

Full Year, Fiscal Year Ending March 2018

Financial Results



United, Inc.

(TSE Mothers, code 2497)

May 8, 2018

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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



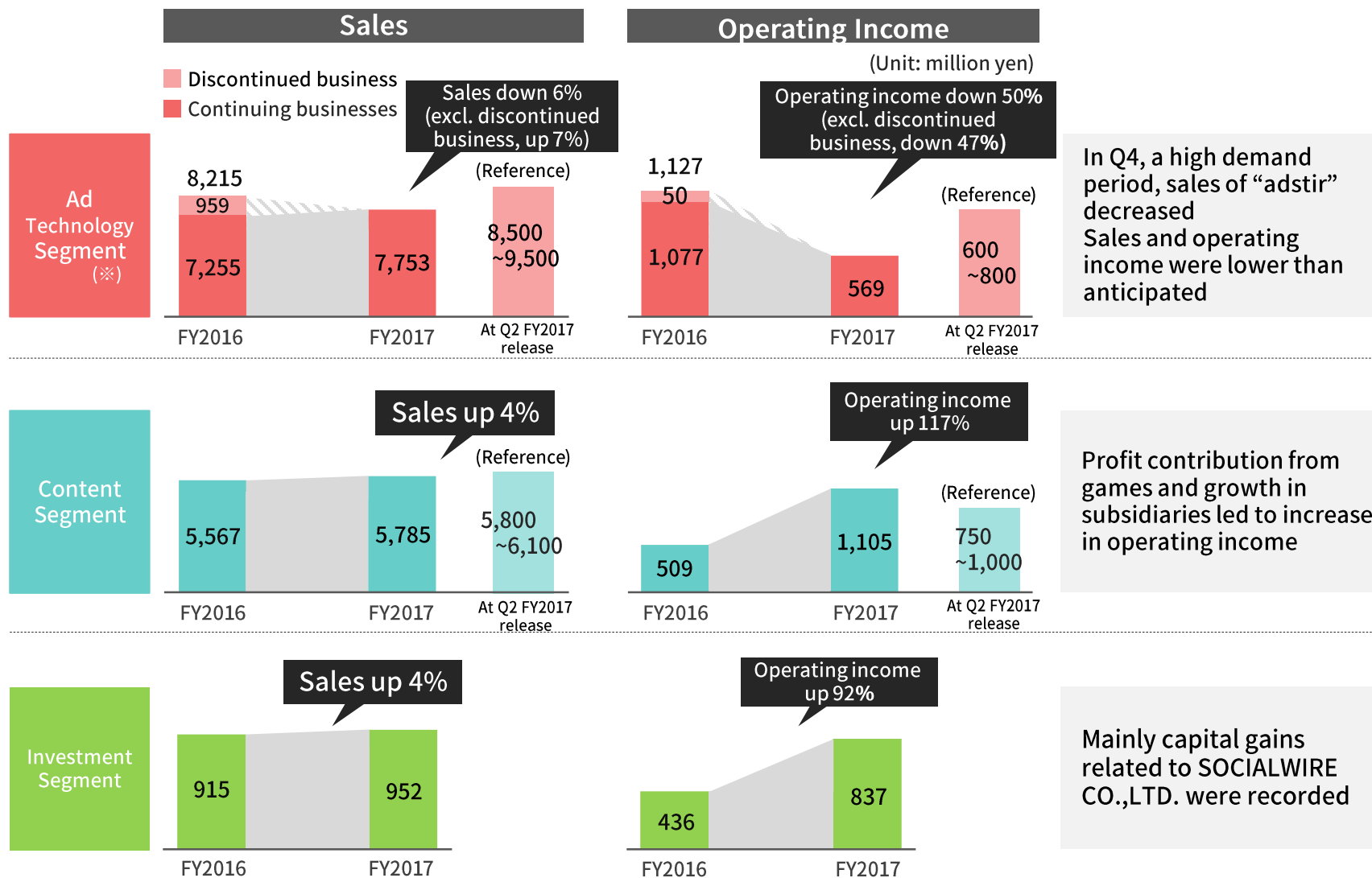
Financial Highlights for FY2017 (Year Ended March 31, 2018)



Consolidated Sales : Flat YoY as sales growth in Ad Technology Segment slowed in H2 FY2017
Consolidated Operating Income : Up 18% YoY mainly led by Content Segment and Investment Segment

Overall Segments	Consolidated	Sales : ￥ 14,444 million (YoY down 1%) Operating Income : ￥ 1,648 million (YoY up 18%) Net Income : ￥ 849 million (YoY down 8%)
	Ad Technology Segment	Sales : ￥ 7,753 million (YoY down 6%) Operating Income : ￥ 569 million (YoY down 50%) • Sales from continuing businesses grew by 7% but operating income declined by 47% YoY (excluding discontinued Agency Business)
	Content Segment	Sales : ￥ 5,785 million (YoY up 4%) Operating Income : ￥ 1,105 million (YoY up 117%)
	Investment Segment	Sales : ￥ 952 million (YoY up 4%) Operating Income : ￥ 837 million (YoY up 92%)

Comparison with FY2016 : FY2017 Sales and Operating Income by Segment



※ “Advertising Segment” has been renamed “Ad Technology Segment” from FY2017 due to withdrawal from Agency Business in FY2016

Consolidated P/L Statement FY2017



Gross Profit : Up 20% YoY led by profit contribution from games and growth in subsidiaries in Content Segment
 SG&A Expenses : Up 20% YoY mainly due to increase in HR expenses following increase in the number of employees and amortization of goodwill of ALAN•PRODUCTS, Inc.
 Operating Income : Down 8% YoY as corporate tax etc. increased due to the application of tax effect accounting

	(Unit: million yen)		
	FY2017 (12 months)	FY2016 (12 months)	YoY %
Sales	14,444	14,595	△ 1%
Ad Technology Segment	7,753	8,215	△ 6%
Content Segment	5,785	5,567	+4%
Investment Segment	952	915	+4%
Others	-	-	-
Adjustments	△46	△101	-
Gross Profit	4,829	4,040	+20%
Ad Technology Segment	1,250	1,768	△ 29%
Content Segment	2,716	1,698	+60%
Investment Segment	872	573	+52%
Others	△4	-	-
Adjustments	△6	-	-
SG&A expenses	3,180	2,644	+20%
Operating Income	1,648	1,395	+18%
Ad Technology Segment	569	1,127	△ 50%
Content Segment	1,105	509	+117%
Investment Segment	837	436	+92%
Others	△72	-	-
Headquarter Expense	△790	△677	-
Ordinary Income	1,626	1,425	+14%
Net Income attributable to owners of parents	849	923	△8%
Extraordinary profit and loss	△4	△96	-
Taxes etc.	△773	△404	-

Dividends paid based on our dividend policy “targeting consolidated dividend payout ratio of approx. 20%”

Details of Annual Dividends

	FY2017		FY2016	
	Year-end	Interim	Year-end	Interim
Record date	Mar.31, 2018	Sep.30, 2017	Mar.31, 2017	Sep.30, 2016
Dividend per share	2.00 yen	5.00 yen	8.00 yen	0.00 yen
Annual dividend per share	7.00 yen		8.00 yen	
Total annual dividends	160 million yen		183 million yen	
Total annual EPS	36.94 yen		40.16 yen	

