

The logo for ADWAYS, featuring the letters A, D, W, A, Y, and S in a bold, black, sans-serif font. The letters are slightly irregular, with the 'A' and 'Y' having a unique, angular design. The logo is centered within a white rectangular box that has a gold border and is decorated with red and blue geometric patterns in the corners.

ADWAYS

February 2019 , Presentation Material

TOKYO STOCK EXCHANGE MOTHERS STOCK CODE : 2489

Financial Results Presentation for the 3-month period ended December 31
(FY2018 Q3)

February 5, 2019

Founder and CEO, Haruhisa Okamura



1. FY2018 Q3 Performance P.2
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1. FY2018 Q3 Performance

1. FY2018 Q3 Performance



Cumulative Quarterly Results (YoY)

(JPY mn)

	FY2018 Q3 cumulative	YoY (FY2017 Q3 cumulative)		
		Result	Change	Change (%)
Net sales	32,526	30,332	+2,194	+7.2%
Gross profit	5,553	5,335	+217	+4.1%
SG&A expenses	4,865	5,124	-258	-5.1%
Operating profit	687	211	+476	+225.7%
Ordinary profit	674	204	+470	+229.8%
Profit attributable to owners of parent	392	-215	+607	—

Net sales

Increased JPY 2,194 mn YoY (+7.2%)

Operating profit

Increased JPY 476 mn YoY (+225.7%)

1. FY2018 Q3 Performance



Quarterly Results (YoY, QoQ)

(JPY mn)

	FY2018 Q3	YoY FY2017 Q3			QoQ FY2018 Q2		
		Result	Change	Change (%)	Result	Change	Change (%)
Net sales	10,038	9,070	+968	+10.7%	11,044	-1,006	-9.1%
Gross profit	1,632	1,567	+65	+4.2%	1,802	-169	-9.4%
SG&A expenses	1,511	1,733	-221	-12.8%	1,647	-136	-8.3%
Operating profit	121	-165	+287	—	154	-33	-21.6%
Ordinary profit	149	-191	+340	—	206	-57	-27.9%
Profit attributable to owners of parent	130	-211	+341	—	68	+61	+90.7%

Net sales

Increased JPY 968 mn YoY (+10.7%)
 Decreased JPY 1,006 mn QoQ (-9.1%)

Operating profit

Increased JPY 287 mn YoY (—)
 Decreased JPY 33 mn QoQ (-21.6%)

1. FY2018 Q3 Performance



FY2018 performance forecasts and results

(JPY mn)

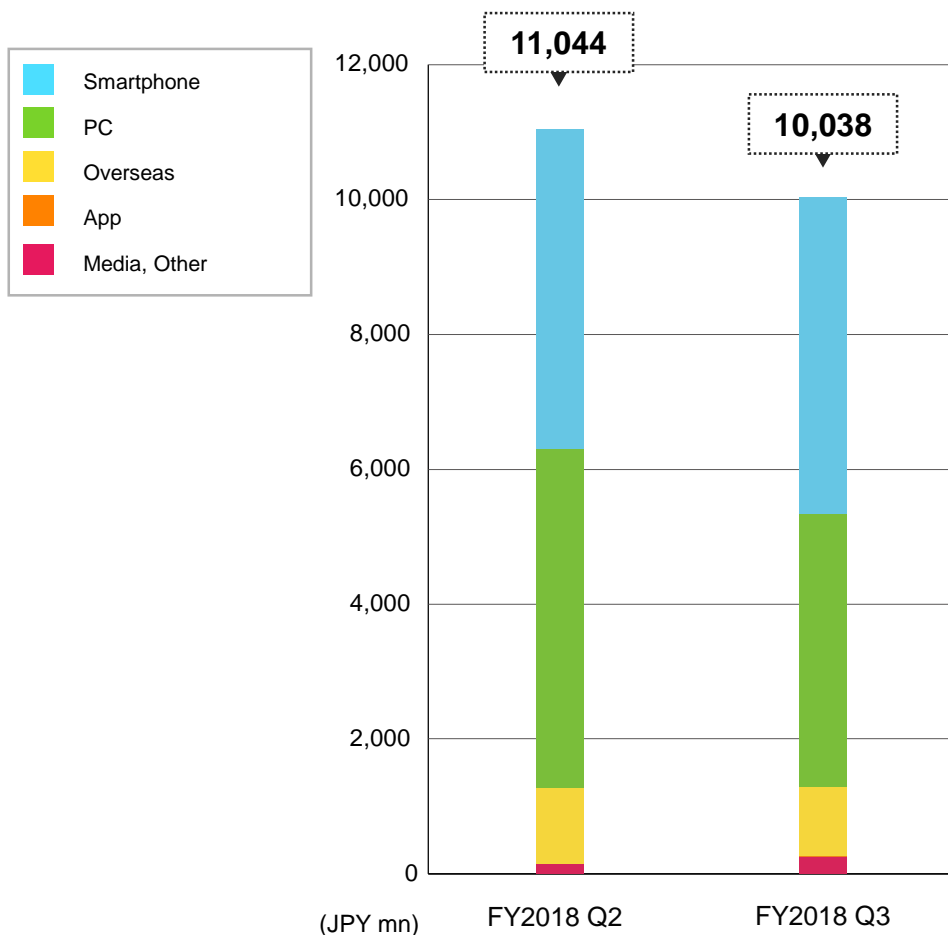
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2018 Forecast	43,000	750	800	350
Q3 Results	32,526	687	674	392
Progress rate	75.6%	91.7%	84.3%	112.1%

*Rounded to the first decimal place

1. FY2018 Q3 Performance



Net sales (QoQ Change)



Domestic Advertising **JPY 8,746 mn**

QoQ: JPY -1,009 mn (-10.3%)

Smartphone (Mainly app advertising)

: **JPY 4,695 mn**

QoQ: JPY -48 mn (-1.0%)

- Decline due to the reduction of ad budgets for inbound campaign by overseas clients, despite the orders from major clients remaining strong.

PC (PC web advertising and smartphone web advertising)

: **JPY 4,051 mn**

QoQ: JPY -960 mn (-19.2%)

- Decline due to the decrease in the number of ads by some clients in the financial sector as well as the budget reduction of EC clients in health food, beauty-related and other businesses.

Overseas **JPY 1,031 mn**

QoQ: JPY -101 mn (-8.9%)

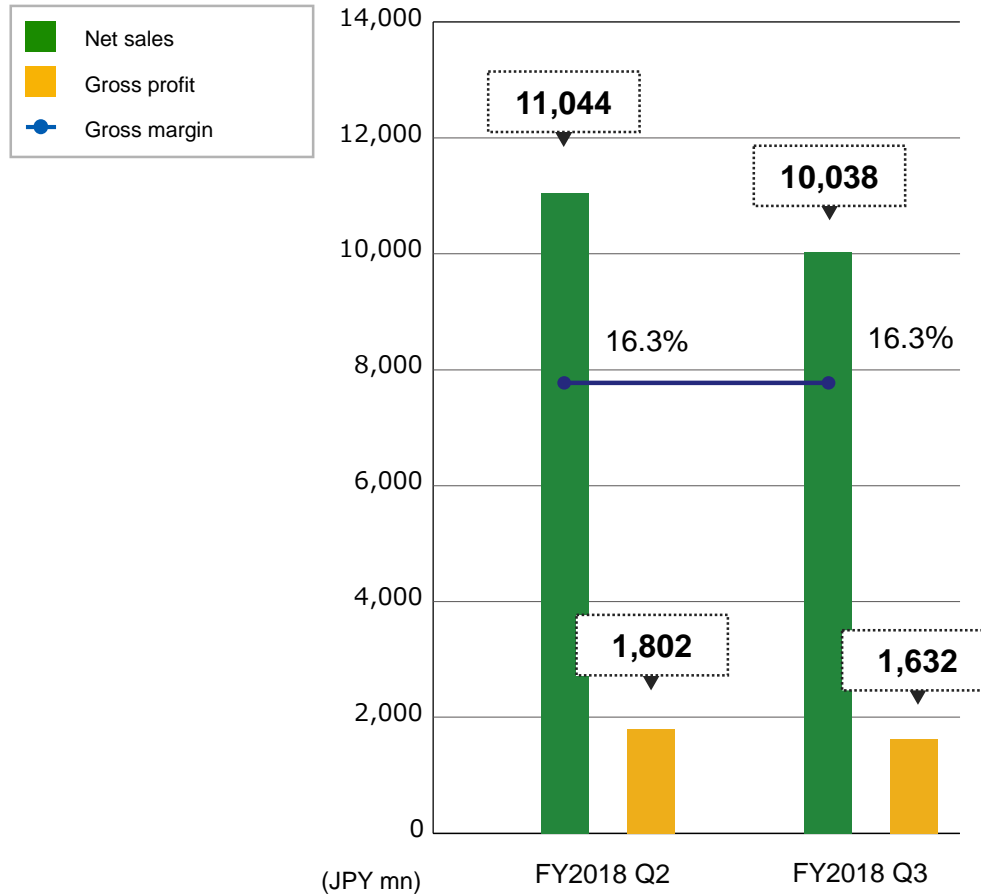
- Decline due to the decrease in the number of ads for game apps which performed strongly in Q2.

* The accounting periods of our overseas subsidiaries excluding India end in December, so their FY2018 Q3 (July – September) figures are consolidated with the Adways Group's FY2018 Q3 (October – December) figures.

