

Second Quarter, Fiscal Year Ending March 2018

Financial Results



United, Inc.
(TSE Mothers, code 2497)
October 31, 2017

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Vision

Become the leading
internet firm in Japan

Mission

Create new value through continued
challenges and contribute to society

Aim to nurture businesses by investing intensively in Ad Technology Segment and High Growth Businesses within Content Segment
Continue to invest in Investment Segment and utilize cash effectively

Ad Technology Segment ※1

Content Segment

High Growth Businesses
※2

Stable Growth Businesses
※3

Investment Segment

※1 “Advertising Segment” has been renamed “Ad Technology Segment” from FY2017.

※2 “Smartphone Content Business” has been renamed “High Growth Businesses,” which includes KiRAMEX CORPORATION from FY2017.

※3 “Other Content Business” has been renamed “Stable Growth Businesses,” which excludes KiRAMEX CORPORATION from FY2017.

Ad Technology Segment



DSP



VidSpot

Video ad distribution
platform



SSP

Content Segment

High Growth Businesses



“Crash Fever” “CocoPPa Play”

Games



Apps for
mobile carriers

Smarpr!se

Smarprise, Inc.



Fogg, inc.

KiRAMEX

KiRAMEX
CORPORATION



ALAN•PRODUCTS, Inc. ※
(Formerly Goroo, Inc.)

Stable Growth Businesses



TREiS, inc.



International Sports
Marketing Co., Ltd.

Investment Segment



Investment business of
UNITED, inc.



Venture United, inc.

※ Goroo, Inc. has been renamed ALAN•PRODUCTS, Inc. from October 2, 2017.

1. Financial Highlight



Consolidated Sales: Increased by 7% despite the impact of discontinued Agency Business in FY2016

Consolidated Operating Income: Up 1,612% YoY mainly led by Content Segment and Investment Segment

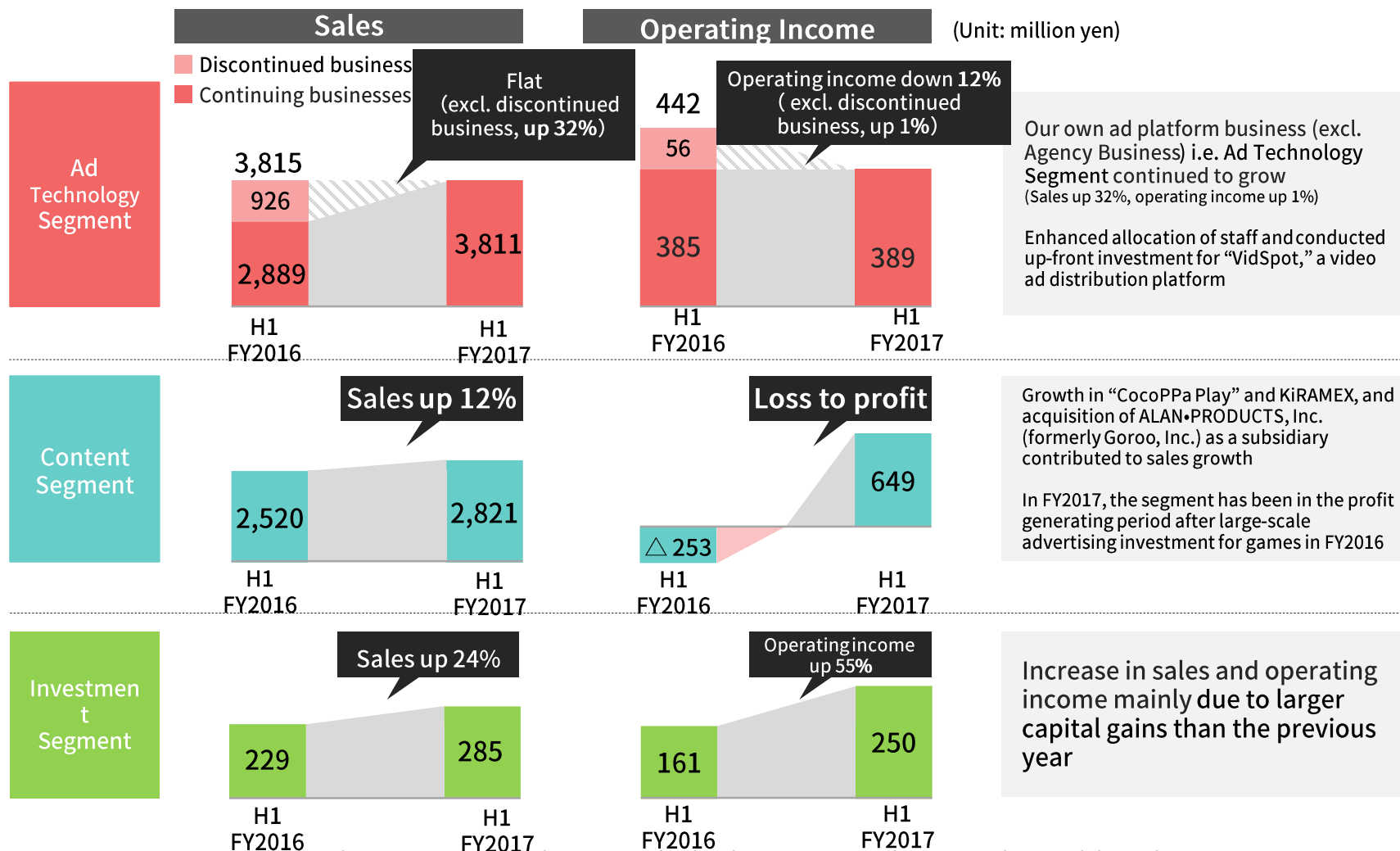
Overall	Consolidated	<p>Sales: ¥6,899 million (YoY up 7%)</p> <p>Operating Income: ¥950 million (YoY up 1,612%)</p> <p>Net Income: ¥566 million (loss to profit)</p>
	Ad Technology Segment	<p>Sales: ¥3,811 million (YoY 0%)</p> <p>Operating Income: ¥389 million (YoY down 12%)</p> <ul style="list-style-type: none"> • Sales and operating income from continuing businesses grew by 32% and 1% YoY respectively (excluding discontinued Agency Business)
	Content Segment	<p>Sales: ¥2,821 million (YoY up 12%)</p> <p>Operating Income: ¥649 million (loss to profit)</p>
	Investment Segment	<p>Sales: ¥285 million (YoY up 24%)</p> <p>Operating Income: ¥250 million (YoY up 55%)</p>

Comparison with H1 FY2016: H1 FY2017 Sales and Operating Income by Segment



Ad Technology Segment: Sales excl. discontinued business (Agency Business) continued to grow

Content Segment: Has moved to the profit generating period and turned from loss to profit



Note: "Advertising Segment" has been renamed "Ad Technology Segment" from FY2017 due to withdrawal from Agency Business in FY2016.

Consolidated P/L Statement H1 FY2017 (Three Months Ended September 30, 2017)



Sales: Up 7% YoY despite the impact of withdrawal from Agency Business in FY2016

Gross Profit: Up 99% YoY as large-scale ads* for Content Segment were conducted in H1 FY2016

SG&A Expenses: Increased by 26% YoY due to increase in HR expenses and share-based compensation expenses, and amortization of goodwill of ALAN•PRODUCTS, Inc. (formerly Goroo, Inc.)

Operating Income: Increased by 1,612% as game business in Content Segment moved to profit generating phase and group companies grew

- Approx. ¥1,083 million advertising investment conducted for former Smartphone Content Business, mainly “Crash Fever”

	FY2017	FY2016	YoY
	H1	H1	%
Sales	6,899	6,476	+7%
Ad Technology Segment	3,811	3,815	0%
Content Segment	2,821	2,520	+12%
Investment Segment	285	229	+24%
Adjustments	△19	△89	-
Gross Profit	2,401	1,206	+99%
Ad Technology Segment	729	761	△4%
Content Segment	1,404	254	+452%
Investment Segment	268	190	+41%
Adjustments	△0	△0	-
SG&A expenses	1,451	1,150	+26%
Operating Income	950	55	+1,612%
Ad Technology Segment	389	442	△12%
Content Segment	649	△253	-
Investment Segment	250	161	+55%
Headquarter Expense	△339	△294	-
Ordinary Income	944	104	+807%
Net Income attributable to owners of parents	566	△60	-
Extraordinary profit and loss	△4	△68	-
Taxes etc.	△374	△95	-

Interim dividends will be paid based on our dividend policy “targeting consolidated dividend payout ratio of approx. 20%”

Outline of Interim Dividend

	FY2017 Interim Dividend	FY2016 Term-end Dividend	FY2016 Interim Dividend
Record Date	September 30, 2017	March 31, 2017	
Dividend per Share	¥ 5.00	¥ 8.00	Not yet determined
Total Dividends	¥ 114million	¥ 183million	—
Net Earnings per Share	¥ 24.62	¥ 40.16	△ ¥ 2.63

