

Second Quarter, Fiscal Year Ending March 2014 Consolidated Financial Results

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

October 31, 2013

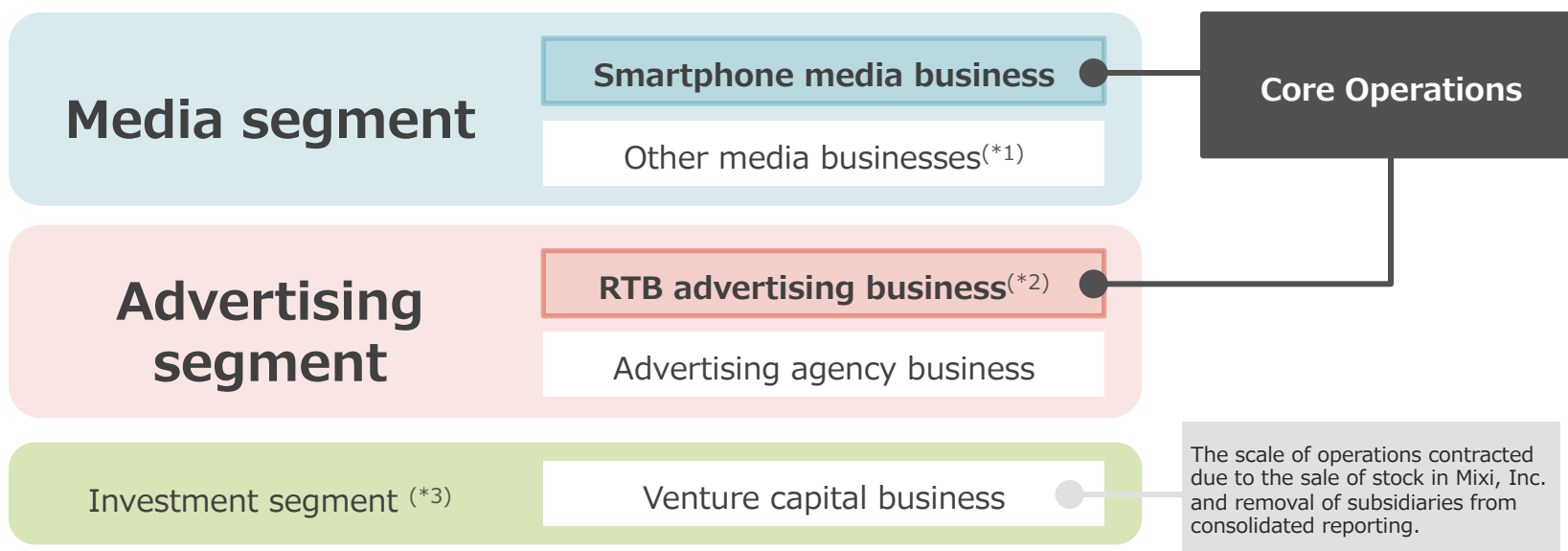
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- 1 Quarterly Consolidated Financial Results
and Outlook for the Full Fiscal Year**
- 2 Reference Material**

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

Our Core Operations

We are putting effort into the **smartphone media operations and RTB advertising operations** expected to see market growth in the future, actively investing in these operations 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.

2Q (July-September) Results Highlights

Overall

2Q Results

- **The quarterly operating profit went into the black**, with both revenue and profit increasing over the previous quarter. (Operating profit: 1Q: -109 million yen → 2Q: 70 million yen)
- Driving the results were the core businesses of the **smartphone media business** and the **RTB advertising business**.

Core Businesses

Smartphone Media Business

- Sales increased by **2.4 times** over the previous quarter.
- CocoPPa worldwide downloads reached **15 million** on September 30.
- Sales of apps for the career market and affiliate media also expanded.

RTB Advertising Business

- Sales increased by **1.5 times** over the previous quarter.
- In August, we started a PC-compatible in-house advertising platform^(*).

* In-house advertising platform = in-house DSP ("Bypass") and in-house SSP ("AdStir")

2Q (July-September) Consolidated P/L Statement (Year-on-Year)

In the media segment, the smart media business saw growth, and in the advertising segment, the end of advance investment in the RTB advertising business improved the total profit margin on sales (9%→21%), so quarterly operating profit went into the black for the whole company too.

(million yen)

	2Q of FY ending March 2014	2Q of FY ending March 2013	Year-on-Year Change (%)
Sales	1,565	934	+68%
Media segment	771	2	+29,895%
Advertising segment	716	635	+13%
Investment segment	93	296	-69%
Inter-segment elimination	△16	-	-
Total profit from sales	459	292	+57%
Media segment	259	1	+19,673%
Advertising segment	150	55	+172%
Investment segment	50	235	-79%
Operating profit	70	△38	-
Media segment	81	△32	-
Advertising segment	1	△87	-
Investment segment	42	151	-72%
Head office expenses	△55	△69	-
Recurring profit	71	△3	-
Quarterly net profit	52	△167	-

• The numbers for 2Q 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.

2Q (July-September) Consolidated P/L Statement (compared to previous quarter)

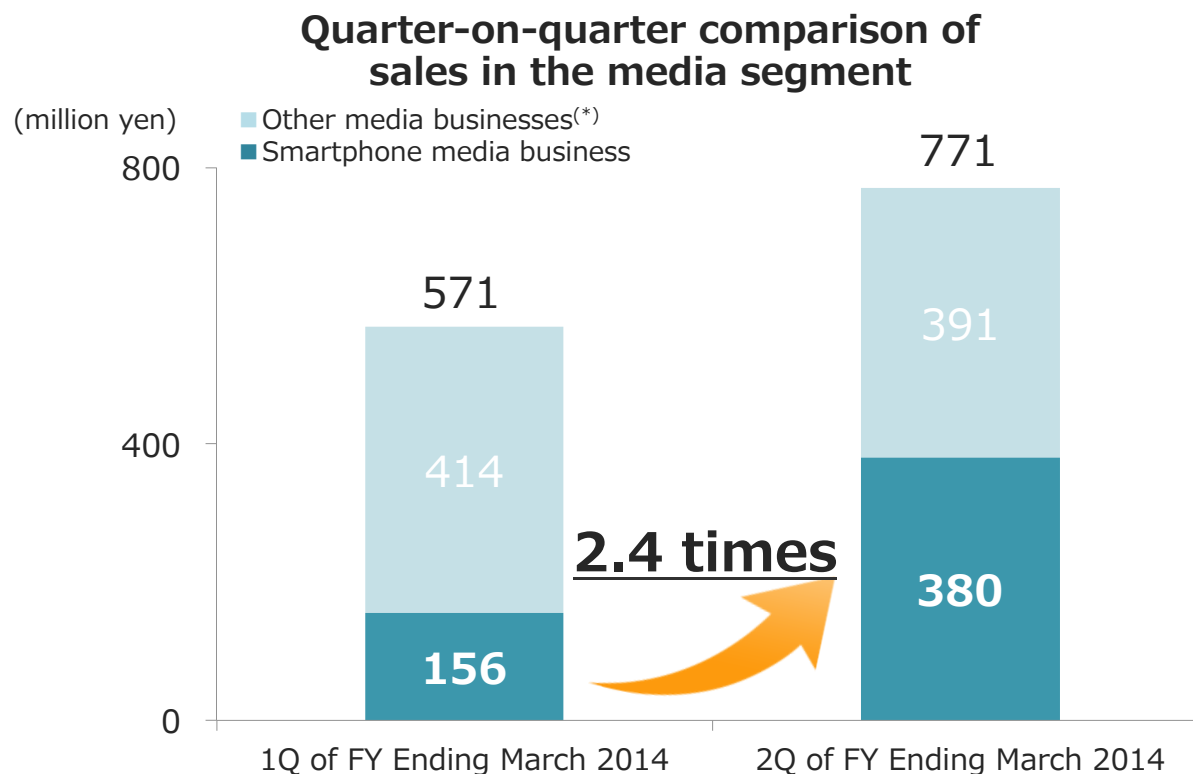
Both core businesses of the smartphone media business and the RTB advertising business are going well. The advertising segment is in the black.

