
Second Quarter, Fiscal Year Ending March 2020

Financial Results

October 31, 2019



United, Inc.
(TSE Mothers, code 2497)



Corporate Vision and Mission

Corporate Vision

To become one of Japan's preeminent internet companies

Mission

We embrace challenges in order to create value and contribute to society.

Our Business-In Detail

Ad Technology Segment

A Deals

“A Deals”
App specialized
ad distribution platform

VidSpot

“VidSpot”
Video ad distribution
platform

Bypass

“Bypass”
DSP

adstir

“adstir”
SSP

HaiNa

“HaiNa”
Ad network

Game Segment



“Crash Fever”



“CocoPPa Play”



“Tokyo Conception”



TriFort, Inc.

Content Segment

KiRAMEX

KiRAMEX Co.



Fogg, inc.



ALAN•PRODUCTS, Inc.

Smarpr!se

Smarprise, Inc.



TREiS, inc.



International Sports Marketing Co., Ltd.



Apps for
mobile carriers

Investment Segment



Investment business of UNITED, inc.



Venture United, inc.

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This presentation contains 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 information available as of the date of this presentation. The accuracy of this information is not guaranteed. Actual performance may differ substantially due to unforeseen circumstances in the operating environment. Company names and product names are trademarks or registered trademarks of their respective companies.

Financial Highlights of H1 FY03/20

Consolidated Operating Performance

Sales: ¥11,305 million (-40% YoY)
Operating income: ¥2,628 million (-78% YoY)

Excluding the Investment Segment*:

Sales: ¥7,101 million (+22% YoY)
Operating loss: ¥1,250 million
 (¥564 million greater loss than in H1 FY03/19)

Ad Technology Segment

Profitability improved, thanks to successful measures to boost the gross margin.

Sales: ¥3,177 million (+6% YoY)
 Operating income: ¥214 million (+¥247 million YoY)

Game Segment

Inclusion of TriFort as a consolidated subsidiary caused sales to increase, while sluggish performance of new titles lowered income.

Sales: ¥1,196 million (+50% YoY)
 Operating loss: ¥622 million (-¥701 million YoY)

Content Segment

Up-front investments continued through H1.

Sales: ¥2,767 million (+35% YoY)
 Operating loss: ¥329 million (-¥331 million YoY)

Investment Segment

We disposed of operating investment securities, including the shares of CyberBuzz, Inc., which listed in September.

Sales: ¥4,204 million (-68% YoY)
 Operating income: ¥3,878 million (-70% YoY)

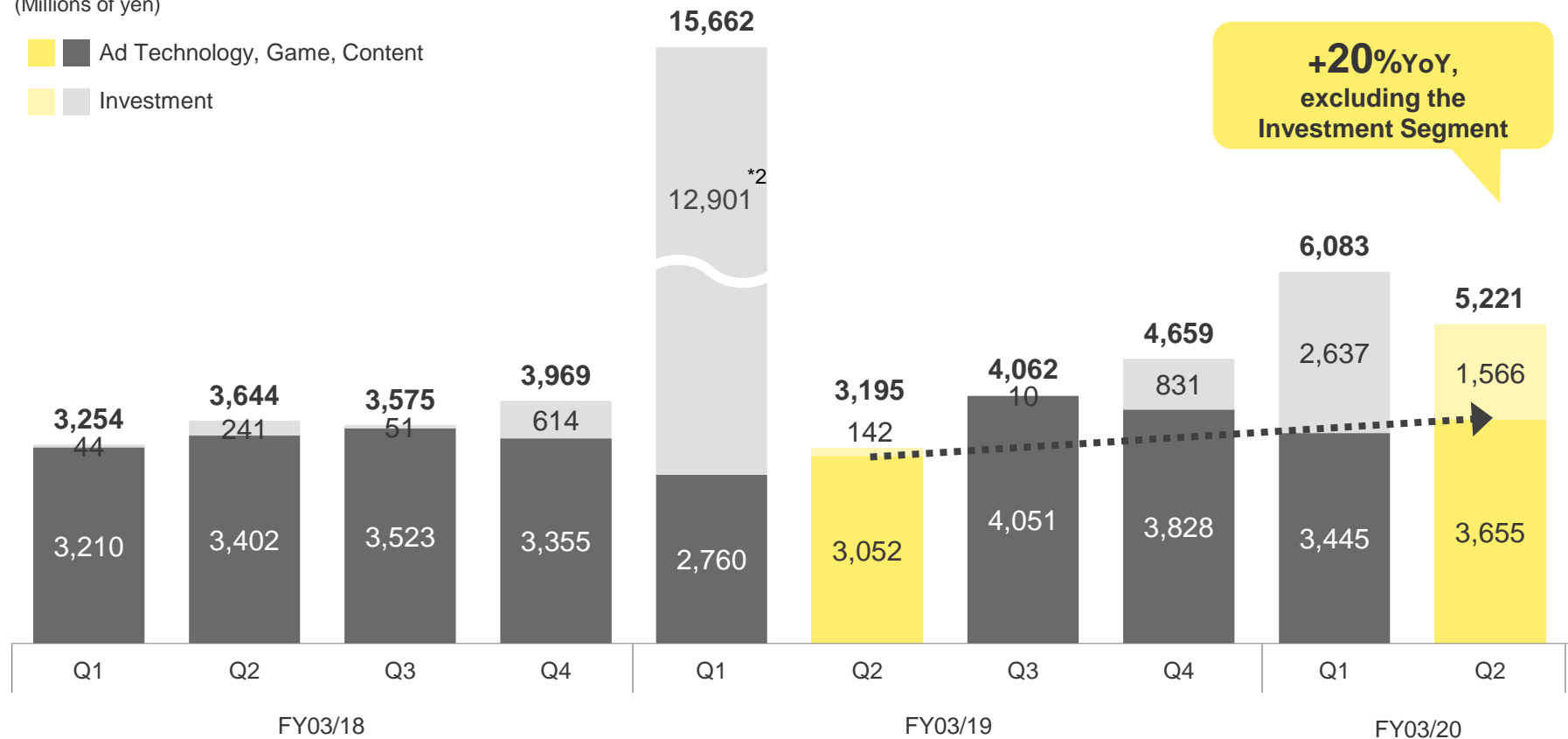
* Total for the Ad Technology, Game, and Content segments, and headquarters expenses and other items

Consolidated Sales

Excluding the Investment Segment*1, quarterly sales were up 20% YoY, due mainly to the addition of consolidated subsidiaries.

(Millions of yen)

