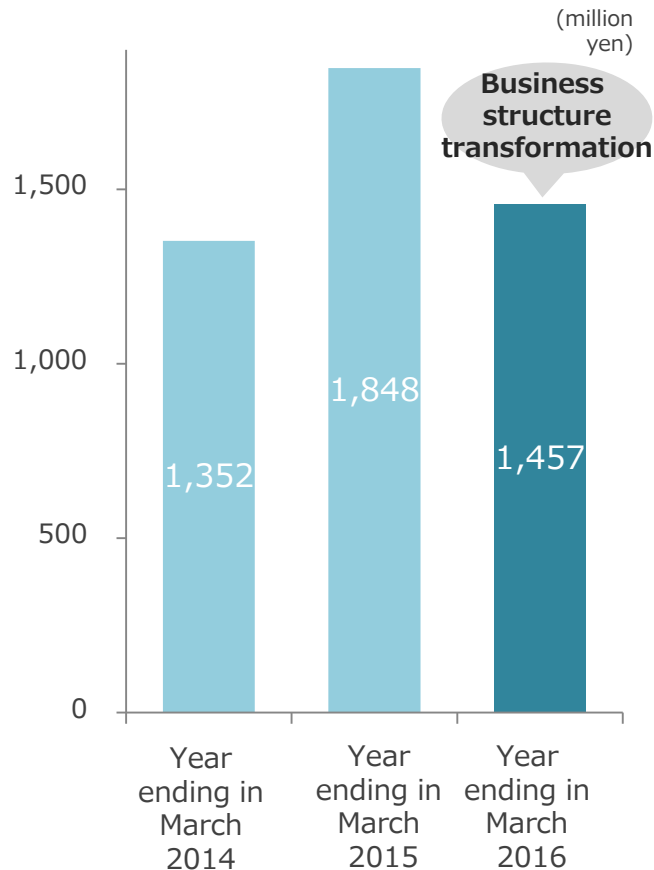
# Smartphone App Business: Changes in Sales

Sales for the year against previous fiscal year: **-21%**

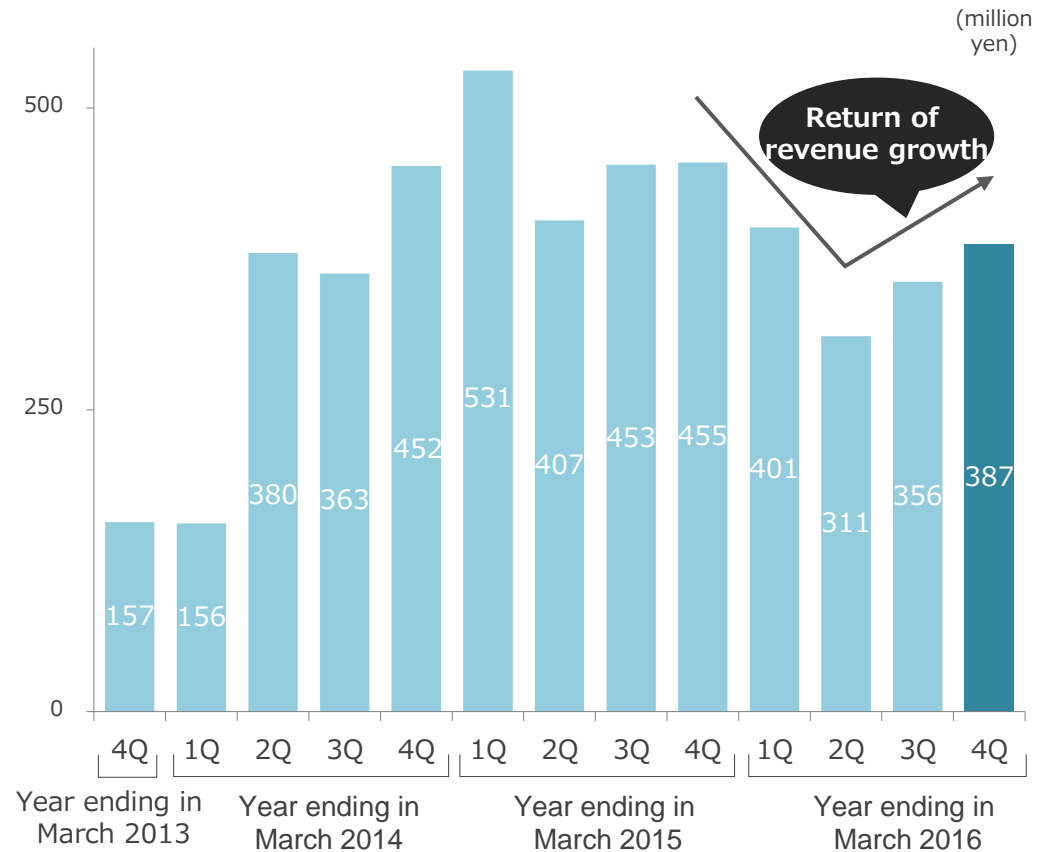
Q4 sales (Jan-Mar) against the pervious quarter: **+9%**

