
Second Quarter, Fiscal Year
Ending March 2019

Financial Results

October 31, 2018



United, Inc.
(TSE Mothers, code 2497)



Vision

Become the leading internet firm in Japan



Mission

Create new value through continued challenges and contribute to society



Our Business-In Detail

Ad Technology Business



“Bypass”
DSP



“VidSpot”
Video ad distribution platform



“adstir”
SSP

new



“A Deals”
App specialized
ad distribution platform

new



“HaiNa”
Ad network

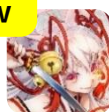
Game Business



“Crash Fever”



“CocoPPa Play”



“Tokyo Conception”



TriFort, Inc.
※ became subsidiary since
Oct 2018

Content Business

High Growth Businesses

Smarpr!se

Smarprise, Inc.

KiRAMEX

KiRAMEX
CORPORATION



Fogg, inc.



ALAN•PRODU
CTS, Inc.

Stable Growth Businesses



TREiS, inc.



International Sports Marketing
Co., Ltd.



Apps for
mobile carriers

Investment Business



Other Business



COINAGE, Inc.

Note: “Game Business” has been separated from “Content Business” from FY2018



Financial Highlight

This presentation contains certain statements describing future plans, strategies, and performance forecasts of United and its affiliated companies. These statements reflect forecasts based on management's assumptions and beliefs using available information as of October 31, 2018 when this presentation was produced. Actual performance may differ due to unforeseen circumstances in the operating environment. Also company names and product names are copyright material owned by each company or party.

Financial Highlights H1 FY2018

Renewed record high consolidated profit in H1
Pursued up-front investment in each business by utilizing profit from Investment Business,
and will continue to do so through FY2018

Overall	Consolidated	Sales: 18,858 million yen (YoY up 173%) Operating Income: 12,219 million yen (YoY up 1,186%) Net Income: 8,080 million yen (YoY up 1,327%)
	Ad Technology Business	Sales: 3,001 million yen (YoY down 21%) Operating Income: -32 million yen (YoY down 421 million yen)
	Game Business	Sales: 799 million yen (YoY down 11%) Operating Income: 78 million yen (YoY down 73%)
	Content Business	Sales: 2,044 million yen (YoY up 6%) Operating Income: 1 million yen (YoY down 100%)
	Investment Business	Sales: 13,044 million yen (YoY up 4,463%) Operating Income: 12,905 million yen (YoY up 5,054%)
	Other Business	Sales: - million yen (YoY - million yen) Operating Income: -127 million yen (YoY down 127 million yen)

Consolidated P/L Statement H1 FY2017

(million yen)

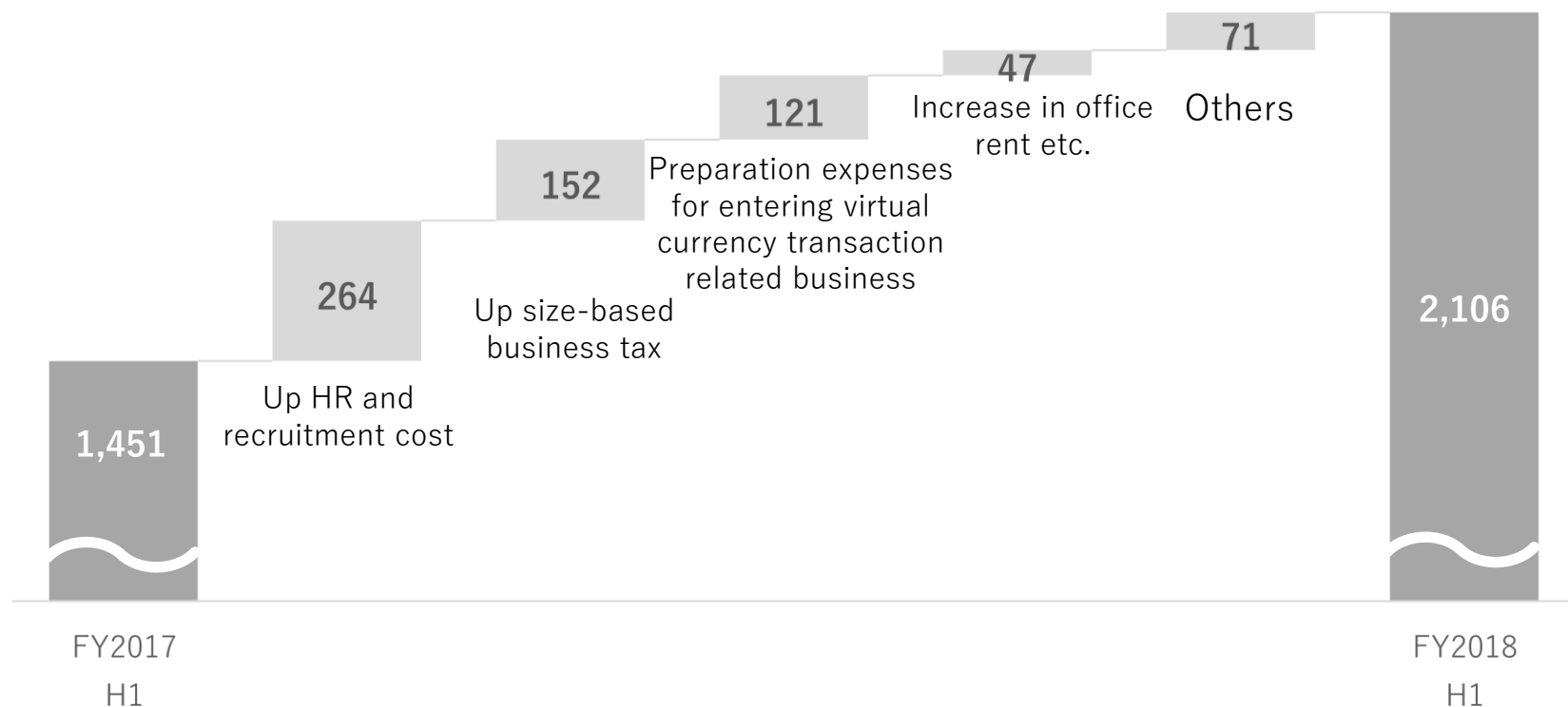
	FY2018 H1	FY2017 H1	YoY
Sales	18,858	6,899	+173%
Gross Profit	14,326	2,401	+496%
SG&A expenses	2,106	1,451	+45%
Operating Income	12,219	950	+1,186%
Ordinary Income	12,206	944	+1,192%
Net Income attributable to owners of parents	8,080	566	+1,327%
Extraordinary profit and loss	△324	△4	-
(Valuation loss on investment securities)	△174	-	-
(Expense for office expansion)	△142	-	-
Taxes etc.	△3,802	△374	-

H1 Consolidated SG&A Expenses Comparison

Major reasons for increase in SG&A Expenses:

Expanding employee numbers in group companies (up ¥175 million), new graduates (up ¥53 million), up-front investment such as preparation expenses for entering virtual currency transaction related business

(million yen)



Consolidated Balance Sheet for H1 FY2018

Current Assets such as cash and deposits increased compared to end of FY2017, mainly due to capital gain related to Mercari's IPO and partial sales of invested shares
Able to invest in focused strategic priorities in mid-term management plan (see page 32)

(million yen)	End of Q2 FY2018 (Sept. 30, 2018)	End of Q4 FY2017 (Mar. 30, 2018)	Difference
Current Assets	60,944	10,598	+50,346
(Cash & Deposits)	16,186	5,576	+10,610
(Operating investment securities) ※	42,499	2,994	+39,505
Non Current Assets	1,929	2,195	△265
Total Assets	62,873	12,793	+50,080
Current Liabilities	6,214	2,503	+3,711
Non Current Liabilities	11,881	8	+11,873
(Deferred tax liabilities) ※	11,877	1	+11,875
Total Liabilities	18,096	2,511	+15,584
Net Assets	44,777	10,281	+34,495
(Unrealized gains on securities) ※	27,531	492	+27,038

※ Impact on market valuation of invested stocks: Increase in Current Assets (operational investment securities), Non-current Liabilities (deferred tax liability), and Net Assets (valuation difference on available-for-sale securities)