■ Ad Technology, Game, Content
■ Investment

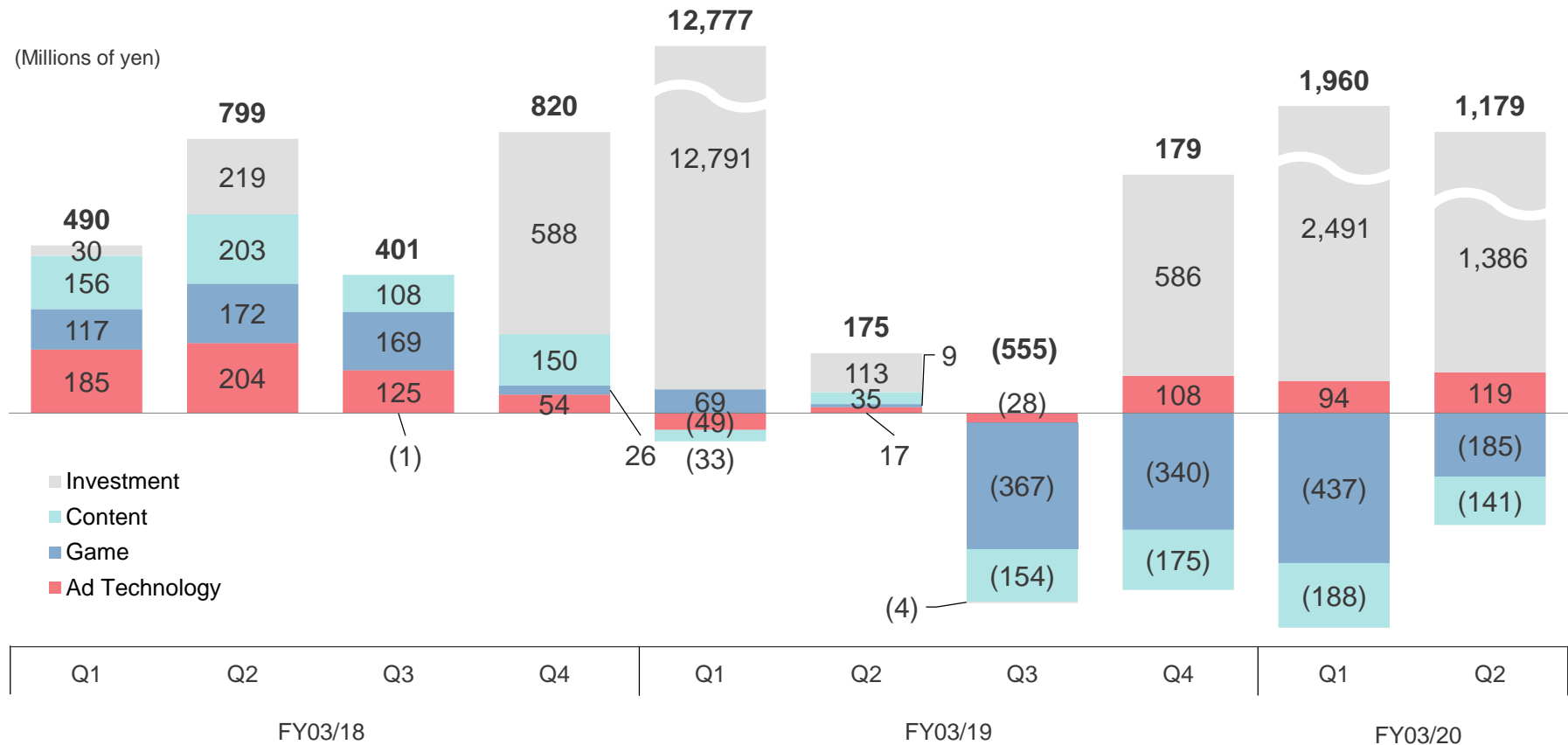


*1 Total sales for the Ad Technology, Game, and Content segments

*2 Due mainly to capital gain from the IPO of Mercari, an investee

Quarterly Operating Income, by Segment

This corresponds to the “focusing period” of the medium-term management plan, a time to pursue concentration in areas of core competence. We are improving on operating losses in the Game and Content segments. From H2, we will step up efforts to identify segments with the potential for growth and profitability.



Note: Operating income indicates totals for the Ad Technology, Game, and Content segments. Headquarters expenses and other items are excluded.

Consolidated Financial Highlights H1 FY03/20

SG&A expenses rose ¥499 million YoY in line with the addition of consolidated subsidiaries, owing to higher goodwill amortization (+¥383 million YoY) and HR costs (+¥84 million).

(Millions of yen)	FY03/19 H1		FY03/20 H1		YoY	
		Excl. Investment Segment		Excl. Investment Segment		Excl. Investment Segment
Sales	18,858	5,813	11,305	7,101	△ 40%	+22%
Gross Profit	14,326	1,393	5,234	1,283	△ 63%	△ 8%
SG&A expenses	2,106	2,078	2,606	2,533	+24%	+22%
Goodwill amortization	144	144	527	527	+266%	+266%
The others	1,962	1,934	2,078	2,006	+6%	+4%
Operating Income	12,219	△ 685	2,628	△ 1,250	△ 78%	△ 564
Non-operating income	3	3	5	5	+47%	+47%
Non-operating expenses	17	17	55	55	+223%	+223%
Ordinary Income	12,206	△ 698	2,578	△ 1,299	△ 79%	△ 600
Extraordinary profit	49	49	10	10	△ 80%	△ 80%
Extraordinary loss	374	374	193 ^{*2}	193	△ 48%	△ 48%
Profit before income taxes	11,882	△ 1,023	2,395	△ 1,483	△ 80%	△ 460
Net Income ^{*1}	8,080	N/A	1,273	N/A	△ 84%	N/A

*1 Refers to net income attributable to owners of parent

*2 Of which, ¥147 million was for TriFort's software impairment loss and contribution to the payment of obligations (posted in Q1)

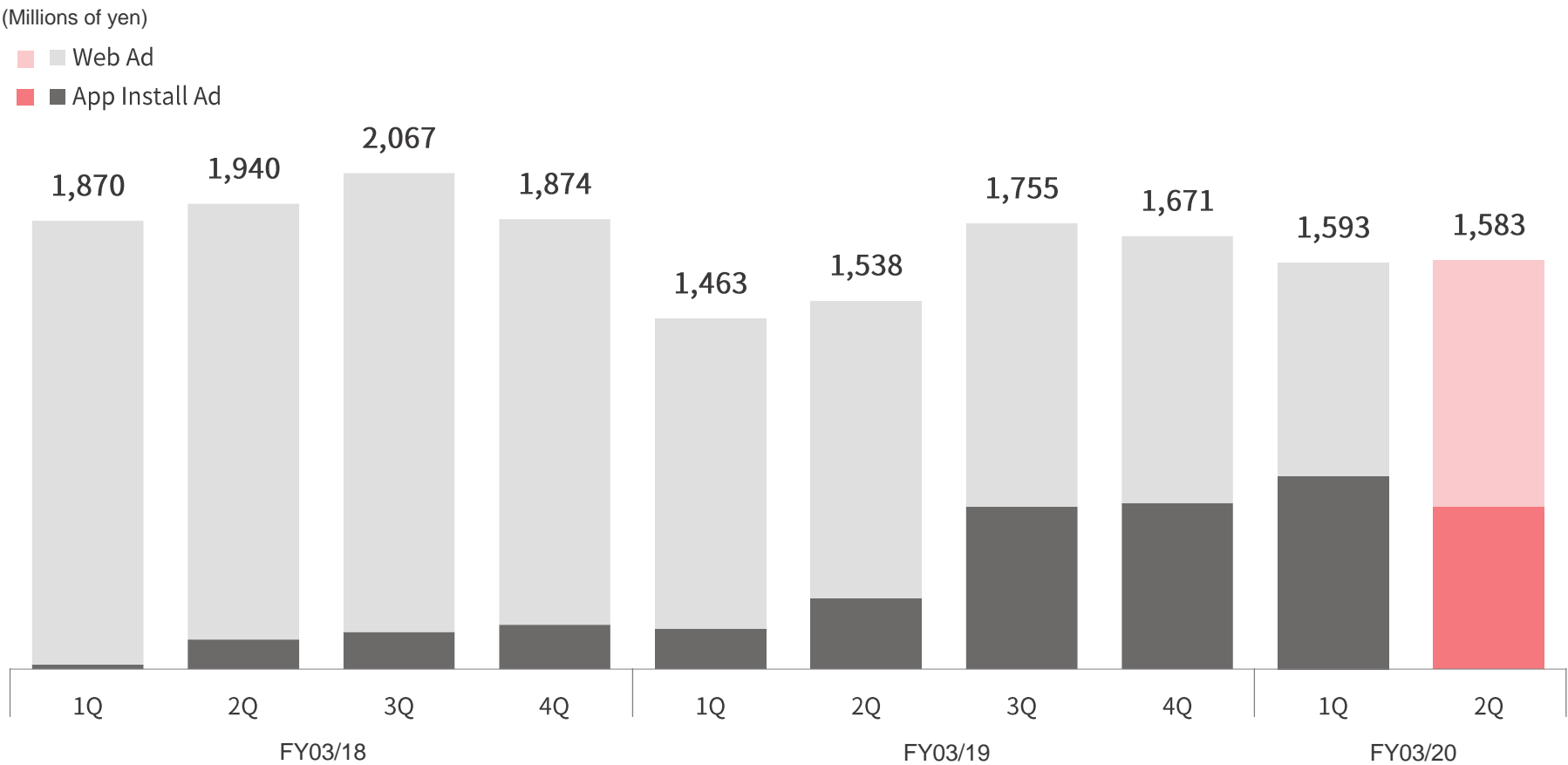
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Ad Technology Segment: Sales

Sales of app install ads were down QoQ, mainly due to reduced budgets for game ads.
For web ads, sales grew QoQ, thanks to successful efforts to strengthen links between products.