2. Business Review FY2017



① Ad Technology Segment

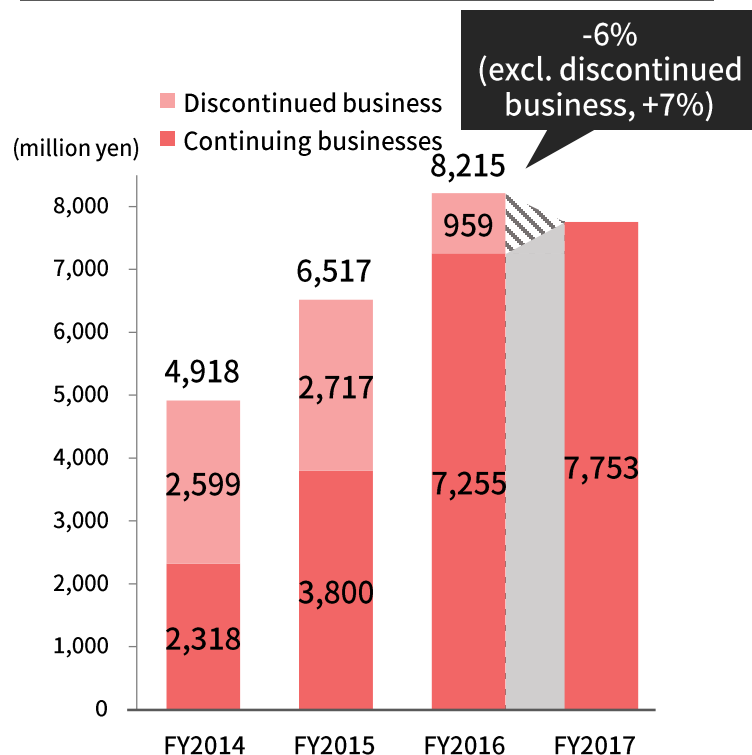


FY2017 Sales (excluding discontinued business) up 7% YoY

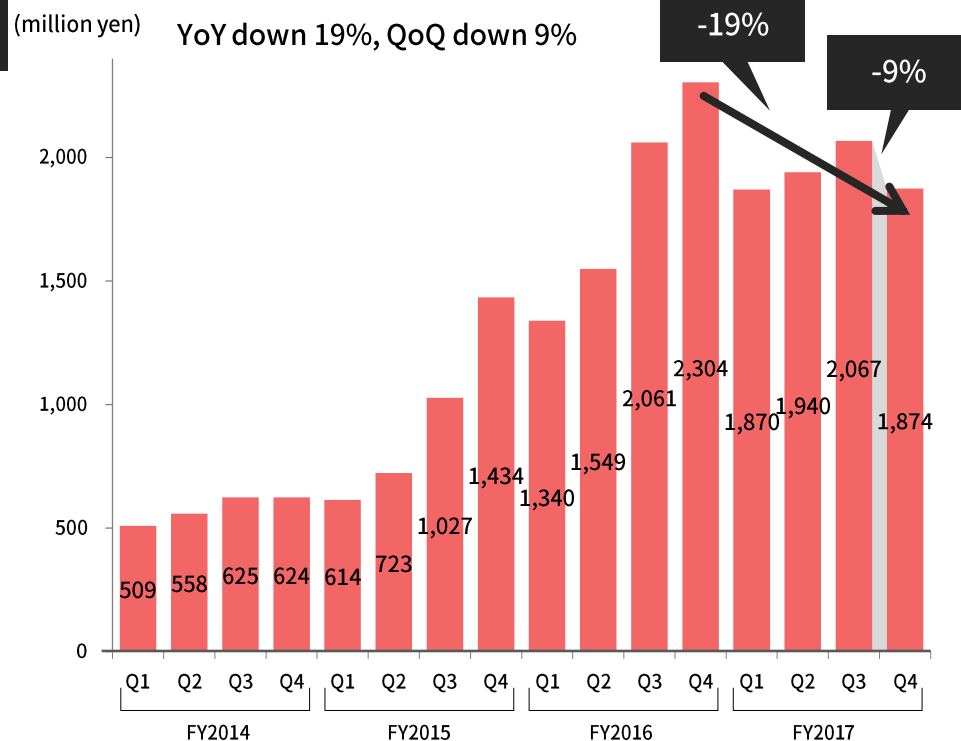
Up 7% YoY : In Q4, a high demand period, sales of “adstir” decreased. The growth of “VidSpot” was weaker than anticipated

Down 9% QoQ : Sales decreased mainly as ad delivery unit price of “adstir” dropped

Sales Trend for FY2017



Quarterly Sales Trend (excluding discontinued business)



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.

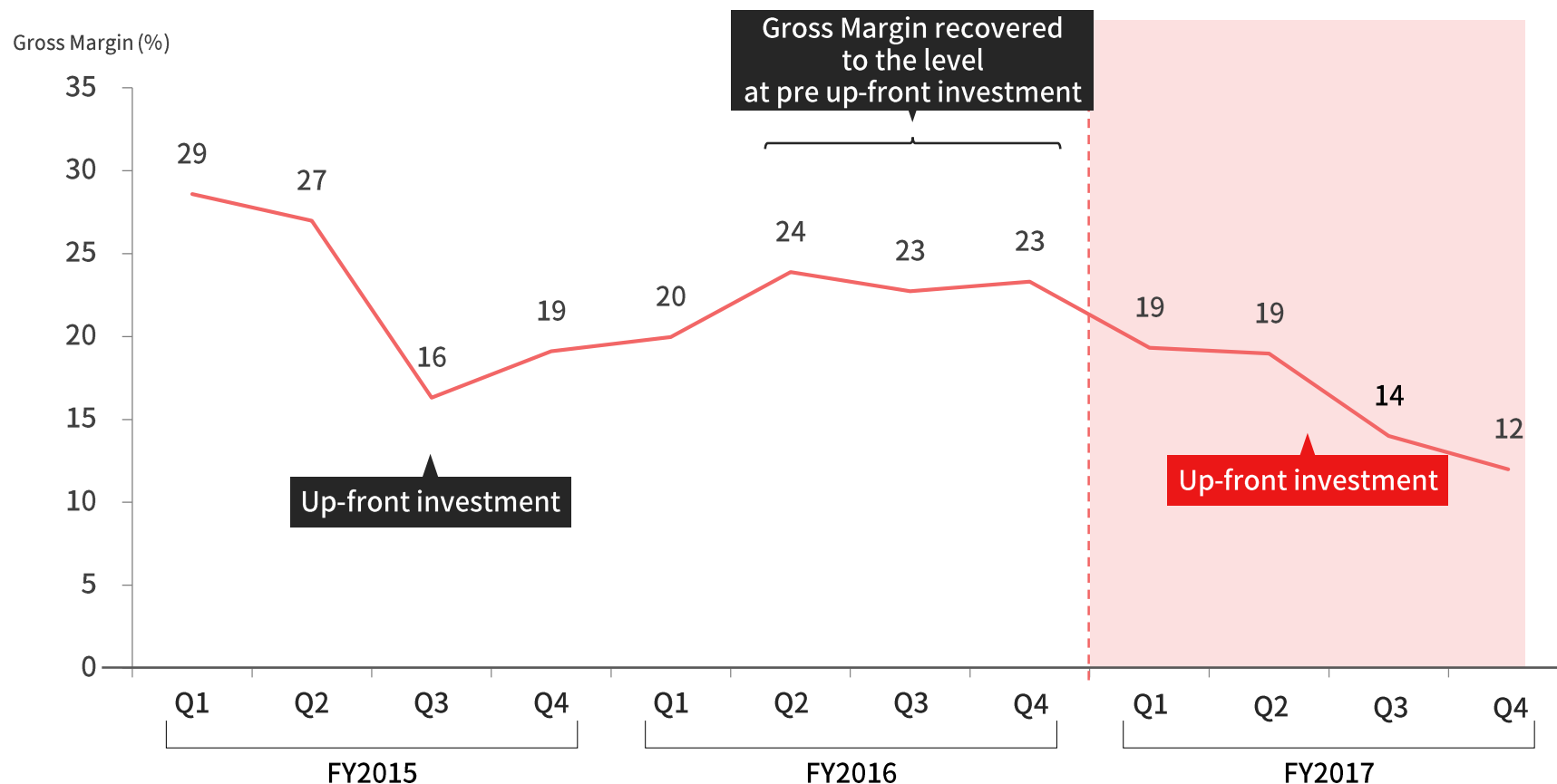
Ad Technology Segment : Gross Margin Trend