2. Business Review Q2 FY2017



① Ad Technology Segment

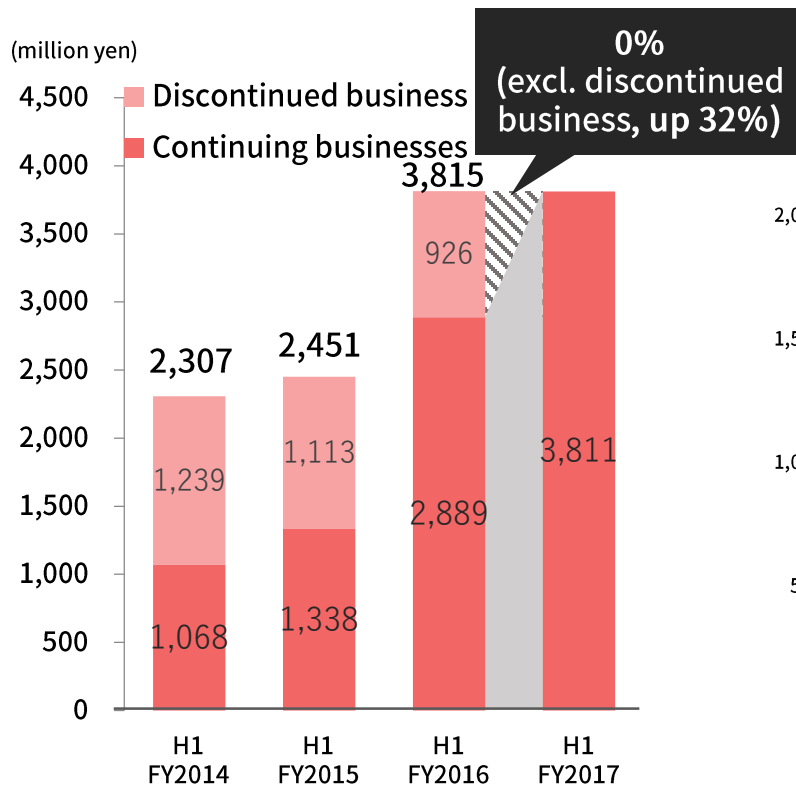


H1 FY2017 Sales (excluding discontinued business) up 32% YoY

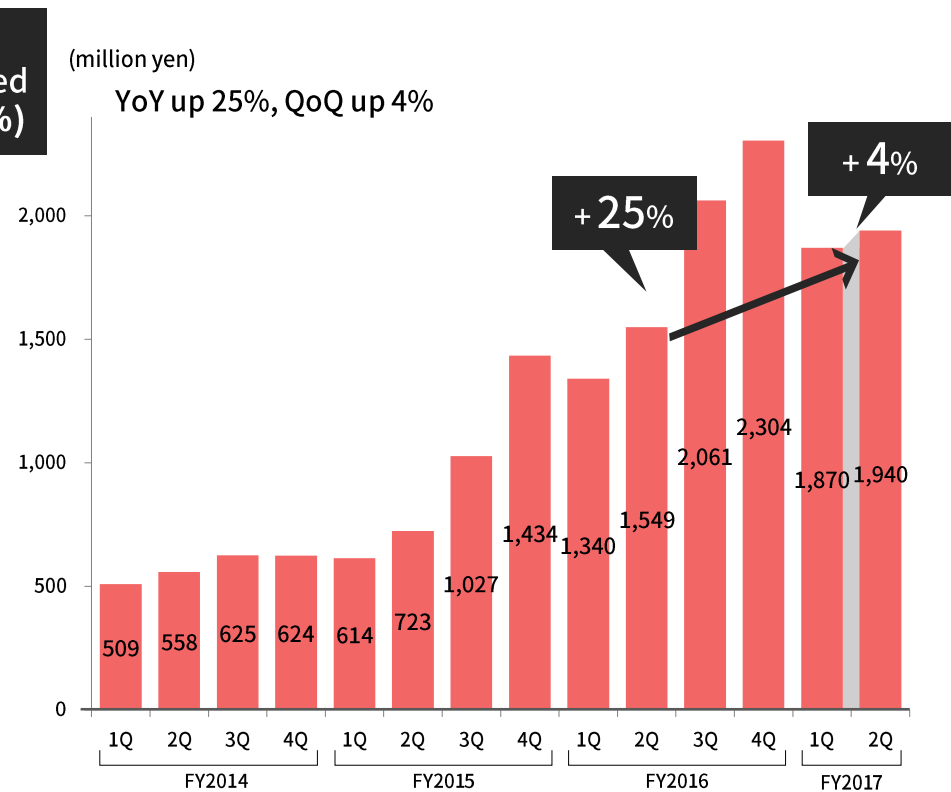
- H1 sales including discontinued business were flat YoY
- Q2 sales increased by 1% QoQ, resulting from growing video ads and proactively tackling ad fraud*

*Ad fraud: Fraudulent advertising involved in invalid impressions and clicks generated by bots (automated computer programs)

Sales Trend for H1



Quarterly Sales Trend (Continuing Businesses)



Note 1: "Advertising Segment" has been renamed "Ad Technology Segment" from FY2017 due to withdrawal from Agency Business in FY2016.

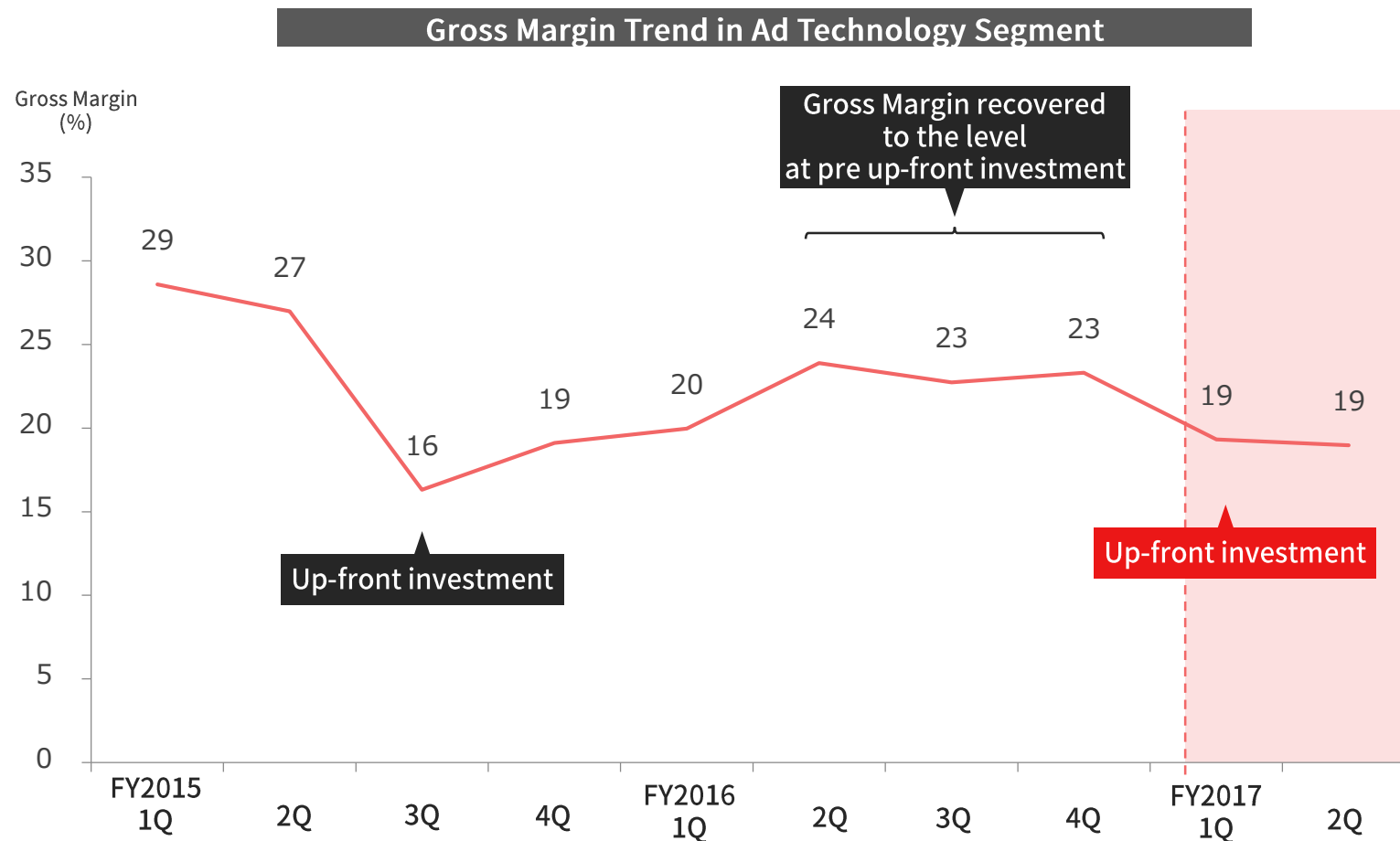
Note 2: In the quarterly sales trend graph, quarterly sales figures up to FY2016 were based on sales of the former "Ad-Tech Business" (our own ad platform and external DSP portion in Agency Business) in Q1 FY2017 result presentation. However, those figures are based on sales of "Ad Technology Segment" (our own ad platform only) in this presentation. Such a change is made in order to make sales trend for continuing businesses clear.