Continuous revenue increase in Q4 against the previous quarter by the growth of social game "Crash Fever"

## Yearly change



## Quarterly changes



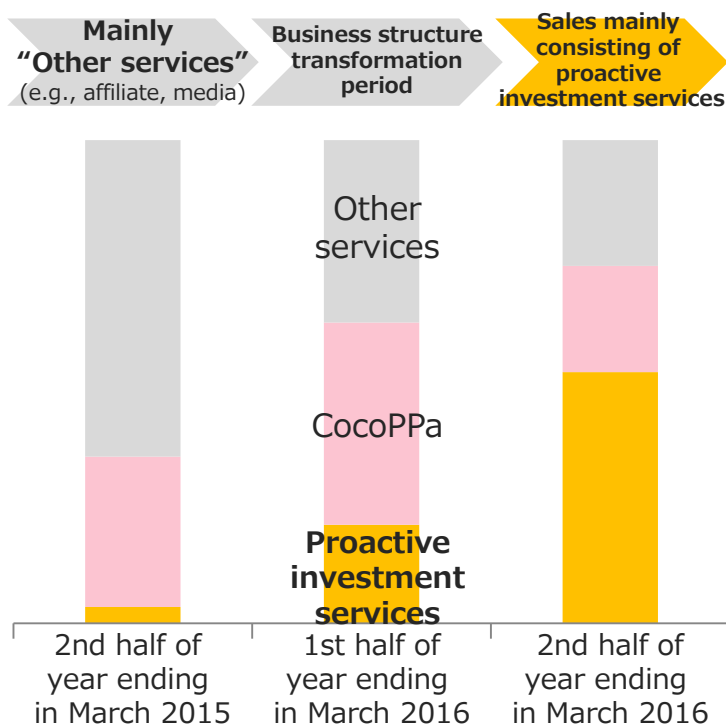
# Progress of Business Structure Transformation

Toward a dramatic revenue and profit growth, we designated social games “Crash Fever” and “Monster Beat” and idol cheering app “CHEERZ” at the start of the fiscal year and conducted structure transformation by reinforced investment.

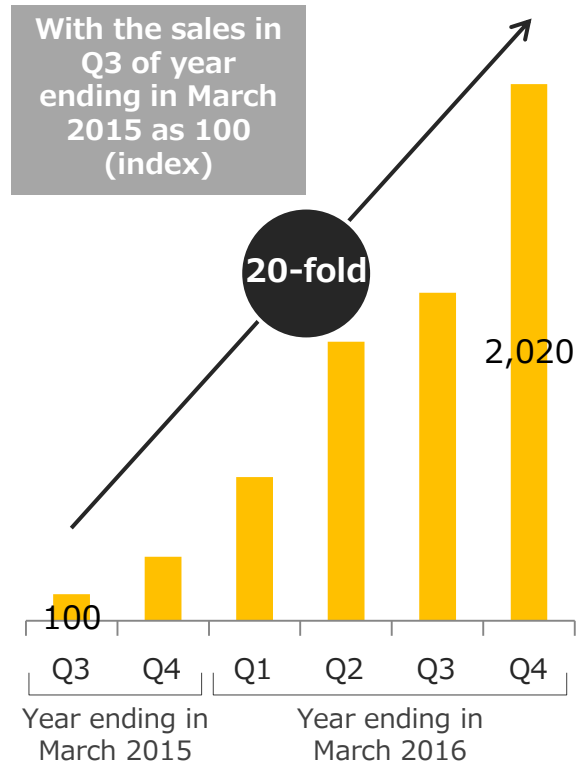
**As a result, “Crash Fever” led the growth, Progressing the structure transformation**

(See P.31 for the contents of the game “Crash Fever” and collaboration with Wonderplanet, Inc.)

