



**UNITED**

Third Quarter, Fiscal Year Ending March 2016

# **Consolidated Financial Results**

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February 3, 2016

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

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# Our vision & mission

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## **Vision**

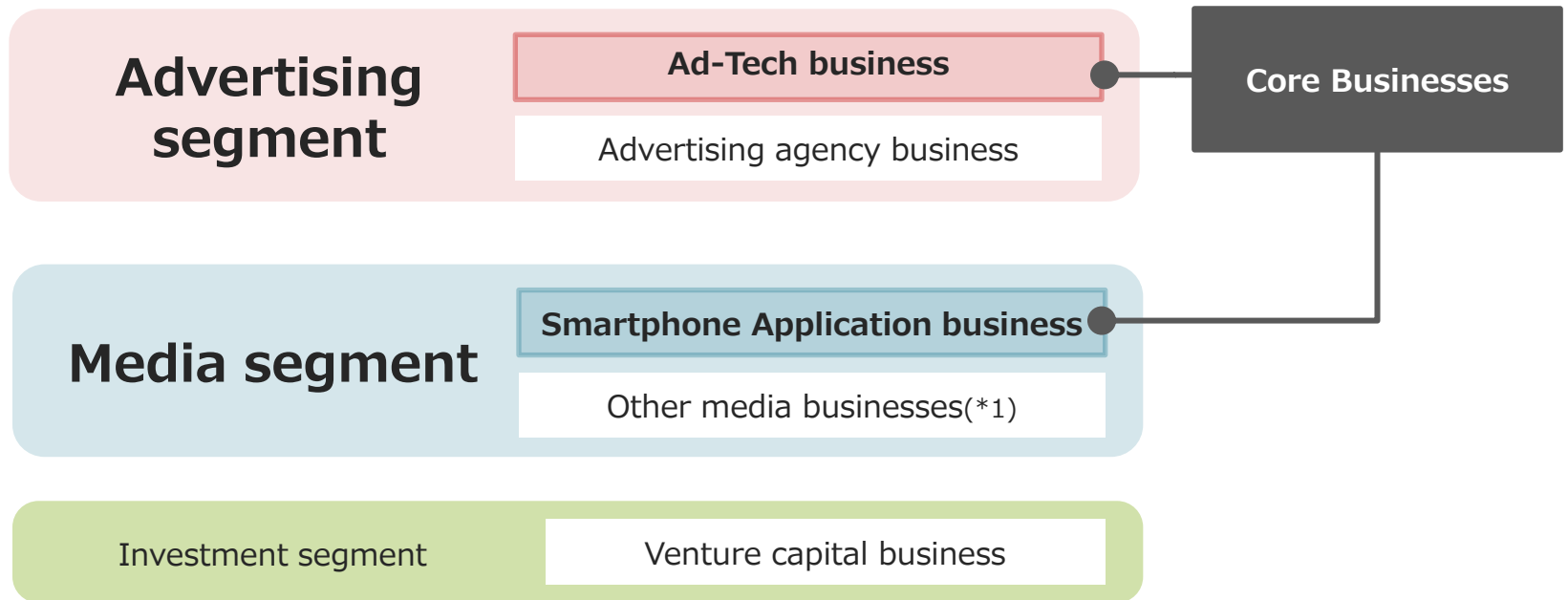
Become the leading internet firm in Japan

## **Mission**

Create new value through continued challenges and contribute to society

# Our Core 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 Highlights**

# Highlights of Q3 Cumulative Financial Results (April-December)

Whole

## Q3 Cumulative Consolidated Results

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

<b>Sales</b>	<b>8,025 million yen</b> (+32%)
<b>Operating profit</b>	<b>1,320 million yen</b> (+501%)
<b>Net profit</b>	<b>1,403 million yen</b> (+98%)

Core Businesses

## Ad Tech Business

### < Sales >

- **Q3 cumulative results: +31% against the same period last year**
- **Q3 (Oct-Dec) results: +52% against the previous quarter**

Accelerated growth of DSP “Bypass” and SSP “AdStir” in Q3 which had been steadily growing continuously

### < Sales >

- **Q3 cumulative results: -23% against the same period last year**  
Effect of reduced revenue due to business structure transformation
- **Q3 (Oct-Dec) results: +14% against the previous quarter**

The growth of Services to be focused and invested (CHEERZ and social games) reversed the trend toward reduced earnings associated with business structure transformation in Q1 and Q2, achieving revenue growth as planned

# Q3 Cumulative (Apr-Dec) Consolidated P/L Statement

## Revenue (+32%) and profit (+501%) 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

	Year ending in March 2016 Q3 cumulative	Same period last year (Q3 cumulative in the year ending in March 2015)	Vs. the same period last year Increase/decrease rate	(Million yen)
<b>Sales</b>	<b>8,025</b>	<b>6,100</b>	<b>+32%</b>	
Advertising segment	4,351	3,559	+22%	
Media segment	1,994	2,501	-20%	
Investment segment	1,738	106	+1,537%	
Inter-segment elimination	-58	-66	-	
<b>Total profit from sales</b>	<b>2,812</b>	<b>1,517</b>	<b>+85%</b>	
Advertising segment	810	696	+16%	
Media segment	298	737	-60%	
Investment segment	1,703	83	+1,935%	
Inter-segment elimination	0	0	-	
<b>Selling, general and administrative expenses</b>	<b>1,491</b>	<b>1,297</b>	<b>+15%</b>	
<b>Operating profit</b>	<b>1,320</b>	<b>219</b>	<b>+501%</b>	
Advertising segment	384	217	+77%	
Media segment	-311	352	-	
Investment segment	1,658	64	+2,458%	
Headquarter expense	-410	-414	-	
<b>Current profit</b>	<b>1,485</b>	<b>470</b>	<b>+216%</b>	
<b>Quarterly net profit</b>	<b>1,403</b>	<b>708</b>	<b>+98%</b>	
Extraordinary profit and loss	294	319	-8%	
Tax expense, etc.	377	80	+367%	

Extraordinary profit of 2.96 million yen generated from the profit from the sale of stocks of SOCIAL WIRE CO., LTD., (our affiliated company equity method)