 **Financial Highlight**

Business Review

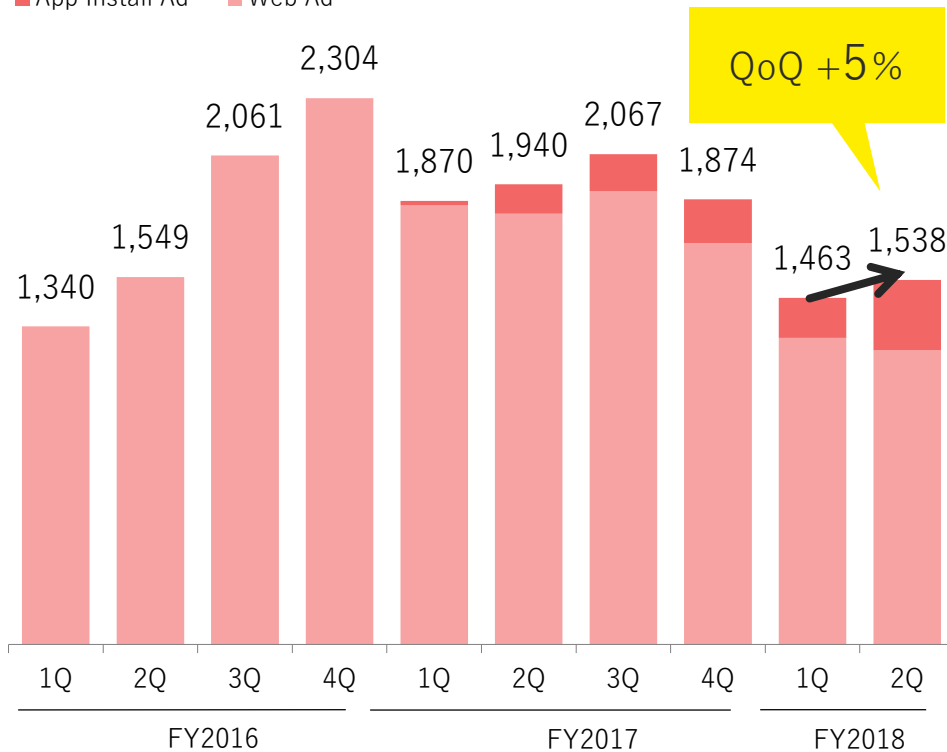
Ad Technology Business: Sales and Operating Income Trends

Sales: up 5% QoQ as new product “ADeals” began to take off
Gross margin: Improved margins of “VidSpot” and “adstir”

Quarterly Sales Trend (Continuing Businesses)

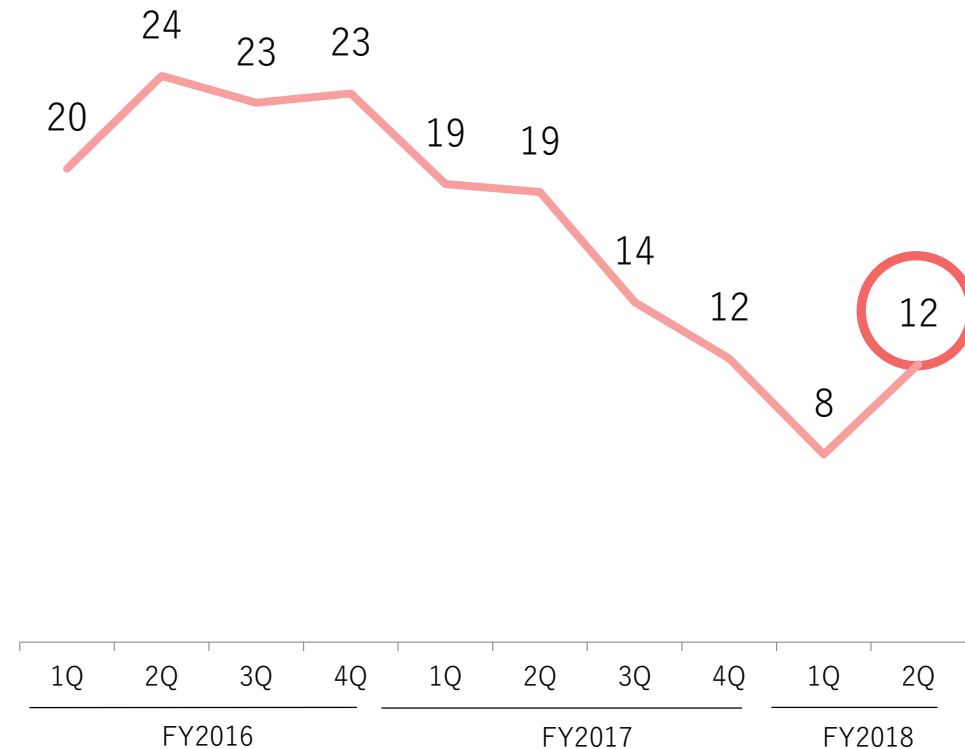
(million yen)

■ App Install Ad ■ Web Ad



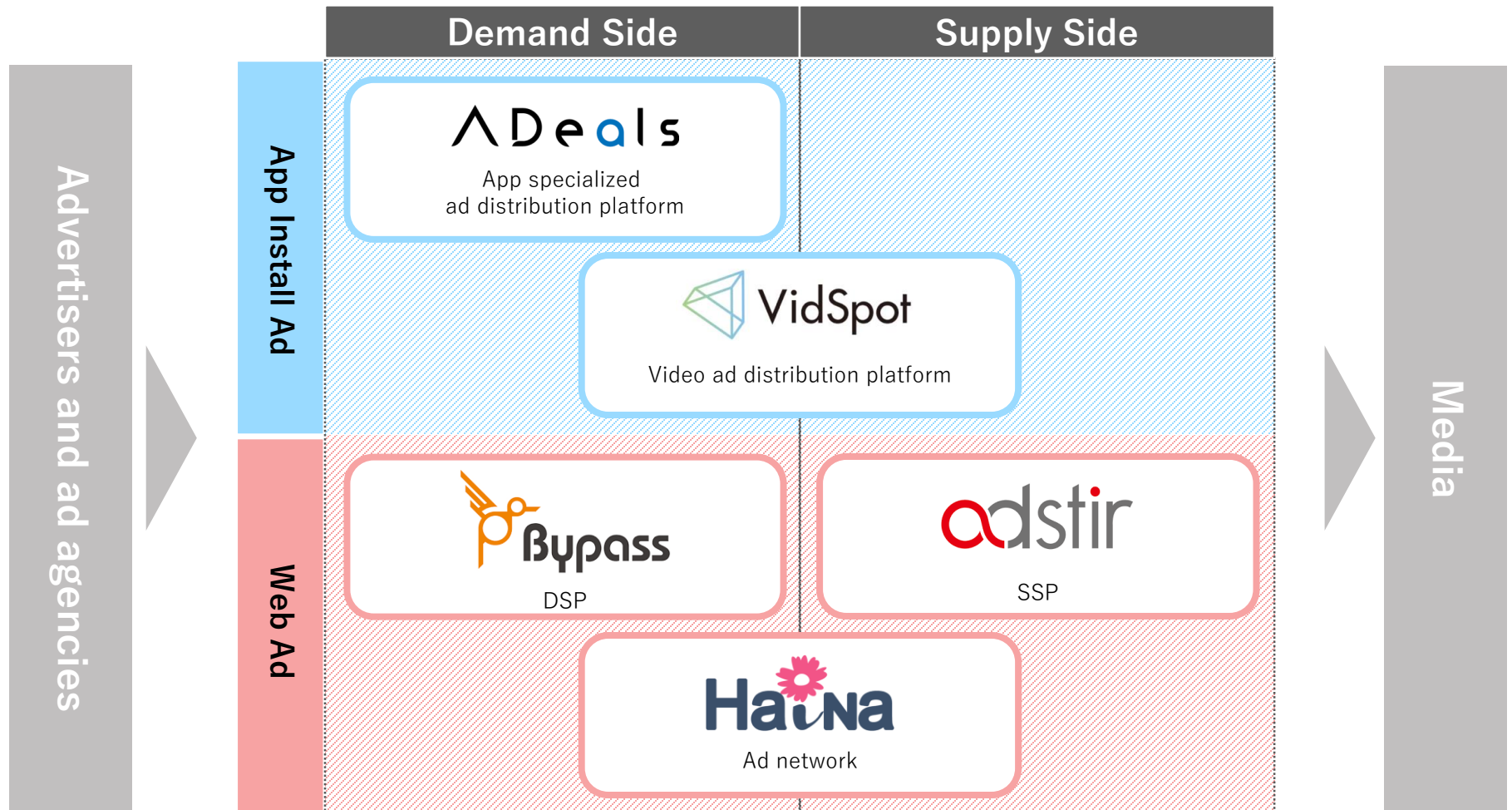
Quarterly Gross Margin Trend (Continuing Businesses)

