

First Quarter, Fiscal Year Ending March 2014 Consolidated Financial Results

UNITED, Inc.
(TSE Mothers, Code: 2497)

July 31, 2013

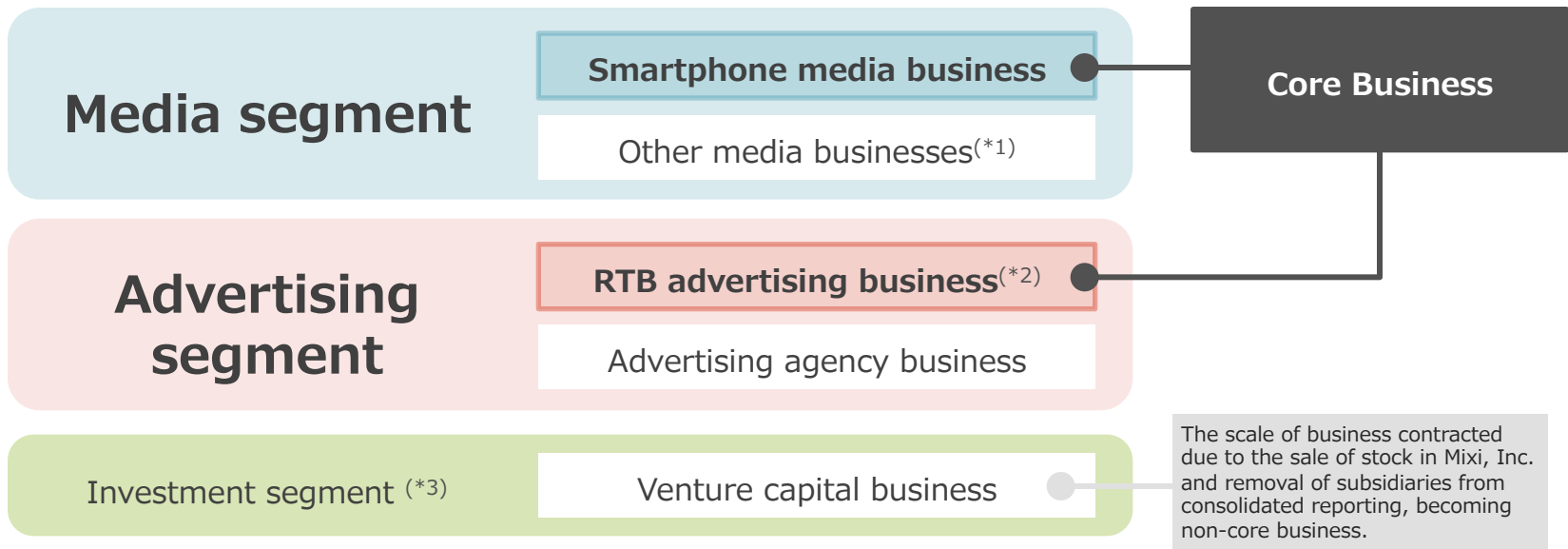
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- 1 Quarterly Consolidated Financial Results
and Outlook for the Full Fiscal Year**
- 2 Reference Material**

1 Quarterly Consolidated Financial Results and Outlook for the Full Fiscal Year

Our Core Business

We are putting effort into the **smartphone media business and RTB(Real Time Bidding) advertising business** expected to see market growth in the future, actively investing in these business to achieve business growth.



*1 Email advertising, internet research, sports marketing
 *2 RTB (real-time bidding) refers to a setup for conducting advertising transactions based on real-time bidding.
 *3 The "Investment" segment was called the "Investment and Incubation" segment in the previous quarter, but the name was changed because the SocialWire Group running the incubation business was removed from consolidated reporting in April 2013 and treated as an affiliated company accounted for by the equity method.

1Q Consolidated P/L Statement

In comparison to the same quarter of the previous year, business structure changed greatly, with increased sales in the media segment due to mergers. In the investment segment, sales and operating profit decreased.

(million yen)

	1Q of FY ending March 2013	1Q of FY ending March 2014	Year-on-Year Change (%)
Sales	936	1,159	24
Media segment	3	571	14,743
Advertising segment	630	581	-8
Investment segment	301	11	-96
Inter-segment elimination	—	-5	—
Operating profit	44	-109	—
Media segment	-17	0	—
Advertising segment	-17	-42	—
Investment segment	153	-3	—
Overhead expenses	-73	-63	—
Recurring profit	41	-96	—
Quarterly net profit	13	-97	—

*1 The percentages of year-on-year changes are rounded.

*2 The numbers for 1Q of FY ending March 2013 are the profit/losses of MotionBeat Inc. prior to the merger and do not include the profit/losses of SPIRE Inc.

1Q Results Highlights

Overall

1Q Results

- As publicized at the time of publication of the previous end-of-quarter results (May 8, 2013), **losses were expected in operating profits in the first half due to forward investments, with a plan to bring operating profits into the black over the entire year.** =The 1Q is going as per the initial plan.
- **Sales of stock in Mixi, Inc. were completed in the previous quarter,** reducing operating profits in the investment sector (earnings from sales of stock in the same quarter of the previous year were 149 million yen).

Core Business

Smartphone Media Business

- The number of global downloads of CocoPPa reached **10 million** in June^(*)
- Sales increased to **2.1 times** that in the same quarter of the previous fiscal year.

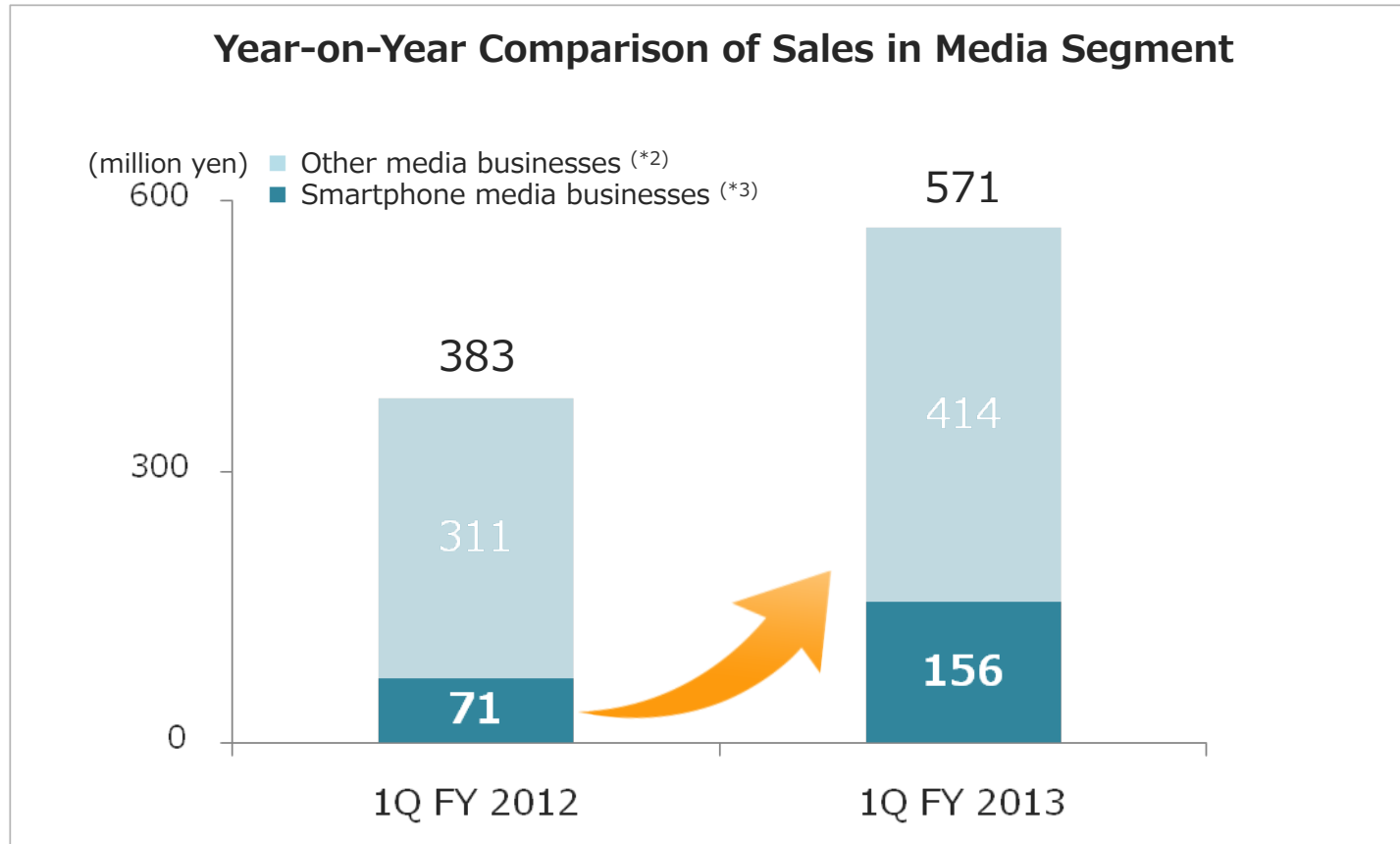
RTB Advertising Business

- Sales increased to **5.4 times** that of the same quarter of the previous fiscal year, with increased revenue from the RTB advertising platform started in April 2012 contributing.
- The investment period for the acquisition of RTB advertising inventory was completed in 4Q of the previous fiscal year, improving the ratio of gross profit to net sales.

* The number of downloads reached 12 million in July 2013.

Media Segment: Year-on-Year Comparison of Results (vs. 1Q FY 2012)

Do to increased CocoPPa advertising revenue^(*1) etc., sales in smartphone media businesses increased to **2.1 times** that of the same quarter of the previous fiscal year.