# Changes in Sales and Operating Profits

**Q3 cumulative sales of core businesses** (Ad Tech Business + Smartphone App Business) :

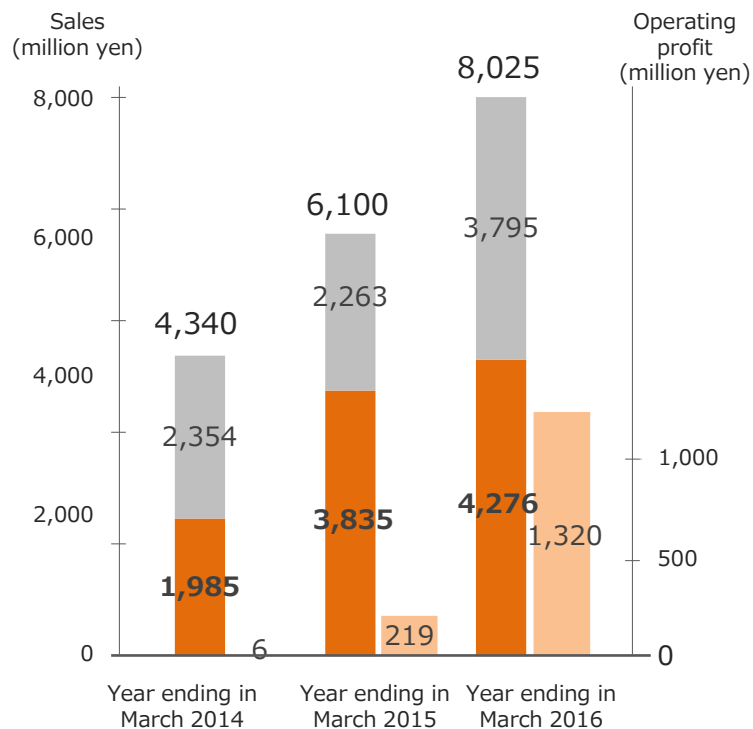
**+11% against the same period last year**

**Q3 sales of core businesses (Oct-Dec):**

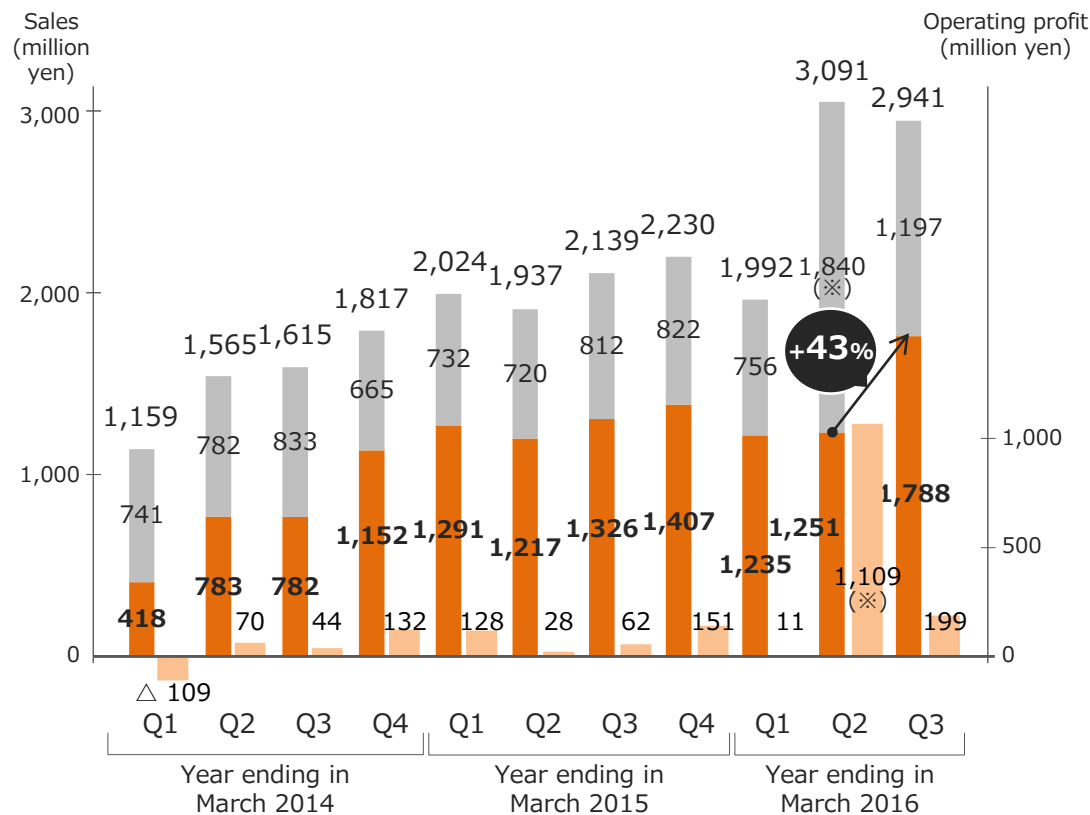
**+35% against the same period last year, +43% against the previous quarter**

