

**Q 1 , F Y 2 0 1 6**  
From April 2016 to July 2016

# **Financial Results**



**UNITED**

**United, Inc.**  
(TSE Mothers, code 2497)  
August 3, 2016

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# Our vision & mission

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## **Vision**

Become the leading internet firm in Japan



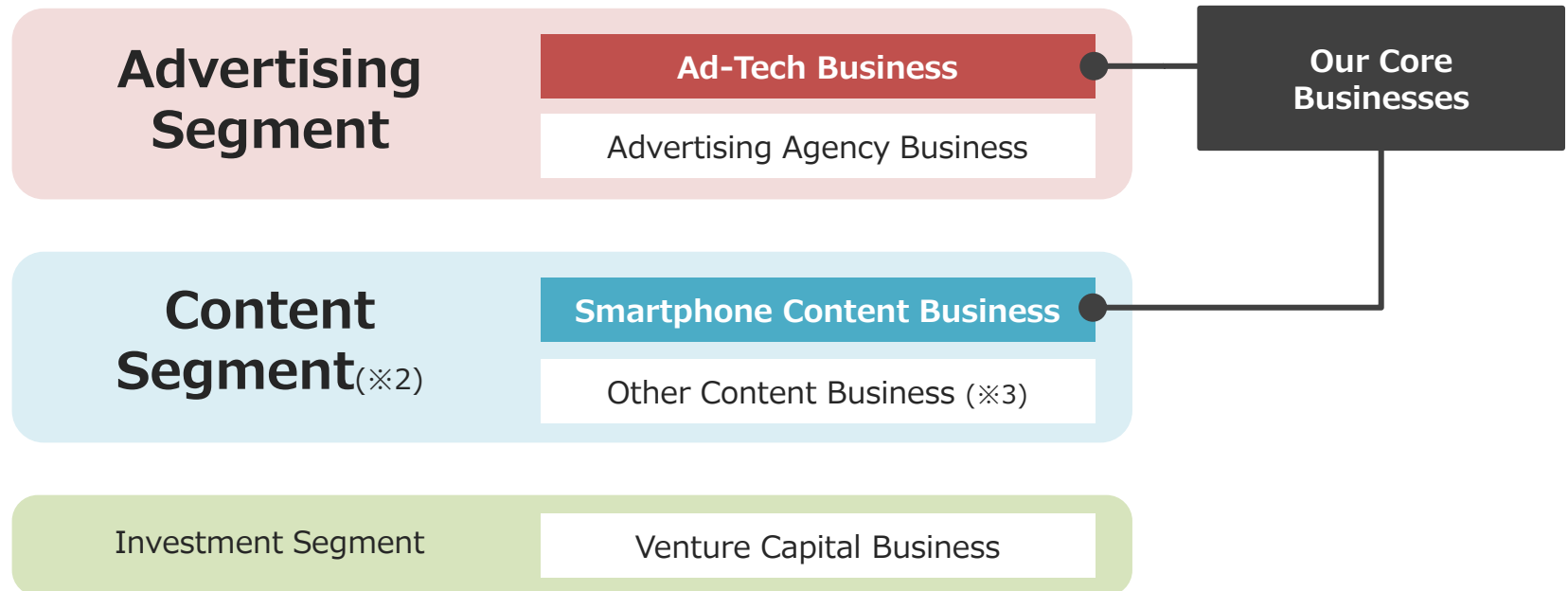
## **Mission**

Create new value through continued challenges and contribute to society

# Our Core Businesses

Focusing on **Ad-Tech Business** and **Smartphone Content Business** (※1) in markets which are expected to grow

Striving to actively invest in those businesses and nurture new businesses



- ※1 "Smartphone Content Business" was formerly known as "Smartphone Application Business" until FY2015.
- ※2 "Content Segment" was formerly known as "Media Segment" until FY2015.
- ※3 "Other Content Business" was formerly known as "Other Media Business" until FY2015. Including online programming courses, e-mail advertising, sports marketing etc.

# 1. Financial Highlight

# Highlights of Q1 FY2016 (April - June 2016) Financial Results

Overall

## Q1 FY2016<sup>(\*1)</sup> Consolidated Financial Results

- **Increase in sales but decrease in operating income year on year** (YoY changes, %)

**Sales**                                    **¥3,135 million** (+57%)

**Operating Income**    **¥-65 million** (-)

Recorded operating loss, due to ¥550 million advertising expense for a large-scale promotion including TV and internet ad for Smartphone Content Business, mainly "Crush Fever"<sup>(\*2)</sup>

Planned to record operating loss, but this advertising investment had better than expected positive impact on the amount of decreasing profit.

Core Businesses

## Ad-Tech Business

- **Sales ¥1,560 million** (+87%)

Both "Bypass," a DSP and "AdStir," a SSP grew.

## Smartphone Content Business

- **Sales ¥746 million** (+86%)

"Crash Fever," a social game app and "SMART GAME," a platform service related to in-app purchases in iOS operated by Smarprise, Inc. which is our consolidated company contributed to growth.

\*1 FY2016 refers the fiscal year from April 1, 2016 to March 31, 2017.

\*2 "Crash Fever" is a joint business with Wonderplanet Inc., one of our investment portfolio companies. Two parties share profit and advertising expense.

# Consolidated P/L Statement for Q1 (April - June 2016)

## Increase in sales YoY (+57%), but drop in operating income (YoY, down ¥78 million)

Factors affecting sales growth: "Bypass" and "AdStir" in Advertising Segment as well as "Crash Fever" and "SMARTGAME" in Media Segment grew. Factors affecting decrease in profit: Although profit in Advertising Segment increased, a large-scale advertising expense for "Crash Fever" in Media Segment resulted in lower consolidated operating income. However, this advertising investment had better than expected positive impact on the amount of decreasing profit.

(million yen)

Advertising expense, approx. ¥550 million, for Smartphone Content Business such as "Crash Fever" are included in Cost of Sales.

Increase in personnel expense and amortization related to newly consolidated companies, KIRAMEX CORPORATION and Smarprise, Inc.