(%)







Ad Technology Business: Strategy

Plan to deploy products in various areas and increase sales for overall Ad Technology Business
Aim to improve profitability through vertical integration and leveraging existing system resources by businesses



App installation ad business: Focus on sales growth
Web ad: Achieve stable profit contribution

Business Area	Service Description	FY2017	FY2018 H1	FY2018 H2
App Install Ad Growth focus		Up-front investment period	Improve margin	Maximize profit
	new 		Taking off	Increase sales
Web Ad Profit focus		Primary source of sales & profit	Stable profit contribution	
	new 		Grow by using adstir inventory	

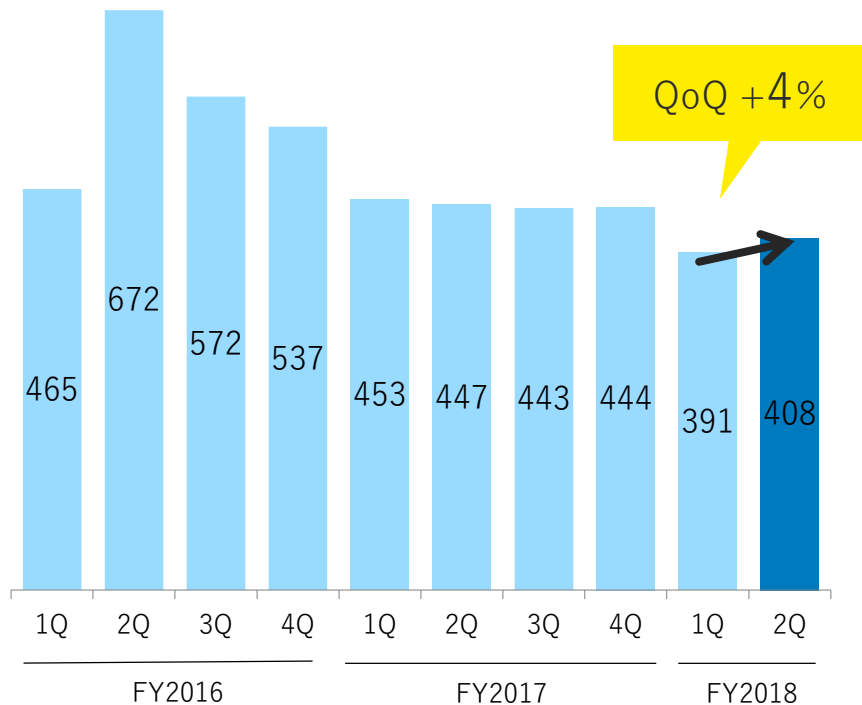
Game Business: Sales and Operating Income Trends

**Sales up 4% QoQ despite release of new title “Tokyo Conception” delayed to Q3
Plan further sales growth post Q3 as TriFort, Inc. became a consolidated subsidiary**

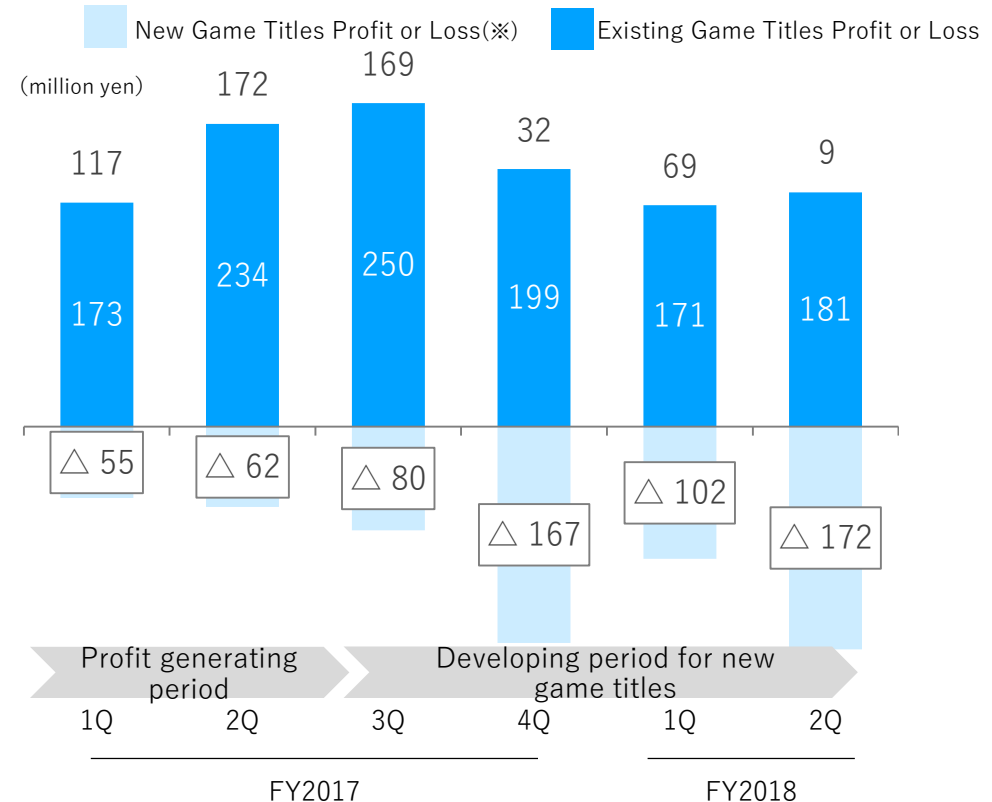
※ Since app developing cost is recorded as expenses (not capitalized), those costs occurred before app release.

Quarterly Sales Trend

(million yen)



Quarterly Operating Income Trends





“Tokyo Conception” Released on Oct. 23

Genre: 3D action RPG
OS: Android™ and iOS
Price: Basically free (Offers In-App Purchases)

Undertook several pre-release promotions in order to attract fans in advance of release

Twitter



Proactive communication
with users by using
Twitter official account

Events



Official ambassador (※)
and press events
※ Scheme users are able to spread app
in advance of release

Auditions



Auditions for vocalists for
title song, voice actors
and character models
through CHEERZ and
SHOWROOM

Collaboration



Collaboration with Virtual
YouTubers (Fuji Aoi,
Tokino Sora)

With Over 100K DL, positive initial response

Game Business: TriFort, Inc. Becoming Subsidiary

Acquired ownership of TriFort, Inc, which has an extensive track record regarding development and operation of game apps specializing in social gaming and smartphones, as subsidiary

Acquisition Overview

TriFort, Inc.

Representative: CEO Shintaro Otake

No of employees: 178 (end of Sept. 2018)

Business description: Development and operation of smartphone apps and web services

< About acquisition >

Acquisition cost: about ¥3,615 million

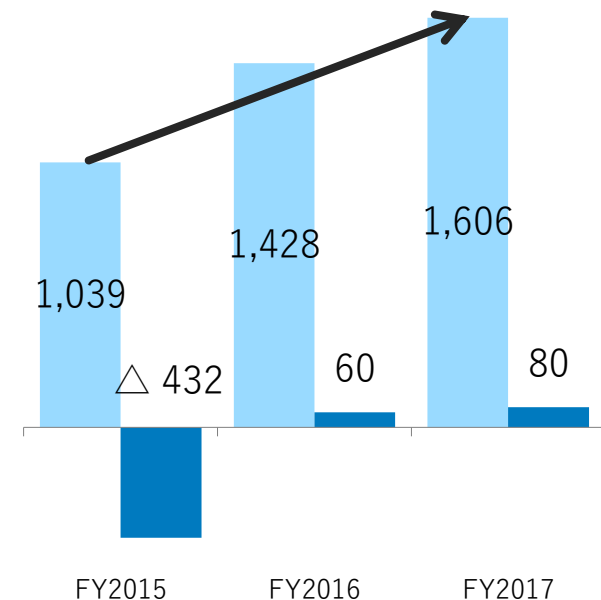
% of voting rights held after acquisition: about 75.0%(※)