Accelerated growth of core businesses in Q3

## Changes in Q3 Cumulative Sales and Profits



## Quarterly Changes



(\*) 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



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

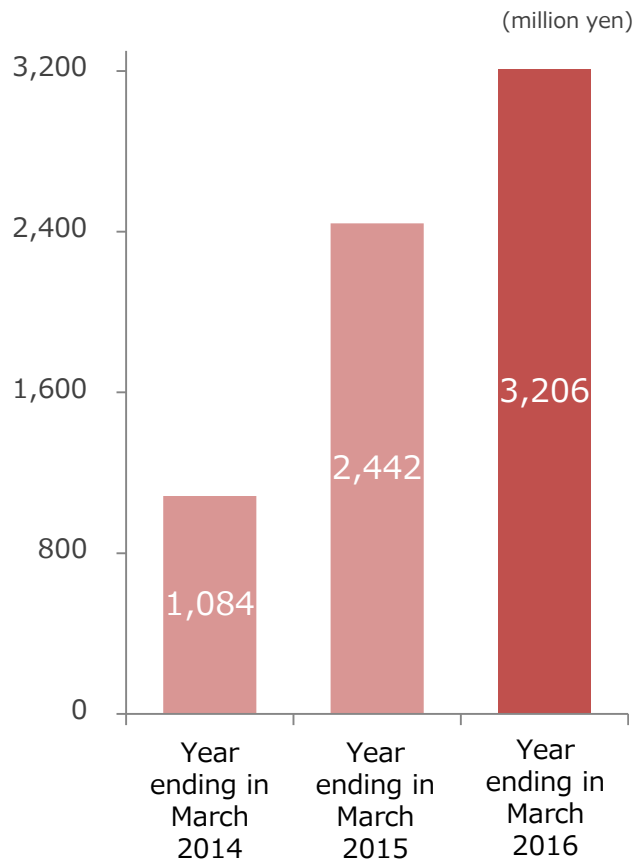
# Ad-Tech Business: Changes in Sales

**+23%** compared to the same period (Q3 cumulative) last year

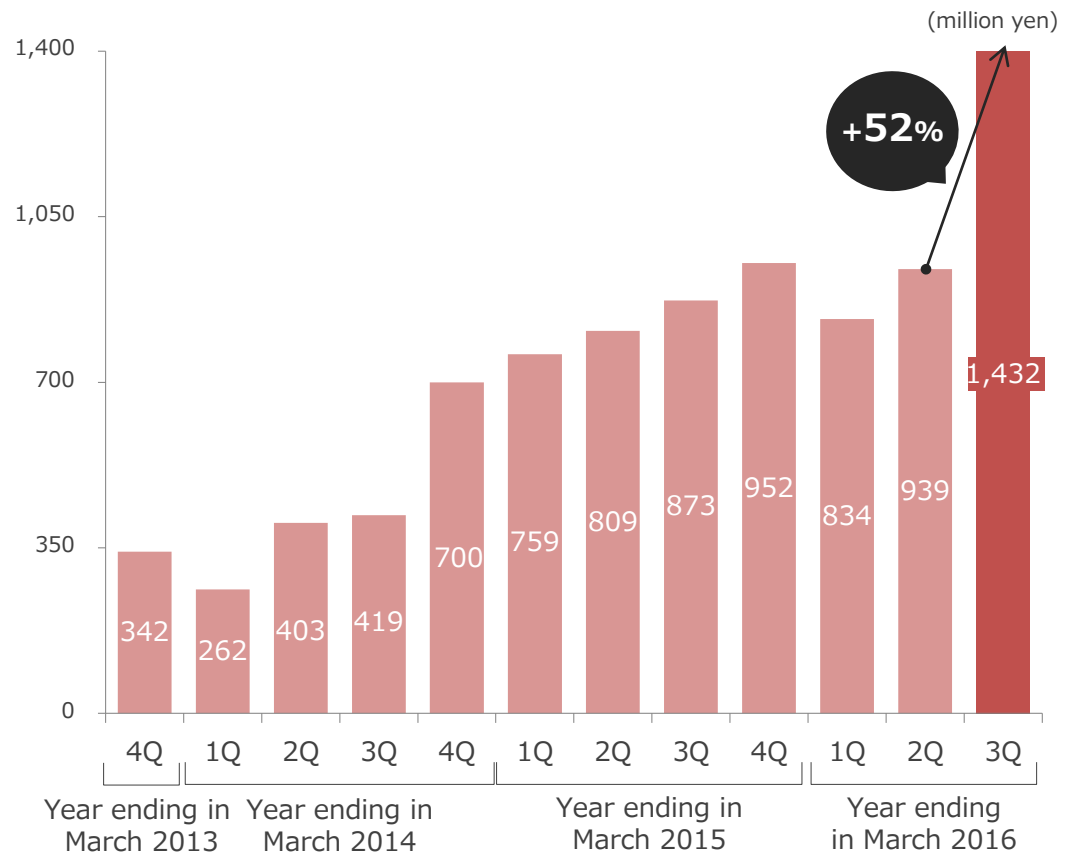
**+52%** compared to the previous quarter

DSP "Bypass" and SSP "AdStir" accelerated the growth from Q2

Changes in Q3 (cumulative) by year



Quarterly changes



# Factors of Ad Tech Business Growth (1)

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

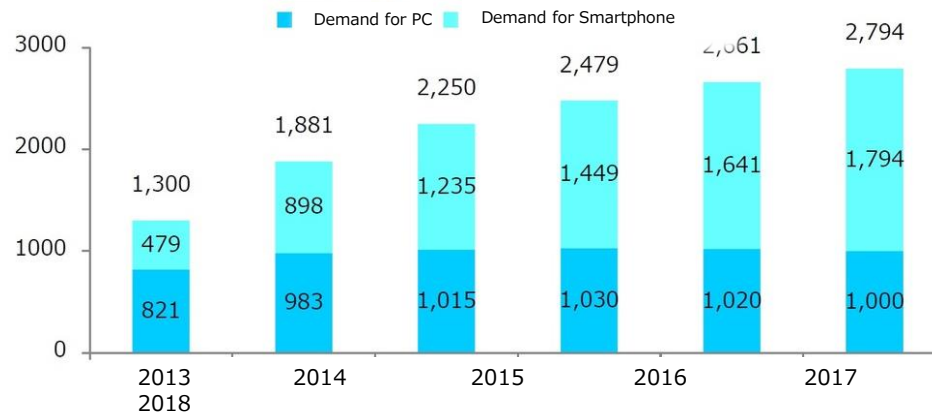
**Feature 1: Specializing in the smartphone segment, a growing market**

**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”



**Bypass**

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

### SSP “AdStir”



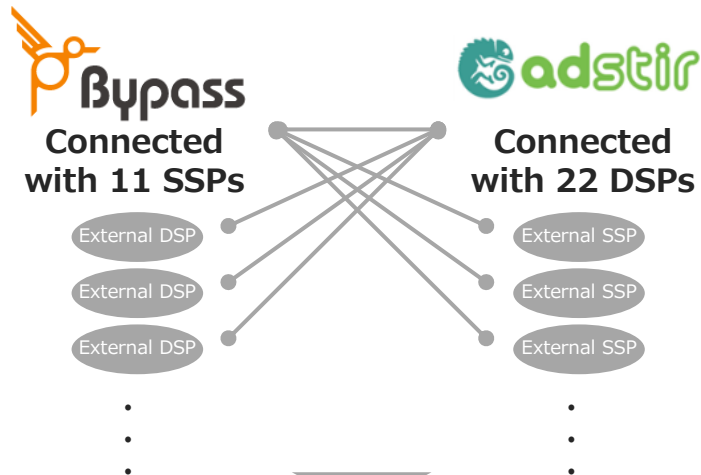
**adstir**

- 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 .

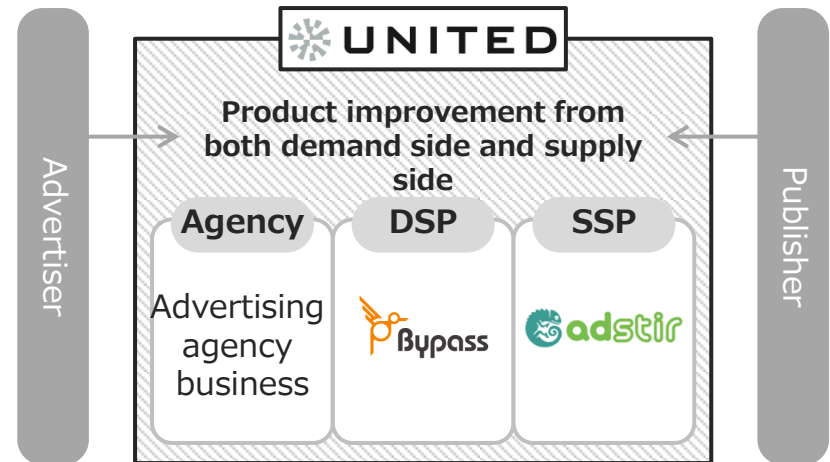


### Advantages

- 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

# Accelerated Growth of Ad Tech Business in Q3

+52% growth in sales in Q3 against the pervious quarter, showing an accelerated growth



