

The slide features a central white rectangular area with a thin gold border, containing the company name and presentation details. This is set against a large red circle with a gold border and a blue and white striped pattern. The entire design is framed by a wide, ornate border with a gold background, featuring stylized red and yellow fish on the left and right sides, and various geometric and floral patterns in blue, green, and white at the top and bottom.

ADWAYS

July 2018, Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489

Financial Results Presentation for the 3-month period ended June 30
(FY2018 Q1)

July 31, 2018

Founder and CEO, Haruhisa Okamura



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1. FY2018 Q1 Performance

1. FY2018 Q1 Performance



Quarterly Results (YoY, QoQ)

(JPY mn)

	FY2018 Q1	YoY FY2017 Q1			QoQ FY2017 Q4		
		Result	Change	Change (%)	Result	Change	Change (%)
Net sales	11,443	10,694	+749	+7.0%	11,169	+274	+2.5%
Gross profit	2,117	1,854	+263	+14.2%	1,837	+280	+15.2%
SG&A expenses	1,706	1,692	+13	+0.8%	1,749	-43	-2.5%
Operating profit	411	162	+249	+153.7%	88	+323	+367.0%
Ordinary profit	318	154	+164	+106.4%	371	-52	-14.2%
Profit attributable to owners of parent	193	-54	+248	—	225	-31	-14.0%

Highest records

Net sales

Increased JPY 749 mn YoY (+7.0%)
Increased JPY 274 mn QoQ (+2.5%)

Operating profit

Increased JPY 249 mn YoY (+153.7%)
Increased JPY 323 mn QoQ (+367.0%)

1. FY2018 Q1 Performance



FY2018 Consolidated Performance Forecast values (April 1, 2018 - March 31, 2019)

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2018 Forecast	42,000	500	500	190
Q1 Results	11,443	411	318	193
Progress rate	27.2%	82.3%	63.8%	102.0%

1. FY2018 Q1 Performance

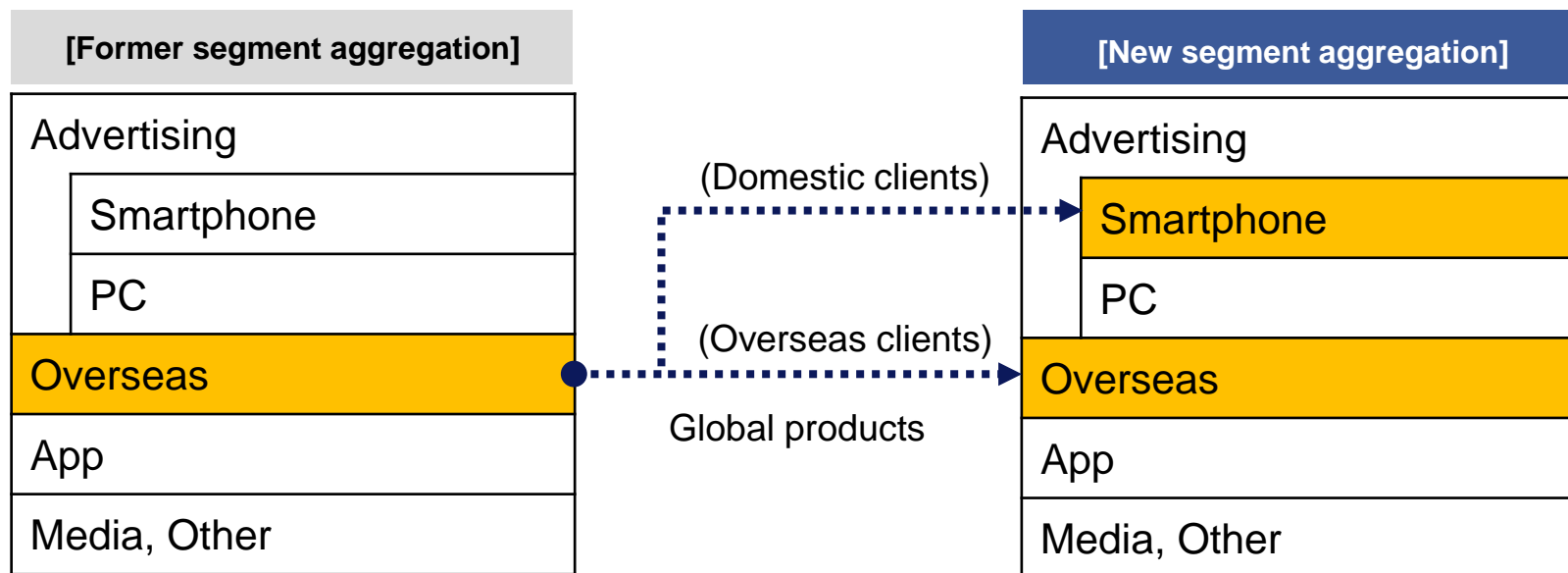


Change in Segment Aggregation

Until last fiscal year, business related to the development & operation of products and service targeting global markets have been categorized as the Overseas business segment. Starting first quarter of current fiscal year, based on new management criteria for advertisement-related businesses, it is divided into two segments depending on where the service actually is provided; domestic or overseas.

The business for domestic market is included and reported in the Advertising business segment, and the one for overseas market is showed as Overseas business.

Figures in this presentation are prepared based on the reporting segments after this change



1. FY2018 Q1 Performance



Post-Segment Reaggregation Performance

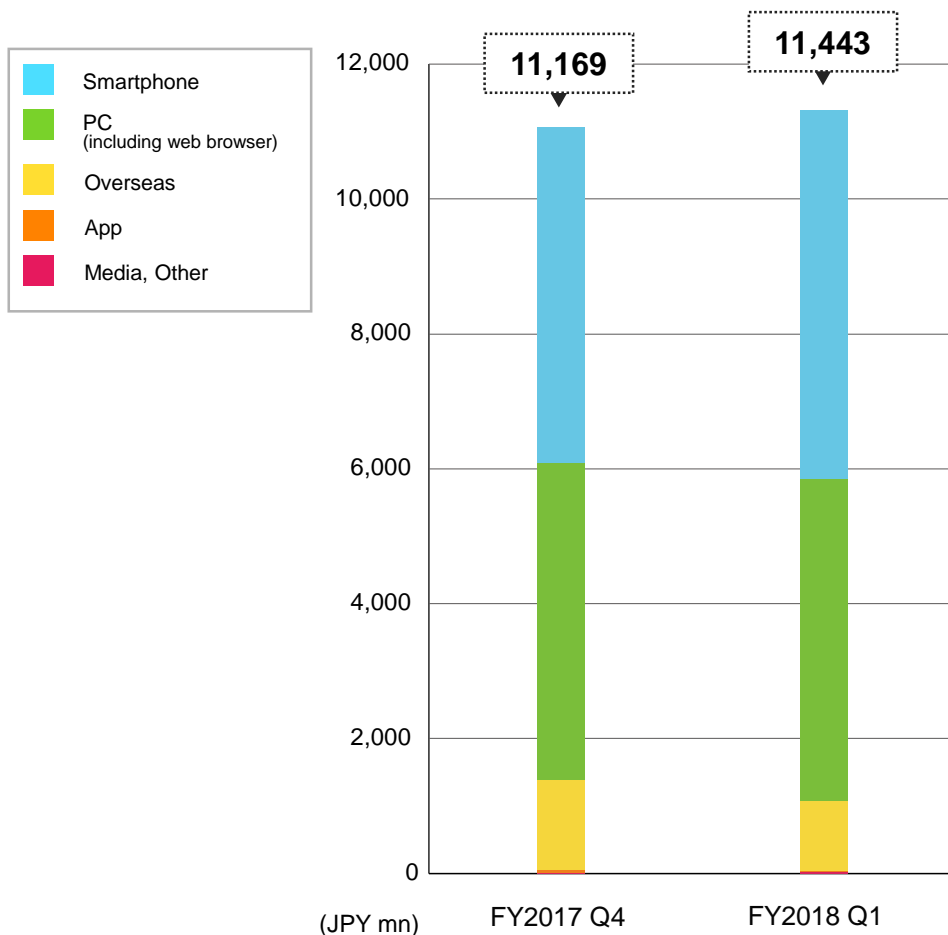
	FY2017 Q1	Before change	Impact	After change
Net sales	Advertising			
	Smartphone	4,231	+319	4,551
	PC	4,663	—	4,663
	Overseas	1,617	-319	1,298
	App	68	—	68
	Media, Other	113	—	113
Gross profit	Advertising	699	-41	658
	Overseas	-101	+41	-60
	App	-40	—	-40
	Media, Other	-52	—	-52
	Eliminations & Corporate	-343	—	-343

(JPY mn)

1. FY2018 Q1 Performance



Net sales (QoQ Change)



Domestic Advertising JPY 10,239 mn

QoQ: JPY +572 mn (+5.9%)

Smartphone (Mainly app advertising): **JPY +5,464 mn**

QoQ: JPY +504 mn (+10.2%)

– Record sales due to growth of existing domestic advertising services and strong sales growth of UNICORN, released in May of last year.

PC (PC web advertising and smartphone web advertising)
: **JPY +4,774 mn**

QoQ: JPY +67 mn (+1.4%)

– Recorded the highest sales due to major campaigns from the financial clients, the mainstay of PC business, and the seasonal factors.

