ADWAYS

PRESENTATION MATERIAL FEBRUARY 10, 2021

TOKYO STOCK **EXCHANGE FIRST SECTION** STOCK CODE: 2489 **ADWAYS INC.**

THIRD QUARTER

Founder and CEO, Haruhisa Okamura

Contents

- 1. FY2020 Q3 Performance ... P.4
- 2 Business Overview ...P.19
- 3. Supplementary Materials ... P.37

Adways' Listing Market to Change to the First Section of the Tokyo Stock Exchange

Adways' listing market changed from the Mothers of the Tokyo Stock Exchange to the First Section of the Tokyo Stock Exchange on December 7, 2020. We would like to express our deep appreciation for the support we have received to date from shareholders, business partners, and all of our other stakeholders. 1 FY2020Q3 Performance

Chapter1: Third quarter results

Cumulative Quarterly Results (YoY)

(JPY mn)

	FY2020 Q3	YoY (FY2019 Q3 cumulative)											
	cumulative	Result	Change	Change (%)									
Net sales	33,454	27,149	+6,304	+23.2%									
Gross profit	6,186	4,649	+1,536	+33.1%									
SG&A expenses	5,107	4,650	+456	+9.8%									
Operating profit	1,079	-1	+1,080	_									
Ordinary profit	1,305	141	+1,163	+919.8%									
Profit attributable to owners of parent	907	-144	+1,051	_									

Net YoY Increased JPY +6,304 mn(+23.2%)

Operating YoY Increased JPY +1,080 mn (-)

Quarterly Results (YoY, QoQ)

(JPY mn)

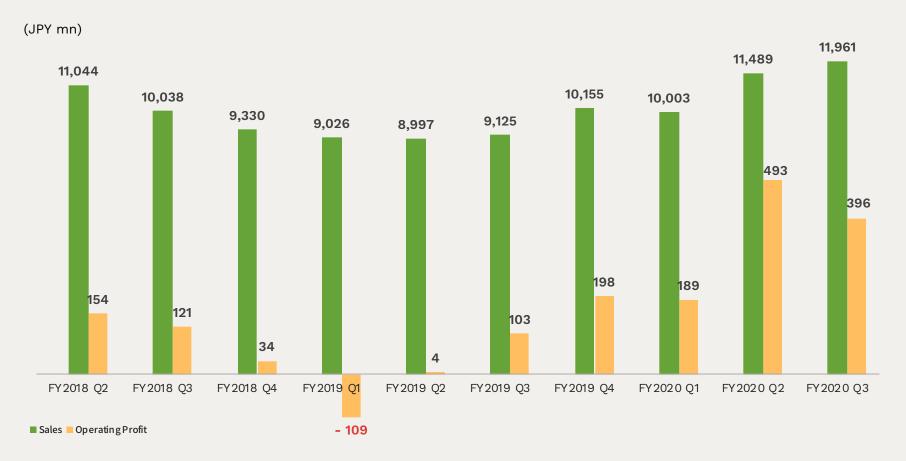
	FY2020 Q3		YoY FY2019 Q3	3	QoQ FY2020 Q2								
	-	Result	Change	Change (%)	Result	Change	Change (%)						
Net sales	11,961	9,125	+2,835	+31.1%	11,489	+471	+4.1%						
Gross profit	2,192	1,680	+512	+30.5%	2,189	+2	+0.1%						
SG&A expenses	1,795	1,576	+219	+13.9%	1,696	+99	+5.8%						
Operating profit	396	103	+293	+282.0%	493	-96	-19.5%						
Ordinary profit	438	163	+275	+168.9%	636	-197	-31.1%						
Profit attributable to owners of parent	315	83	+232	+279.2%	413	-97	-23.6%						

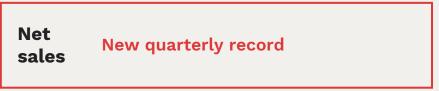
 Net
 YoY Increased
 2,835 mn
 (+31.1%)

 sales
 QoQ Increased
 471 mn
 (+4.1%)

Operating
profitYoY
QoQIncreased
Decreased293 mn (+282.0%)
96 mn (-19.5%)

Quarterly Trend of Sales · Operating Profit (FY2018 Q2 – FY2020 Q3)





Operating Improved trend from FY2019 Q2

FY2020 Forecast Revisions

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	44,355	824	1,010	525
Revised forecasts	47,200	1,230	1,400	900
Change	2,845	406	390	375
Change (%)	6.4%	49.3%	38.6%	71.4%

Initial forecasts are the figures announced in the press release concerning revision of the full-year performance forecasts dated November 6, 2020.