(million yen)

	2Q of FY ending March 2014	1Q of FY ending March 2014	Quarter-on-Quarter Change (%)
Sales	1,565	1,159	+35%
Media segment	771	571	+35%
Advertising segment	716	581	+23%
Investment segment	93	11	+713%
Inter-segment elimination	△16	△5	-
Total profit from sales	459	288	+60%
Media segment	259	166	+56%
Advertising segment	150	118	+27%
Investment segment	50	3	+1,244%
Operating profit	70	△109	-
Media segment	81	0	-
Advertising segment	1	△42	-
Investment segment	42	△3	-
Head office expenses	△55	△63	-
Recurring profit	71	△96	-
Quarterly net profit	52	△97	-

Media Segment: Comparison of Sales with Previous Quarter

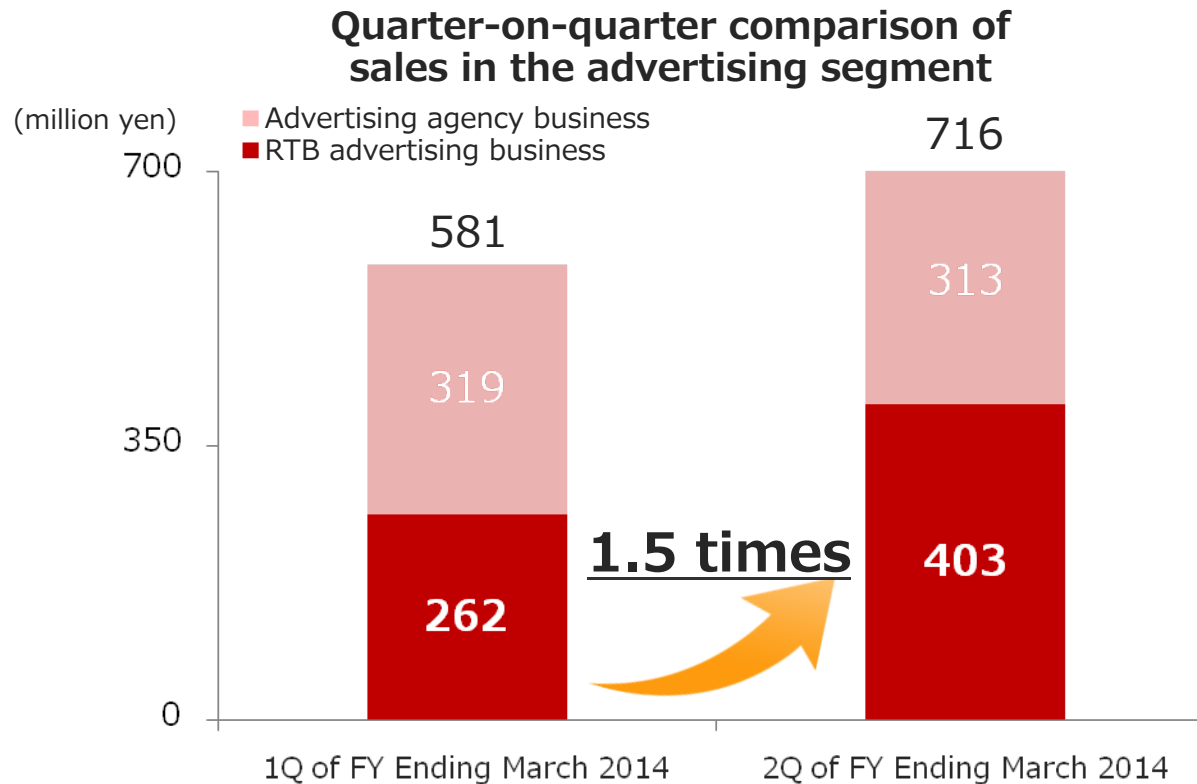
Smartphone media business sales increased by **2.4 times** over the previous quarter due to growth in “CocoPPa,” “apps for the career market” and “affiliate media.”



* Other media businesses: email advertising, internet research, sports marketing

Advertising Segment: Comparison of Sales with Previous Quarter

RTB advertising business sales increased by **1.5 times** over the previous quarter, mainly due to increased sales from the advertising platform.



First-Half Policies Announced at Beginning of Quarter and Results

[Policies]

Due to advance investment, the first-half (April-September) operating profit was projected to be in the red.



[Results]

Even though the first-half operating profit was in the red, **2Q quarterly operating profit accelerated and went into the black.**

Smartphone Media Business

In 1H, keep focus on expanding users.

- ① Concentrate personnel on core service development and operation
- ② Invest in advertising



“CocoPPa” downloads went from 6.07 million in previous quarter to reach 15 million at end of 2Q

- ① Personnel deployment complete in 1Q; American subsidiary established.
- ② Trial overseas advertising done. Full-fledged advertising to be done in 3Q and thereafter.

RTB Advertising Business

In 1H, also start PC RTB advertising

- ① Focus personnel on sales, operation and development.
- ② Invest in costs for securing RTB advertising inventory.



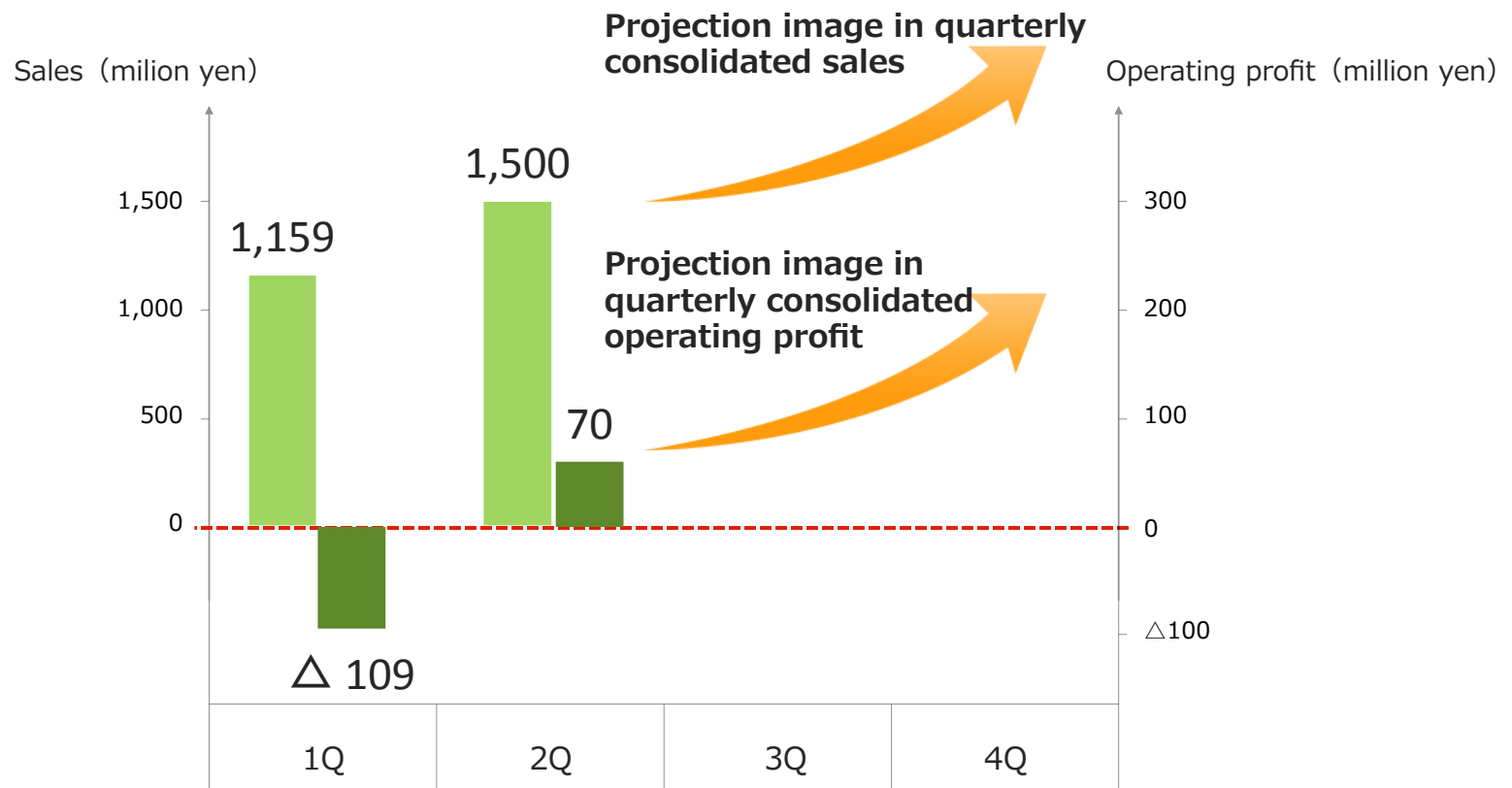
In August, the supply of PC RTB advertising was started with the in-house advertising platform.