Ad Technology Segment: Gross Margin Trend



Up-front investment in Q2 mainly for expanding video ad inventories for “VidSpot,” a video ad distribution platform

Plan to enhance investment in H2 FY2017 onward and expect sales growth



Note: In the graph, gross margin figures up to FY2016 were based on gross margin of the former “Ad-Tech Business” (our own ad platform and external DSP portion in Agency Business) in Q1 FY2017 result presentation. However, those figures are based on gross margin of “Ad Technology Segment” (our own ad platform only) in this presentation. Such a change is made in order to make gross margin trend for continuing businesses clear.

“VidSpot” is a video ad distribution platform for mobiles

Aim to optimize advertising effectiveness for advertisers as well as to maximize revenue and profit for media

Features of “VidSpot”

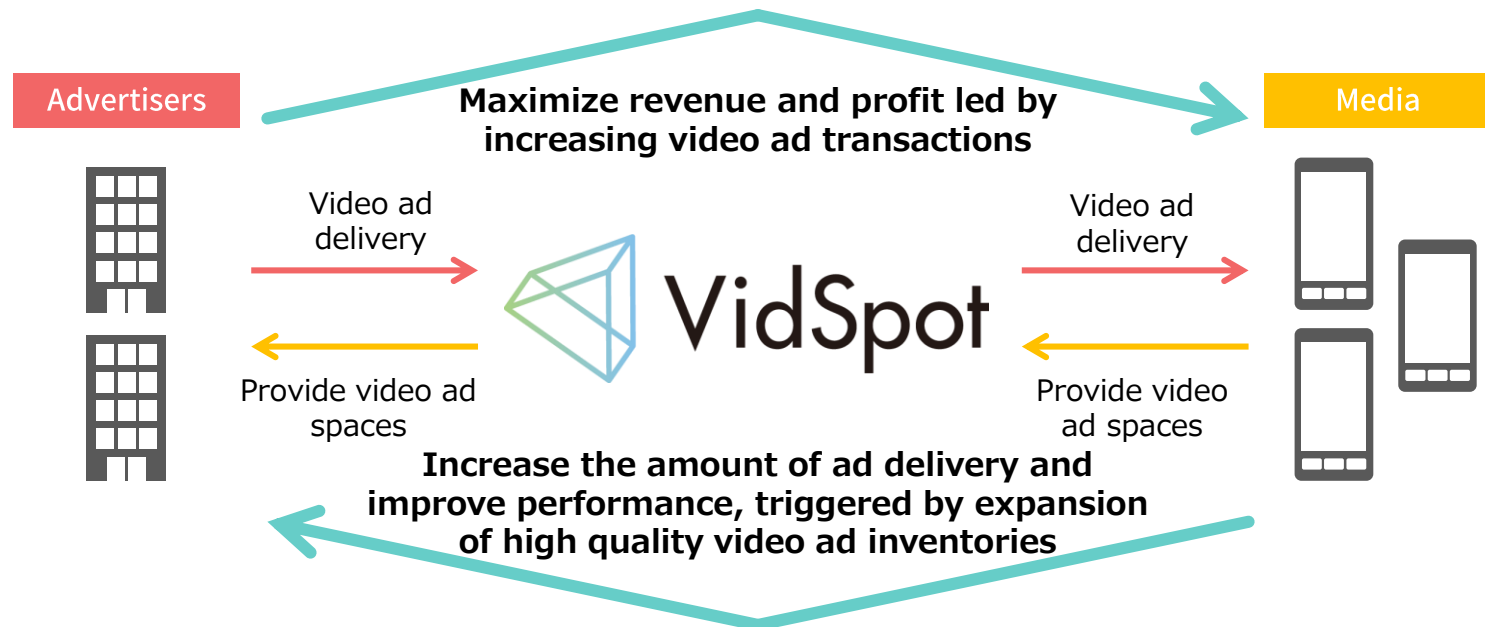
1. Ad Optimization Technology

- High matching accuracy between ads and ad spaces, led by ad optimization technology accumulated by “Bypass,” a DSP

2. Abundant Video Ad Inventories

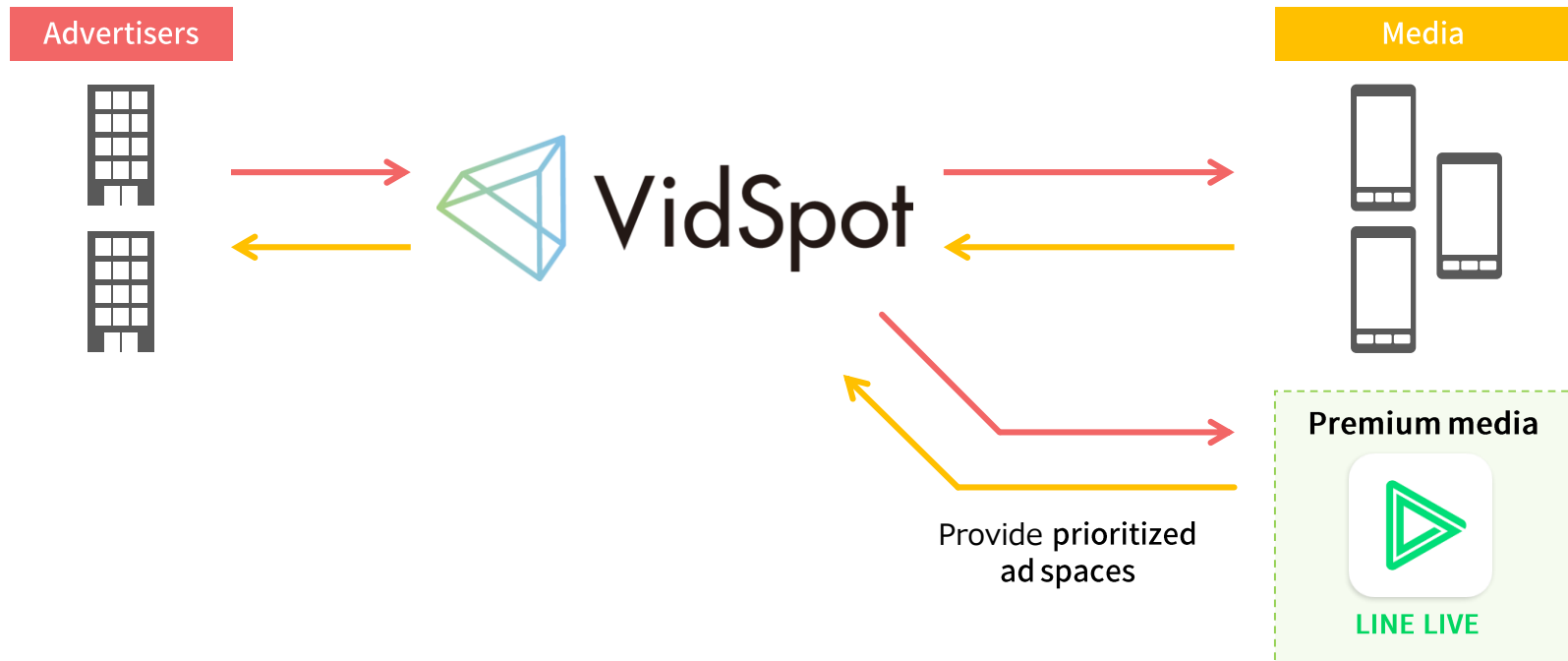
- Secure diversified video ad inventories, leveraging connected partners of “Bypass,” a DSP and “adstir,” an SSP
- With our knowledge of video ads, acquire video ad spaces of premium media such as “LINE LIVE”

Video Ad Distribution Flow



New Initiatives for “VidSpot”

Concluded the partnership agreement regarding sales and operation of video ad spaces in “LINE LIVE” provided by LINE Corporation
By promoting further acquisition of high quality video ad spaces, will expand business going forward







About “LINE LIVE”

- ✓ Live broadcast app
- ✓ MAU reached over 33 million※1 supported by mainly younger audience
- ✓ Male : Female = 43% : 57%, Users of 24 years old or younger: 47% ※2

▶ **Largest class of live video broadcast platform in Japan**

※1 Survey by LINE Corporation (As at , 2017) ※2 Sampling survey conducted by LINE Corporation during the year ended August, 2016

Overall Business Strategy: Enhance existing products and develop new products aiming to become No1 domestic ad tech player