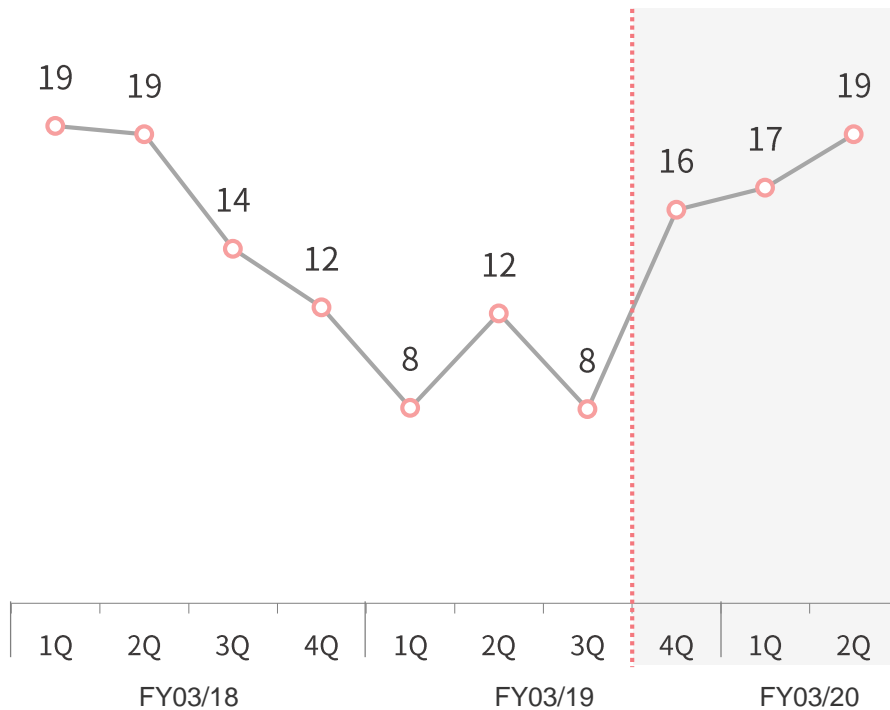


Ad Technology Segment: Gross Margin and Operating Income

By strengthening links between products and managing purchases of ad space more thoroughly, we continued to improve the gross margin, and operating income rose 599% YoY.

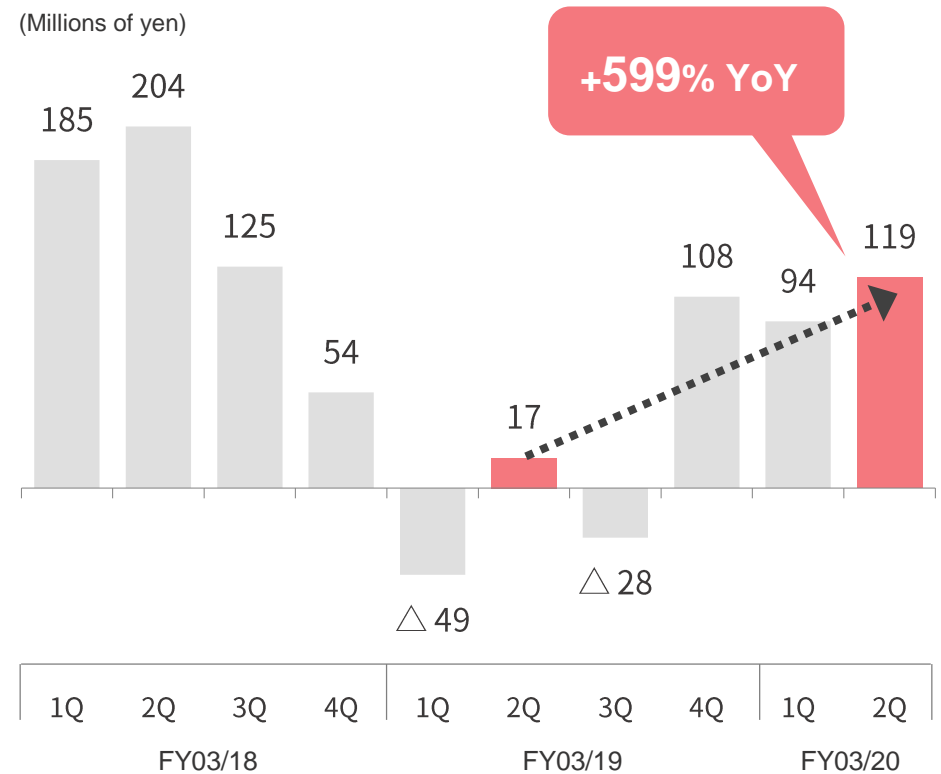
Gross Margin

(Unit: %)



Operating Income

(Millions of yen)



Ad Technology Segment: Strategy

In the short term, we will focus on profitability. In the medium term, we aim to expand earnings by forging alliances with large advertising platforms and developing new products.

Short Term

Apps

Transition to operations that focus on profitability.

Web

Continue with measures to improve profitability.

Medium Term

Shared

While maintaining profitability in existing fields, we will forge alliances with large advertising platforms and cultivate new fields by developing products that leverage our existing technologies and expertise.

Ad Technology: Topics

We introduced multiple initiatives, including ad distribution and a monetization support service through an alliance with a large advertising platform.

Began connecting with ByteDance Inc., which operates the TikTok Audience Network

(July 18, 2019 press release)



Allows ads distributed on TikTok to be distributed to app media that use adstir via the TikTok Audience Network



Helps boost earnings of media that use adstir

About the TikTok Audience Network

This movie ad platform uses behavioral data from users of the TikTok and BuzzVideo short-movie apps to enable the targeted distribution of ads.