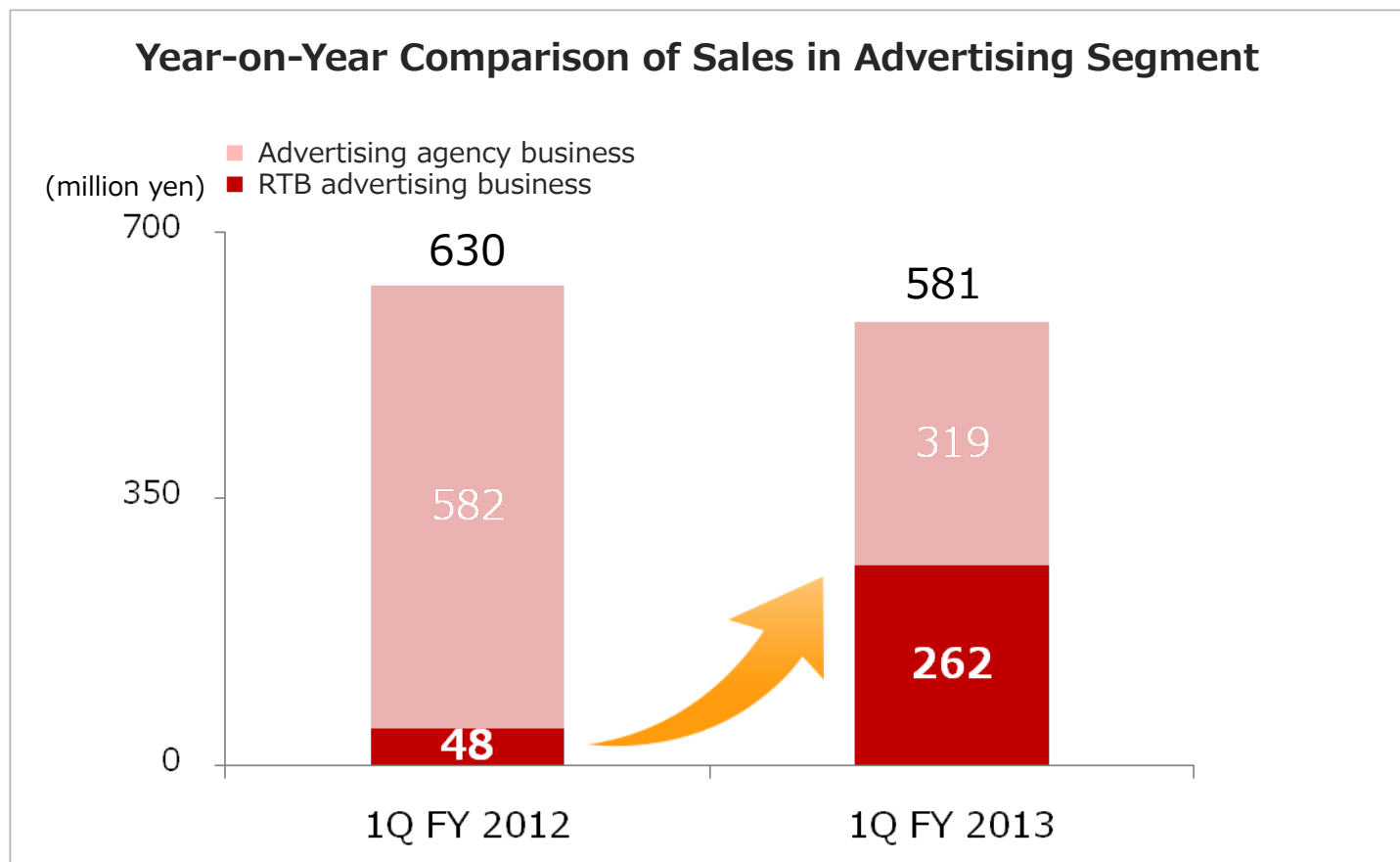
*1 See p. 22–24 for details of measures to increase CocoPPa revenue in the future.

*2 Other media business: email advertising, internet research, sports marketing

*3 For 1Q 2012, the sales of the former SPiRE, Inc. are combined for comparison purpose.

Advertising Segment: Year-on-Year Comparison of Results (vs. 1Q FY 2012)

Sales in RTB advertising businesses increased to **5.4 times** that of the same quarter of the previous fiscal year, with increased revenue from the RTB advertising platform started in April 2012 contributing.



* The numbers for 1Q of FY 2012 are the sales of MotionBeat Inc. prior to the merger and do not include the sales of SPIRE Inc.

First-Half Policies Presented in Published Previous End-of-Quarter Results

Position **the first half (April–September) as a period for forward investments**, actively invest to expand core business with the first-half consolidated operating profit expected to be a loss (but going into the black over the entire year)

Smartphone Media Business

[Policies]

Continue to expand user base in first half

- ① Concentrate personnel on developing and operating core services.
- ② Invest in advertising and publicity

[1Q Results]

6.07 million CocoPPa downloads at end of last quarter→ Reached 10 million downloads at end of 1Q

- ① Concentrated personnel on CocoPPa operations.
- ② User base expanded in 1Q without relying on advertising, so continue to deliberate advertising and publicity.

RTB Advertising Business

[Policies]

Start PC RTB advertising also in first half

- ① Heavily allocate personnel in sales, operation and development.
- ② Continue investments to secure RTB advertising inventory.

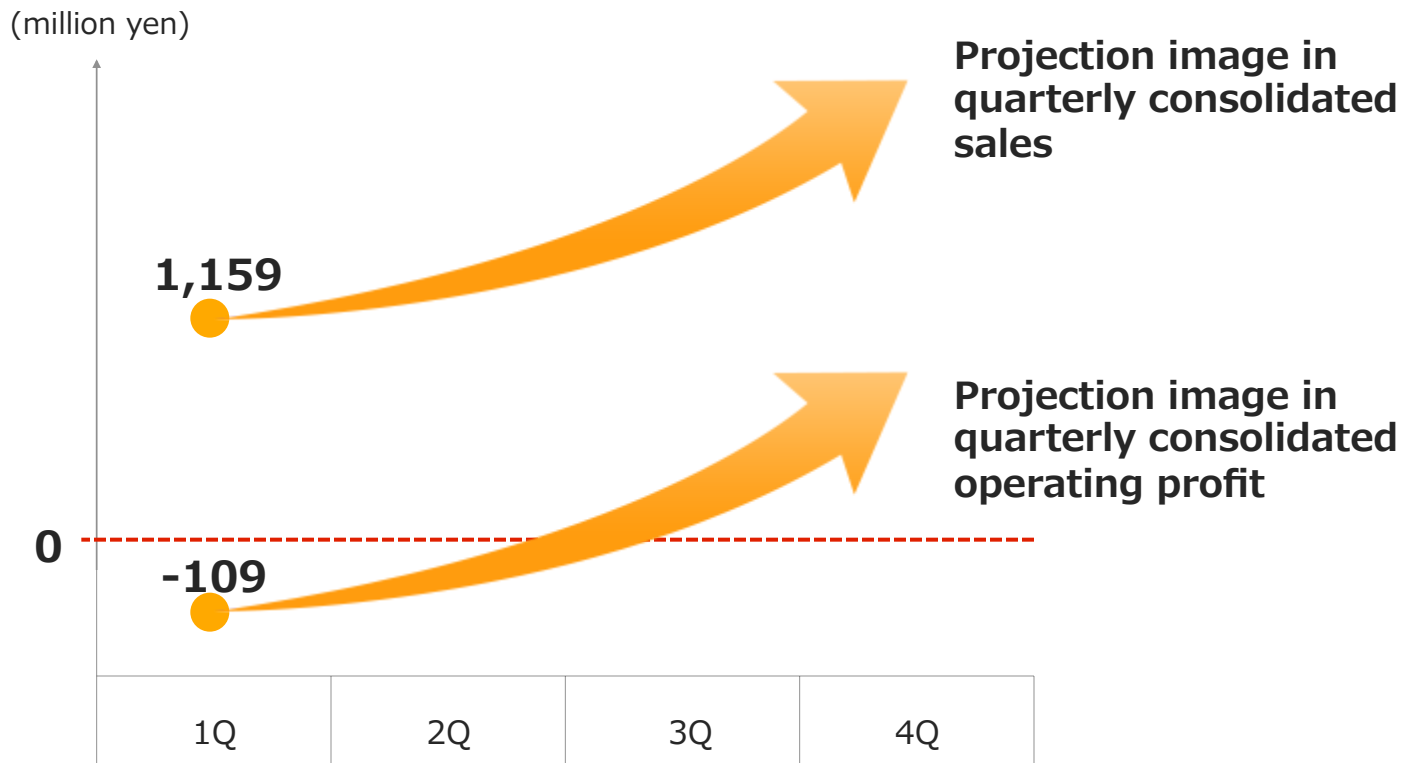
[1Q Results]

Started to supply PC RTB advertising in August

- ① Personnel is unchanged from previous quarter, so continue to study increasing personnel if necessary.
- ② Inventory is increasing steadily, so investment for ad inventory ended in the previous quarter.

Full-Year Outlook for Fiscal Year Ending March 2014

The breadth of losses in the 1Q consolidated operating profit was less than in the internal projection. The plan is for increased revenue and increased profit in each quarter starting in 2Q, with the **full-year consolidated operating profit going into the black.**





Smartphone Media Business



In our smartphone media business, we will put the greatest emphasis on **growing CocoPPa globally.**

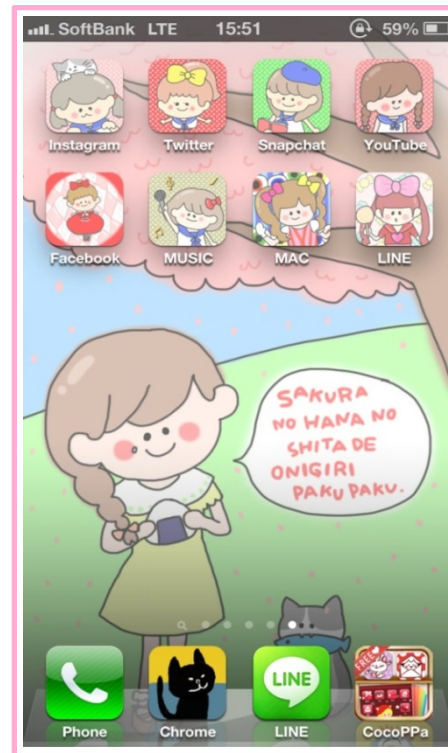


CocoPPa

The Smartphone Decoration Community App

A free mobile app that allows users to freely use user-contributed illustrations to customize the icons on their home screen and their wallpaper.