FY2020 Consolidated Performance Forecast Values (April 1, 2020 – March 31, 2021)

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	44,355	824	1,010	525
Revised forecasts	47,200	1,230	1,400	900
Q3 Results	33,454	1,079	1,305	907
Initial forecasts Progress rate	75.4%	131.0%	129.3%	172.8%
Revised forecasts Progress rate	70.9%	87.8%	93.3%	100.8%

Initial forecasts are the figures announced in the press release concerning revision of the full-year performance forecasts dated November 6, 2020.

FY2020 Forecast Revisions (January 1, 2021 – March 31, 2021)

(JPY mn)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Q3 Results	11,961	396	438	315
Q4 Forecasts	13,745	150	96	-7
Change	1,784	-246	-344	-322

Net sales

Being the end of the fiscal year, advertising demand grows and leads to increase in net sales

Operating profit

Decline in gross margin due to change in the sales mix, and JPY 120 mn for bolstering the workforce, JPY 193 mn for listing expenses (bonuses for directors, bonuses, and boosting operational efficiency) and other increase in SG&A expenses, leading to decrease in operating profit

Ordinary profit

Decreasing with decrease in operating profit and increase in foreign exchange loss due to increase in overseas transactions

Profit attributable to owners of parent

Decreasing with decrease in ordinary profit

Shareholder Returns

Commemorative dividend of JPY 1 per share is planned to be paid in commemoration of the change in Adways' stock listing market to the First Section of the Tokyo Stock Exchange and Adways marking the 20th anniversary of its founding.

FY2020 Dividend forecast JPY **5.33** per share

Dividend Guidance (Ordinary dividend)

Dividend payout ratio of 20% or JPY 2.60 per share, whichever higher

Ordinary dividend forecast (Dividend Payout ratio of 20%)

JPY 4.33 per share

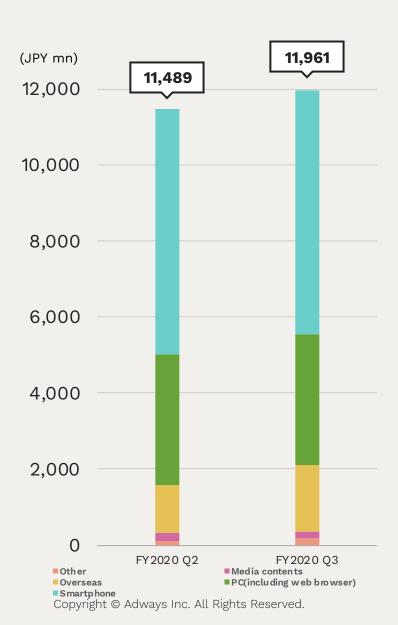
+

Commemorative dividend

JPY 1.00 per share

As the ordinary dividend forecast is based on dividend payout ratio of 20% calculated from the performance forecasts, the dividend amount may vary depending on the performance results.

Net Sales (QoQ Change)



Domestic Advertising

· · · JPY 9,837 mn

QoQ: JPY -67 mn (-0.7%)

Smartphone · · · JPY 6,408 mn

(Mainly app advertising)

QoQ: JPY +50 mn (-0.8%)

While advertising spend increased with the release of new game apps, advertising spend decreased for comic apps and such, resulting in a slight decrease in sales.

PC ... JPY 3,429 mn

(PC web advertising and smartphone web advertising)

QoQ: JPY -16 mn (-0.5%)

While advertising spend increased for loan and credit card finance clients and such, advertising spend decreased for e-commerce clients, resulting in a slight decrease in sales.

Overseas · · · · JPY 1,744 mn -

QoQ: JPY +482 mn (+38.3%)

Advertising spend increased due to growing demand for global marketing from Chinese clients strengthening their overseas business. Brand advertising grew in Taiwan.

^{*}The accounting periods of our overseas subsidiaries end in December, so their FY2020 Q3 (July – September) figures are consolidated with the Adways Group's FY2020 Q3 (October - December) figures.