Began a service to help media monetize their app by leveraging Google's AdMob

(September 25, 2019 press release)



Certified as an operator providing a monetization support service for app media using AdMob

Service types

Introduction
support

Operational
support

Consultation on
expanding
earnings

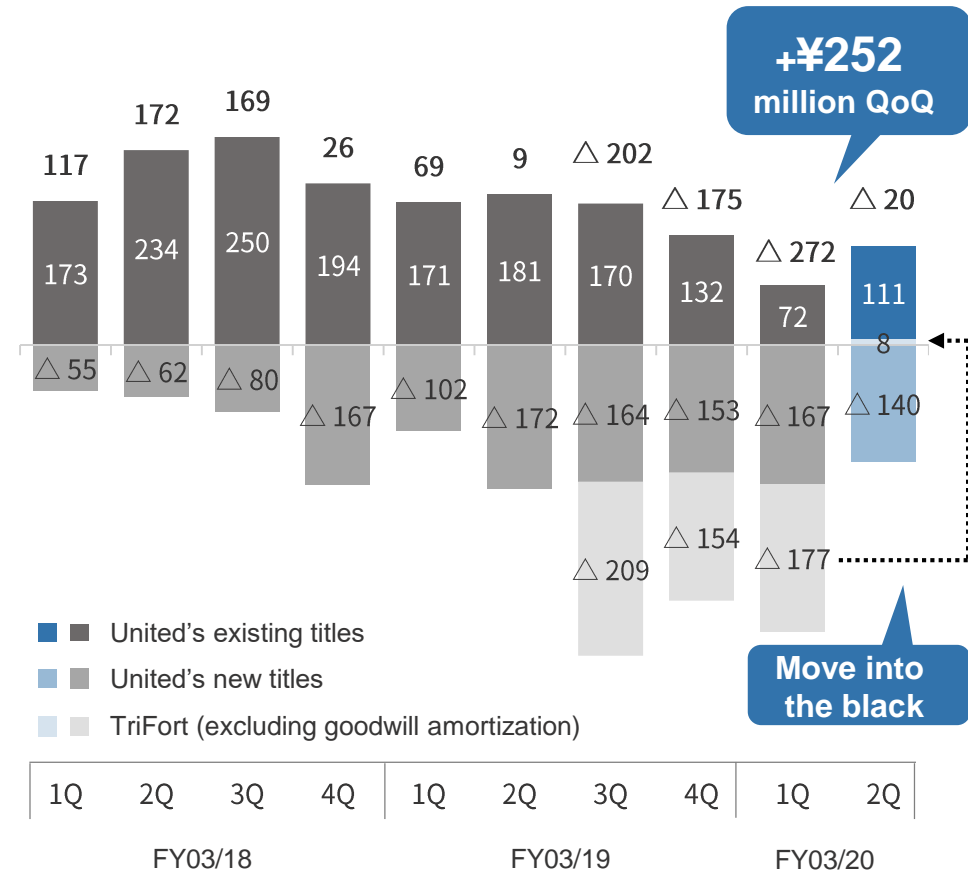
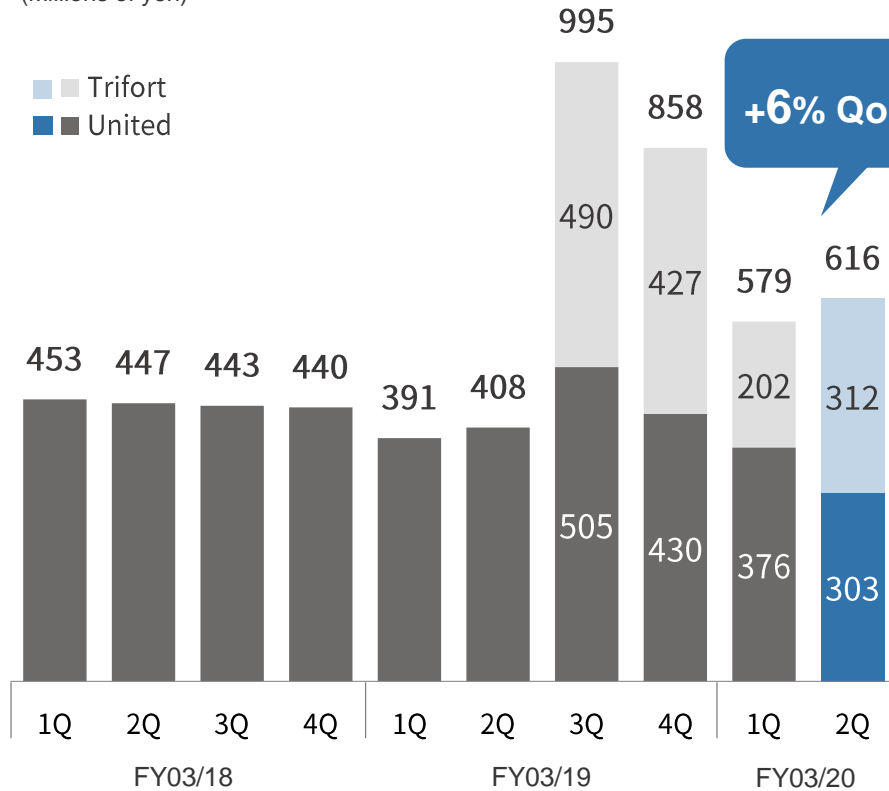
About AdMob

This is an earnings management service for app media provided by Google. This service provides optimal ad delivery methods to maximize advertising revenue for app media.

Game Segment: Sales and Operating Income before Goodwill Amortization

United's game titles generated lower sales due to the reduced operation of Tokyo Conception. By converting to a contracted development segment, TriFort significantly reduced its losses QoQ.

(Millions of yen)



Note: TriFort's goodwill amortization totaled ¥164 million in H1 FY03/20.

Game Segment: FY03/20 Strategies and Progress through Q2

In light of changes in the market environment, we introduced various measures based on a development and operational policy of minimizing risks.

FY03/20 Strategies

(As indicated in Q1 earnings presentation)

United

- Optimize operating costs of Tokyo Conception
- Plan to release one new title in 2019 carefully selected from development pipeline
- Maintain profitability of existing titles

TriFort

- Focus on contracted development by leveraging TriFort's strong game development capabilities

Progress through Q2

- Based on Tokyo Conception's performance, decided to transfer the segment*
- Plan to release one new title in FY03/20
- Profitability on existing titles progressing according to expectations

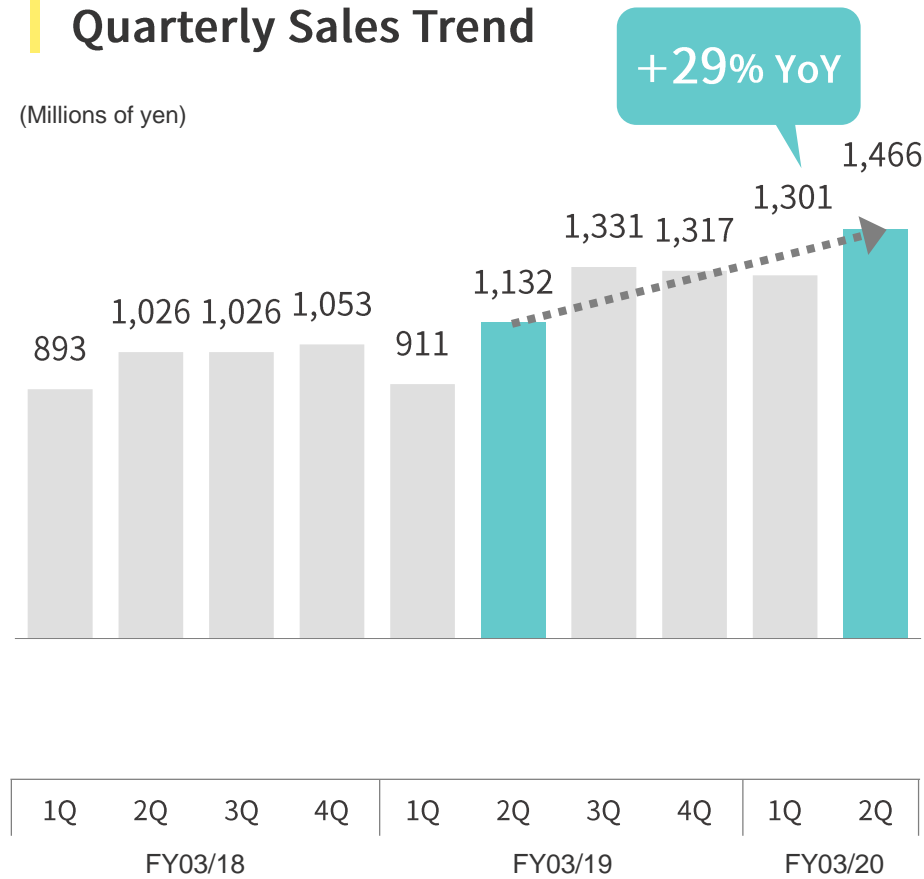
- By transforming the segment to concentrate on contract development, achieved positive operating income before goodwill amortization

Content Segment: Sales and Operating Income before Goodwill Amortization

We continued making up-front investments through H1. From H2, we plan to accelerate business growth by concentrating our investment of resource on businesses with high growth potential.