Since Q1 FY2017, undertook up-front investment, mainly expanding video ad inventory for “VidSpot”

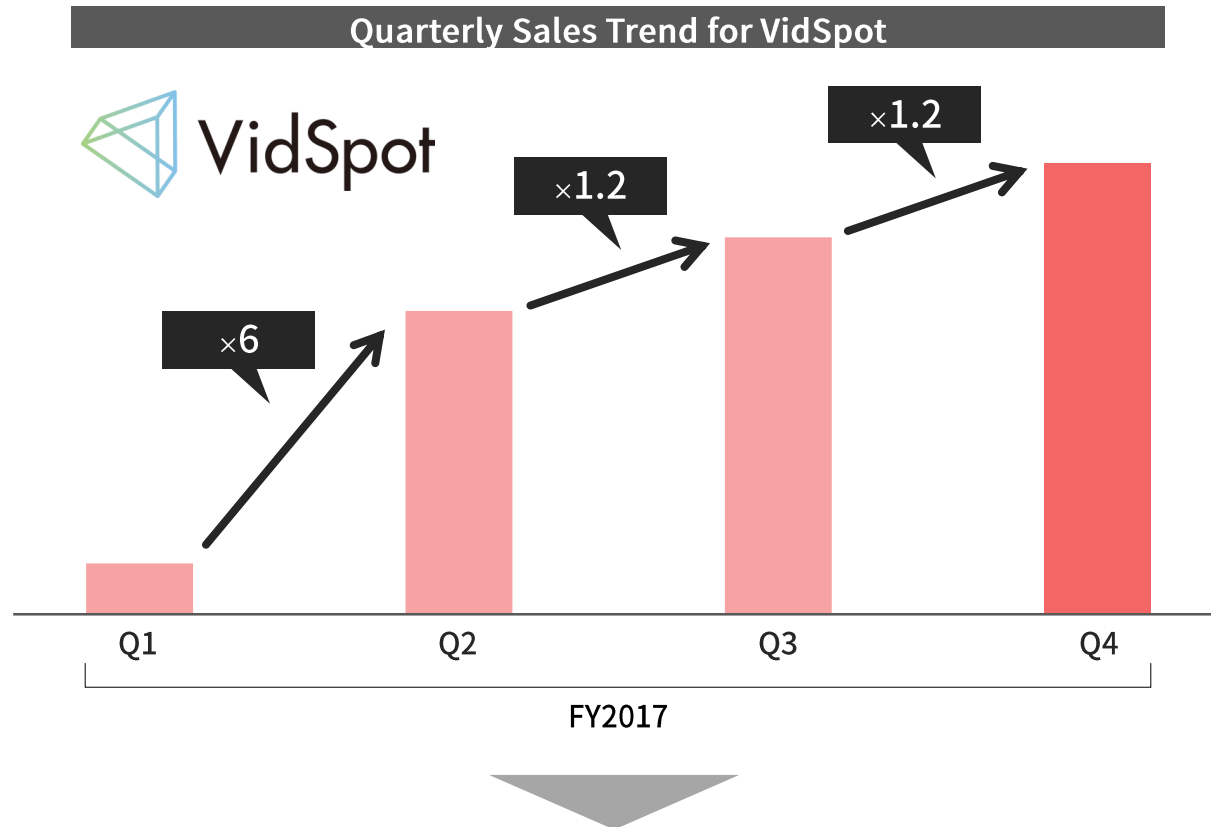
Additionally dropping ad delivery unit price in “adstir” led to decrease in profit margin

Gross Margin Trend in Ad Technology Segment







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.

Sales of “VidSpot” steadily increased but growth rate was lower than anticipated



Aim to grow sales driven by ad effectiveness improvement through expansion of video ad inventory and enhanced matching technology

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

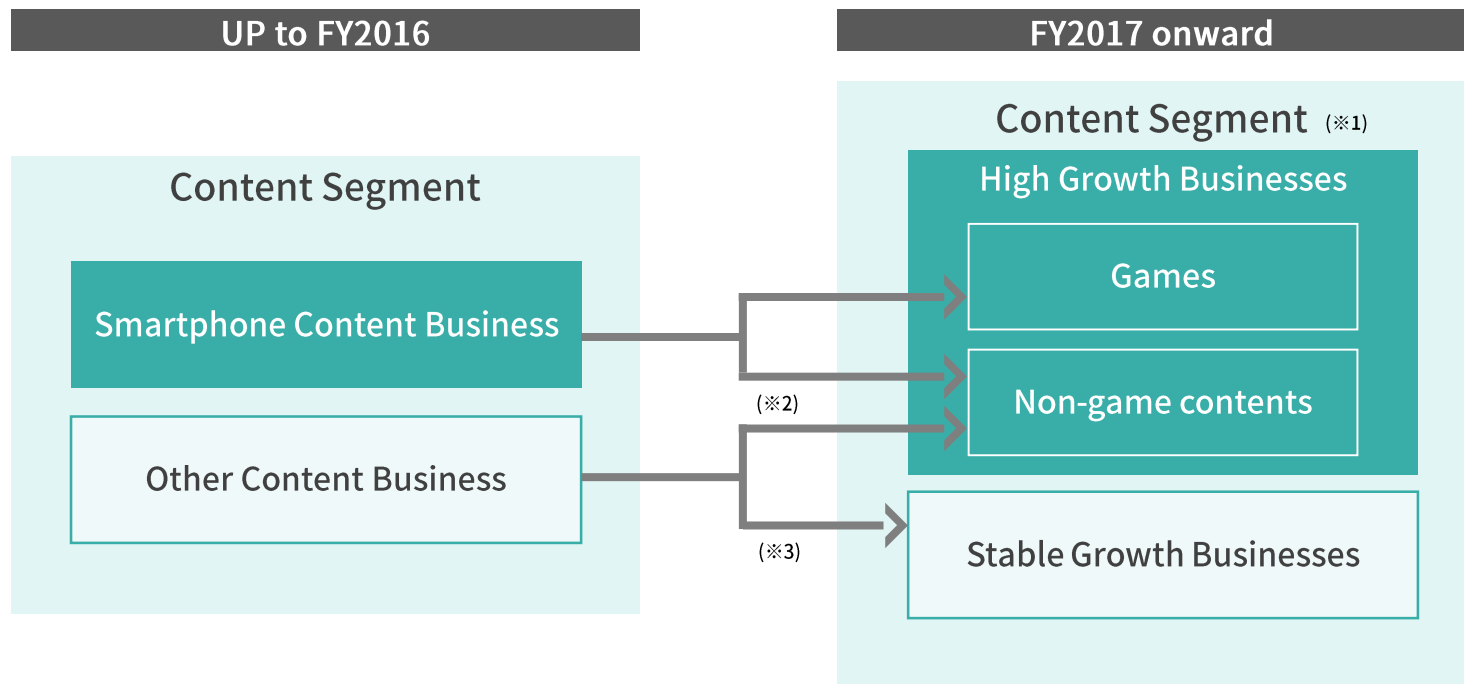
	Products	Medium-term Business Strategies
Supply-Side		“adstir,” an SSP : Maintain the position as a domestic leading SSP. Continue to grow by diversifying ad formats including video and in-feed ads, and by offering new solutions etc.
Demand-Side		Strive to secure inventories of video ad media, particularly major media, and continuously promote initiatives for ad improvement
		Conduct measures to raise ad effectiveness, such as enhancing ad distribution algorithm and utilizing data
New Products		Leverage accumulated knowledge, operational know-how and technologies from existing products to plan and develop new products

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

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 34.