Gross Profit (QoQ Change)



Q3 Gross profit: JPY 2,192 mn

QoQ: JPY +2 mn (+0.1%)

Gross margin: 18.3% (-0.8 points)

SG&A Expenses (QoQ Change)



Q3 SG&A expenses: JPY 1,795 mn ¬

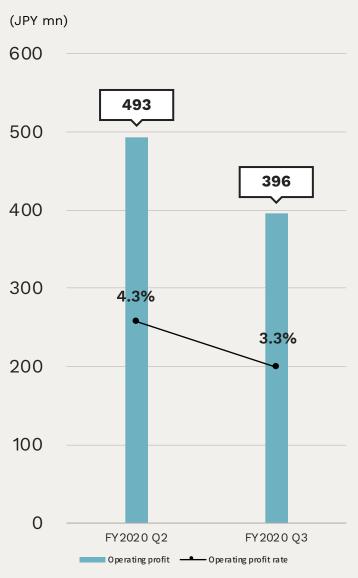
QoQ: JPY +99 mn (+5.8%)

SG&A to sales ratio: 15.0% (+0.2 points)

Main Factors of Decrease

• Increased in personnel expenditure and recruiting & education expenses: Approx. JPY +96 mn

Operating Profit (QoQ Change)

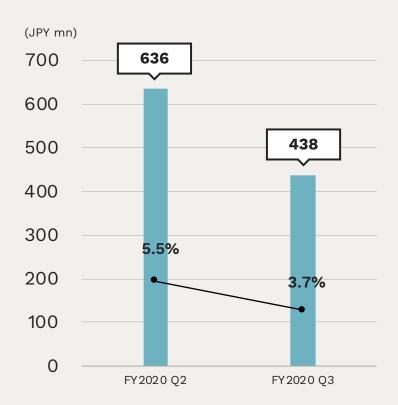


Q3 Operating profit: JPY 396 mn

QoQ: JPY -96 mn (-19.5%)

Operating profit rate: 3.3% (-1.0 points)

Ordinary Profit (QoQ Change)

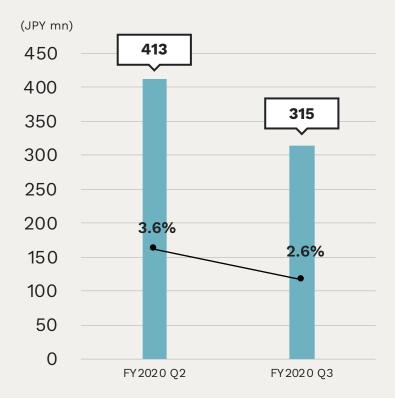


Q3 Ordinary profit: JPY 438 mn

QoQ: JPY -197 mn (-31.1%)

Ordinary profit rate: 3.7% (-1.8 points)

Profit Attributable to Owners of Parent (QoQ Change)

