
Third Quarter, Fiscal Year Ending March 2020

Financial Results

January 31, 2020



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

Agenda

		Page
1	Financial Highlights of Q3 FY03/20	2
2	Performance by Segment in Q3 FY03/20	8
3	Forecast	18
4	Appendix	22

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 Q3 FY03/20

Consolidated Operating Performance

Sales : ¥15,984 million (-30% YoY)
Operating Income : ¥3,267 million (-71% YoY)

Excluding the Investment Segment*:

Sales: ¥10,697 million (+8% YoY)
Operating Loss: ¥1,612 million (+¥24 million YoY)

Ad Technology Segment

Profit rose YoY thanks to successful measures to improve gross profit.

Sales: ¥4,851 million (+2% YoY)
Operating Income: ¥415 million (+¥476 million YoY)

Game Segment

Profit declined YoY on impact of goodwill amortization accompanying the addition of TriFort, Inc. as a consolidated subsidiary, and due to sluggish performance of new titles.

Sales: ¥1,749 million (-3% YoY)
Operating Loss: ¥783 million (-¥495 million YoY)

Content Segment

Profit fell YoY mainly as a result of up-front investments through 1H.

Sales: ¥4,144 million (+23% YoY)
Operating Loss: ¥485 million (-¥332 million YoY)

Investment Segment

We disposed of operating investment securities, including shareholdings in Mercari, Inc.

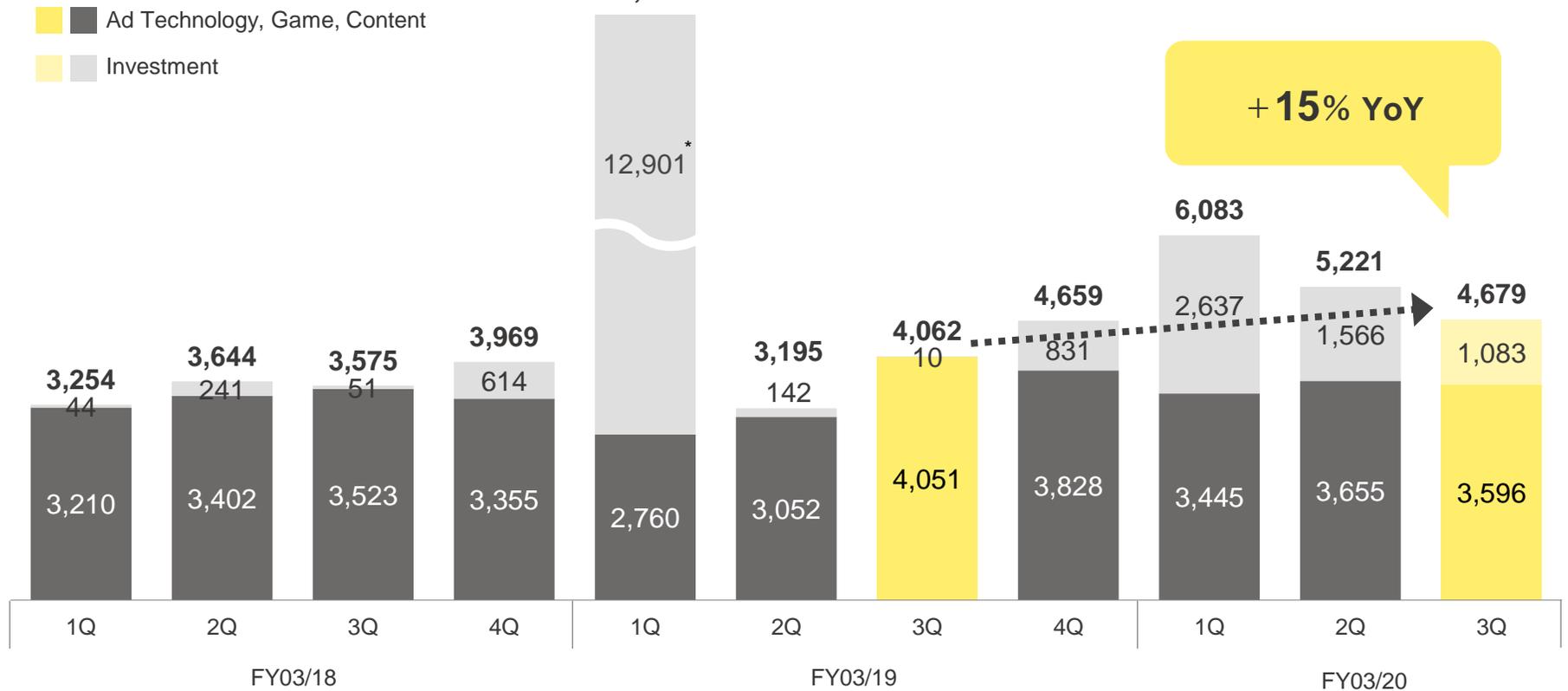
Sales: ¥5,287 million (-60% YoY)
Operating Income: ¥4,879 million (-62% YoY)

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

Consolidated Sales

Quarterly sales were up 15% YoY supported by the disposal of shareholdings in invested companies in the Investment Segment. Excluding the Investment Segment, quarterly sales were down 11% YoY mainly due to sluggish performance of new titles in the Game Segment.