## Changes in sales amount constitution in of smartphone app business



## Changes in sales in proactive investment services

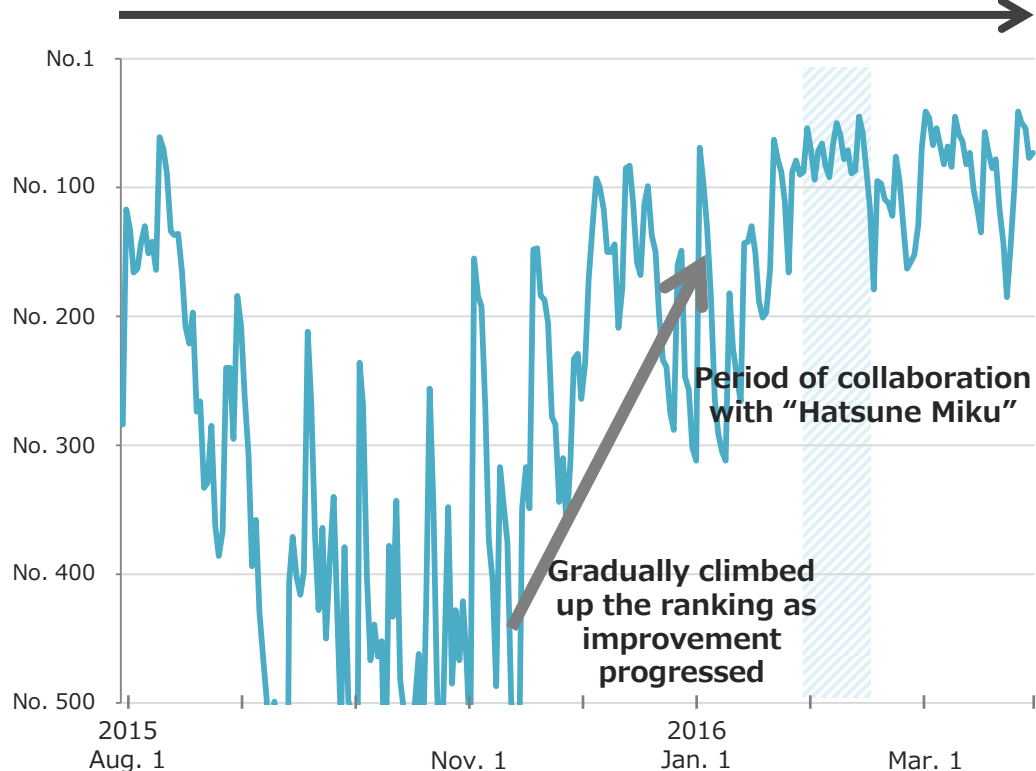


# Growth of Crash Fever

It gradually climbed up the sales ranking from mid November, 2015  
It ranks around 40th to 80th after collaboration with "Hatsune Miku" in end January, 2016

## Changes in Sales Ranking in AppStore (July 28, 2015 to March 31, 2016)

Continuous improvement of game contents and charge elements



(Source: AppAnnie)

## Collaboration Event with Popular Title

"Hatsune Miku": January 29 to February 12, 2016



illustration by Yuichi Murakami © Crypton Future Media, INC. [www.piapro.net](http://www.piapro.net) piapro

"Durarara!! x2": April 26 to May 10, 2016



© RN/KC AMW/ID

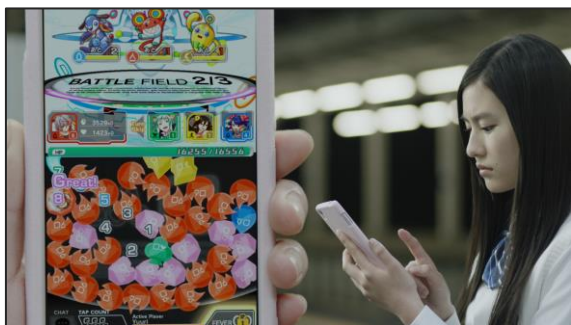
# Crash Fever: Future Development

Improvement of game contents and charge elements resulted in **increased DARPU** (daily average revenue per user)

**Proactively perform large-scale promotion (TVCM + Net advertising) & overseas expansion in the future**

## Large-scale promotion

TV CM is scheduled to start from May 14  
High effect is expected because the game properties can be accepted by light game players




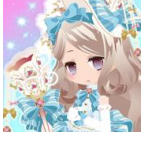





## Overseas expansion

Release a version of traditional Chinese characters used in Taiwan and Hong Kong, as the first step of overseas expansion.  
(Pre-registration will start on May, 13)  
Versions in many languages are also scheduled to be released



# Services of Smartphone App Business

social games		Crash Fever	Joint business with Wonderplanet, Inc., our investing company. It is expected to drive the growth of our smartphone app business for the time being.
		Idol Connect	Under development toward release in summer of 2016. Joint business with CREATIVE FRONTIER, INC.
		Monster Beat	All managers in our subsidiary “hipposlab Co., Ltd.”, the service provider, transferred to UNITED in March 2016. (Reinforcement of the structure of social game Business)
		CocoPPa Play	From March 2016, the system of joint business with GCREST, Inc. was changed to operation mainly run by UNITED, resulting in increased gross profit rate.
Idol Cheering App		CHEERZ (See P.32 for the details of the app)	Actor version “CHEERZ for MEN” released in October 2015. Aim for growth by increasing core users and categories.
Smartphone Home Screen Customizing App		CocoPPa	Achieved 45 million downloads. Transform to a profit-generating service with enhanced operational efficiency.
Other		Apps for carrier market	Our apps are provided to NTT Docomo “Sugotoku-Contents®”, au “Smart Pass.” Continue to stably contribute to profit