※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

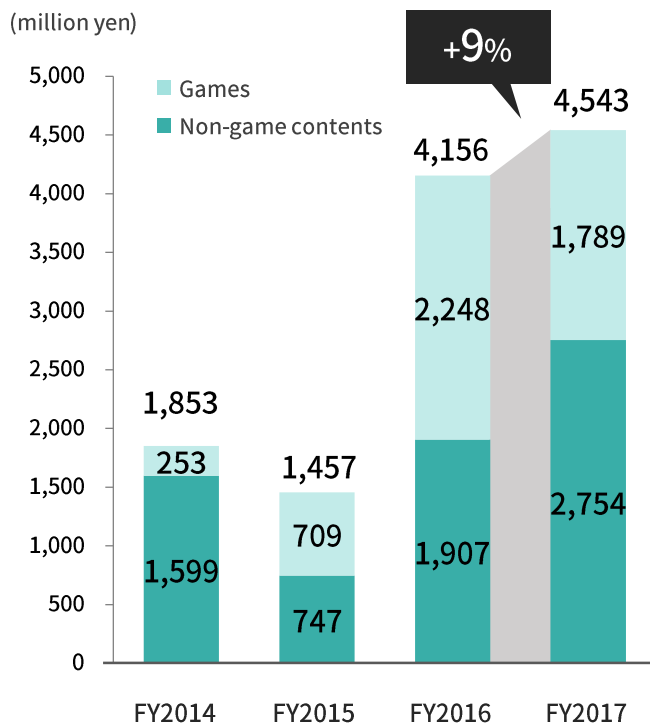


FY2017 Sales up 9% YoY

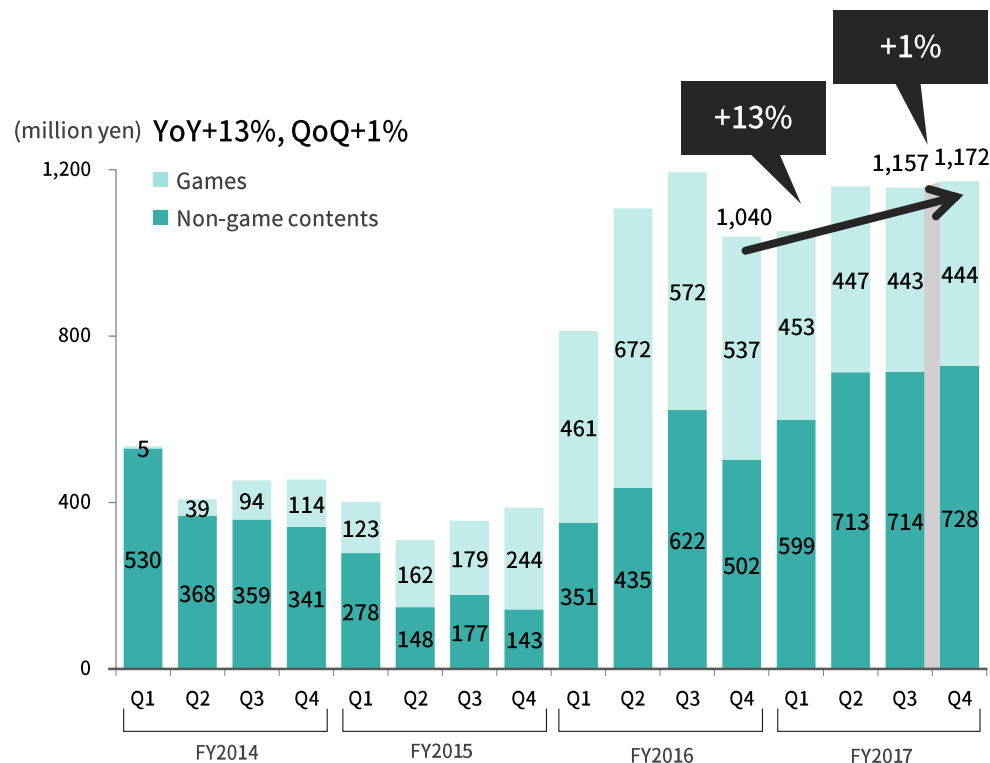
Up 9% YoY : Each business in Non-game contents grew YoY

Up 1% QoQ : Games maintained sales level and predominantly Smarprise, Inc. increased sales

Sales Trend for FY2017



Quarterly Sales Trend



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 : Segment Profit Trend

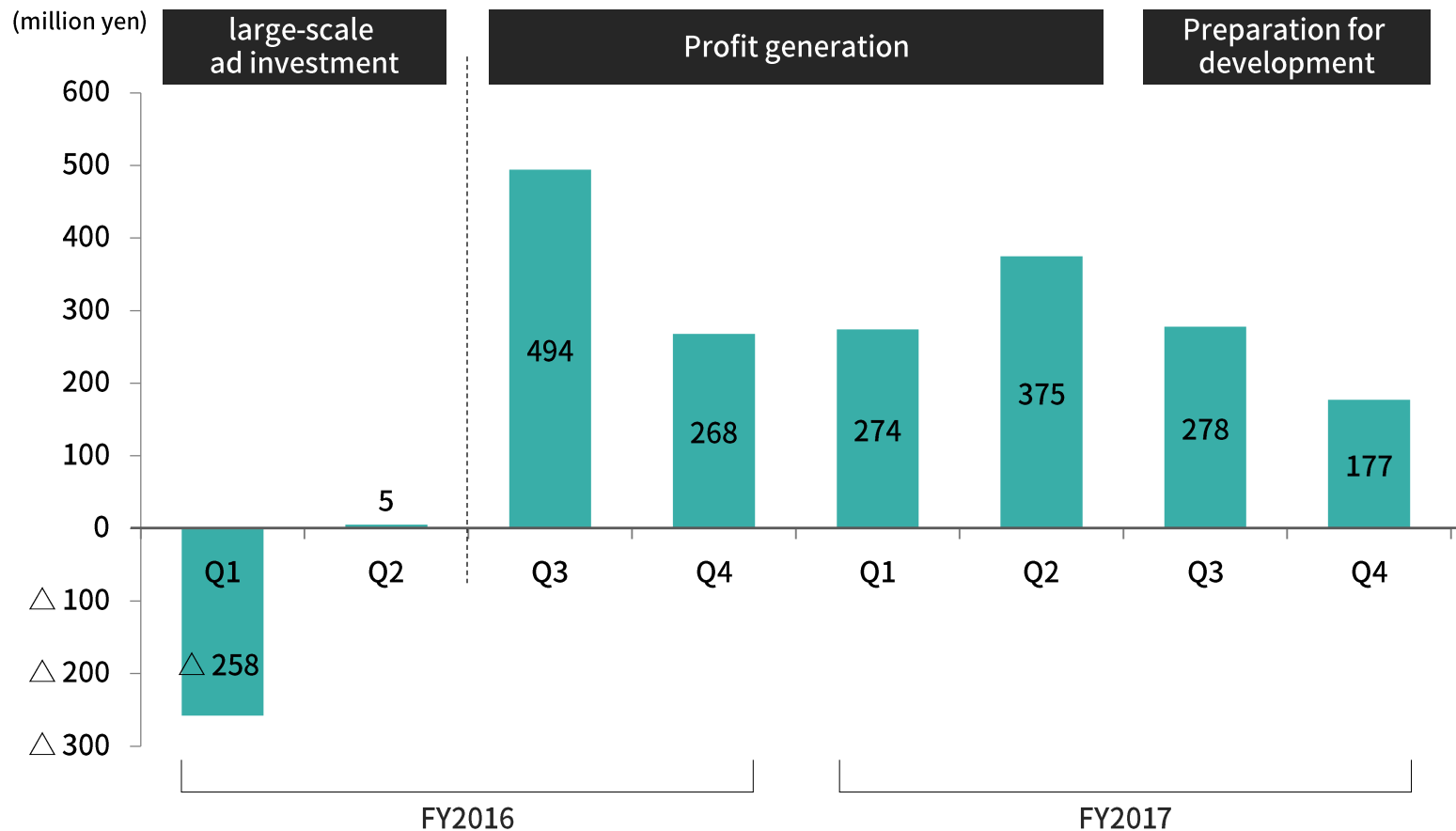


Moved into the profit generating period since Q3 FY2016 after conducting large-scale ad campaigns for “Crash Fever” in Q1 and Q2 FY2016

Since Q3 FY2017, segment profit decreased as investment in development for newly releasing game shifted into full swing

Note : Since app developing cost is recorded as expenses (not capitalized), those costs occurred before app release.