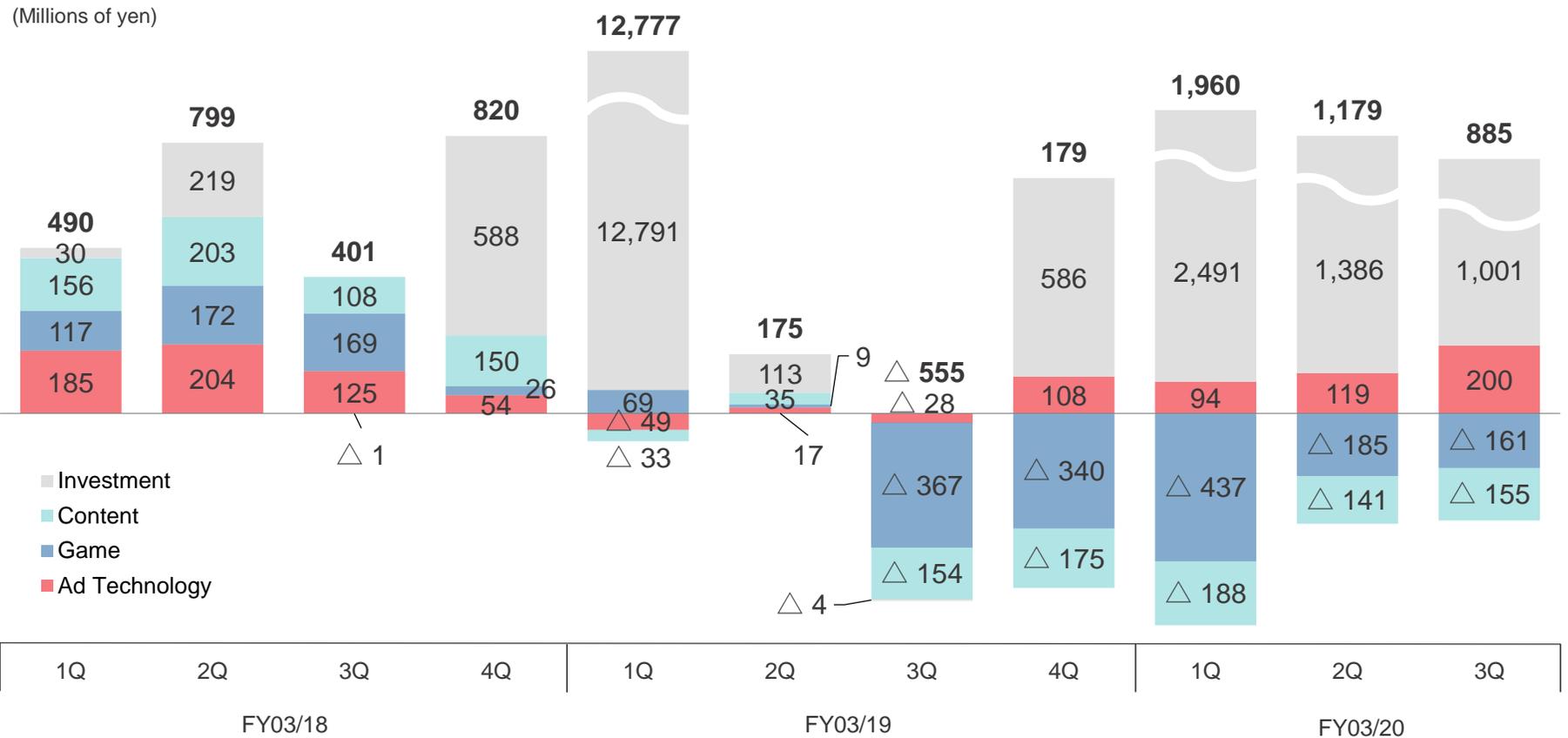
(Millions of yen)



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

Quarterly Operating Income, by Segment

In Q4, we expect reorganization of our business portfolio and improved profitability in the Ad Technology Segment to lift combined operating income for the three segments other than the Investment Segment into the black.



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

Consolidated Financial Highlights Q3 FY03/20

SG&A expenses rose ¥300 million YoY due to higher goodwill amortization accompanying an increase in consolidated subsidiaries. We recorded a ¥3,363 million extraordinary loss mainly as a result of business portfolio reorganization.

(Millions of yen)	FY03/19 Q3		FY03/20 Q3		YoY	
		Excl. Investment Segment		Excl. Investment Segment		Excl. Investment Segment
Sales	22,921	9,865	15,984	10,697	△ 30%	+8%
Gross Profit	14,774	1,830	7,077	2,102	△ 52%	+15%
SG&A expenses	3,509	3,466	3,810	3,714	+9%	+7%
Goodwill amortization	383	383	791	791	+106%	+106%
The Others	3,126	3,083	3,018	2,923	△ 3%	△ 5%
Operating Income	11,264	△ 1,636	3,267	△ 1,612	△ 71%	+24
Non-operating income	7	7	7	7	+1%	+1%
Non-operating expenses	32	32	51	51	+57%	+57%
Ordinary Income	11,239	△ 1,662	3,223	△ 1,655	△ 71%	△ 6
Extraordinary profit	51	51	89	89	+74%	+74%
Extraordinary loss	301	301	3,363	3,363	+1,016%	+1,016%
Profit before income taxes	10,989	△ 1,912	△ 50	△ 4,930	△ 11,039	△ 3,018
Total income taxes	3,792	N/A	△ 445 ^{*1}	N/A	+4,237	N/A
Net Income	7,317	N/A	402 ^{*2}	N/A	△ 95%	N/A

*1: Tax effects from the business portfolio reorganization totaled ¥1,830 million.

*2: Refers to net income attributable to owners of parent.

Reorganization of Business Portfolio

Based on the business portfolio reorganization outlined in our 2H plan, we set out to implement fundamental reforms in the following businesses.

Business	Reforms	Scheduled completion
<p>TriFort, Inc. (Game Segment)</p>	<ul style="list-style-type: none"> • TriFort currently operates the contracted app development business and the game business. • We plan to spin off TriFort’s contracted app development business into a new company (Brewus, Inc.) and obtain all Brewus shares from TriFort. • Following the spin-off, we will sell our shareholdings in TriFort to its founder. 	<p>February 2020</p>
<p>ALAN•PRODUCTS, Inc. (Content Segment)</p>	<ul style="list-style-type: none"> • Mainly due to changes in the business environment, we have terminated all businesses at ALAN•PRODUCTS, Inc. to liquidate the company. • Shares in subsidiary RAPS Inc. were sold to its founder in December 2019. 	<p>End-March 2020 (scheduled completion of liquidation)</p>
<p>Smarprise, Inc. (Content Segment)</p>	<p>We sold all shares in Smarprise to Game8, Inc., a subsidiary of Gunosy Inc.</p>	<p>December 2019 (sale completed)</p>
<p>United Ad Technologies Asia Sdn. Bhd. (Ad Technology Segment)</p>	<p>We plan to liquidate this subsidiary, which operates as our branch office for Southeast Asia.</p>	<p>March 2020 (scheduled start of liquidation proceedings)</p>