## **4. Investment Business**



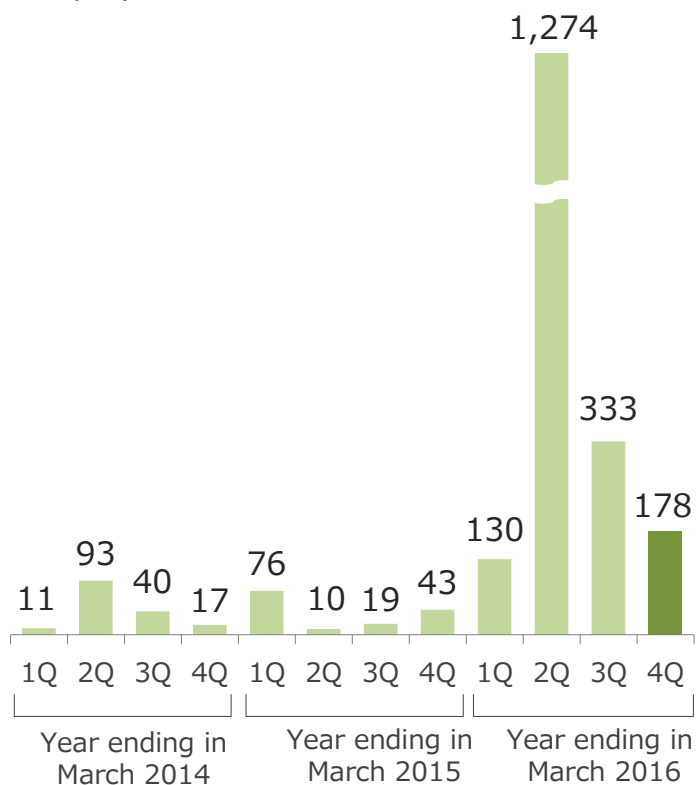
# Investment Segment

Several investing companies including Fujisan Magazine Service Co., Ltd. were newly listed in the year ending in March 2016.

We expect future contribution in revenue and profit of other stocks we currently own.

## Changes in Quarterly Sales in Investment Segment

(million yen)



## Primary investment Results



Mercari, Inc.



Social Wire  
Co., Ltd.



Translimit, Inc.



Wonderplanet Inc.



Orb



Music Securities, Inc.



Metaps Inc.



Fujisan Magazine  
Service Co., Ltd.



Datasection  
Inc.



Enigma Inc.



mixi, Inc.

## **6. Summary**

# Future Directions of Each Business

## Ad Tech Business

**Aim to continue to generate profit stably as profit-generating business**

## Smartphone App Business

**Continue to challenge toward dramatic profit growth**

## Investment Business

**Continue new investment to contribute to revenue and profit**

## New Business

**Continue to enter into promising segments such as acquisition of KiRAMEX Corporation, EdTech(\*) related business as a subsidiary**

\* Coined term of “education × technology”, referring to a business segment to unite education and technology to drive new innovation.

## **7. Reference Material**

# Consolidated P/L Statement for Q4 (January to March)

Revenue (+39%) and profit (+25%) increased compared to the same quarter last year