Transfer date: Oct. 11, 2018

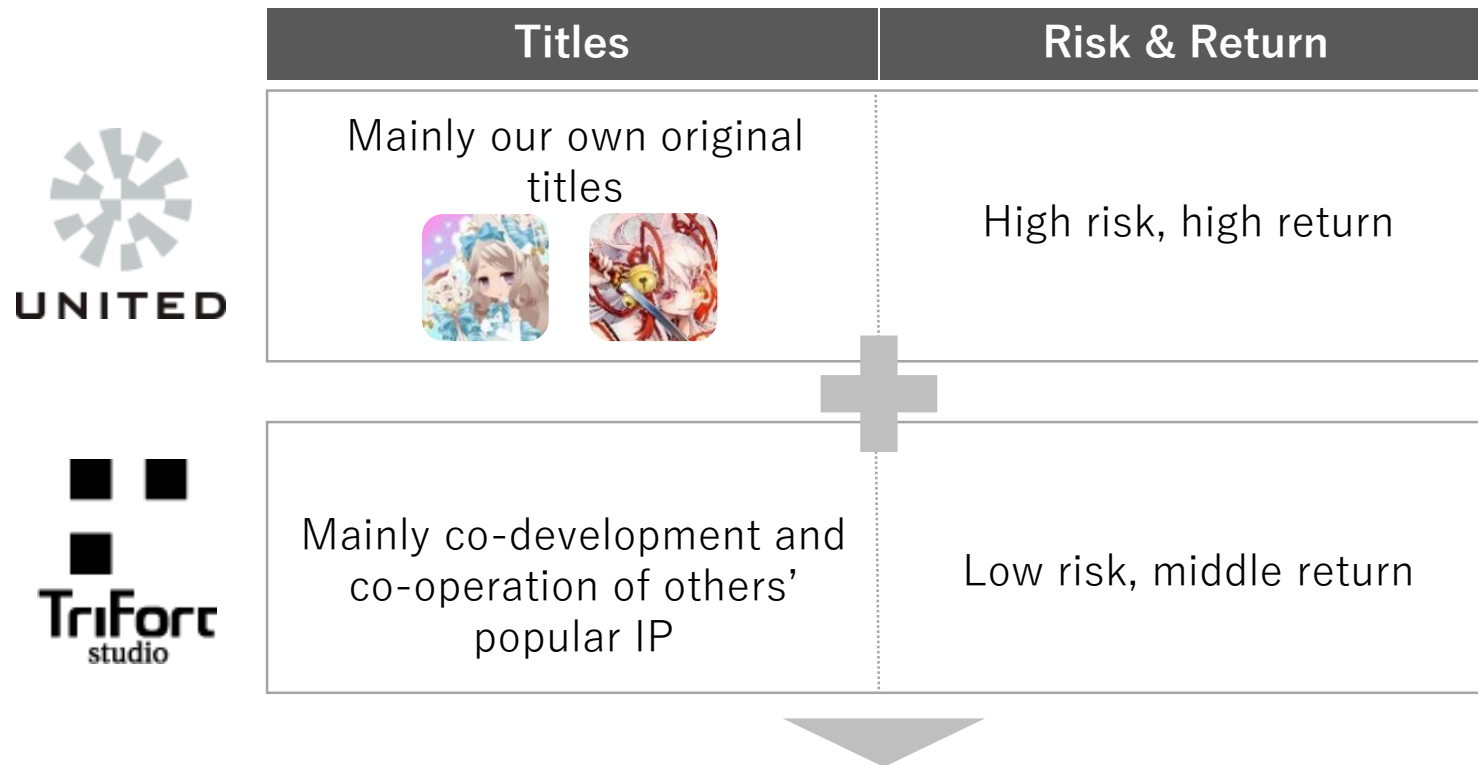
※United has an option to purchase the remaining 25% under earnout method in order to wholly own TriFort, Inc.

Sales and Operating Income Trends

(million yen)



In addition to developing our own titles -a high risk and high return model- add low risk and middle return businesses to our business portfolio, in order to mitigate volatility of overall game business



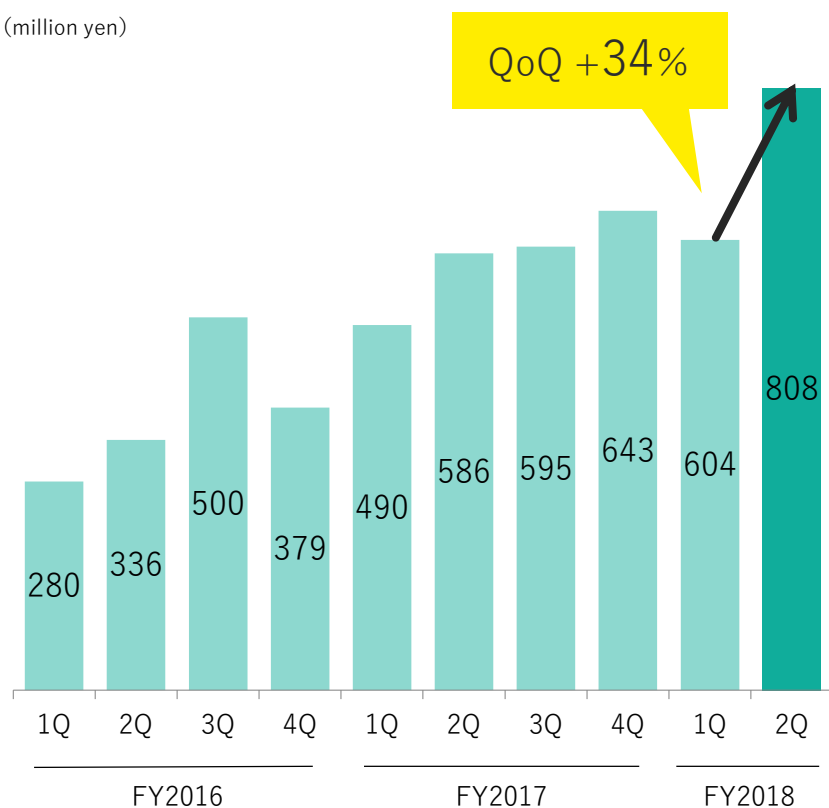
Complementing each other mitigates volatility of overall game business

Content Business - High Growth Businesses: Sales and Operating Income Trends

Sales up 34% QoQ driven by strong performance of KiRAMEX
Prepare for launching new businesses within each business and initiate the transformation of each business portfolio

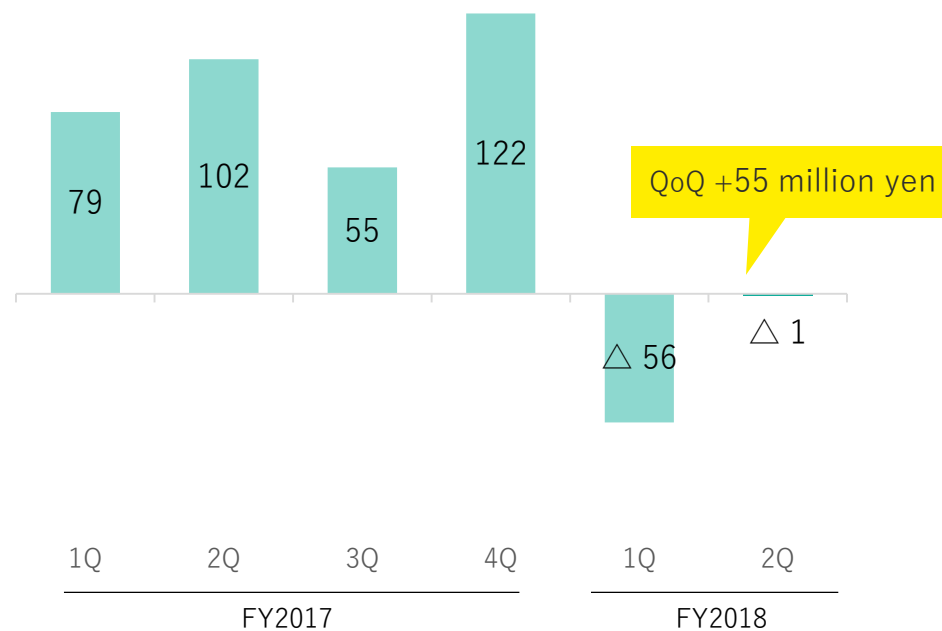
Quarterly Sales Trend

(million yen)