- July 19, 2012:Launched in the Apple App Store
- May 29, 2013:Launched in Google Play

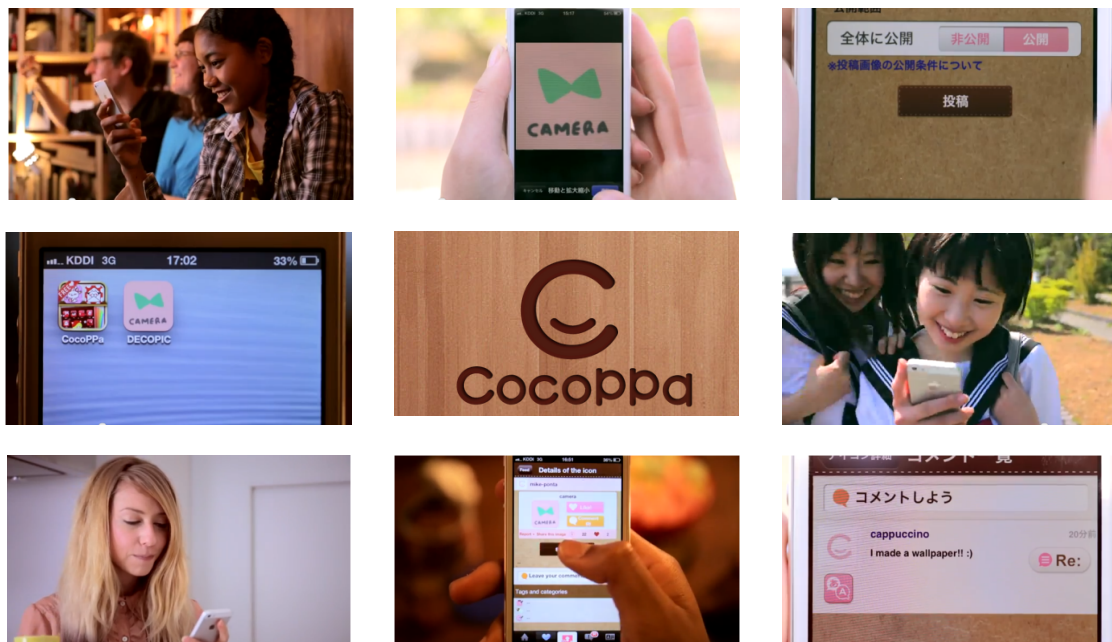


Decoration examples



CocoPPa Concept Movie

http://www.youtube.com/watch?v=8U_Ic1DzVgs#at=10



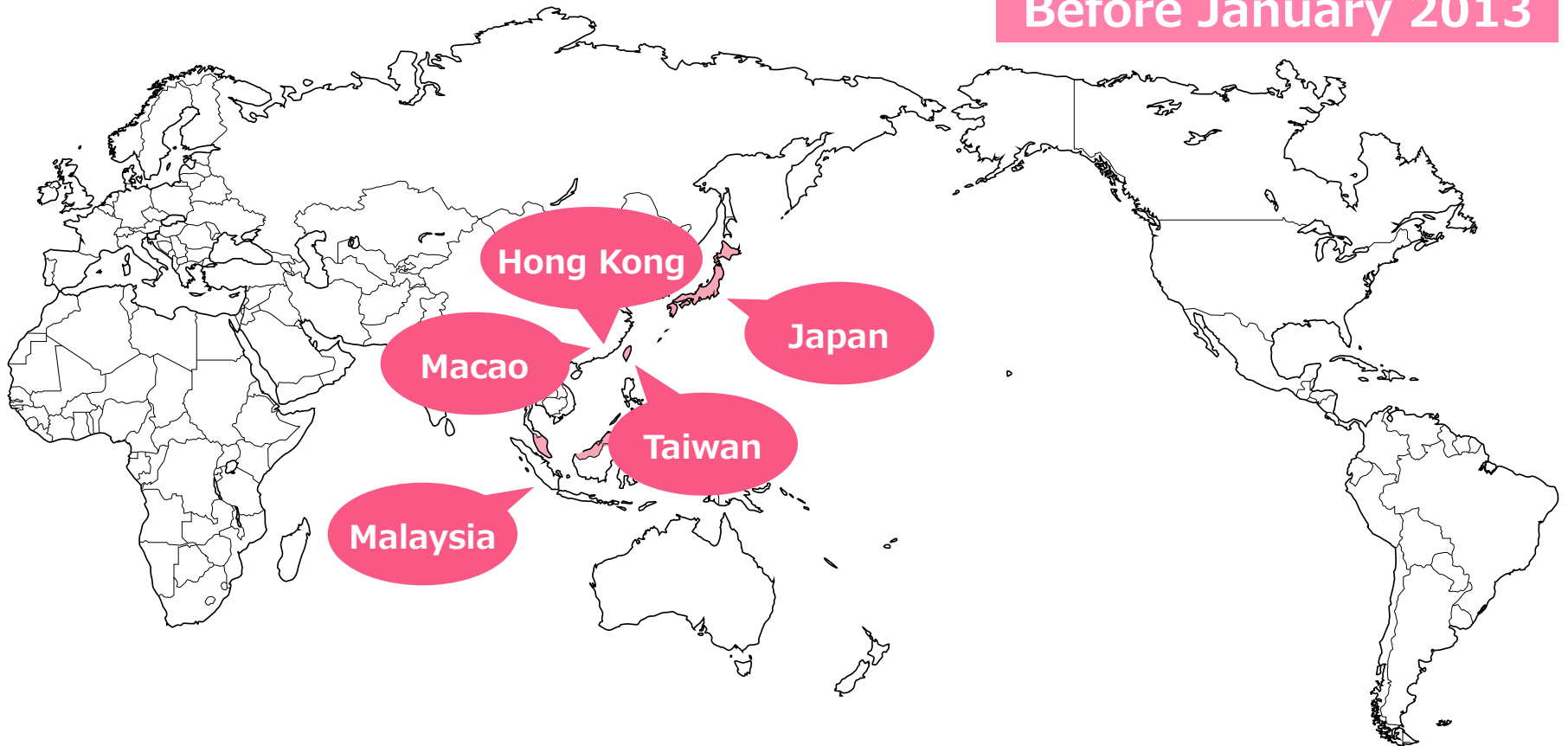
User-contributed icons and wallpaper contribute to vibrant communication that extends across national boundaries.



Countries and regions where CocoPPa was No. 1 in the App Store “Lifestyle” category
 Before January 2013 it was **No. 1 in 5 countries**

* Released July 19, 2012

Before January 2013

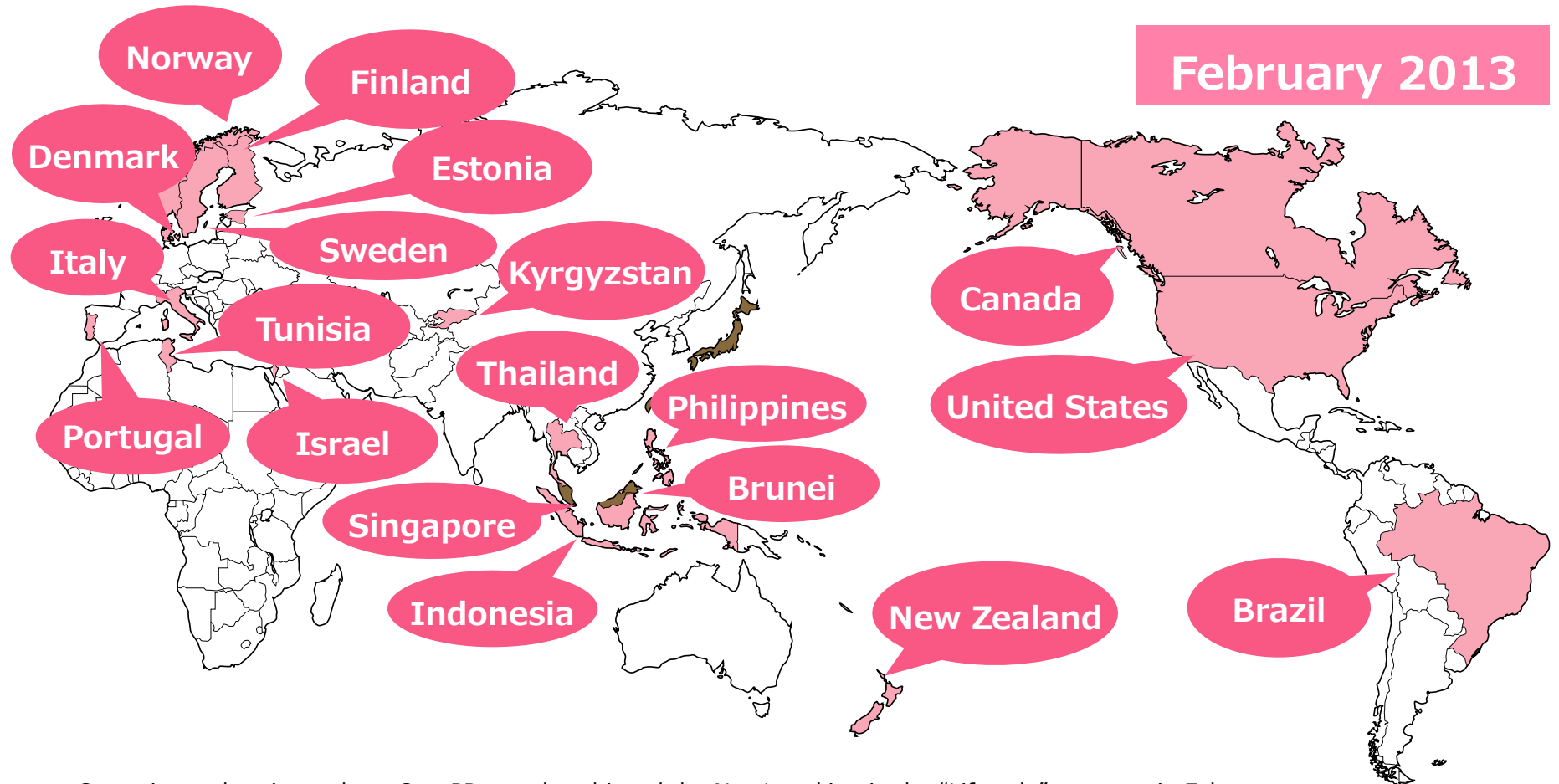


■ Countries and regions where CocoPPa achieved the No. 1 ranking in the “Lifestyle” category.



Global Popularity of CocoPPa

Countries and regions where CocoPPa was No. 1 in the App Store “Lifestyle” category
 In February 2013 it was **No. 1 in 23 countries (28 countries total)**