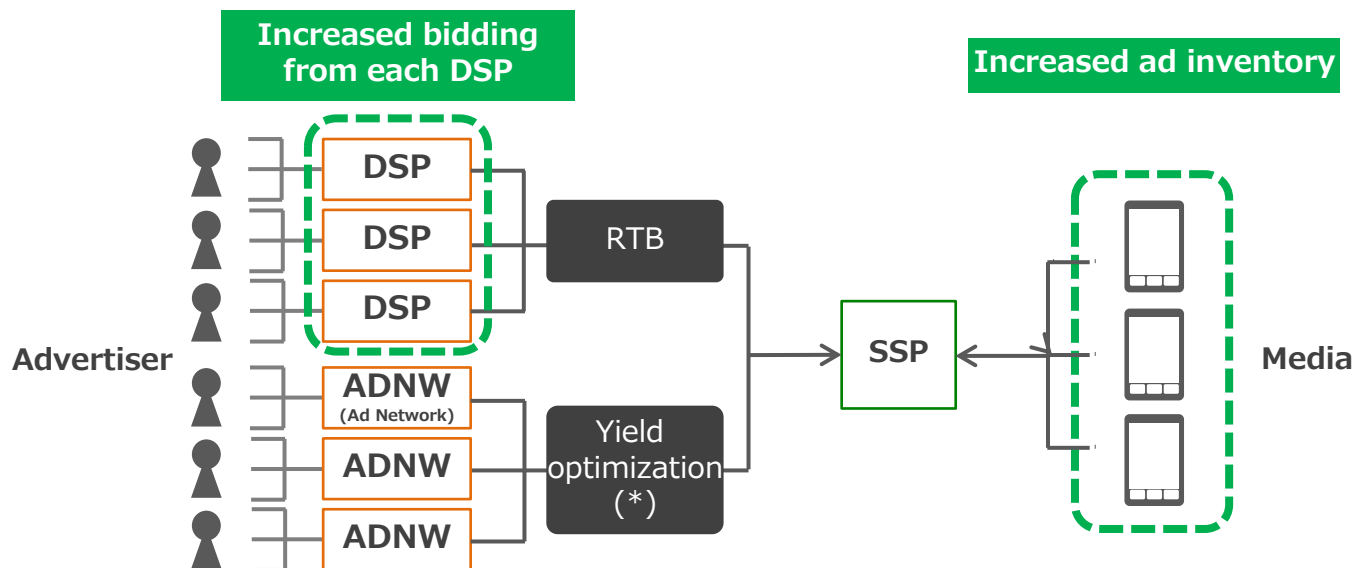
Enhanced advertising performance with improved bidding & CPA optimization logic

Growth continuously led by sales growth in direct response advertisements



Increases in the number of bidding from DSP & ad inventory  
Revenue

growth by both increased RTB WinRate and sales unit price



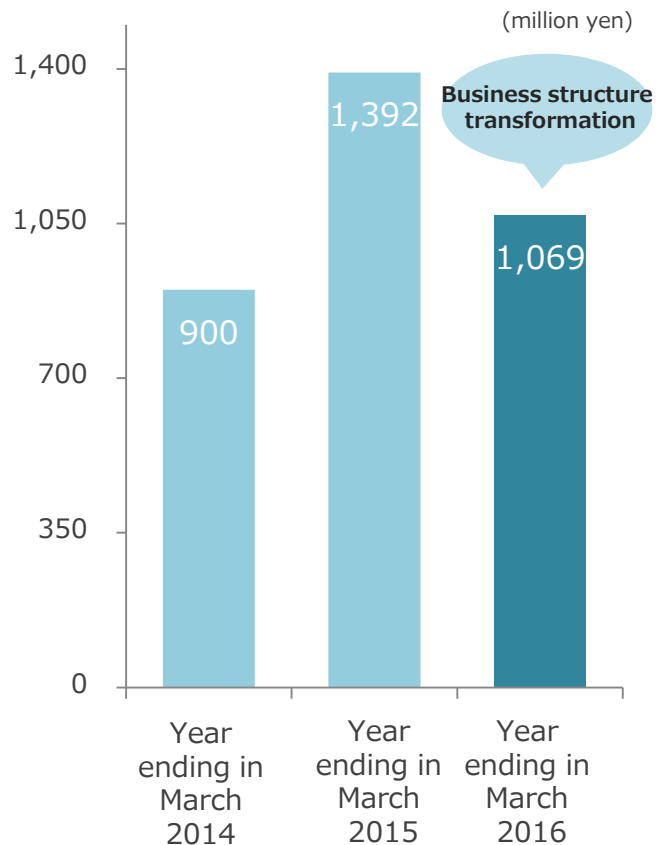
# **3. Smartphone Application Business**

# Smartphone App Business: Changes in Sales

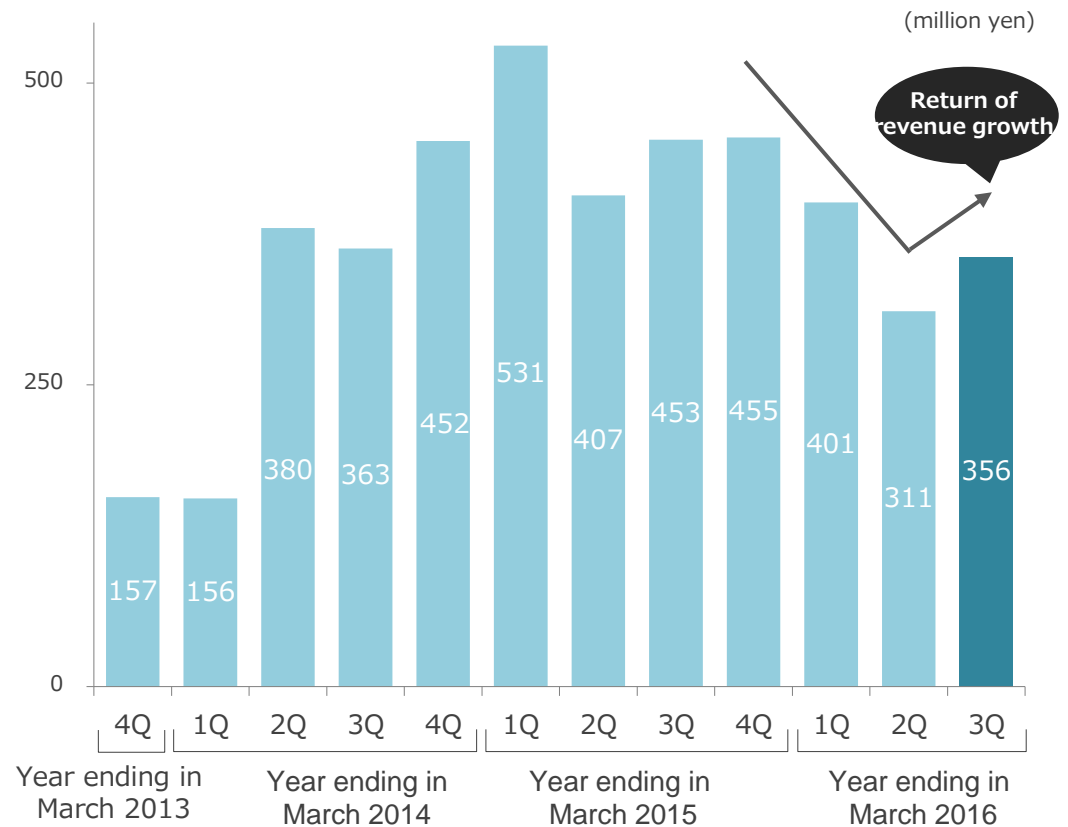
**-23%** compared to the same period (Q3 cumulative) last year  
**+14%** compared to the previous quarter