Overseas JPY 1,049 mn

QoQ: JPY -281 mn (-21.1%)

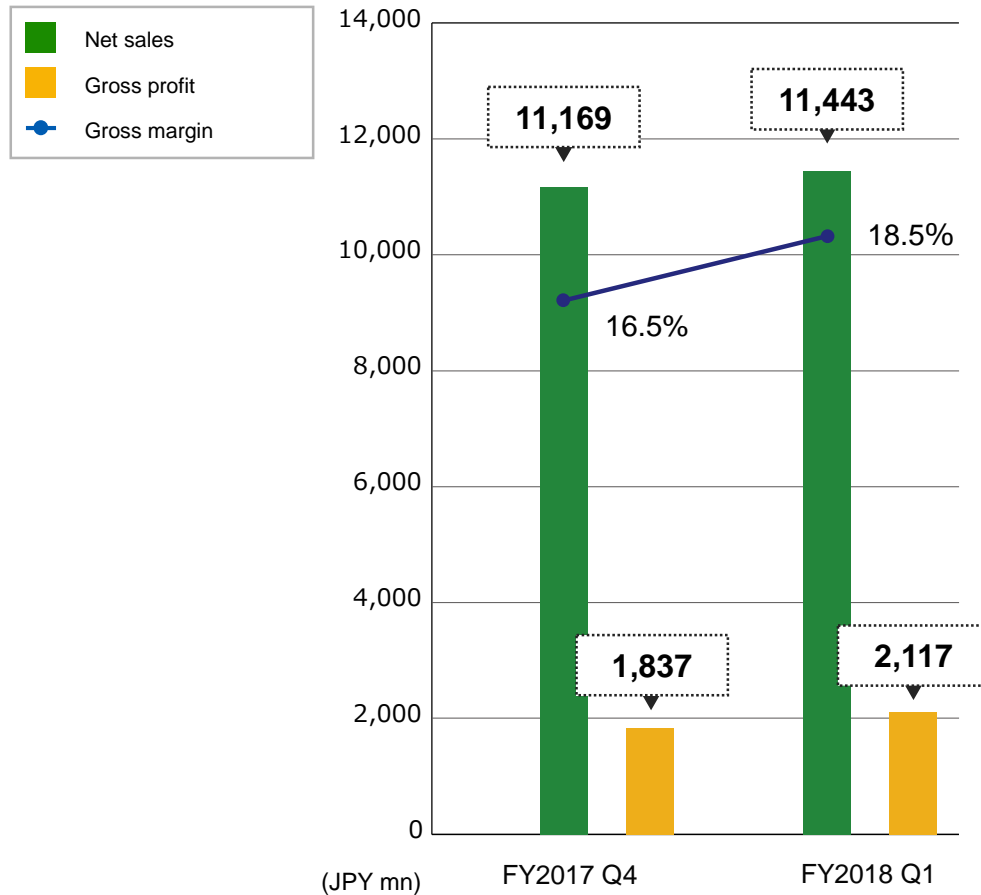
– As the results of the efforts for overall efficiency improvement of the organization and collaboration system for overseas branches, some progress was made in reorganization, but revenue has dropped over the optimization.

* The accounting periods of our overseas subsidiaries excluding India end in December, so their FY2018 Q1 (April – June) figures are consolidated with the Adways Group's FY2018 Q1 (January – March) figures.

1. FY2018 Q1 Performance



Gross profit (QoQ Change)



Q1 Gross profit: JPY 2,117 mn

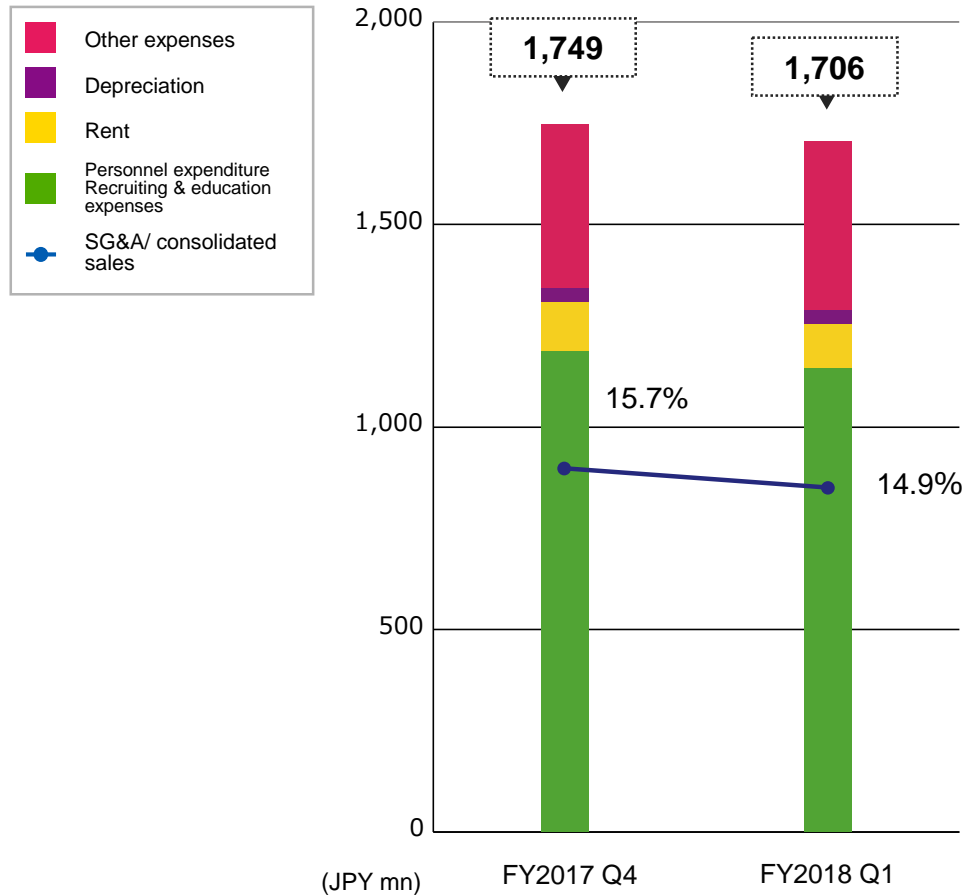
QoQ: JPY +280 mn (+15.2%)

Gross margin: 18.5% (+2.1 points)

1. FY2018 Q1 Performance



SG&A expenses (QoQ Change)



Q1 SG&A expenses: JPY 1,706 mn

QoQ: JPY -43 mn (-2.5%)

SG&A to sales ratio: 14.9% (-0.8points)

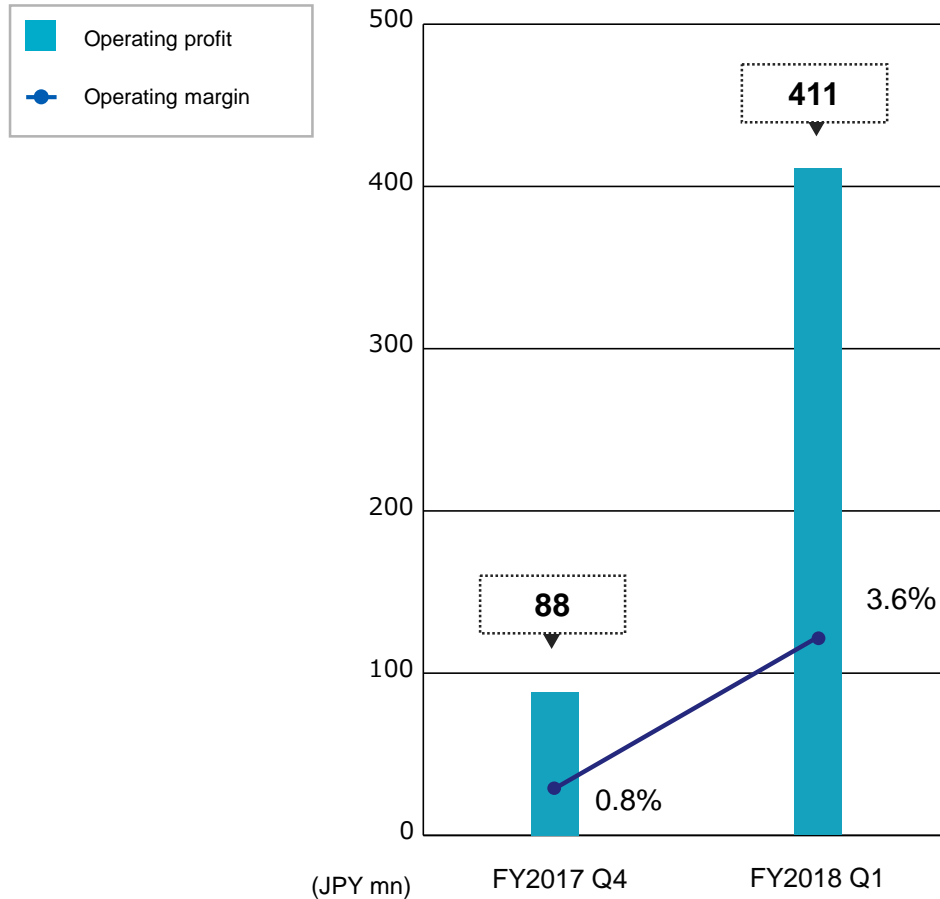
[Main Factors in Decline]

- Personnel expenditure: JPY -41 mn
- Recruiting & training expenses JPY -17 mn

1. FY2018 Q1 Performance



Operating profit (QoQ Change)