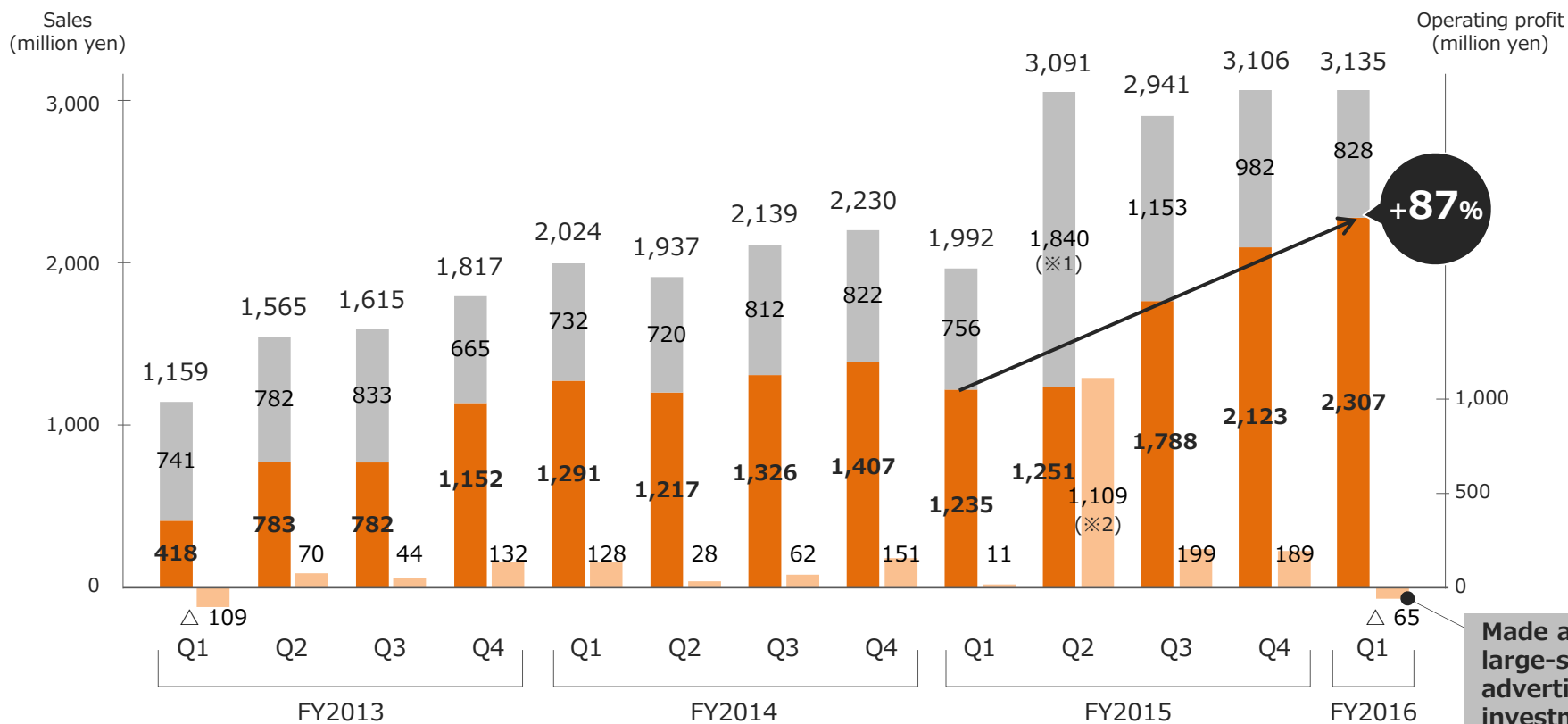
	FY2016 Q1	FY2015 Q1	YoY %	FY2015 Q4	QoQ %
<b>Sales</b>	<b>3,135</b>	<b>1,992</b>	<b>+57%</b>	<b>3,106</b>	<b>+1%</b>
Advertising Segment	1,913	1,210	+58%	2,166	-12%
Media Segment	1,094	674	+62%	787	+39%
Investment Segment	182	130	+40%	178	+3%
Adjustments	-55	-23	-	-25	-
<b>Gross Profit</b>	<b>492</b>	<b>520</b>	<b>-6%</b>	<b>713</b>	<b>-31%</b>
Advertising Segment	347	269	+29%	364	-5%
Media Segment	● -3	123	-	192	-
Investment Segment	147	127	+16%	154	-5%
Adjustments	0	0	-	2	-
<b>Selling, General &amp; Administrative</b>	<b>●557</b>	<b>508</b>	<b>+10%</b>	<b>524</b>	<b>+6%</b>
<b>Operating Income</b>	<b>-65</b>	<b>11</b>	<b>-</b>	<b>189</b>	<b>-</b>
Advertising Segment	196	133	+48%	214	-8%
Media Segment	-258	-100	-	-7	-
Investment Segment	132	111	+19%	139	-5%
Headquarter expense	-136	-132	-	-157	-
<b>Ordinary Income</b>	<b>-78</b>	<b>22</b>	<b>-</b>	<b>177</b>	<b>-</b>
<b>Net Income attributable to owners of parents</b>	<b>-72</b>	<b>8</b>	<b>-</b>	<b>176</b>	<b>-</b>
Extraordinary profit and loss	-7	41	-	-45	-
Taxes etc.	13	-55	-	43	-226%

# Changes in Sales and Operating Income

Q1 sales of core businesses (YoY): +87%

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

## 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

Made a large-scale advertising investment



# Financial Forecast

**At this point, no forecast is disclosed.**

**At the Beginning  
of FY2016**

- No forecast was disclosed due to difficulty of assessing results of the large-scale promotion for “Crash Fever.”
- Planned to announce a forecast as soon as results of the aforementioned promotion were identified

**Q1 FY2016**

Executed ad promotion mainly in May → significant results

- Result 1: More than 1 million downloads in May 2016
- Result 2: 8<sup>th</sup> in overall top grossing app chart in AppStore

**At this point**

**No forecast is disclosed at this point, as we plan to launch 2<sup>nd</sup> large-scale promotion including TV ads in Q2 FY2016 pursuing further growth.**

**Outlook for Consolidated Performance:**

**Sales: Plan to increase year on year**

**Operating Income:**

**Q2 (July-Sept.2016)→Plan operating loss due to advertising investment**  
**2<sup>nd</sup> Half (Oct. 2016-Mar. 2017)→Plan to move back into black by growth**  
**in both core businesses**

**FY2016 →Plan to generate profit, although this amount will change**  
**depending on the results of ad promotion for “Crash Fever”**

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

# Ad-Tech Business: Sales Trend

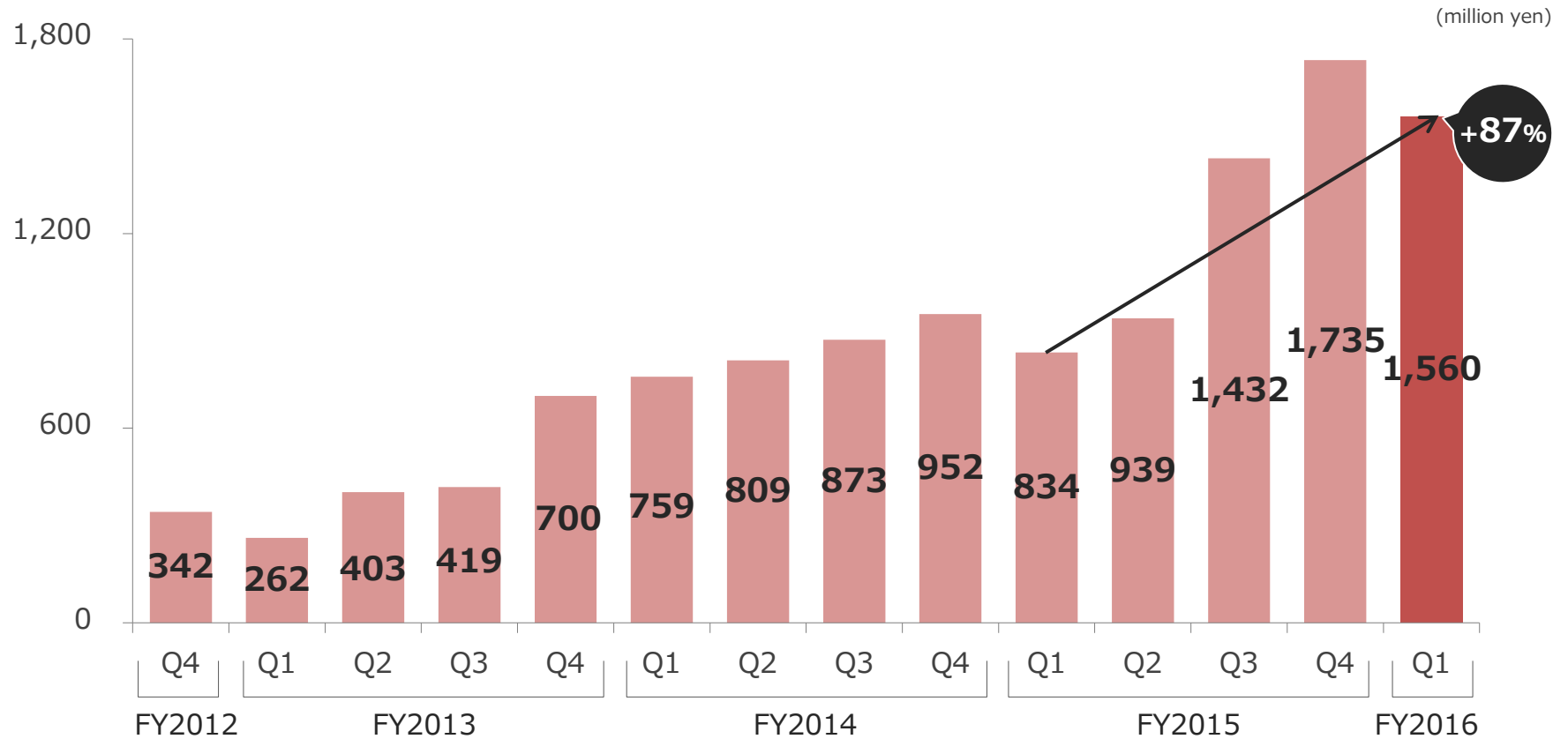
**Change from Q1 FY2015 to Q1 FY2016 (YoY) : +87%**