Agenda

Page

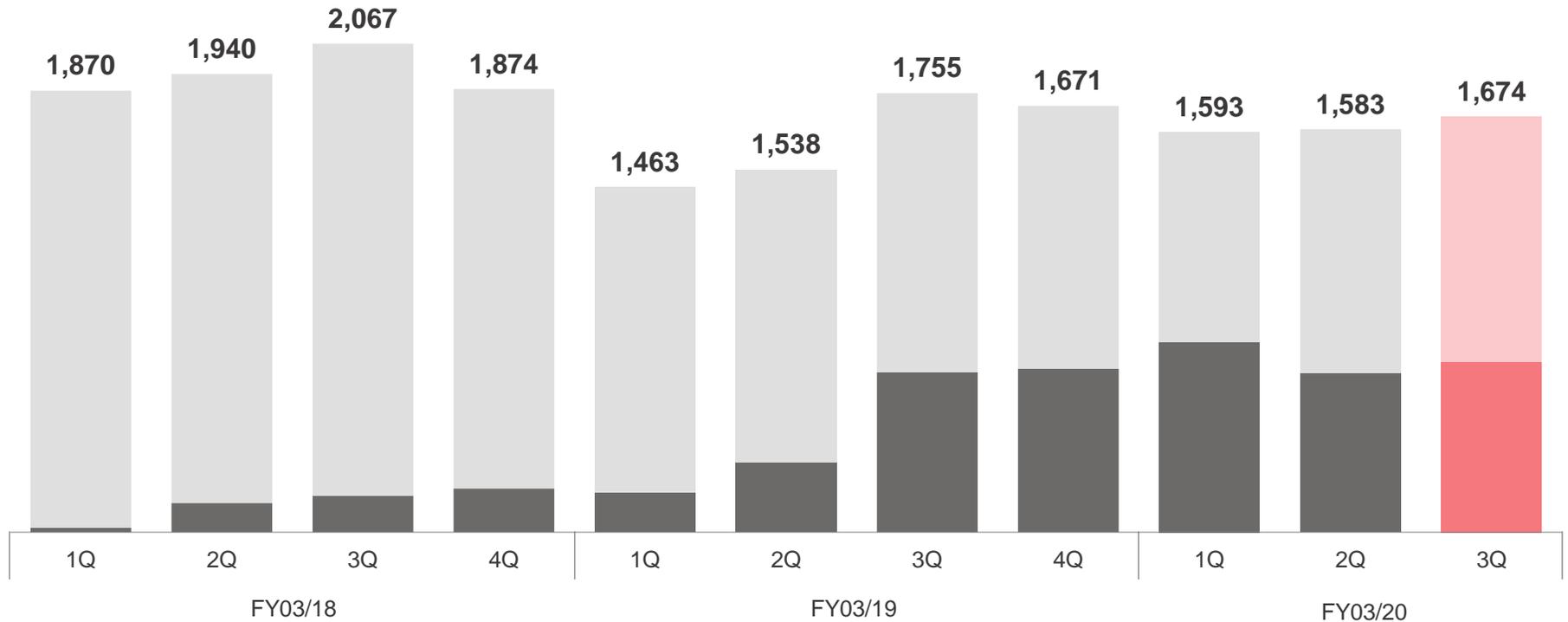
1	Financial Highlights of Q3 FY03/20	2
2	Performance by Segment in Q3 FY03/20	8
3	Forecast	18
4	Appendix	22

Ad Technology Segment: Sales

Sales of app install ads were up QoQ, mainly because the quarter coincided with peak demand from game advertisers.

(Millions of yen)

- Web Ad
- App Install Ad

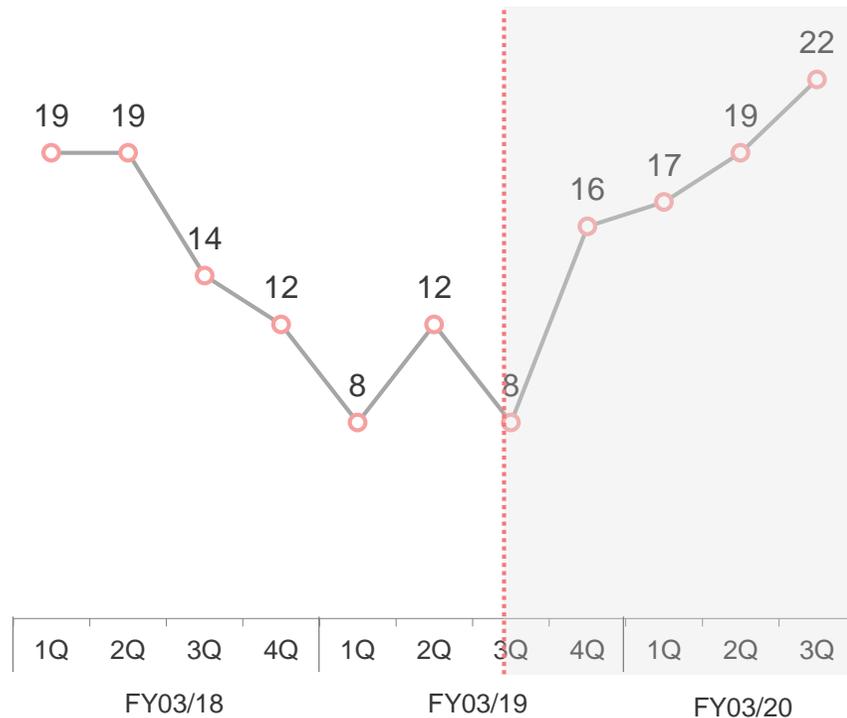


Ad Technology Segment: Gross Margin and Operating Income

By strengthening links between products and improving efficiency in our operating structure, we continued to improve the gross margin, and operating income rose ¥229 million YoY.

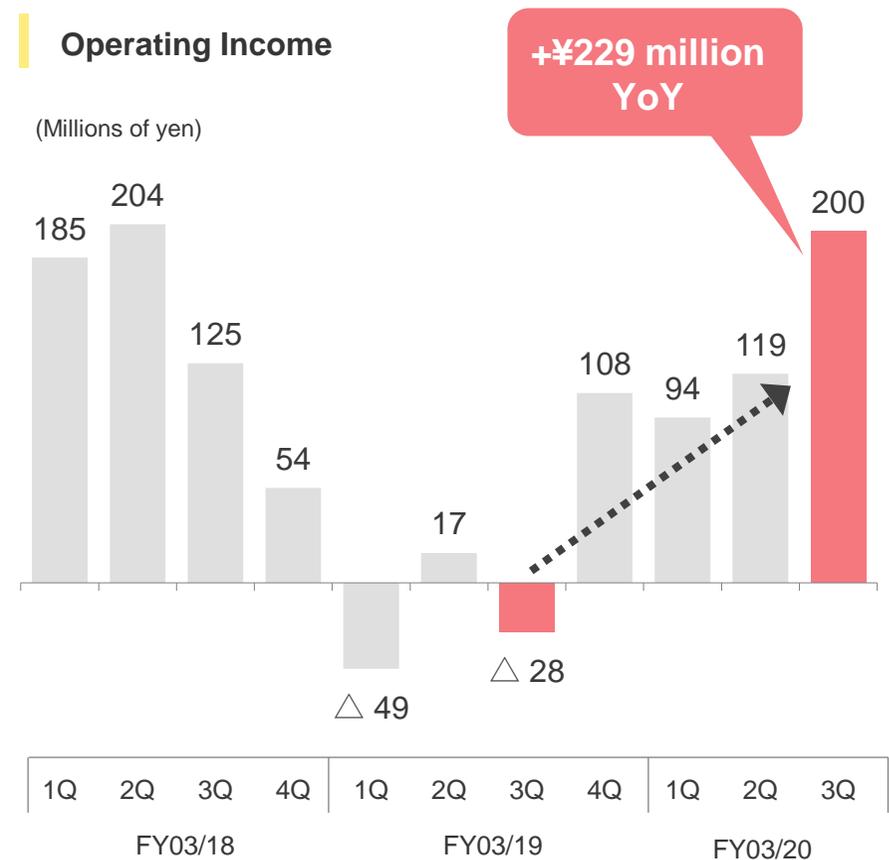
Gross Margin

(Unit: %)