Q1 Operating profit: JPY 411 mn

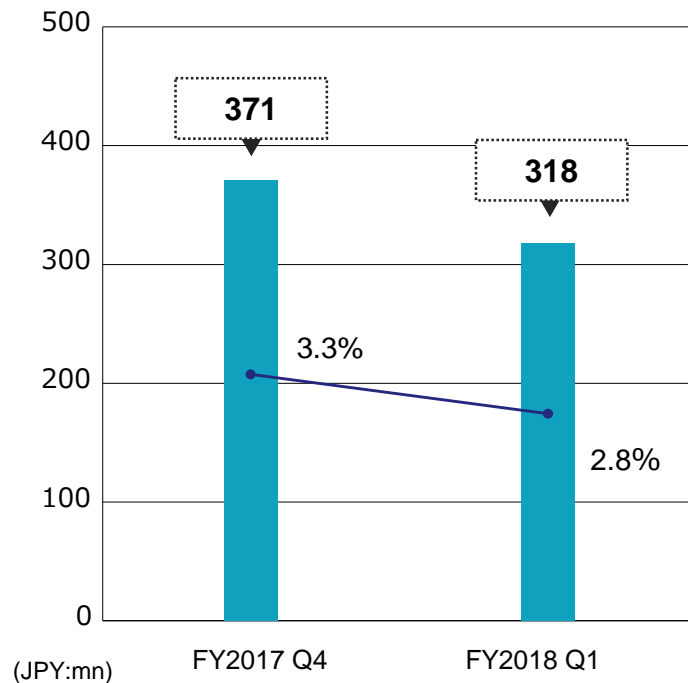
QoQ: JPY +323 mn (+367.0%)

Operating margin: 3.6% (+2.8points)

1. FY2018 Q1 Performance



Ordinary profit (QoQ Change)

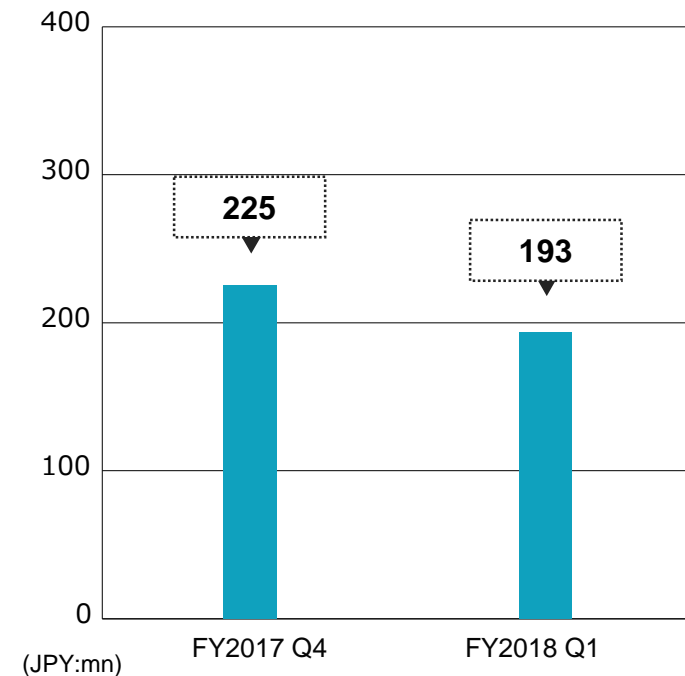


Q1 Ordinary profit: ¥318mn

QoQ: JPY -52 mn (-14.2%)

Ordinary margin: 2.8% (-0.5points)

Profit attributable to owners of parent (QoQ Change)



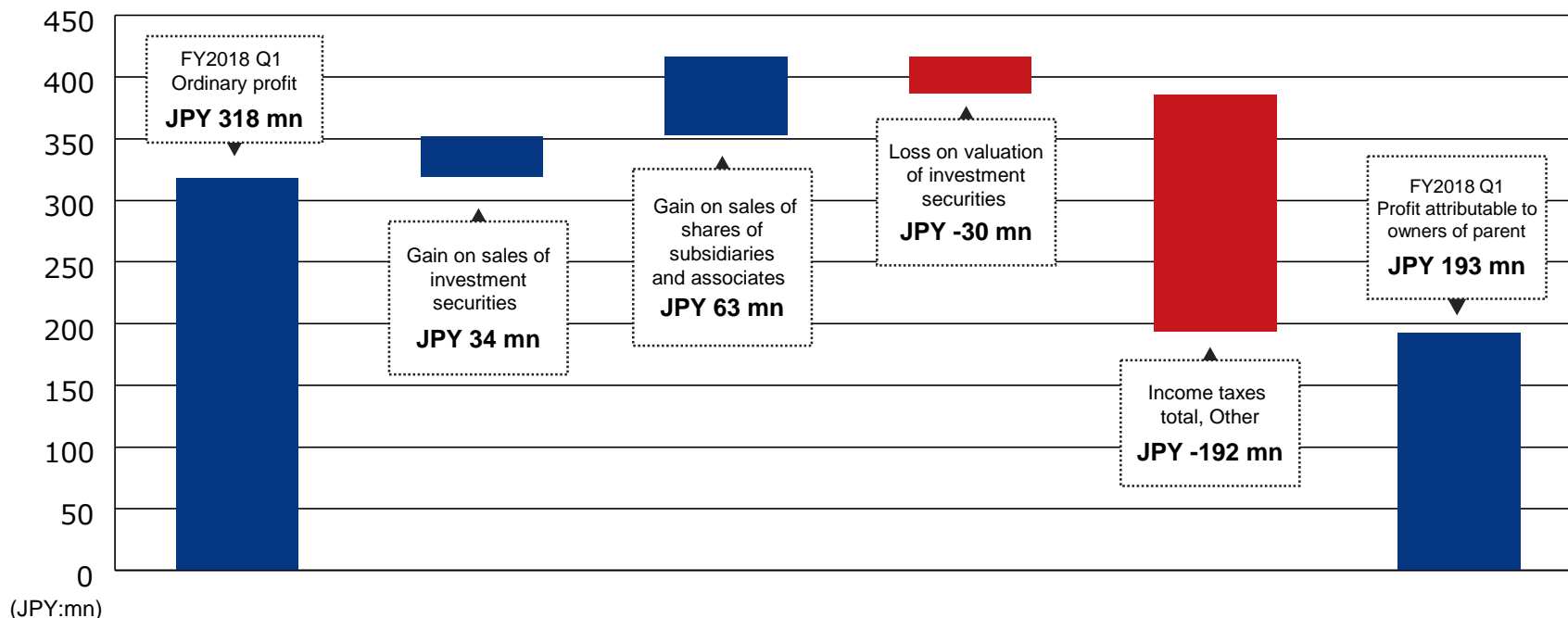
Q1 Profit attributable to owners of parent: JPY 193 mn

QoQ: JPY -31 mn (-14.0%)

1. FY2018 Q1 Performance



Breakdown of FY2018 Q1 Profit attributable to owners of parent



Gain on sales of investment securities [JPY 34 mn] : No. of individual stocks (2 companies)

Gain on sales of shares of subsidiaries and associates [JPY 63 mn]

Loss on valuation of investment securities [JPY -30 mn] : No. of individual stocks (4 companies)

Income taxes total, Other [JPY -192 mn] : Including JPY -166 mn corporate tax for head office

2. Business Overview



UNICORN

REDEFINE DIGITAL MARKETING

2. Business Overview: App Marketing



Monthly bid request volume grew to **280 billion** impressions, becoming one of **Japan's largest mobile marketing platforms**



Progress in connecting with SSPs (as of end of June 2018)

Major domestic SSPs: **9 companies**

Major overseas SSPs: **3 companies**

Connection to several other SSPs
expected in the future!

Request



200,000/sec

* Maximum ad display request from SSPs

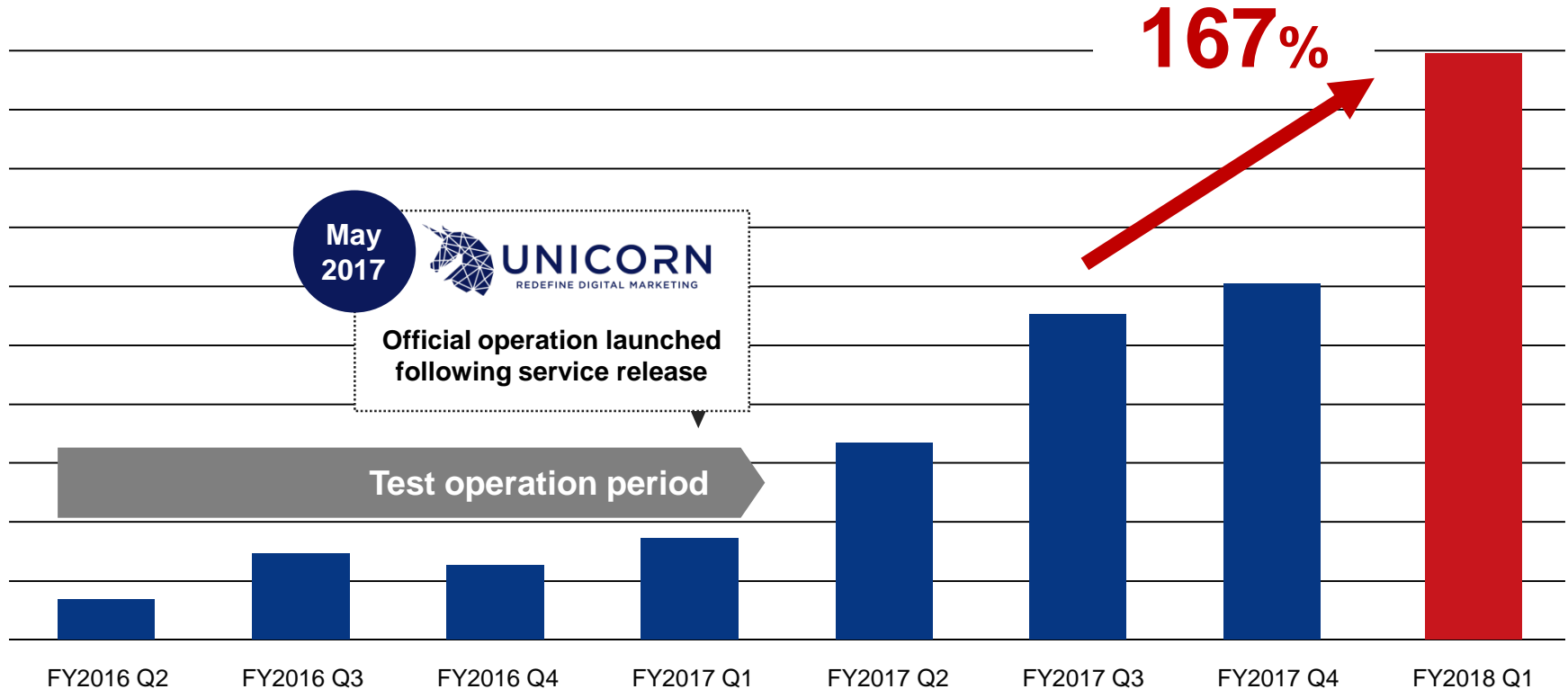
* Data collection period (June 23 – July 23, 2018)