Revenue grew in Q3 as planned against the pervious quarter by the growth of Services to be focused and invested (CHEERZ & social games)  
Continuous revenue growth is planned for Q4 onward

## Changes in Q3 cumulative sales



## Quarterly changes

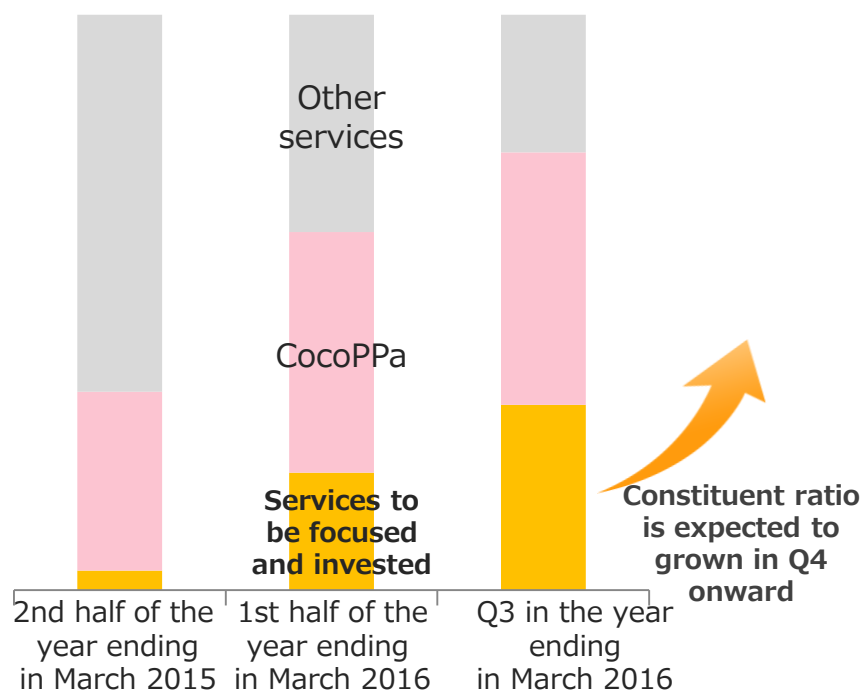


# Progress in Business Structure Transformation

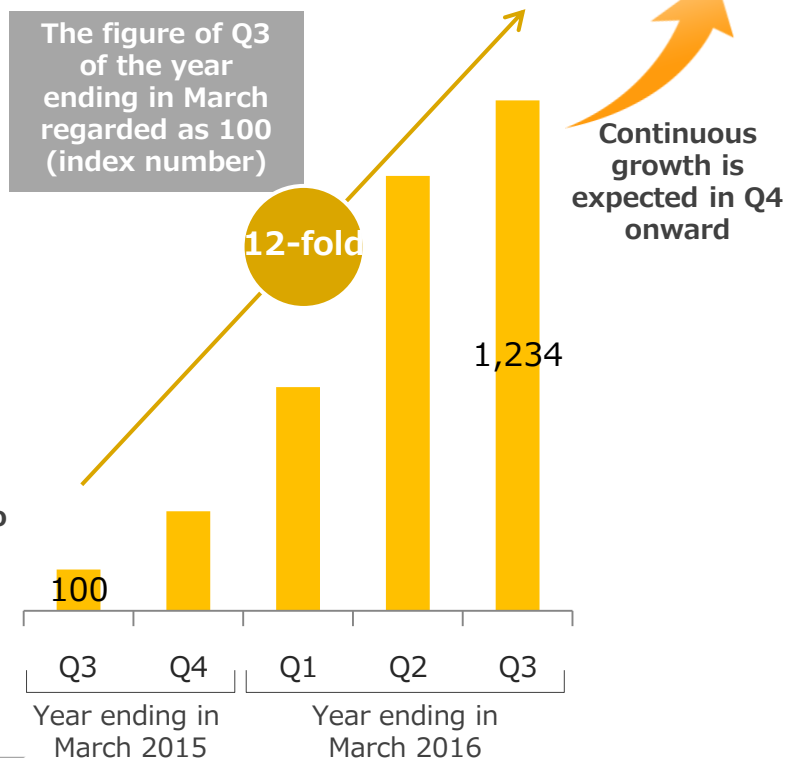
Business structure transformation took place in the first half of the year ending in March 2016.

**Transformation of sales structure to the one centering around Services to be focused and invested (social games & CHEERZ) is underway as planned.**

**Changes in Sales Structure of Smartphone App Business**



**Changes in Sales of Services to be focused and invested**



**Continuous revenue growth of Smartphone app business is planned for Q4 onward by the growth of Services to be focused and invested**



# Social Games & CHEERZ

Crash Fever: Profitability enhanced by further improvement of game balance and charging content

CHEERZ: Diversification of measures for revenue growth and enhancement of service contents are prioritized toward further scale expansion

## Crash Fever

Revenue grew after September when the effect of steady improvement was started to be seen due to increase in **“DARPU (daily average revenue per user)”**

The number of downloads exceeded 1.5 million in January 2016



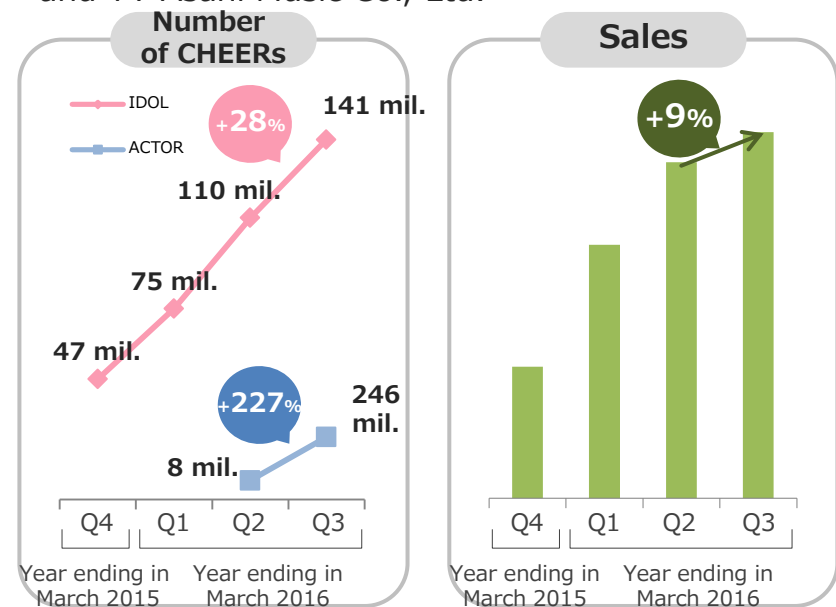
### < Measures after Q4 >

- Continuous improvement
- Proactive deployment of events within the game such as collaboration with HATSUNE MIKU
- Consideration of implementation of large-scale promotion (depending on situations)

## CHEERZ

Male idol version: Tie-up events with companies, start of “CHEERZ NEXT FEED”.