Revenue (+6%) and profit (-5%) decreased compared to the previous quarter

	Q3 of year ending in March 2016	Results of the same quarter last year (Q3 of year ending in March 2015)	Increase/decrease rate vs. the same quarter last year	Results of the previous quarter (Q2 of year ending March 2016)	Increase/decrease rate vs. the previous quarter
	Q3 of year ending in March 2016	Results of the same quarter last year (Q3 of year ending in March 2015)	Increase/decrease rate vs. the same quarter last year	Results of the previous quarter (Q2 of year ending March 2016)	Increase/decrease rate vs. the previous quarter
<b>Sales</b>	<b>3,106</b>	<b>2,230</b>	<b>+39%</b>	<b>2,941</b>	<b>+6%</b>
Advertising segment	2,166	1,358	+59%	1,900	+14%
Media segment	787	855	-8%	730	+8%
Investment segment	178	43	+313%	333	-47%
Inter-segment elimination	-25	-26	-	-22	-
<b>Total profit from sales</b>	<b>713</b>	<b>596</b>	<b>+20%</b>	<b>698</b>	<b>+2%</b>
Advertising segment	364	305	+19%	273	+33%
Media segment	192	246	-22%	93	+105%
Investment segment	154	44	+245%	330	-53%
Inter-segment elimination	2	-	-	-	-
<b>Selling, general and administrative expenses</b>	<b>524</b>	<b>444</b>	<b>+18%</b>	<b>498</b>	<b>+5%</b>
<b>Operating profit</b>	<b>189</b>	<b>151</b>	<b>+25%</b>	<b>199</b>	<b>-5%</b>
Advertising segment	214	196	+9%	124	+73%
Media segment	-7	51	-	-96	-
Investment segment	139	37	+272%	315	-56%
Headquarter expense	-157	-133	-	-144	-
<b>Current profit</b>	<b>177</b>	<b>156</b>	<b>+14%</b>	<b>1,223</b>	<b>-85%</b>
<b>Quarterly net profit</b>	<b>176</b>	<b>-157</b>	<b>-</b>	<b>1,028</b>	<b>-83%</b>
Extraordinary profit and loss	-45	-398	-	254	-
Tax expense, etc.	43	85	-49%	127	-66%

(Million yen)

# Consolidated Balance Sheet for this Quarter

Cash and deposit: -687 million yen due to acquisition of own stocks and acquisition of KiRAMEX Corporation and Smarprise, Inc. as subsidiaries

Fixed assets: +511 million yen due to increased goodwill associated with acquisition of the above 2 companies

Net Assets: -249 million yen due to acquisition of own stocks

	(million yen)		
	End of This Quarter (March 2016)	End of Previous Quarter (December 2015)	Increase/ decrease
<b>Current assets</b>	10,627	11,374	-746
(Cash and deposits)	4,991	5,679	-687
<b>Fixed assets</b>	1,074	562	+511
<b>Current liabilities</b>	2,646	2,650	-3
<b>Fixed liabilities</b>	18	—	+18
<b>Net assets</b>	9,036	9,286	-249

# Cash Flow Statement for the Year

“Cash flow from operating activities”

+825 million yen due to booking of net income before taxes and other adjustment.

“Cash flow from investing activities”

+369 million yen due to revenue by difference of deposit and withdrawal of time deposit

“Cash flow from financing activities”

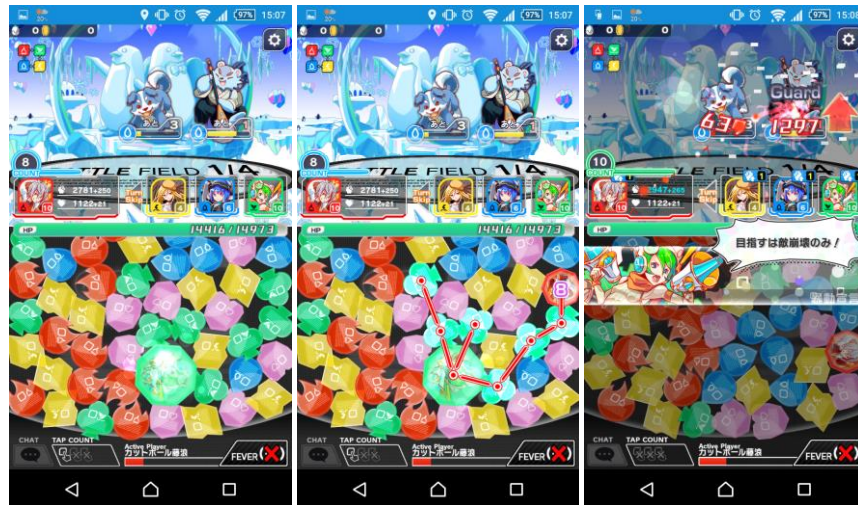
-1,477 million yen due to spending, etc., for the setting of trust of money for acquisition of own stocks

(million yen)

	Consolidated Fiscal Year 2015 (April 2015 to March 2016)
Cash flow from operating activities	825
Cash flow from investing activities	369
Cash flow from financing activities	-1,477
Increase or decrease in cash and cash equivalents	-287
Year-end balance of cash and cash equivalents	2,191



# “Crash Fever”: Joint Business and Game Contents

Released in July 2015 as joint business with our investing company Wonderplanet, Inc.



- A puzzle role-playing game to clear panels by connecting panels in the same color to beat enemies.
- Characteristic game properties such as easy operation of tapping the screen, elaborate staging of music and the unique world, and collaborative play with maximum 4 players
- Achieved 2 million downloads in February 2016

## ■ Joint Business Scheme

	 <b>UNITED</b>	
Development	Pay for part of development cost	In charge of all development process
Promotion & operation	Personnel and cost are shared by both	
Earnings	Revenue share Charge amount of users excluding platform commission and the revenue share of Wonderplanet is booked as sales of United	



# Overview of 「CHEERZ」

Our subsidiary, Fogg, inc. (\*1) released in December 3.