Operating Income

(Millions of yen)

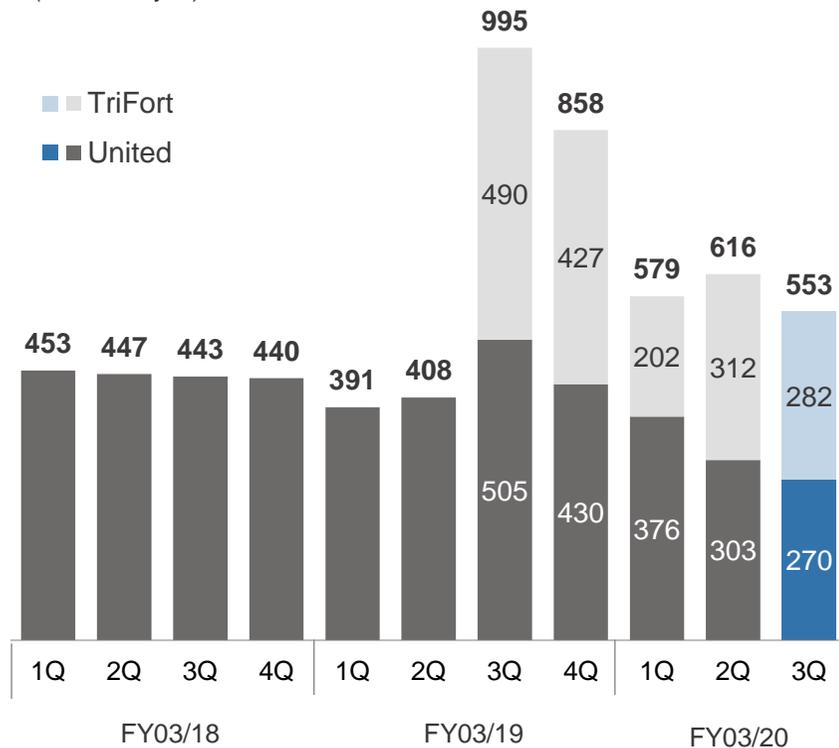


Game Segment: Sales and Operating Income before Goodwill Amortization

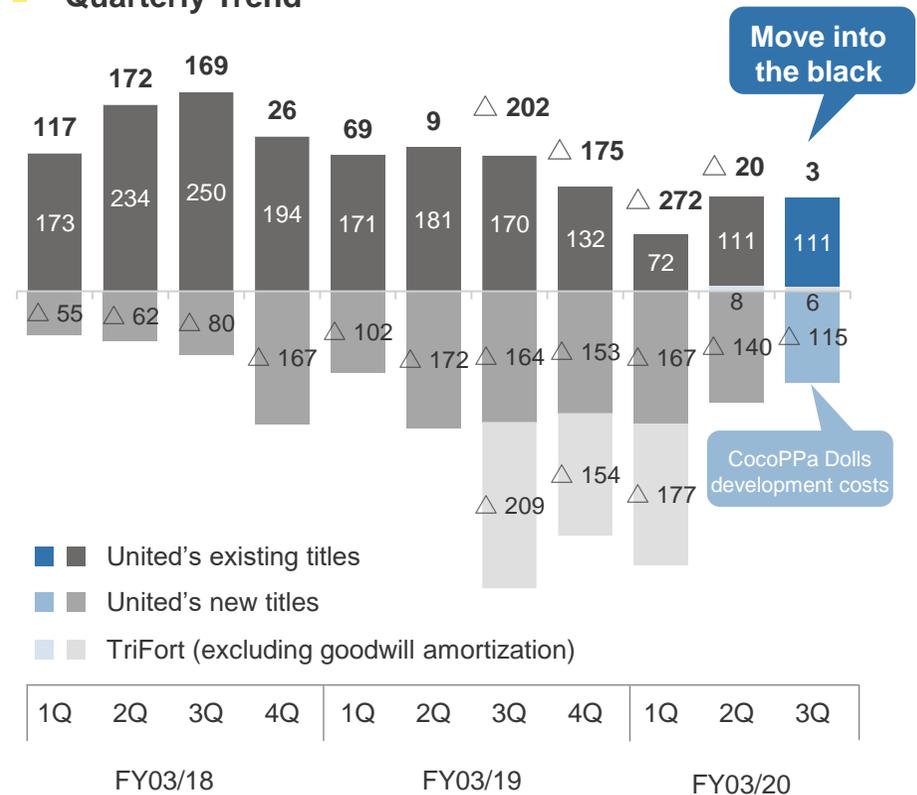
In the Game Segment, operating income before goodwill amortization moved into the black supported by the sale of the Tokyo Conception business and effects from a shift in focus to TriFort's contracted development business.

Quarterly Sales Trend

(Millions of yen)



Operating Income(excl.goodwill amortization) Quarterly Trend



Note: Goodwill amortization for TriFort was ¥164 million in Q3.

Game Segment: New Game Title



Fashion dress-up RPG **CocoPPa Dolls**

Launched globally on January 20, 2020 with language support for Japanese, English, and Chinese (traditional Chinese)



App overview

- App that allows players to dress up moving avatars.
- Players can select from over 1,000 types of outfits.
- Up to 10 players can collaborate to dress up an avatar, creating fun experiences.
- Support for multiple languages allows players from around the world to play together.