Actor version: Collaboration with Marvelous, Inc. and TV Asahi Music Co., Ltd.



Aim for further revenue increase by “core user increase x horizontal expansion” through continuous prioritization of service enhancement

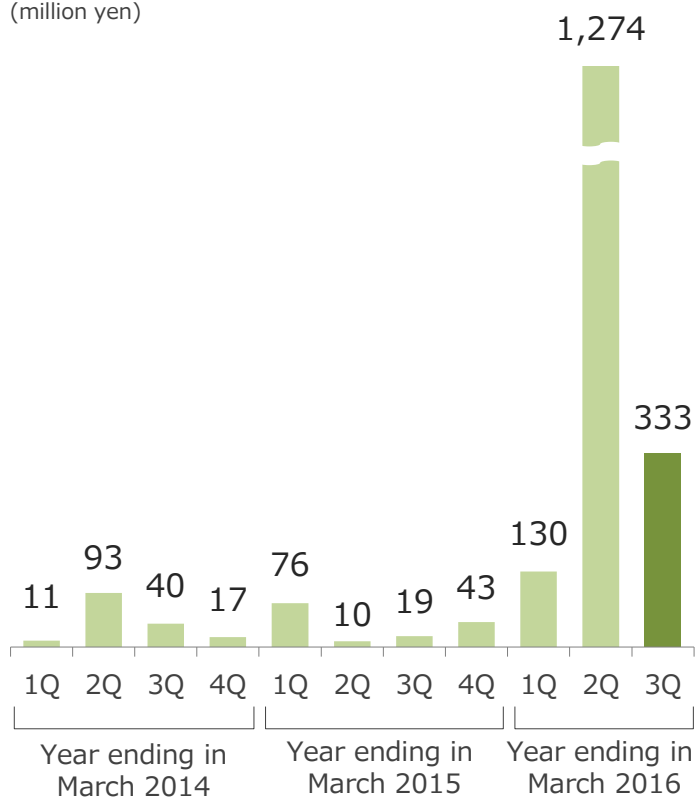
## **4. Investment Business**

# Investment Segment

The sales in Q2 of the year ending in March 2016 was 1,274 million yen, due to the profit from the sale of stocks of Fujisan Magazine Service Co., Ltd. associated with its listing. The sales in Q3 was 333 million yen due to the profit from investment fund, etc. The current stocks we have is expected to contribute to future sales.

## Changes in Quarterly Sales in Investment Segment

(million yen)



## Primary Investment Results

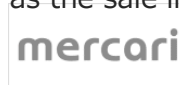


Social Wire Co., Ltd.

Primary business: News wire, incubation business

Excluded from the application of the equity method at the end of Q3.

Since the stocks were changed to operational investment securities from Q4 onward, the sale of the stocks was booked as the sale in the investment segment.



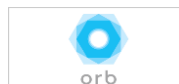
Mercari, Inc.



Translimit, Inc.



Wonderplanet Inc.



Orb



Music Securities, Inc.



Metaps Inc.



Fujisan Magazine Service Co., Ltd.



Datasection Inc.



Enigma Inc.



mixi, Inc.

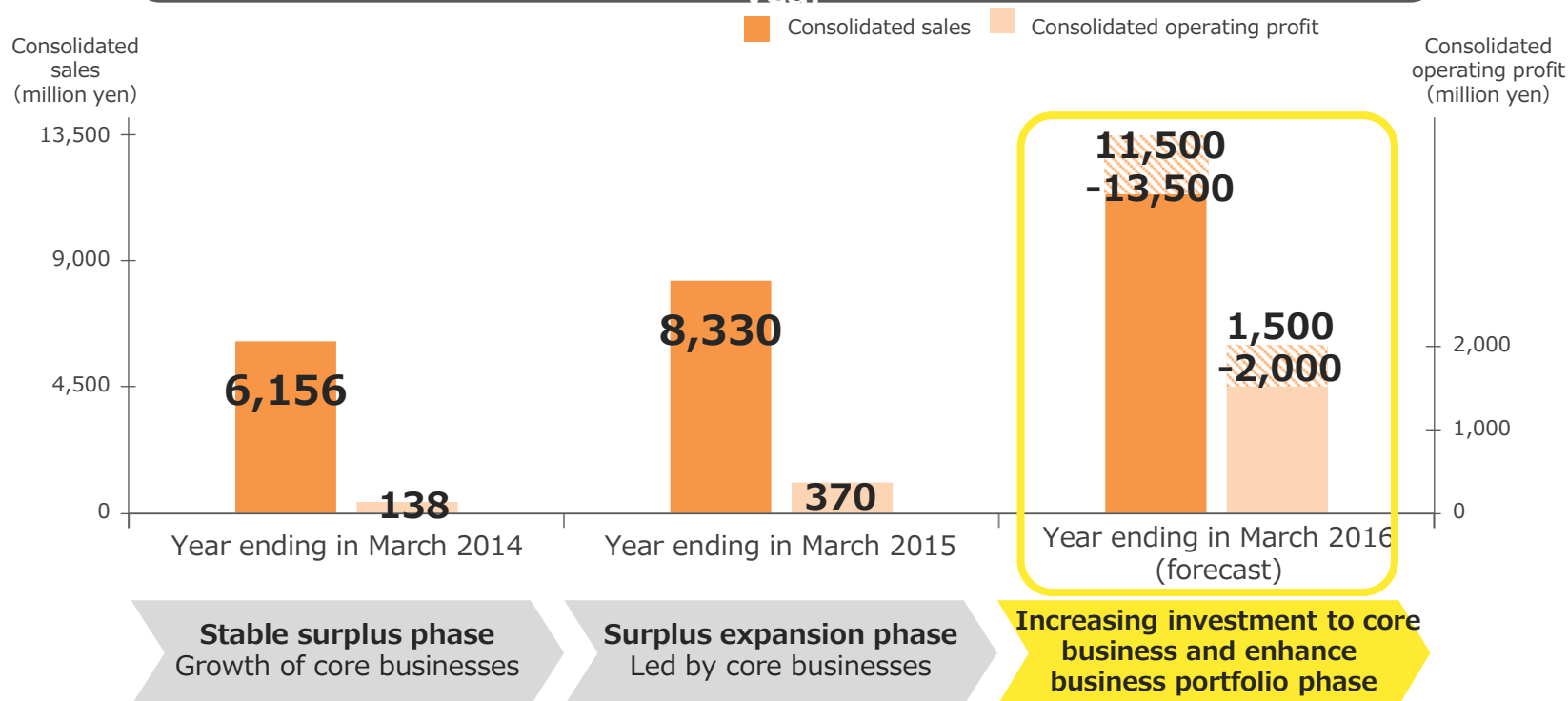
## **5. Future Direction**

# Toward Growth in the Next Quarter Onward

In addition to core business, start a multiple of focused business

“Become the leading internet firm in Japan”