- ① Personnel deployment complete in 1Q.
- ② Inventory is increasing well, and investment for securing advertising ended in the previous quarter.

In the second half, no major increases in personnel are needed.

Full-Year Projections for FY Ending March 2014

Results will expand each quarter also in 3Q and thereafter, **so we plan to have full-year consolidated operating profit go into the black.**





Smartphone Media Business



The smartphone media business comprises the following three elements.



“CocoPPa”

The Smartphone Decoration Community App Reached 15 million downloads^(*)

^{*} As of September 30, 2013

“Apps for the Career Market”

8 in-house apps provided for the au Smart Pass

“Affiliate Media”

In-house operated point media



"CocoPPa" 2Q Programs

In the smartphone media business, we will focus on expanding of the "CocoPPa" user base and renewal of service.



Major update was done on September 26 for the Android, and on September 30 for the iOS.

*See p. 16 for details.



"The Smartphone Decoration Community App"

A free mobile application that allows users to download and post illustrations freely to customize the icons and their wallpaper on the home screen.

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



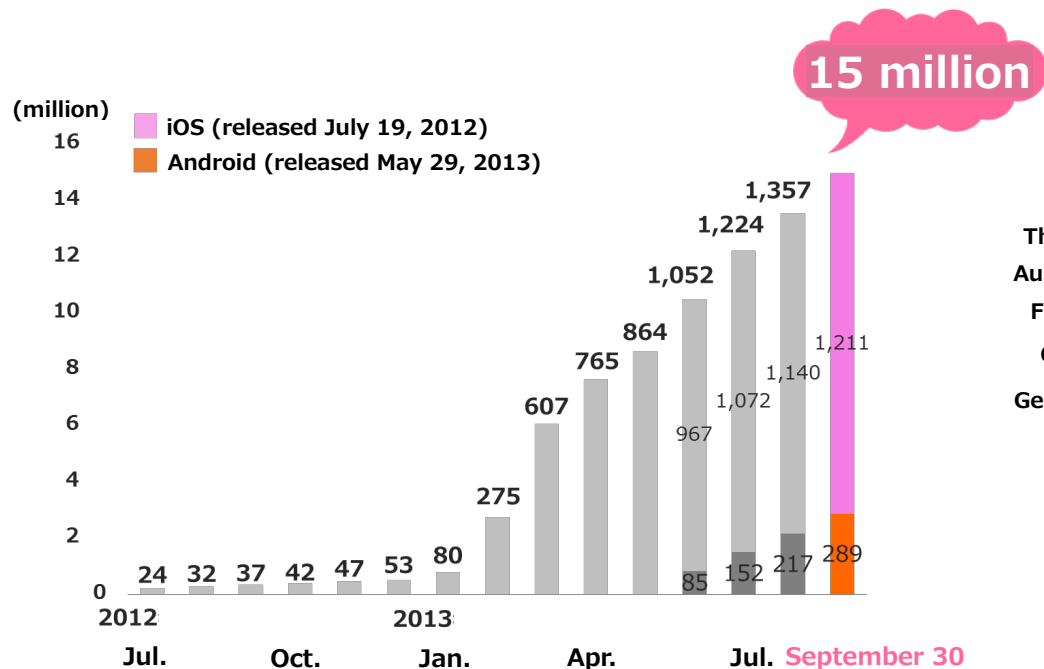
Customize examples



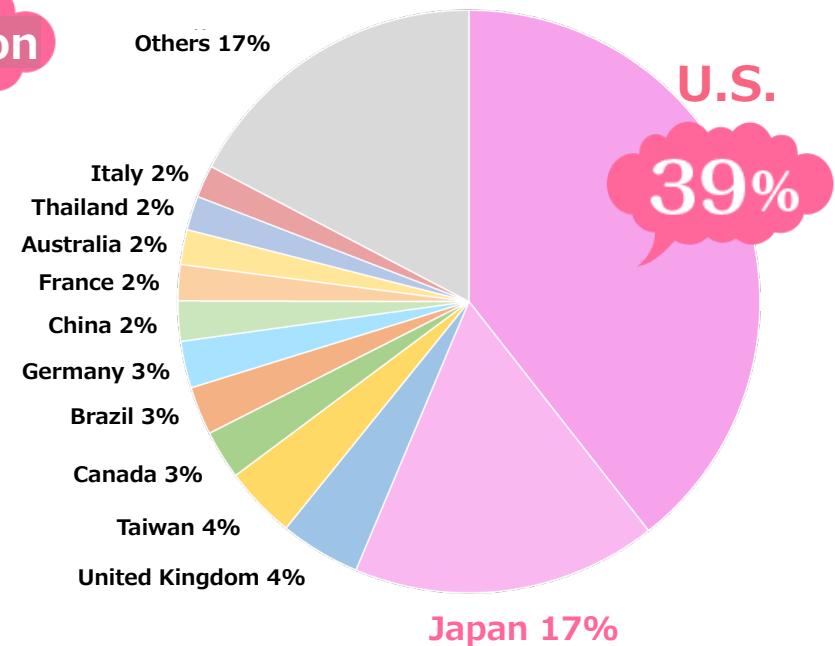
"CocoPPa" Downloads and Global Popularity

Downloads of "CocoPPa" reached **15 million** on September 30, 2013.^(*)
39% of all downloads is from U.S. and it has grown to be a global community with **83% of all users overseas**.

Monthly cumulative downloads of "CocoPPa"



Breakdown of cumulative "CocoPPa" downloads by country



^{*}For details, refer to the press release dated October 2, 2013



Outline of the “CocoPPa” Service

Icons, wallpapers and home screens posted by users are downloaded and shared in the community. The translation featured by Google within “CocoPPa” is enjoyed by users for cross-border communication.

«“CocoPPa” Usage Images»

User posting material (creator)



Icons and wallpaper are contributed from around the world (free)
260,000 icons, 70,000 wallpapers by the end of September

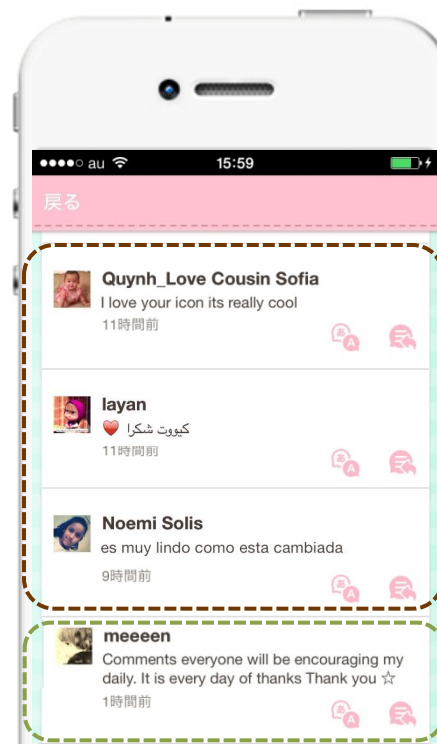
Post

Decorating users



Smartphone screen decorated using posted material (free)

Exchanges
between users
(motivation for
creators to post)



Sample page screen (comments)

Users from around the world write comments on the pages of creators, saying: **“This icon is cute.” or “I like your sense of style.”**

**In English, Chinese, Arabic, German and many other languages*

Creator replies: **“Thank you for the comments.” “I am glad I contributed.”**

**In many languages by Japanese users using the translation functions*

There is ample communication among users based on posted materials, etc.



We did a major update of the Android on September 26th, and the iOS on the 30th, mainly enhancing the **"decoration"** and the **"social networking"** features help the users active.

Overview of Renewal

Decoration

Home Screen Batch Download



Batch download of a home screen set (multiple icons & wallpaper) is now available. Setting in a lump is also possible.

Home Screen post



Users can contribute the home screens they created all at once. Home screens contributed by others can also be downloaded as a batch.

Social Networking

My Page (Profile)



Each user can have their own "my page," permitting communication between users.