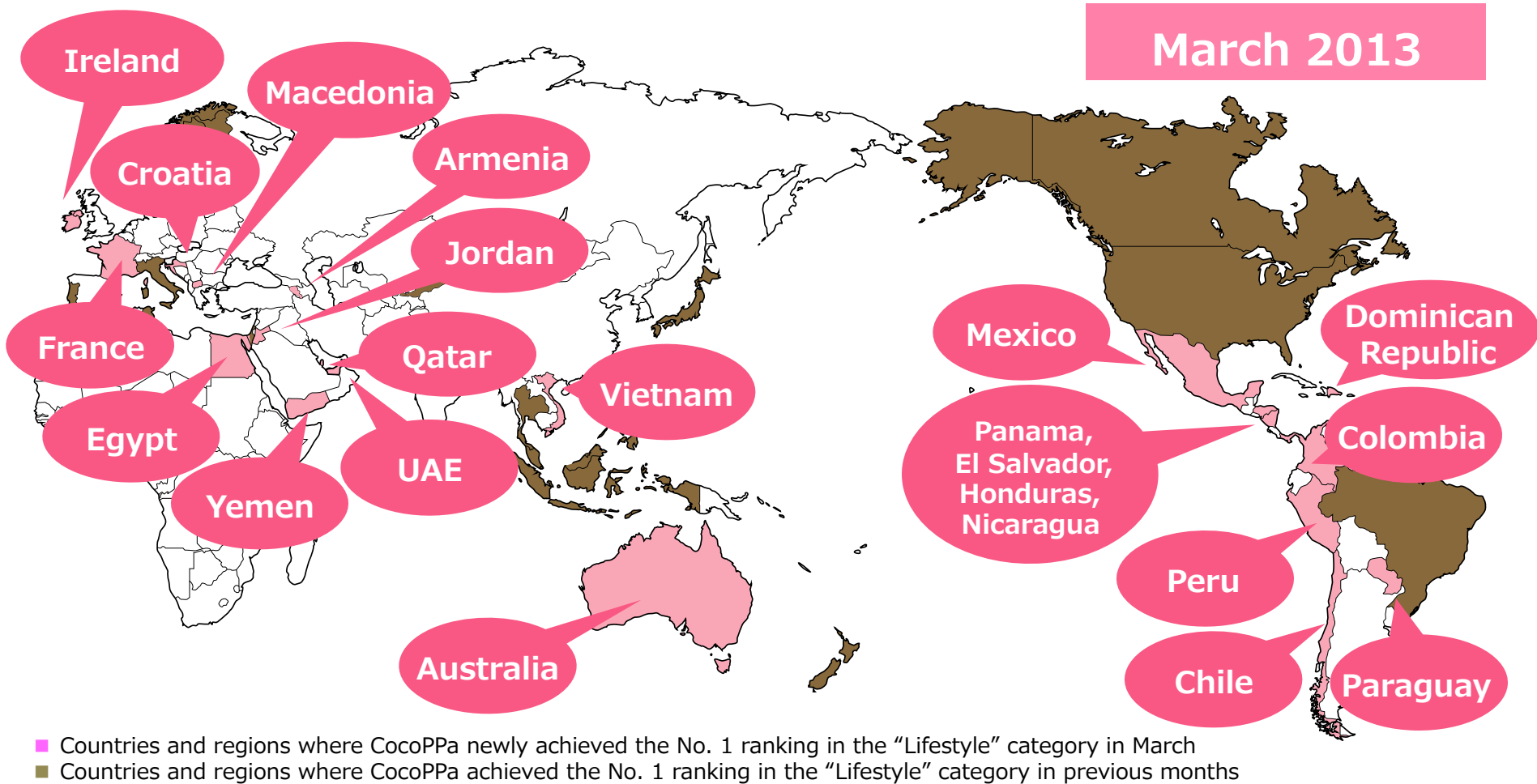


- Countries and regions where CocoPPa newly achieved the No. 1 ranking in the “Lifestyle” category in February
- Countries and regions where CocoPPa achieved the No. 1 ranking in the “Lifestyle” category in previous months



Global Popularity of CocoPPa

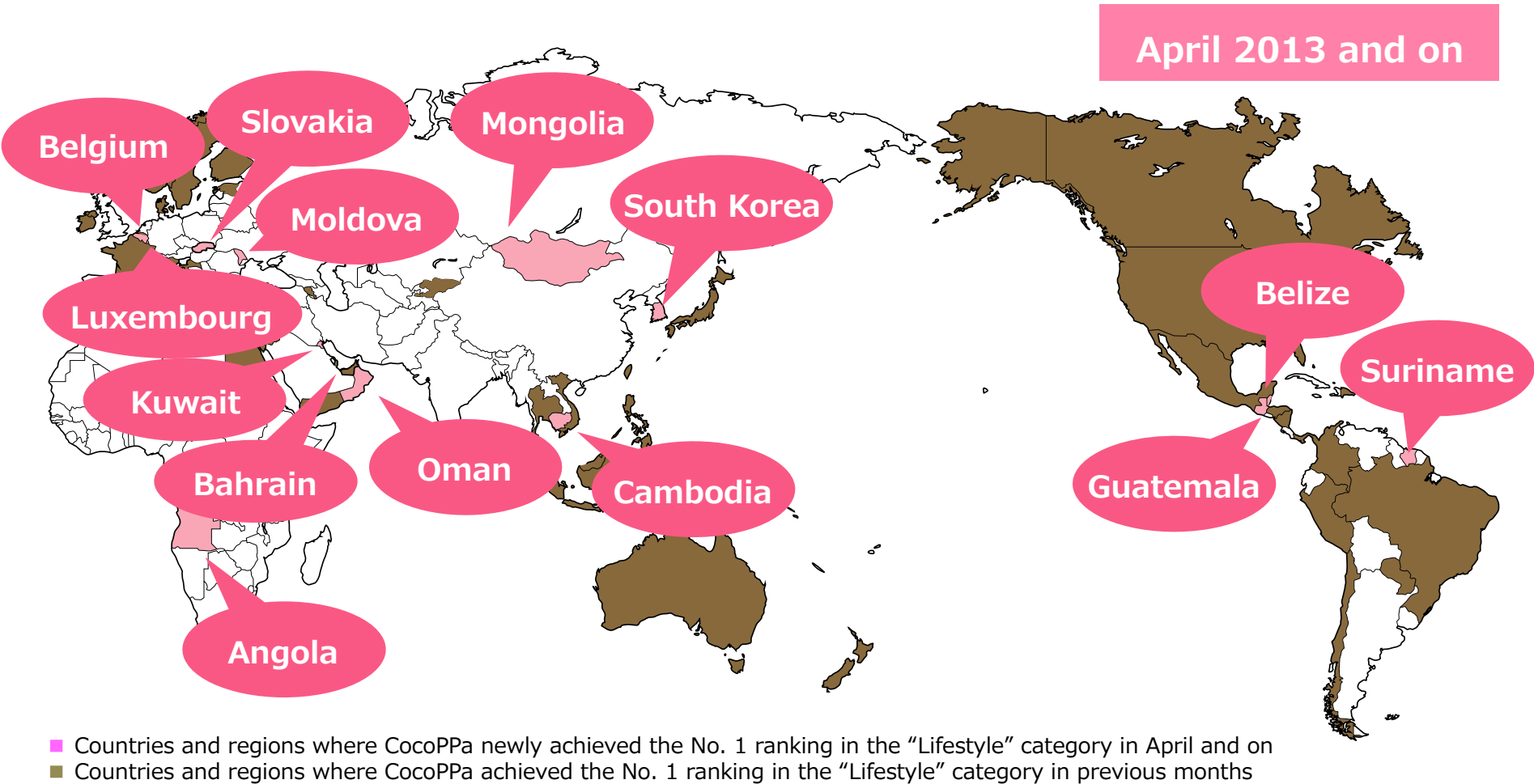
Countries and regions where CocoPPa was No. 1 in the App Store “Lifestyle” category
 In March 2013 it was **No. 1 in 25 countries (53 countries total)**





Global Popularity of CocoPPa

Countries and regions where CocoPPa was No. 1 in the App Store “Lifestyle” category
 In April 2013 and on it was **No. 1 in 15 countries (68 countries total)**





CocoPPa achieved the No. 1 ranking in 68 countries and regions globally^(*)

* No. 1 ranking in the Apple App Store "Lifestyle" category, as of July 31, 2013

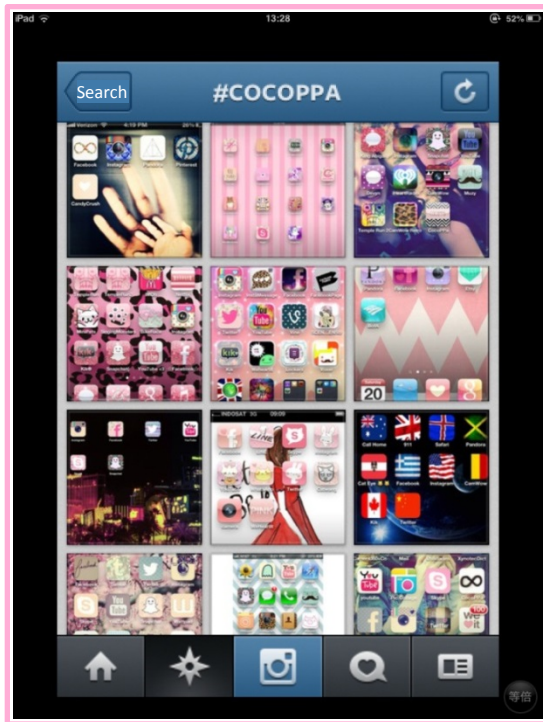


■ Countries where CocoPPa achieved the No. 1 ranking in the "Lifestyle" category

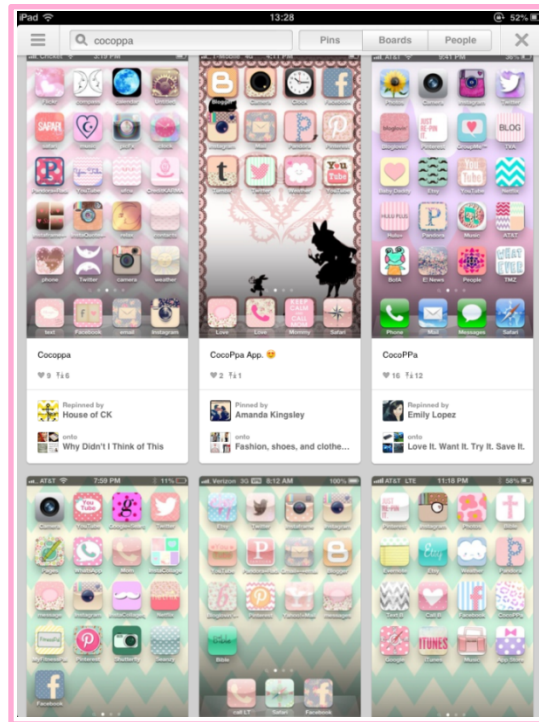


CocoPPa showed rapid global growth due to users “boasting about their home screens” in social networking services (SNS) and through word-of-mouth.