1. FY2018 Q3 Performance



Gross profit (QoQ Change)



Q3 Gross profit: JPY 1,632 mn

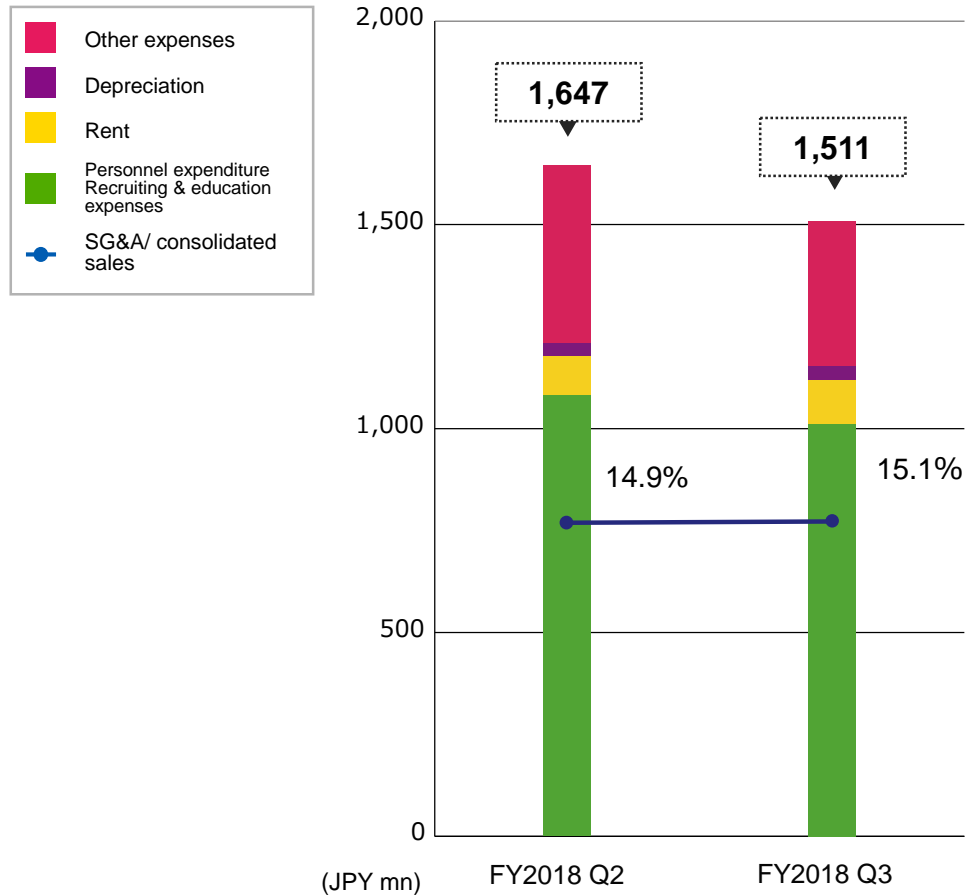
QoQ: JPY -169 mn (-9.4%)

Gross margin: 16.3% (—)

1. FY2018 Q3 Performance



SG&A expenses (QoQ Change)



Q3 SG&A expenses: JPY 1,511 mn

QoQ: JPY -136 mn (-8.3%)

SG&A to sales ratio: 15.1% (+0.2%)

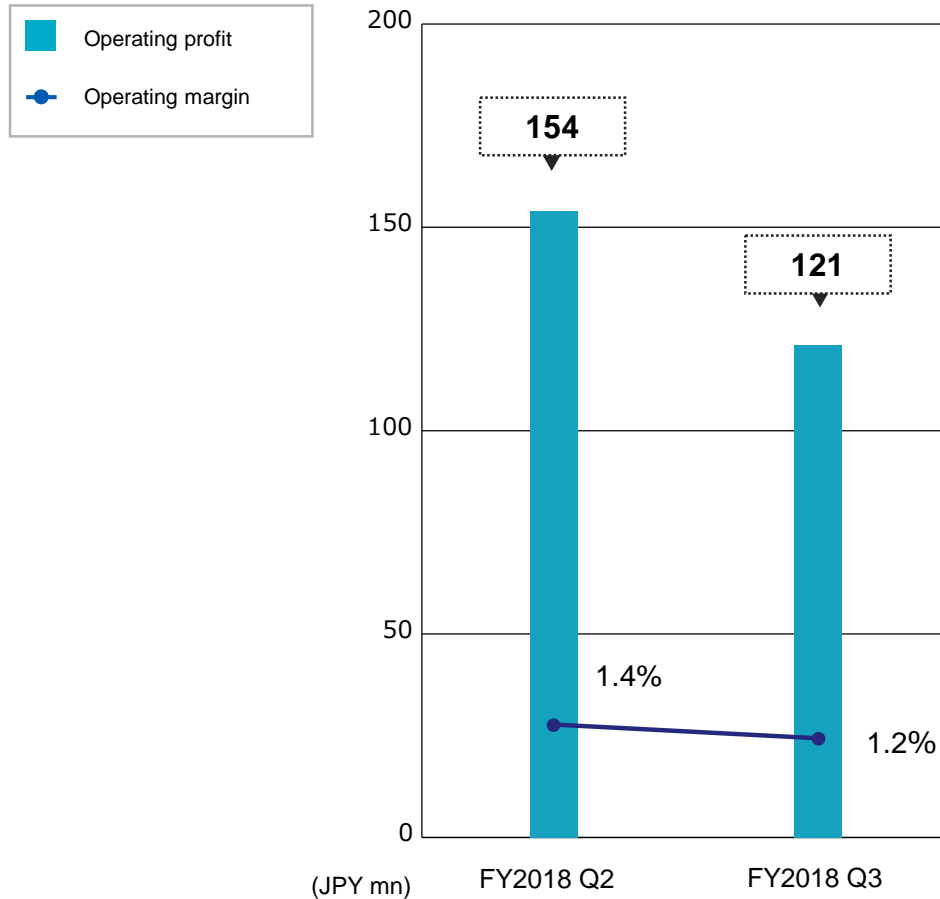
Main decreased factors

- Labor expenses: Down JPY 78 mn
- Provision of allowance for doubtful accounts: Down JPY 61 mn

1. FY2018 Q3 Performance



Operating profit (QoQ Change)



Q3 Operating profit: JPY 121 mn

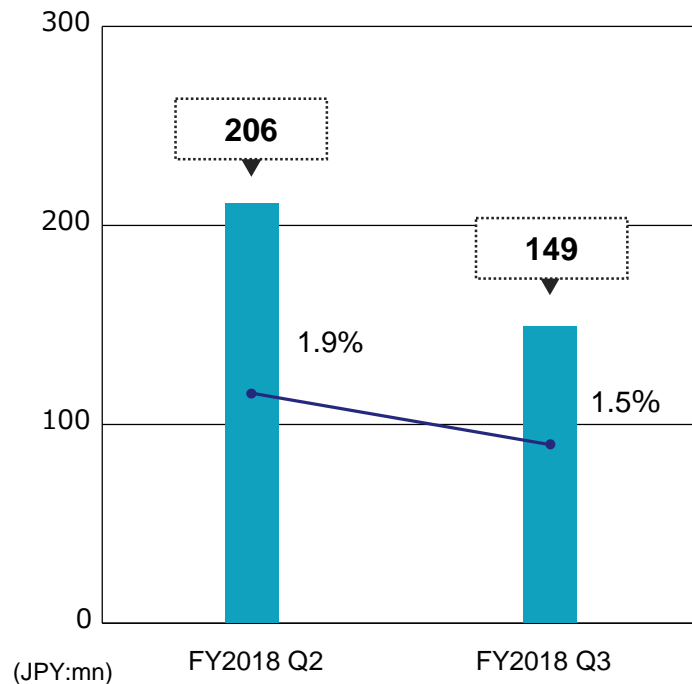
QoQ: JPY -33 mn (-21.6%)

Operating margin: 1.2% (-0.2points)

1. FY2018 Q3 Performance



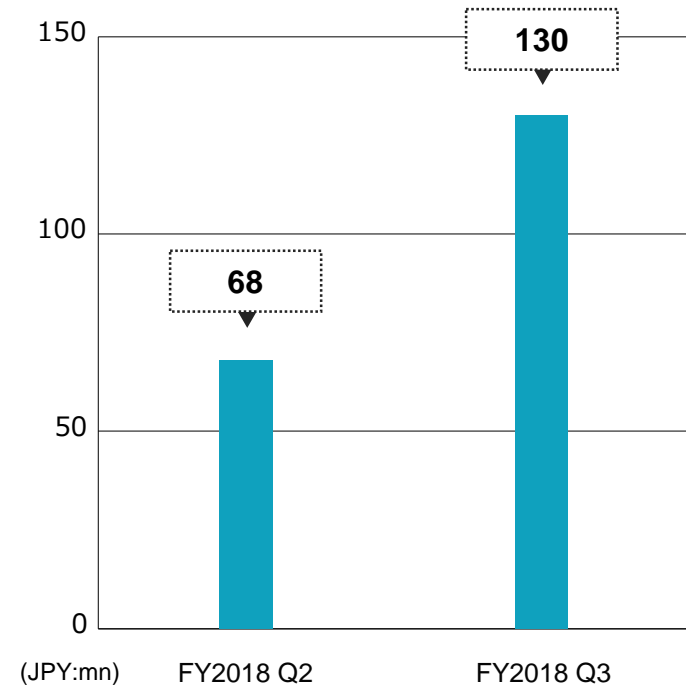
Ordinary profit (QoQ Change)



Q3 Ordinary profit: ¥149mn

QoQ: JPY -57 mn (-27.9%)

Profit attributable to owners of parent (QoQ Change)



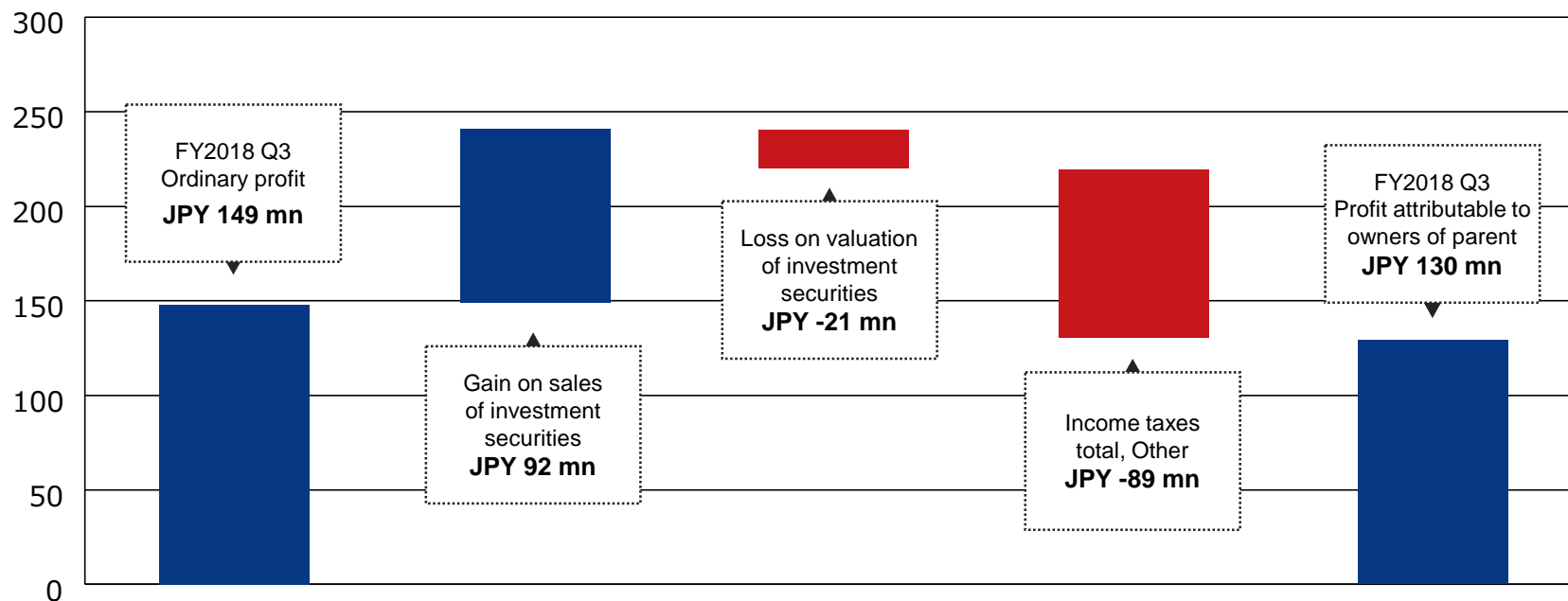
Q3 Profit attributable to owners of parent: JPY 130 mn