Latest Information Feed



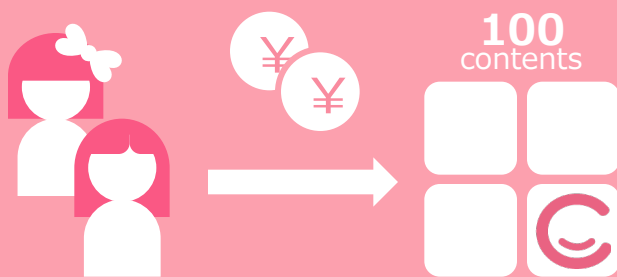
Users can get recommended material and event information in real time, and can "like" and comment on posts.



The major update is over, and we plan to introduce the following **monetization** in the future.

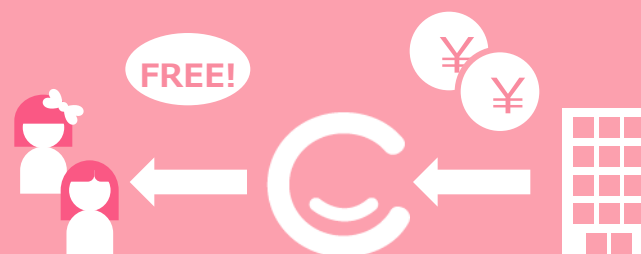
In-apps-purchase Contents (to be launched in November)

In addition to the Sanriowave characters already announced, more than 100 types of home screen sets (multiple icons + wallpapers) will be available in "CocoPPa" store



Tie-Up Advertisements (to be launched in mid-3Q)

Get advertising revenue the sponsor company. The corporate character's icons & wallpapers will be delivered.



(For Reference)

Domestic feature phone decoration market size in 2010: ¥33 billion
(July 2012 survey by Mobile Content Forum)



In-apps-purchase Contents (to be launched in November)

Home screen sets (multiple icons + wallpapers) of characters and talent, etc. will be sold as paid content. More and more of the characters will be added in the future.

Content lineup at service launch

Only a portion is given below. About 30 home screen sets are expected at service launch. About 100 home screen sets finished contract will release soon afterwards.

Mofy the Rabbit



©aki kondo / SCP

Tiny Twin Bears



©BANDAI / LLP

Kumadeppa



©2013 KUMADEPPA COMICS.

Snoopy



©2013 Peanuts Worldwide LLC

Domo-kun



©NHK · TYO

Doraemon



©Fujiko-Pro

Hello Kitty



©'76,'13 SANRIO ®

Panpaka Pants



©みんなで歌おう！キャラソン委員会

Eagle Talon (Yoshida kun)



©蛙男商会/DLE

Pusheen



©Pusheen Corp.
©VISION FACTORY CO.,LTD.
©driven.inc

My Melody



©'76,'13 SANRIO ®

Moomin



© Moomin Characters™

Gaspard and Lisa



©2013 Sony Creative Products Inc.
GASPARD ET LISA™ Hachette Livre.

Little Twin Stars



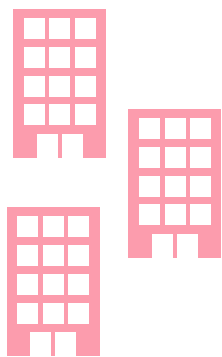
©'76,'13 SANRIO ®



Tie-Up Advertisements (to be launched in mid-3Q)

New monetizing model of "CocoPPa", revenue from sponsors through the supply of corporate characters materials to users.

Advertiser



- Advertisement submission fees
- Supply content such as corporate characters



Users



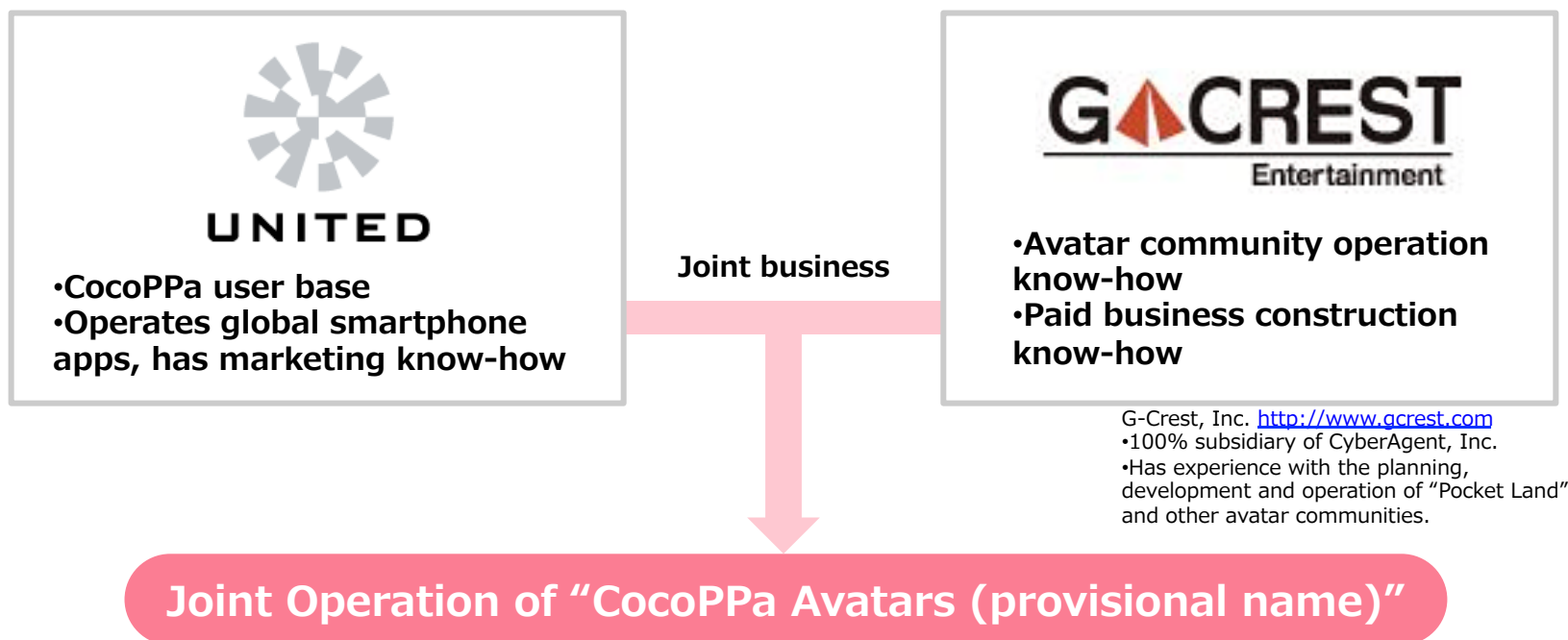
Available for free



"CocoPPa" 4Q and Later Programs

CocoPPa Avatars (provisional name) (to be launched in mid-4Q)

- As the 2nd round of the paid business, we plan to globally release a Smartphone Avatar Community tied closely to CocoPPa as a separate app (App Store/Google Play).
- Cross promotion through tie-ups such as exchanging a created the images of avatar on a "my page" within CocoPPa.
- Clothing items that the avatars wear are envisioned as a major revenue source.
- To be promoted as a joint business with G-Crest, a major player in this domain.





Apps for the Career Market

The eight apps supplied for the “au Smart Pass” operated by KDDI contribute to revenues.

■ Games



“TAP 10”

Puzzle game popular with adults which has 500,000 downloads for the iPhone.

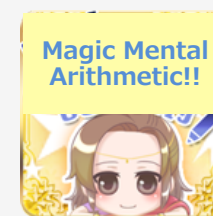
■ Horoscopes



“Love Mentality Test Diagnosis”

[Luck × personality × mentality] The ultimate love horoscope app which reads you from three angles.

■ Education



“Indian-Style Magic Mental Arithmetic”

Learn the Indian-style method of calculating 2 digit × 2 digit multiplication from the level of the true beginner.

■ Gourmet/Recipes



“Simple Recipes and Secret Techniques”

Full of lots of practical food information that you can start using today.



“Simple Snack Recipes”

Full of recipes for simple snacks that you can whip up when you want to eat something with your favorite drink.



“Wine 365”

Contains multiple-choice quizzes to let you learn knowledge about wine.



“Sushi 365”

Contains real-life quizzes that can be enjoyed by the sushi connoisseur to the sushi chef.