## How to use “CHEERZ”

Photos and movies of idols appear on timeline.

Choose your favorite idol (photo or movie) and “CHEER” her.

Idols will be ranked based on the number of “CHEERS” received.

Users will be ranked based on the number of “CHEERS” to each idol.

## Charging method

Charging will be required to “CHEER” more than the specified number. Users can play for free, as there is free limited allocation of “CHEER” and recovery by time.



After the payment to the platform, the balance of the revenue will be allocated to Fogg and idols (agencies).

## Motivation for CHEER (\*1) “Developing idols”

Idols who ranked high will be exposed to affiliated media and Monthly CHEERZ (\*2) for recognition expansion

## Motivation for CHEER (\*2) “Incentive”

Campaign such as photo presented by idols to fans who ranked high.

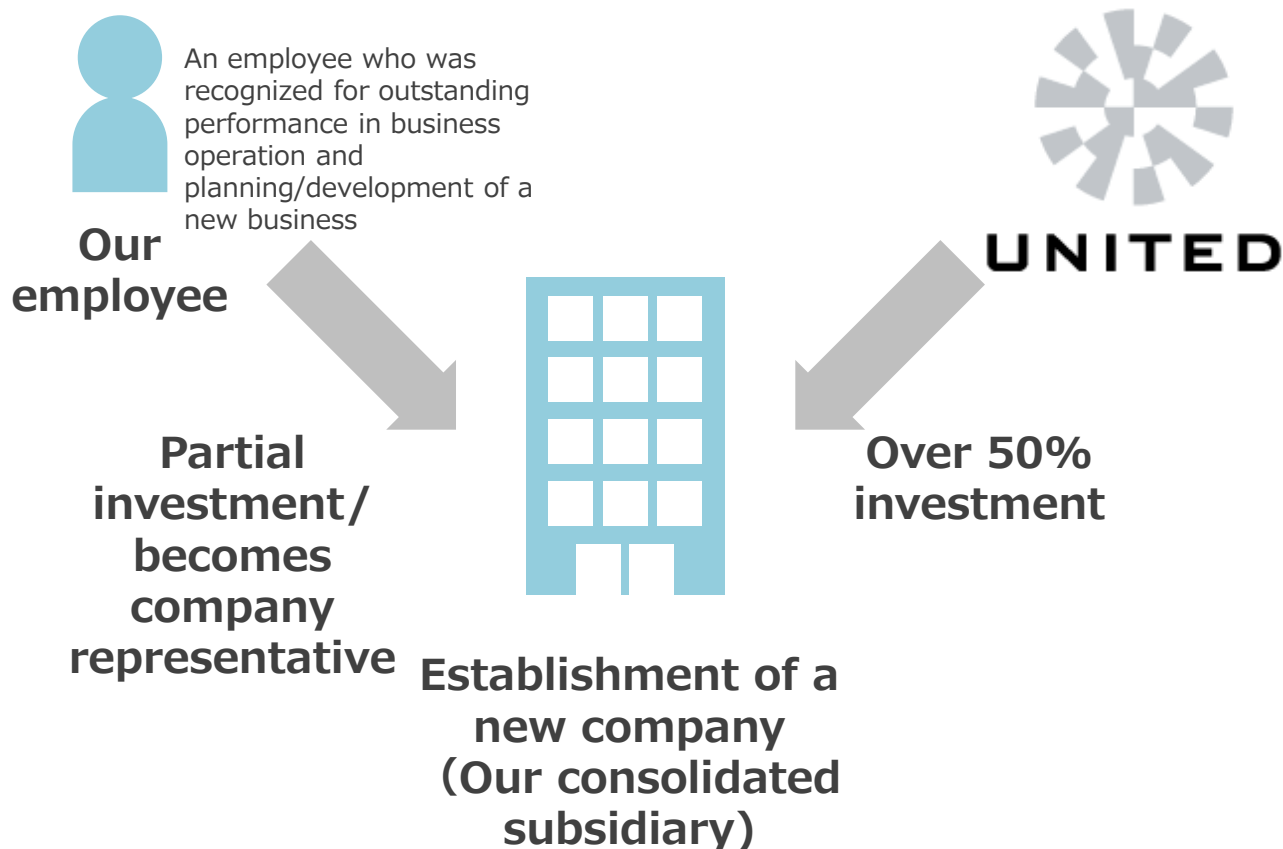
\*1 A new business company established by our unique personnel system “U-start” (See p.33).