Quarterly Trend for Content Segment Profit



Original game title for smartphones “Tokyo Conception”

Release: to be released in Summer 2018, Start pre-registration from May 8, 2018

App overview: 3D RPG with simple usability, allowing everybody to easily enjoy exhilarating battle



KIRAMEX CORPORATION



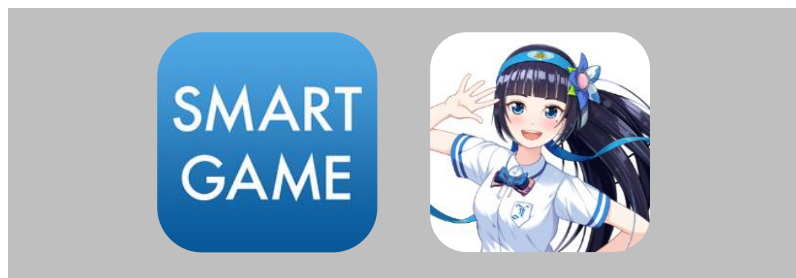
Operates “TechAcademy,” e-learning for programming and app development

ALAN•PRODUCTS, Inc.



More than one million monthly users
Operates “Hair Labo,” a comprehensive information website related to hair issues etc.

Smarprise, Inc.



Plans and operates the following services: “SMART GAME,” a Japan’s largest class platform service related to in-app purchases, which gives users points equivalent to a proportion of in-app purchases; virtual YouTuber “Fuji Aoi” (※)

※ subscribers: 90k as of May 7, 2018

Fogg, inc.



Operates “CHEERZ,” an app for cheering idols with idols’ photos
More than 1,000 idols are participating

Games Potential for Exceptional Growth

Aim for exceptional return by striving to develop new game titles and produce major hit



Crash Fever



CocoPPa Play



Tokyo Conception



New game title



Non-games Sales and Profit Base

Aim for ever-increasing growth by sequentially delivering new services in addition to existing services

 TECHACADEMY

 ヘアラボ

 CHE
ERZ

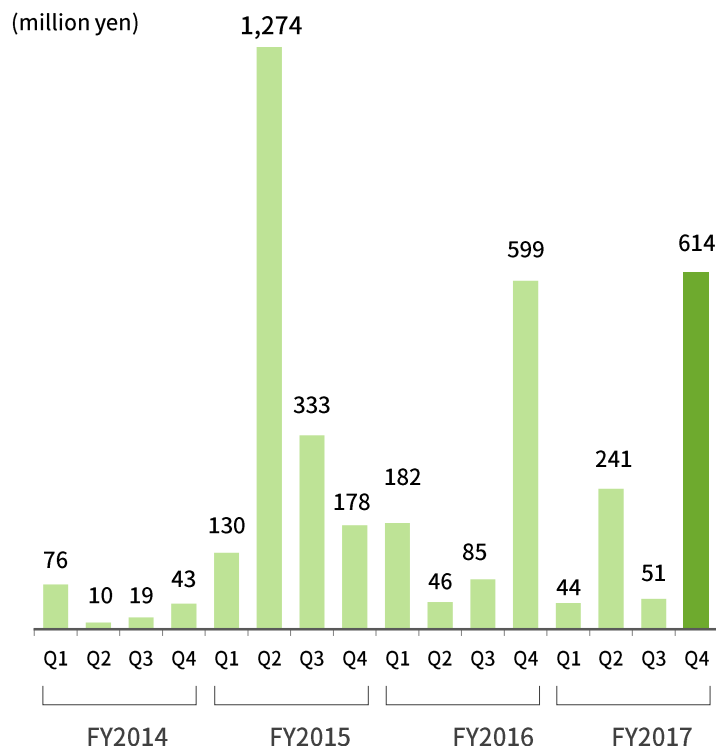
 SMART
GAME

③ Investment Segment



Annual sales increased by 4% due to capital gains relate to SOCIALWIRE CO.,LTD.
The amount of operational investment securities as of the end of FY2017 : ¥2,994 million
Continue new investments in seed and early stage ventures and expect sales and profit contribution from the investment portfolio

Quarterly Sales Trend



Major Investments Held in the Investment Portfolio

CtoC mobile marketplace



Mercari, Inc.

Recipe video



dely, Inc.

Social game



Wonderplanet Inc.

Listed BPO



SOCIALWIRE CO.,LTD.

VR social game



Cluster, Inc.

New

Influencer



CyberBuzz, Inc.

(Invested in April 2018)

Major Past Investments



Fujisan Magazine Service Co., Ltd



Metaps Inc.



Datasection Inc.



mixi, Inc.

3. Outlook FY2018



Planned to increase in both consolidated sales and operating income in FY2018

1. Investment Segment
2. New game title planned to be released in H1 FY2018
3. Cryptocurrency exchange related business

Considering the aforementioned and other factors, it is difficult to produce rational full-year forecast at this point, particularly since their impact on sales and profit is significant. Therefore no FY2018 forecast is disclosed.



FY2018 forecast will be disclosed once we are able to rationally produce a forecast

FY2018: Aggressively accelerate measures in each segment to achieve mid-term business growth

Ad Technology Segment



- Enhance existing products
- Develop new products responding to market needs

Content Segment



- Continuously release new game titles
- Up-front investment in each non-game business

Investment Segment



- Establish as a core business by strengthening HR

Others



- Launch Cryptocurrency exchange related business
- Extend business portfolio through both M&A and producing new businesses in-house