2. Business Overview: App Marketing



UNICORN sales accelerated even more



The accuracy of the machine learning steadily improved, resulting in QoQ sales of 167%

2. Business Overview: App Marketing



Machine learning enables a super-high-speed PDCA cycle that is faster than when it is done by humans



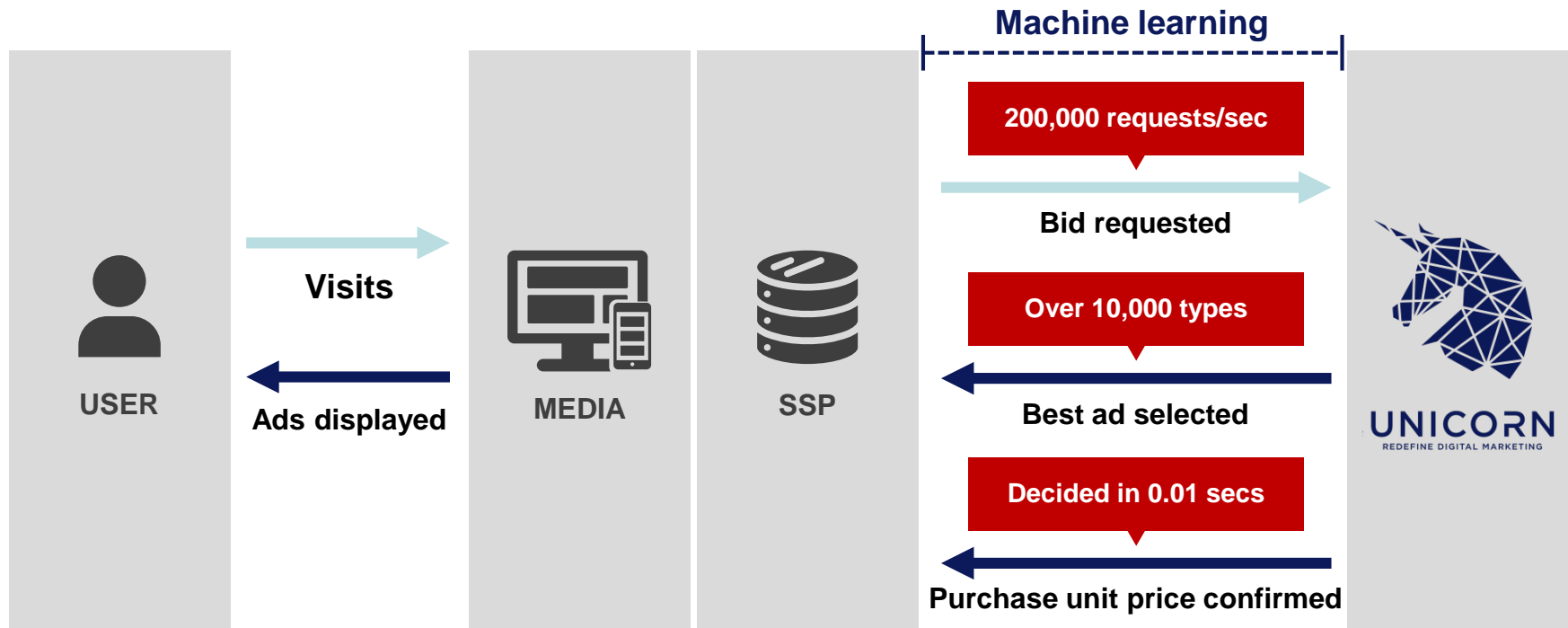
- Targeting
- Media screening
- Creativity screening
- Bid price adjustment

With 5 simple settings, UNICORN automates everything, allowing humans to focus on what only humans can do

2. Business Overview: App Marketing



UNICORN's ad bidding logic



With **up to 200,000** potential ad purchases **per second**, each decision is made **within 0.01 seconds** using **machine learning**

2. Business Overview: App Marketing



ROAS* of users obtained through UNICORN



UNICORN
REDEFINE DIGITAL MARKETING

average **79%**

(March 2018: 68%)

(Calculated from amounts in-app- purchase by users obtained in June 2018 and advertising expenses)

Other major
4 ad networks

40% average

(March 2018: 42%)

* ROAS (Return On Advertising Spend) is the rate of return gained against the advertisement expenses; it is the cost effectiveness of advertisements.



2. Business Overview: App Marketing



Ad fraud countermeasures as well as inappropriate media exclusion



Automatically blocks
ad placements where
click fraud is detected



Automatically blocks
ad placements which
are not visible to
users



Detects fraudulent
ads that are
displayed by bots ,
learns and removes
from RTB target

NEW



Prevents damage to
brand value
creating/using a
blacklist

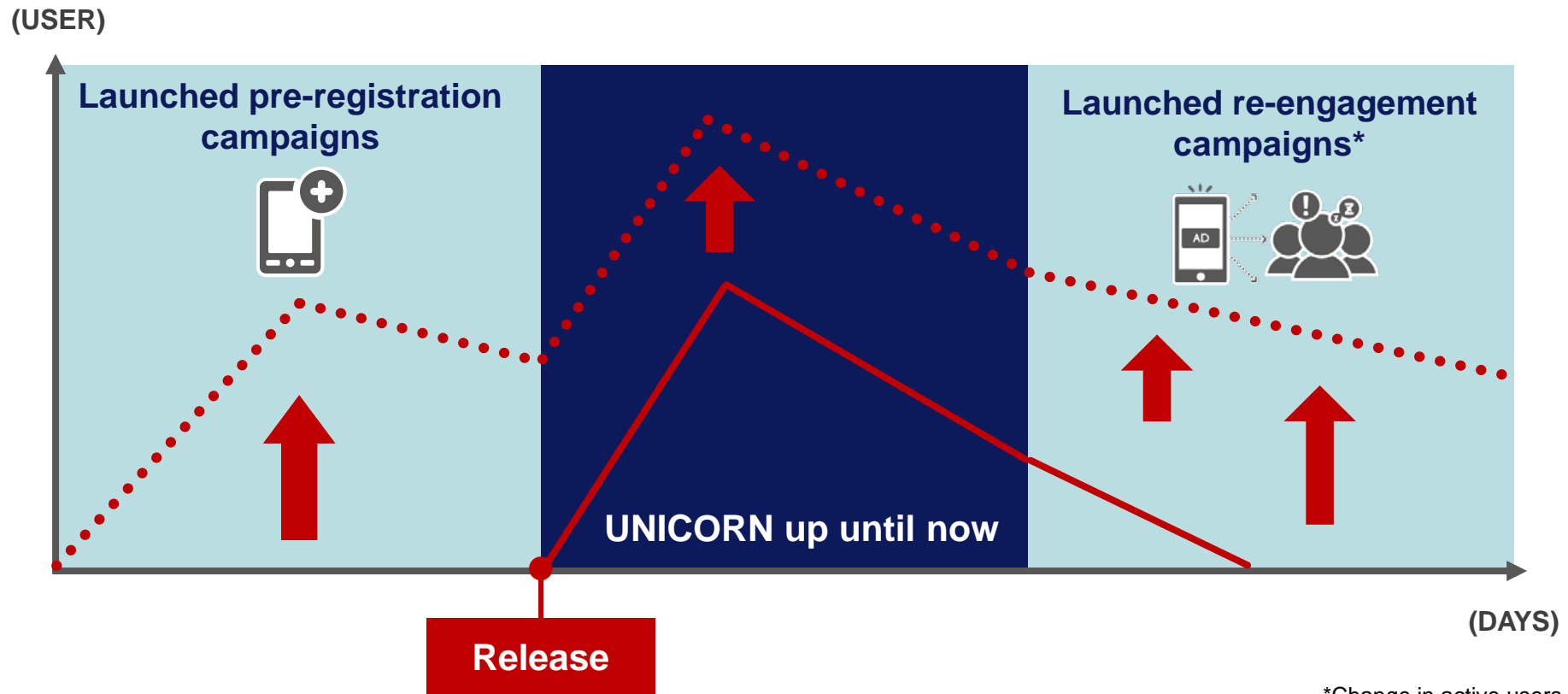
Through applying Momentum K.K.'s Black Swan Verification solution, we can avoid brand value damage caused by inappropriate websites; such as adult and hate speech sites which are not socially acceptable, or ads placements which are critical / negative toward the advertisers' business & service.