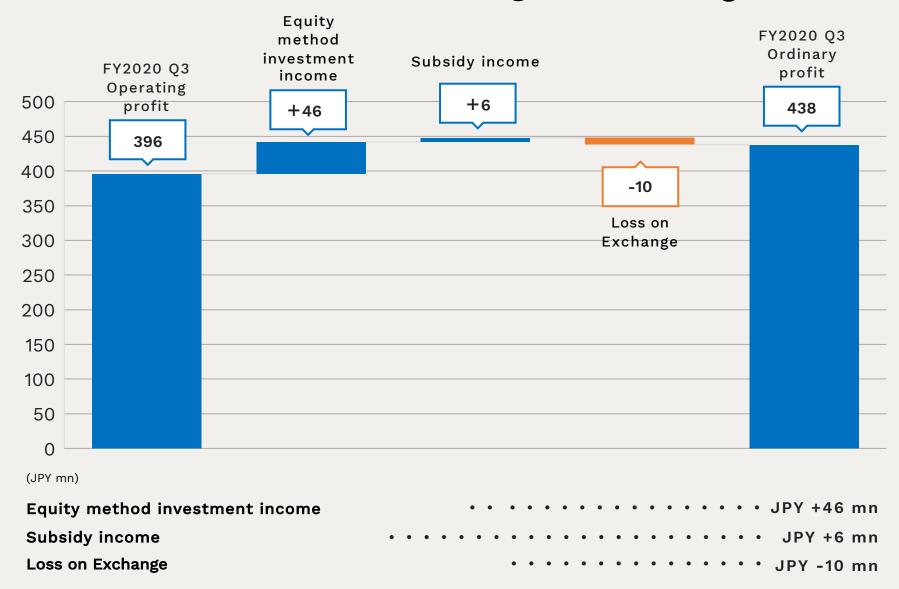


Q3 Profit attributable to owners of parent : JPY 315 mn

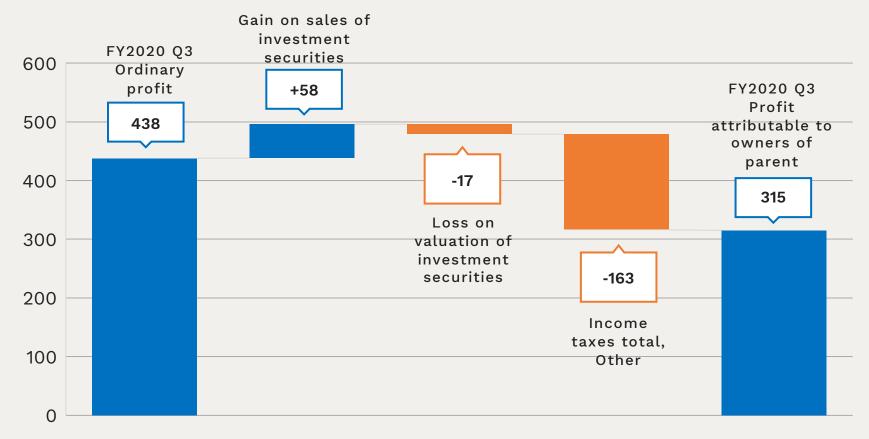
QoQ: JPY -97 mn (-23.6%)

Profit rate: 2.6% (-1.0 points)

Breakdown of FY2020 Q3 Ordinary Profit



Breakdown of Q3 FY2020 Profit Attributable to Owners of Parent



(JPY mn)

Gain on sales of investment securities									•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	JPY	+58	mr
Loss on valuation of investment s	ecui	riti	es				•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	JPY	-17	mr
Income taxes total, Other	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	JPY	-163	mr

Chapter2: business overview

Impact of the Novel Coronavirus (COVID-19)

Continuing from FY2020 Q2, there was no major impact on performance in FY2020 Q3 because the Adways Group's areas of business are primarily online.

*The following presents the impact of COVID-19 only and does not take into consideration changes in net sales and profit from ordinary operating activities.

Comic apps

Size of business: Large

FY2020 Q3 (Results) Impact: Somewhat Positive With the easing of the stay-at-home order, demand fell slightly compared with Q2 but performed well compared with before the spread of COVID-19.

[FY2020 Q4 (Forecast)] Impact : Positive

With demand growing again due to redeclaration of a state of emergency, advertising spend is forecast to increase compared with Q3.

OTT (Over the top)

Size of business: Medium

[FY2020 Q3 (Results)] Impact: Somewhat Positive

With the easing of the stay-at-home order, demand fell slightly compared with Q2 but performed well compared with before the spread of COVID-19.

[FY2020 Q4 (Forecast)] Impact: Somewhat Positive

The state in Q3 is forecast to continue.

Finance

Size of business: Large

[FY2020 O3 (Results)] Impact: None

With recovery in personal consumption expenditures, search frequency of financial terms like 'personal loan' and 'credit card' that had been on the decrease increased and advertising spend thus also increased.

FY2020 Q4 (Forecast) Impact: Somewhat Negative With the redeclaration of a state of emergency reducing personal consumption expenditures, search frequency of financial terms like 'personal loan' and 'credit card' is forecast to decrease and advertising spend thus also forecasted to decrease.

E-commerce

Size of business: Small

[FY2020 Q3 (Results)] Impact: None

Sales that had been strong with the increased trend of online consumption are forecast to return to the state before the spread of COVID-19.

[FY2020 Q4 (Forecast)] Impact: None

The state in Q3 forecasted to continue.

Impact of the Novel Coronavirus (COVID-19)

Continuing from FY2020 Q2, there was no major impact on performance in FY2020 Q3 because the Adways Group's areas of business are primarily online.

*The following presents the impact of COVID-19 only and does not take into consideration changes in net sales and profit from ordinary operating activities.

Game apps

Size of business: Large

[FY2020 Q3 (Results)] Impact : Somewhat Negative

Continuing from FY2020 Q2, new title releases being delayed because of developers' circumstances led to promotion to be delayed also.