4. Reference Material

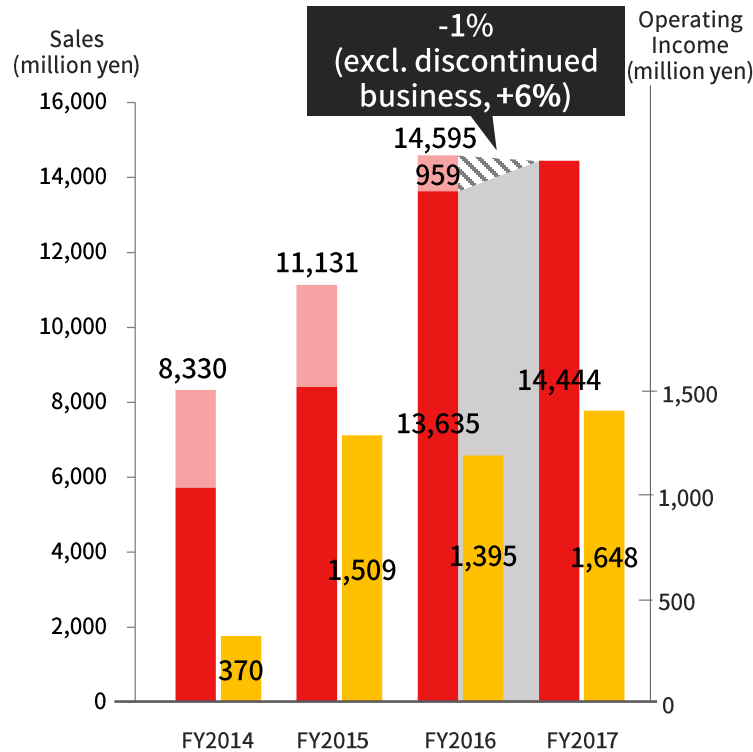


Consolidated Sales and Operating Income Trend

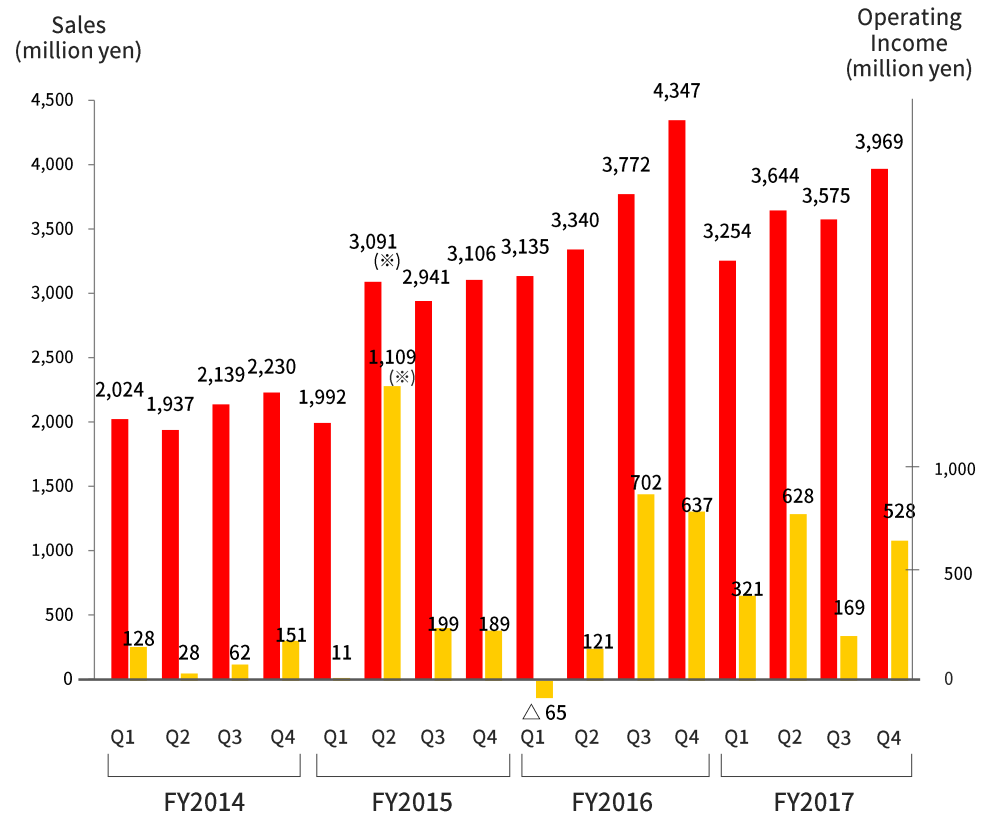


Consolidated sales declined by 1% YoY (up 6% for continuing businesses, excluding discontinued business) and operating income grew by 18% YoY

Consolidated Sales and Operating Income Trend for FY2017



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 Q4 FY2017 (Three Months Ended March 31, 2018)



SG&A Expenses : Up 10% QoQ due to moving expenses following subsidiary's business expansion
Operating Income : Up 211% QoQ due to capital gains in Investment Segment etc.

(Unit: million yen)

	FY2017 Q4	FY2017 Q3	QoQ %	FY2016 Q4	YoY %
Sales	3,969	3,575	+11%	4,347	△ 9%
Ad Technology Segment	1,874	2,067	△ 9%	2,306	△ 19%
Content Segment	1,493	1,470	+2%	1,443	+3%
Investment Segment	614	51	+1,084%	599	+2%
Others	-	-	-	-	-
Adjustments	△13	△14	-	△3	-
Gross Profit	1,433	993	+44%	1,473	△ 3%
Ad Technology Segment	224	296	△ 24%	536	△ 58%
Content Segment	619	692	△ 10%	633	△ 2%
Investment Segment	596	7	+7,731%	303	+97%
Others	△1	△2	-	-	-
Adjustments	△5	0	-	1	-
SG&A expenses	905	824	+10%	836	+8%
Operating Income	528	169	+211%	637	△ 17%
Ad Technology Segment	54	125	△ 57%	377	△ 86%
Content Segment	177	278	△ 36%	268	△ 34%
Investment Segment	588	△1	-	209	+181%
Others	△44	△28	-	-	-
Headquarter Expense	△247	△203	-	△218	-
Ordinary Income	520	161	+222%	690	△ 25%
Net Income attributable to owners of parents	264	18	+1,332%	428	△ 38%
Extraordinary profit and loss	△0	0	-	△7	-
Taxes etc.	△255	△143	-	△253	-

Consolidated Balance Sheet for Q4 FY2017



- Current Assets
Down ¥174 million mainly due to decrease in operational investment securities (down ¥207 million)
- Current Liabilities
Down ¥254 million mainly due to decrease in deferred tax liabilities (down ¥90 million)

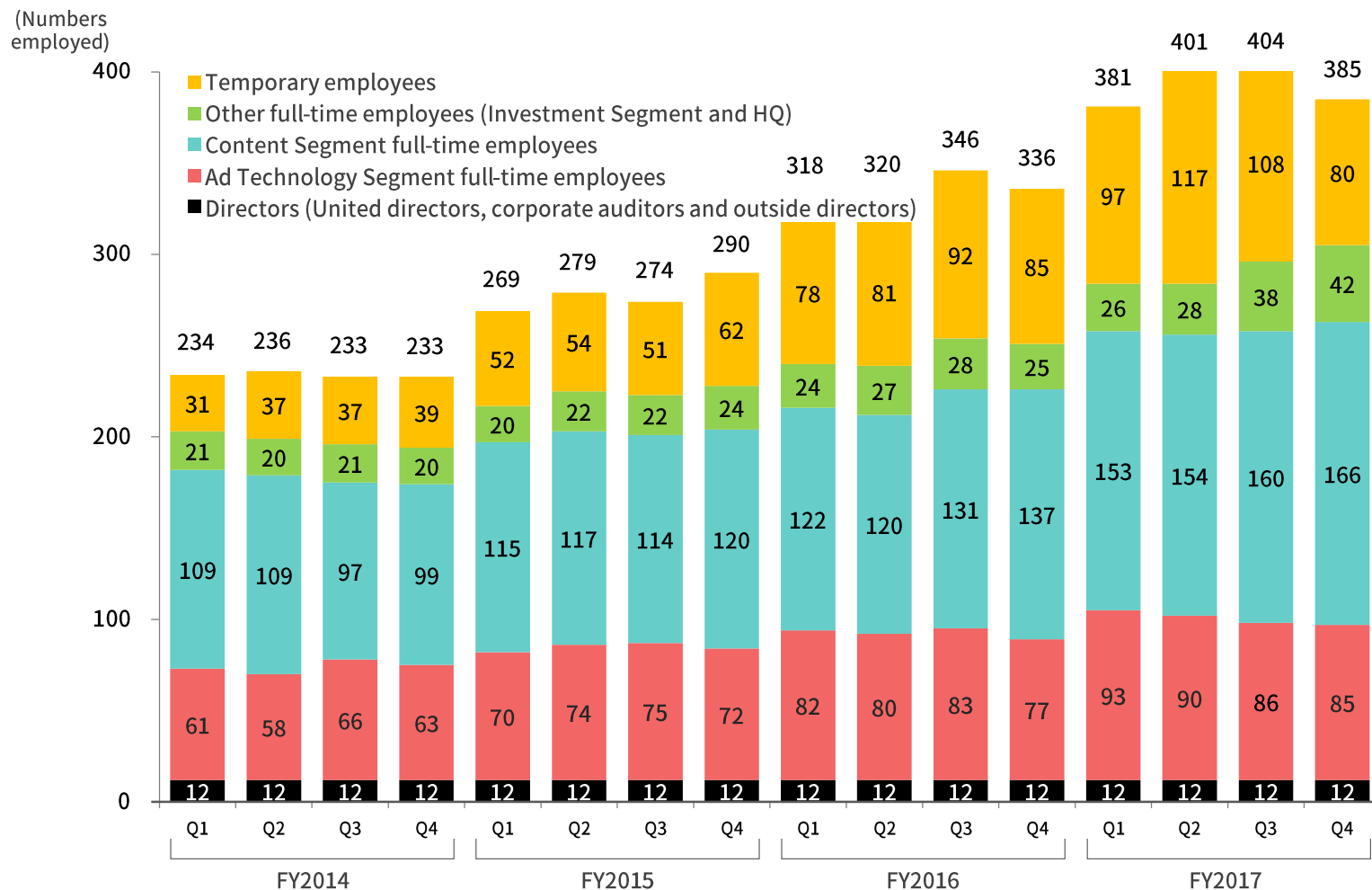
(Unit: million yen)

