

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, vibrant orange circle. The background is a complex Art Deco design with geometric patterns, including a diamond shape with horizontal stripes and dotted lines. The entire composition is framed by a wide, ornate border with vertical panels on the sides containing stylized floral motifs and a top/bottom section with repeating geometric patterns in green, gold, and red.

# ADWAYS

November 2018, Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489

Financial Results Presentation for the 3-month period ended September 30  
(FY2018 Q2)

November 2, 2018

Founder and CEO, Haruhisa Okamura





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# 1. FY2018 Q2 Performance

# 1. FY2018 Q2 Performance



## Cumulative Quarterly Results (YoY)

(JPY mn)

	FY2018 Q2 cumulative	YoY (FY2017 Q2 cumulative)		
		Result	Change	Change (%)
Net sales	22,488	21,261	+1,226	+5.8%
Gross profit	3,920	3,768	+152	+4.0%
SG&A expenses	3,354	3,391	-37	-1.1%
Operating profit	566	377	+189	+50.2%
Ordinary profit	525	396	+129	+32.7%
Profit attributable to owners of parent	262	-3	+265	-

### Net sales

Increased JPY 1,226 mn YoY (+5.8%)

### Operating profit

Increased JPY 189 mn YoY (+50.2%)



# 1. FY2018 Q2 Performance



## Quarterly Results (YoY, QoQ)

(JPY mn)

	FY2018 Q2	YoY FY2017 Q2			QoQ FY2018 Q1		
		Result	Change	Change (%)	Result	Change	Change (%)
Net sales	11,044	10,567	+476	4.5%	11,443	-399	-3.5%
Gross profit	1,802	1,913	-111	-5.8%	2,117	-315	-14.9%
SG&A expenses	1,647	1,698	-51	-3.0%	1,706	-58	-3.4%
Operating profit	154	214	-59	-27.9%	411	-256	-62.3%
Ordinary profit	206	241	-35	-14.5%	318	-112	-35.2%
Profit attributable to owners of parent	68	50	+17	+34.5%	193	-125	-64.7%

### Net sales

Increased JPY 476 mn YoY (+4.5%)  
 Decreased JPY 399 mn QoQ (-3.5%)

### Operating profit

Decreased JPY 59 mn YoY (-27.9%)  
 Decreased JPY 256 mn QoQ (-62.3%)

# 1. FY2018 Q2 Performance



## Change excluding impact of Data company (Nint) MBO

(JPY mn)

	FY2018 Q1	FY2018 Q2	Change	Change breakdown	
				(MBO)	(Other)
Net sales	11,443	11,044	-399	-228	-171
Cost price	9,326	9,241	-84	-60	-24
Gross profit	2,117	1,802	-315	-168	-147
SG&A expenses	1,706	1,647	-58	-182	+124
Operating profit	411	154	-256	+14	-271

# 1. FY2018 Q2 Performance



(Initial) FY2018 performance forecasts and results

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2018 Forecast	42,000	500	500	190
Q2 Results	22,488	566	525	262
Progress rate	53.5%	113.3%	105.1%	138.0%

\*Rounded to the first decimal place

# 1. FY2018 Q2 Performance



## Revision of FY2018 performance forecasts

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
(Initial) Forecasts	42,000	500	500	190
(Revised) Forecasts	43,000	750	800	350
Change	+1,000	+250	+300	+160
Change(%)	102.4%	150.0%	160.0%	184.2%

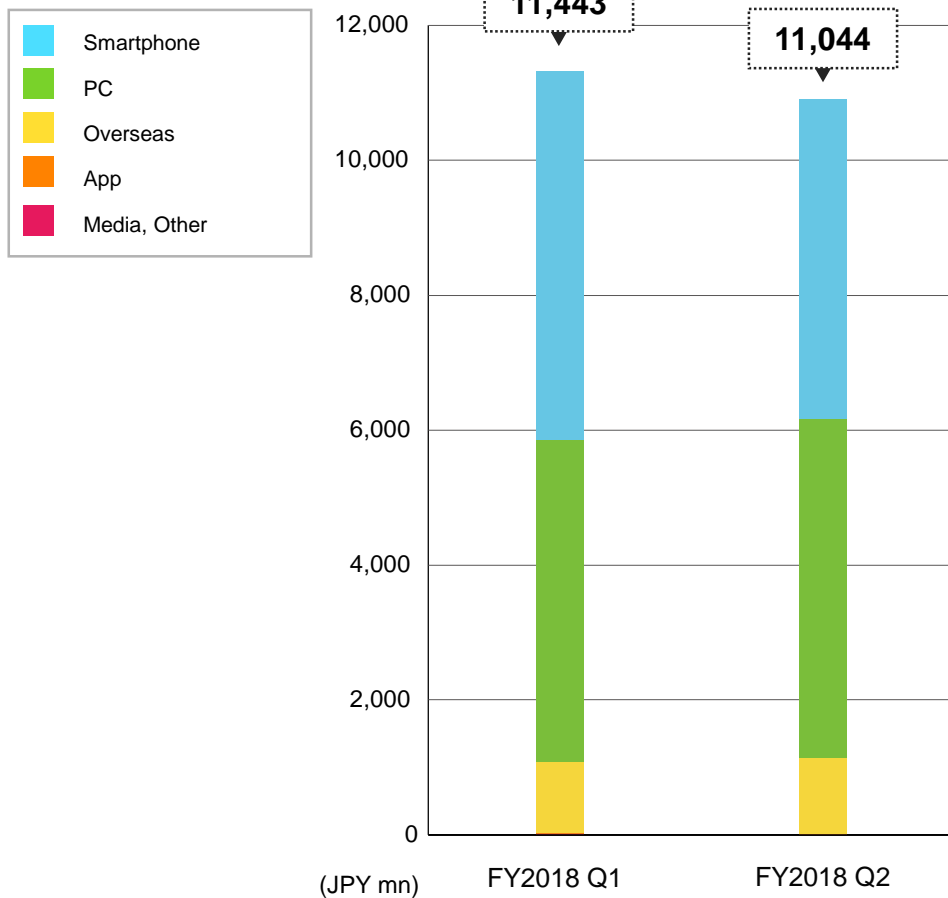
\*Rounded to the first decimal place



# 1. FY2018 Q2 Performance



## Net sales (QoQ Change)



### Domestic Advertising **JPY 9,756 mn**

QoQ: JPY -483 mn (-4.7%)

**Smartphone** (Mainly app advertising): **JPY 4,743 mn**

QoQ: JPY -721 mn (-13.2%)

Decreased in relative to the order of major game ad campaign in Q1.

**PC** (PC web advertising and smartphone web advertising)  
: **JPY 5,012 mn**

QoQ: JPY +237 mn (+5.0%)

With the strong campaigns for financial clients, Internet Division's mainstay, and increase in e-commerce campaigns, sales exceeded the strong result of Q1.

### Overseas

**JPY 1,132 mn**

QoQ: JPY +83 mn (+8.0%)

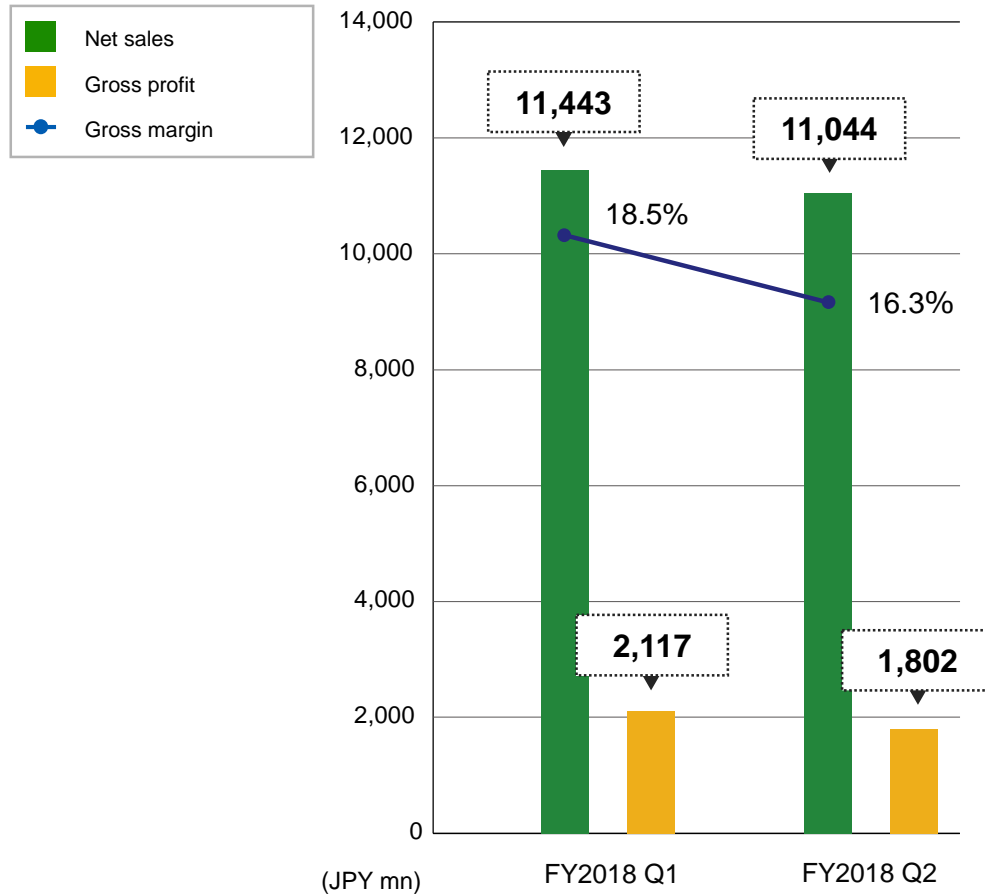
– MBO(Management Buyout) of our data business affected sales negatively, but with a major inbound campaign for Chinese app client, overall sales resulted in the increase.

\* The accounting periods of our overseas subsidiaries excluding India end in December, so their FY2018 Q2 (July – September) figures are consolidated with the Adways Group's FY2018 Q2 (April – June) figures.