(Net sales grew from the ordinary operating activities)

[FY2020 Q4 (Forecast)] Impact : Somewhat Negative

The state in Q3 is forecast not to recover completely.

Overseas advertising

Size of business: Medium

* Since December is the end of the fiscal year for overseas subsidiaries, Q3 is from July to September and Q4 is from October to December.

[FY2020 Q3 (Results)] Impact : Somewhat Negative

Brand ad business in China and Taiwan was negatively impacted, but no impact on app ad business.

(Brand and app ad businesses grew from the ordinary operating activities)

[FY2020 Q4 (Forecast)] Impact: None

Brand ad business forecast to recover.

App ad business forecast to remain unaffected.

Brands

Size of business: Small

[FY2020 Q3 (Results)] Impact : Somewhat Negative

Restraint from marketing campaigns by brand advertisers recovered somewhat but not completely.

[FY2020 Q4 (Forecast)] Impact : Somewhat Negative

The state in Q3 is forecast not to recover completely.

^{*} Given the minute size of the business, cross-border e-commerce business is no longer presented starting from FY2020 Q3.

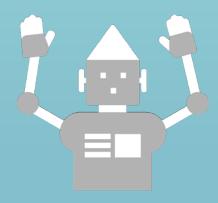
Adways Group's Approach to Sustainable Development Goals (SDGs) Initiatives

We will contribute to realization of a "digital society seeking both economic development and solutions to social challenges" by utilizing advanced digital technology driven under "innovation" through the Adways Group's businesses in addition to "revitalization of regional and local areas" and "empowerment of the next generation and women" based on "contribution to society" and "contribution to humanity."

Digital Society Seeking Both Economic Development and Solutions to Social Challenges



Co-existence of Humans & Machines



Automate what humans can't do



Consolidate what machines can't do to humans





Maximize performance





Change in UNICORN Sales and Machine Learning Costs



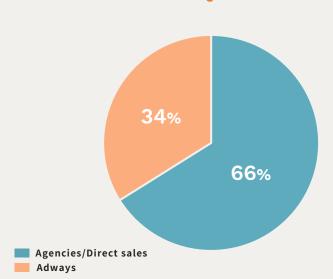
Sales grew significantly by 230% year on year.

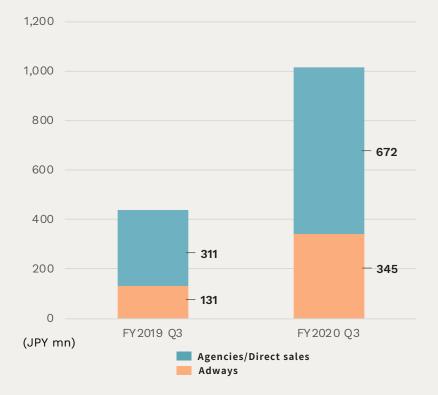
Continuing to accelerate machine learning development and steadily improve the accuracy.