Instagram
(Photo-sharing SNS)



Pinterest
(Image-sharing SNS)

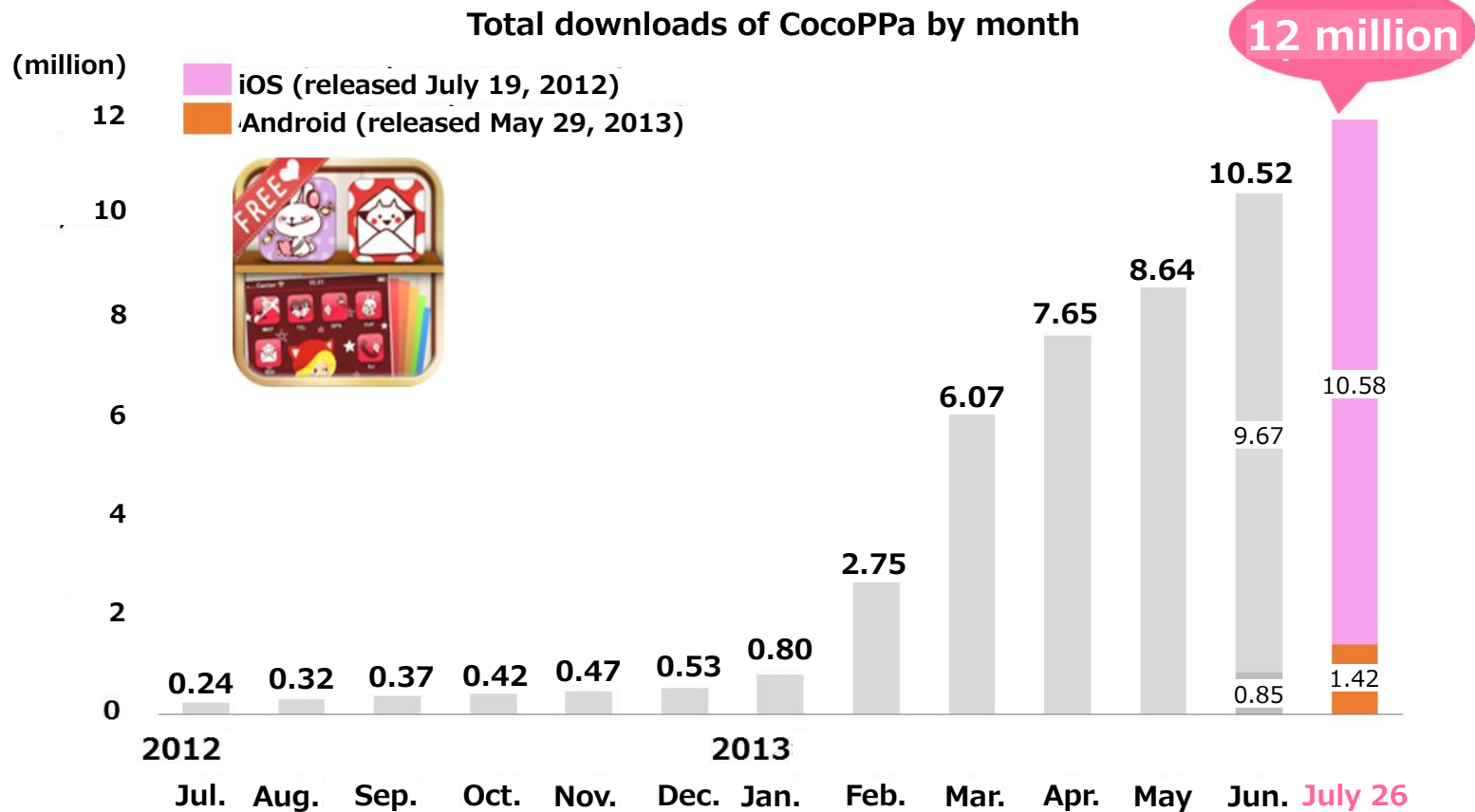


Word-of-mouth





Worldwide downloads of CocoPPa reached **12 million** in July 2013.^(*)

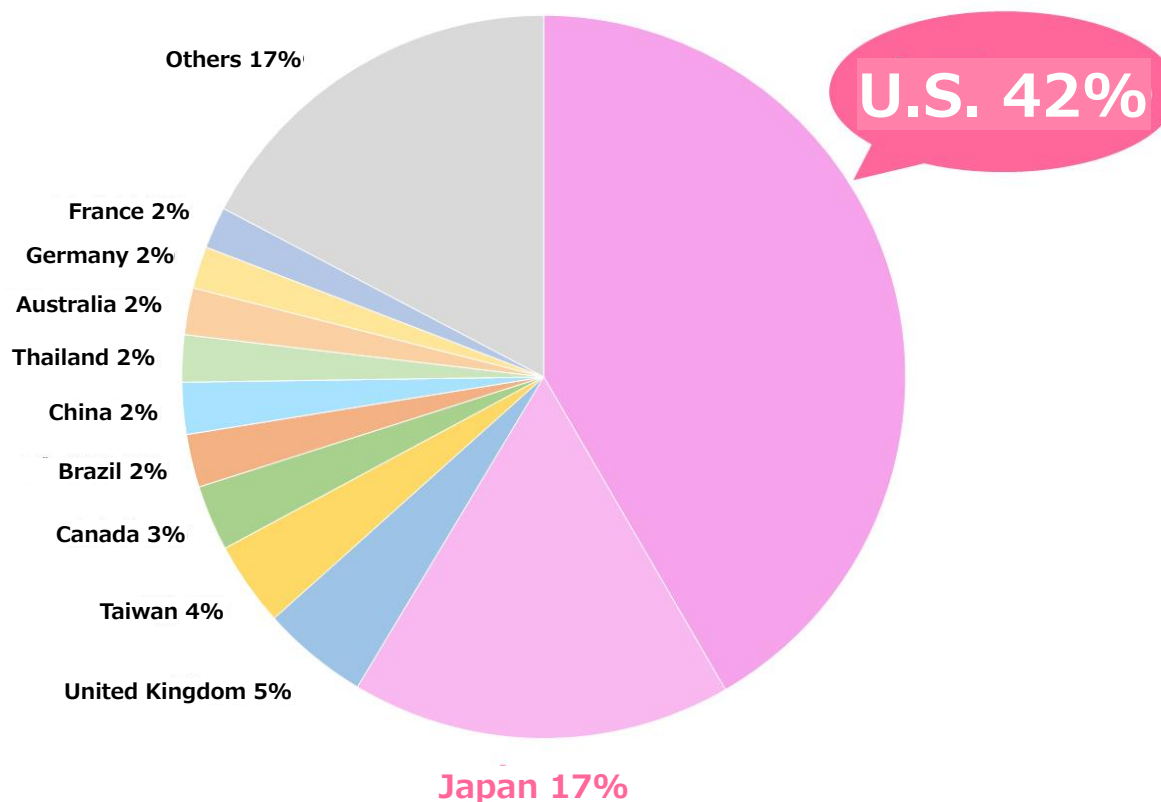


* For details, refer to the press release dated July 31, 2013.



The U.S. accounted for **42%** of all CocoPPa downloads, so we will study **establishing an operations center in the U.S.** in 3Q or later.

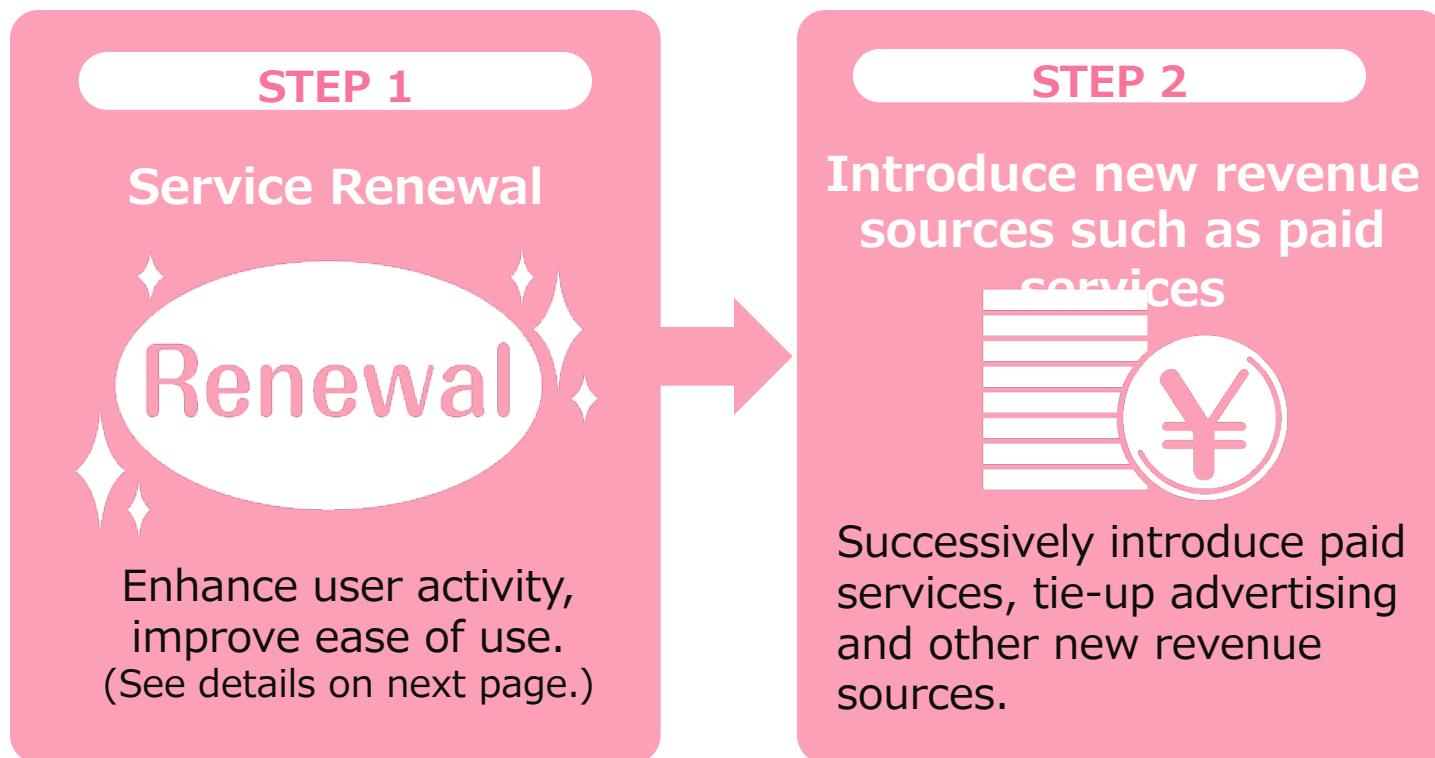
Total downloads of CocoPPa, broken down by country



*As of July 26, 2013 (12 million downloads reached)



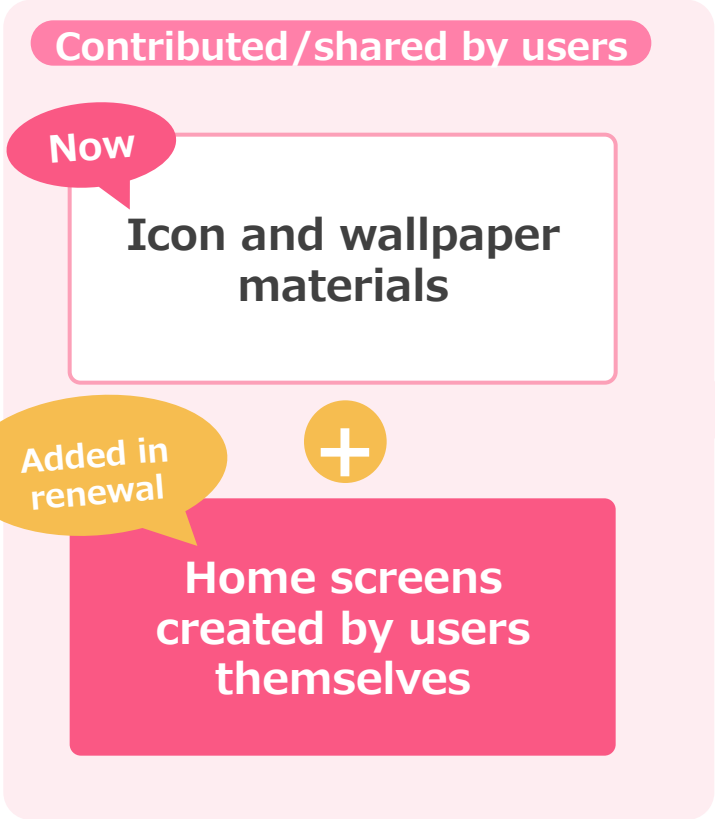
Concentrate on expanding the user base up to 2Q. In 3Q, we plan to do a **service renewal**, followed by the **introduction of new revenue sources such as paid services**.