“cheese 365”

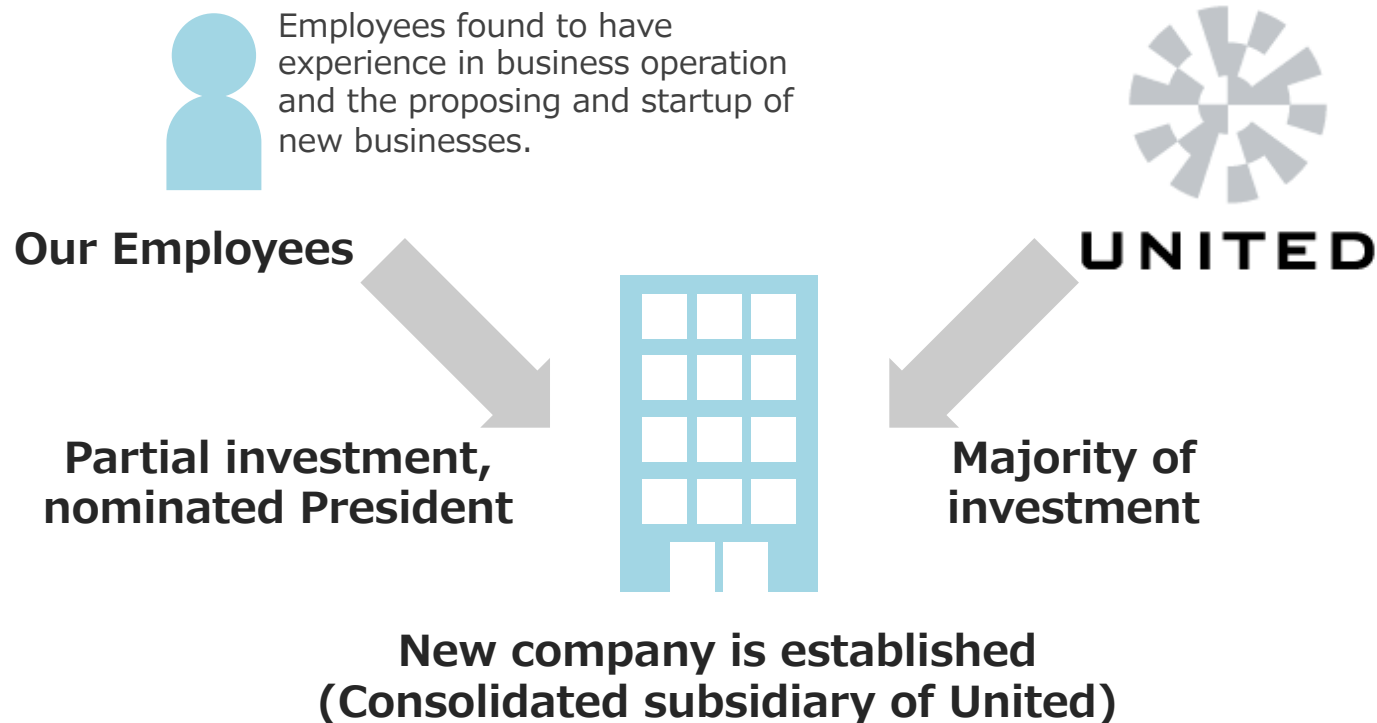
Contains multiple-choice quizzes to let you learn knowledge about cheese.



Programs for the Future: Startup Support System “U-Start”

As an organizational program for creating promising new businesses, we will introduce a system that gives experienced United employees the right to make investments and start up new business companies starting from this April.

Startup Support System “U-Start”





As the first “U-Start” business, the company Fogg, Inc. established in May 2013 will release a new service named “iam” soon.

“iam Usage Images”



In addition to pictures, phone numbers and users can register information on multiple social networking services as profile cards within the “iam” app.



By exchanging a single card with friends or acquaintances, all information can be shared.

The information to be exchanged can be selected as follows.





Projects with DeNA Co., Ltd.

In addition to the current business tie-up with DeNA Co., Ltd. on the "Groovy" music player, a tie-up on the communications app "comm" will be done in the future.

Projects with DeNA Co., Ltd. up until now



United exclusively operates the affiliate media within "Groovy" as a joint business of the two.



In the future



The tie-up on "Groovy" will continue



New tie-up opportunity in currently major updated "comm".



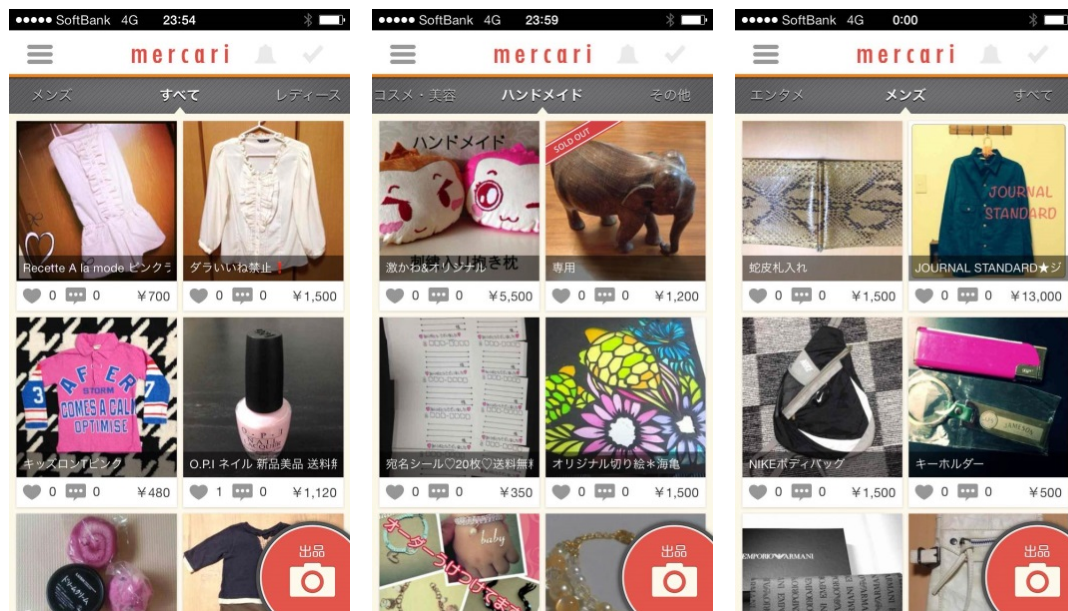
Investment in Kouzoh Inc.

We will invest in Kouzoh Inc. which operates the “mercari” flea market app in the C-to-C commerce.



mercari

Flea market app that lets users easily exhibit from a smartphone
The app features a user interface specially designed for smartphones and tablets for exhibiting products of all genres.



Kouzoh Inc. <http://kouzoh.com>

- Operates the “mercari” person-to-person marketplace
- Established in February 2013, with United obtaining a 14.5% share in August (the United investment was ¥220 million yen; also, we underwrote ¥80 million in warrants)

President/CEO: Shintaro Yamada

- Has the experience of starting up “Rakuoku” at Rakuten. Inc.
- Thereafter, started up many web services including “Machitsuku!” at Unoh before selling the company to Zynga, Inc. in 2010.
- Founded Kouzoh in February 2013.



Investment in Wonderplanet Inc.

- Invested 100 million yen in Wonderplanet Inc. which handles native apps and games for tablets/smartphones.



Wonderplanet

Name: Wonderplanet Inc.
<http://wonderpla.net>

Representative: President/CEO
Tomoki Tsunekawa

Headquarters: Nagoya, Aichi

Capital: 36 million yen

Employees: 24

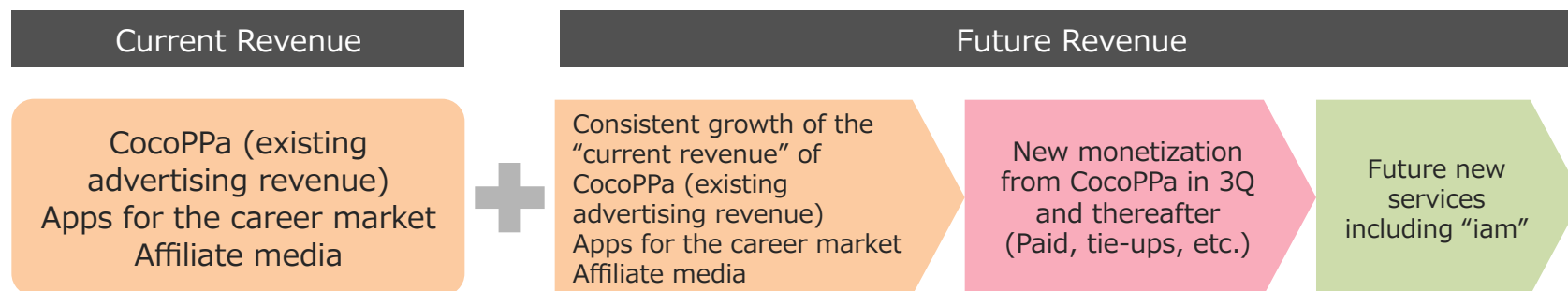
- Operated by members with a wealth of experience of games and other internet service at Opencube Inc., CyberAgent Inc., Zynga Japan etc.
- Based in Nagoya, they continue to employ brilliant engineers from the Toki area.
- In the future, they will continuously release new native apps and games, aiming for rapid growth.