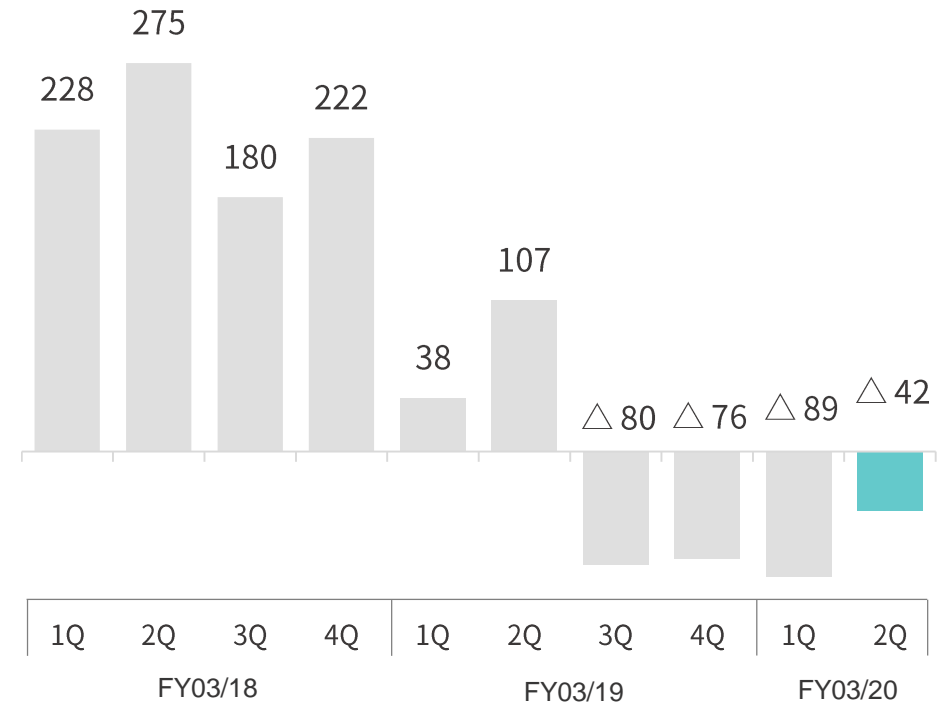
Quarterly Sales Trend

(Millions of yen)



Operating Income (excl. goodwill amortization) Quarterly Trend

(Millions of yen)

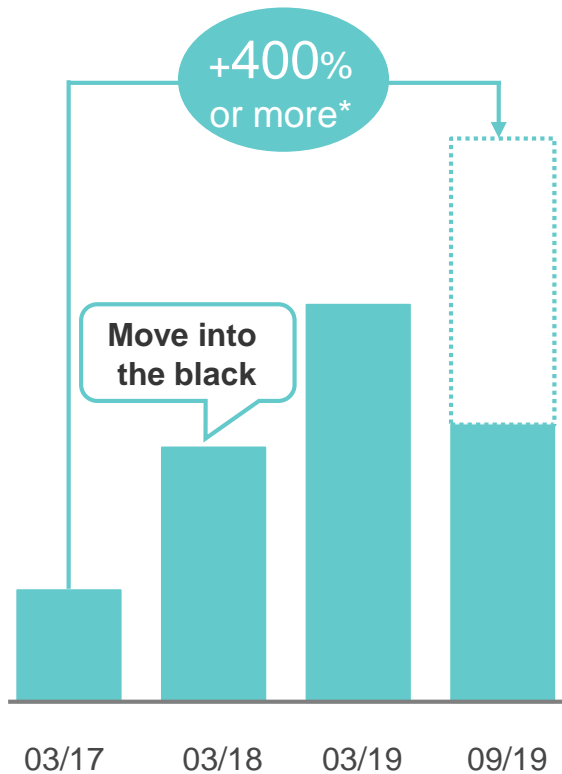


Note: Goodwill amortization in the Content segment totaled ¥98 million in H1 FY03/20.

Content Segment: KiRAMEX Co.

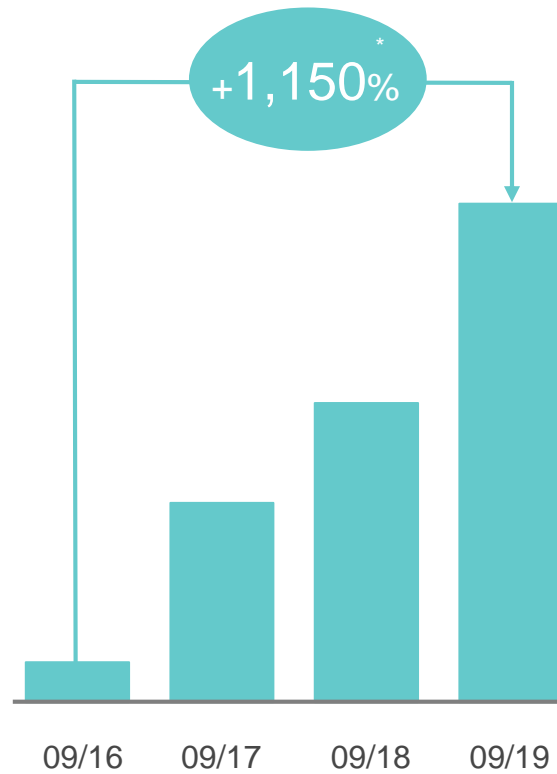
KiRAMEX has grown since becoming a consolidated subsidiary in April 2016, driven by TechAcademy, an online school for learning programming.

Sales



(indicates FY03/20 target)

Number of Students



Business Overview



An online school for learning programming and app development

- Provides a concentrated, short-term program that can be completed entirely online
- Going forward, plans to roll out programming instructional content and operate programming schools for elementary, junior high, and high school students, as well

Courses for adults:

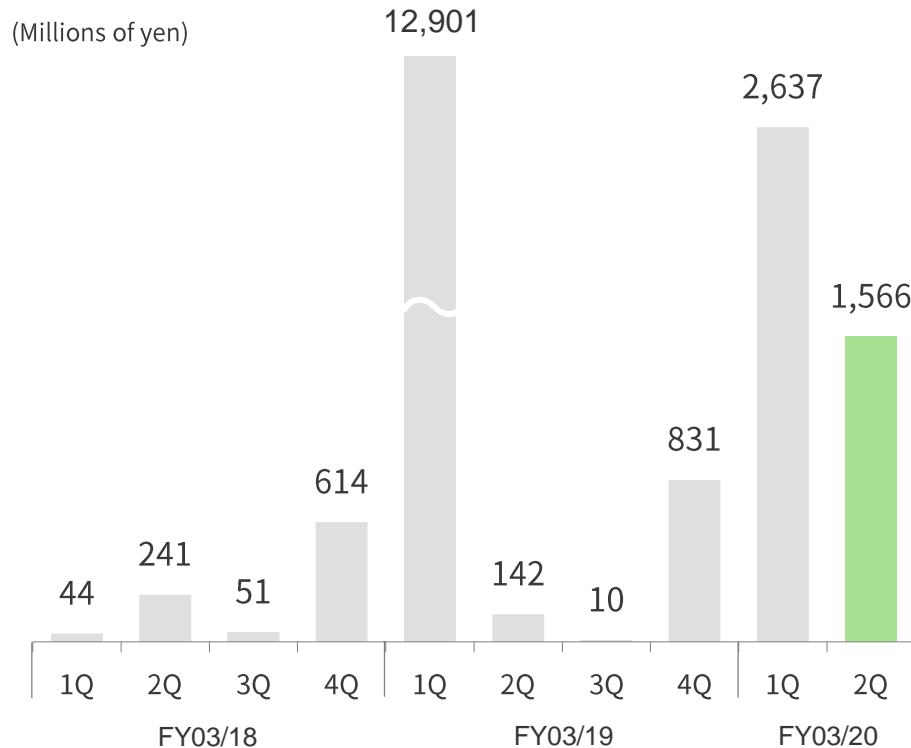
Web application courses, web design courses, first-time programming courses, AI courses, blockchain courses, others

* Indexed to 03/17 = 100 (for sales) and 09/16 = 100 (for number of students)

Investment Segment: Sales and Breakdown of Operating Investment Securities

We generated sales of ¥1,566 million through the disposal of shares in CyberBuzz, which listed in September, and other operating investment securities. As of end-Q2, operating investment securities totaled ¥28,853 million^{*1,*2}.