	End of Q4 FY2017 (Mar. 31, 2018)	End of Q3 FY2017 (Dec. 31, 2017)	Difference
Current Assets	10,598	10,772	△174
(Cash & Deposits)	(5,576)	(5,510)	(+66)
Non Current Assets	2,195	2,121	+74
Current Liabilities	2,503	2,758	△254
Non Current Liabilities	8	9	△1
Net Assets	10,281	10,126	+155

Number of Consolidated Employees and Directors












Number of consolidated employees (incl. temporary employees) and directors increased by 49 YoY (+15%)
Increase was mainly from enhancing recruitment of engineers and designers in Content Segment



Note: Due to withdrawal from Agency Business in FY2016, employees of discontinued business included in “Ad Technology Segment”

High Growth Businesses in Content Segment: Major Services

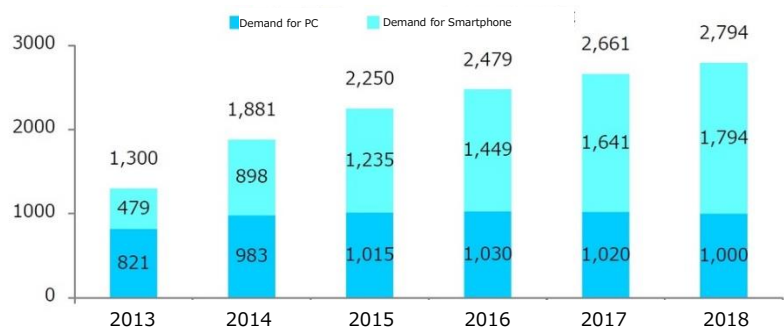


Games	Native Social Game Apps	 Crash Fever	“Smash! Pop☆RPG” game app Joint business with Wonderplanet, Inc., one of our investment portfolio companies
		 CocoPPa Play	Dressing-up avatar app operated solely by United since March 2016
		 Tokyo Conception	Planned release Summer 2018
		 ? New game title	Planned release Q4 FY2018
Non-Game Contents	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 (KiRAMEX CORPORATION)	Offer online learning for programming, design etc.
	vertical media	 ALAN•PRODUCTS, Inc. (Formerly Goroo, Inc.)	Offer vertical media businesses
	Other	 Apps for mobile carriers	Provide in-house developed apps to NTT docomo’s “Sugotoku-Contents” and au’s “Smart Pass”

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

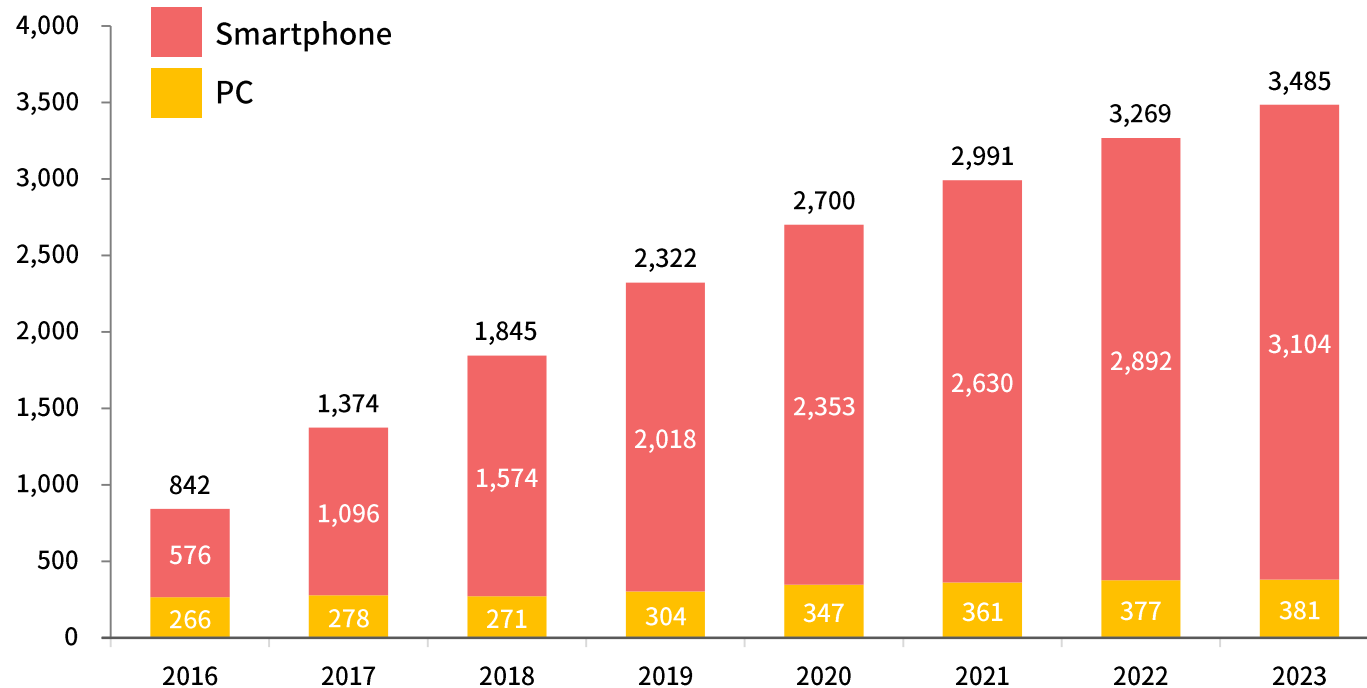
The growth of the video ad market



The scale of the video ad market has been expanding and is forecasted to reach ¥270 billion in 2020, approx. 87% of which will be video ads for smartphones

【The Scale of Japanese Video Ad Market (by device) 2016-2023】

(unit: 100 million yen)



Source: Online Video Research / Digital InFact

“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”