Both DSP "Bypass" and SSP "AdStir" grew

**Change from Q4 FY2015 to Q1 FY2016 (QoQ): -10%**

Seasonal factor of retroaction in advertisement demand period of Jan. to Mar.

## Quarterly Sales Trend

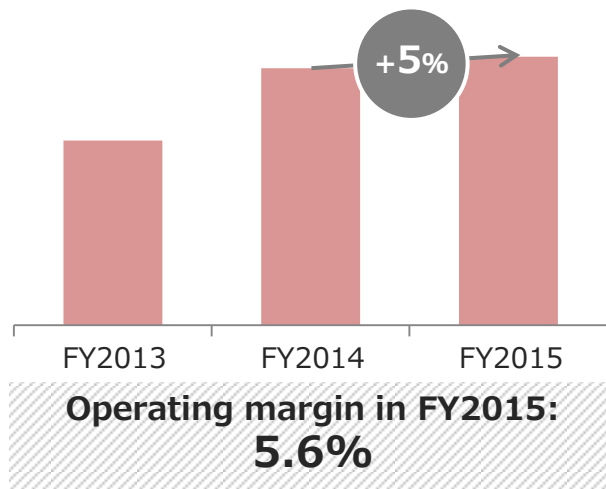


# Initiatives for Accelerating Further Growth (1)

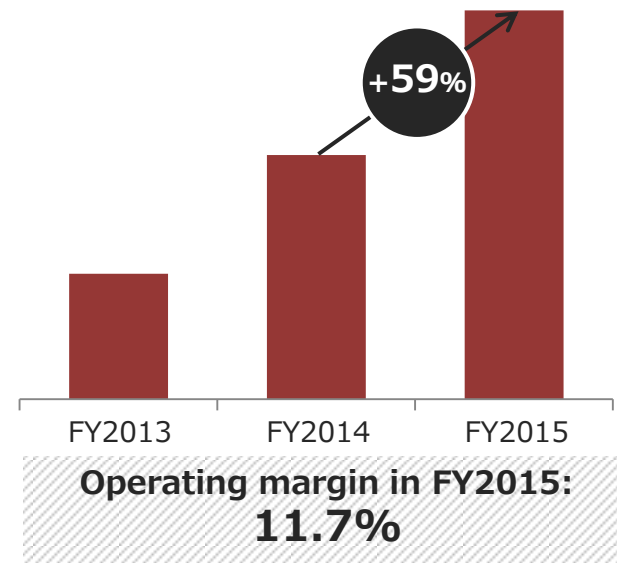
Withdrew from Agency Business in FY2016 in order to concentrate management resources (personnel etc.) on high growth and more profitable Ad Platform Business (our own DSP/SSP)

## Comparison of Sales Growth Rate and Operating Margin

### Agency Business



### Ad Platform Business

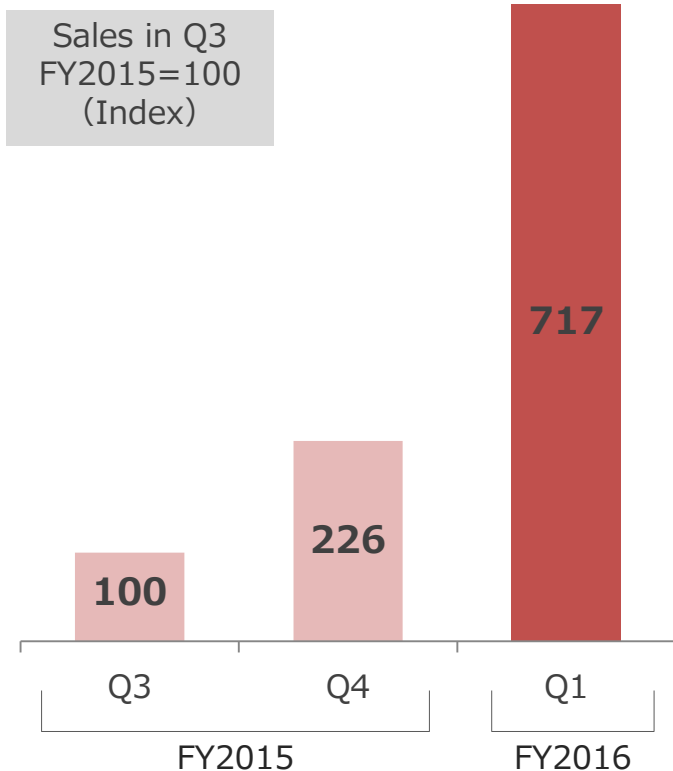


Focus on growth of existing businesses and development of new our own products with concentrating management resources  
Pursuing further growth in smartphone ad-tech market which is expected to achieve high growth (see page 30), by concentrating management resources

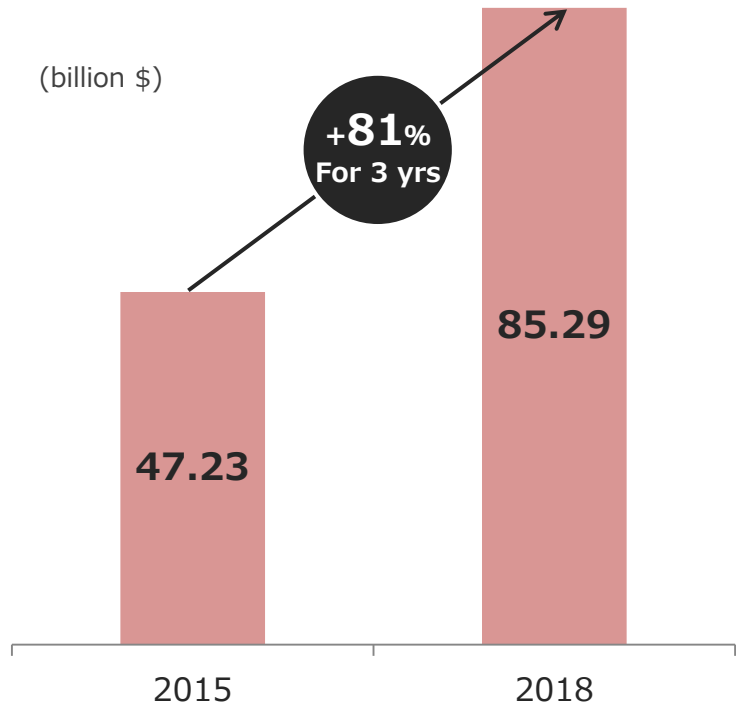
# Initiatives for Accelerating Further Growth (2)

Founded a subsidiary in Malaysia in September 2015, in order to increase advertising inventories in South East Asia mainly for SSP business  
Generated profit in Q1. Aiming to accelerate growth with enhanced up-front investment

### Quarterly Sales Trend in Overseas Business



### Estimated Internet Advertising Market Size in APAC (ex Japan)



(Source: Based on the data in November 2014 from "e-marketer," UNITED produced the graph.)