Quarterly Sales Trend



Breakdown of Operational Investment Securities

	Invested Companies	As at Sep. 2019 (amount on BS)
Listed shares	Mercari, inc. SOCIALWIRE Co., LTD. CyberBuzz, Inc.	Approx. ¥24.9 Bn
Private shares	More than 50 companies	Approx. ¥2.1 Bn
Invested funds as LP	More than 25 funds	Approx. ¥1.7 Bn

^{*1} Of this amount, operating investment securities related to Mercari: ¥24,084 million (5.9% of voting rights held, as of September 30, 2019)

^{*2} Unlisted shares are valued at investment book value; listed shares are marked to market.

Investment Segment: IPO of CyberBuzz, Inc.

Sale at listing and status of continued shareholding

- Listing on September 19; market capitalization at the time of public offering was ¥7,869 million.
- Due to the sale of shares at listing, United generated sales of ¥243 million and operating income of ¥145 million*¹.
- At the end of H1, United held a 3.9% stake in CyberBuzz, with a market value of ¥592 million.

Overview of CyberBuzz, Inc.

Results* ²	Sales of ¥2,446 million, ordinary income of ¥234 million (results for FY09/18)
Lines of business	Influencer marketing, social media account operation, agency sales of advertising, marketing support leveraging Instagram, others

*1 CyberBuzz's market capitalization at end-H1 was ¥15,020 million.

*2 Source: "Annual Securities Report for New Stock Market Listing Application (Section I)"

Investment Segment: Investment Portfolio

Major Directly Invested Start-ups

Post IPO

mercari SocialWire Group

New CyberBuzz

Middle ~ Later

dely SMARTCAMP

WonderPlanet

vis asQ

translimit

Seed ~ Early

SORA

FAST JAPAN

Hacobu™

TECH FUND

NEXT INNOVATION 今ない未来を、ここから創る。

FULL KAITEN

Jiraffe

snaq.me

Payke

Spice Inc.

mewcket

FIREBUG Entertainment Startup

PoliPoli

Major Invested Funds as LP

XTech Ventures East Ventures

anri SKYLAND VENTURES if IncubateFund

INFINITY VENTURES

CyberAgent

Samurai Incubate Inc.

Capital

GMO VENTURE PARTNERS

WIL WORLD INNOVATION LAB

THE SEED

Full Commit Partners

@START Space @START Fund

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Quantitative Target for Mid-term Management Plan

FY2021 Operating Income (before amortization)

Challenging target ¥10 billion

Committed target ¥5 billion

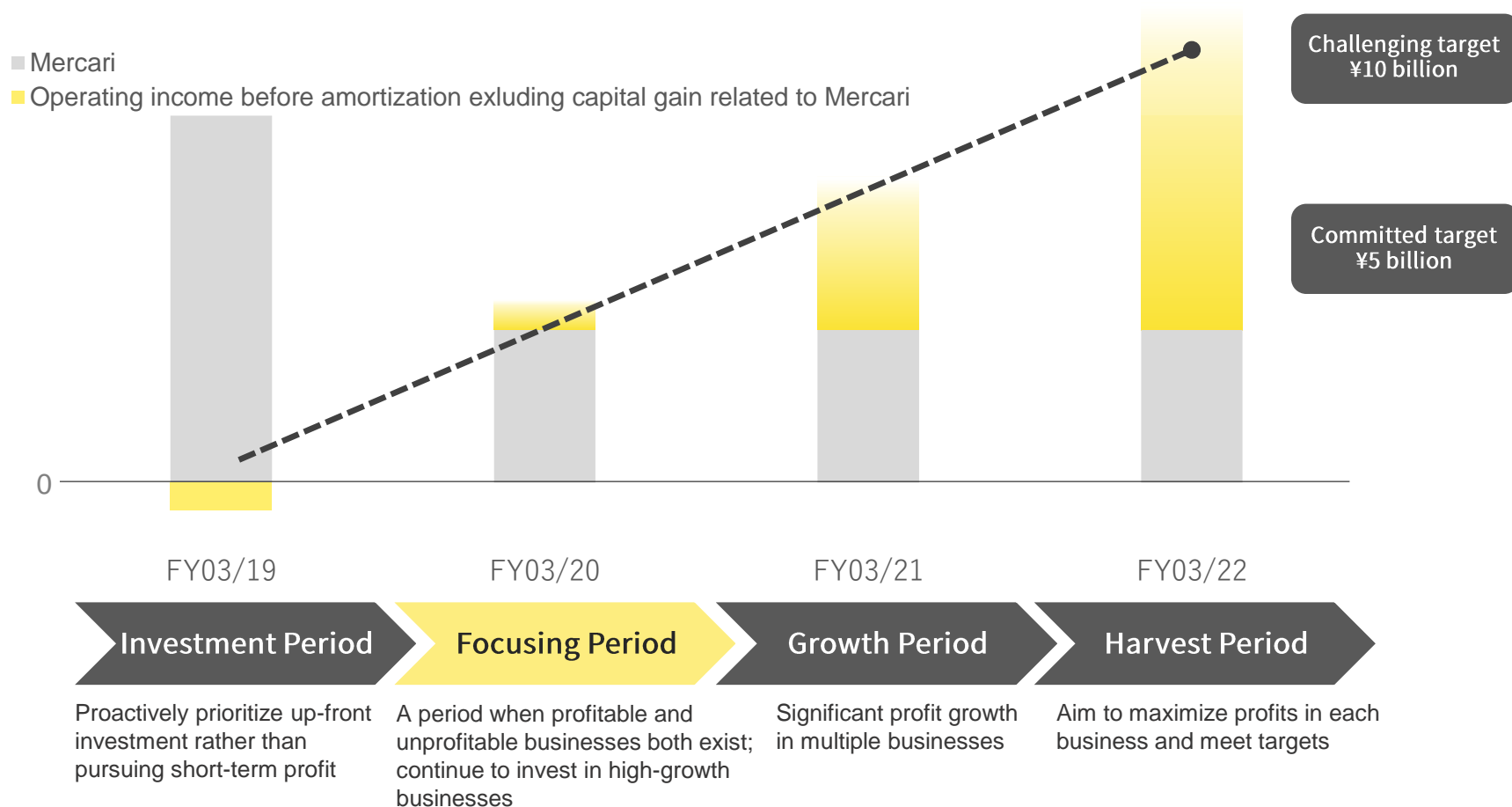
(Excluding capital gain related to Mercari)

Positioning of FY02/20 in the Medium-Term Management Plan

Source: First Quarter, Fiscal Year Ending March 2020 Consolidated Financial Results

In the medium-term management plan ending in FY03/22, FY03/20 is positioned as a “focusing period” for reaching operating income targets. We are continuing to invest in businesses identified as likely to grow.