QoQ: JPY +61 mn (+90.7%)

1. FY2018 Q3 Performance



Breakdown of FY2018 Q3 Profit attributable to owners of parent



(JPY:mn)

Gain on sales of investment securities [JPY +92 mn] No. of entities (2 companies)

Loss on valuation of investment securities [JPY -21 mn] No. of entities (1 companies)

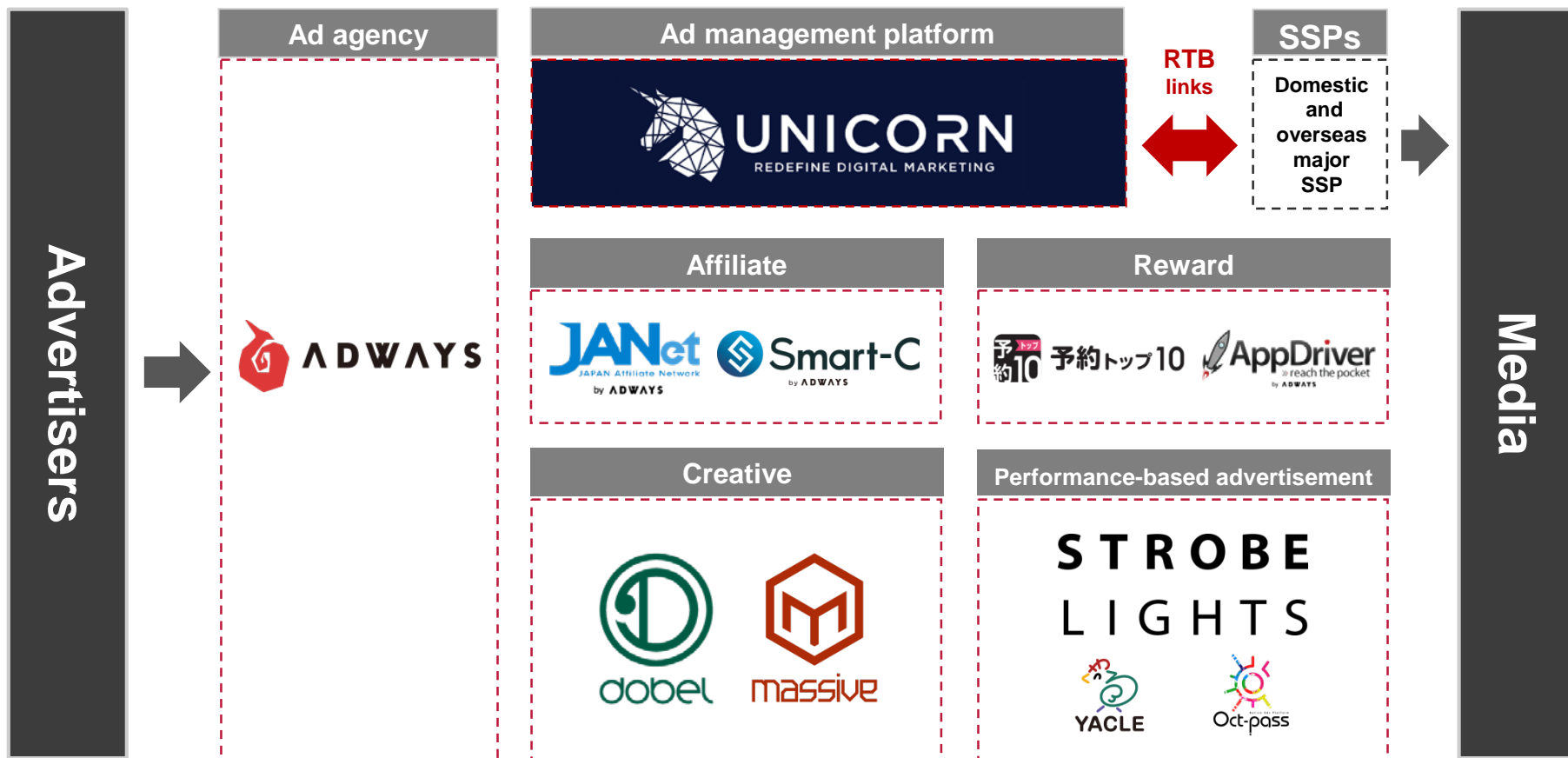
Income taxes total, Other [JPY -89 mn]: Including JPY -66 mn corporate tax for head office

2. Business Overview

2. Business Overview



Scope of advertising business



2. Business Overview



Adways' internet advertising business

Ad platform business



JANet
JAPAN Affiliate Network
by ADWAYS

Smart-C
by ADWAYS

AppDriver
» reach the pocket
by ADWAYS

予約トップ10 予約トップ10

UNICORN
REDEFINE DIGITAL MARKETING

Ad Agency business



STROBELIGHTS

dobel

massive

YACLE

The logo features a stylized 'X' composed of two overlapping chevron-like shapes pointing right, rendered in white.

STROBE LIGHTS X

2. Business Overview— Ad Agency Business



What is STROBELIGHTS X?



A comprehensive support system for
performance-based advertisement

STROBELIGHTS X

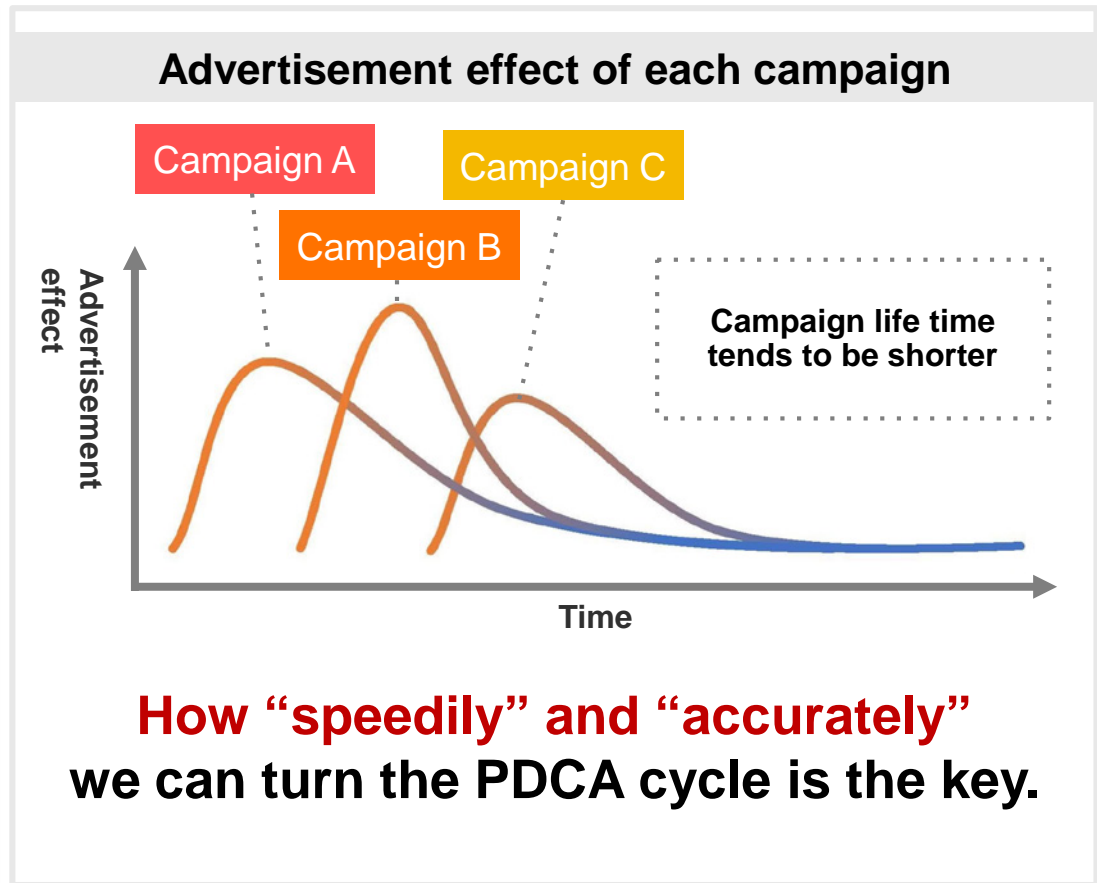
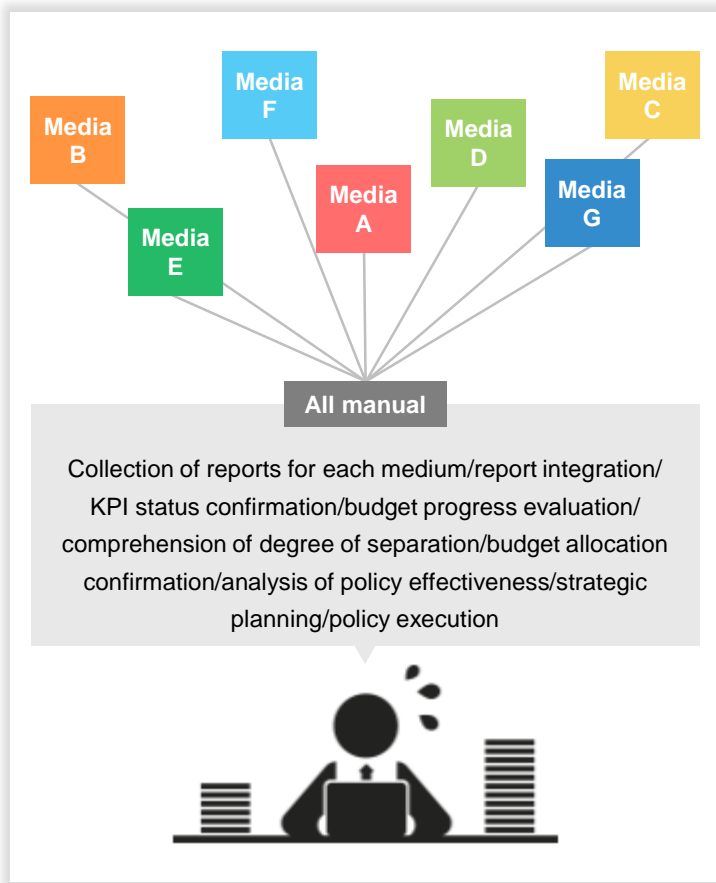
Comprehensive dashboard enabling **integrated management of
delivery status for each global mega platform.**