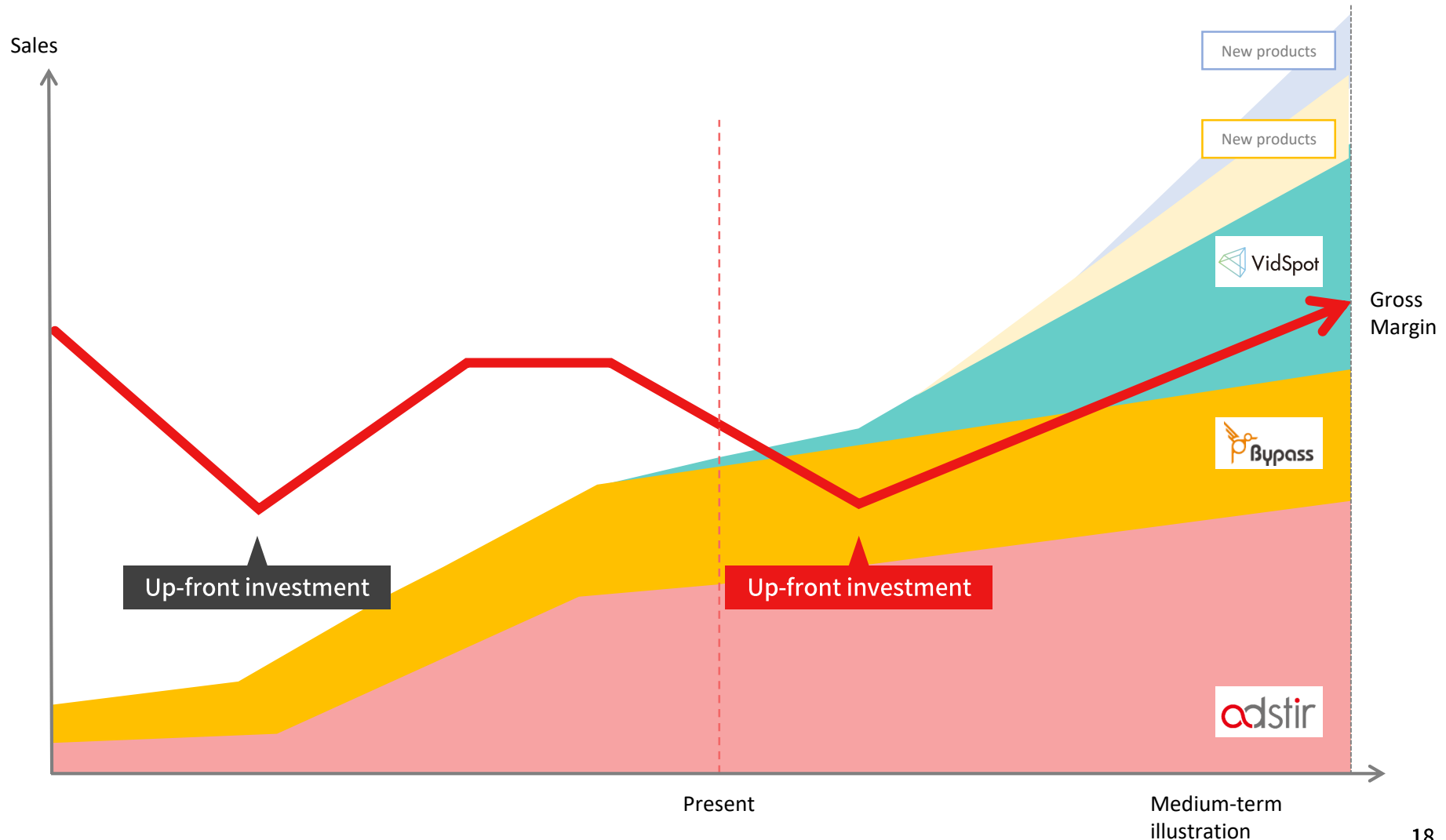
	Products	Business strategies for Q3 FY2017 onward
Supply-Side		<ul style="list-style-type: none"> • “adstir,” an SSP: Maintain the position as a domestic leading SSP. Continue to grow by diversifying ad formats including video and in-feed ads, and by offering new solutions etc. • Proactively tackling ad fraud problem
Demand-Side		<ul style="list-style-type: none"> • Enhance up-front investment in order to aggressively strive to secure video ad inventories such as “LIVE Video Ads”
		<ul style="list-style-type: none"> • Promote improving operational efficiency, while responding to diversified ad formats such as in-feed native ads.
New Products		<ul style="list-style-type: none"> • Leverage accumulated knowledge, operational know-how and technologies from existing products to plan and develop new products

Note: “Demand-Side” is a service for advertisers and advertising agencies to place ads.
 “Supply-Side” is a service for publishers to maximize their revenue and profit.

Ad Technology Segment: Medium-term Business Strategy



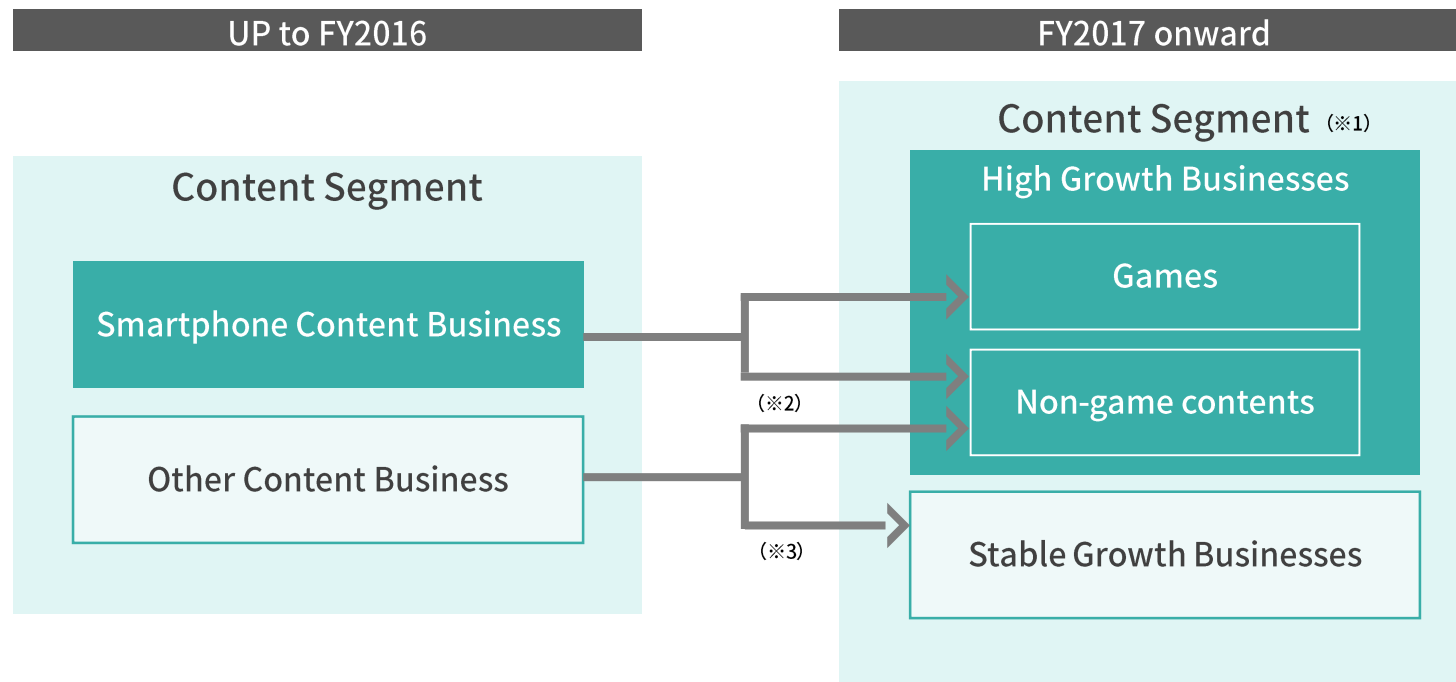
Accelerated business growth triggered by the up-front investment in H2 FY2016
Going forward, up-front investment for focused products will be conducted in appropriate timing, aiming for business expansion
Simultaneously, develop new products



② Content Segment



Up to FY 2016: Content business, focusing particularly on smartphone apps, expanded by setting “Smartphone Content Business” as core business
FY2017 onward: Investing aggressively in a broad range of high growth potential businesses under our “High Growth Businesses”



※1 Details of “High Growth Businesses” and “Stable Growth Businesses” are shown on page 5.

※2 Major services of “Games” and “Non-game contents” are shown on page 18.

※3 KIRAMEX CORPORATION, formerly in “Other Content Business,” is reclassified in “Non-game contents” within “High Growth Businesses.”