# 1. FY2018 Q2 Performance



## Gross profit (QoQ Change)



**Q2 Gross profit: JPY 1,802 mn**

QoQ: JPY -315 mn (-14.9%)

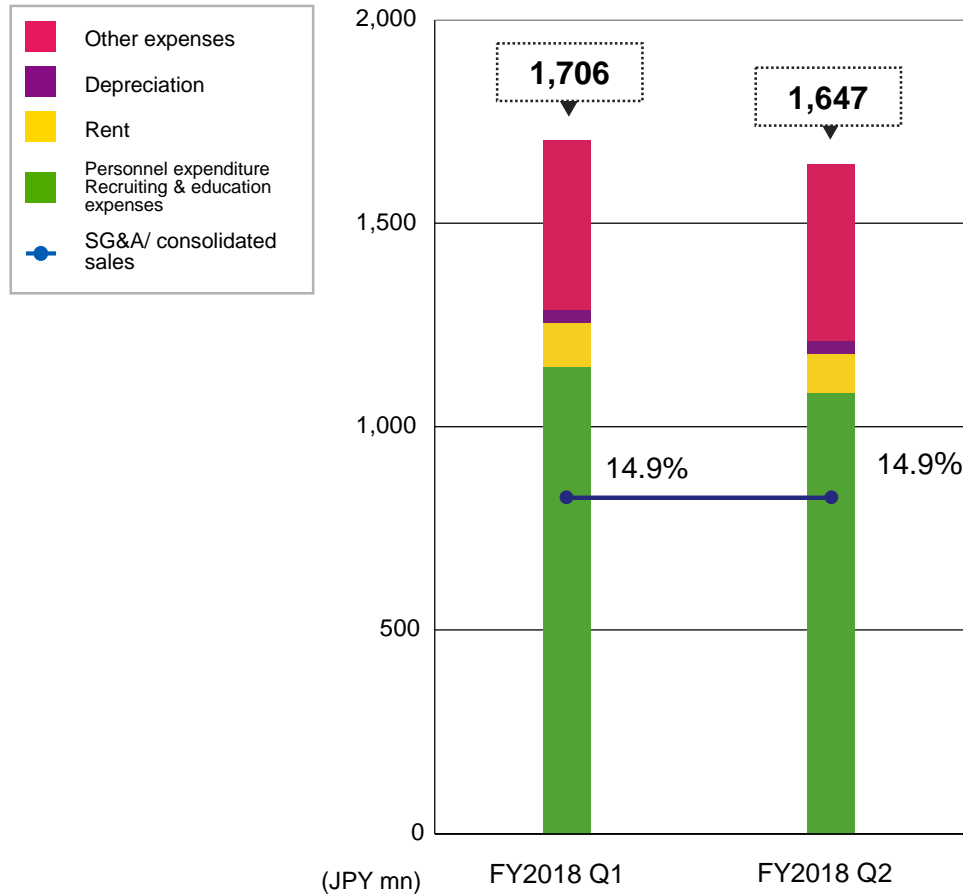
Gross margin: 16.3% (-2.2 points)

\*Within the gross profit above, the actual decrease without the impact of MBO is JPY147mn(-7.5%)

# 1. FY2018 Q2 Performance



## SG&A expenses (QoQ Change)



### Q2 SG&A expenses: JPY 1,647 mn

QoQ: JPY -58 mn (-3.4%)

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

[Impact of MBO] JPY 182 mn decrease

[Change excluding MBO] JPY 124 mn increase

Main increase factors

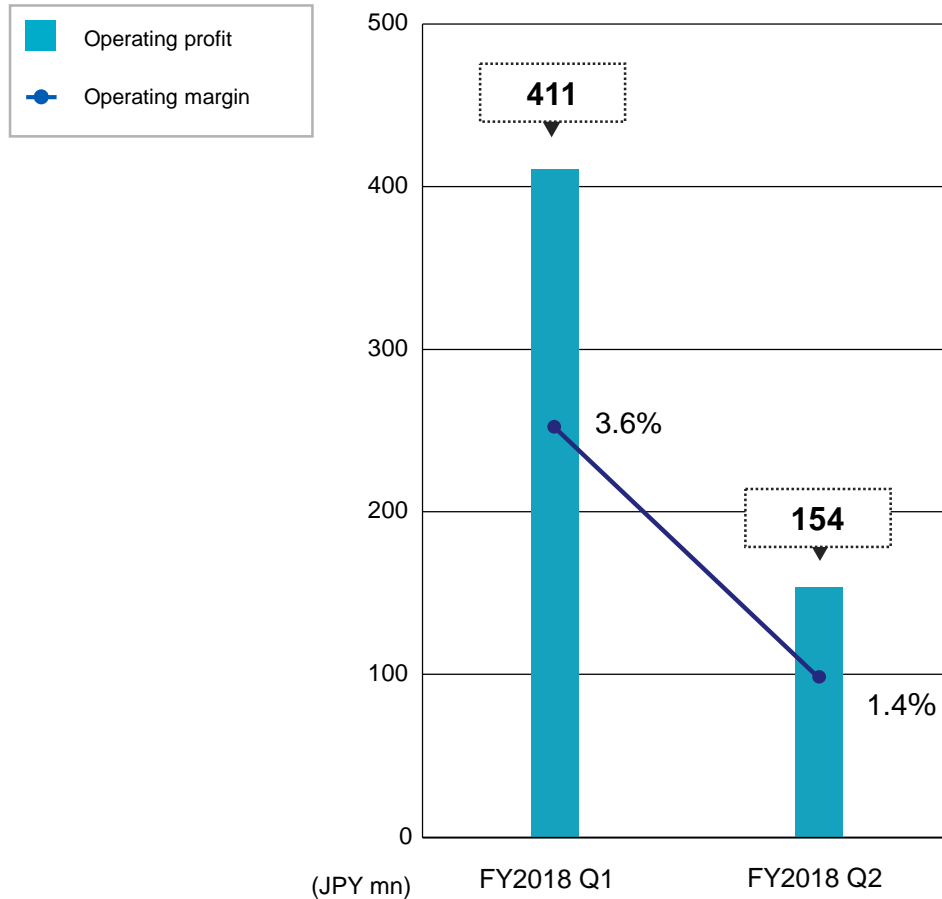
- Labor expenses: Up JPY 62 mn
- Bad debt reserves: Up JPY 54 mn



# 1. FY2018 Q2 Performance



## Operating profit (QoQ Change)



**Q2 Operating profit: JPY 154 mn**

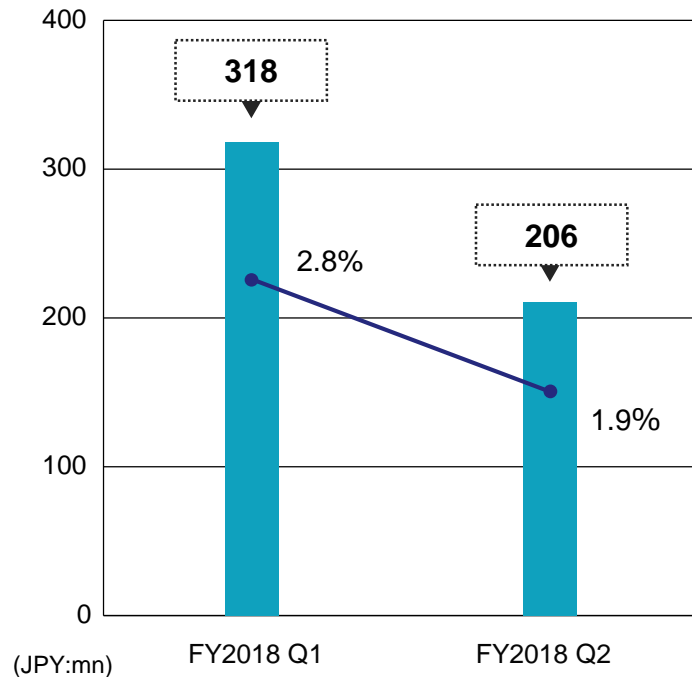
QoQ: JPY -256 mn (-62.3%)

Operating margin: 1.4% (-2.2points)

# 1. FY2018 Q2 Performance



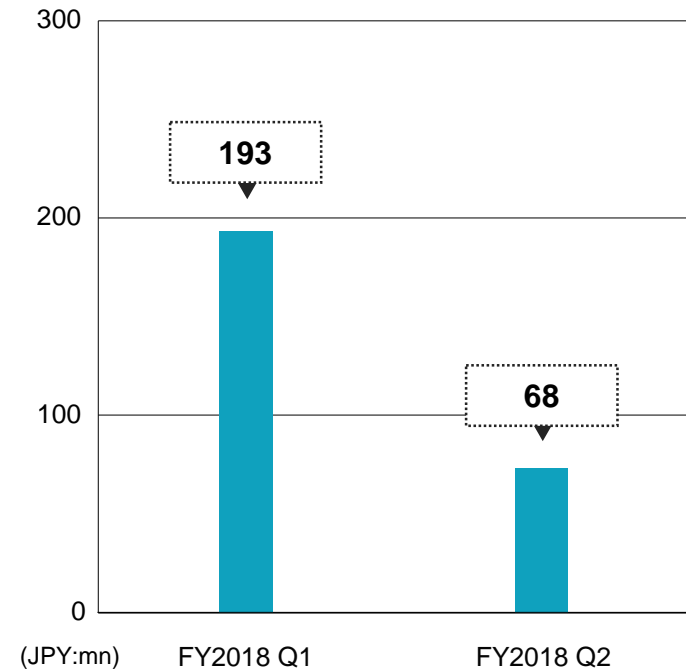
## Ordinary profit (QoQ Change)



**Q2 Ordinary profit: ¥206mn**

QoQ: JPY -112 mn (-35.2%)