2. Business Overview: App Marketing



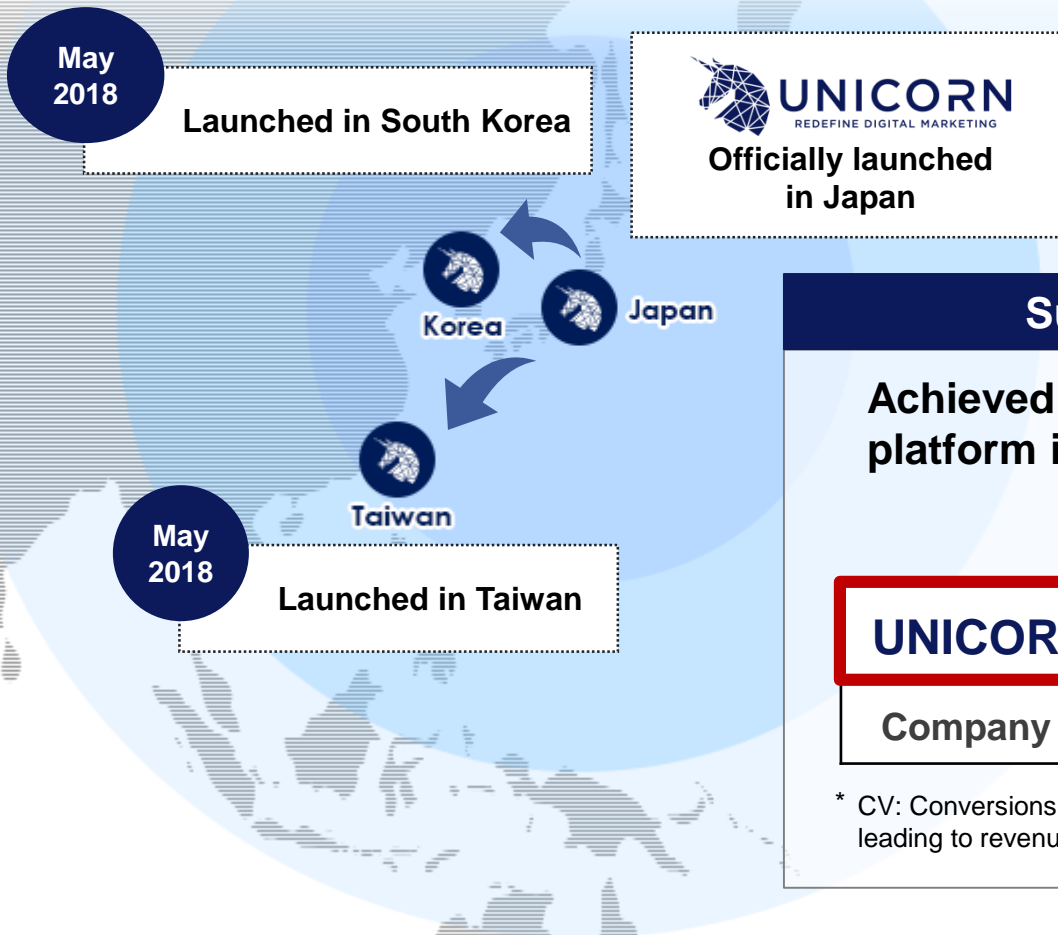
Starting **pre-registration** and **re-engagement** in addition to new user acquisition



2. Business Overview: Global Marketing



UNICORN **expanded to South Korea, Taiwan** Future expansion beyond East Asia planned



Success in South Korea

Achieved better results than a major ad platform in game app campaign in June

	CV*	ROAS
UNICORN	4,051	11.7%
Company A	1,662	11.5%

* CV: Conversions – installations, member registrations and other actions leading to revenue

2. Business Overview: App Marketing



Attracted attention within the industry

[June 1, 2018]

AWS Summit Tokyo 2018

Startup Tech Talks: Data Lakes and Analysis Cases

The AWS (Amazon Web Services) Summit is a tour held in 20 locations around the globe with numerous sessions on the latest technology trends and examples of cloud service usage in diverse industries by companies of diverse sizes. Japan's summit drew over 20,000 attendees, the one of the largest in the world.

[July 23, 2018]

Digital Advertising Japan Seminar 2018

Presenting Bulbit's Data Lake and Analysis utilization cases

Other
Next Marketing Summit 2018, etc.



Director, Adways Inc.
Representative Director, Bulbit Inc.

Sho Yamada



Bulbit Inc.
TOP Platform Architect

Xiaoyi Qu

2. Business Overview: App Marketing



Covered a large part of major ad traffic

Major ad platforms



Google



Internet/apps/ad traffic



Google アドマネージャー



Ad Generation
Produced by Superside



MicroAd
COMPASS



Profit-X



fluct



GENIEE



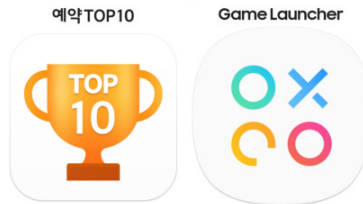
2. Business Overview: App Marketing



Latest Press Releases

[May 24, 2018]

Adways partners globally with Samsung to provide Adways' pre-registration service Yoyaku Top 10 for Galaxy users

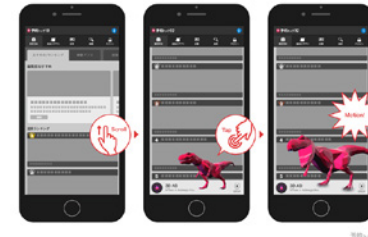


Game Launcher, which is pre-installed on devices, allows advertisers to reach their core gaming audience early in the app lifecycle, before it launches. The partnership initially will be rolled out in South Korea, but Adways plans to expand to other key markets where Yoyaku Top 10 is available, including Japan and USA, in the future.

Providing more valuable service by partnering with global platform for core gaming users


[July 18, 2018]

Joint development of special pure “3D ad” with VRize using 3D CG ad elements



The globally unprecedented ad service where clients can easily and readily use rich media ads such as 3D ads and Flash ads, utilizing Adways' technology that allows marketers to produce ad creatives at low cost.

providing special ad menu, “3D AD”, which has high average click rate



Beyond Everything Internet

インターネットの全てを越えていく

なにこれ
すげー
みんなのはじめて

OMG, This is Amazing



Thank you very much for attending our presentation today

The information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecast related to its business and industry trends. Such statements are subject to certain risks and uncertainties. Actual results may differ from the outlook expressed herein due to risks which may or may not be known at present, uncertainties and various other factors. Adways Inc. makes no warranty that its future outlook and forecasts are accurate, and actual results may differ materially from company estimates and may be worse than those expressed.

Statements made herein are based on information available as of July 31, 2018 and a variety of factors may cause the statements to differ from actual results.