2. Business Overview— Ad Agency Business



Conventional performance-based advertisement

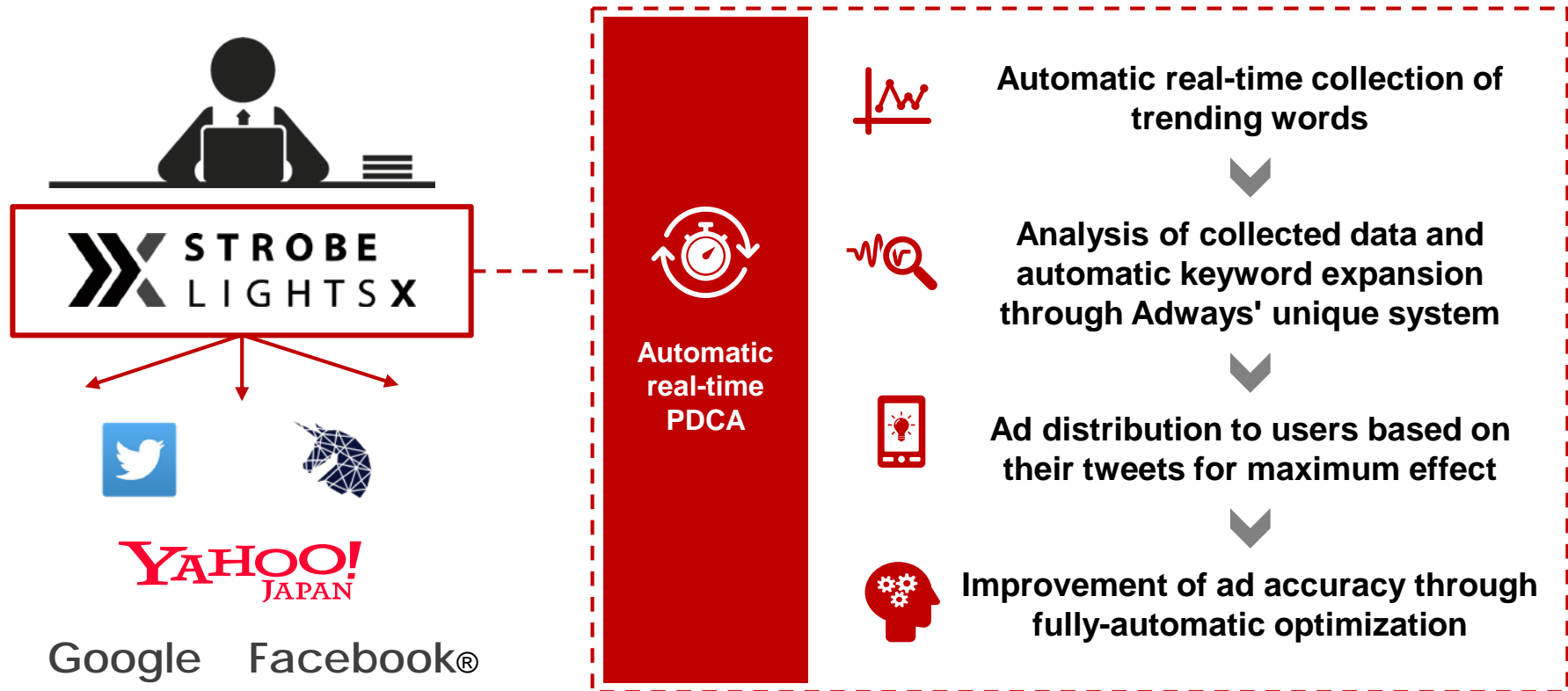
Conventionally, the operation staff carved out optimal delivery setting and keywords for each media to maximize advertisement effect.



2. Business Overview— Ad Agency Business



STROBELIGHTS X enables integrated management across media



**Realizing maximization of campaign ROI
with Adways' unique innovative technology.**



UNICORN

REDEFINE DIGITAL MARKETING

2. Business Overview— Ad Platform Business



Becoming one of **Japan's largest mobile marketing platforms**

With the start of US and Europe campaigns, monthly bid request volume surpassed **420 billion** impressions
(280 billion impressions announced in FY2018 Q1)

Google アドマネージャー

mopub

Ad Generation
Powered by Samsung

MicroAd
COMPASS

PFX



fluct

AJA
Supply Side Platform

GENIEE

adstir

brainy

The number of SSPs is on the rise, including “Smaato” (a major SSP in Europe and the U.S.) and major SSPs in South Korea and Taiwan.

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

Major domestic SSPs: **9 companies**

Major global SSPs: **4 companies**

2. Business Overview— Ad Platform Business



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

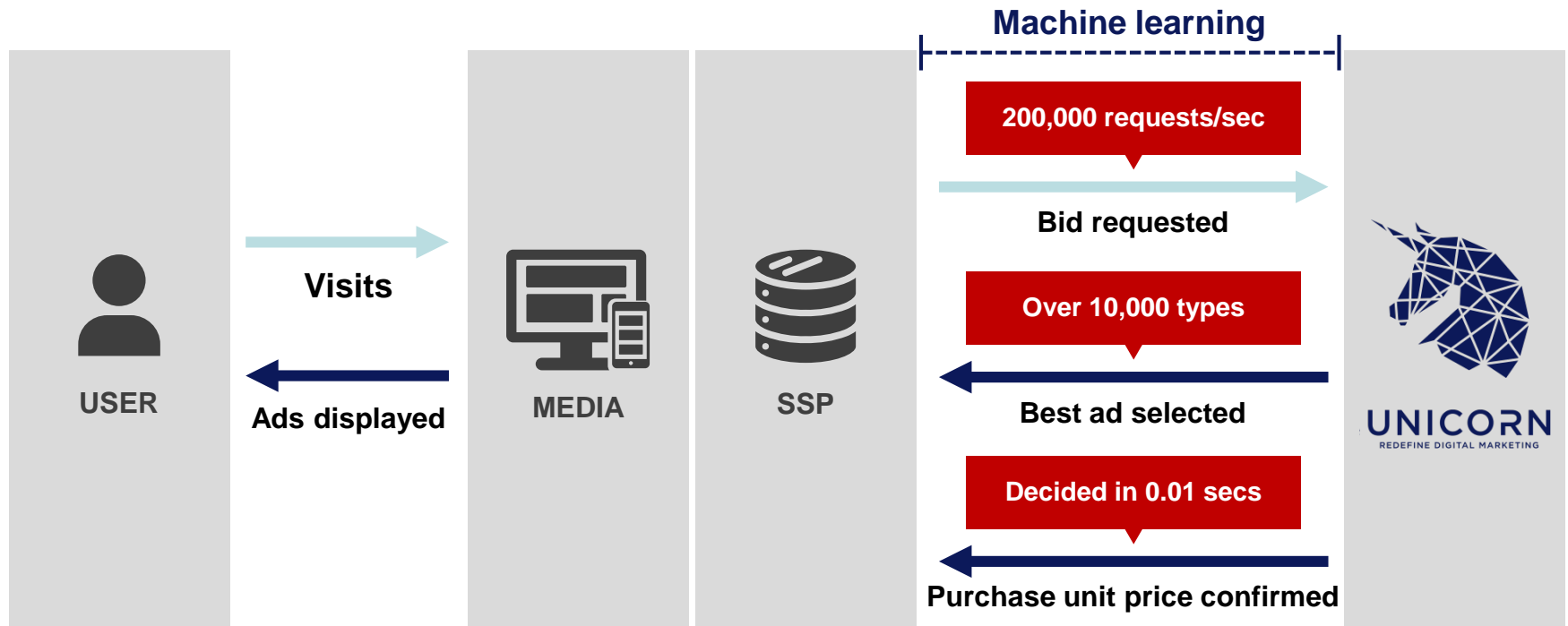


With 5 simple settings, UNICORN automates everything, allowing humans to focus on what only humans can do

2. Business Overview— Ad Platform Business



UNICORN's ad bidding logic



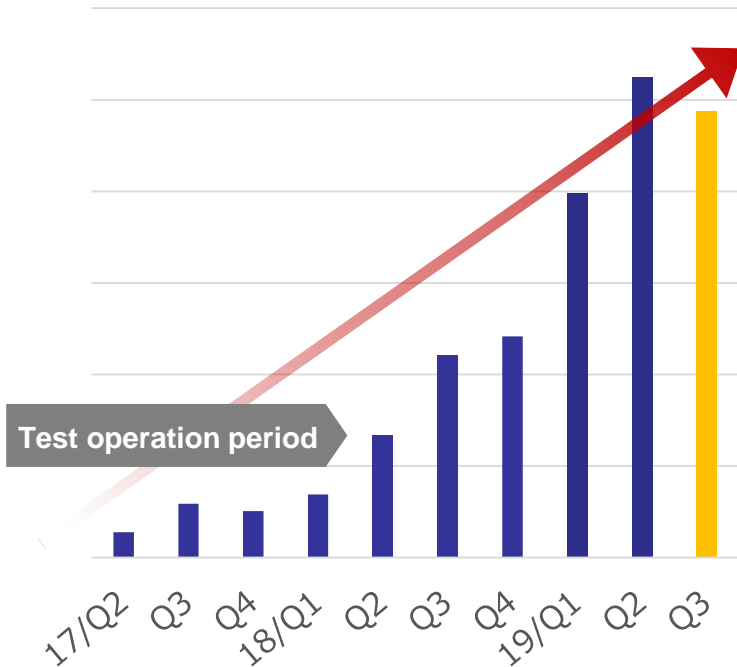
With **up to 200,000** potential ad purchases **per second**, each decision is made **within 0.01 seconds** using **machine learning**

2. Business Overview— Ad Platform Business



Progress of UNICORN

UNICORN sales



Steady sales growth

ROAS* of users obtained through UNICORN



Average 334%

(December 2018 results)

**Other major
4 ad networks**

Average 87%
(December 2018 results)

**Achieved overwhelmingly higher
ROAS than other companies**

* 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— Ad Platform Business



Topics



UNICORN
REDEFINE DIGITAL MARKETING

1.