## Profit attributable to owners of parent (QoQ Change)



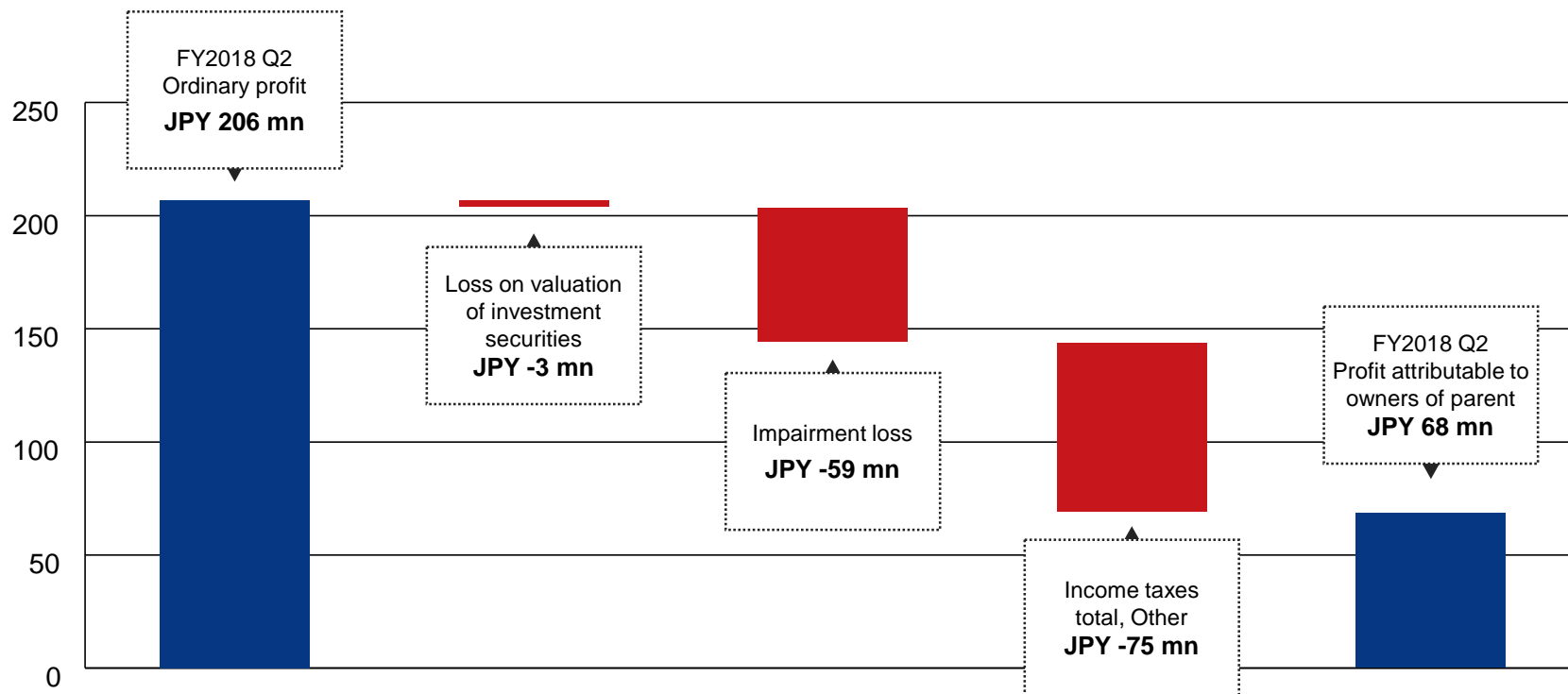
**Q2 Profit attributable to owners of parent: JPY 68 mn**

QoQ: JPY -125 mn (-64.7%)

# 1. FY2018 Q2 Performance



## Breakdown of FY2018 Q2 Profit attributable to owners of parent



Loss on valuation of investment securities [JPY -3 mn] No. of entities (4 companies)

Impairment loss [JPY -59 mn]

Income taxes total, Other [JPY -75 mn]: Including JPY -62 mn corporate tax for head office