Operating Income Trend (illustration)



Business Policy

- Select and concentrate the investment of management resources in high-growth, highly profitable businesses
- Implement drastic measures at unprofitable businesses



Growth businesses involve numerous uncertainties, reasonably estimating the impact of measures to address unprofitable businesses is difficult. For this reason, at this point we are not releasing a full-year consolidating operating performance forecast.

Interim Dividend for FY03/20

We have decided on an interim dividend of ¥11, based on our policy of maintaining a consolidated dividend payout ratio of 20%.

Details of Annual Dividends				
	FY03/20		FY03/19	
	Interim	Year-end (E)	Interim	Year-end
Record date	Sep.30, 2019	Mar.31, 2020	Sep.30, 2018	Mar.31, 2019
Dividend per share	11 yen	Not yet determined	24 yen	37 yen
Total annual dividends	245 million yen	-	552 million yen	852 million yen
Payout ratio (annual)	20% (E)		20%	

FY03/20: Forecast by Segment

Consolidated	<ul style="list-style-type: none">• Target operating income of ¥5.0 billion or more• Planning for YoY sales and income growth, excluding the Investment Segment• Introduce drastic measures targeting unprofitable businesses
Ad Technology Segment	<ul style="list-style-type: none">• Aim to improve profitability, expect YoY increases in sales and profit
Game Segment	<ul style="list-style-type: none">• Aim to become profitable on a quarterly basis during FY03/20 by maintaining profitability of existing titles and transforming TriFort's business policy
Content Segment	<ul style="list-style-type: none">• Continue to invest management resources in high-growth businesses
Investment Segment	<ul style="list-style-type: none">• Continue to sell operating investment securities and make new investments

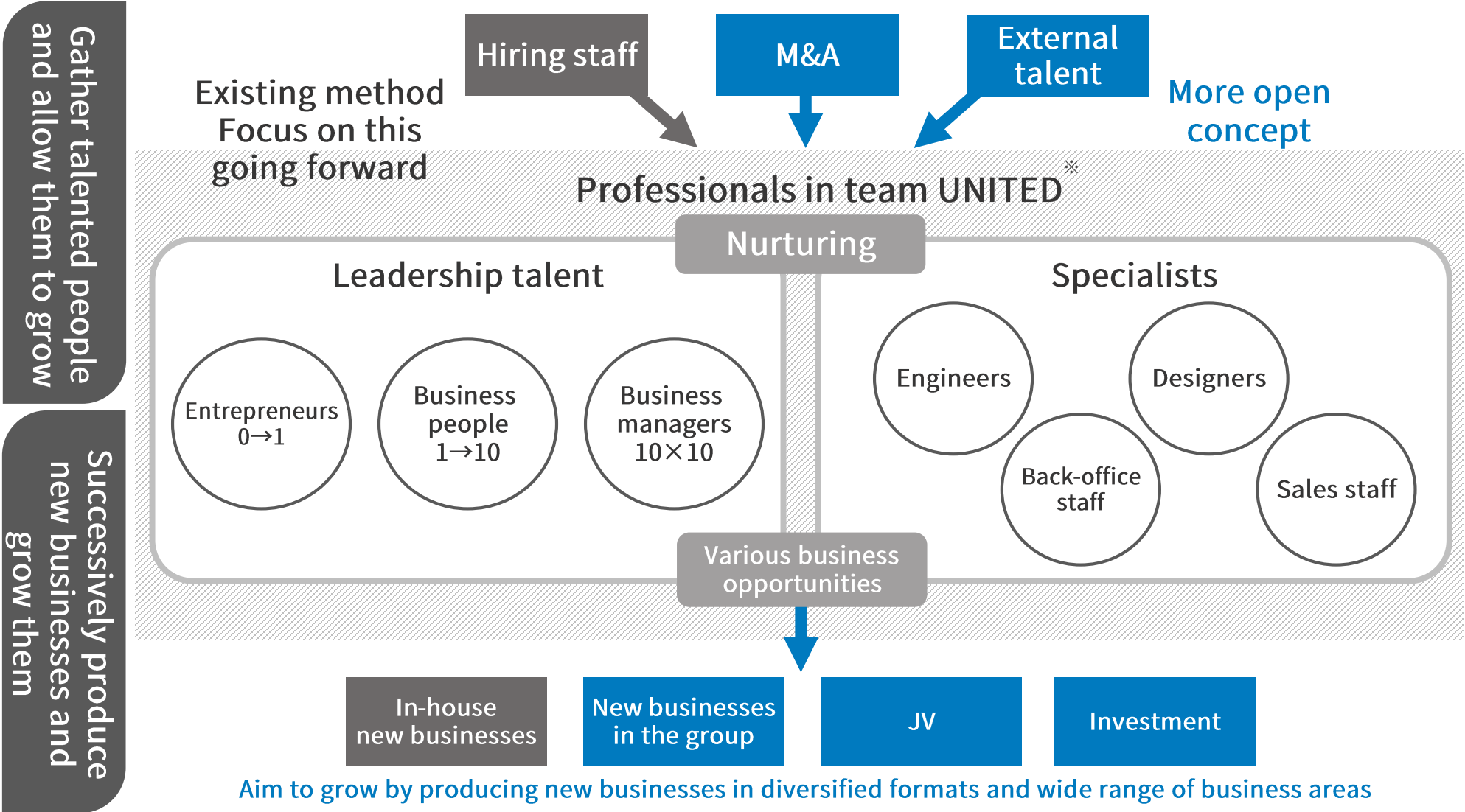
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About UNITED Empowerment Platform (UEP)

Source: Medium-term management plan



Major strategic priorities:

Active M&A

Enhance new-business creation

Accelerate growth of existing businesses

During the period of the current medium-term management plan, invest thoroughly in the three priorities mentioned above under the UNITED 2.0 slogan and move to a new growth trajectory

Consolidated P/L Statement Q2 FY03/20

(Millions of yen)	Q2 FY03/19	Q1 FY03/20	Q2 FY03/20	Difference	
				YoY	QoQ
Sales	3,195	6,083	5,221	+63%	△ 14%
Ad Technology Segment	1,538	1,593	1,583	+3%	△ 1%
Game Segment	408	579	616	+51%	+6%
Content Segment	1,132	1,301	1,466	+29%	+13%
Investment Segment	142	2,637	1,566	+997%	△ 41%
Other Segment	△ 26	△ 28	△ 10	+15	+18
Gross Profit	864	3,020	2,213	+156%	△ 27%
Ad Technology Segment	180	268	300	+66%	+12%
Game Segment	100	△ 84	132	+32%	+216
Content Segment	462	316	345	△ 25%	+9%
Investment Segment	127	2,515	1,434	+1,024%	△ 43%
Other Segment	△ 6	4	-	+6	△ 4
SG&A expenses	994	1,326	1,279	+29%	△ 4%
Operating Income	△ 129	1,694	933	+1,063	△ 45%
Ad Technology Segment	17	94	119	+599%	+27%
Game Segment	9	△ 437	△ 185	△ 194	+252
Content Segment	35	△ 188	△ 141	△ 177	+46
Investment Segment	113	2,491	1,386	+1,118%	△ 44%
Other Segment	△ 305	△ 266	△ 245	+59	+21
Ordinary Income	△ 136	1,662	915	+1,052	△ 45%
Net Income ^{*1}	△ 237	764	508	+745	△ 33%

*1: Refers to net income attributable to owners of parent

Consolidated Balance Sheet for End of Q2 FY03/20

(Millions of yen)	End of FY03/19 (Mar. 31, 2019)	End of Q2 FY03/20 (Sep. 30, 2019)	Difference
Current Assets	51,204	38,064	△ 13,139
Cash & Deposits	8,822	6,725	△ 2,096 ^{*1}
Operating Investment Securities	39,190	28,853	△ 10,337 ^{*2}
Non Current Assets	6,026	5,282	△ 743
Amortization of Goodwill	4,125	3,598	△ 527
Total Assets	57,230	43,347	△ 13,882
Current Liabilities	6,595	3,121	△ 3,474
Non Current Liabilities	10,533	7,984	△ 2,549
Deferred Tax Liabilities	10,198	7,544	△ 2,654 ^{*2}
Total Liabilities	17,129	11,105	△ 6,023
Net Assets	40,100	32,241	△ 7,858
Unrealized Gain on Securities	24,501	17,293	△ 7,208 ^{*2}

^{*1} Includes the disposal of operating investment securities in March, April, and September 2019 (+¥4,844 million), operating cash flows other than from those indicated at left [excluding income tax payments] (-¥1,205 million), income tax payments (-¥3,711 million), purchases of treasury stock (-¥992 million), year-end dividend payments (-¥849 million), and the impact of excluding consolidated subsidiaries from the scope of consolidation (-¥309 million).