# **3. Smartphone Content Business**

# Smartphone Content Business: Sales Trend

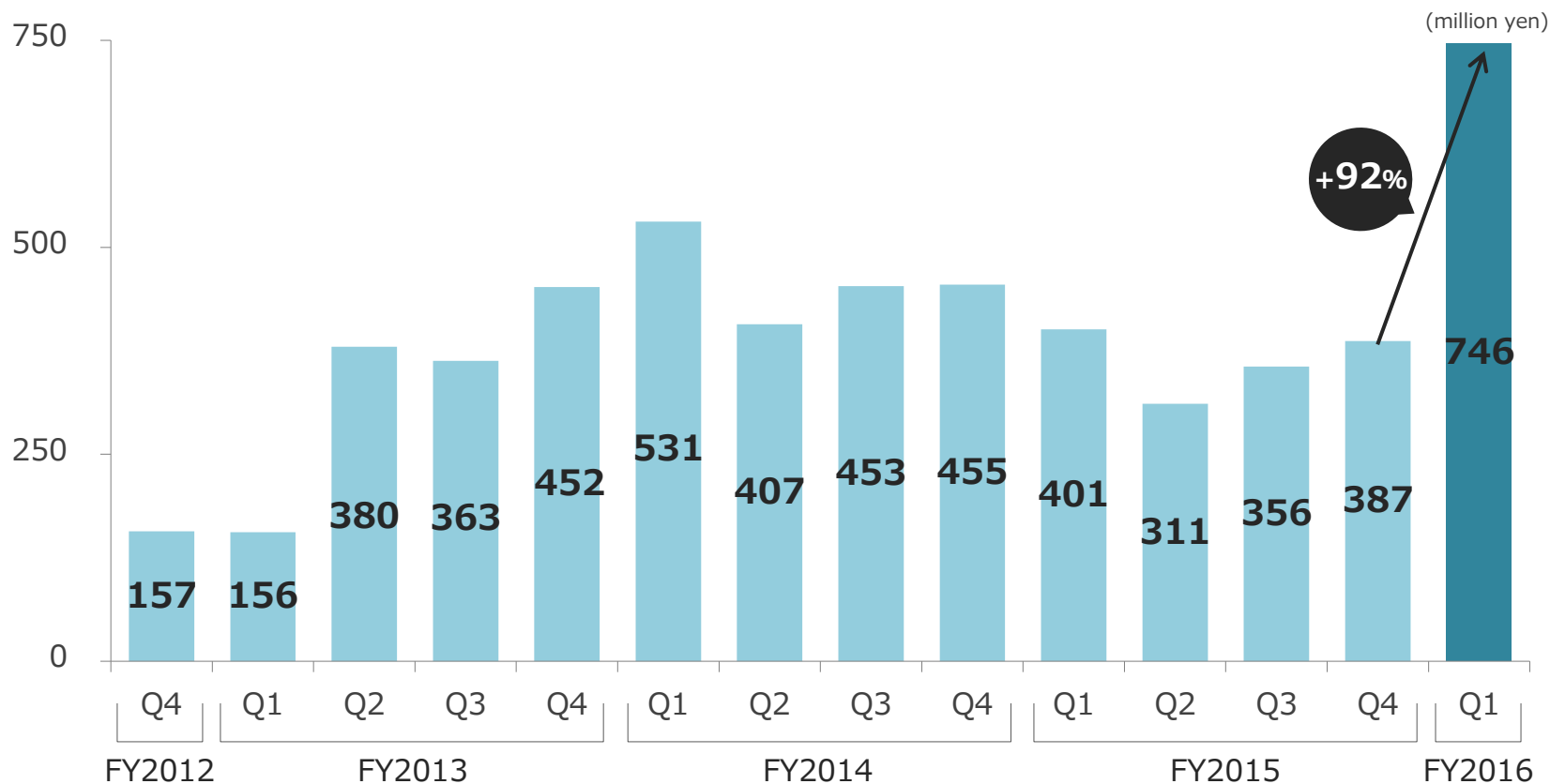
Change from Q1 FY2015 to Q1 FY2016 (YoY) : **+86%**

Change from Q4 FY2015 to Q1 FY2016 (QoQ): **+92%**

• Sales growth led by "Crash Fever," a social game app and "SMART GAME," a platform service related to in-app purchases in iOS operated by Smarprise, Inc., a newly consolidated company since the end of FY2015

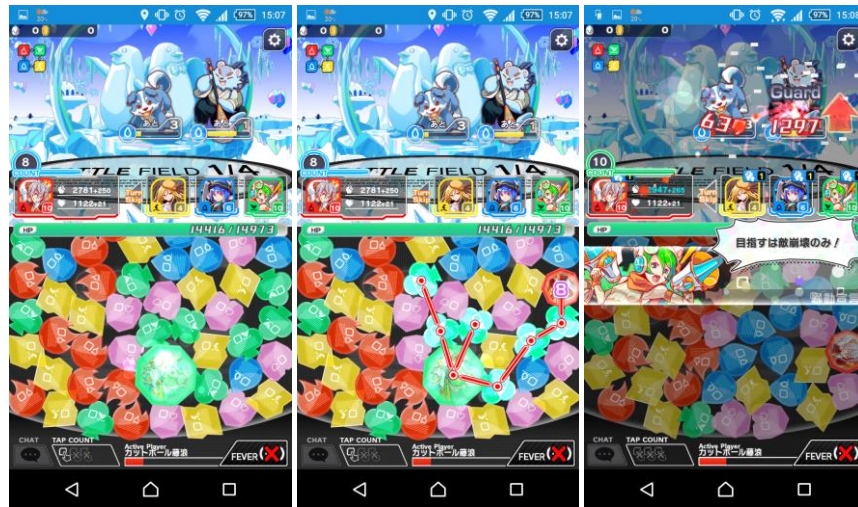
• Also, positive contribution in sales growth by "CocoPPa Play," an avatar app