**Delivery to Apple
Search Ads**

2.

**Strengthening
measures against
ad fraud**

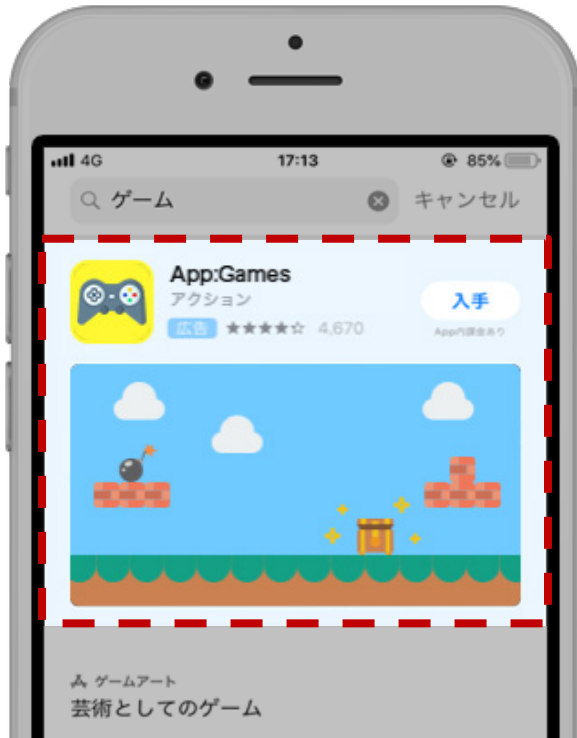
3.

**Continuing to
focus on
brand ads**

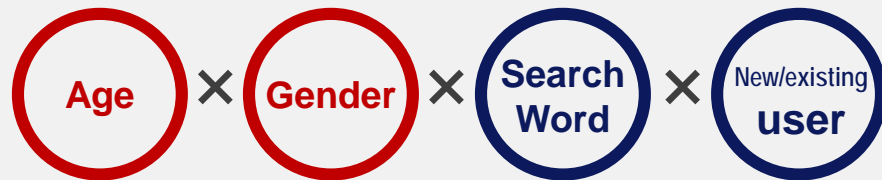
2. Business Overview— Ad Platform Business



Finished integration with Apple Search Ads in addition to existing SSPs

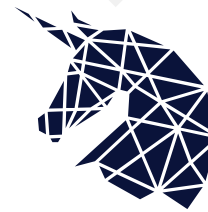


Minimum **90,000** different patterns



* When designed with audience setting of 180 combinations x 500 words

Optimization using unique logic

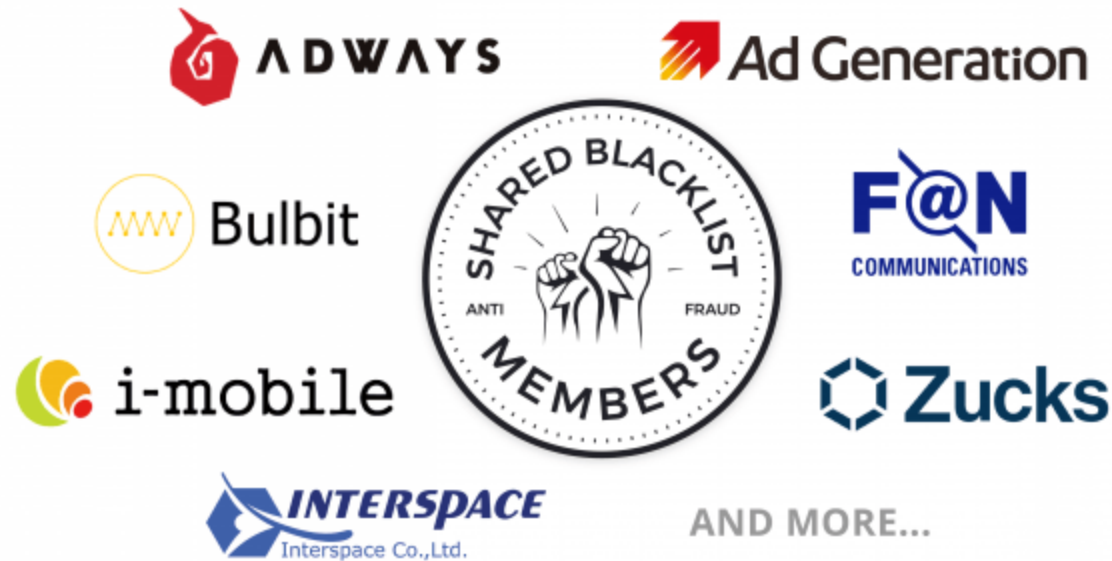


Automatically generate words, distribute and optimize by automatically acquiring words from App Store descriptions and official websites and combining them with effective words.

2. Business Overview— Ad Platform Business



Participated in **SHARED BLACKLIST** which aims to eliminate ad fraud and improve the quality of digital advertising industry



By sharing **information on ad fraud** collected through each service,
we **prevent exploitation of ad expenses**

2. Business Overview— Ad Platform Business



Apps
(Games, etc.)

Others



E-Commerce



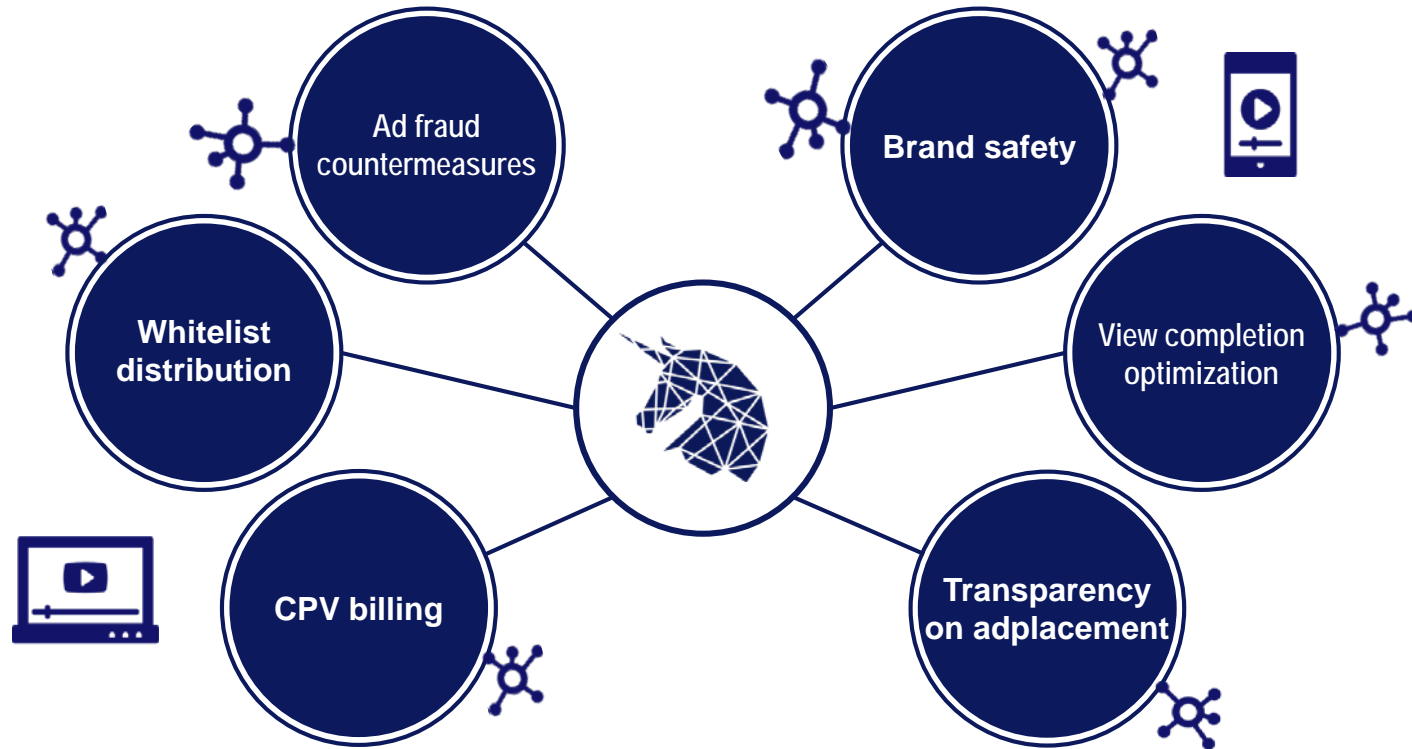
Brand Ad

Continuing to focus on video ad platforms that specialize in brand ads


2. Business Overview— Ad Platform Business



Realized optimal distribution for users in Japan by utilizing expertise gained in performance-based ad business



**Specializing in brand video ad and
has reach impact similar to mass media**



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 February 5, 2019 and a variety of factors may cause the statements to differ from actual results.