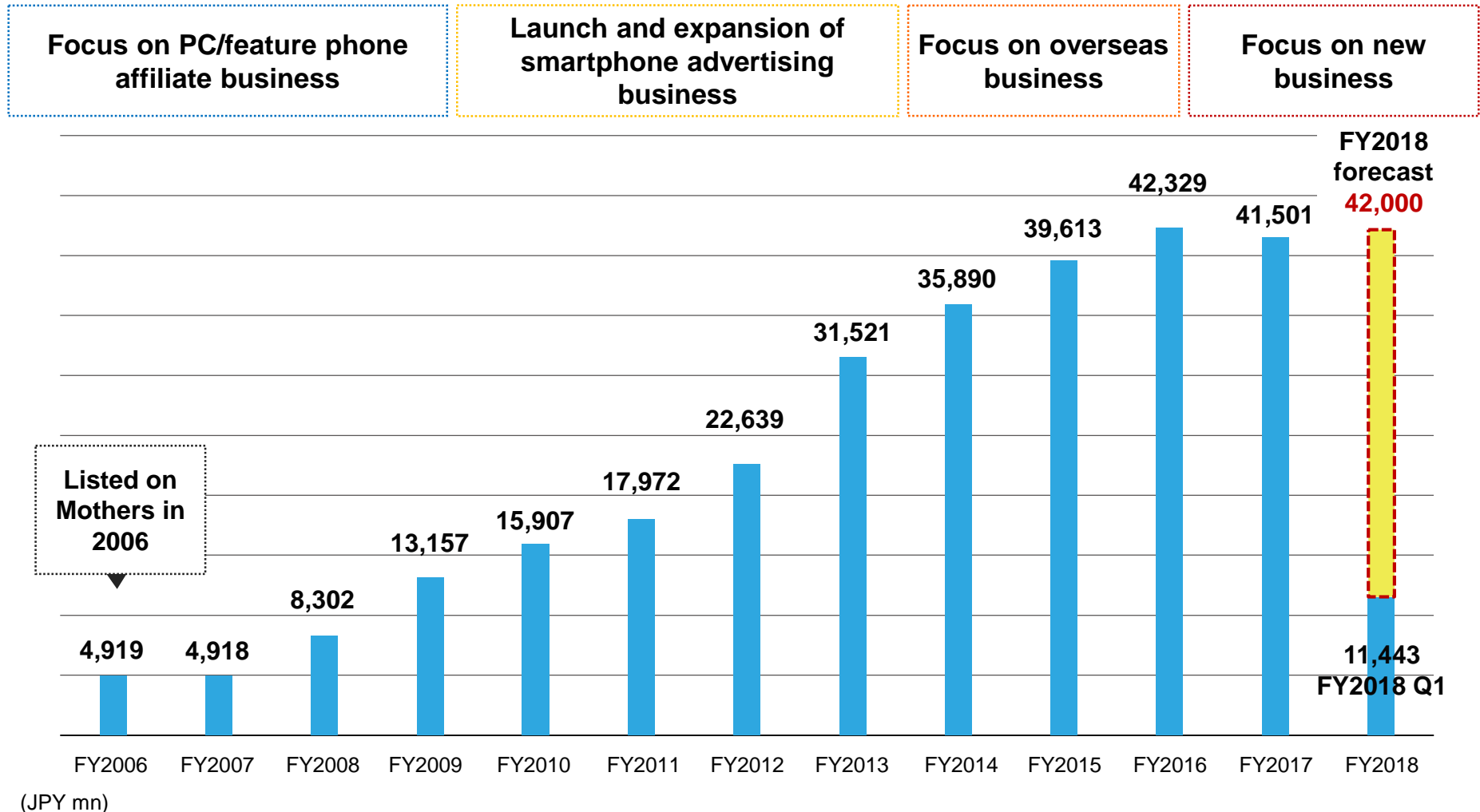


3. Supplementary Materials

3. Supplementary Materials



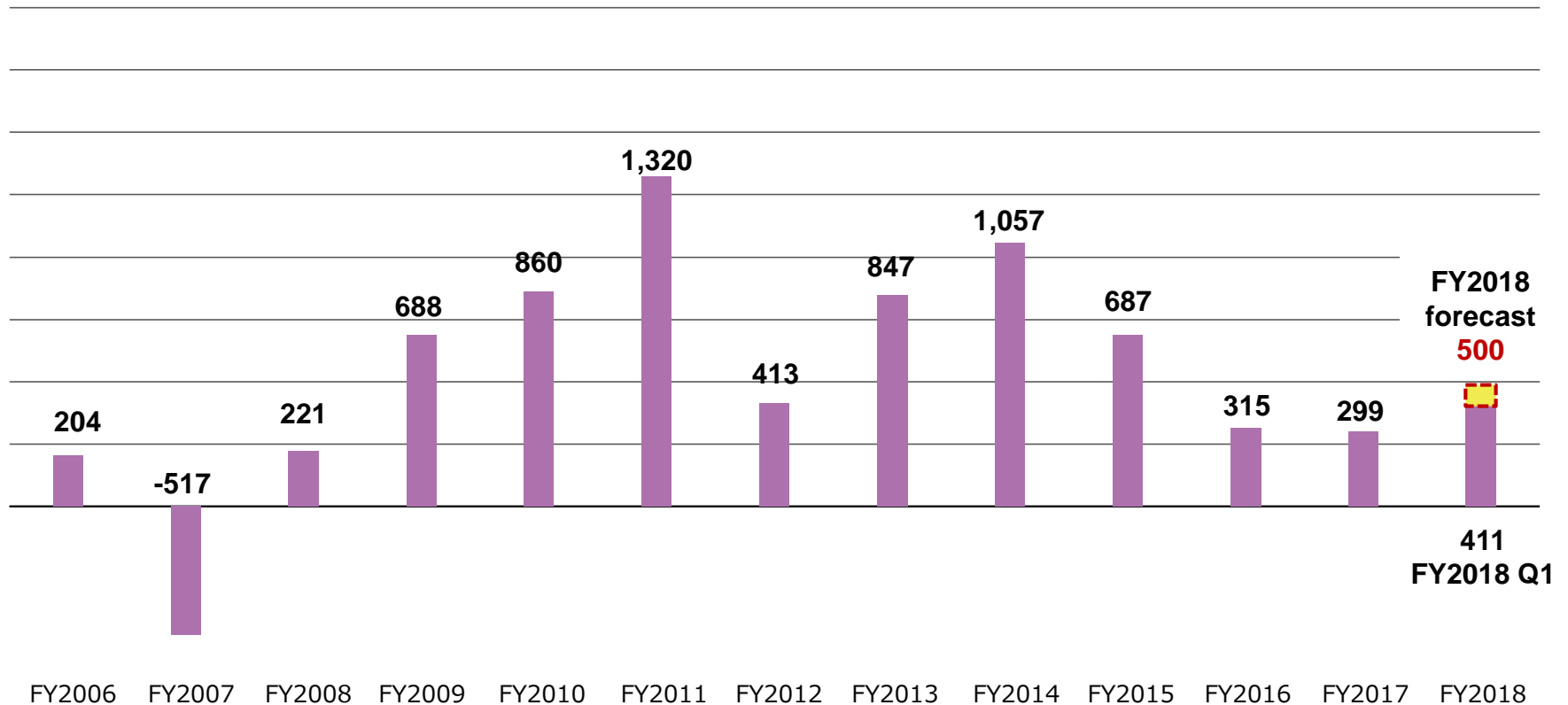
Consolidated Trend of Sales



3. Supplementary Materials



Consolidated Trend of Operating profit

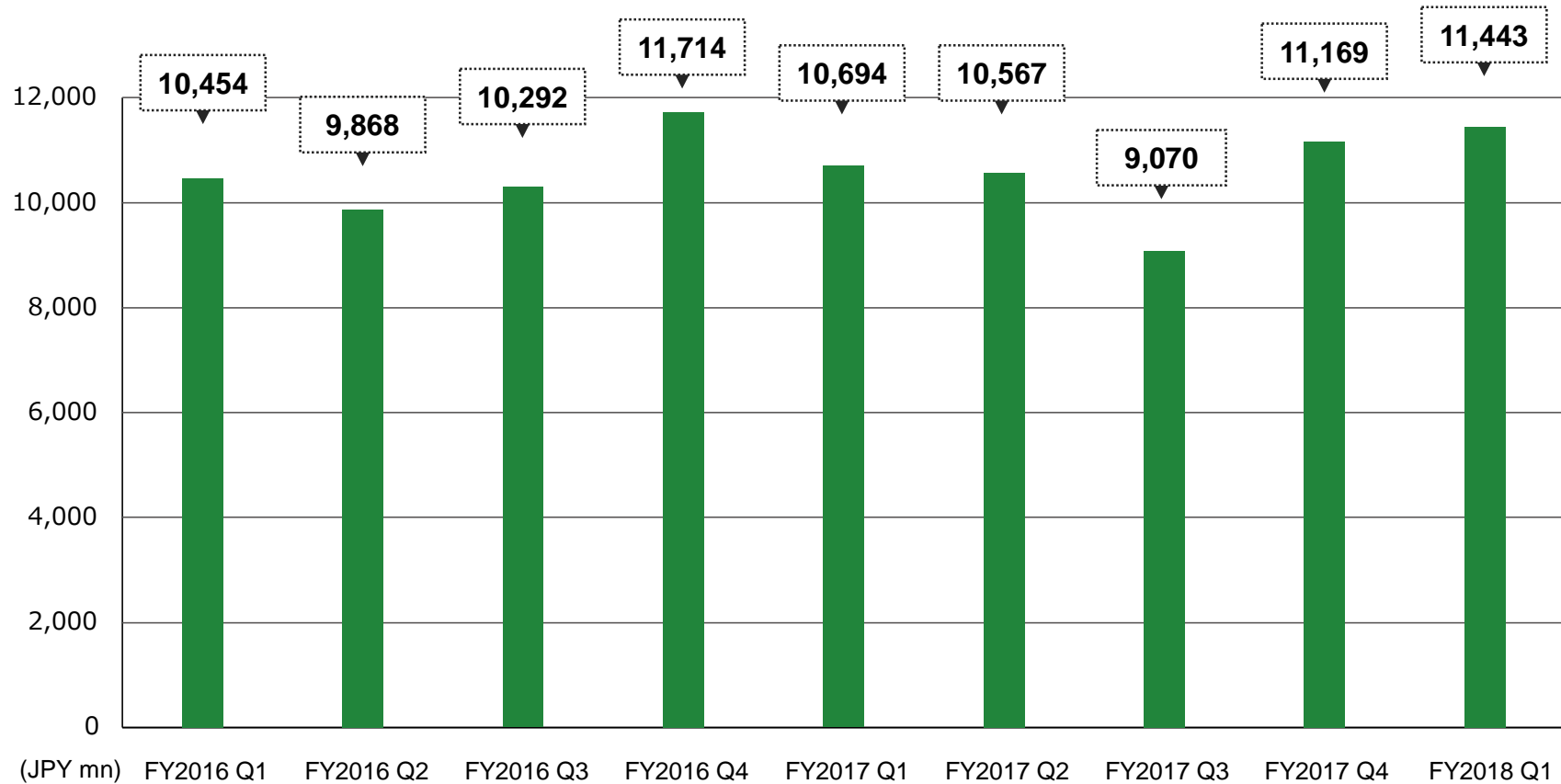


(JPY mn)