## Quarterly Sales Trend



# “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 4 million downloads in May 2016

## ■ Joint Business Scheme

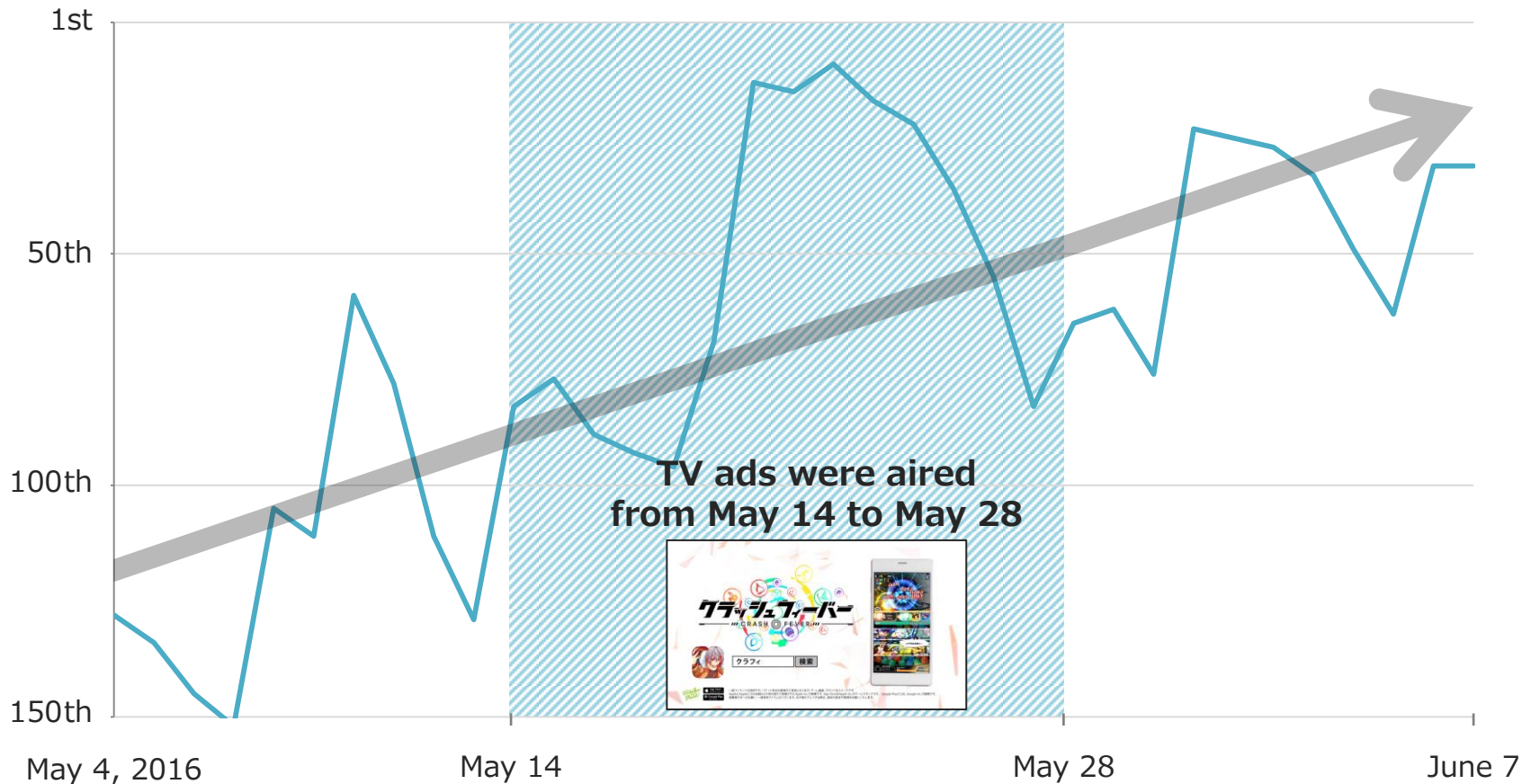
		
Development & operation	Pay for part of development cost	In charge of all development & operation process
Promotion	Cost are shared by both	
Earnings	Revenue share Charge amount of users excluding platform commission and the revenue share of Wonderplanet is booked as sales of United	



# Crash Fever: Trend in Top Grossing App Chart

TV ads were aired between May 14 and 28, 2016. During this promotion period, "Crash Fever" ranked at 8<sup>th</sup> in overall top grossing chart in AppStore

Trend in Top Grossing App Chart (May 4 - June 7, 2016: for 35 days including TV ads aired period)



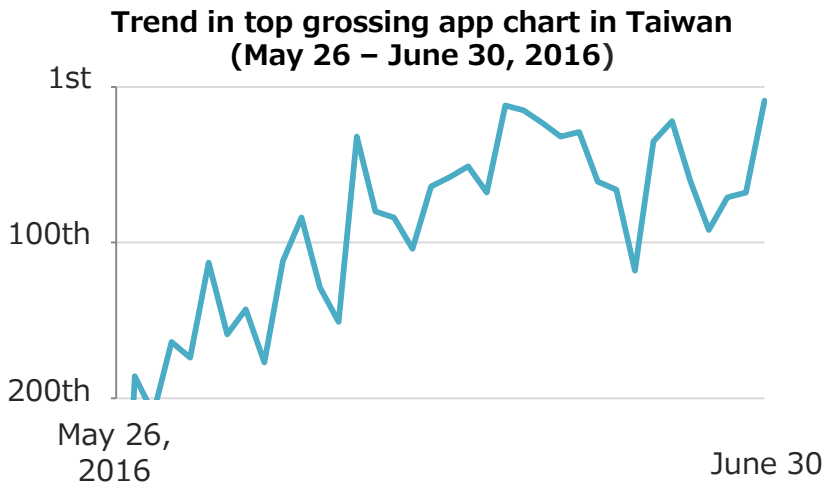
(Source : AppAnnie)

# Crash Fever: Future Development

Enhance overseas expansion based on the traditional Chinese version which is recording healthy sales trend  
Proactively pursuing collaborations with popular character content.

## Overseas Expansion

Traditional Chinese version, released on May 26, achieved top 10 in top grossing chart in AppStore in Taiwan.



Considering to enhance promotion such as TV ads in Taiwan going forward

## Collaborations

Plan to launch the collaboration event(\*) with "Attack on Titan" from August 10  
(\*)special stage and gacha system of popular characters of "Attack on Titan" appear in the game



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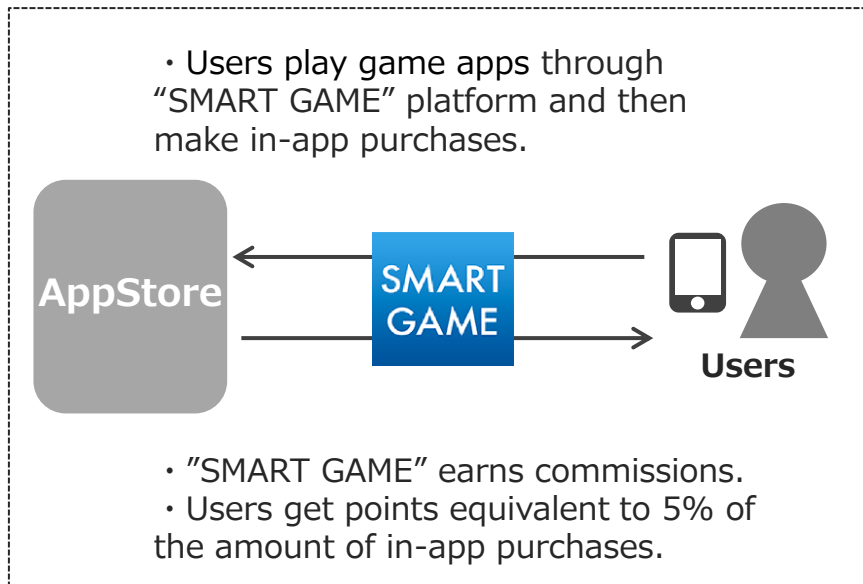
Planning to collaborate with popular character content going forward