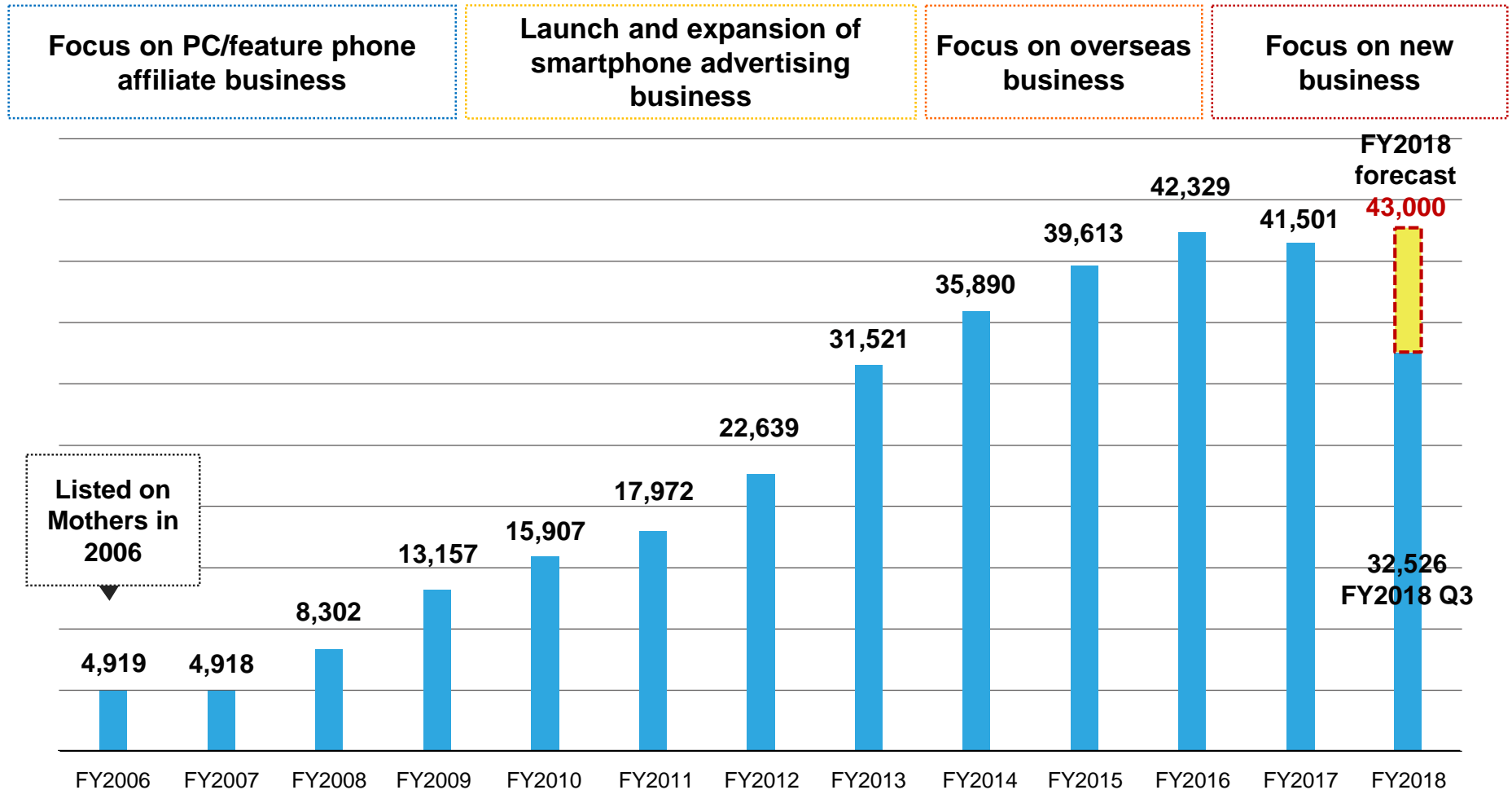


3. Supplementary Materials

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Consolidated Trend of Sales

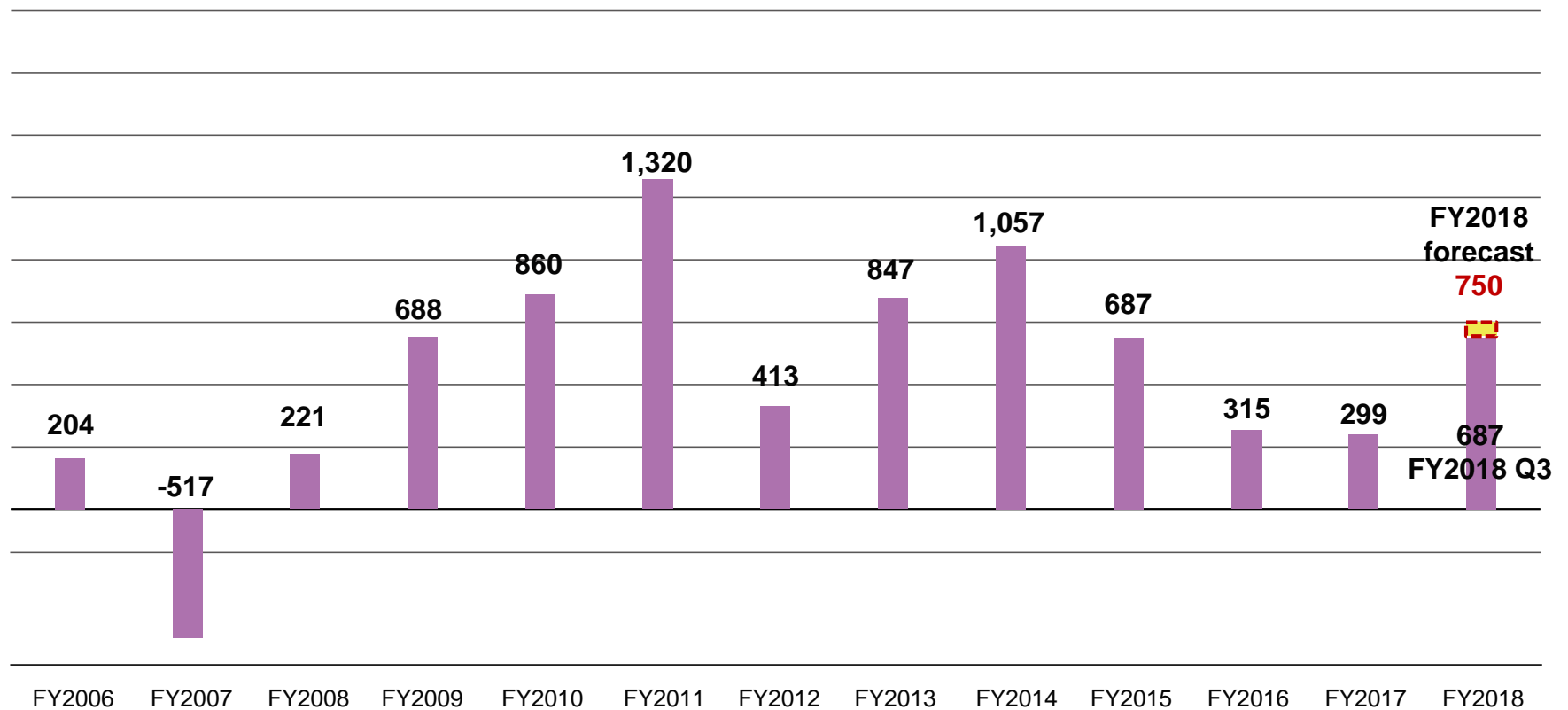


(JPY mn)

3. Supplementary Materials



Consolidated Trend of Operating profit

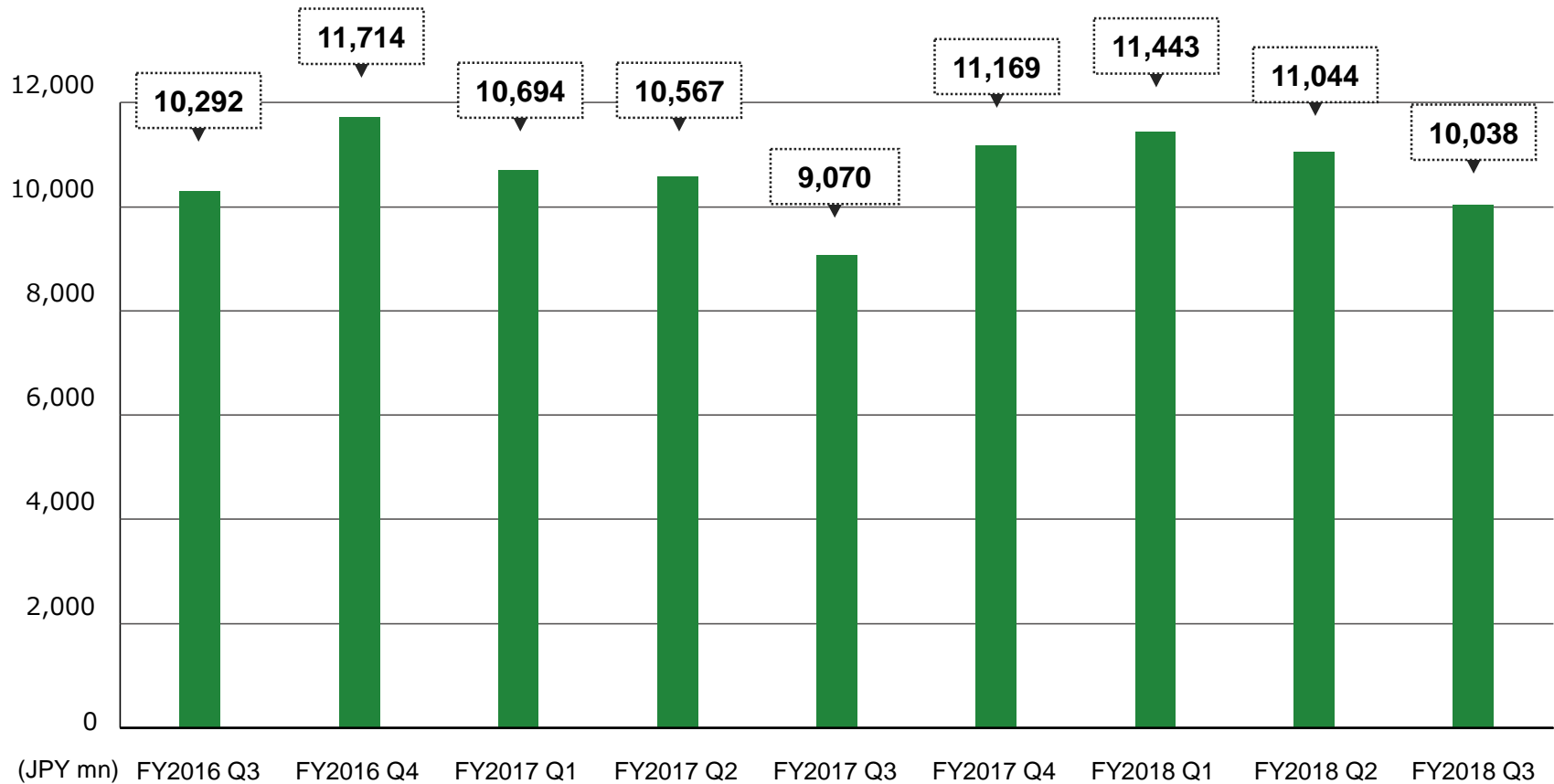


(JPY mn)