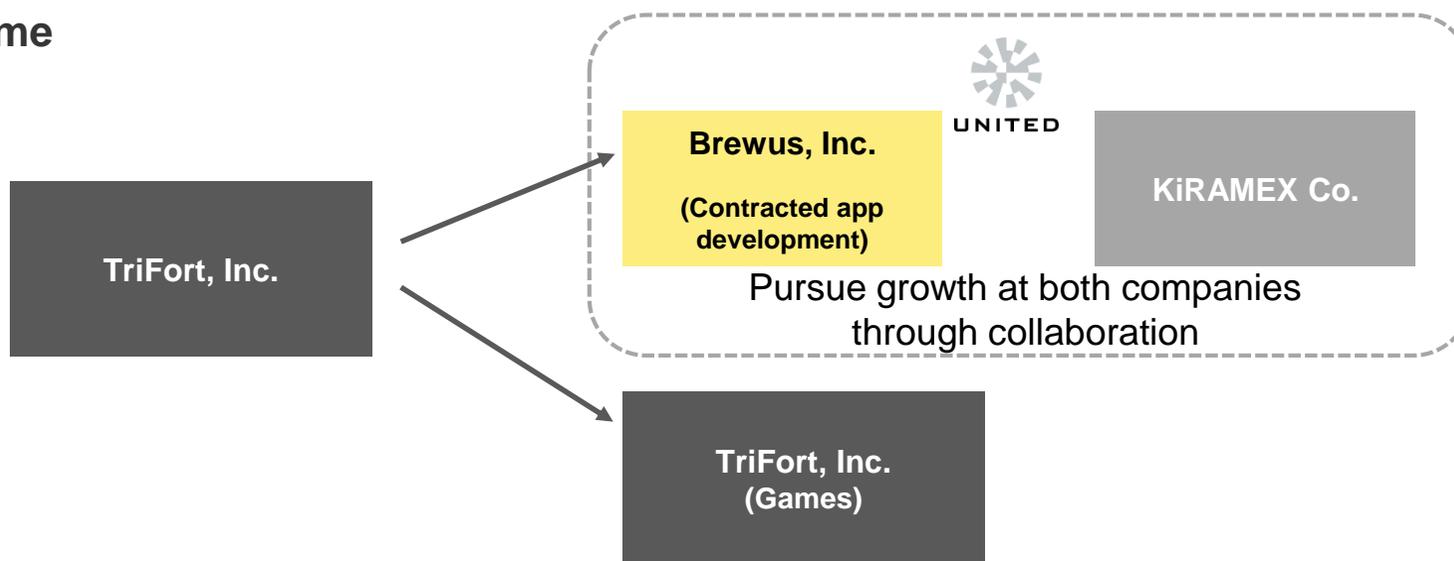
Game Segment: Restructuring of TriFort, Inc.

TriFort's contracted app development business, where we see synergies with the United group, will be spun off into a new company and made our subsidiary.

Our subsidiary KiRAMEX Co. will collaborate with the new company to drive mutual growth.

Following the spin-off, our shareholdings in TriFort will be sold to its founder.

Scheme



Impact on Q3 results

Extraordinary loss from goodwill impairment:

-¥2,471 million

Tax effects: +¥1,106 million

Impact on net income: -¥1,364 million

Reference: In cumulative Q3 FY03/20, TriFort posted an operating loss of ¥656 million (after goodwill amortization).

Content Segment: Sales and Operating Income before Goodwill Amortization

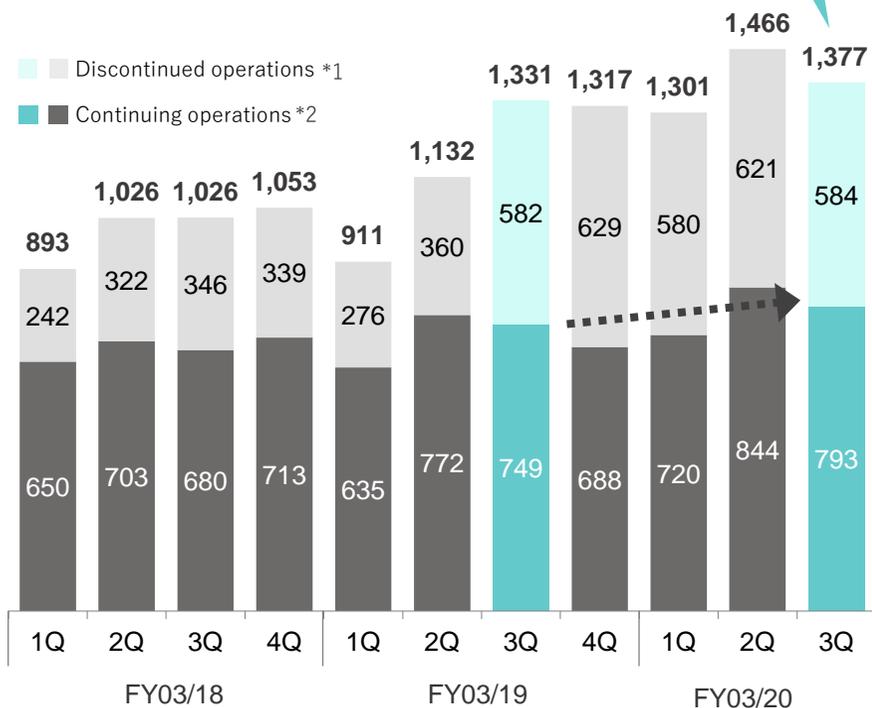
Sales were up ¥45 million YoY mainly due to sales growth at KiRAMEX Co.

Operating income before goodwill amortization fell QoQ due to up-front investments in continuing operations.

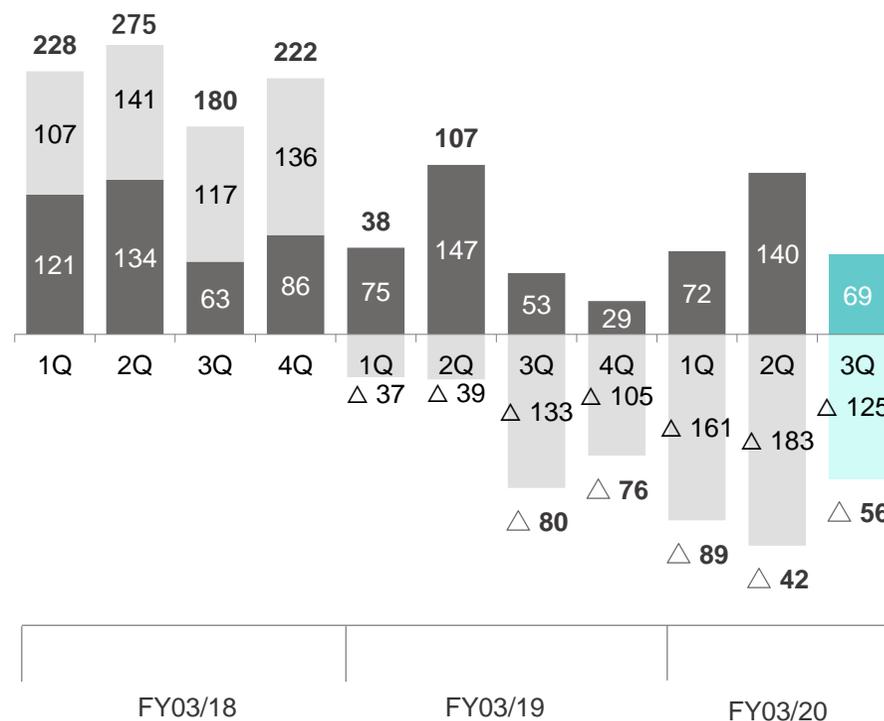
In Q4, we expect the deconsolidation of ALAN•PRODUCTS, Inc. and Smarprise, Inc. to bring the segment into the black at the operating level.