Future Expansion of the Smartphone Media Business

- The revenue of current basis for the smartphone media business are “CocoPPa (advertising revenue),” “apps for the career market” and “affiliate media.”
- In addition to the growth in each domains, in 3Q and thereafter, paid/tie-up advertising in “CocoPPa”/“CocoPPa Avatars (provisional name) will start up.
- As new services, the new Fogg service “iam” and the like will contribute to future revenues.
- As projects with the 3rd party, we will collaborate with DeNA Co., Ltd. on “comm” and invest in Kouzoh and Wonderplanet.

Image of expanded sales from smartphone businesses

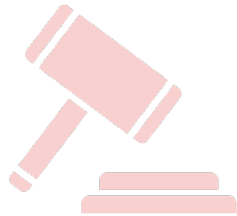




RTB Advertising Business



RTB Advertising Business 2Q Business Progress



Smartphone RTB sales from the in-house advertising platform(*) increased by **1.6 times** over the previous quarter

(E-commerce, personnel recruiting service and other advertising increased)



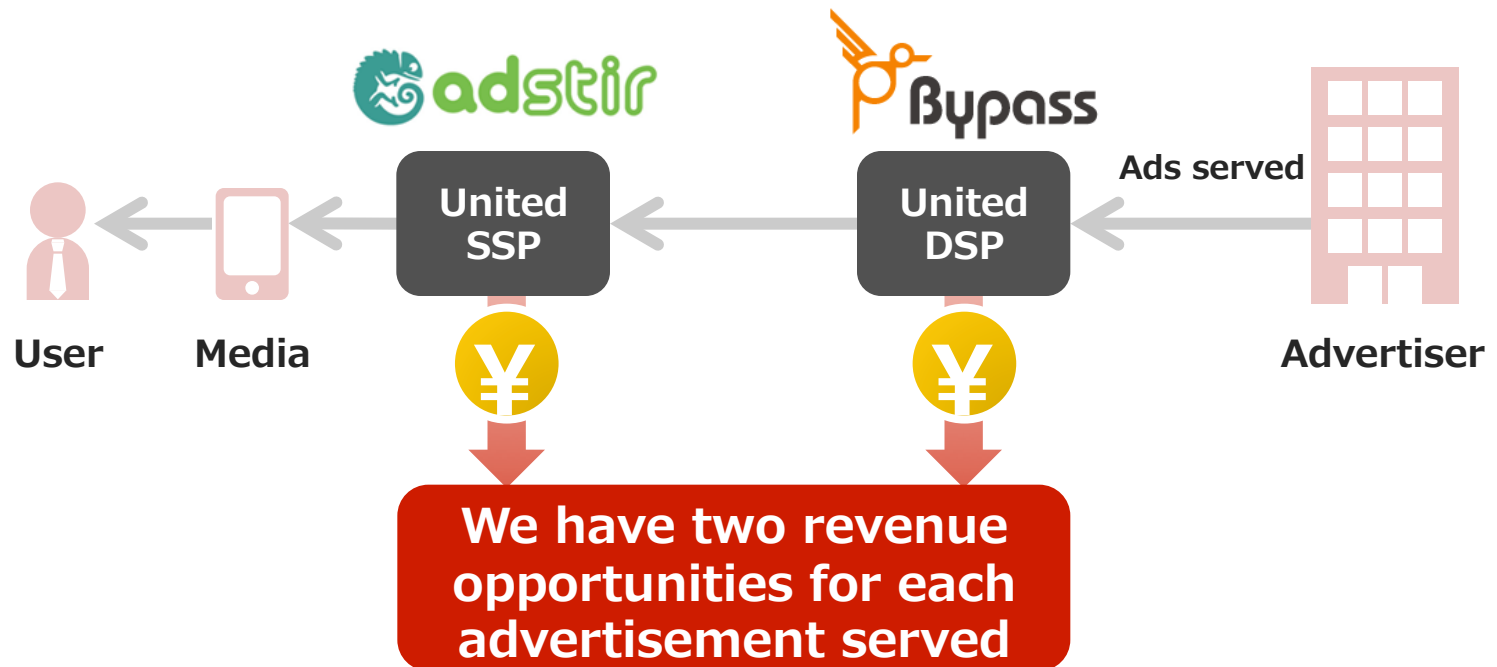
In August, we launched a **PC-based** service to permit advertising to be served in a cross-device manner.

* In-house advertising platform = in-house DSP "Bypass" and in-house SSP "AdStir"



Strengths of the In-House Advertising Platform

By deploying both DSP and SSP ourselves, **we have two revenue opportunities for each advertisement served.**





The in-house DSP “Bypass” has exceeded **1,000 companies**^(*) as the number of advertisers since the service launch in April 2012

^(*) Announced September 3, 2013



The advertisement inventory of the in-house SSP “Adstir” continues to increase, with ad requests in July-September increasing to **27.7 billion requests, or 1.5 times those in the previous quarter.**

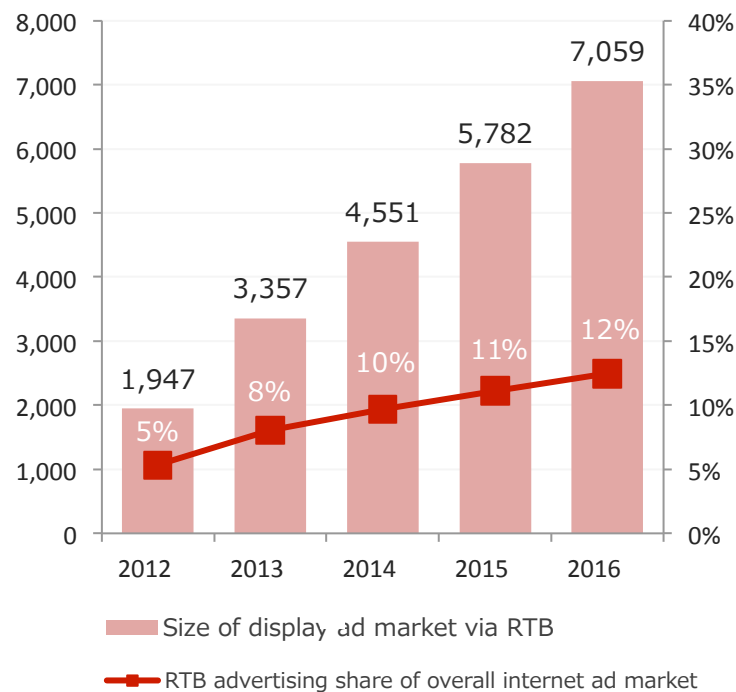


Trends in the RTB Advertising Market (U.S. and Japan)

The U.S. RTB advertising market is projected to expand to approximately 700 billion yen in FY 2016, while the Japanese RTB advertising market is projected to expand to 73 billion yen in FY 2016. This is projected to be the high growth rate within the internet advertising market.