^{*2} Impact of marking to market and disposal of listed operating investment securities:

Operating investment securities (-¥10,523 million), deferred tax liabilities (-¥3,184 million), valuation difference on available-for-sale securities (-¥7,216 million)

Consolidated Cash flow statement

	FY03/19 H1	FY03/20 H1	Difference
Cash Flow from Operating Activities	11,554 ^{*1}	44	△ 11,509
Cash Flow from Investing Activities	△ 381	△ 377	+4
Cash Flow from Financing Activities	△ 572	△ 1,760 ^{*2}	△ 1,188
Cash and Cash Equivalents at End of Period	16,186	6,725	△ 9,460

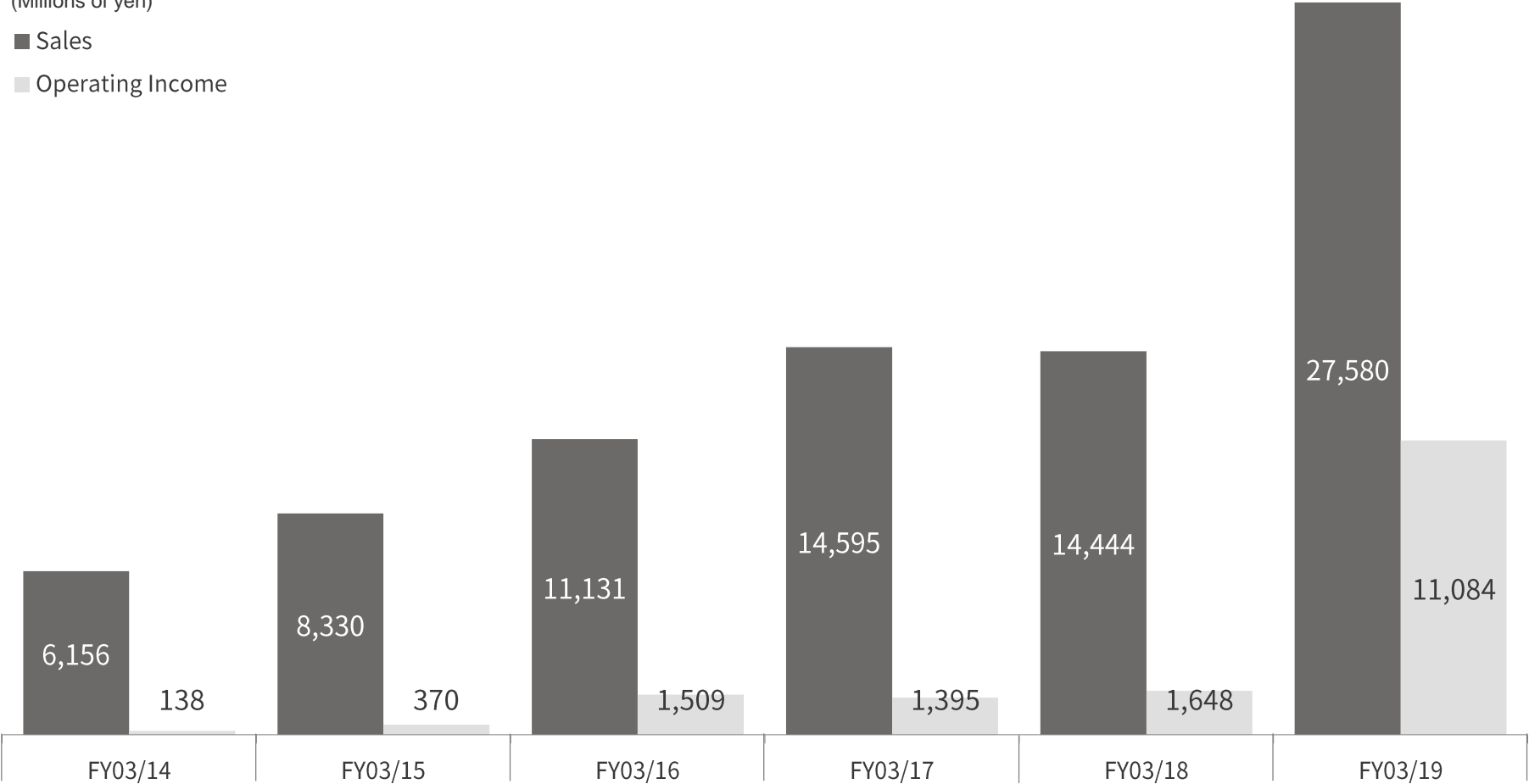
*1 Of which, ¥12,892 million from the disposal of operating investment securities through the listing of investees

*2 Of which, -¥992 million in payments for the acquisition of treasury stock and -¥849 million for the payment of year-end dividends






Consolidated Sales and Operating Income in Previous Fiscal Years

(Millions of yen)

■ Sales
■ Operating Income



Ad Technology Segment: Product Overview

	Products	Overview
App Install Ad		Comprehensive management platform for optimizing ROI of app install ads
		Mobile video ad distribution platform supporting various video ad formats
Web Ad		DSP specializing smartphones
		SSP specializing smartphones
		Ad network optimizing ad effectiveness

Content Segment: Group Companies

The logo for KiRAMEX Co. features the word "KiRAMEX" in a black, sans-serif font, with a green "X" at the end.

KiRAMEX Co.

Operates TechAcademy, which teaches programming online

The logo for Smarprise, Inc. features the word "Smarpr!se" in a blue, sans-serif font, with an exclamation mark replacing the letter 'i'.

Smarprise, Inc.

Plans and operates media for F2P game players, as well as VTuber and others

The logo for Fogg, inc. features a yellow circular icon with a spiral pattern above the word "Fogg" in a yellow, sans-serif font.

Fogg, inc.

Operates CHEERZ, a service to help invigorate artists' activities

The logo for International Sports Marketing Co., Ltd. features the letters "ISM" in a bold, black, sans-serif font, with a small blue dot above the "i". Below the letters, the full name "INTERNATIONAL SPORTS MARKETING Co., Ltd." is written in a smaller, black, sans-serif font.

International Sports Marketing Co., Ltd.

Produces sports-related websites and plans and develops media

The logo for ALAN•PRODUCTS, Inc. features a colorful, multi-colored circular icon with the word "ALAN" in black, sans-serif font above the word "PRODUCTS" in a smaller, black, sans-serif font.

ALAN•PRODUCTS, Inc.

Runs multiple media businesses and develops new businesses

The logo for TREiS, inc. features a stylized, geometric icon consisting of three overlapping triangles to the left of the word "TREiS" in a black, sans-serif font, with a red dot above the "i".

TREiS, inc.

Plans and operates Dream Mail, a sweepstakes and gift site

Number of Consolidated Employees and Directors

(Unit: Numbers employed)