Quarterly Sales Trend

(Millions of yen)



Operating Income(excl.goodwill amortization) Quarterly Trend



*1 Smarprise, Inc., ALAN • PRODUCTS, Inc., RAPS Inc.

*2 KiRAMEX Co., Fogg, Inc., TREiS, Inc., International Sports Marketing Co., Ltd., Apps for mobile carriers

Content Segment: Reorganization of Business Portfolio

We have identified core businesses for the future, and reorganized our business portfolio as follows.

Target companies

ALAN•PRODUCTS, Inc.	All businesses terminated, company to be liquidated
RAPS Inc.	All shareholdings sold to company founder
Smarprise, Inc.	All shareholding sold to Game8, Inc.

Impact on Q3 results

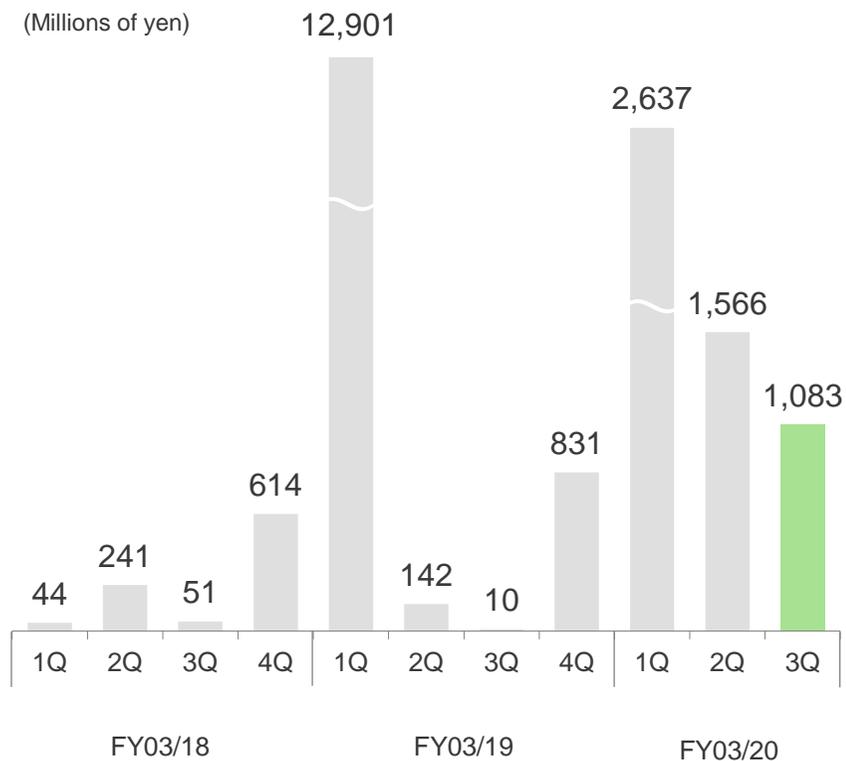
Extraordinary profit and losses from business transfers, etc.		
	ALAN•PRODUCTS, Inc.: -¥373 million*	Reference: Cumulative Q3 FY03/20 operating losses
	RAPS Inc.: -¥300 million	(after goodwill amortization)
	Smarprise, Inc.: +¥75 million	ALAN•PRODUCTS, Inc.: -¥447 million
		RAPS Inc.: -¥139 million
Tax effects	:+¥723 million	Smarprise, Inc.: -¥78 million
	Impact on net income: +¥125 million	Total: -¥665 million

* Includes a ¥43 million extraordinary loss from the liquidation of subsidiary Glasspod, Inc.

Investment Segment: Sales and Breakdown of Operating Investment Securities

We generated sales of ¥1,083 million through the disposal of operating investment securities, including shareholdings in Mercari, Inc. As of end-Q3, operating investment securities totaled ¥24,123 million*.

Quarterly Sales Trend



Breakdown of operational investment securities

	Invested Companies	As at Dec.2019 (amount of BS)
Listed shares	Mercari, Inc. SOCIALWIRE CO., LTD. CyberBuzz, Inc.	Approx. ¥20.2 Bn
Private shares	More than 50 Companies	Approx. ¥2.3 Bn
Invested funds as LP	More than 25 funds	Approx. ¥1.7 Bn

* Of this amount, operating investment securities related to Mercari: ¥18,930 million (5.5% of voting rights held, as of December 30, 2019).
Unlisted shares are valued at investment book value; listed shares are marked to market.