3. Supplementary Materials



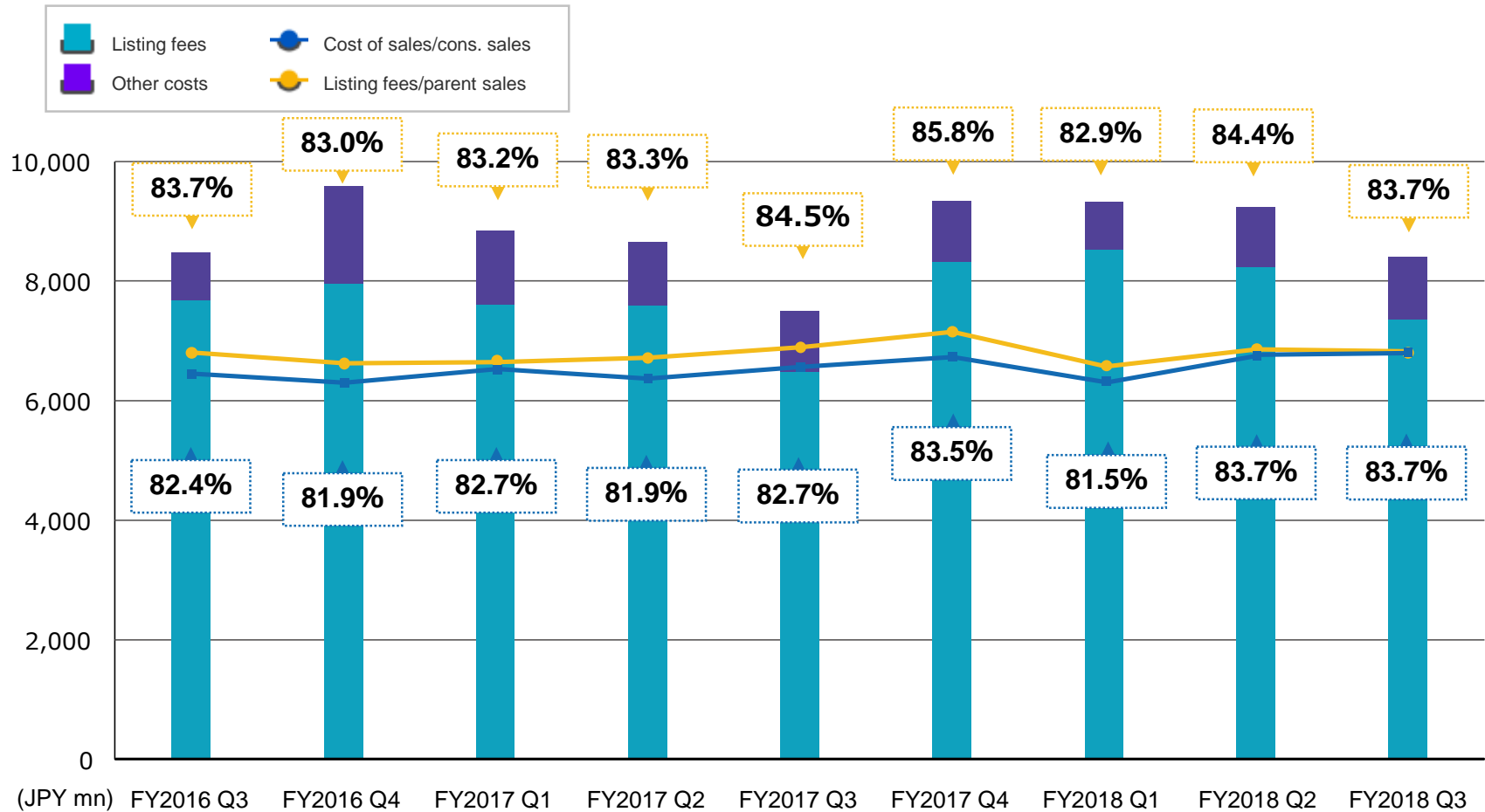
Quarterly Change in Consolidated Sales



3. Supplementary Materials



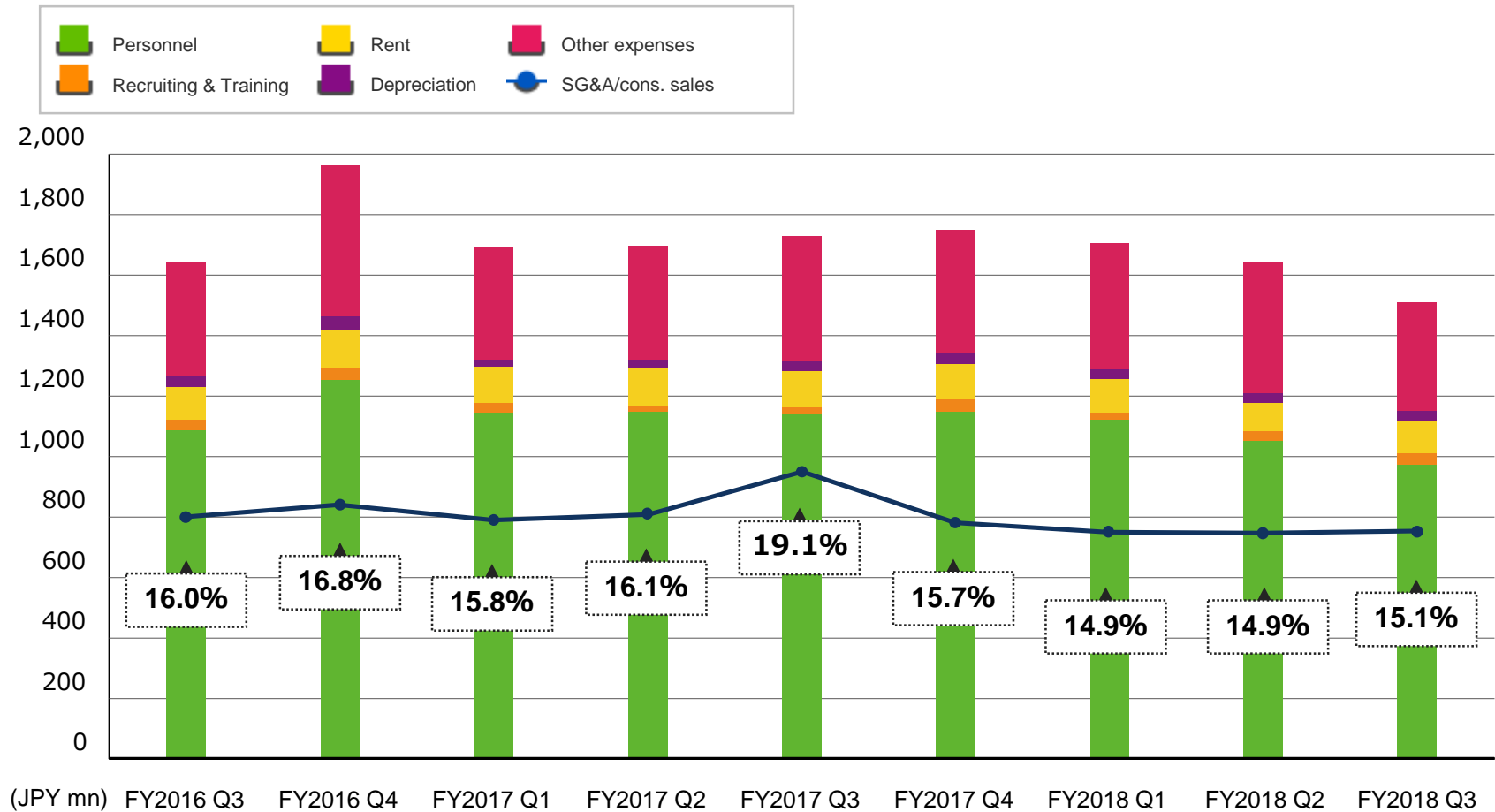
Quarterly Change in Consolidated Cost of sales



3. Supplementary Materials



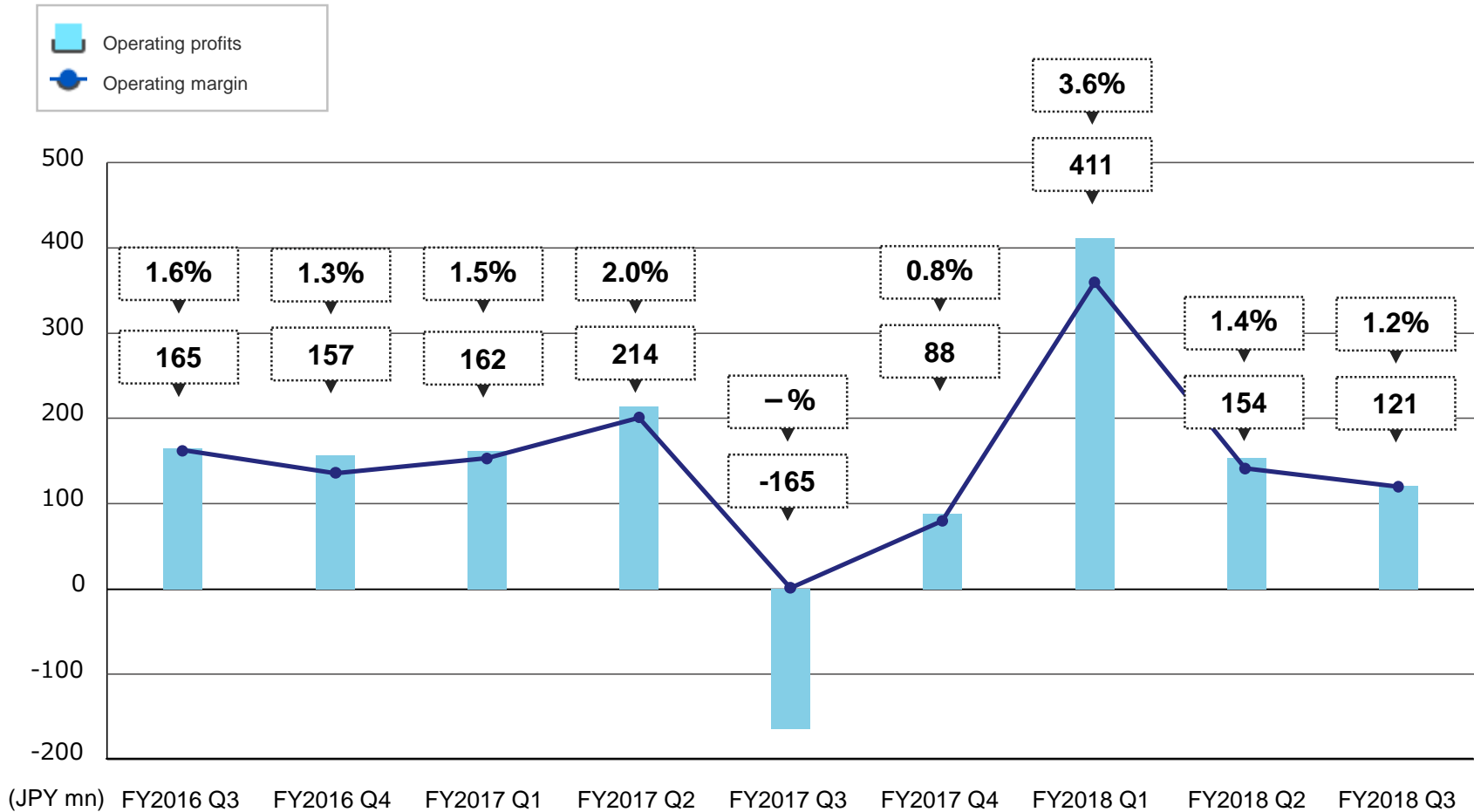
Quarterly Change in Consolidated SG&A expenses