Changes in consolidated Sales and Operating Profit by fiscal year



- Invest the profit obtained in the investment segment in core businesses
- Enhance business portfolio for future big growth (acquisition of two companies by M&A; see the next page)

# Business Portfolio Enhancement

**Acquired “KiRAMEX Corporation” and “Smarprise, Inc.” in February 2015  
(\*)**

**Aim for further growth by business portfolio enhancement**

## Acquired 100% ownership of KiRAMEX Corporation

**KiRAMEX**

**TECH ACADEMY**  
プログラミングに特化した国内最大のオンラインスクール  
オンラインスクール



Headquarter: Shibuya-ku, Tokyo  
Representative: Masayuki Murata  
Establishment: February 2009  
URL: <https://www.kiramex.com>

Capital: 116 million yen

- Operates “TECH ACADEMY,” on-line school specializing in programming for engineer candidates
- In response to recent shortage of engineers, over 100 companies and 7,000 people participated in their training programs. Its future growth is expected.
- Accelerated growth is expected by combining our abundant knowhow of on-line promotion.

## Acquisition of Smarprise, Inc. (Our share: 58.8%)

**Smarpr!se**

Headquarter: Shibuya-ku, Tokyo  
Representative: Ken Igarashi  
Establishment: April 2015  
URL: <https://smarprise.co.jp>

Capital: 25 million yen

- Operates smartphone web media business
- Its future growth is expected through the utilization of our abundant knowhow of smartphone marketing

\* See IR release to be published on February 4, 2016

## **6. Summary**

# Overall Summary

	Q3 in Year Ending in March 2016	Q4 onward in Year Ending in March 2016
Consolidated	<ul style="list-style-type: none"><li>• <b>Sales and profit increased as compared with the same period last year</b> (Growth rate vs. the same period last year) <b>Sales</b>            <b>8,025 mil. yen</b> (+32%) <b>Operating profit</b>   <b>1,320 mil. yen</b> (+501%)</li></ul>	<ul style="list-style-type: none"><li>• Growth and dramatic development by continuous growth of core businesses and building a new pillar for revenue (business portfolio enhancement)</li></ul>
Ad Tech Business	<ul style="list-style-type: none"><li>• Accelerated growth of DSP “Bypass” and SSP “AdStir”</li></ul>	<ul style="list-style-type: none"><li>• Aim for further growth of DSP “Bypass” and SSP “AdStir” in the smartphone segment which is expected to grow continuously</li></ul>
Smartphone App Business	<ul style="list-style-type: none"><li>• Revenue increased against the pervious quarter by the growth of Services to be focused and invested (CHEERZ &amp; social games)</li></ul>	<ul style="list-style-type: none"><li>• Aim for further growth through the growth of Services to be focused and invested</li></ul>



## **7. Reference Material**

# Consolidated P/L Statement for Q3 (October to December)

Revenue (+38%) and profit (+222%) increased compared to the same quarter last year

Revenue (-5%) and profit (-82%) 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	(Million yen)
<b>Sales</b>	<b>2,941</b>	<b>2,139</b>	<b>+38%</b>	<b>3,091</b>	<b>-5%</b>	
Advertising segment	1,900	1,251	+52%	1,240	+53%	
Media segment	730	886	-18%	589	+24%	
Investment segment	333	19	+1,637%	1,274	-74%	
Inter-segment elimination	-22	-18	-	-12	-	
<b>Total profit from sales</b>	<b>698</b>	<b>515</b>	<b>+35%</b>	<b>1,593</b>	<b>-56%</b>	
Advertising segment	273	253	+8%	267	+2%	
Media segment	93	255	-63%	80	+17%	
Investment segment	330	6	+5,120%	1,245	-73%	
Inter-segment elimination	0	0	-	0	-	
<b>Selling, general and administrative expenses</b>	<b>498</b>	<b>453</b>	<b>+10%</b>	<b>484</b>	<b>+3%</b>	
<b>Operating profit</b>	<b>199</b>	<b>62</b>	<b>+222%</b>	<b>1,109</b>	<b>-82%</b>	
Advertising segment	124	131	-6%	126	-2%	
Media segment	-96	88	-	-114	-	
Investment segment	315	7	+3,963%	1,231	-74%	
Headquarter expense	-144	-165	-	-134	-	
<b>Current profit</b>	<b>239</b>	<b>292</b>	<b>-18%</b>	<b>1,223</b>	<b>-80%</b>	
<b>Quarterly net profit</b>	<b>366</b>	<b>592</b>	<b>-38%</b>	<b>1,028</b>	<b>-64%</b>	
Extraordinary profit and loss	254	359	-29%	-1	-	
Tax expense, etc.	127	59	+113%	194	-34%	

# Consolidated Balance Sheet for this Quarter

Current assets increased by 1,637 million yen due to the stocks of Social Wire Co., Ltd. changing to operational investment securities associated with the exclusion from application of the equity method and increase in accounts receivable, etc.

Current liabilities increased by 1,027 million yen due to increase in accounts payable, etc.

(million yen)

	End of This Quarter (December 2015)	End of previous quarter (September 2015)	Increase/ decrease
<b>Current assets</b>	11,374	9,736	+1,637
(Cash and deposits)	5,679	5,319	+359
<b>Fixed assets</b>	562	733	-171
<b>Current liabilities</b>	2,650	1,622	+1,027
<b>Fixed liabilities</b>	—	—	—
<b>Net assets</b>	9,286	8,848	+438