Quarterly Operating Income Trends

(million yen)



Content Business - High Growth Businesses: Update and Actions of each Business

Group Companies	Update of Q2	FY2018 Forecast	
		Sales	Operating Income
 KiRAMEX CORPORATION	<div>Update</div> Good sales for corporate training in H1 <div>Action</div> Extend related services to “Tech Academy,” a major product	↗	↗
 Smarprise, Inc.	<div>Update</div> Rethink business model of “SMART GAME,” as iTunes affiliate program ended in October <div>Action</div> Strengthen HR and prepare to launch several new businesses	↗	↘
 ALAN•PRODUCTS, Inc.	<div>Update</div> Sales drop of “Hair Labo,” a major service <div>Action</div> Restructure organization with mainly younger staff in order to launch new businesses	↘	↘
 Fogg, Inc.	<div>Update</div> Upward sales trend of related services to “CHEERZ” <div>Action</div> Continue to focus on developing “CHEERZ” and related services	↗	↗

ALAN•PRODUCTS, Inc. acquired RAPS Inc. operating “MIROR,” Japan’s largest class C2C fortune telling service, as subsidiary
Aim to grow this business as one of Alan’s new businesses

Features of “MIROR”

- C2C matching fortune tellers and users
- 24 hour availability through chats and phones
- More than 200 fortune tellers

Company Overview

RAPS Inc.

Founded in Jan 27, 2017

Representative: CEO Tatsuya Wadasaki

No of employees: 15 (including part time and contracted staff)

Description: Development and operation of smartphone apps and media



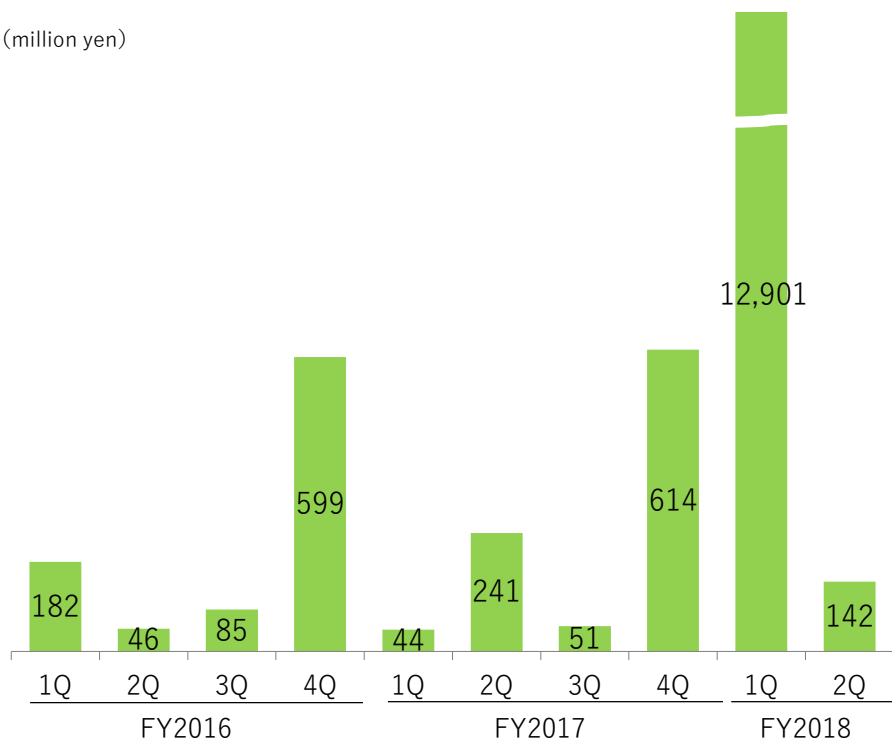
Investment Business: Sales and Operating Income Trends

Q2 sales: ¥142 million as funds' investment profit was recorded
Operational investment securities as at end of Q2 FY2018: ¥42,499 million

※ Operational investment securities related to Mercari: ¥39,427 million (% of voting rights held: 7.4%). As at Sept 30, 2018.

Quarterly Sales Trend

(million yen)



Breakdown of Operational Investment Securities

	Invested Companies	As at Sept 2018 (amount on BS)
Listed shares	Mercari, inc. SOCIALWIRE CO., LTD.	Approx. ¥39.9 Bn
Private shares	More than 50 companies	Approx. ¥1.3 Bn
Invested funds as LP	Approx. 20 funds	Approx. ¥1.2 Bn

Expect sales and profit contribution from existing investment and proactively explore new investment targets

Directly Invested Start-ups

Post IPO

mercari SocialWire Group

Middle~Later

CyberBuzz

dely

WonderPlanet

SMARTCAMP

vis ヒサスク
SPOT CONSULTING asQ

cluster

Early~Middle

translimit

Hacobu™

SORA

Jiraffe

TECH FUND

NEXT INNOVATION
今ない未来を、
ここから創る。

mewcket

FULL KAITEN

Exploring new investment opportunities

Invested Funds as LP

new

Full Commit Partners

new

The Seed Capital

new

XTech Ventures

anri

Samurai Incubate Inc.

SKYLAND VENTURES

INFINITY VENTURES

WIL
WORLD INNOVATION LAB

East Ventures

CyberAgent
Ventures

if
IncubateFund

GMO
VENTURE PARTNERS



Financial Highlight

FY2018 Forecast

Expect record high sales and operating income
Effectively using capital gain related to Mercari and regard FY2018 as up-front investment period toward achieving mid-term management plan “UNITED 2.0”

	Forecast (million yen)	YoY
Consolidated Sales Forecast	26,900~29,100	+86%~+101%
Consolidated Operating Income Forecast	10,000~11,000	+507%~+567%

FY2018 Forecast by Segment

Ad Technology Business	<p>Up-front investment: launch of “ADeals,” a new product</p> <p>Sales: 7,000~7,600 million yen YoY: $\triangle 10\% \sim \triangle 2\%$</p> <p>Operating Income: 0~300 million yen YoY: $\triangle 100\% \sim \triangle 47\%$</p>
Game Business	<p>Up-front investment: Promotion of “Tokyo Conception” and development of new game titles(※)</p> <p>Sales: 2,800~3,900 million yen YoY : $+56\% \sim +118\%$</p> <p>Operating Income: $\triangle 300 \sim 50$ million yen YoY: $\triangle 790$ million yen $\sim \triangle 440$ million yen</p>
Content Business	<p>Up-front investment: Recruiting talents for new service development for high growth businesses and M&A</p> <p>Sales: 4,200~4,500 million yen YoY: $+5\% \sim +13\%$</p> <p>Operating Income: $\triangle 650 \sim \triangle 450$ million yen YoY: $\triangle 863$ million yen $\sim \triangle 663$ million yen</p>
Investment Business	<p>Sales: 13,100~13,200 million yen YoY: $+1,276\% \sim 1,286\%$</p> <p>Operating Income: 12,800~12,850 million yen YoY: $+1,428\% \sim 1,434\%$</p>
Other Business	<p>Up-front investment: COINAGE's preparation expenses for entering virtual currency transaction related business</p> <p>Sales: — million yen YoY: — %</p> <p>Operating Income: $\triangle 400 \sim \triangle 350$ million yen YoY: $\triangle 327$ million yen $\sim \triangle 277$ million yen</p>

※ Plan to release on Q4 FY2018



Financial Highlight

Interim Dividend

Increase interim dividend (per share) to 24.0 yen
Maintain consolidated dividend payout ratio of 20% (including both interim and term end dividends)

Outline of Interim dividend				
	FY2017		FY2018	
	Interim	Term end	Interim	Term end (E)
Record date	Sept. 30, 2017	Mar. 31, 2018	Sept. 30, 2018	Mar. 31, 2019
Dividend per share	¥5.0	¥2.0	¥24.0(※)	Not yet determined
Dividend per share (Annual)	18.9%		20.0% (E)	

- ※ Policy for interim dividend
 Assume consolidated dividend payout ratio of 20% maintained
 Taking into account up-front investment etc. in H2, determine dividend per share of 24.0 yen with the guideline of 50% of lower end of FY2018 forecast EPS