Forecast of U.S. RTB advertising market size

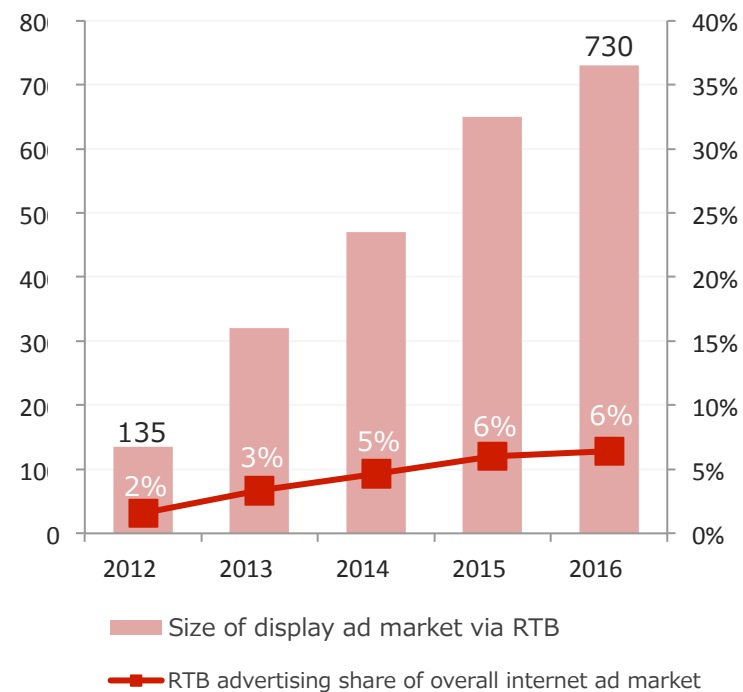
(million US dollars)



Source: eMarketer *US Real-Time Bidding (RTB) Digital Display Ad Spending, 2010-2016* Nov 15, 2012
 (RTB advertising share of overall market calculated by United)

Forecast of Japanese RTB advertising market size

(billion yen)



Source: Seed Planning, Inc., *Domestic RTB Advertising Market Size 2011-2016*, September 2012
 (RTB advertising share of overall market calculated by United)



Players in the Domestic RTB Advertising Market (DSP Operators)

Among DSP operators, the scale of sales of the three companies leading in the PC space is large, but in the smartphone space, United has the largest scale of domestic sales. (Market scales are based on surveys by United.)

2011 on: Led by starting RTB advertising on PC



MicroAd, Inc.: "MicroAd BLADE" DSP



FreakOut, Inc.: "FreakOut" DSP



Platform One, Inc.: "MarketOne" DSP



2012 on: RTB advertising on smartphones started



United, Inc.: "Bypass" DSP

Largest scale in the domestic smartphone space

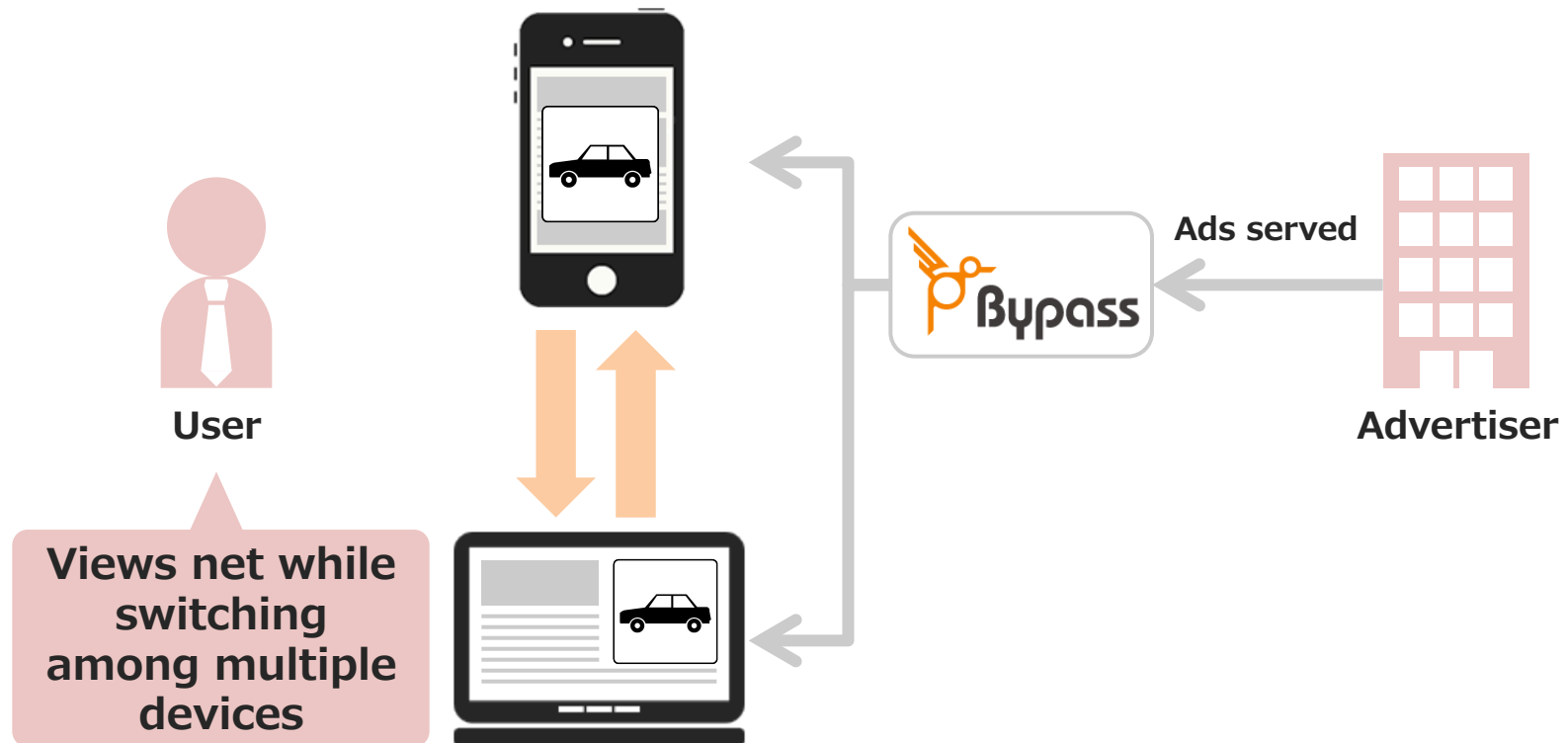




Strengths of the In-House Advertising Platform

With **87%** of internet users^(*) using both smartphones and PCs or other multiple devices, there is a stronger need for advertisers to serve **cross-device advertisements**.

► In the in-house DSP also, cross-device ad serving becomes possible with the start of PC service.



RTB ad service across multiple devices to the same user

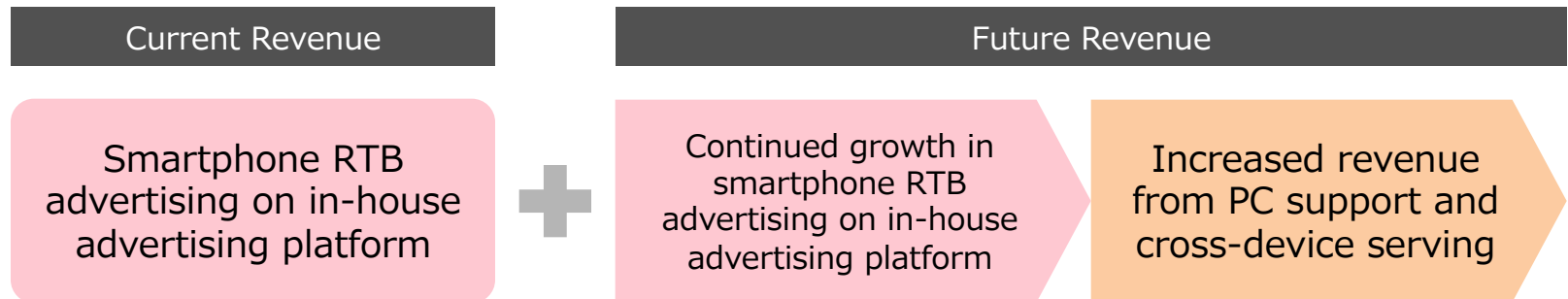
*Source: Google *Multi-Screen World* survey data (published July 29, 2013)



Summary of the RTB Advertising Business

- Growth in smartphone RTB sales of the in-house advertising platform is the engine for growth in the RTB advertising business.
- With the start of PC support by the in-house advertising platform, it is possible to meet future needs for cross-device serving.

Image of expanding sales in the RTB advertising business



Overall Summary

- The two core businesses of the **smartphone media business** and the **RTB advertising business** continue to grow.
- In 2Q, quarterly operating profit was in the black. With the end of the advance investment period, we plan to **produce revenue** in the second half.
- We will **put operating profits in the black over the full year**, and build a foundation for revenue with a view fixed on next year and thereafter.



**Important 3Q Policy: Expand
"CocoPPa" user base and
diversify revenue sources**



**Important 3Q Policy:
Smartphone & PC multi-
device support**

2 Reference Material

Consolidated Balance Sheet for this Quarter

Fixed assets increased by 237 million yen due to investments in Kouzoh Inc. and others, and current liabilities increased by 190 million yen due to increased accounts payable.