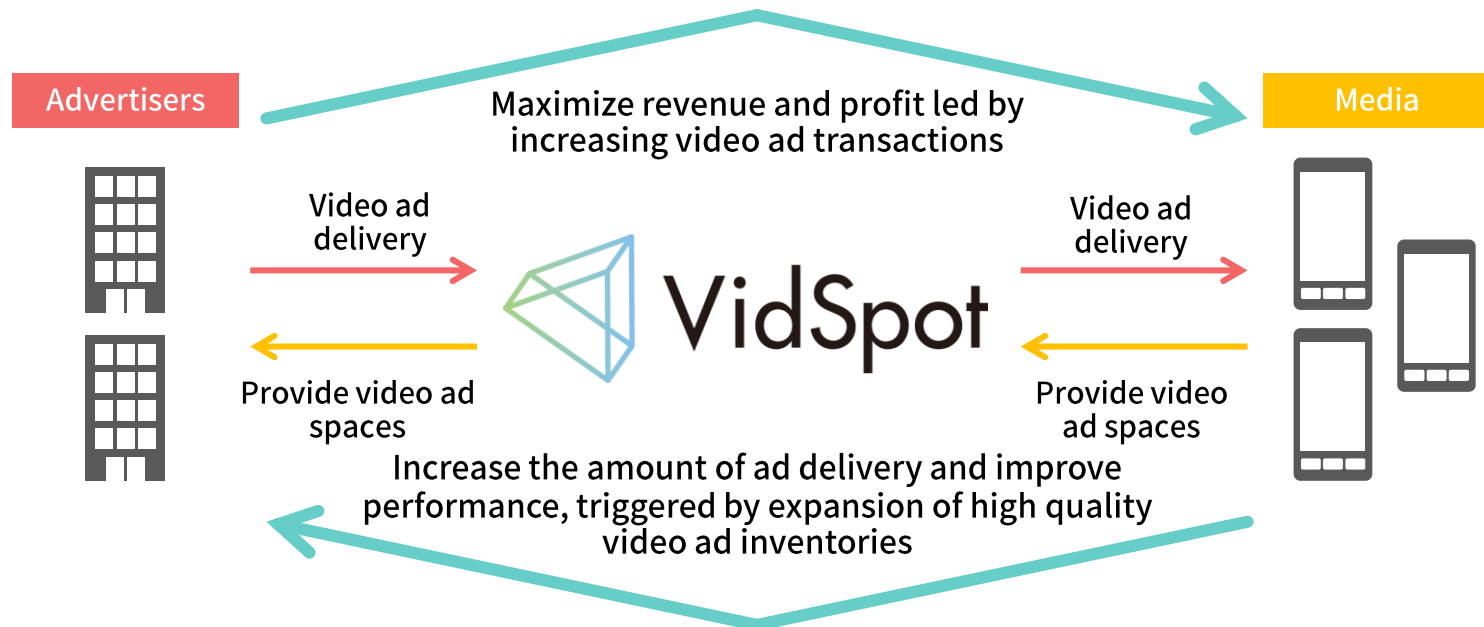
1. Ad Optimization Technology

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

2. Abundant Video Ad Inventories

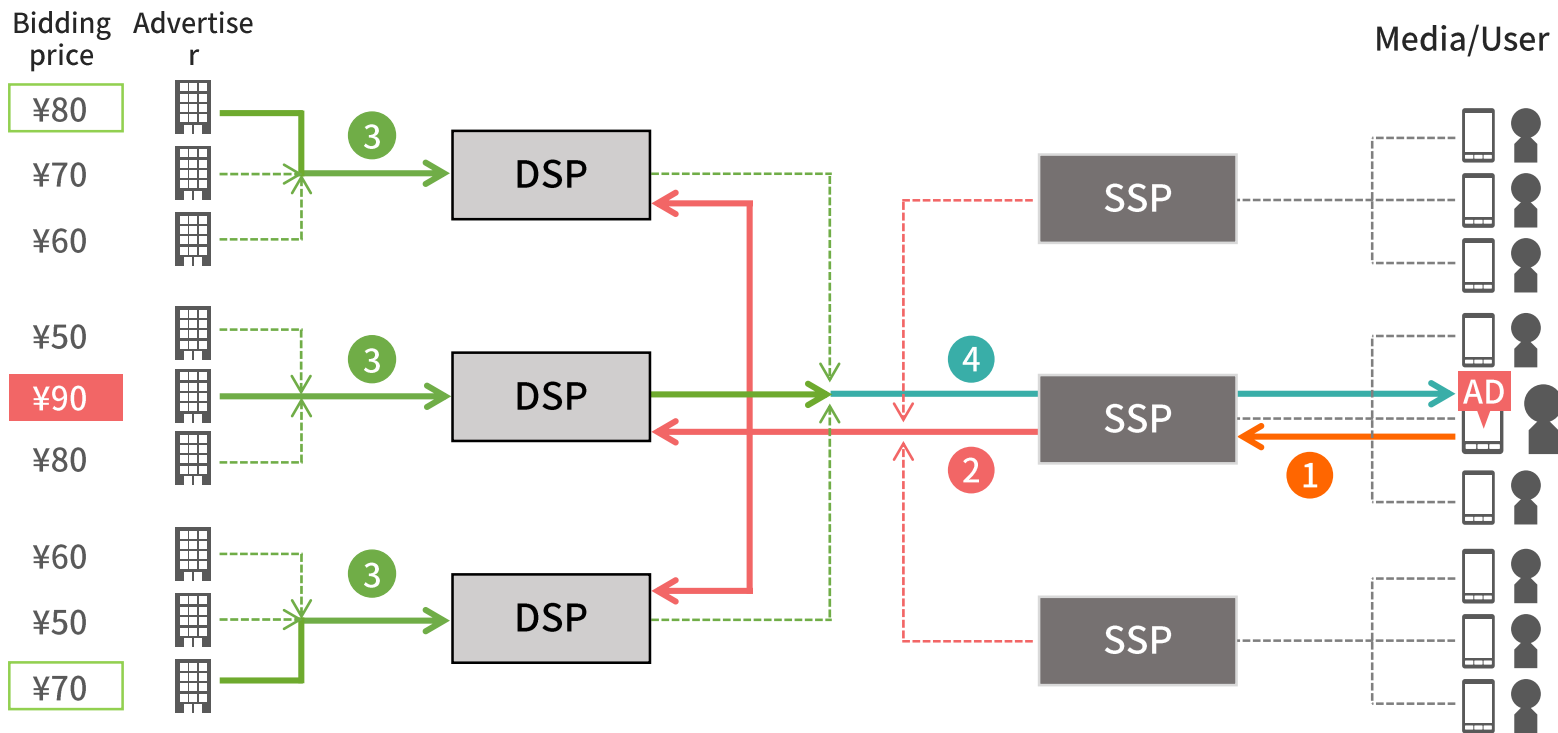
- Secure diversified video ad inventories, leveraging connected partners of “Bypass,” a DSP and “adstir,” an SSP
- With our knowledge of video ads, acquire video ad spaces of premium media such as “LINE LIVE”

Video Ad Distribution Flow



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

1. Business development in growing areas

Ad Technology and Content businesses focusing on growing smartphone field are our core businesses

2. Nurturing new businesses

Start up new subsidiaries through “U-START,” our start-up support system aiming to produce and nurture new businesses

E.g.: Fogg, inc., COINAGE, Inc.

3. Leveraging M&A

Companies who joined the United group through M&A grow their businesses, contribute to revenue and profit, and integrate into the organization

E.g.: Smarprise, Inc., KiRAMEX, CORPORATION, and ALAN•PRODUCTS, Inc.

4. Identifying promising start-ups

Gain investment opportunities for promising start-ups through extensive network of personal contacts, especially senior management contacts

Our Unique Personnel System “U-Start “



Our start-up support system (“U-START”) began as an organizational approach to continuously produce promising new businesses since April 2013
“U-START” allows employees with high entrepreneurial spirit who demonstrated outstanding performance to start new business ventures partially with their own investment

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