Toward Achieving the Mid-term Management Plan

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Quantitative Target

FY2021 Operating Income (before amortization)

Challenging target ¥10 billion

Committed target ¥5 billion

(Excluding capital gain related to Mercari)



Qualitative Target

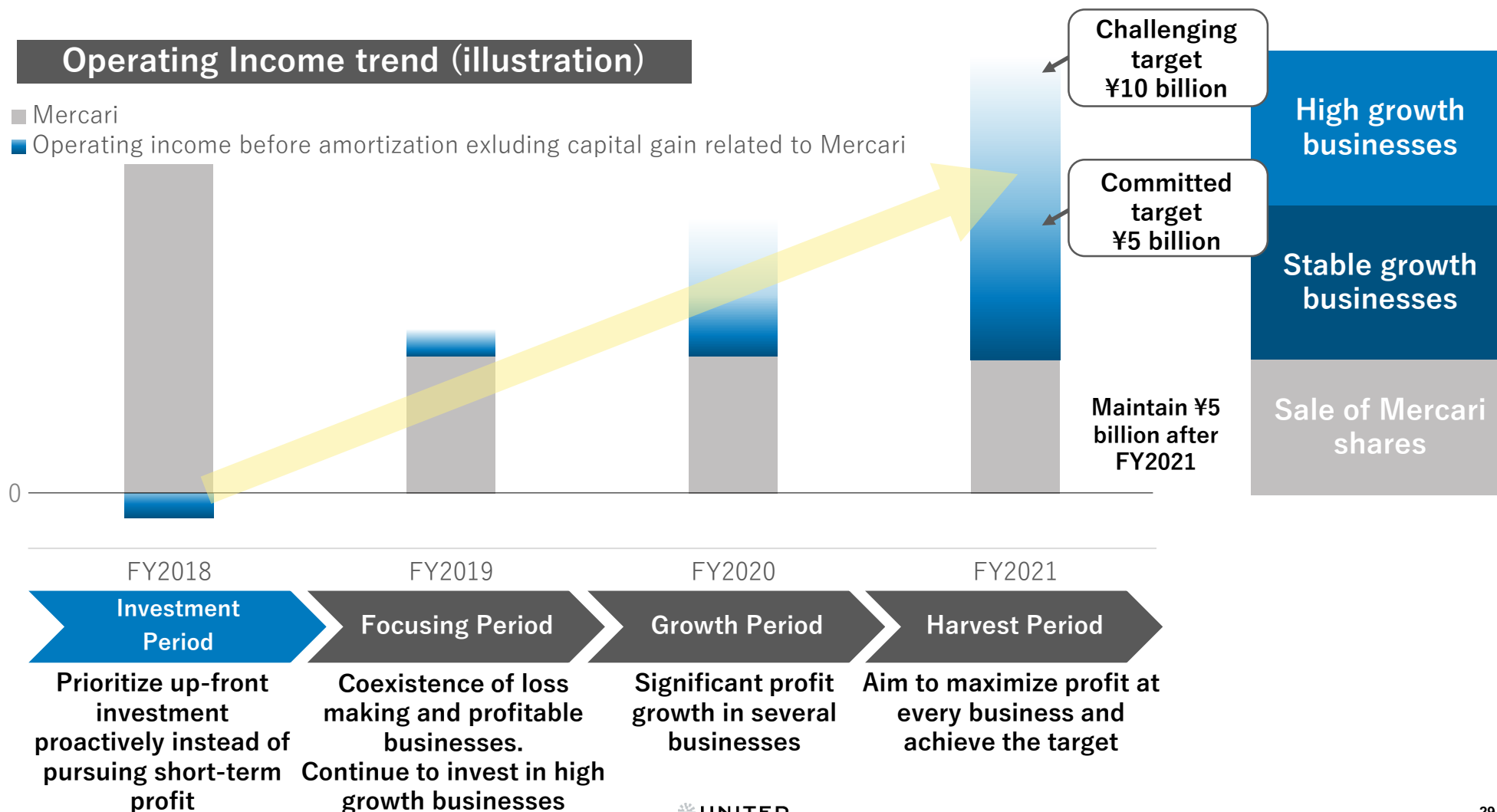
**Realize our vision by establishing and leveraging
UNITED Empowerment Platform (UEP)**

Toward achieving mid-term target, actively invest in high growth businesses by using cash in hand

Operating Income trend (illustration)

■ Mercari

■ Operating income before amortization exluding capital gain related to Mercari

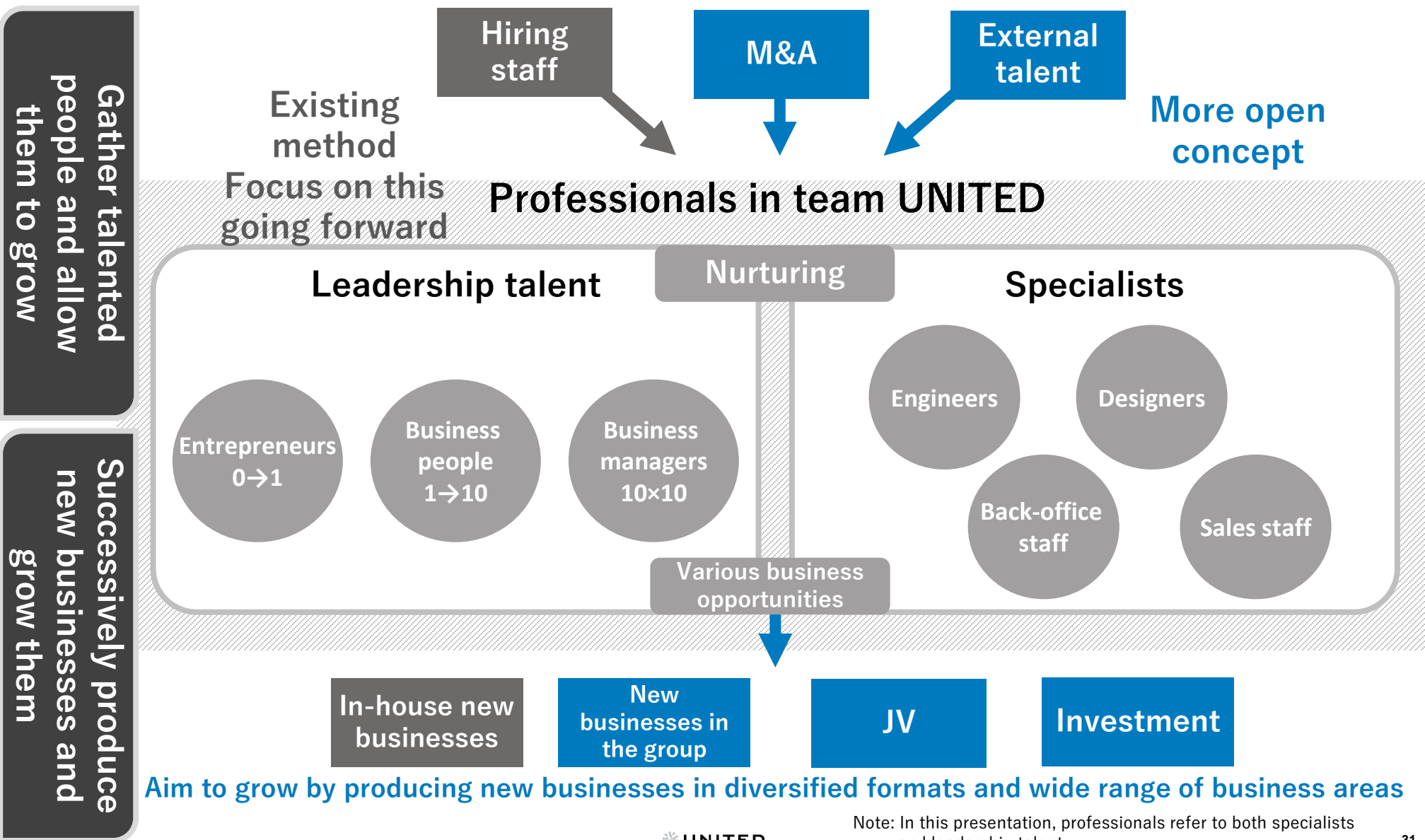


Establish UNITED Empowerment Platform (UEP)

UEP is the platform with entrepreneurs, business people, managers and specialists, allowing UNITED to grow as a team

Gather diversified talents: entrepreneurs who start business from scratch; business people who can grow business seed; managers who can manage 10 different established businesses; and specialists such as engineers, designers, back-office staff etc. Those people demonstrate their potential in various ways. Aim to establish the platform allowing individuals and organizations to grow through internet business.