About UNICORN

Sales to agencies







Growth by working together with major agencies







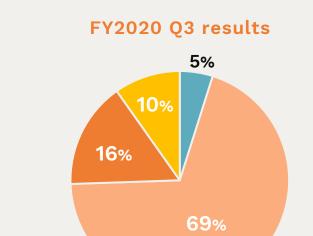


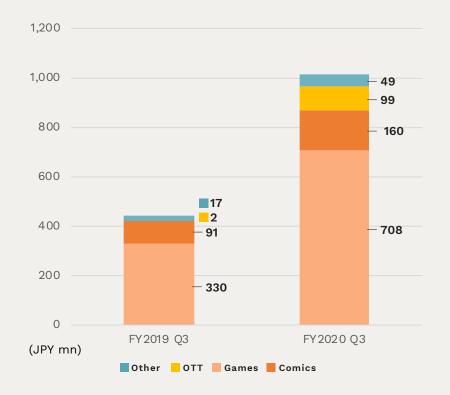


*In alphabetical order

About UNICORN

Progress by Genre





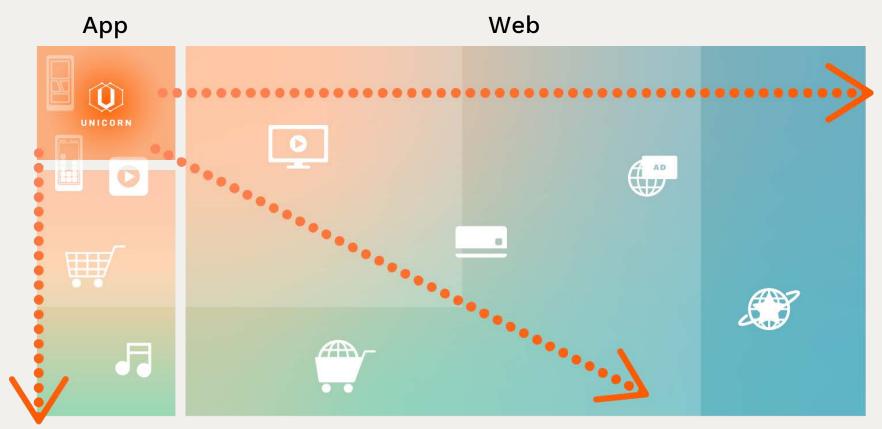
Growth in each genre

Significant growth in OTT year on year.

Steady growth in also games, comics, and other domains.

About **UNICORN**

Other OTT Games Comics



Continue to grow by widening client base for Web business

About **UNICORN**

New Initiatives for

Brand Advertisers

Advanced Advertising Methods

UNICORN Interactive AD





Banner / Video Reward Video Native / Interactive





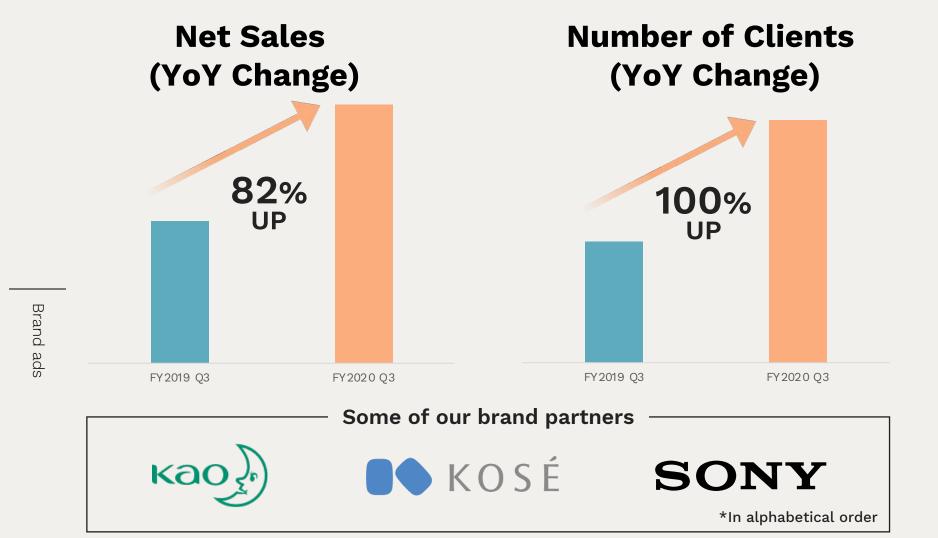
Precision targeting with UNICORN

Context/Location
Demographics
Carrier/Approved list

Achieve new forms of communication to reach unencountered users through new ad creative formats

Progress of Brand Advertising Business

third quarter



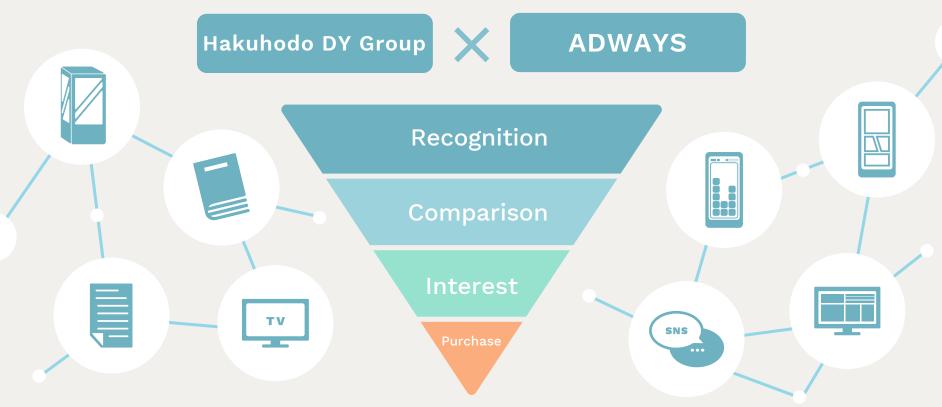
Progress of

Capital and Business Alliance

with Hakuhodo DY Media Partners

Comprehensive marketing support through integrated planning of TV & digital

Full-channel *1, full-funnel *2 comprehensive marketing support enabled to approach multiple needs and multiple targets