High Growth Businesses in Content Segment: Sales Trend

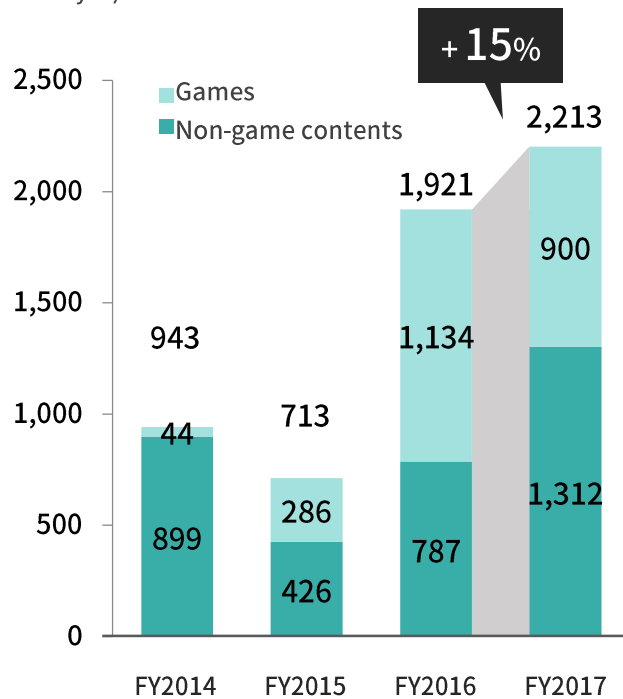


H1: YoY up 15%

- YoY: Increase in sales triggered by growth in “CocoPPa Play” and KiRAMEX CORPORATION as well as the acquisition of ALAN•PRODUCTS, Inc. as a subsidiary
- QoQ: Despite downward sales trend, “Crash Fever” contributed to profit as it moved to the profit generating period

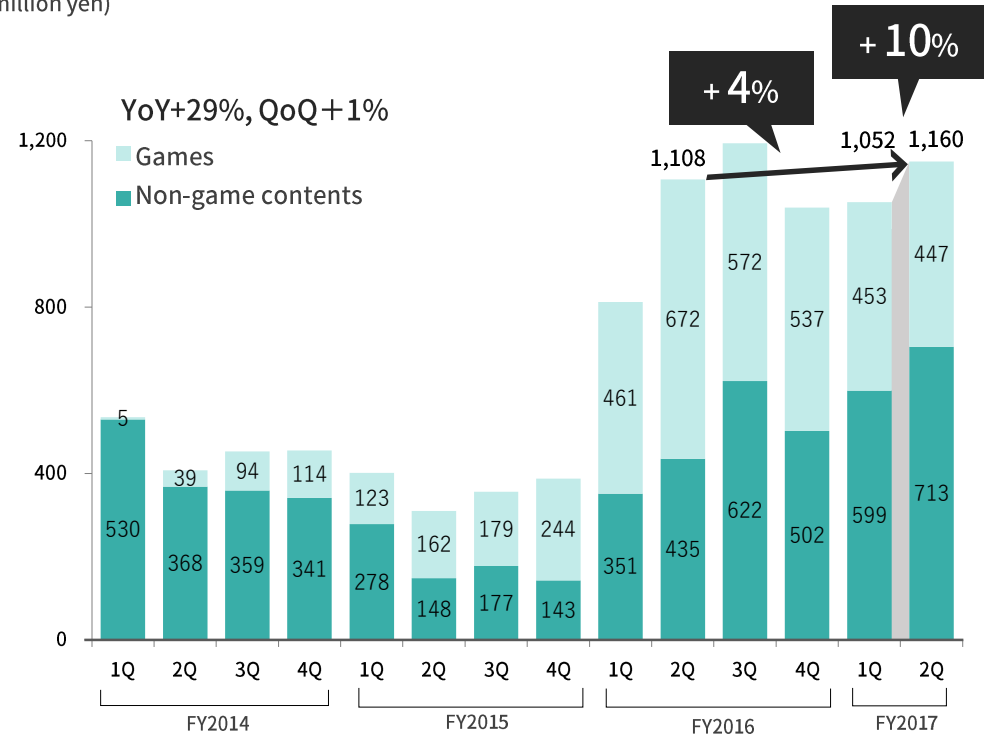
Trend for H1

(million yen)



Quarterly Trend










(million yen)



Note: “Smartphone Content Business” and “Other Content Business” have been renamed “High Growth Businesses” and “Stable Growth Businesses” respectively since FY2017. KiRAMEX CORPORATION, formerly in “Stable Growth Businesses,” is reclassified in “High Growth Businesses.”

High Growth Businesses in Content Segment: Major Services



Games	Native Social Game Apps	 Crash Fever	“Smash! Pop☆RPG” game app Joint business with Wonderplanet, Inc., one of our investment portfolio companies
		 CocoPPa Play	Dressing-up avatar app operated solely by United since March 2016
		 ? New game title	Planned release Spring 2018
		 ? New game title	Planned release H2 FY2018
Non-Game Content	In-app Purchase Platform	 SMART GAME (Smarprise, Inc.)	Platform service related to in-app purchases in iOS apps, which gives users points equivalent to a proportion of in-app purchases
	Idol Cheering Apps	 CHEERZ (Fogg, Inc.)	App for cheering female idols Also offer app for cheering male idols, “CHEERZ for JUNON” Start to provide to NTT docomo’s “Sugotoku-Contents”
	EdTech	 TECHACADEMY	Offer online learning for programming, design etc.
	vertical media	 ALAN PRODUCTS, Inc. (Formerly Goroo, Inc.)	Offer vertical media businesses
	Other	 脳 TAP 10 Apps for mobile carriers	Provide in-house developed apps to NTT docomo’s “Sugotoku-Contents” and au’s “Smart Pass”

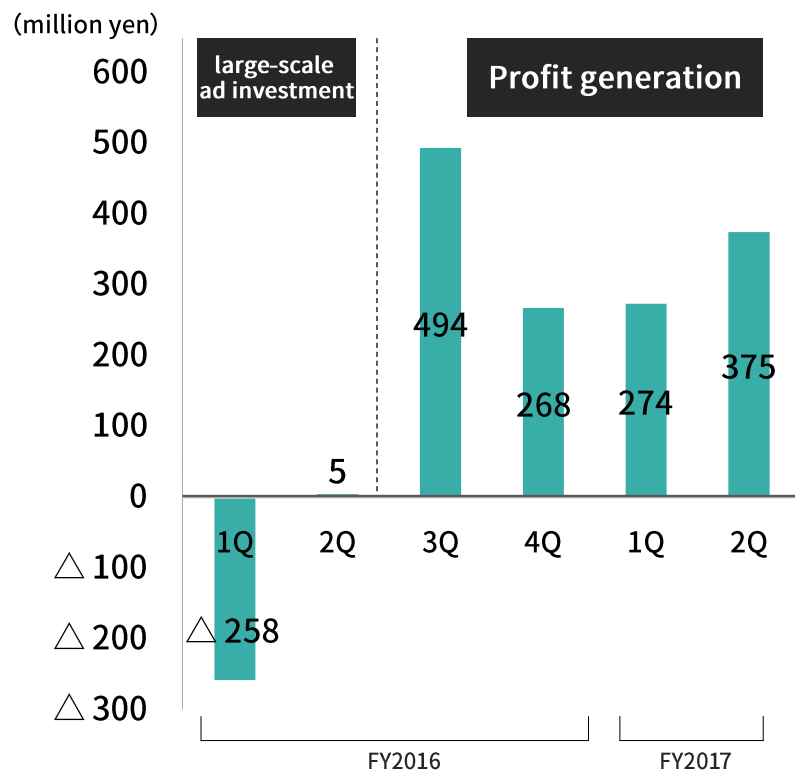
Content Segment: Segment Profit Trend



Has moved into the profit generating period since Q3 FY2016 after conducting large-scale ad campaigns for “Crash Fever” in Q1 and Q2 FY2016

In Q2 FY2017 onward, continue to invest in games and non-game contents for future growth, while striving to generate profit

Quarterly Trend for Content Segment Profit



Strategies for Q3 FY2017 onward

Games

- Maximize profit generation of “Crash Fever” and expect solid profit contribution by “CocoPPa Play”
- Maintain continuous investment for development of a new game title aiming for release Spring 2018 onward,