3. Supplementary Materials



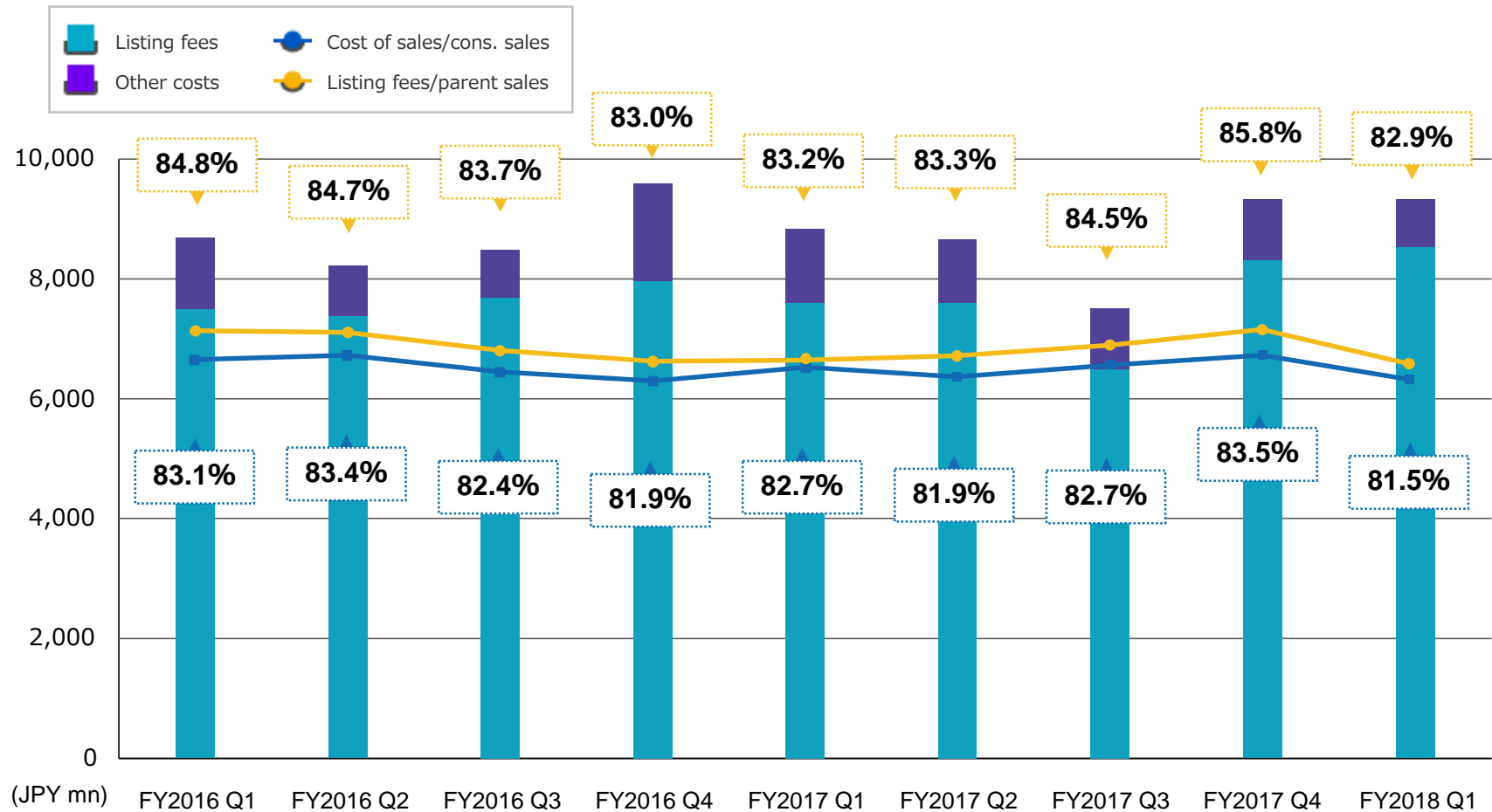
Quarterly Change in Consolidated Sales



3. Supplementary Materials



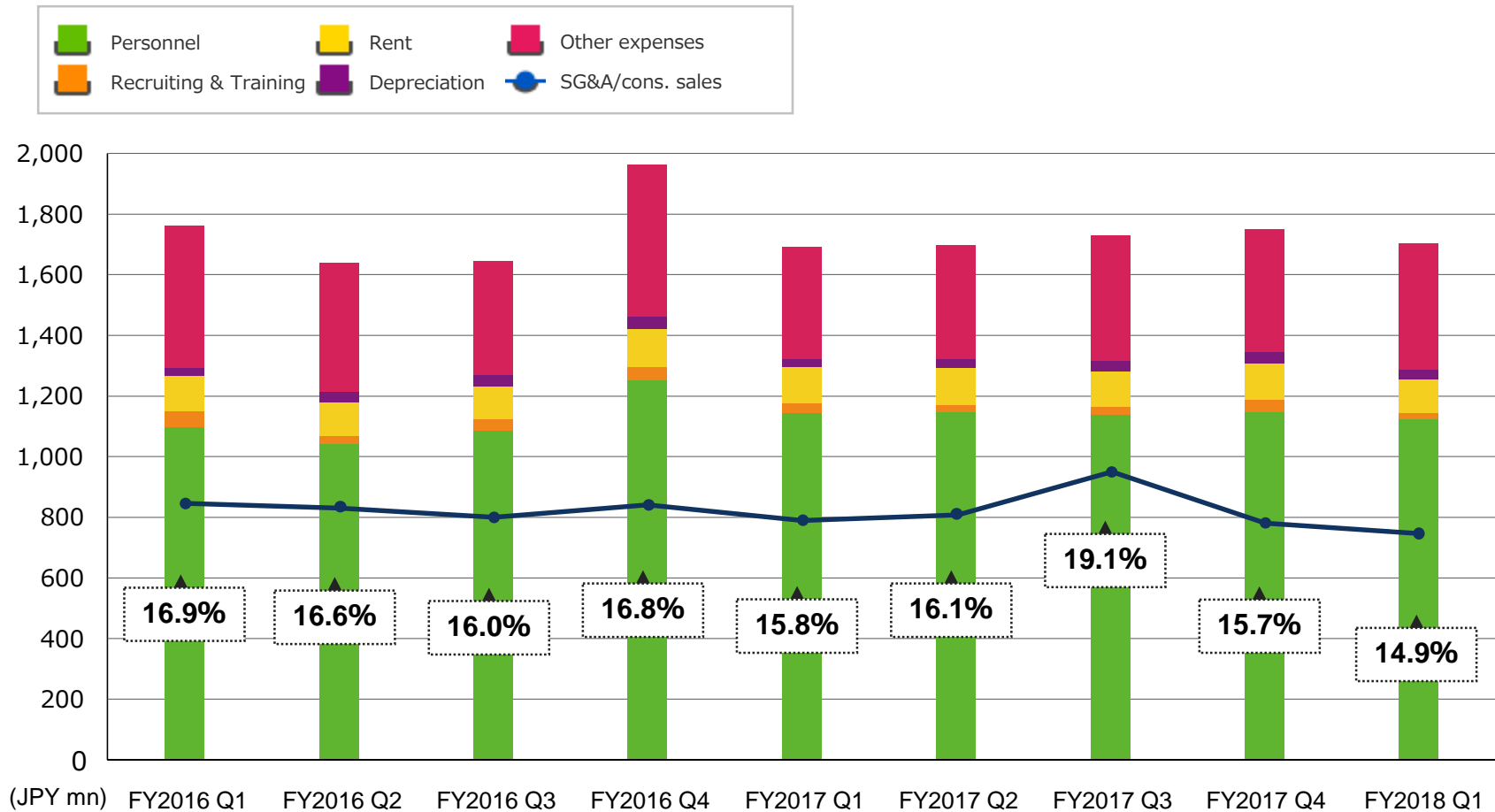
Quarterly Change in Consolidated Cost of sales



3. Supplementary Materials



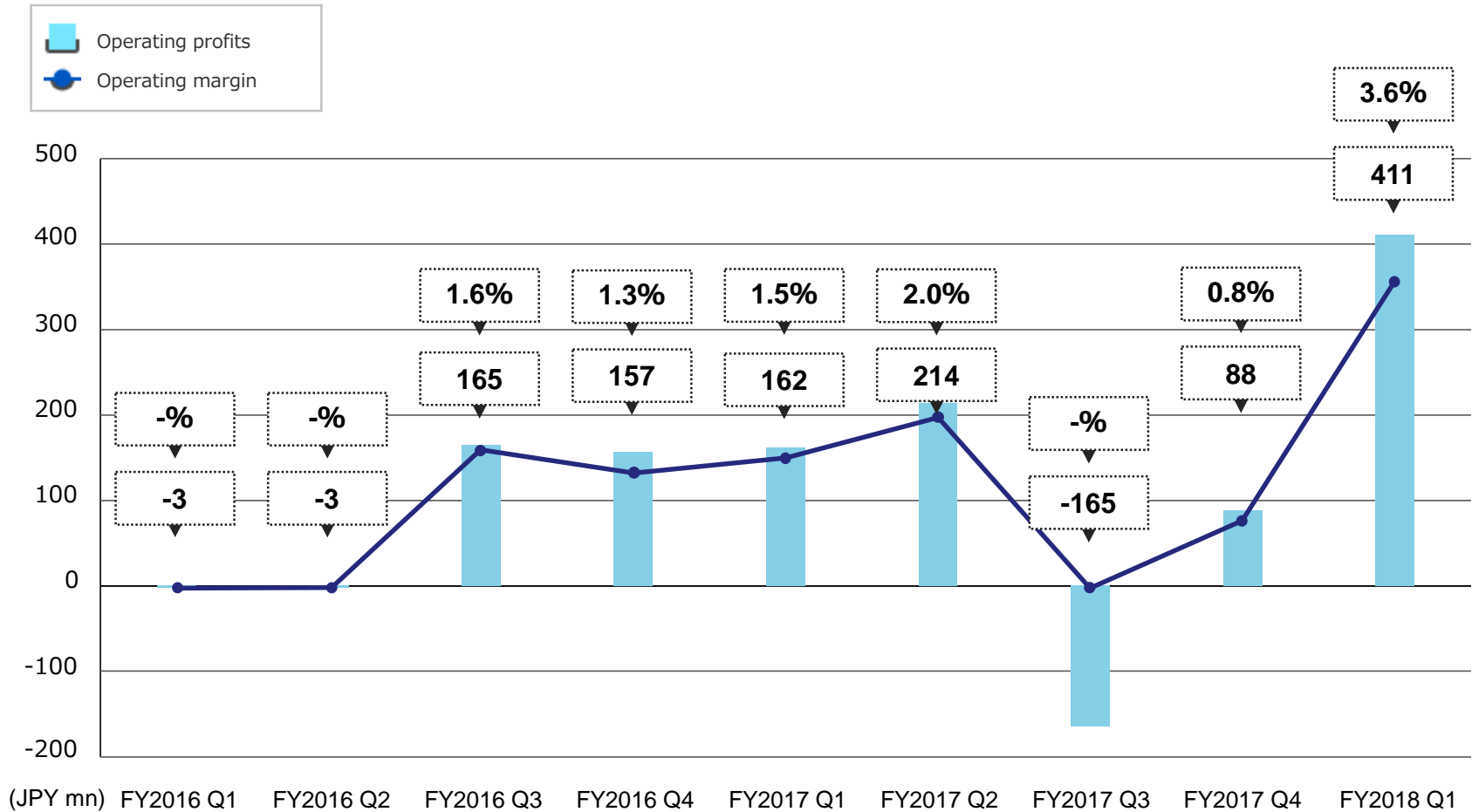
Quarterly Change in Consolidated SG&A expenses



3. Supplementary Materials



Quarterly Change in Consolidated Operating profit



3. Supplementary Materials



Consolidated Balance Sheet (QoQ)