STEP 1: Service Renewal

With the renewal planned for 3Q, invigorate the usage of the service, **leading to the startup of paid services.**



- Intended effects**
- ① Even general users can easily create/contribute home screens and enjoy the reactions of other users to their contributions.
 - ② Users can copy home screens contributed by others and easily decorate their own home screen.
 - ③ Users compete with each other to create/contribute home screens, creating a cycle of other users copying contributed home screens, invigorating the usage of the service.



STEP 2: Startup of Paid Service

Moving toward the Fall paid service launch (paid distribution of decoration materials), **Sanriowave Co., Ltd. has decided to participate** as the first content partner.^(*)



We plan to globally distribute paid decoration materials based on the Hello Kitty, My Melody and Little Twin Stars themes.

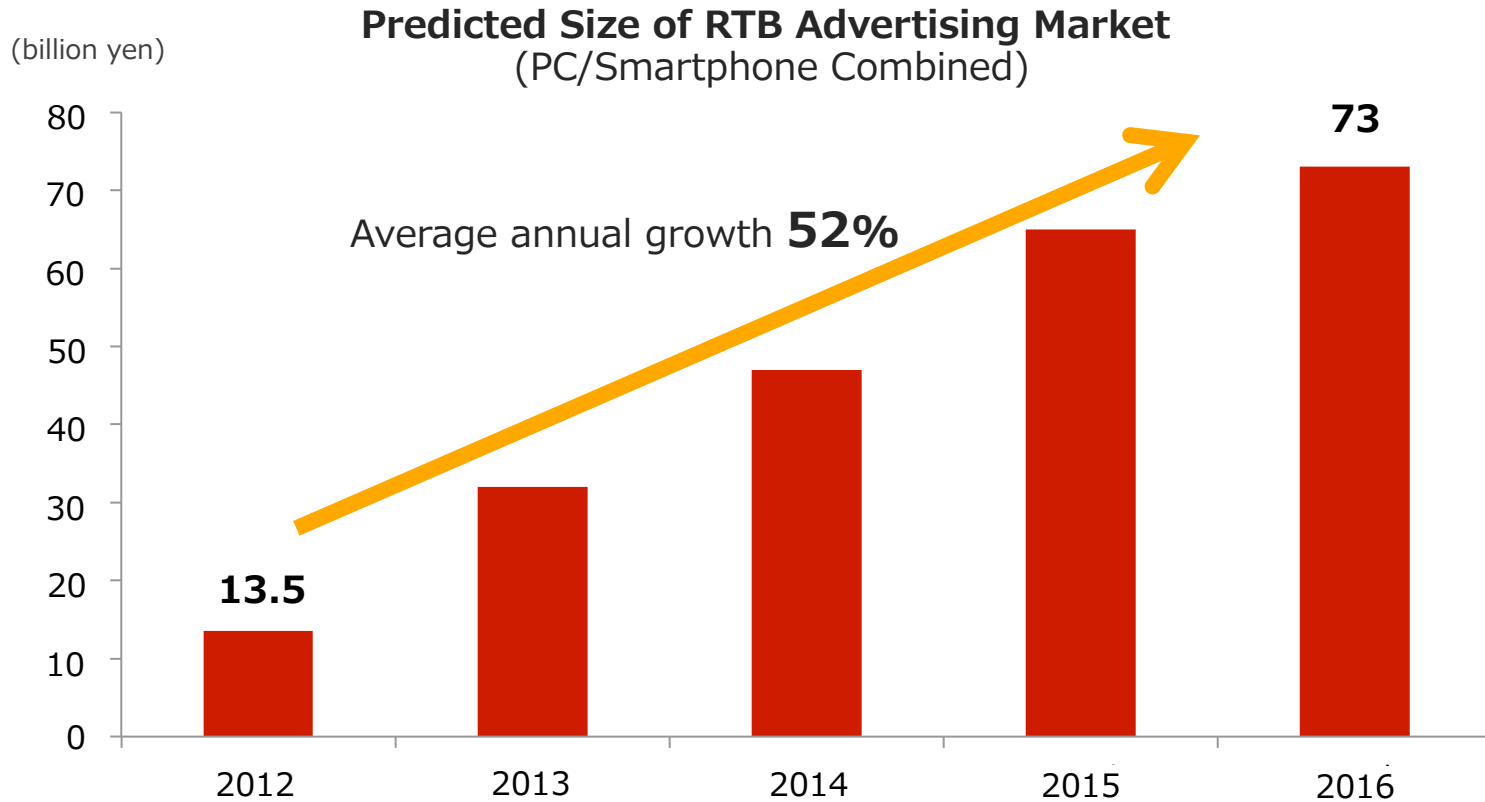
* For details, see the press release dated July 31, 2013.



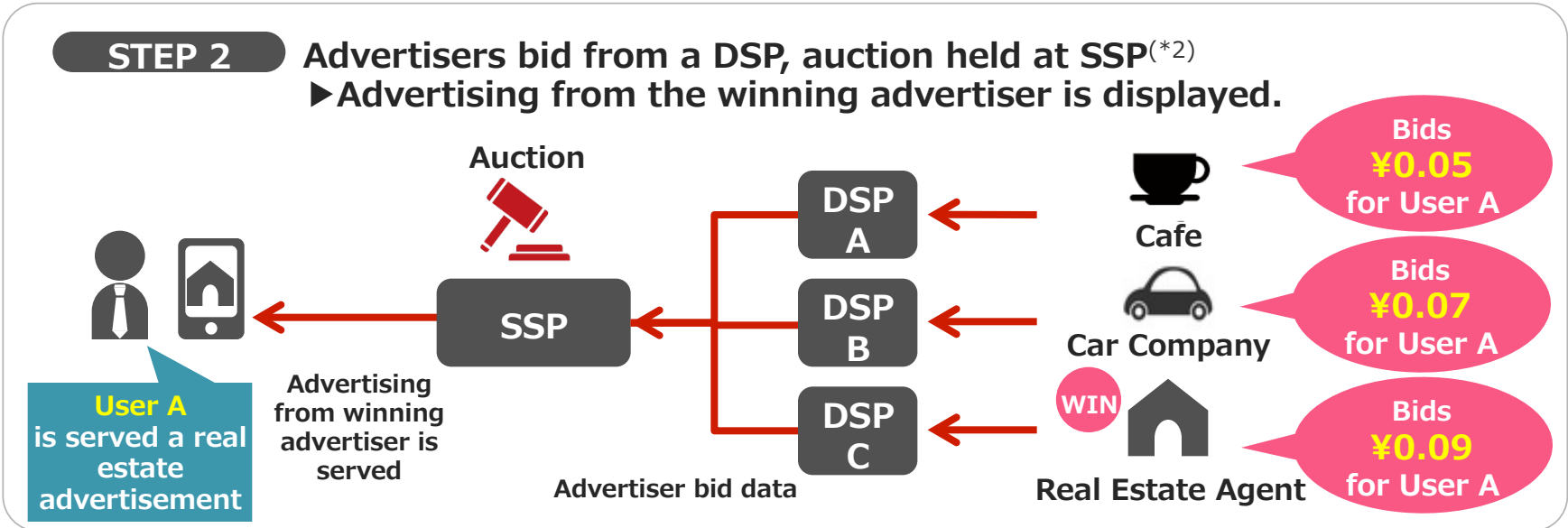
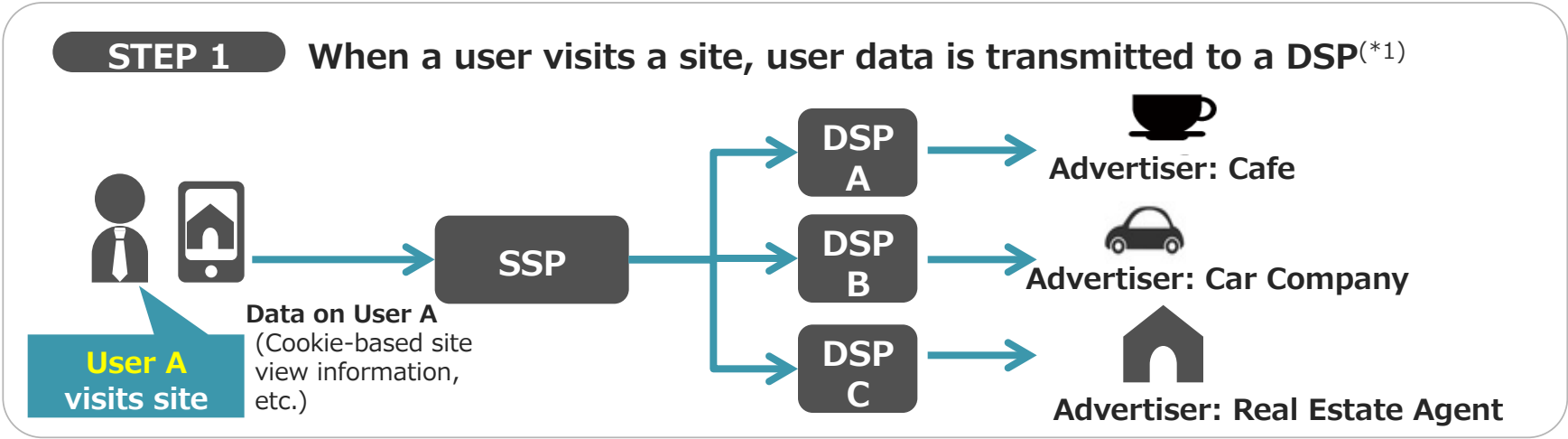
RTB Advertising Business


Potential of the RTB Advertising Market

The Japanese domestic RTB advertising market is expected to grow from 13.5 billion yen in FY 2012 to 73 billion yen in FY 2016, with the average annual growth during this period becoming **52%**.