# About "SMART GAME"

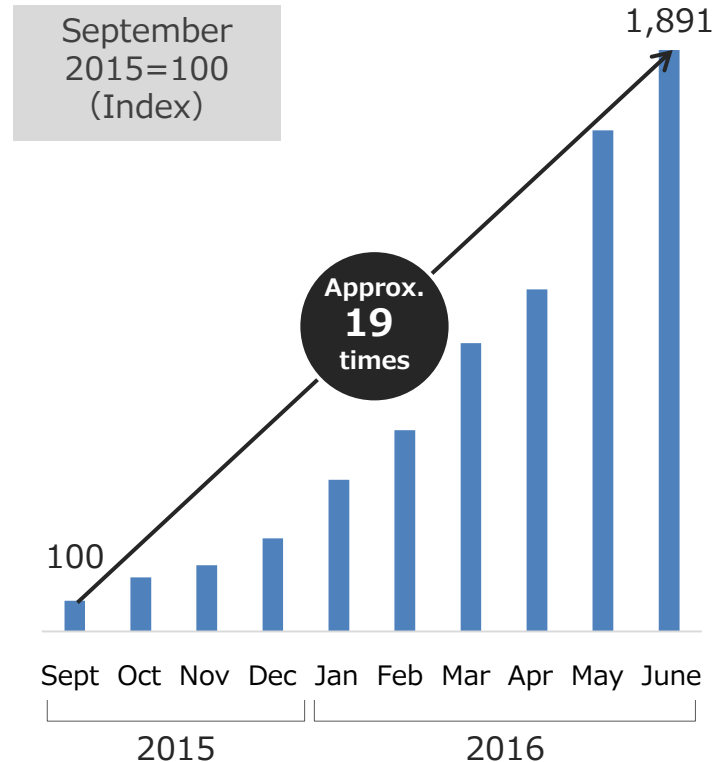
Platform service related to in-app purchases in iOS operated by Smarprise, Inc., which became a consolidated company since at the end of FY2015

## Overview of "SMART GAME"

Unique usage of iTunes affiliate provided by Apple Inc. (Not applicable for Android due to a lack of this type of program)



## Trend of SMART GAME users

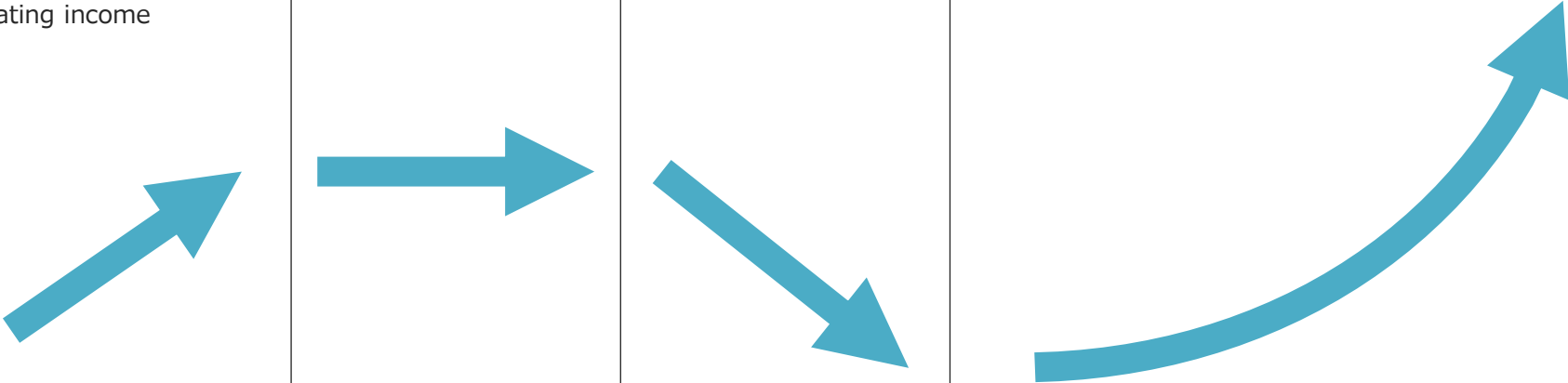


# Illustrated Trend of Operating Income in Smartphone Content Business





## Our future approach:

**Short-term: Growth led by “Crash Fever” and “SMART GAME”**

**Mid- to long-term: Aiming to accelerate profit throughout the segment, while aggressively trying to develop new services**

FY2013 【Start-up phase】	FY2014 【Stabilization phase】	FY2015 【Business structure transformation phase】	FY2016 onward Aim to accelerate profit
<p data-bbox="48 618 260 678">Illustrated trend of operating income</p> 			
<p data-bbox="48 1146 761 1339">Product mix were “apps for mobile phone carriers”, “affiliate media,” and other small sized services enabling to monetize for short period. Simultaneously challenged to improve profitability of “CocoPPa,” a smartphone home screen customizing app</p>	<p data-bbox="767 1146 1120 1339">Focused on large-scale service which aim to accelerate mid to long-term profit growth. “Crash Fever” grew.</p>		<p data-bbox="1155 1146 1858 1339"><b>Growth led by “Crash Fever” and “SMART GAME”</b> <b>Challenging to develop new services</b></p>

# Main Services of Smartphone content business

Social Game Apps		<b>Crash Fever</b>	<p>Joint business with Wonderplanet Inc., one of our investment portfolio companies</p> <p>Japanese version: reached 4 million downloads in May 2016</p> <p>Traditional Chinese version: achieved 1 million downloads in July 2016</p>
		<b>Idole Connect</b>	<p>To be released during Q2 FY2016</p> <p>Joint business with CreativeFrontier, inc.</p>
		<b>CocoPPa Play</b>	<p>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</p>
Other		<b>SMART GAME</b>	<p>Platform service related to in-app purchases in iOS, which uniquely use iTunes affiliate provided by Apple Inc. Operated by Smarprise, Inc., a newly consolidated company since the end of FY2015</p>

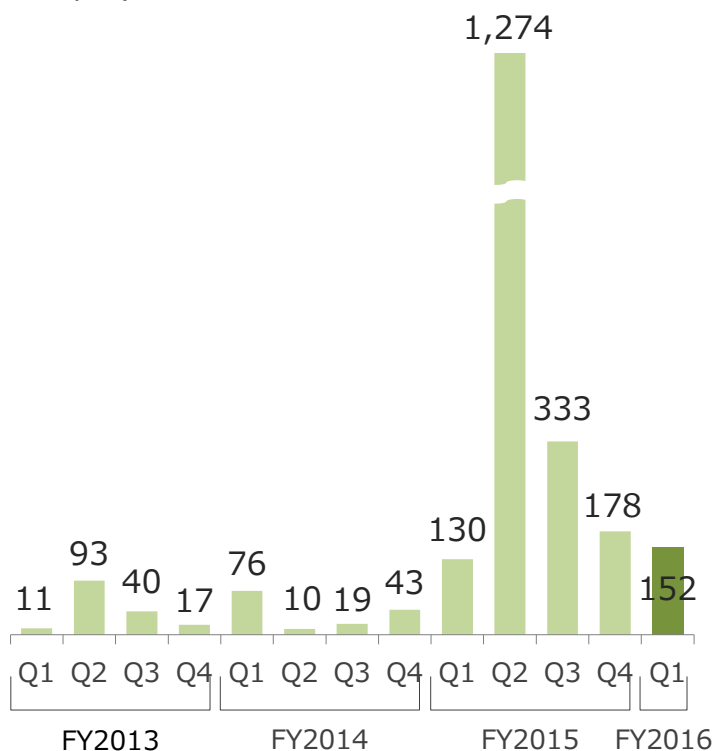
# 4. Investment Segment

# Investment Segment













The amount of operational investment securities as of the end of June 2016: ¥2,612 million  
 Expect sales and profit contribution from the current investment portfolio and new investments in seed and early stage ventures

## Quarterly Sales Trend in Investment Segment

(million yen)



## Major Investments

 Mercari, Inc.	 Social Wire Co., Ltd.	 <b>3bitter Inc.</b> Offering infrastructure services and solutions by using beacon	 Wonderplanet Inc.
 Orb, Inc.	 Translimit, Inc.	 Music Securities, Inc.	 Metaps Inc.
 Fujisan Magazine Service Co., Ltd.	 Datasection Inc.	 Enigma Inc.	 mixi, Inc.