\*2 A visual book with photos of idols who received high numbers of cheers per month. It is planned to be sold at bookstores, convenience stores located nationwide and Amazon.

# Our Unique Personnel System “U-Start”

As an organizational effort to continue to develop new promising businesses, in April 2013 we have introduced a system to give our employee with outstanding performance a right to invest in a new company to be started.

## Start-up Support System “U-Start”



# Factors of Ad Tech Business Growth (1)

**Our Ad Tech Business with unique features is continuously growing**

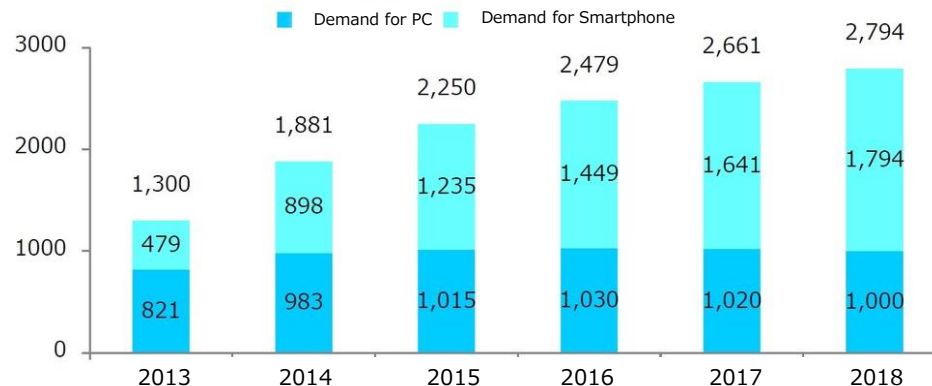
**Feature 1: Specializing in the smartphone segment, a growing market**

**Feature 2: Open platform strategy**

**Feature 3: One stop service solution**

## Feature 1: Specializing in the smartphone segment, a growing market

< Estimate/forecast of programmatic market size by device (unit: 100 million yen) >



**“Demand for Smartphone” has been expanding continuously since 2013 and is forecasted to grow continuously in the future**

(Source: Joint survey by VOYAGE GROUP/Seed Planning in August 2015)

## Advantages in Specializing in Smartphone Segment

### DSP “Bypass”



- Accumulation of knowhow on bidding & CPA optimization logic in smartphone DSP
- Quick adjustment to new distribution technique in smartphone DSP

### SSP “AdStir”



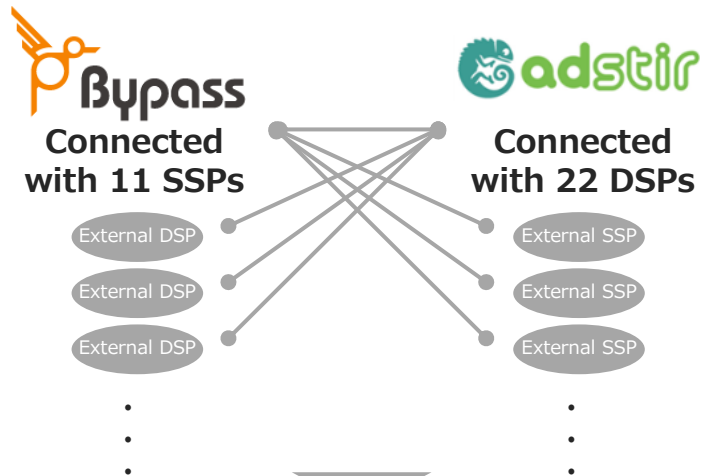
- The largest-scale inventory of smartphone ads in Japan (over 30 billion imp./month) acquired from the early stage of the start of the services ahead of other companies
- Quick adjustment to advertising format unique to smartphone

# Factors of Ad Tech Business Growth (2)

## Feature 2: Open platform strategy

Connection with external SSP & DSP has been proactively promoted for our DSP & SSP since the service launch in April 2012.

Open transaction with connected SSP/DSP without preferentially treating internal transactions .