## 2. Business Overview



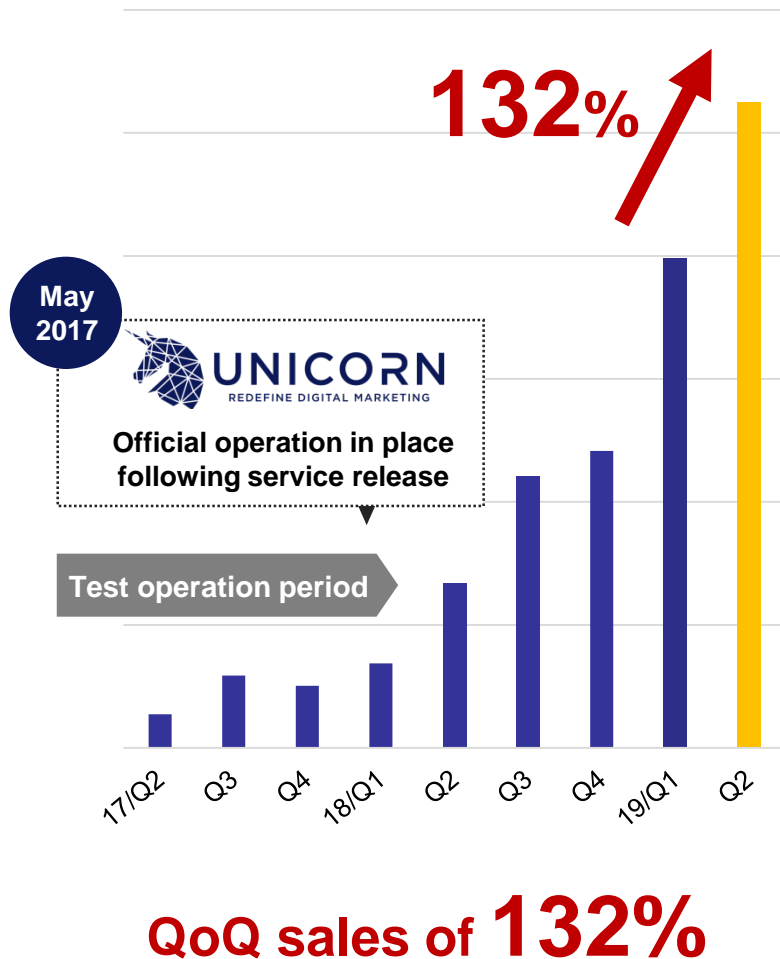
# UNICORN

REDEFINE DIGITAL MARKETING

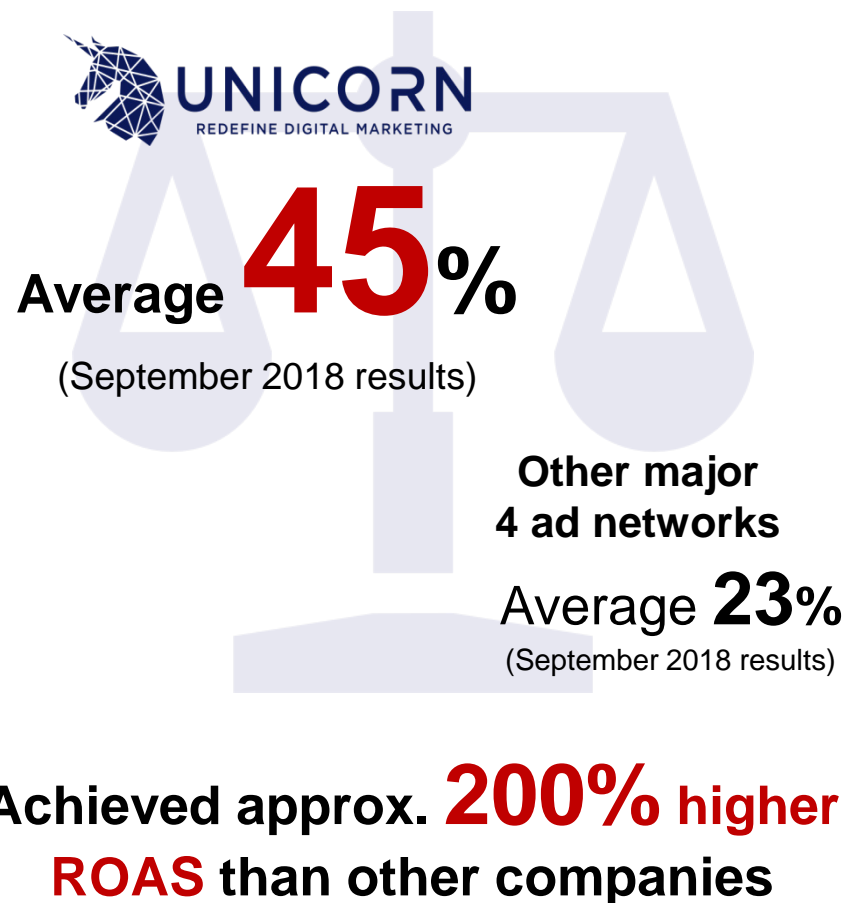


## 2. Business Overview

### UNICORN sales



### ROAS\* of users obtained through UNICORN



\* 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



### UNICORN's Potential



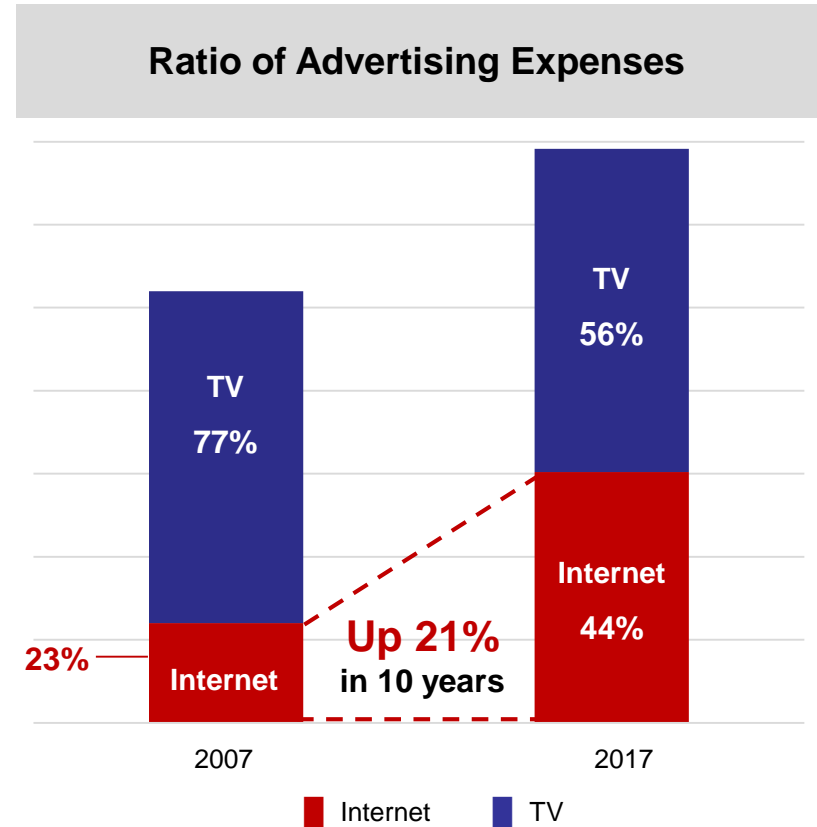
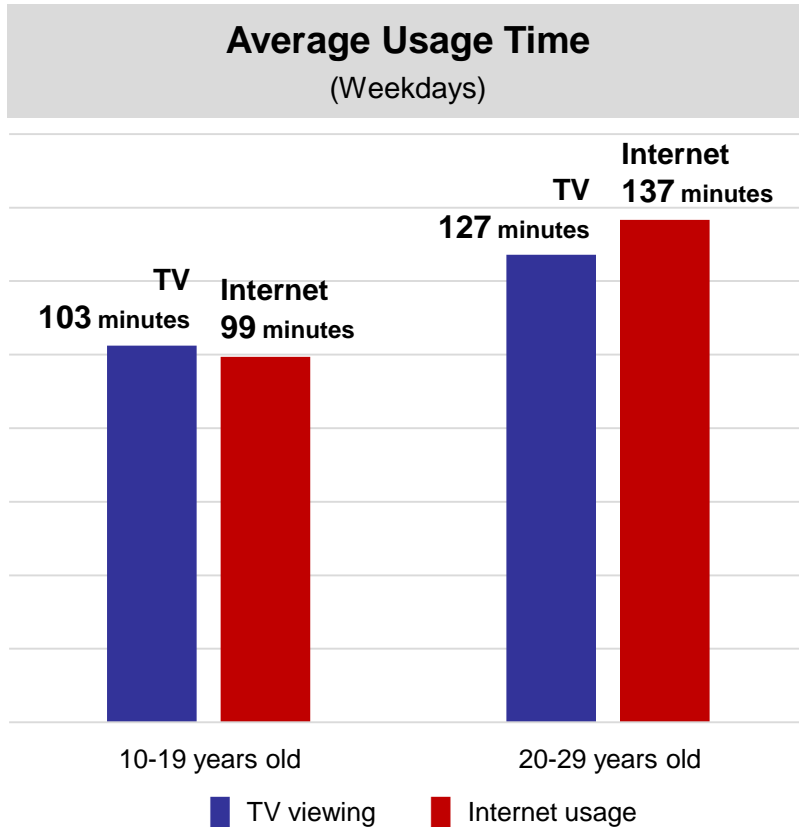
**Knowledge and machine learning data through the pursuit of effective ads can be applied to other business areas**



## 2. Business Overview



### Brands' TV ad budgets shifting to digital ad budgets



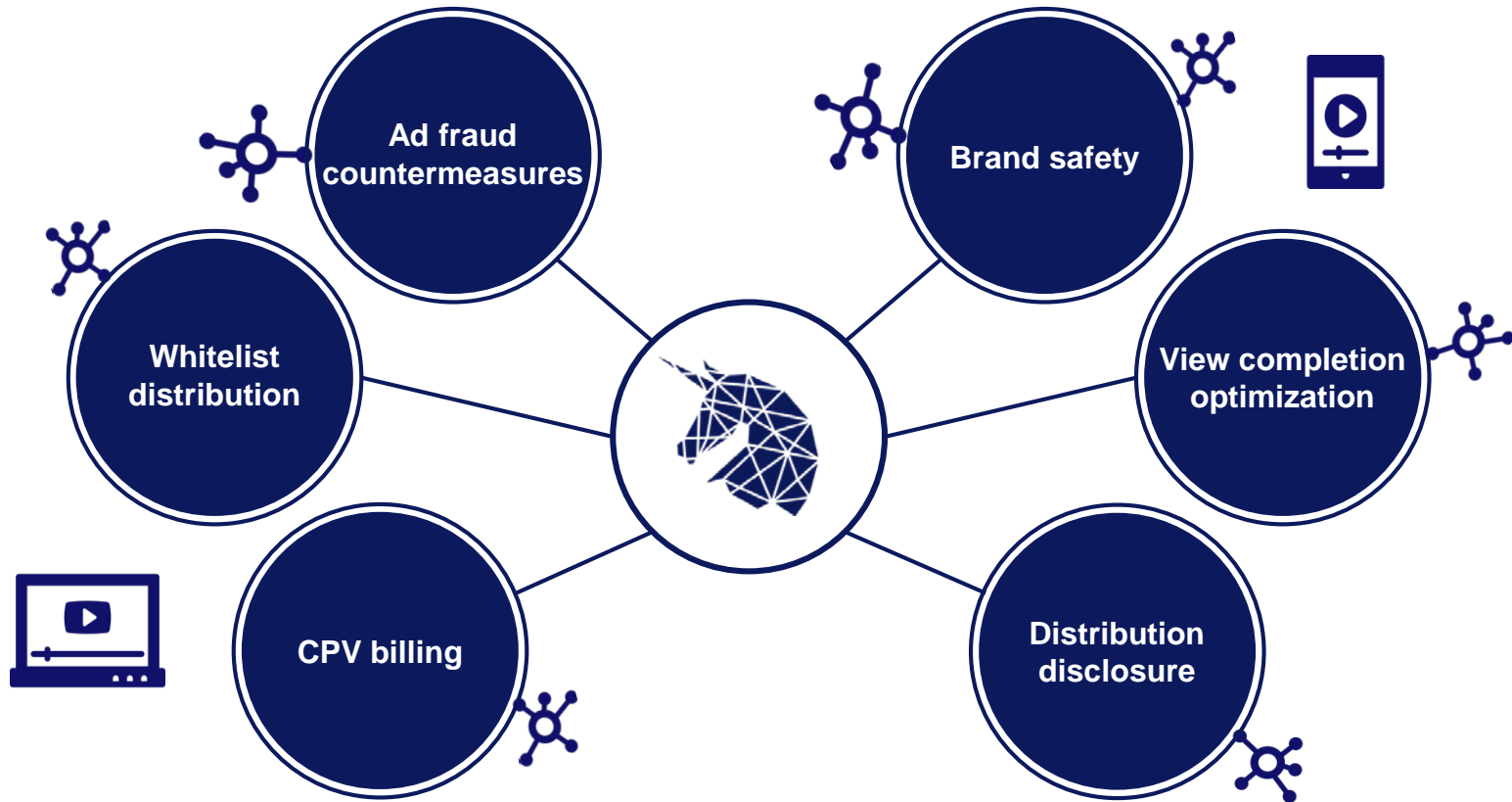
### Internet advertising is entering a **brand ad era**

Source of average time of use: WHITE PAPER Information and Communications in Japan, MIC  
Source of Advertising Expenditures component ratios by medium: Advertising Expenditures in Japan, DENTSU INC.

## 2. Business Overview



### Rebuilding UNICORN for brand ad utilizing performance-based ad expertise



**Specializing in brand video ad distribution.**





**UNICORN**  
REDEFINE DIGITAL MARKETING

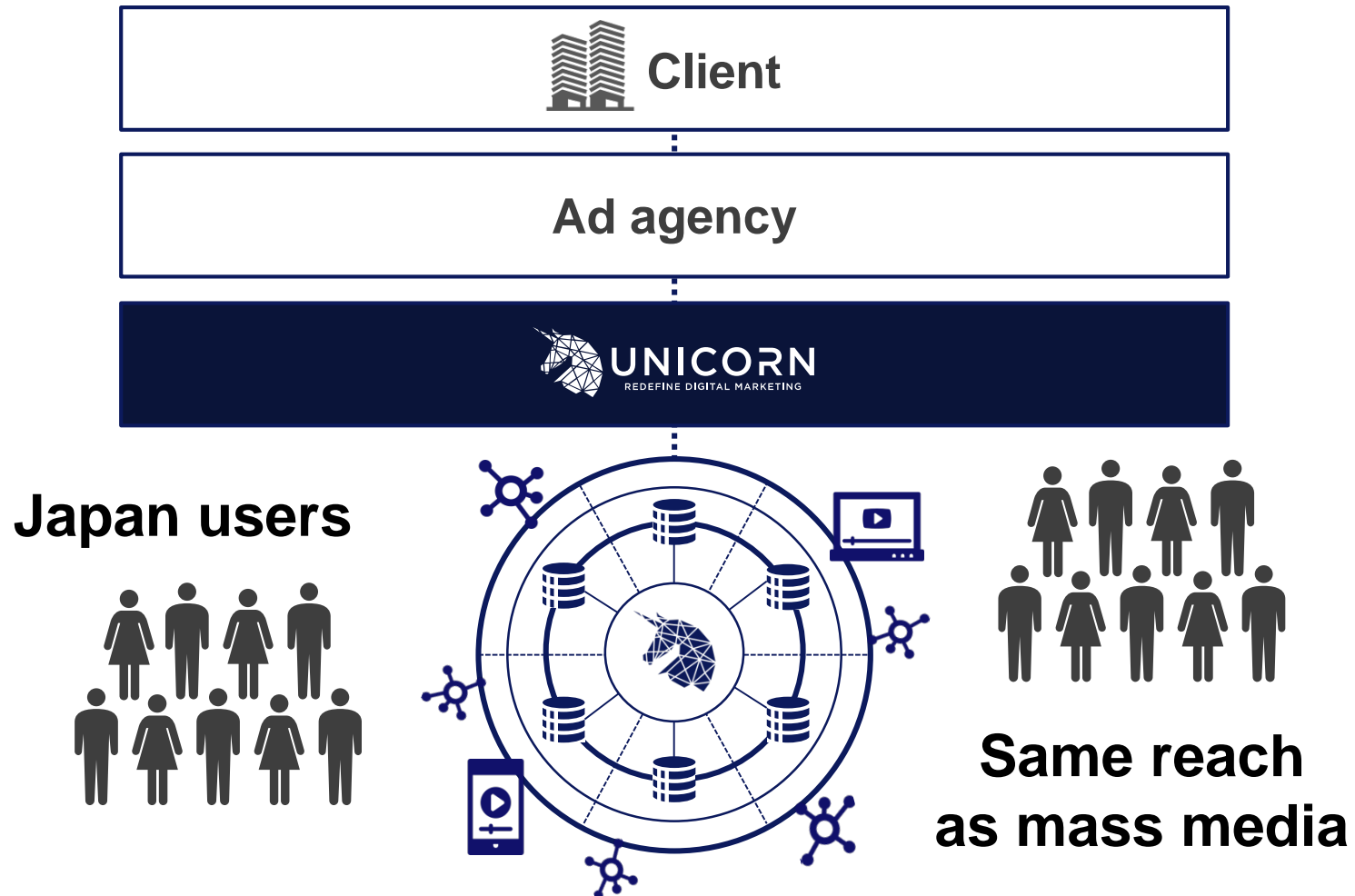
**for Brand**  
(Tentative)