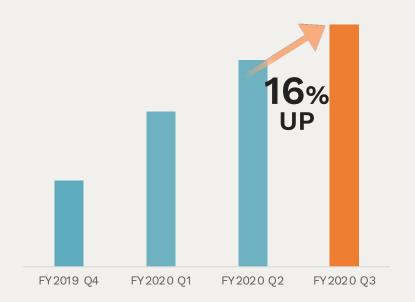


(*1) Full-channel: Widely utilizing media and other channels for attracting customers

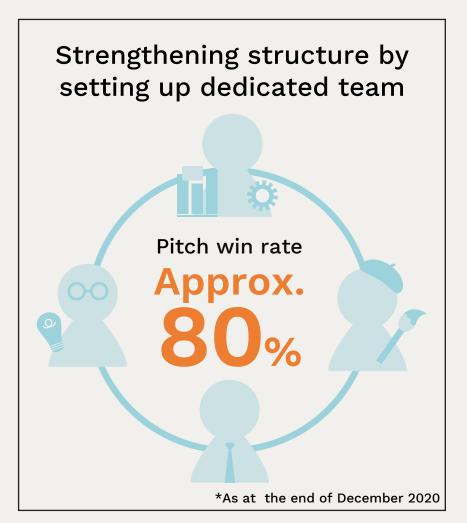
(*2) Full-funnel: Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

Progress of Capital and Business Alliance

Number of Clients from Alliance with Hakuhodo DY Group



Steady growth in number of accounts with several large accounts secured







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 10, 2021, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY MATERIAL SUPPLEMENTARY