Non-game contents

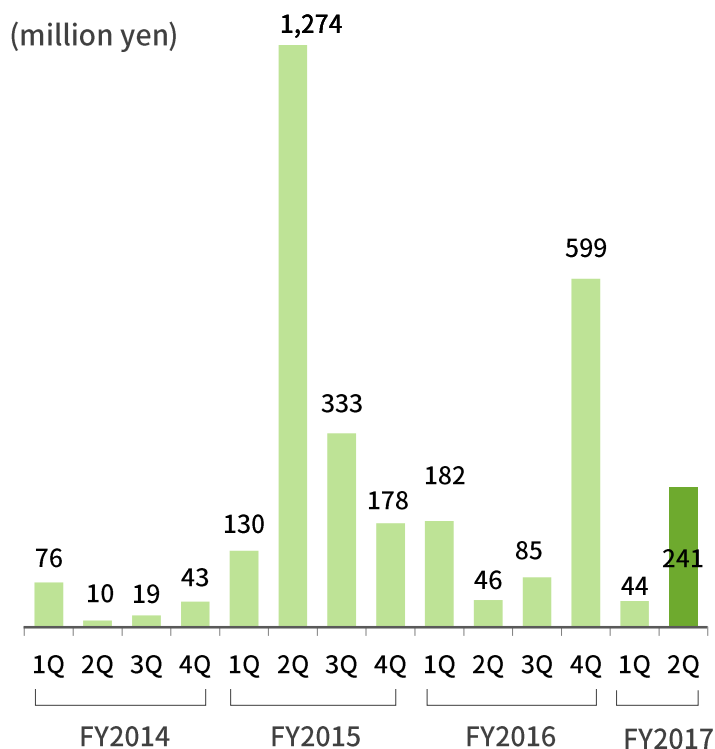
- Keep working on developing new services as new businesses while promoting growth in existing services

③ Investment Segment



The amount of operational investment securities as of the end of Q1 FY2017: ¥2,996 million
 In Q2 FY2017, capital gains and fund management gains were recorded
 Continue new investments in seed and early stage ventures and expect sales and profit contribution from the investment portfolio

Quarterly Sales Trend in Investment Segment



Major Investments Held in the Investment Portfolio

CtoC mobile marketplace



Mercari, Inc.

Recipe video



dely, Inc.

VR social game



Cluster, Inc.

Listed BPO



SOCIALWIRE CO.,LTD.

Social game



Wonderplanet Inc.

Social game



Translimit, Inc.

Major Past Investments



Fujisan Magazine Service Co., Ltd



Metaps Inc.



Datasection Inc.



mixi, Inc.

④ New Business



Set up a new subsidiary in order to commence preparation for entering virtual currency trading related business

Utilize “U-START,” our unique start-up support system

※ “U-START”: Our start-up support system for employees with high entrepreneur spirit who had outstanding performance record

Company Outline	
Name	COINAGE, Inc.
Company Representative	CEO Ryohei Yamazaki
Paid-in Capital	¥ 10 million
Shareholders	United 67%, Ryohei Yamazaki 33%

“U-START,” our start-up support system



3. Outlook FY2017



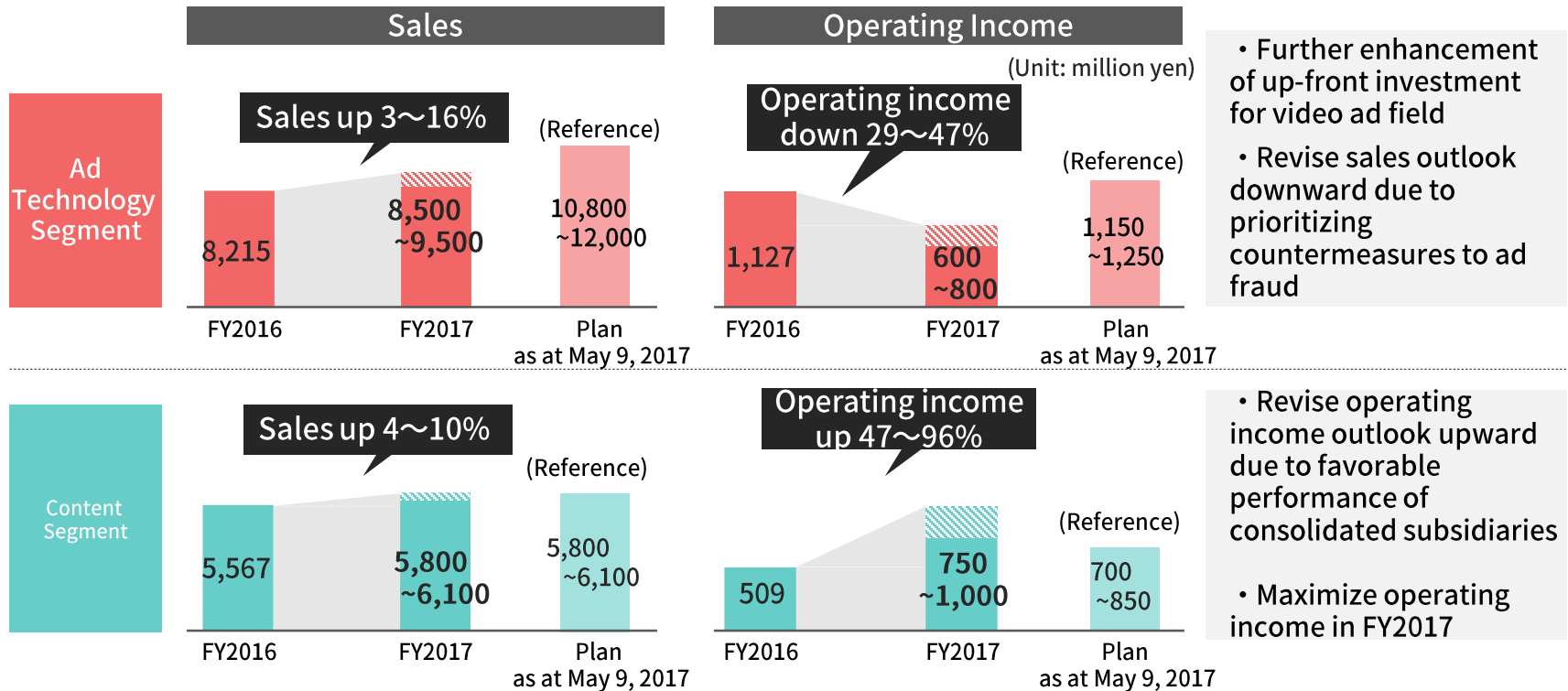
FY2017: Sales and Operating Income Outlook by Segment



Plan for increase in sales but decrease in operating income in Ad Technology Segment, and both sales and operating income growth in Content Segment

Plan to increase consolidated sales and operating income

(Note : This outlook is revised from the one as at May 9, 2017)



Investment Segment

Difficult to rationally forecast at this point

※ As we consider it difficult to produce a rational forecast for Investment Segment at this point, FY2017 consolidated forecast will be disclosed once we are able to rationally make a forecast.

	Q2 FY2017	Q3 FY2017 Onward
Consolidated	<p>Increase in sales and operating income YoY (YoY change, %)</p> <p>Sales ¥6,899 million (up 7%) Operating Income ¥950 million (up 1,612%) Net Income ¥566 million (loss to profit)</p>	<ul style="list-style-type: none"> • Aim to increase consolidated sales and operating income for FY2017, and simultaneously strengthen nurturing of new businesses for mid-to long-term growth
Ad Technology Segment	<ul style="list-style-type: none"> • Continuously grew sales and operating income based on continuing businesses (excluding discontinued Agency Business) • Started up-front investment for video ads and enhanced allocation of staff • Proactively tackling ad fraud problem 	<ul style="list-style-type: none"> • Further enhancing up-front investment for video ad field, especially “VidSpot” • Proactively tackling ad fraud problem
Content Segment	<ul style="list-style-type: none"> • Games moved to the profit generating period and the segment turned from loss to profit • Non-game content sales grew 	<ul style="list-style-type: none"> • Games continue to generate profit and invest in new game development • As for non-game contents, keep working on nurturing new businesses