**A video ad platform that specialized on brand ads**

## 2. Business Overview



**Achieving optimal distribution of brand ads to Japan users**



A comprehensive support system for performance-based ad

# STROBELIGHTS



## 2. Business Overview



**Performance maximization** through  
optimal distribution design for each media

A comprehensive support system for performance-based ad

# STROBELIGHTS



STROBELIGHTS  
**HANDZ**  
RECOMMEND

Distribution  
optimization AI



A system with  
unlimited targeting expansion



4F



4T



4Y

Google

4G

Apple

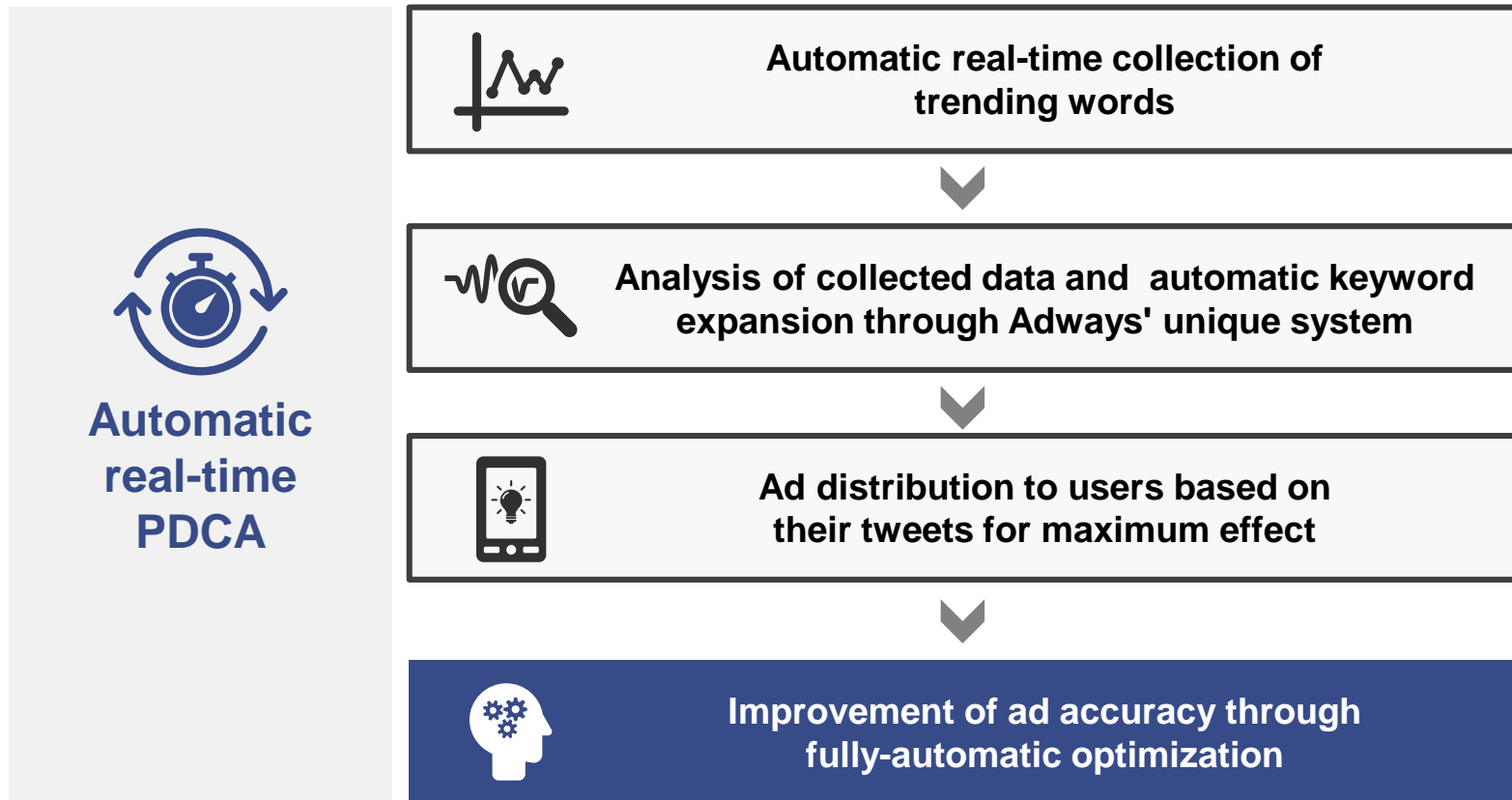
4A

etc...

## 2. Business Overview



### Example: STROBELIGHTS 4T



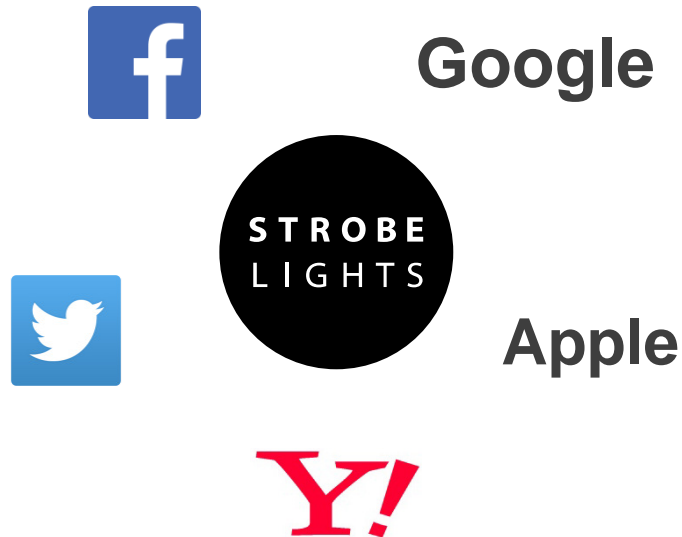
Conducting **large quantities of targeting settings** for Twitter and creating automation logic enable **faster-than-human PDCA**

## 2. Business Overview



Further headway on Major SSP **coverage**  
and **optimization of operation management** on major ad platforms

### Major ad platforms



### Web/Apps/Ad traffic





## 2. Business Overview



**New Ad contents and solutions utilizing influencers supported by Brasta Inc., a new subsidiary family of Adways**

### YouTuber



Launched YouTuber-collaboration chocolate at Lawson across Japan (November 13)

### Vtuber



Held Japan's first Vtuber event at Yomiuriland

### Celebrities



Designed Gudetama & Jin Akanishi collaborative characters and applied for intellectual property right

## 2. Business Overview




Held **Japan's largest** Vtuber event at **Yomiuriland**



**Record sales for a Vtuber event** in Japan with tickets, merchandise, food, etc.

\*Based on our research





# 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

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OMG, This is Amazing

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## **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 November 2, 2018 and a variety of factors may cause the statements to differ from actual results.