Source: Seed Planning, Inc., *Domestic RTB Advertising Traffic Market Size, 2011-2016*, September 2012

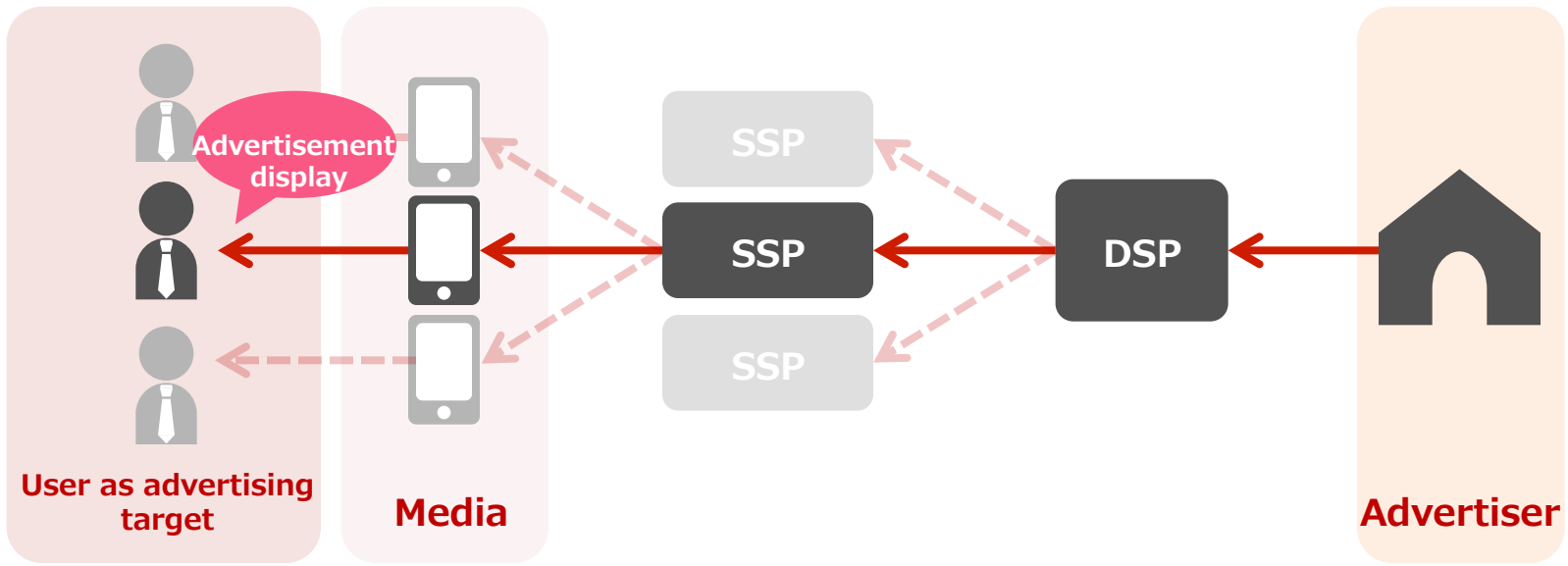
Real-Time Bidding Setup


*1 DSP (Demand Side Platform): System for optimizing advertising buys by the advertiser (ad buyer)

*2 SSP (Supply Side Platform): System for optimizing media advertising revenue

Merits of RTB Advertising

Through the DSP and SSP, the advertiser can choose among many users and **narrow down the targets of advertising served to designated target users.**



Benefits to Media (Sellers)

Advertisings can be sold at higher unit prices, leading to increased media advertising revenues.

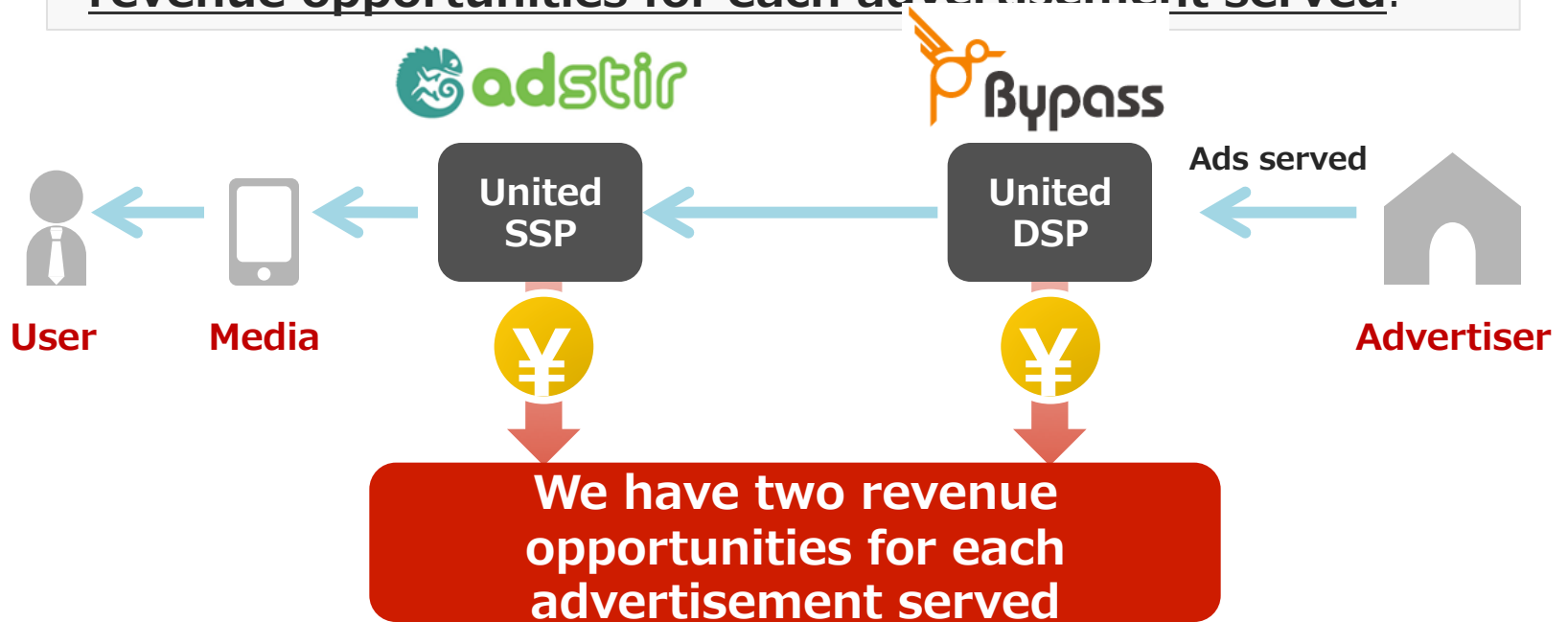
Benefits to Advertisers (Buyers)

Advertisers can analyze, control and optimize the effectiveness of advertising.



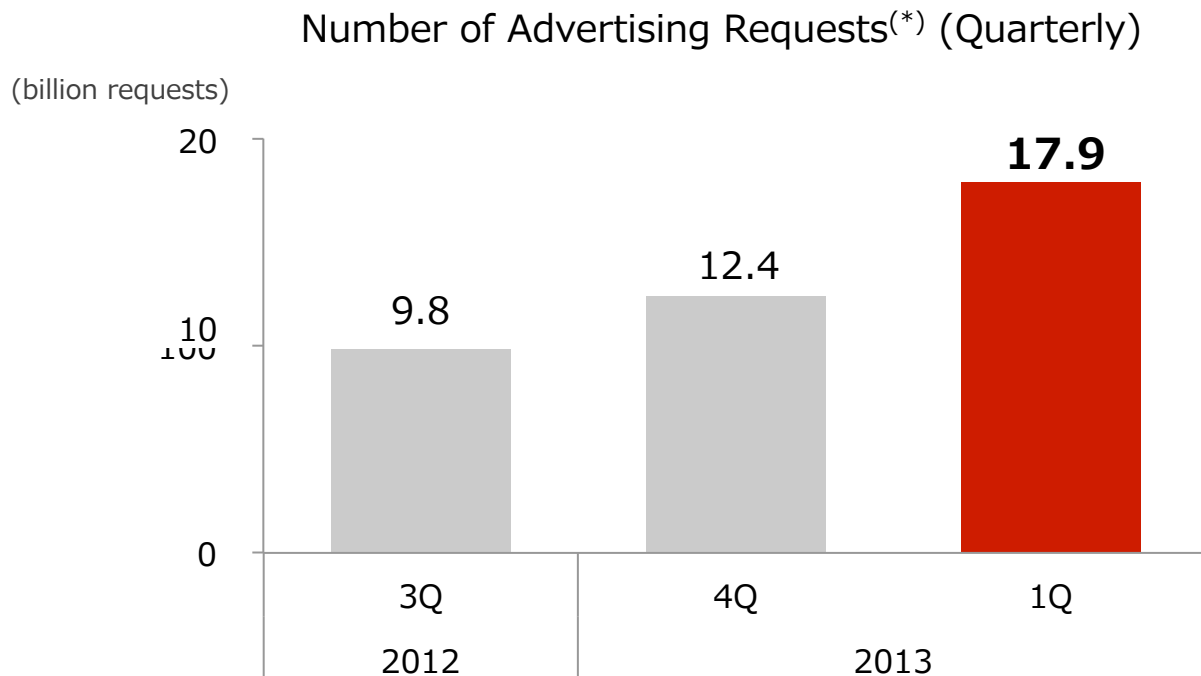
Strengths of Our RTB Advertising Business

- After gaining early entry into the smartphone RTB advertising market in April 2012, our RTB advertising platform has **grown to be the largest in the Japanese domestic smartphone RTB advertising market.**
- By deploying both a DSP and SSP ourselves, **we have two revenue opportunities for each advertisement served.**





By implementing a policy of actively collecting advertising inventory in the smartphone-specific RTB advertising platform launched in April 2012, **advertising inventories have increased steadily.**

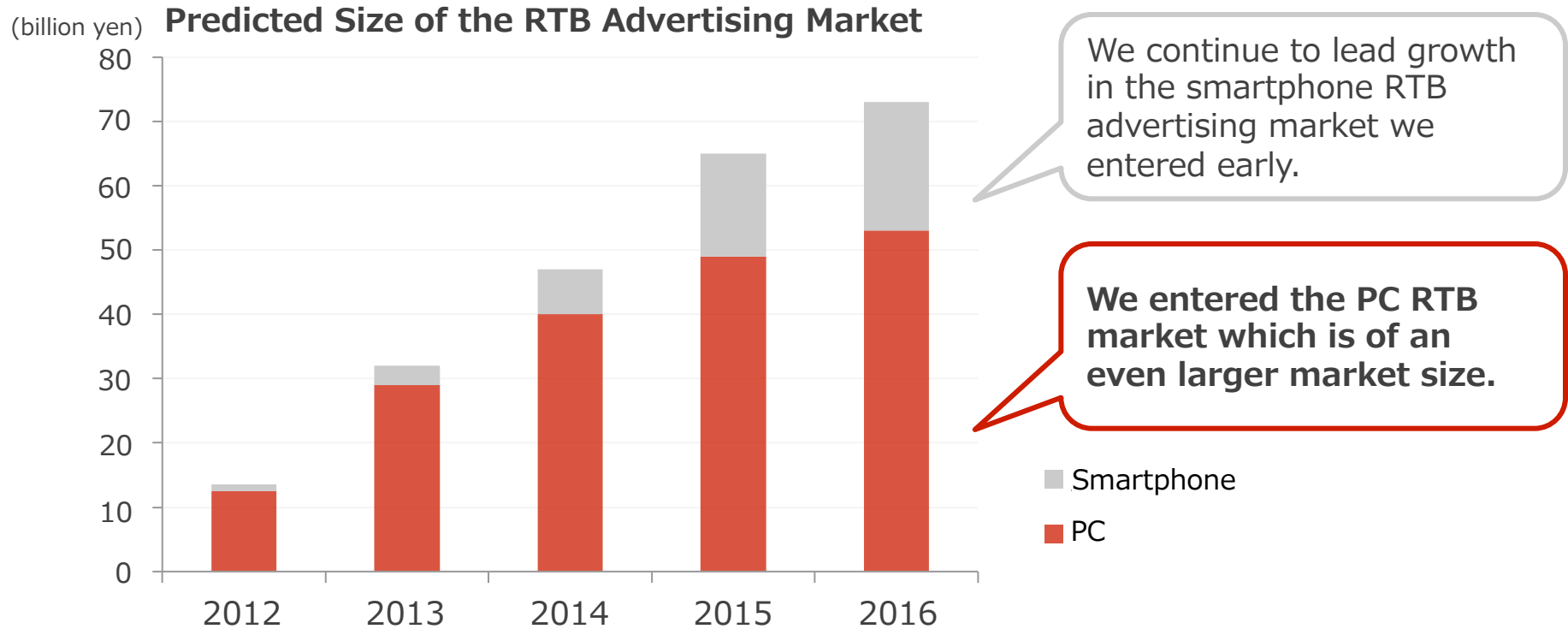


* Advertising requests: Request for bids on advertising placement where advertising information (information on advertising placement screens, user information, etc.) is passed from media through the SSP and transmitted to the DSP.