3. Supplementary Materials



Quarterly Change in Consolidated Operating profit



3. Supplementary Materials



Consolidated Balance Sheet (QoQ)

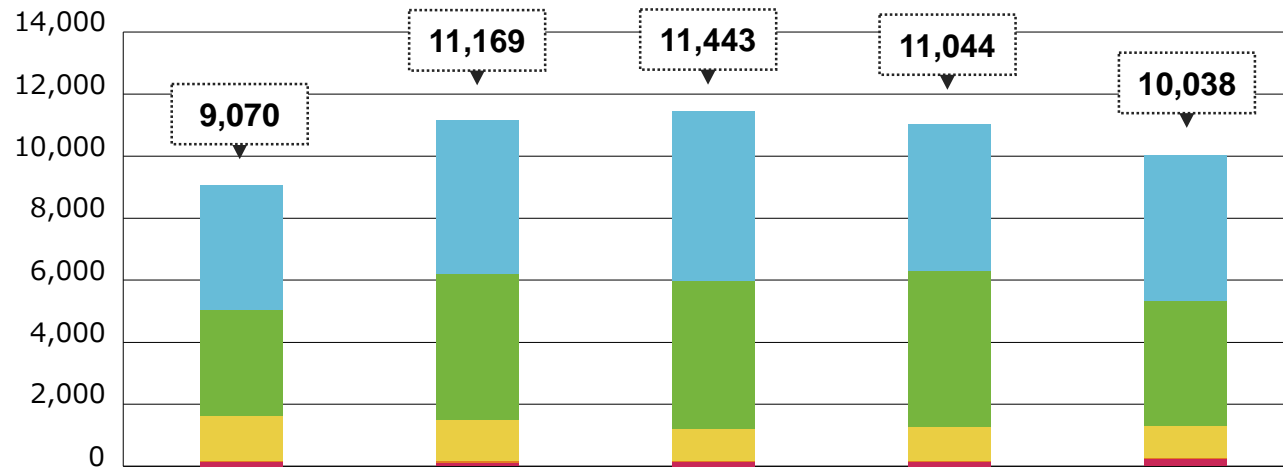
(JPY mn)

	FY2018 Q3	FY2018 Q2	Change (¥mn)	Change (%)
Current assets	15,341	15,717	-375	-2.4%
(Cash and deposits)	9,976	9,584	+391	+4.1%
Non-current assets	2,612	2,649	-37	-1.4%
Total assets	17,953	18,366	-412	-2.2%
Current liabilities	6,674	7,182	-508	-7.1%
Non-current liabilities	118	118	+0	+0.1%
Total liabilities	6,793	7,301	-508	-7.0%
Net assets	11,160	11,065	+95	+0.9%

3. Supplementary Materials



Quarterly Breakdown of Consolidated Sales by Segment



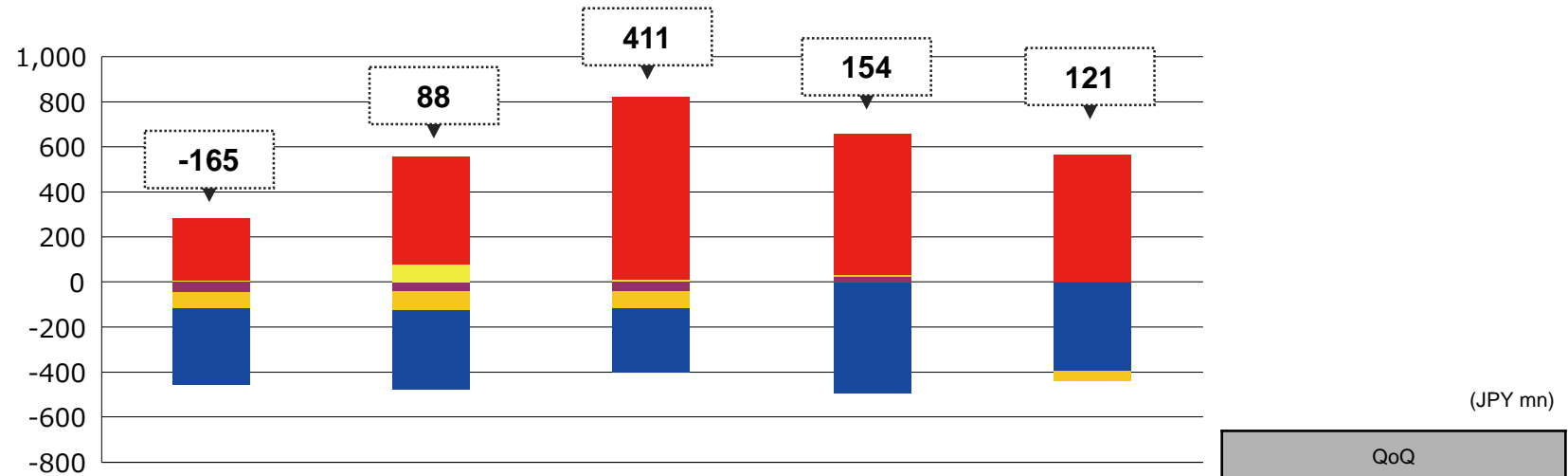
						QoQ	
	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	FY2018 Q3	Change	Change (%)
Smartphone	4,317	4,960	5,464	4,743	4,695	-48	-1.0%
PC	3,407	4,706	4,774	5,012	4,051	-960	-19.2%
Overseas	1,164	1,330	1,049	1,132	1,031	-101	-8.9%
App	50	47	20	—	—	—	—
Media, Other	129	123	135	155	260	+104	+67.2%
Total	9,070	11,169	11,443	11,044	10,038	-1,006	-9.1%

* 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



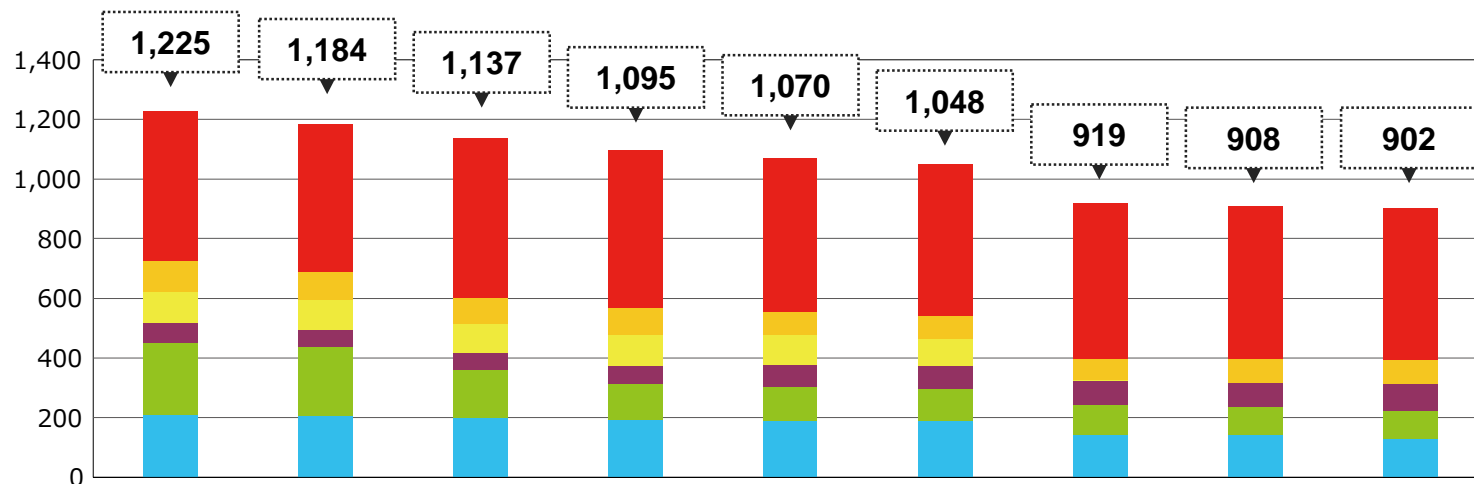
	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	FY2018 Q3	QoQ	
						Change	Change (%)
Advertising	275	517	814	624	568	-55	-8.8%
Overseas	9	43	0	6	-49	-55	—
App	-71	-83	-73	-0	-0	+0	—
Media, Other	-44	-38	-39	23	-5	-28	—
Eliminations & corporate	-334	-350	-289	-497	-392	+105	—
Total	-165	88	411	154	121	-33	-21.6%

* 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



(Persons)

	FY2016 Q3	FY2016 Q4	FY2017 Q1	FY2017 Q2	FY2017 Q3	FY2017 Q4	FY2018 Q1	FY2018 Q2	FY2018 Q3
ADW Japan	499	496	536	527	516	509	521	512	509
ADW China	104	92	86	91	77	73	72	80	80
ADW Shanghai ※ (R&D center)	105	100	98	104	99	92	0	0	0
Domestic subsidiaries	65	60	57	58	76	79	84	82	93
Overseas subsidiaries (excluding China)	244	229	161	122	113	106	98	91	91
Temporary workers, part-time employees	208	207	199	193	189	189	144	143	129
Total	1,225	1,184	1,137	1,095	1,070	1,048	919	908	902

* 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 Dec 2018)
Net sales	JPY 41,501 mn	(FY2017, Consolidated)
Employees * including temporary workers	902 (for the entire Group)	(As of end of Dec 2018)