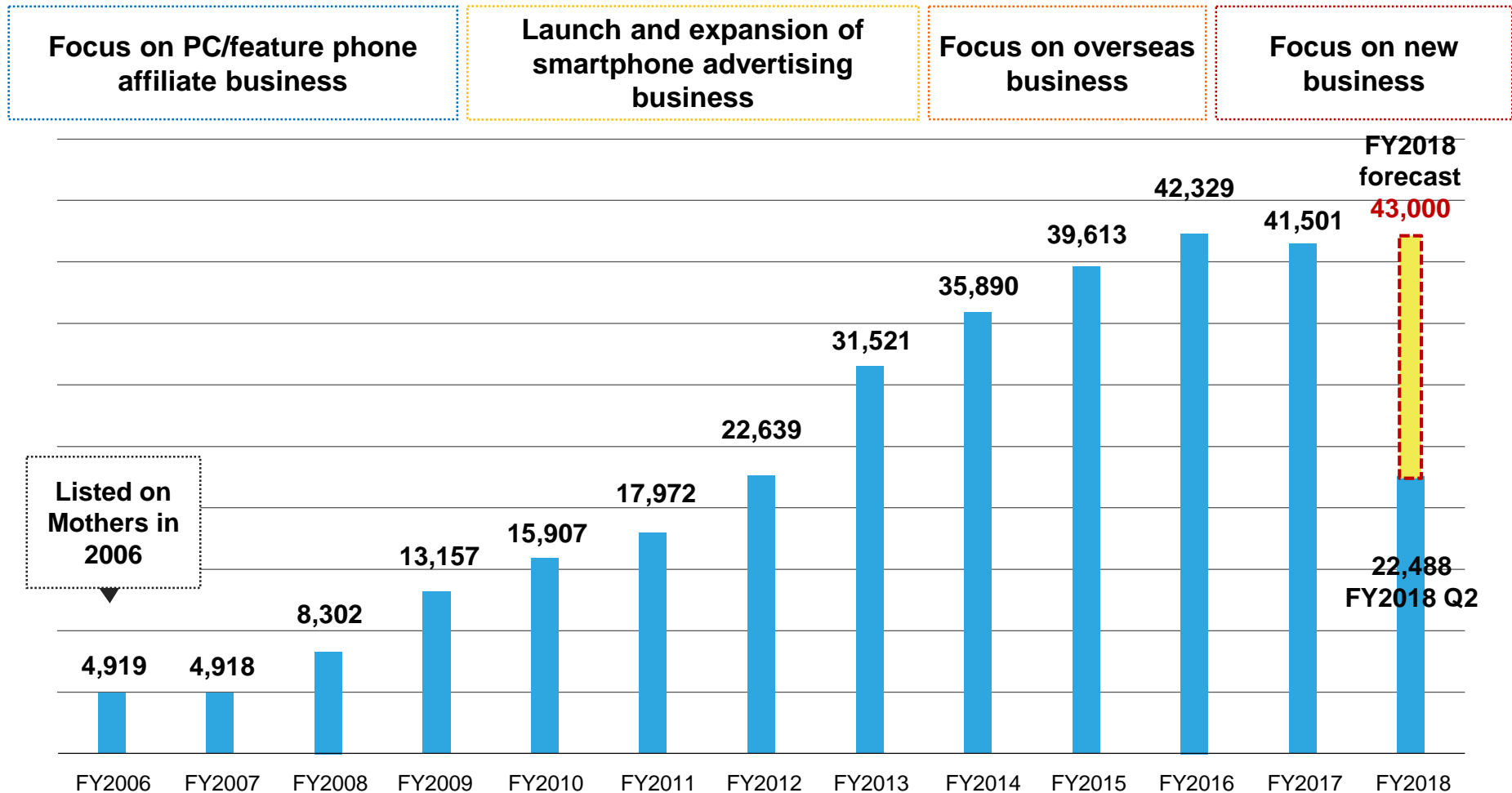


### 3. Supplementary Materials

# 3. Supplementary Materials



## Consolidated Trend of Sales



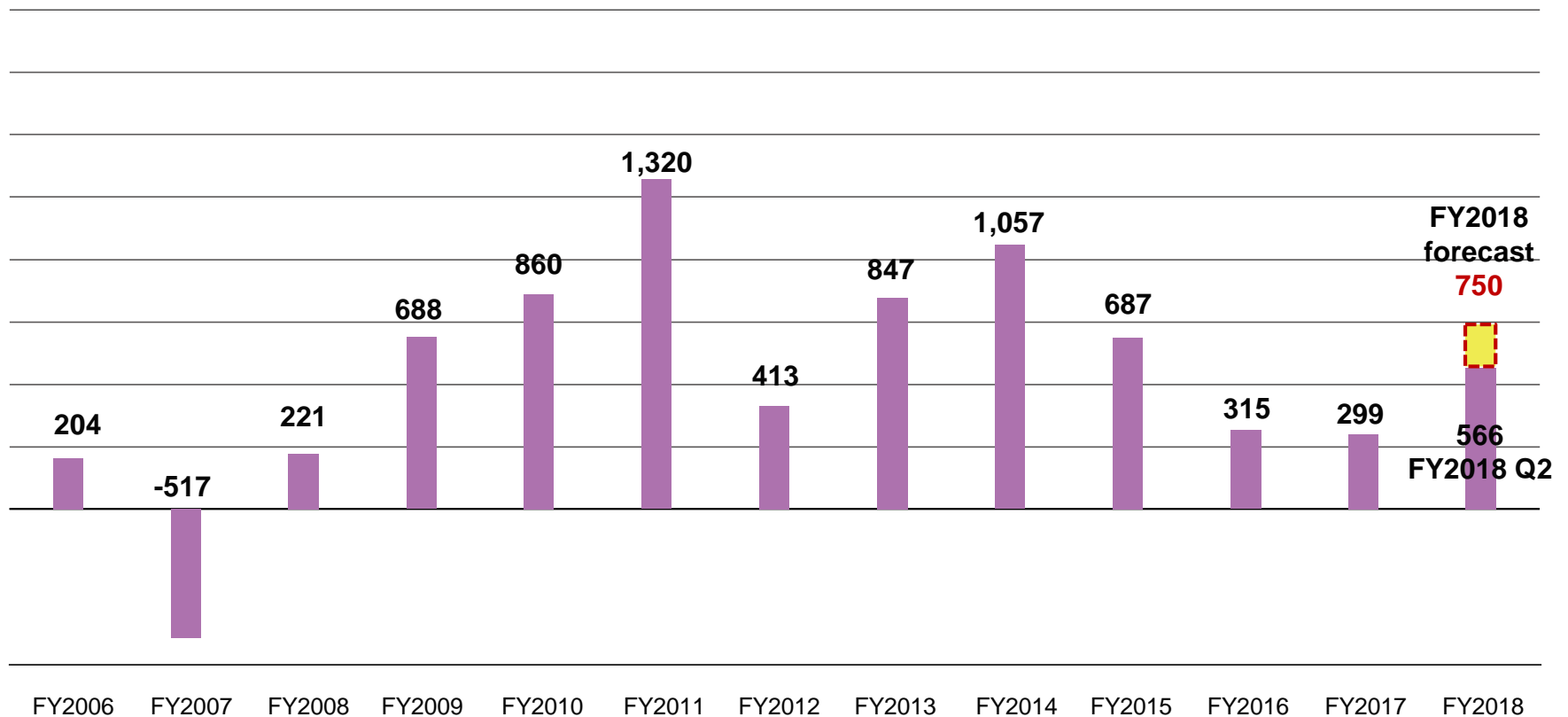
(JPY mn)



# 3. Supplementary Materials



## Consolidated Trend of Operating profit

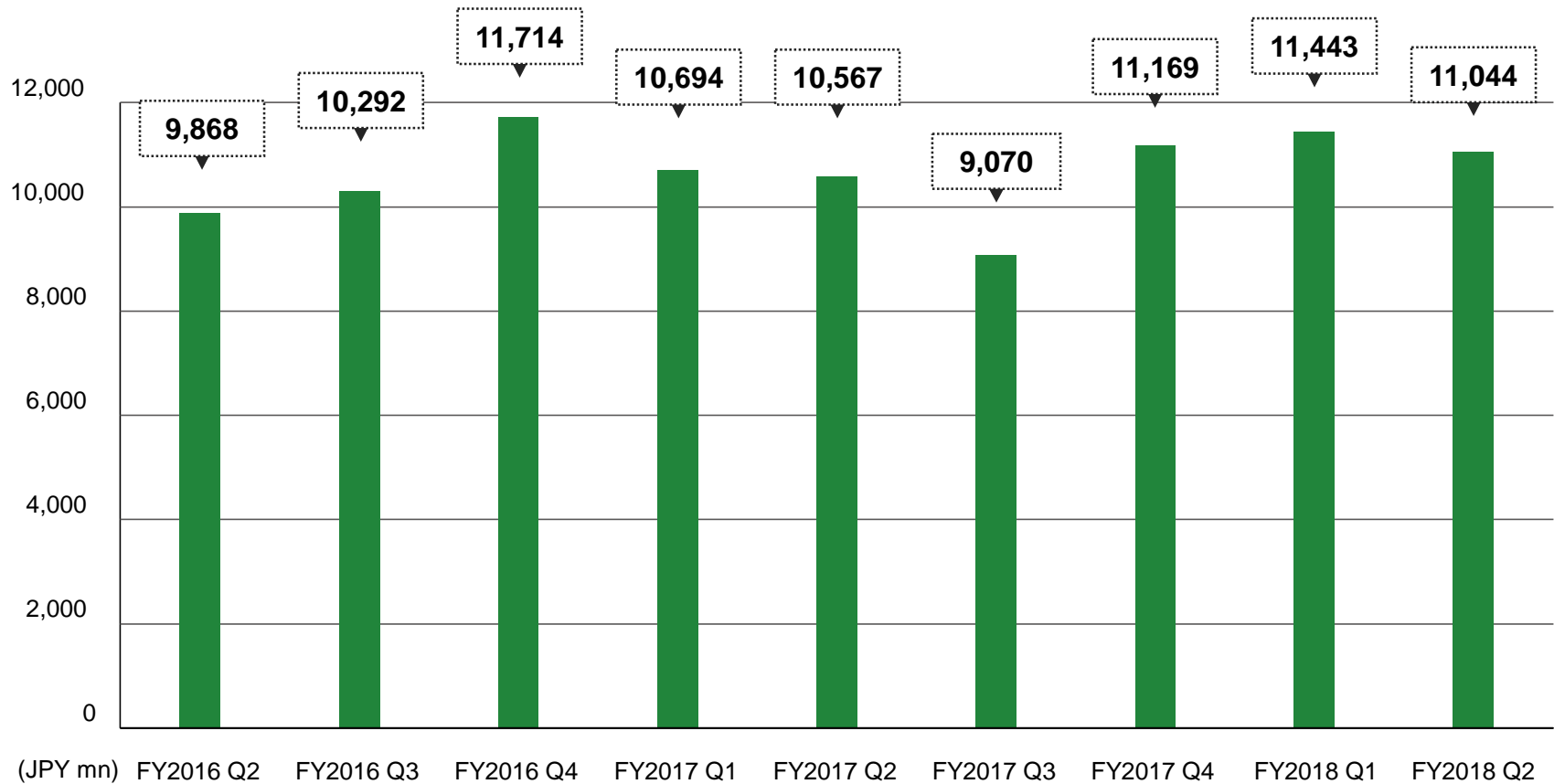


(JPY mn)