Future Measures in Our RTB Advertising Business



As a step of growth measures in the fiscal year ending March 2014, in August we launched our **entry into the PC RTB advertising market which is of an even larger market size.**^(*)



Source: Seed Planning, Inc., *Domestic RTB Advertising Traffic Market Size, 2011-2016*, September 2012

* For details, see the press release dated July 31, 2013.

In the RTB advertising business, we will accelerate growth with our entry into PC RTB advertising while continuing to grow revenues in smartphone RTB advertising.

 PC RTB Advertising (August Launch)	 Smartphone RTB Advertising
<p>Enter by taking advantage of existing business assets, and accelerate growth in the RTB advertising business</p>	<p>As the largest Japanese domestic smartphone RTB advertising platform, continue to lead the domestic market</p>
<ul style="list-style-type: none"> • 70% of existing customers are prospective customers (customers that serve advertising to both PCs and smartphones) • We can take advantage of existing development technology and operational knowhow cultivated for smartphone RTB advertising. 	<ul style="list-style-type: none"> • We will successively expand the connections to other companies' RTB advertising platforms to increase RTB advertising inventories.

Other: New Business for 2Q of Fiscal Year Ending March 2014

Starting Business Development in Southeast Asia

- As the first initiative, we plan to establish a Philippine subsidiary called ADerL, Inc. and launch a net prize service called **DreamGiver**.^(*1)
- This is the first overseas deployment of the operational know-how for the “DreamMail” web service prize service we have been operating in Japan for more than 14 years.



Potential of the Philippine Market



Population:
105 million, 12th in world (Japan is 10th)^{*2}



Internet users:
29 million^{*3}



Mobile terminal users:
87 million^{*4}



Monthly Facebook users:
30 million, 8th in world^{*5}

*1 For details, see the press release dated July 31, 2013.

*2 CIA, *The World Factbook*, July 2013

*3 JETRO, *Survey of Internet and SNS Popularity in Southeast Asia*, March 2012

*4 Ministry of Internal Affairs and Communications, *Global Telecommunications Situation*, FY 2011

*5 Socialbakers, January 2013

Overall Summary

- Our business have become powerful services in both business segments of the **smartphone media business and RTB advertising business** expected to see market growth in the future.
- In order to become a “high-revenue/high-growth” firm in the medium term, we will actively invest in both businesses, determine the timing to grow business and position the **2Q also as a period for continued forward investment**.
- In the first half, we will make forward investment in both businesses to **generate operating profit starting in the second half and bring operating profit into the black over the full year**, thus accelerating future growth.



**Important 2Q Policy:
Expand user base**



**Important 2Q Policy:
Launch PC RTB advertising**

2 Reference Material

Consolidated Balance Sheet for this Quarter

The main cause of increases or decreases from the end of the previous quarter is the removal from consolidated reporting of the SocialWire Group (and shift to treatment as an affiliated company accounted for by the equity method) in April 2013.

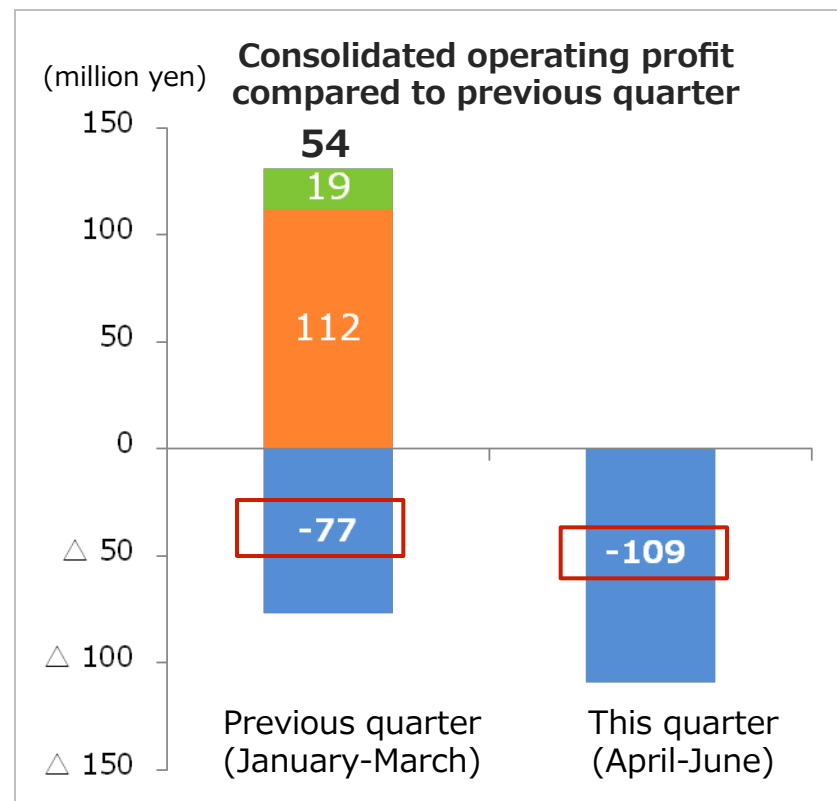
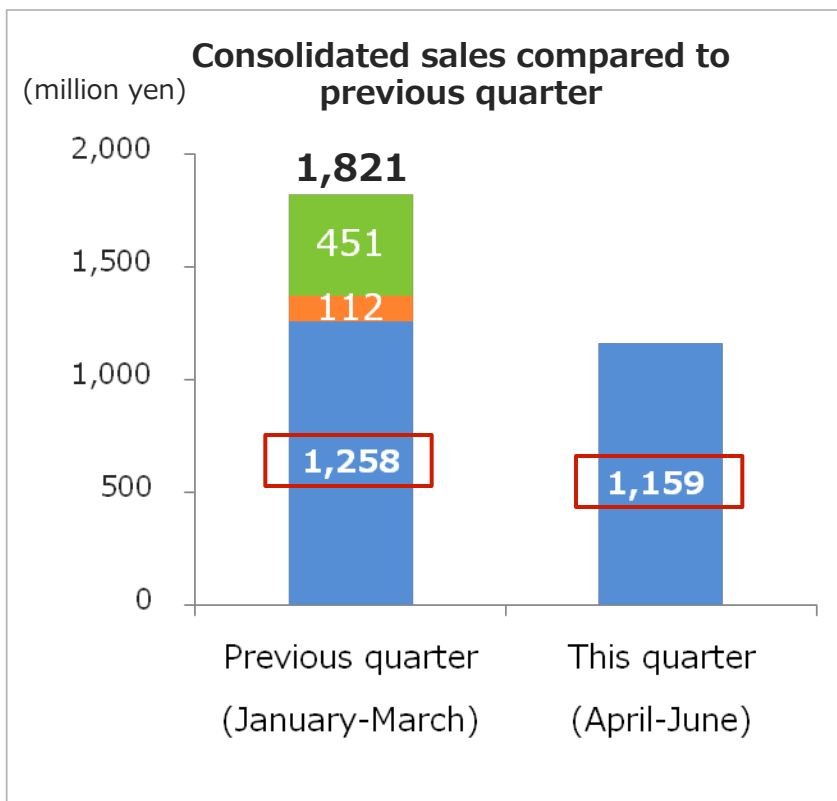
Consolidated Balance Sheet (End of June 2013)

(million yen)

	End of Previous Quarter (March 2013)	End of This Quarter (June 2013)	Increase/ Decrease
Current assets	5,949	5,488	-461
(Cash on hand)	(3,252)	(3,555)	(+303)
Fixed assets	896	603	-292
Current liabilities	1,206	854	-352
Fixed liabilities	195	2	-193
Net assets	5,443	5,235	-208

Comparison of Results with Previous Quarter (4Q) – Consolidated

In comparison to the previous quarter, after exclusion of the factors of reduced revenues/reduced profit due to the completion of sales of stock in Mixi, Inc. in the previous quarter and the removal of the subsidiary from consolidated reporting, consolidated sales decreased by 99 million yen over the previous quarter and consolidated operating profit decreased by 32 million yen over the previous quarter. This was mainly due to seasonal factors in the advertising segment (January–March is a time of advertising demand; April–June is a reactionary decreasing trend).



■ Profit/loss of removed subsidiaries
 ■ Profit from sales of Mixi, Inc. stock
 ■ Consolidated profit/loss excluding special factors

Transition in the Business Portfolio

In the previous 4Q, the transition to a business portfolio centered on the smart media business and RTB advertising business was complete.



Changes in Other Segments/Businesses

1. Decrease in Revenue in the Investment Segment
 - The SocialWire Group was removed from consolidated reporting and transitioned to become an affiliated company accounted for by the equity method (April 2013).
 - Sales of stock held in Mixi, Inc. were completed in March 2013.

2. Sale of Consolidated Subsidiary in the Advertising Segment
 - The advertising solutions business Fringe81, Inc. was sold and removed from consolidated reporting (March 2013).

Services in the Smartphone Media Business

In the smartphone media business, we are deploying services in several segments other than CocoPPa. In the future, we plan to continuously introduce new services while maintaining a focus on the growth of CocoPPa.



Review Media

Operated as iPhone review media aimed at iPhone beginners



Affiliate Media

"BEAT+" and other affiliate media are operated



Career Marketplace Apps

Providing in-house apps for the au Smart Pass

Vision

Become the leading internet firm in Japan



Mission

Create new value through continued challenges and contribute to society