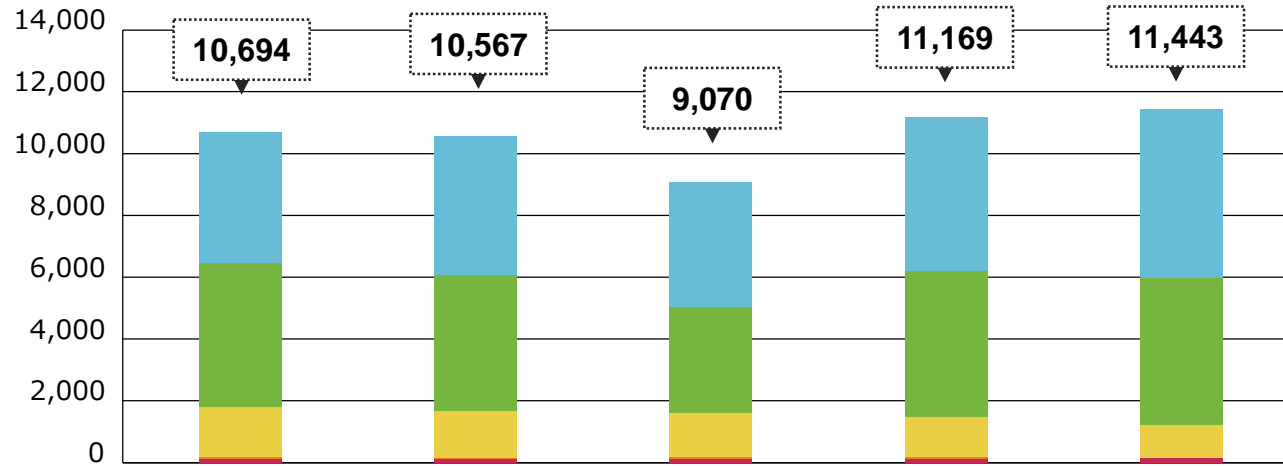
(JPY mn)

	FY2018 Q1	FY2017 Q4	Change (¥mn)	Change (%)
Current assets	16,034	15,195	+839	+5.5%
(Cash and deposits)	9,967	9,491	+476	+5.0%
Non-current assets	2,620	2,706	-85	-3.2%
Total assets	18,655	17,901	+753	+4.2%
Current liabilities	7,499	6,731	+768	+11.4%
Non-current liabilities	131	147	-16	-11.1%
Total liabilities	7,631	6,878	+752	+10.9%
Net assets	11,024	11,022	+1	+0.0%

3. Supplementary Materials



Quarterly Breakdown of Consolidated Sales by Segment



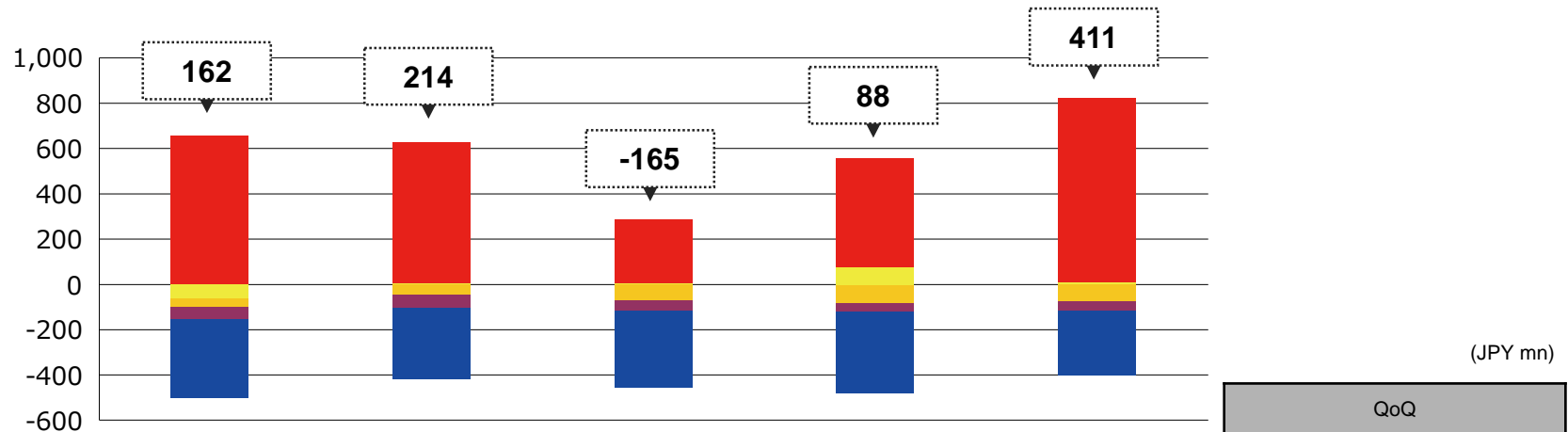
	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	QoQ	
						Change	Change (%)
Smartphone	4,551	4,771	4,317	4,960	5,464	+504	+10.2%
PC	4,663	4,420	3,407	4,706	4,774	+67	+1.4%
Overseas	1,298	1,209	1,164	1,330	1,049	-281	-21.1%
App	68	54	50	47	20	-27	-57.5%
Media, Other	113	111	129	123	135	+11	+9.1%
Total	10,694	10,567	9,070	11,169	11,443	+274	+2.5%

* In conjunction with the FY2018 Q1 segment change, figures from FY2017 Q1 are displayed as the post-change segments.

3. Supplementary Materials



Quarterly Breakdown of Consolidated Operating profit by Segment



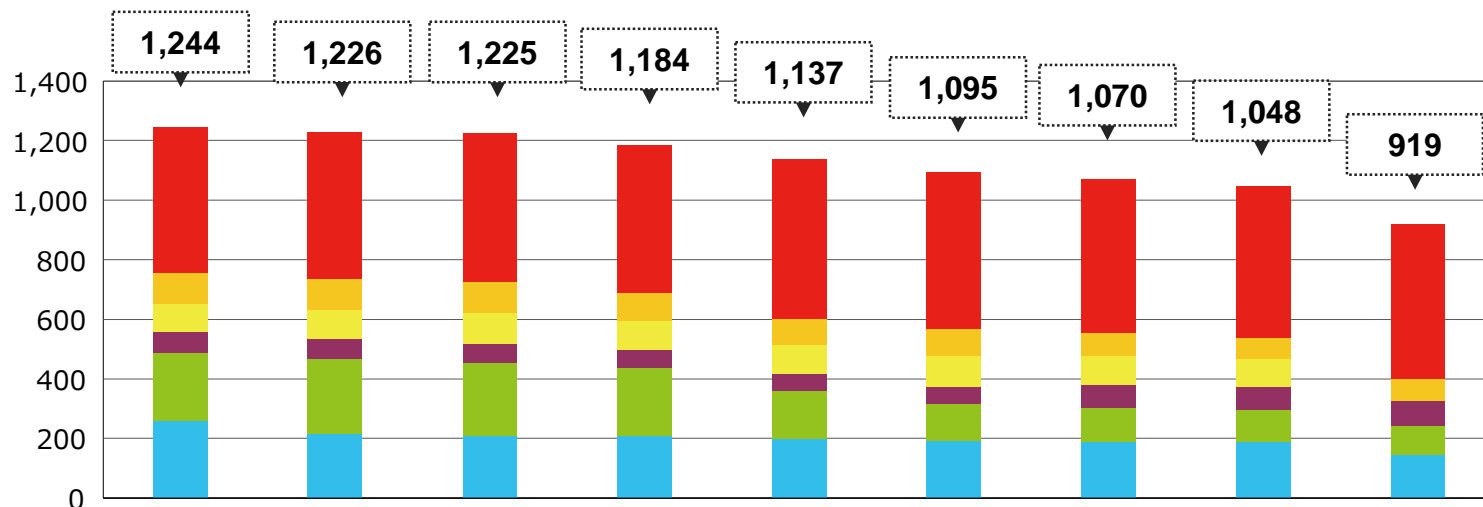
						QoQ	
	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	Change	Change (%)
Advertising	658	617	281	485	814	+328	+67.6%
Overseas	-60	11	2	75	0	-74	-99.5%
App	-40	-45	-71	-83	-73	+10	-
Media, Other	-52	-53	-44	-38	-39	-1	-
Eliminations & corporate	-343	-314	-334	-350	-289	+61	-
Total	162	214	-165	88	411	+323	+367.0%

* In conjunction with the FY2018 Q1 segment change, figures from FY2017 Q1 are displayed as the post-change segments.

3. Supplementary Materials



Quarterly Change in Group employees



(Persons)

	FY2016 Q1	FY2016 Q2	FY2016 Q3	FY2016 Q4	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1
ADW Japan	489	492	499	496	536	527	516	509	521
ADW China	103	103	104	92	86	91	77	73	72
ADW Shanghai ※ (R&D center)	96	97	105	100	98	104	99	92	0
Domestic subsidiaries	69	67	65	60	57	58	76	79	84
Overseas subsidiaries (excluding China)	226	251	244	229	161	122	113	106	98
Temporary workers, part-time employees	261	216	208	207	199	193	189	189	144
Total	1,244	1,226	1,225	1,184	1,137	1,095	1,070	1,048	919

* The number of employees at ADW Shanghai is zero due to a management buyout in March 2018.

3. Supplementary Materials



Company Overview

Company name	Adways Inc.	
Founded	February 28, 2001	
Business overview	Internet business	
Founder and CEO	Haruhisa Okamura	
Capital	JPY 1,605 mn	(As of end of June 2018)
Net sales	JPY 41,501 mn	(FY2017, Consolidated)
Employees * including temporary workers	919 (for the entire Group)	(As of end of June 2018)