# 5. Summary



# Overall Summary

	Q1 FY2016	Q2 FY2016 onward
<b>Consolidated Financial Performance</b>	<ul style="list-style-type: none"><li>• <b>Increase in sales but decrease in operating income year on year</b> (YoY change, %) <b>Sales</b> ¥3,135 million(+57%) <b>Operating Income</b> ¥△65 million (-)</li></ul>	<ul style="list-style-type: none"><li>• No forecast is disclosed at this moment due to 2nd large-scale promotion including TV ads for "CrashFever" in Q2.</li><li>• Developing new core business pillars such as KiRAMEX CORPORATION, a newly consolidated company since the end of FY2015</li></ul>
<b>Ad-Tech Business</b>	<ul style="list-style-type: none"><li>• Achieved growth in "Bypass," a DSP and "AdStir," a SSP</li></ul>	<ul style="list-style-type: none"><li>• Aiming to accelerate growth by concentrating business resources on Ad-Tech business</li><li>• Enhancing overseas' up-front investment and aiming to expand the business size</li></ul>
<b>Smartphone Content Business</b>	<ul style="list-style-type: none"><li>• With growth in "Crash Fever," "SMART GAME" and "CocoPPa Play," the quarterly sales marked a record high.</li></ul>	<ul style="list-style-type: none"><li>• Invested in 2nd large-scale promotion for "Crash Fever"</li><li>• Striving to accelerate profit, while challenging to develop new services</li></ul>

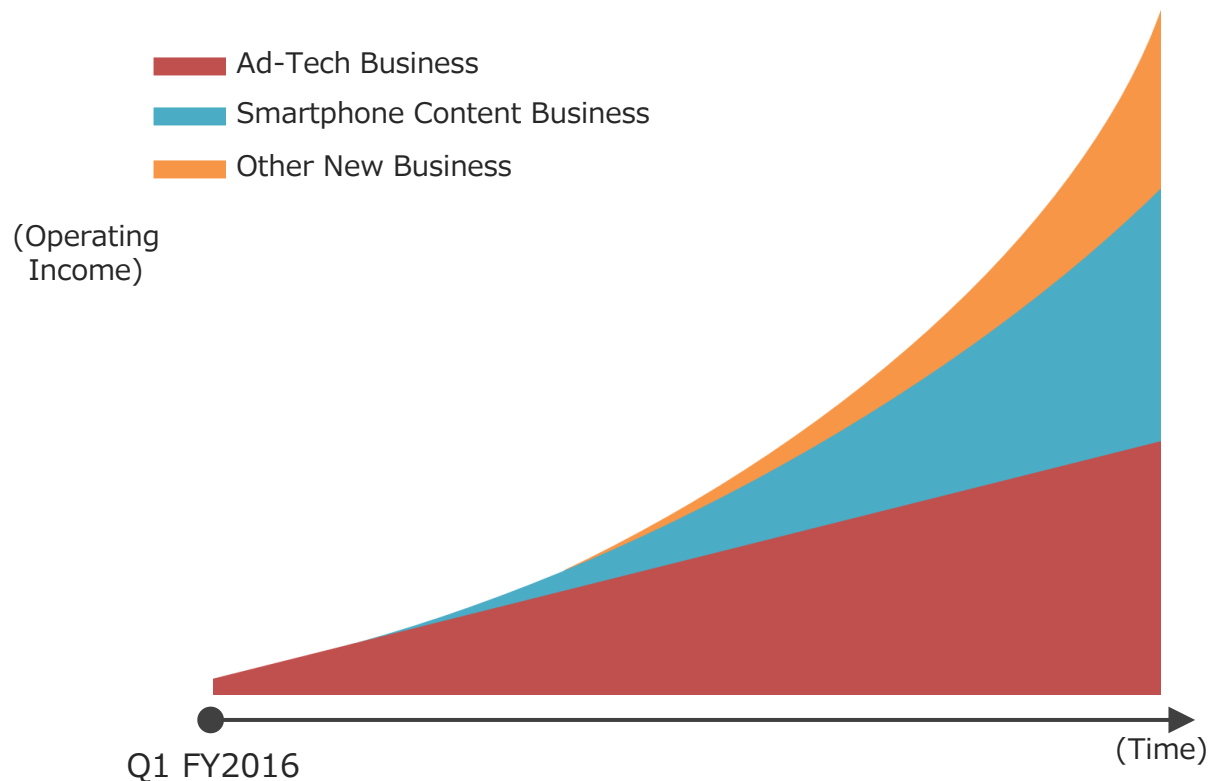
# Illustrated Trend of Mid-to Long-Term Operating Income

**Ad-Tech Business:** Striving to grow profit continuously, by accelerating the existing businesses' growth and adding new profitable business pillars by in-house product development

**Smartphone Content Business:** Focusing "Crash Fever" and "SMART GAME" in short-term aiming to accelerate mid-to long-term profit, while challenging to develop new services

**Other New Business:** Aiming to further profit growth by nurturing new business pillars

## Illustrated Trend of Operating Income by business

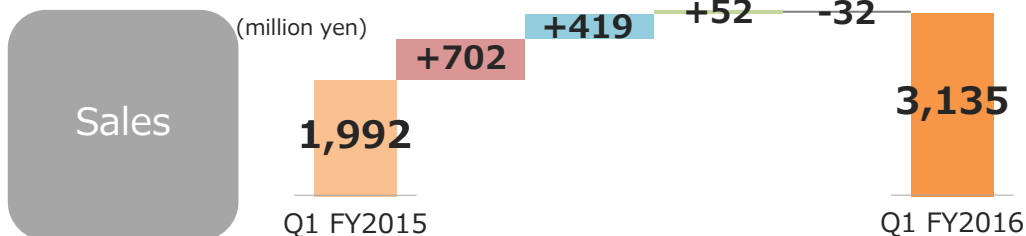


# 6. Reference Material

# Major P/L Items: YoY Change Analysis

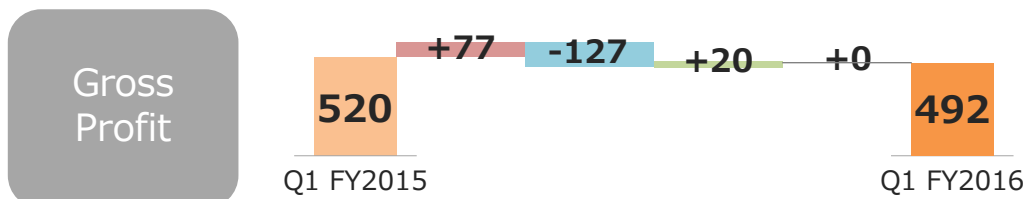
In the Content Segment, sales increased but operating income dropped YoY due to the advertising investment. In both Advertising and Investment Segments, sales and operating income grew YoY. Selling, General & Administrative expenses were constant.