4. Reference Material

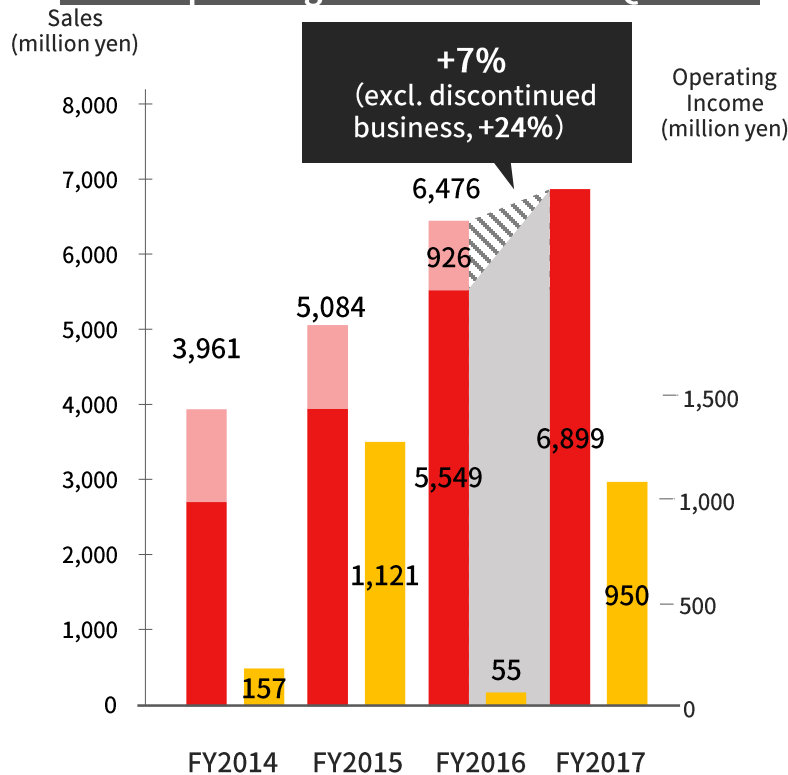


Consolidated Sales and Operating Income Trend

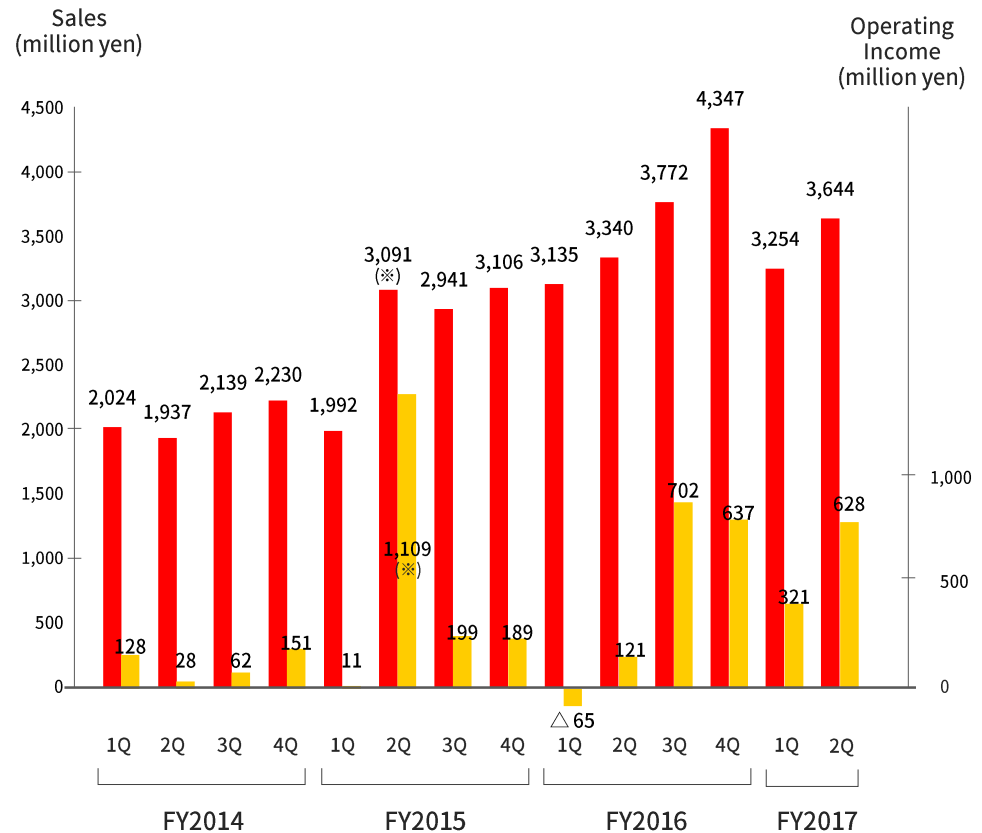


Q2: Consolidated sales grew by 7% YoY (up 24% for continuing businesses, excluding discontinued business) and operating income grew by 1,612% YoY

Consolidated Sales and Operating Income Trend for Q2



Quarterly Trend



■ Sales from continuing businesses

■ Sales from discontinued business

■ Operating Income

(※) Gain on sales of shares related to IPO of our investing companies etc. affected Investment Segment sales and operating income by ¥1,274 million and ¥1,231 million respectively.

Consolidated P/L Statement Q2 FY2017 (Three Months Ended September 30, 2017)



Sales: Up 9% YoY despite the impact of withdrawal from Agency Business in FY2016

Gross Profit: Up 89% YoY as large-scale ads* for Content Segment were conducted in Q2 FY2016

SG&A Expenses: Increased by 22% YoY due to increase in HR expenses and share-based compensation expenses, and amortization of goodwill of ALAN•PRODUCTS, Inc. (formerly Goroo, Inc.)

Operating Income: Turned from loss to profit in consolidated operating income as Content Segment turned into black

* Approx. ¥530 million advertising investment conducted for former Smartphone Content Business, mainly “Crash Fever”

(Unit: million yen)

	FY2017	FY2016	YoY	FY2017	QoQ
	Q2	Q2	%	Q1	%
Sales	3,644	3,340	+9%	3,254	+12%
Ad Technology Segment	1,940	1,902	+2%	1,870	+4%
Content Segment	1,474	1,425	+3%	1,346	+9%
Investment Segment	241	46	+414%	44	+444%
Adjustments	△12	△34	-	△6	-
Gross Profit	1,351	714	+89%	1,050	+29%
Ad Technology Segment	368	413	△ 11%	361	+2%
Content Segment	755	257	+193%	648	+17%
Investment Segment	228	42	+433%	40	+467%
Adjustments	△0	△0	-	0	-
SG&A expenses	722	592	+22%	728	△ 1%
Operating Income	628	121	+418%	321	+96%
Ad Technology Segment	204	245	△ 17%	185	+10%
Content Segment	375	5	+7,302%	274	+37%
Investment Segment	219	28	+669%	30	+616%
Headquarter Expense	△170	△157	-	△168	-
Ordinary Income	623	182	+242%	320	+94%
Net Income attributable to owners of parents	373	11	+3,102%	192	+94%
Extraordinary profit and loss	△0	△61	-	△4	-
Taxes etc.	△249	△109	-	△124	-

Consolidated Balance Sheet for Q2 FY2017



- Current Assets
Up ¥701 million mainly due to increase in cash and deposits (up ¥851 million)
- Current Liabilities
Up ¥50 million led by increase in other current liabilities (up ¥188 million), decrease in accounts payable (down ¥133 million) etc.

(Unit: million yen)

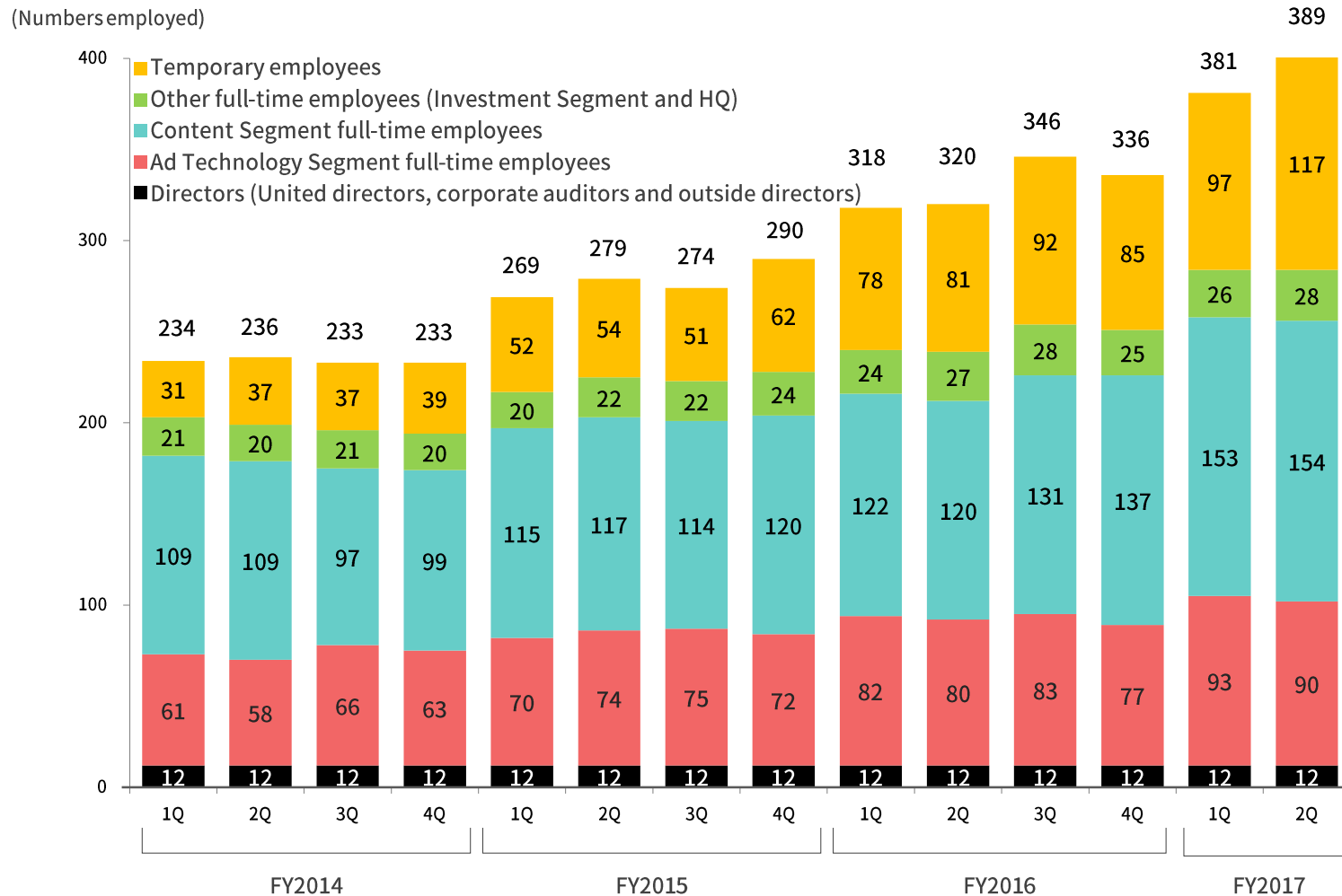
	End of Q2 FY2017 (Sep. 30, 2017)	End of Q4 FY2016 (Mar. 31, 2017)	Difference
Current Assets	10,790	10,089	+701
(Cash & Deposits)	(5,813)	(4,962)	(+851)
Non Current Assets	1,914	2,027	△112
Current Liabilities	2,601	2,551	+50
Non Current Liabilities	10	13	△2
Net Assets	10,092	9,551	+540