(million yen)

	End of This Quarter (June 2013)	End of Previous Quarter (Sept. 2013)	Increase/ Decrease
Current assets	5,508	5,488	+19
(Cash on hand)	(3,309)	(3,555)	(-246)
Fixed assets	840	603	+237
Current liabilities	1,044	854	+190
Fixed liabilities	0	2	-2
Net assets	5,304	5,235	+68

Cash Flow Calculations for This Quarter

The “cash flow from investment activities” was -907 million yen due to a change in categories and investment in Kouzoh Inc., etc.

(April–September 2013)

(million yen)

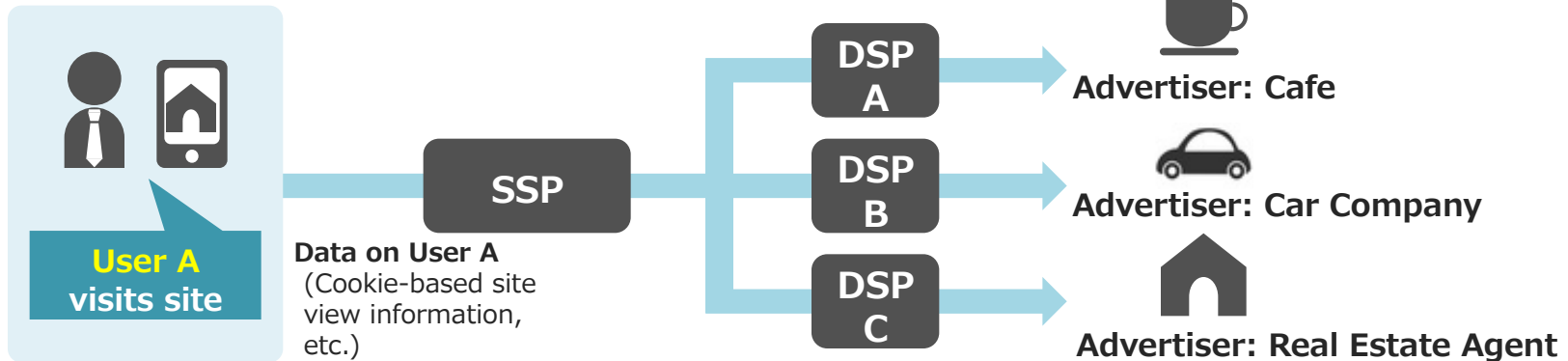
	This 2Q consolidated cumulative period
Cash flow from sales activities	-33
Cash flow from investment activities	-907
Cash flow from financial activities	89
Increase/decrease in cash and cash equivalents	-850
Quarter-end balance of cash and cash equivalents	709

• Time deposit that have more than three months until maturity are not included in the “Quarter-end balance of cash and cash equivalents”.(Applicable deposit balance of the at the end of September 2013:2,600 million yen)

Real-Time Bidding Setup

STEP 1

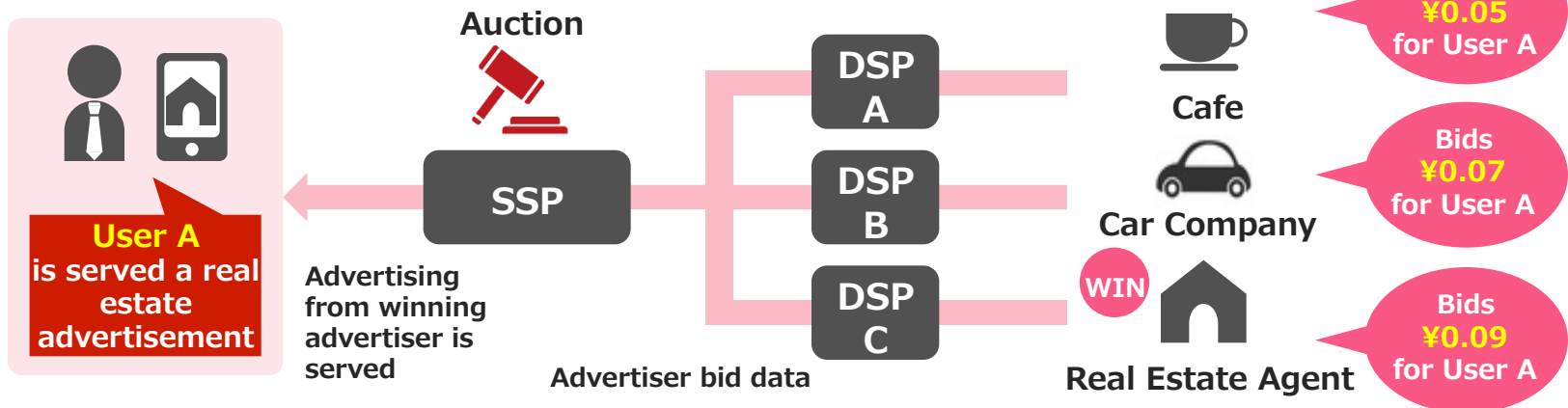
When a user visits a site, user data is transmitted to a DSP^(*1)



STEP 2

Advertisers bid from a DSP, auction held at SSP^(*2)

► Advertising from the winning advertiser is displayed.

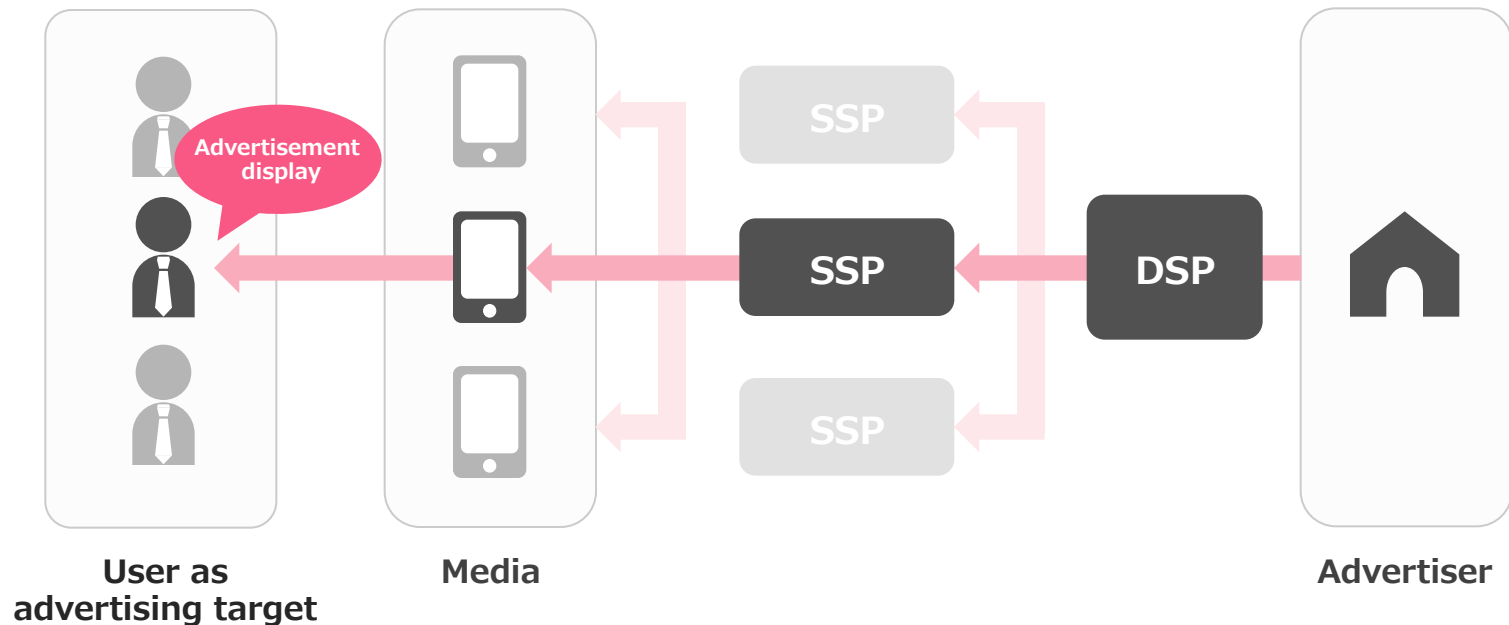


*1 DSP (Demand Side Platform): System for optimizing advertising buys by the advertiser (ad buyer)

*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.

Vision

Become the leading internet firm in Japan



Mission

Create new value through continued challenges and contribute to society