# 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.

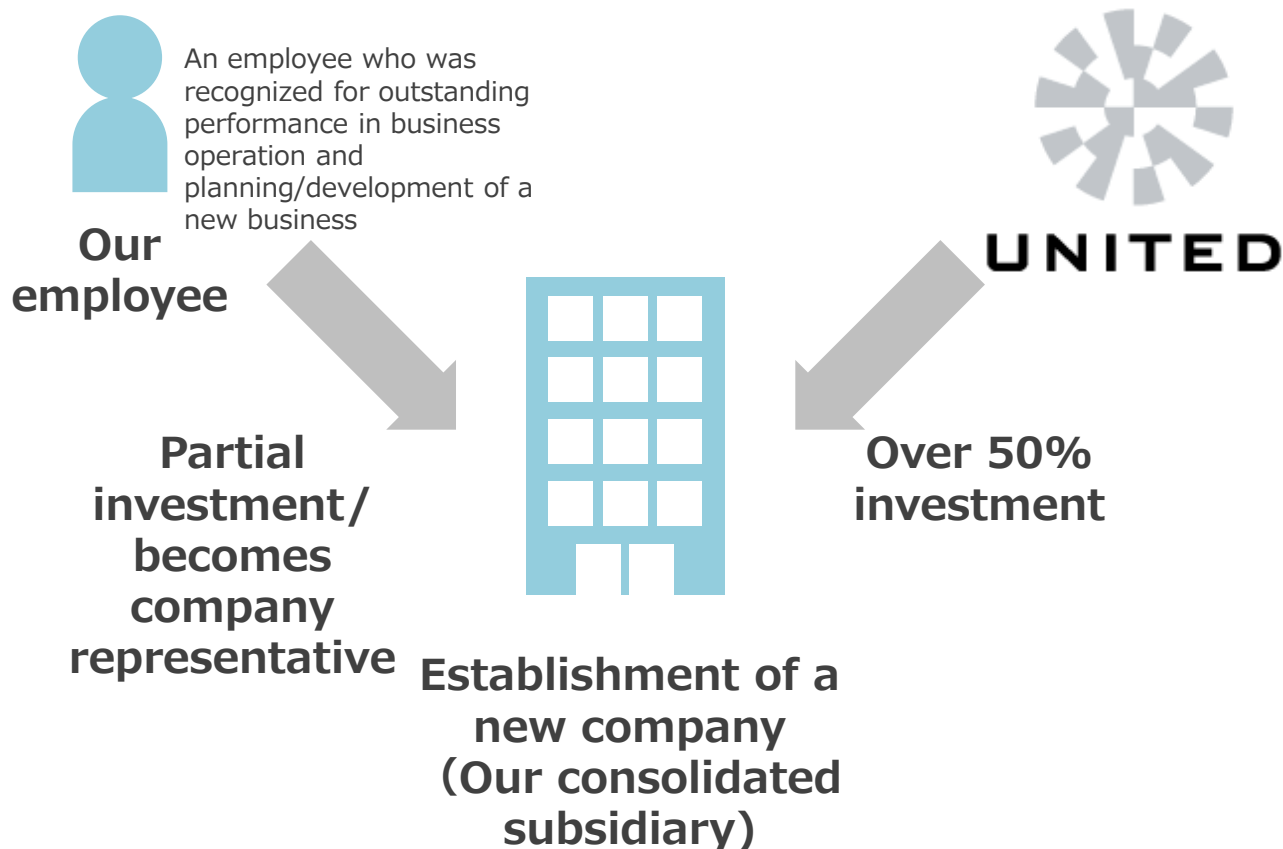
\*1 A new business company established by our unique personnel system “U-start” (See p.28).

\*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”



# Organizational Strengths of Our Smartphone Media Business

We have generated profits from various types of services backed by our various “strengths and systems” as an organization.

We will continuously develop and introduce our new services.

## Features of human resources and organization

- “People with strength in net business, internally transferred from other section,” “mid-hires with specialized skills,” and “new graduates with high potential” work integrally.
- Corporate culture enabling cooperation beyond the lines of work categories.

**We can start various projects with right people at right locations in harmony with market changes**

## Internal development skills

- High capability to plan and develop applications internally and business development ability
- Internally-developed potent applications (with strong user base) suppresses the cost for attracting users

**Planning & development, business establishment, and promotion can be efficiently made within our company**

## Empirical value

- Entered the application market in June 2010 during its dawn. Released over 100 applications to date.
- Have developed from scratch a large-scale service “CocoPPa,” which achieved 40 million downloads.

**We have general knowhow obtained through our abundant experience**

## Internal system

- Our own unique personnel system “U-start” (See p.28) Offer a unique business start-up support system for our employees with high entrepreneurship and excellent results. Fogg, inc., an operator of “CHEERZ,” is the first company this system applied.

**We turn entrepreneurship of our excellent employees into business power of the group**

# Organizational Strengths of Ad-Tech Business

Continues to grow in the future based on the background of the strengths of organization supporting the current high growth

Owens its own DSP,  
SSP, ad agency

- Able to speedily perform new actions within the company such as RTB distribution of native ads, from testing to implementation
- Able to provide feedback such as functional improvement from a different viewpoint

Highly-experienced  
development  
members

- Team mainly consists of members who have long engaged in business since the time of ad network and are very familiar with ad tech and our own system

Sales and operation  
members from  
various backgrounds

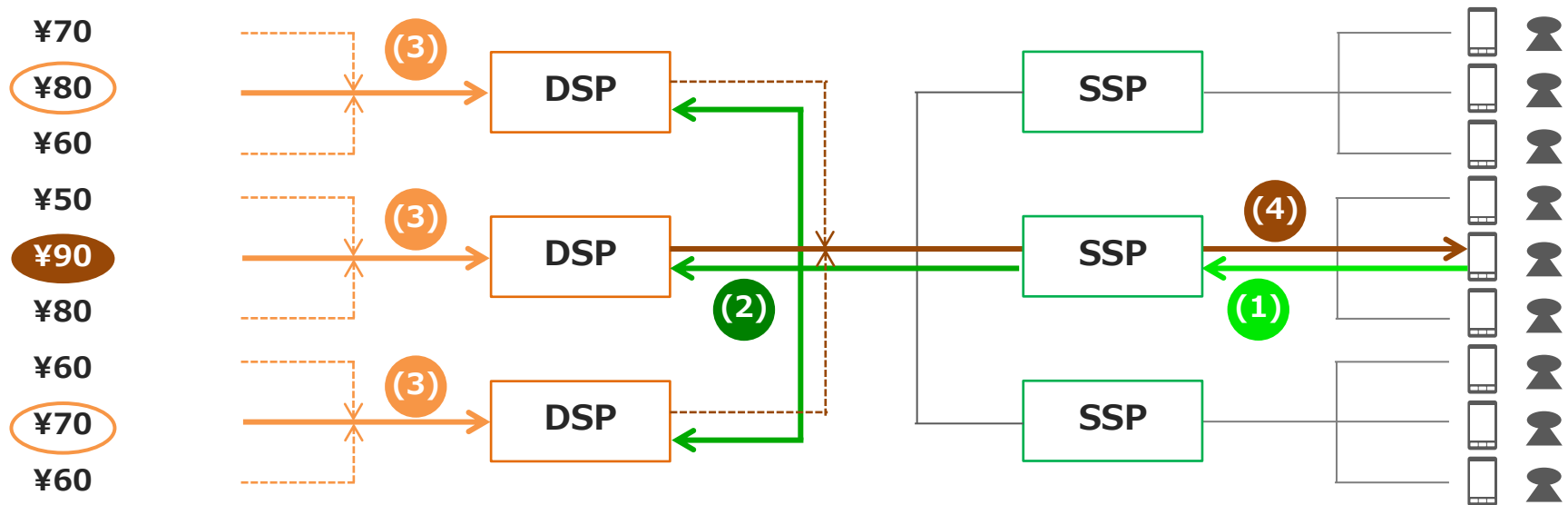
- Collaboration among members with various net advertisement backgrounds, such as ad agents, media reps, and sales persons from media company sales

# 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.

**Bidding price** The advertiser with the highest bidding price among DSPs wins the bidding and their ad is displayed. **Media/User**



## 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