Investment Segment: Investment Portfolio

Major Directly Invested Start-ups

Post IPO	Seed ~ Early
Middle ~ Later	

Major Invested Funds as LP

Agenda

Page

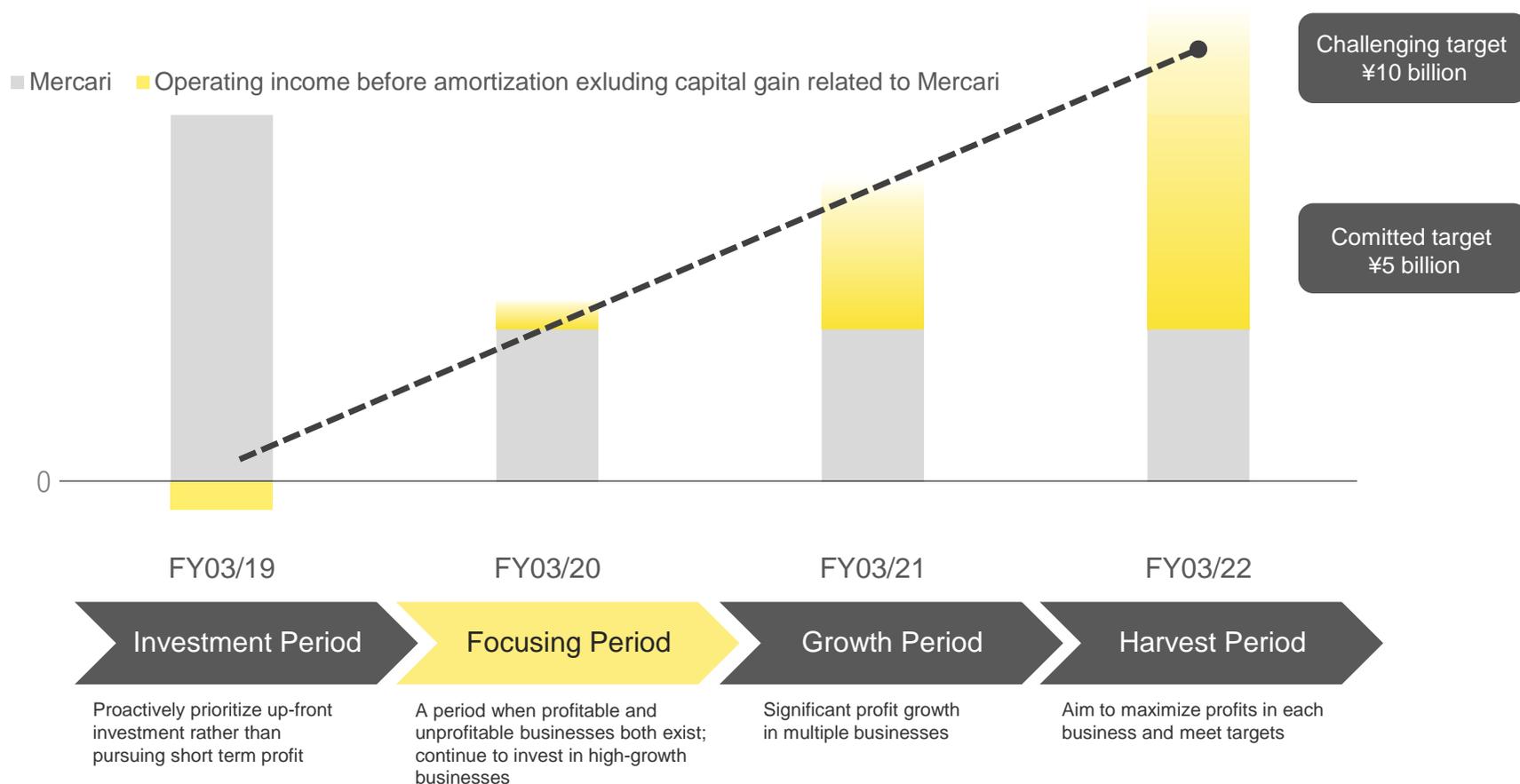
1	Financial Highlights of Q3 FY03/20	2
2	Performance by Segment in Q3 FY03/20	8
3	Forecast	18
4	Appendix	22

Positioning of FY03/20 in the Medium-Term Management Plan

Source: 2Q, 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)



FY03/20: Full-Year Consolidated Forecast

(Millions of yen)	FY03/20 forecast	YoY change
Sales	20,500 to 21,500	-26 to -22%
Operating Income	5,000	-55%
Ordinary Income	4,900	-56%
Extraordinary loss	3,500 to 3,600 ^{*1}	+2,790 to +2,890
Income taxes	100 ^{*2}	-3,240
Net income attributable to owners of parent	1,200 to 1,300	-83 to -81%

*1: Of this amount, extraordinary loss due to business portfolio reorganization: ¥3,354 million

*2: Of this amount, tax effects accompanying reforms: ¥1,830 million

Future Priority Areas

In line with the “focusing period” outlined in our medium-term management plan, we have reorganized our business portfolio and narrowed down several priority areas with an eye toward future growth.

Priority areas going forward

Growth drivers

KIRAMEX Co.

Collaborations with Brewus, Inc. (to be established as a new company) with a view to pursuing growth at both companies

Investment Segment

Strengthen operations by enhancing structure and expanding investment budget; continue to dispose of operating investment securities

Earnings drivers

Ad Technology Segment

Operations to remain focused on profitability

Game Segment

Operations to focus on profitability of existing titles, with new development being put on hold for the time being

Agenda

Page

1	Financial Highlights of Q3 FY03/20	2
2	Performance by Segment in Q3 FY03/20	8
3	Forecast	18
4	Appendix	22

Consolidated P/L Statement Q3 FY03/20

(Millions of yen)	Q3 FY03/19	Q2 FY03/20	Q3 FY03/20	Difference	
				YoY	QoQ
Sales	4,062	5,221	4,679	+15%	△ 10%
Ad Technology Segment	1,755	1,583	1,674	△ 5%	+6%
Game Segment	995	616	553	△ 44%	△ 10%
Content Segment	1,331	1,466	1,377	+3%	△ 6%
Investment Segment	10	1,566	1,083	+9,827%	△ 31%
Other Segment	△ 30	△ 10	△ 8	+21	+1
Gross Profit	447	2,213	1,843	+312%	△ 17%
Ad Technology Segment	138	300	365	+164%	+22%
Game Segment	3	132	148	+3,794%	+12%
Content Segment	306	345	304	△ 1%	△ 12%
Investment Segment	10	1,434	1,024	+9,481%	△ 29%
Other Segment	△ 11	-	-	+11	-
SG&A expenses	1,402	1,279	1,204	△ 14%	△ 6%
Operating Income	△ 955	933	639	+1,594	△ 32%
Ad Technology Segment	△ 28	119	200	+229	+68%
Game Segment	△ 367	△ 185	△ 161	+206	+23
Content Segment	△ 154	△ 141	△ 155	△ 0	△ 14
Investment Segment	△ 4	1,386	1,001	+1,005	△ 28%
Other Segment	△ 400	△ 245	△ 245	+154	-
Ordinary Income	△ 967	915	644	+1,612	△ 30%
Net Income *	△ 763	508	△ 870	△ 107	△ 1,379

*Refers to net income attributable to owners of parent

Consolidated Balance Sheet for End of Q3 FY03/20

(Millions of yen)	End of FY03/19 (Mar. 31, 2019)	End of Q3 FY03/20 (Dec. 31, 2019)	Difference
Current Assets	51,204	33,877	△ 17,326
Cash & Deposits	8,822	7,032	△ 1,790 ^{*1}
Operating Investment Securities	39,190	24,123	△ 15,067 ^{*2}
Non Current Assets	6,026	1,752	△ 4,273
Amortization of Goodwill	4,125	143	△ 3,981
Total Assets	57,230	35,629	△ 21,600
Current Liabilities	6,595	2,438	△ 4,157
Non Current Liabilities	10,533	5,402	△ 5,130
Deferred Tax Liabilities	10,198	5,025	△ 5,173 ^{*2}
Total Liabilities	17,129	7,840	△ 9,288
Net Assets	40,100	27,788	△ 12,311
Unrealized Gain on Securities	24,501	13,958	△ 10,543 ^{*2}