# 3. Supplementary Materials



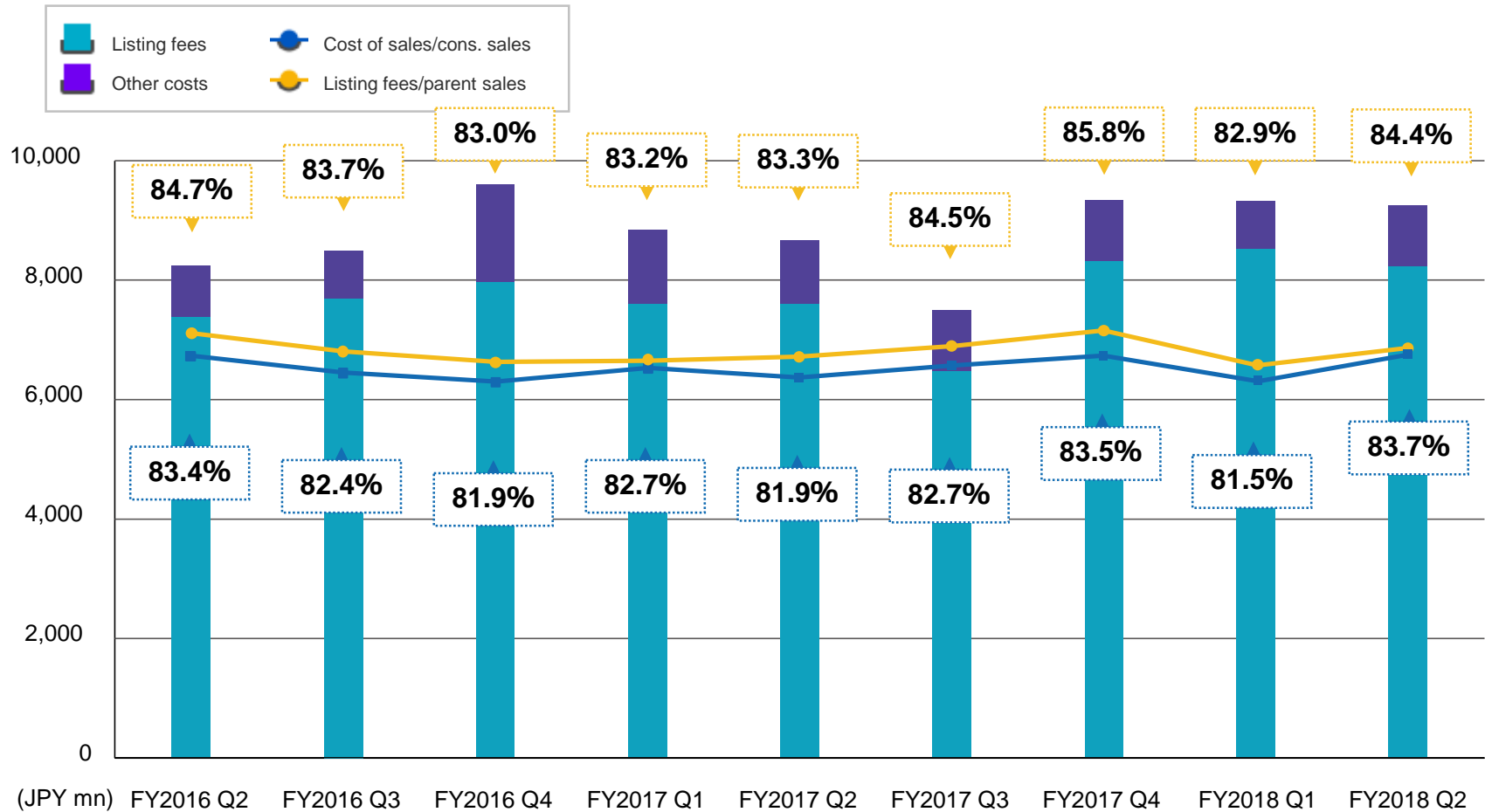
## Quarterly Change in Consolidated Sales



# 3. Supplementary Materials



## Quarterly Change in Consolidated Cost of sales

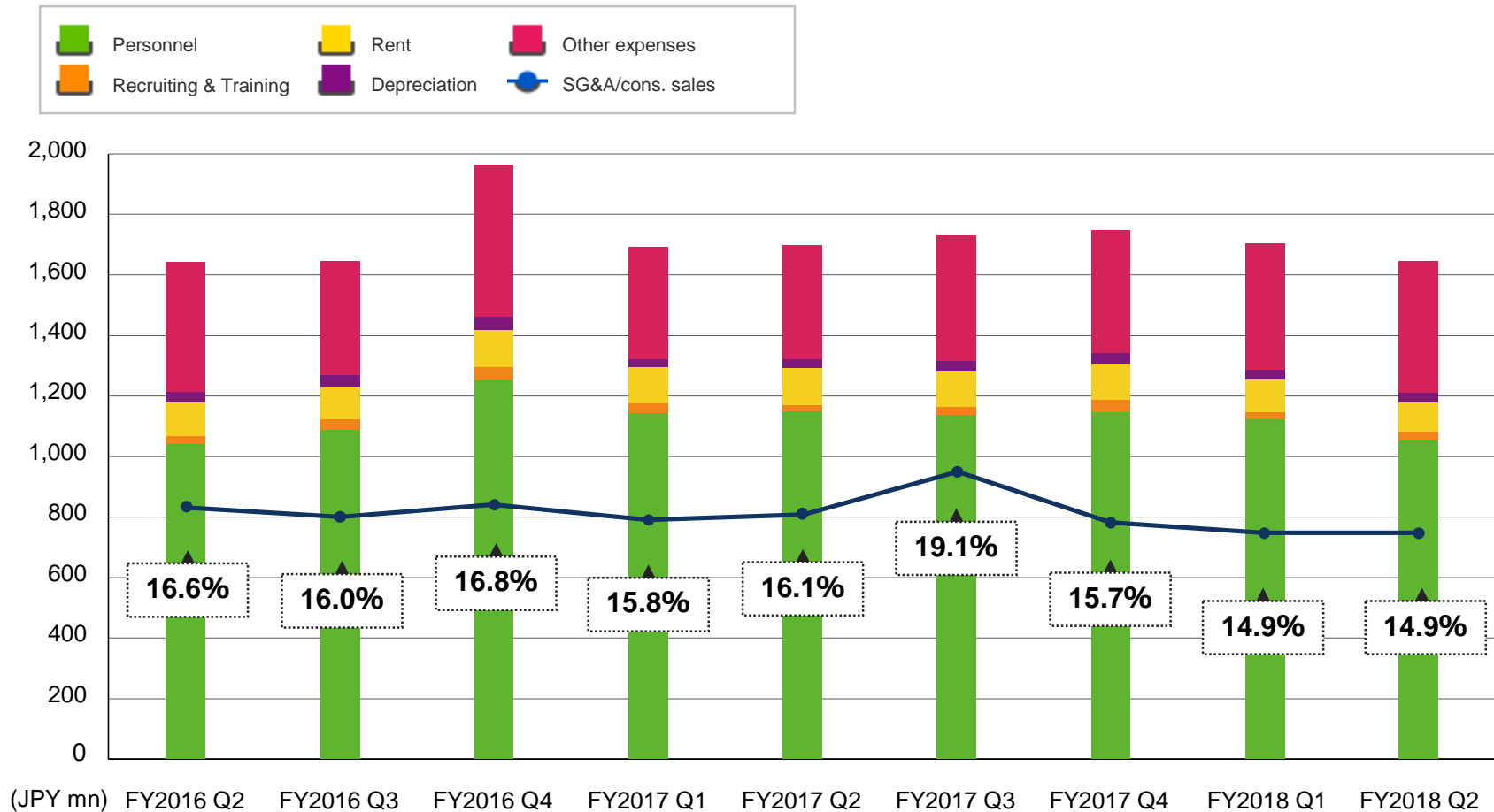




# 3. Supplementary Materials



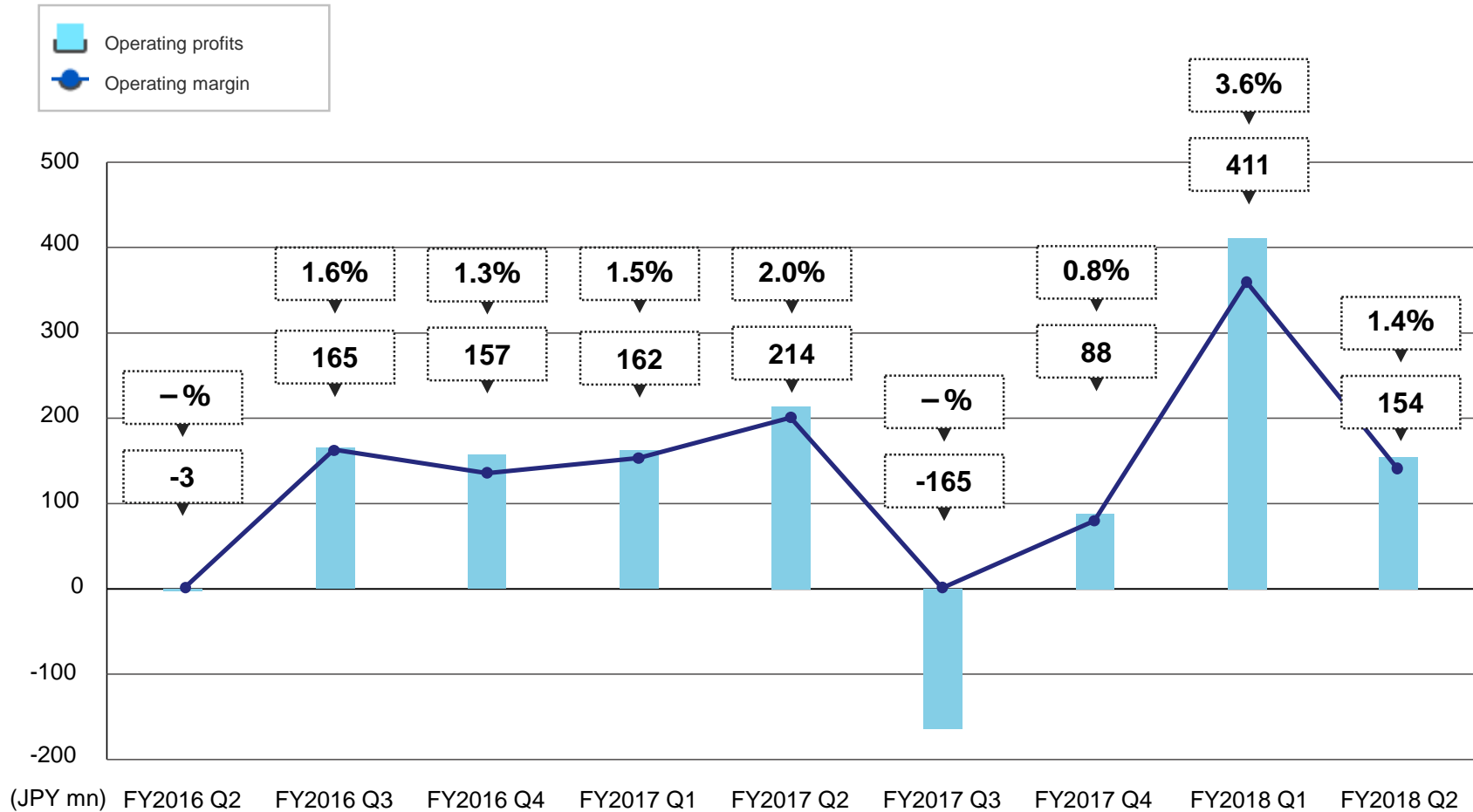
## Quarterly Change in Consolidated SG&A expenses