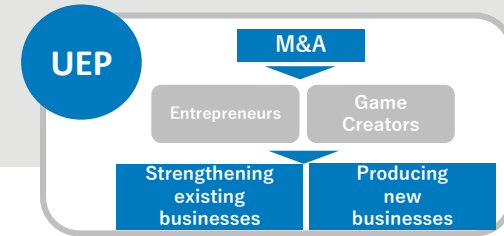




Major strategic priorities:

- Active M&A
- Enhance new business creation
- Accelerate growth of existing businesses

During the current mid-term management plan, thoroughly invest in the aforementioned priorities under UNITED2.0 slogan and achieve a new trajectory of growth



Acquired ownership of TriFort, Inc, which has an extensive track record regarding development and operation of game apps specializing in social gaming and smartphones, and anticipate the following role under the UEP

Organization with Comprehensive Developing Capability

- Game creator organization with more than 170 diversified skilled staff
- Wealth of experiences: various involvement of hit titles; multiple co-development and co-operation projects with major publishers
- Continuously accumulate planning, development and operational know-how

Strengthening
existing
businesses

Contribution to existing games

- Obtain co-development projects with famous IP and major publishers
- Accumulate further know-how via development experiences and increase success rate of game titles

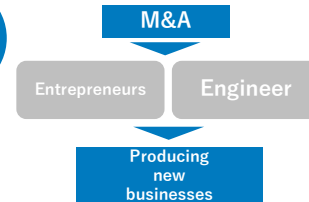
Producing
new
businesses

New business production leveraging technologies

- Planning and development of promising new AI related business in progress
- Continuous creation of new businesses leveraging comprehensive developing capability

ALAN•PRODUCTS's acquisition of RAPS Inc. and Glasspod, Inc.

UEP



With ALAN•PRODUCTS's representative Hanabusa's network, anticipate the following role under the UEP

- ✓ Quick launch of various new businesses and sales and profit contribution to Content Business
- ✓ Leveraging network with younger entrepreneurs and start-ups, explore M&A opportunities and access professional talents

▼Current movement

RAPS Inc. Becoming Subsidiary

- With product managers who experienced product launch and growth, new business creation is strength

Entrepreneurs
0→1

Acquire people with leadership and expect growth as new business within the group

Glasspod, Inc. Becoming Subsidiary

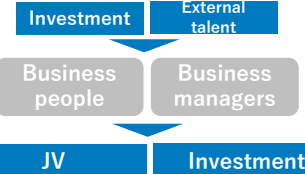
- CEO Kawanishi experienced CTOs at several start-ups and involved in new business development
- Become CTO of ALAN•PRODUCTS

Engineers

Acquire specialists and start new business production organization, "STUDIO ALAN"

Investment in XTech HP Corporation

UEP



Invested in XTech HP, Inc. (SPC), which acquired Excite Japan Co., Ltd. through TOB
Contribute to enhance Excite's company value through a potential business alliance



Invest

**XTech HP
Corporation**

TOB



Investment Overview

Investment amount: about ¥799,994 K
% of voting rights held after investment:
about 14.2%
Transfer date: Oct 25, 2018

XTech HP Corporation CEO Shinichi Saijo

Graduated from Faculty of Law, Waseda University and joined ITOCHU Corporation in 1996. Then joined CyberAgent, Inc in 2000 and held the post of Directors since 2004 and Senior Managing Director and COO since 2008. In 2013 co-founded WiL LLC as general partner, subsequently held position of Director at Coiney, Qrio's CEO and TriFort's Director. In 2018, founded XTech Corporation and XTech Ventures, Inc.

FY2018 is the investment period toward achieving mid-term management plan
Solid progress made across various actions

Active M&A

- ✓ Acquired TriFort, Inc as subsidiary
- ✓ Invested in XTech HP Corporation (SPC), which acquired Excite Japan Co., Ltd. through TOB

Enhance New Business Creation

- ✓ Form organizational structures for new service launch in high growth businesses of Content Business
- ✓ ALAN•PRODUCTS's acquisition of RAPS Inc. and Glasspod, Inc. as subsidiary

Accelerate Growth

- ✓ Focus on app install ad area in Ad Technology Business
- ✓ Strengthen Game Business portfolio with acquisition of TriFort, Inc.

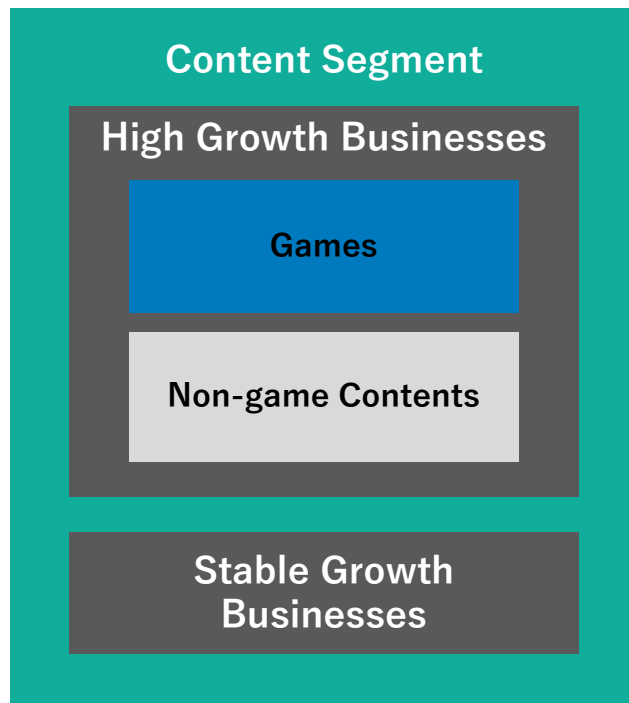


Appendix

Content Business: Change in Business Classification

“Game Business” is separate from “Content Business” as an independent segment, since “games” and “contents” set their own growth strategies

UP to FY2017



FY2018 onward



KIRAMEX

KIRAMEX CORPORATION

Operates “TECH ACADEMY,” 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.



Smarpr!se

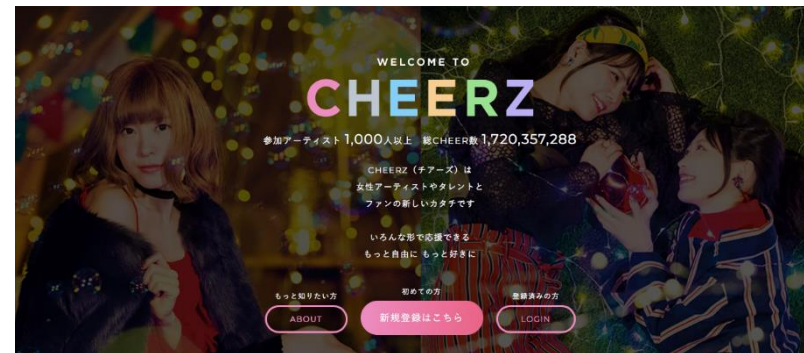
Smarprise, Inc.

Plans and operates the following services: “SMART GAME,” Japan’s largest platform service related to in-app purchases, which gives users points equivalent to a proportion of in-app purchases; VAR-YouTuber “Fuji Aoi” (more than 150K subscribers as at October 30, 2018)



Fogg, Inc.