Advertising Segment    Content Segment    Investment Segment    Other



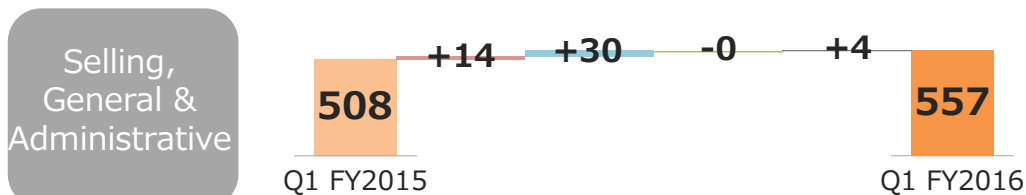
**YoY: up ¥1,142 million**

Advertising Segment: up ¥702 million YoY  
 →Increased in both "Bypass," a DSP and "Adstir," a SSP  
 Content Segment: up ¥419 million YoY.  
 →"Crash Fever" and "SMART GAME" contributed



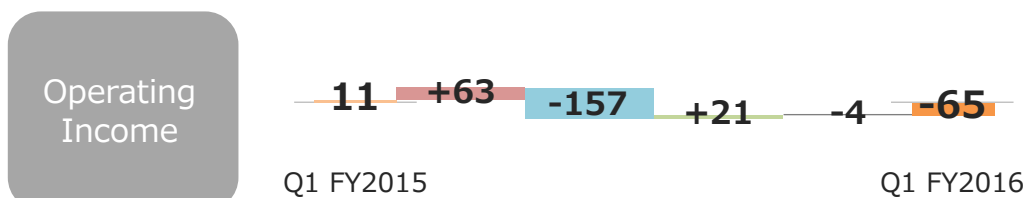
**YoY: down ¥28 million**

Advertising Segment: up ¥77 million YoY  
 →Due to rise in sales  
 Content Segment : down ¥127 million YoY  
 →Gross profit decreased due to advertising expense of approx. ¥550 million, although segment sales grew.



**YoY: up ¥48 million**

Advertising Segment: up ¥14 million YoY  
 →Due to increase in the number of personnel  
 Content Segment: up ¥30 million YoY  
 →Mainly caused by amortization and increase in personnel cost



**YoY: down ¥77 million**

Advertising Segment: up ¥63 million YoY  
 →Increased more or less in response to rise in gross profit led by growing sales  
 Content Segment: down ¥157 million YoY  
 →Caused by drop in gross profit related to ad investment

# Consolidated Balance Sheet for Q1 FY2016

**Current Assets:** Down ¥1,411 million due to sales of and loss on evaluation of operational investment securities, decrease in money held in trust for share repurchases and drop in cash & deposits etc.

**Cash & Deposits:** Down ¥612 million led by tax payment and share repurchases etc.

**Non Current Assets:** Up ¥215 million mainly due to goodwill for newly consolidated KiRAMEX CORPORATION and Smarprise, Inc.

**Non Current Liabilities:** Down ¥729 million caused by decline in income tax payable, decrease in account payable and so on

**Net Assets:** Down ¥466 million mainly due to dividend payment and decrease in valuation difference on available-for-sale securities

	End of Q1 FY2016 (June 2016)	End of Q4 FY2015 (March 2016)	Change QoQ	(million yen)
<b>Current Assets</b>	9,215	10,627	-1,411	
(cash & deposits)	4,379	4,991	-612	
<b>Non Current Assets</b>	1,289	1,074	+215	
<b>Current Liabilities</b>	1,917	2,646	-729	
<b>Non Current Liabilities</b>	17	18	-1	
<b>Net Assets</b>	8,570	9,036	-466	

# Factors of Ad Tech Business Growth (1)

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

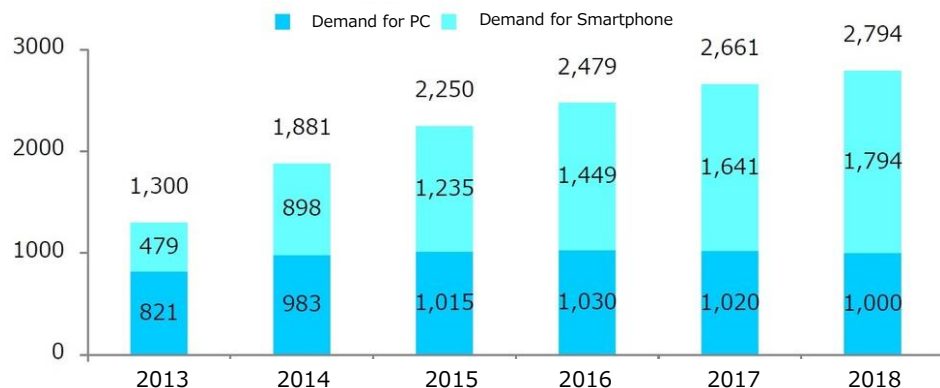
**Feature 1: Specializing in the smartphone segment, a growing market**

**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”



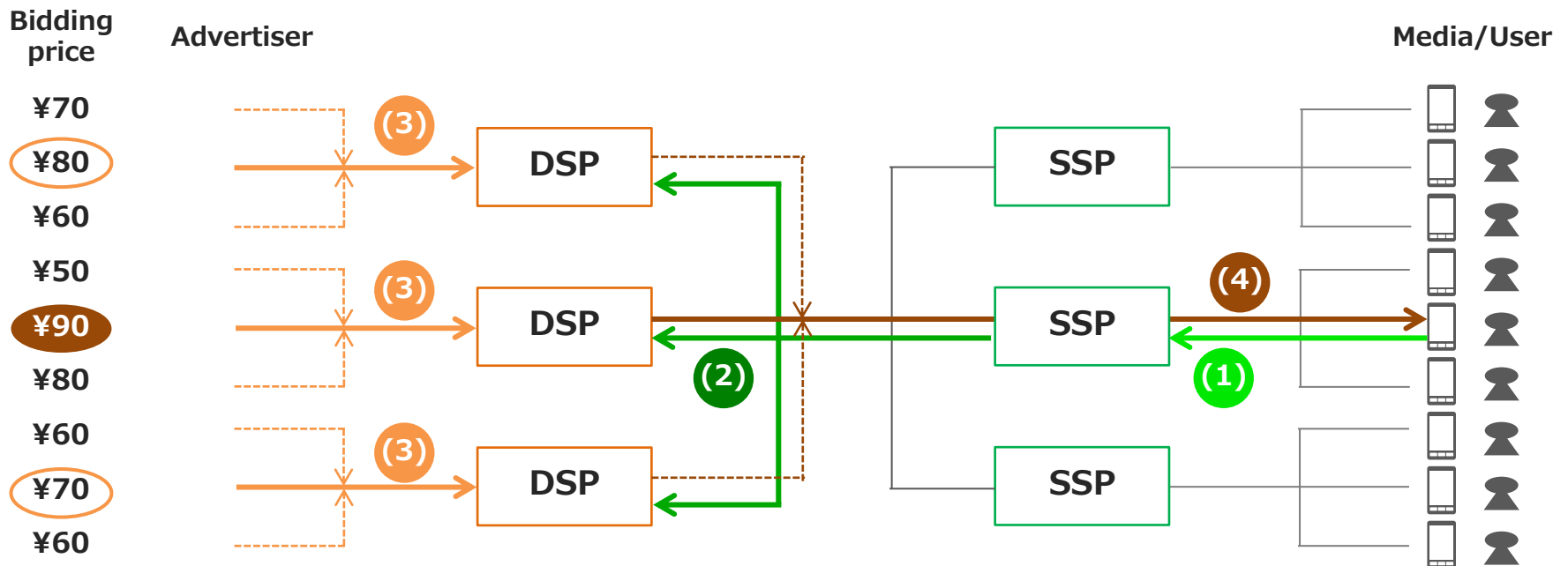
- The largest-scale inventory of smartphone ads in Japan (over 30 billion imp./month) acquired from the early stage of the start of the services ahead of other companies
- Quick adjustment to advertising format unique to smartphone



# 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