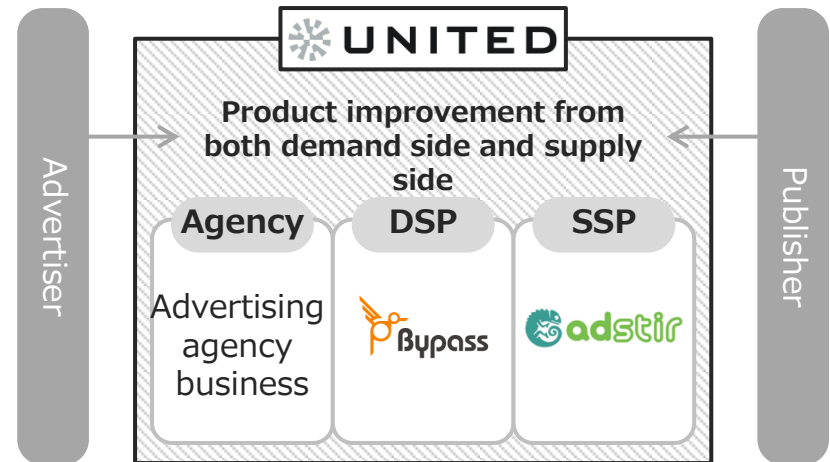


### Advantages

- DSP & SSP grew as products by winning in fierce market competition
- Both market expansion and competitor increase can be used advantageously
  - Example: New competitor entry in DSP segment leads to the scale expansion of SSP

## Feature 3: One stop service solution

We have DSP, SSP, and advertising agency within the company and have direct contact with both advertisers and publishers.



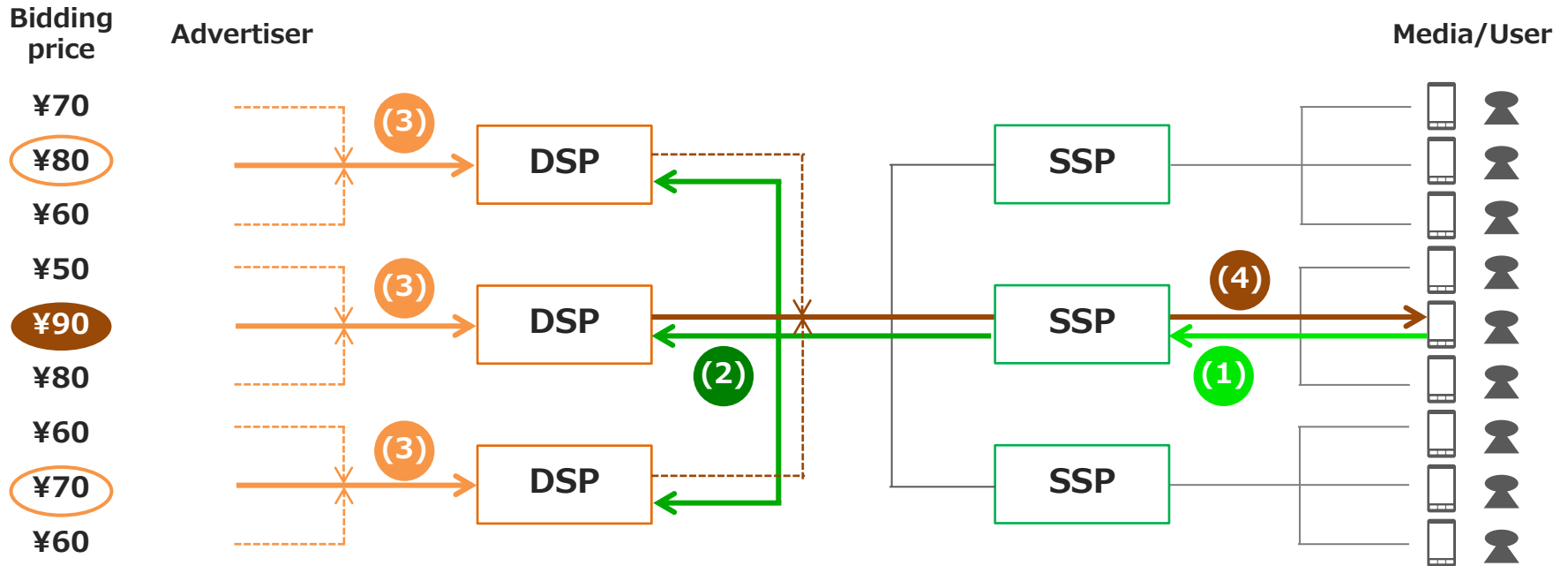
### Advantages

- Functions can be developed/improved from multiple viewpoints including opinions of advertisers and media
- Trials and effect validation of new functions can be quickly completed internally

# Flow of RTB Advertisement

**Flow of RTB Advertisement Transaction until Closing [(1) to (4) below take place within 0.05 second)**

- (1) Impression occurs
- (2) Through SSP, device (browser) information such as frame size and user ID is sent to DSP as a bid request.
- (3) Based on information of the bid request, an auction takes place at a preset price within DSP, selecting the advertiser with the highest bidding price.
- (4) The advertiser with the highest bidding price among DSPs wins the bidding and their ad is displayed.



## Advantages for advertisers

Able to efficiently place ads for each impression only to users they wish to display ads

## Advantages for media

Able to offer ad space for bidding to multiple advertisers and maximize profits