Number of Consolidated Employees and Directors



Number of consolidated employees (incl. temporary employees) and directors increased by 69 YoY (+22%)

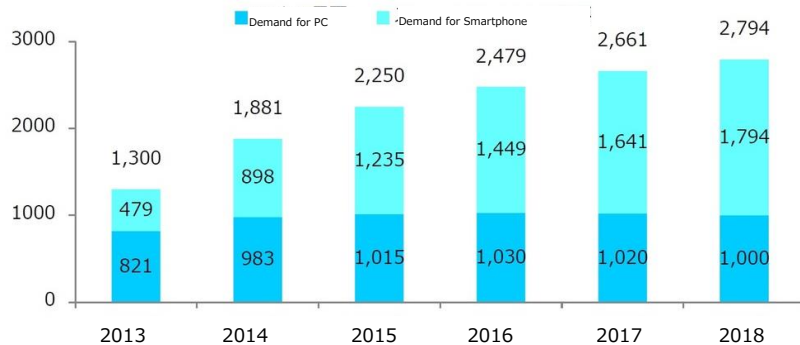
Increase led by new employees and a newly acquired subsidiary, ALAN•PRODUCTS, Inc.



Our Ad Tech Business with unique features is continuously growing

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

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



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

Advantages

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 acquired from the early stage of the start of the services ahead of other companies
- Quick adjustment to advertising format unique to smartphone

Feature 2: Open platform strategy

We have DSP and SSP 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

Feature 3: Open platform strategy

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

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

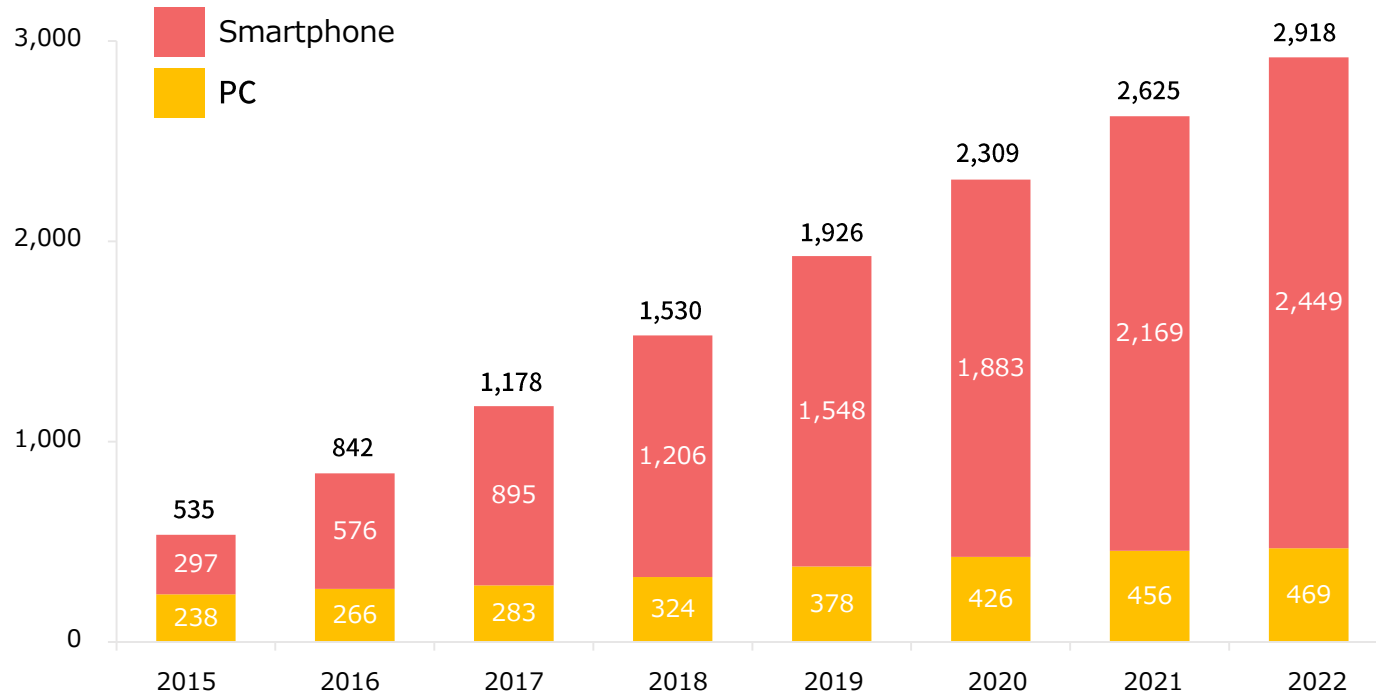
The growth of the video ad market



The scale of the video ad market has been expanding and is forecasted to reach ¥ 230 billion in 2020, approx. 80% of which will be video ads for smartphones

【The Scale of Japanese Video Ad Market (by device) 2015-2022】

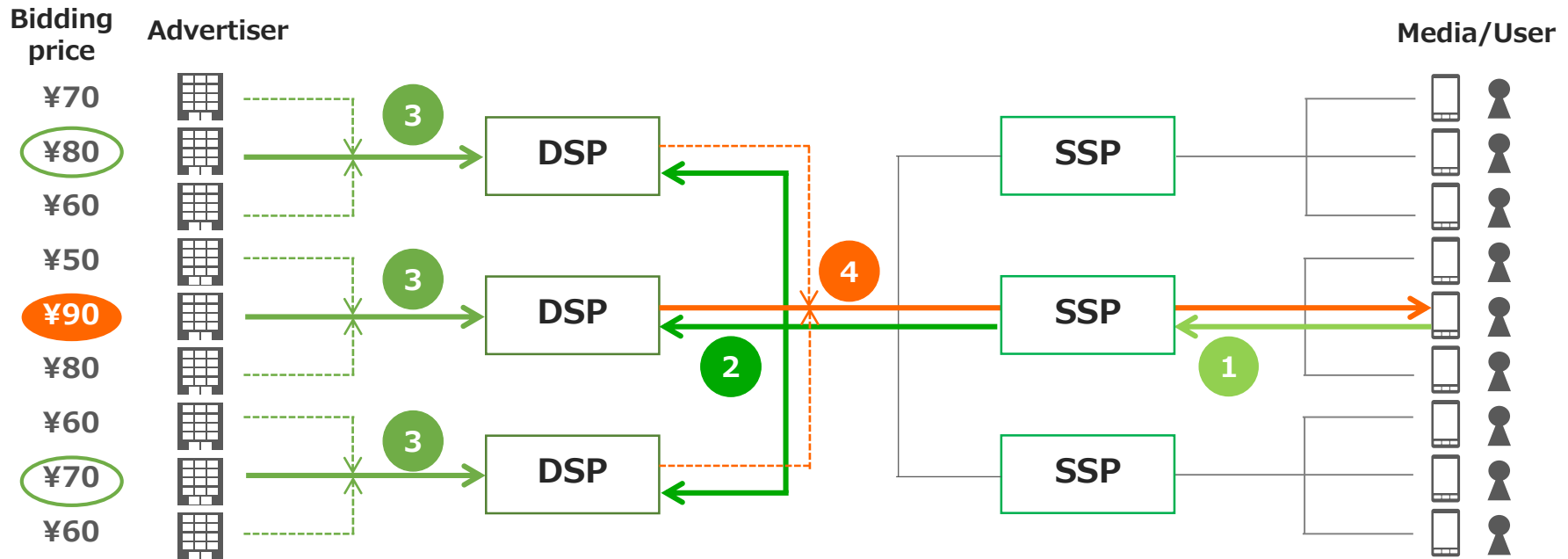
(unit: 100 million yen)



Source: Online Video Research / Digital InFact

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