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

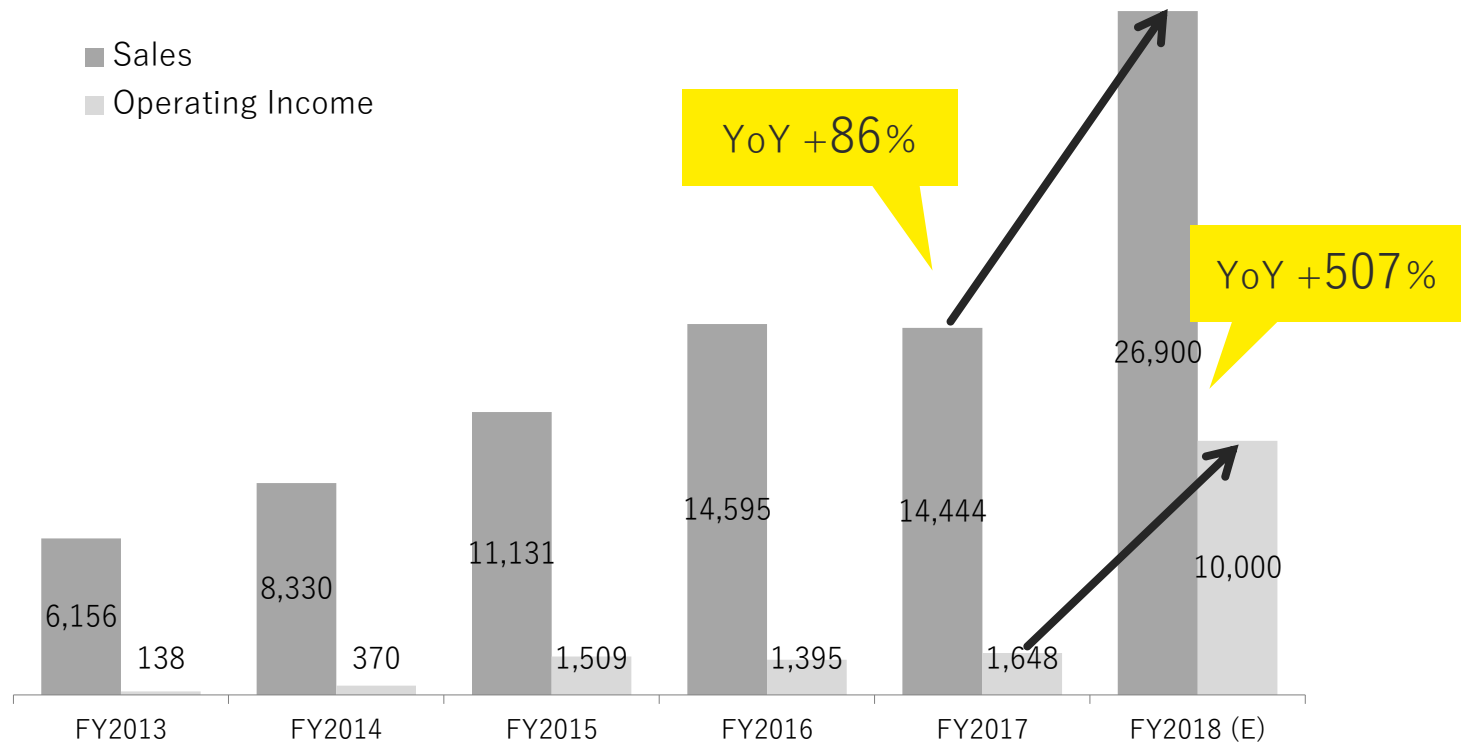


Consolidated Sales and Operating Income Trends

Consolidated Sales and Operating Income Trend

(million)

■ Sales
■ Operating Income

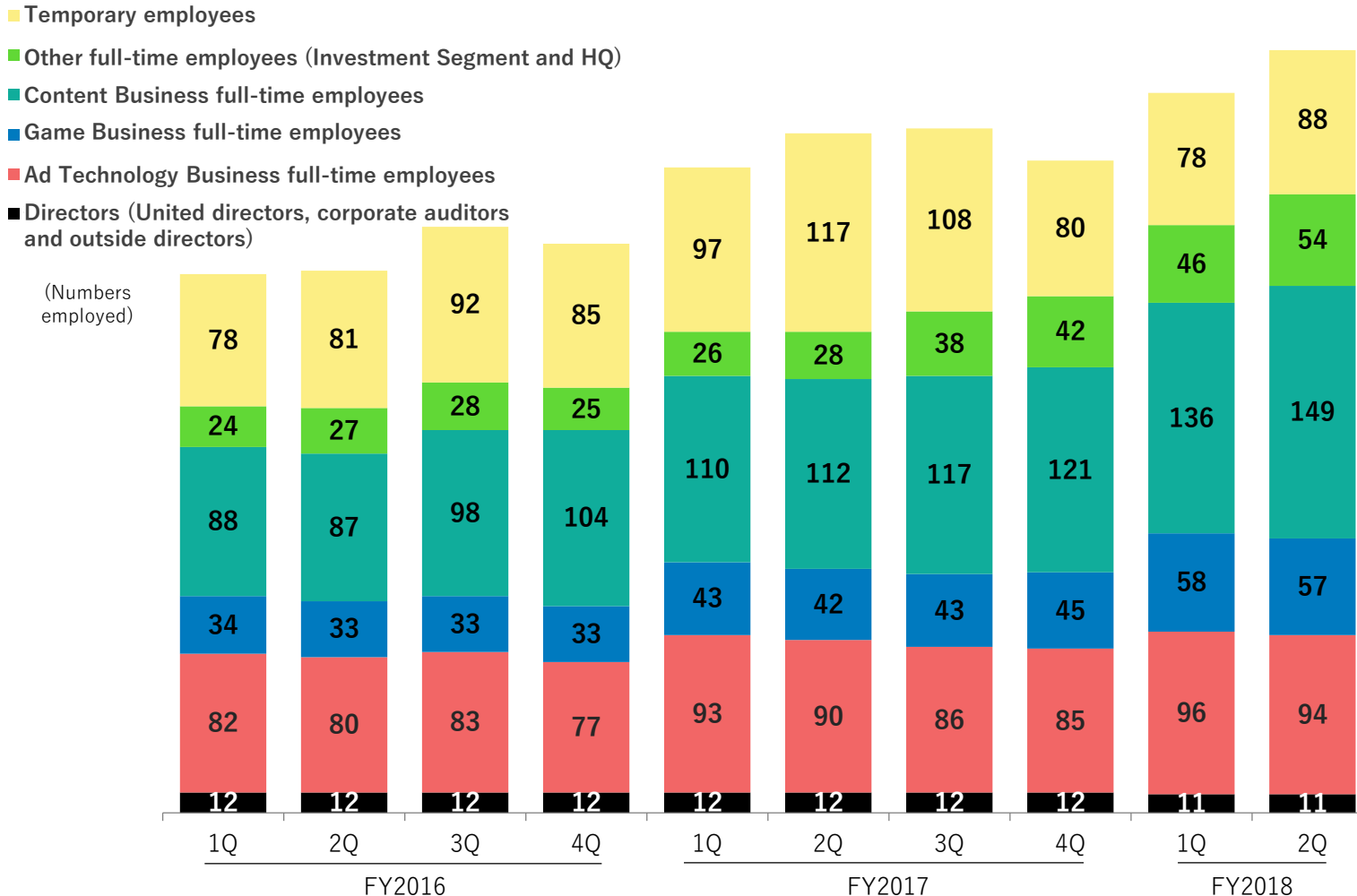


Continuously focus on establishment of the UNITED team, leveraging accumulated network with ventures and acquisition know-how
Obtain core talent and businesses for UNITED through M&A

	Acquisition of Ventures	Acquisition of Mid-range Companies
Targets	Ventures from seed to early stage	Companies with the potential to increase company value by talent injection such as entrepreneurs, business people, business managers and specialists
Valuations	Market value ¥0.1 Bn~¥2 Bn	Market value ¥2 Bn~¥10 Bn
Investment criteria	<ul style="list-style-type: none"> • Companies with highly talented professionals • Companies with the potential to grow through injection of talent and cash • Expect to be profitable during mid-term management plan (based on operating income before amortization) 	<ul style="list-style-type: none"> • With business synergy and, UNITED's management and internet business know-how, expect to be profitable in operating income before amortization during mid-term management plan
Reasons from founders and existing shareholders	With reduced demand for financing and business management toward IPO, the potential for company growth and EXIT increase	Increase company value and EXIT
UNITED's reason for acquisition	<ul style="list-style-type: none"> • Enter new business area • Acquire entrepreneurs, business people and business managers 	Enter new business area Strengthen existing business areas
Acquisition format	Using earnout deals which secure entrepreneurs and business managers to obtain potential upside and bring balanced risk and return for UNITED	

Number of Consolidated Employees and Directors

Increase in H1 YoY, due to enhancing recruitment of group companies in Content Business



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