# 3. Supplementary Materials



## Quarterly Change in Consolidated Operating profit



# 3. Supplementary Materials



## Consolidated Balance Sheet (QoQ)

(JPY mn)

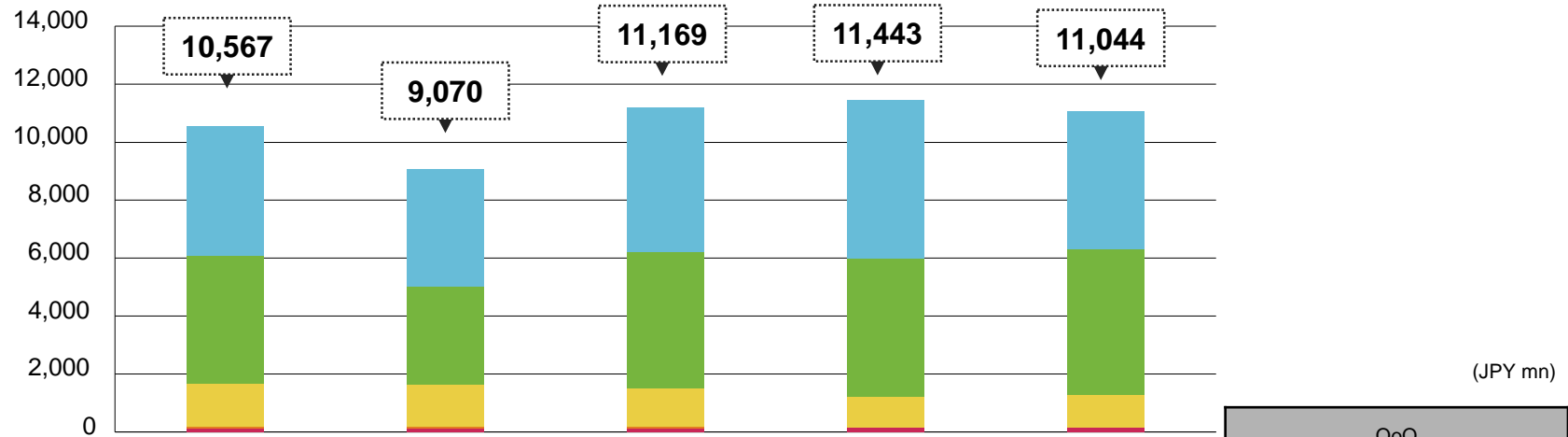
	FY2018 Q2	FY2018 Q1	Change (¥mn)	Change (%)
Current assets	15,717	16,034	-317	-2.0%
(Cash and deposits)	9,584	9,967	-383	-3.8%
Non-current assets	2,649	2,620	+28	+1.1%
Total assets	18,366	18,655	-288	-1.5%
Current liabilities	7,182	7,499	-316	-4.2%
Non-current liabilities	118	131	-12	-9.7%
Total liabilities	7,301	7,631	-329	-4.3%
Net assets	11,065	11,024	+40	+0.4%



# 3. Supplementary Materials



## Quarterly Breakdown of Consolidated Sales by Segment



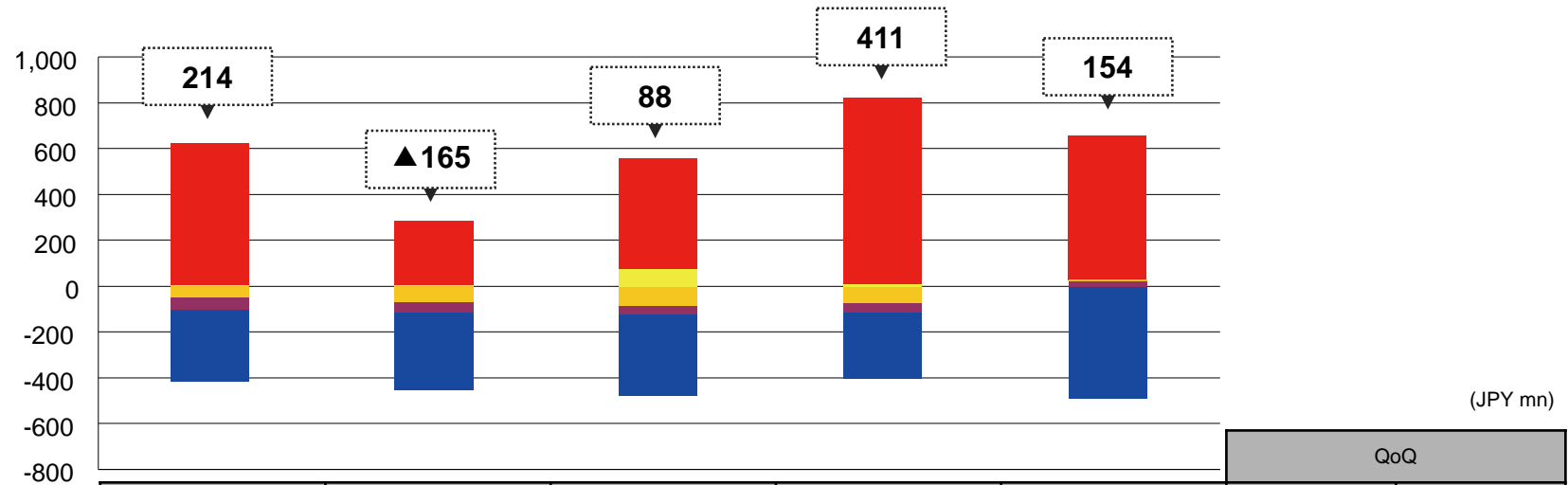
	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	QoQ	
						Change	Change (%)
Smartphone	4,771	4,317	4,960	5,464	4,743	-721	-13.2%
PC	4,420	3,407	4,706	4,774	5,012	+237	+5.0%
Overseas	1,209	1,164	1,330	1,049	1,132	+83	+8.0%
App	54	50	47	20	—	-20	—
Media, Other	111	129	123	135	155	+20	+15.1%
Total	10,567	9,070	11,169	11,443	11,044	-399	-3.5%

\* In conjunction with the FY2018 Q1 segment change, the previous figures are displayed according to the segments after the change.

# 3. Supplementary Materials



## Quarterly Breakdown of Consolidated Operating Profit by Segment

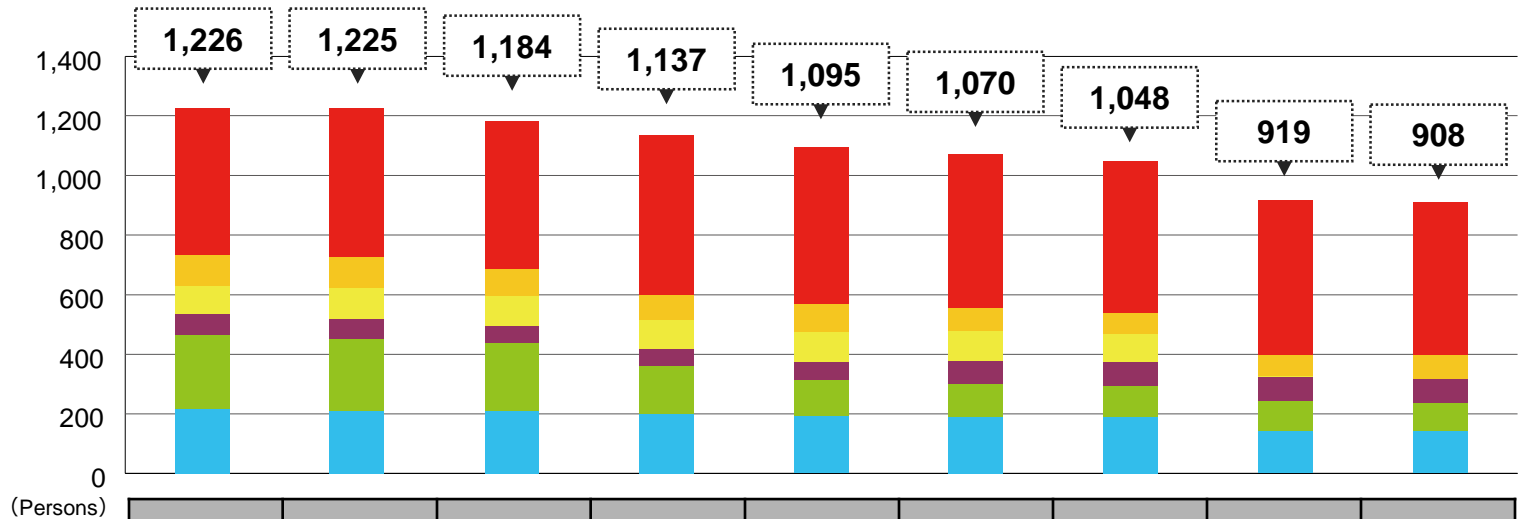


\* In conjunction with the FY2018 Q1 segment change, the previous figures are displayed according to the segments after the change.

# 3. Supplementary Materials



## Quarterly Change in Group employees



	FY2016 Q2	FY2016 Q3	FY2016 Q4	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2
ADW Japan	492	499	496	536	527	516	509	521	512
ADW China	103	104	92	86	91	77	73	72	80
ADW Shanghai ※ (R&D center)	97	105	100	98	104	99	92	0	0
Domestic subsidiaries	67	65	60	57	58	76	79	84	82
Overseas subsidiaries (excluding China)	251	244	229	161	122	113	106	98	91
Temporary workers, part-time employees	216	208	207	199	193	189	189	144	143
Total	1,226	1,225	1,184	1,137	1,095	1,070	1,048	919	908

\* 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 Sep 2018)
Net sales	JPY 41,501 mn	(FY2017, Consolidated)
Employees * including temporary workers	908 (for the entire Group)	(As of end of Sep 2018)