*1: Breakdown: operating investment securities +¥5,909 million, operating income before goodwill amortization (after excluding Investment Segment) -¥820 million, income tax payments -¥4,344 million, acquisition of treasury stock -¥992 million, year-end dividend for FY03/19 -¥849 million, interim dividend for FY03/20 -¥240 million, impact of deconsolidation of subsidiaries -¥220 million

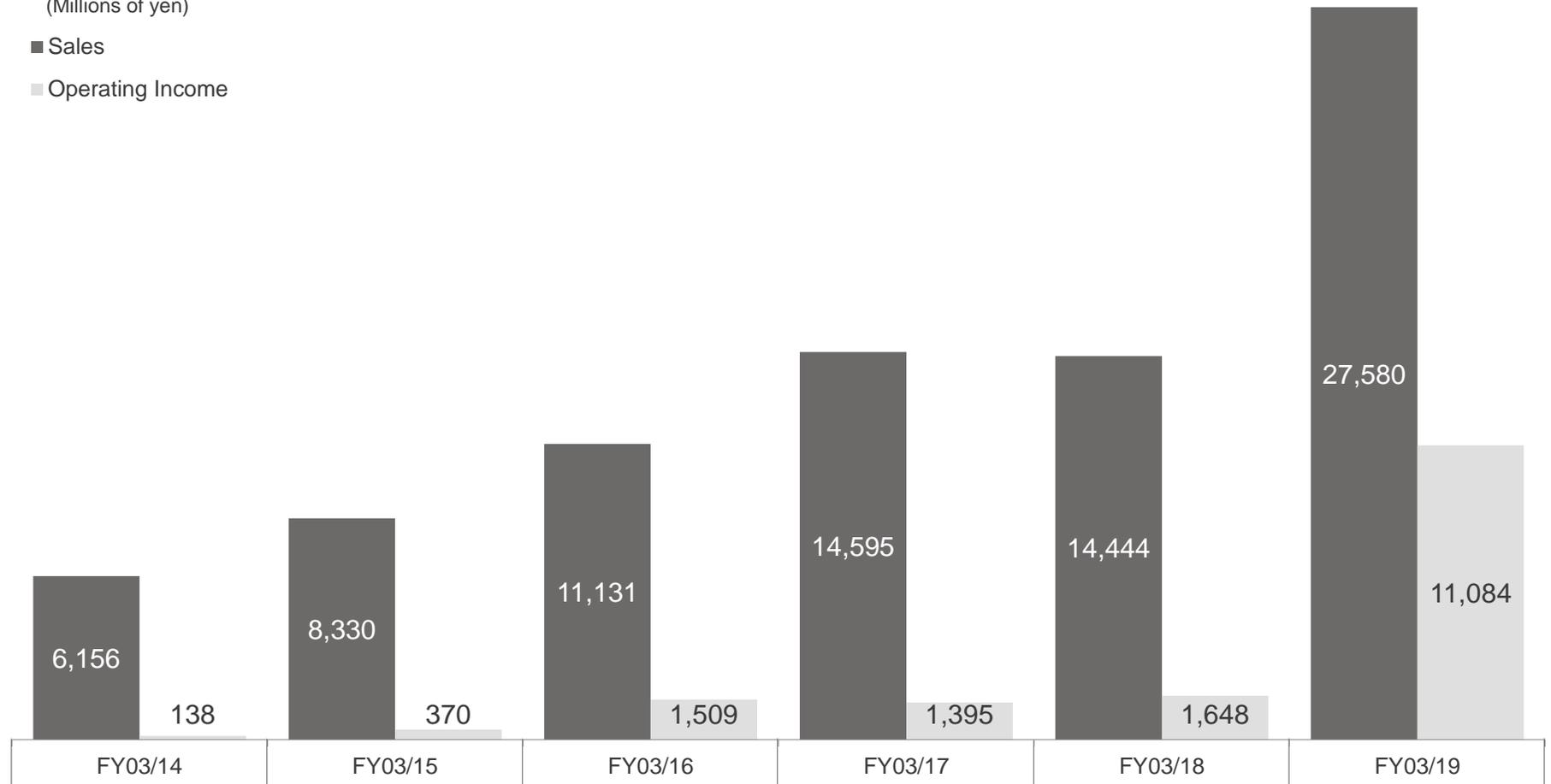
*2: The impact of revaluation (mark-to-market) and disposal of operating investment securities (listed shares) was as follows:
operating investment securities -¥15,335 million, deferred tax liabilities -¥4,655 million, valuation difference on available-for-sale securities -¥10,548 million

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, featuring the word "KiRAMEX" in a bold, black, sans-serif font. The letter "X" is stylized with a green diagonal line through it.

KiRAMEX Co.

Operates TechAcademy, which teaches programming online

The logo for Fogg, featuring a yellow circular icon composed of multiple overlapping lines, resembling a swirl or a stylized 'O', positioned above the word "Fogg" in a bold, yellow, sans-serif font.

Fogg, inc.

Operates CHEERZ, a service to help invigorate artists' activities

The logo for International Sports Marketing Co., Ltd. (ISM), featuring the letters "ISM" in a bold, black, sans-serif font. Below "ISM" is the text "INTERNATIONAL SPORTS MARKETING Co., Ltd." in a smaller, black, sans-serif font.

International Sports Marketing Co., Ltd.

Produces sports-related websites and plans and develops media

The logo for TREiS, featuring a stylized icon of three overlapping triangles forming a larger triangle, followed by the word "TREiS" in a bold, black, sans-serif font. The letter "i" is lowercase and has a red dot.

TREiS, inc.

Plans and operates Dream Mail, a sweepstakes and gift site

The logo for ALAN PRODUCTS, featuring the word "ALAN" in a bold, black, sans-serif font above the word "PRODUCTS" in a smaller, black, sans-serif font. The text is enclosed within a colorful, multi-colored circular border.

ALAN•PRODUCTS, Inc.^{*1}

Runs multiple media businesses and develops new businesses

The logo for Smarpr!se, featuring the word "Smarpr!se" in a blue, sans-serif font. The letter "i" is lowercase and has a red dot.

Smarprise, Inc.^{*2}

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

*1: All businesses terminated, company to be liquidated

*2: All shareholding sold to Game8, Inc.

Number of Consolidated Employees and Directors

(Unit: Numbers employed)

- Temporary employees
- Other full-time employees
- Content Segment full-time employees
- Game Segment full-time employees
- Ad Technology Segment full-time employees
- Directors (United directors, corporate auditors and outside directors)