Chapter3: Supplementary materials

RIALS

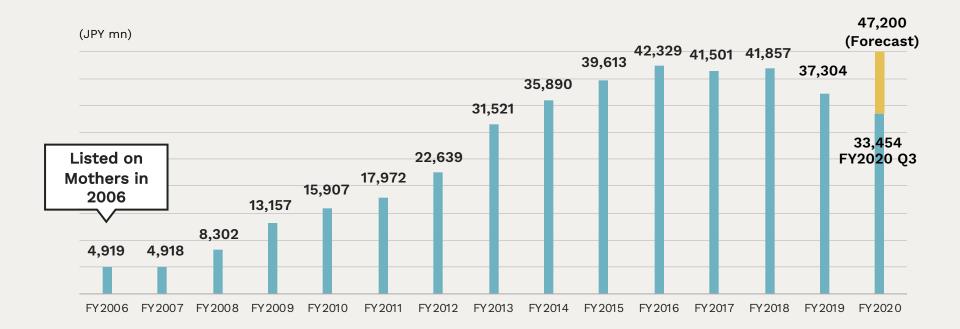
Consolidated Trend of Sales

Focus on PC/feature phone affiliate business

Launch and expansion of smartphone advertising business

Focus on overseas business

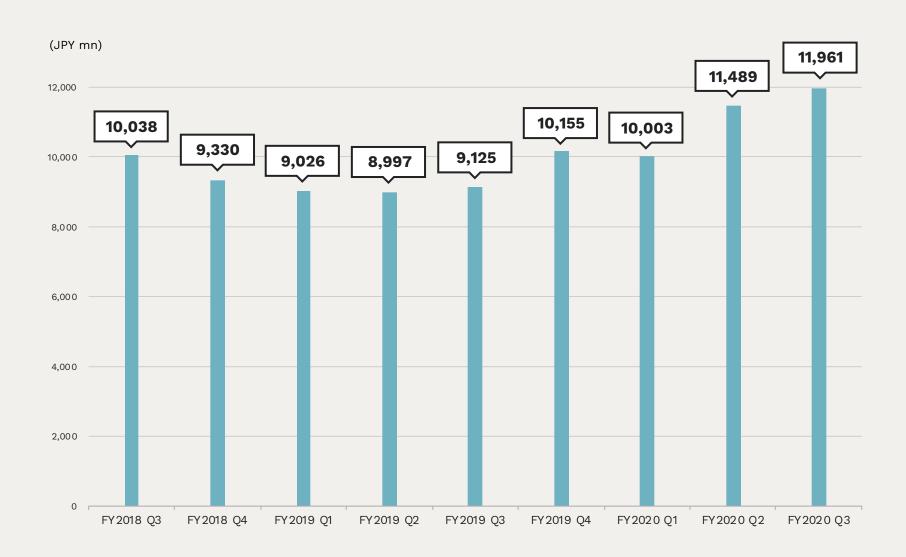
Focus on new products



Consolidated Trend of Operating Profit



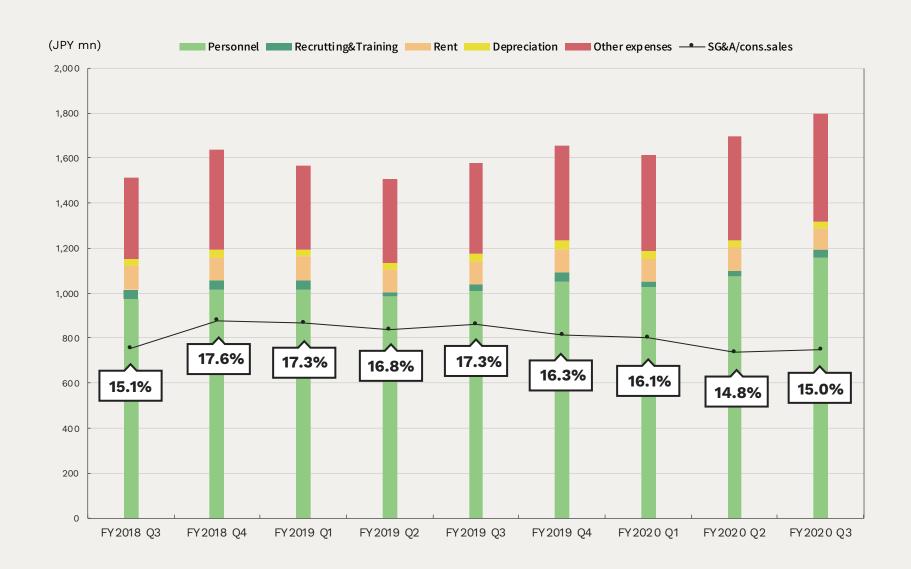
Quarterly Change in Consolidated Sales



Quarterly Change in Consolidated Cost of Sales



Quarterly Change in Consolidated SG&A Expenses



Quarterly Change in Consolidated Operating Profit

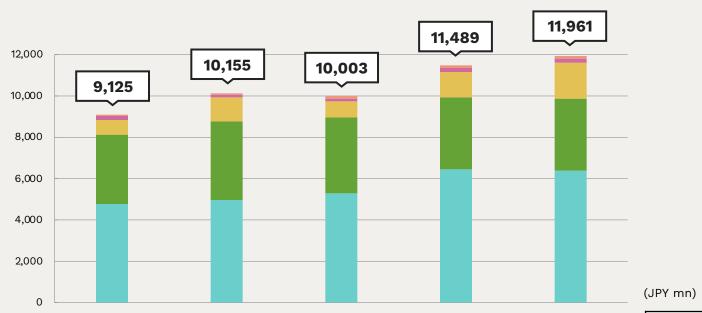


Consolidated Balance Sheet (QoQ)

(JPY mn)

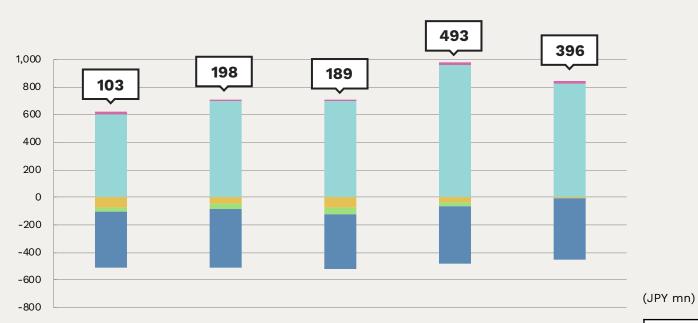
	FY2020 Q3	FY2020 Q2	Change (JPY mn)	Change (%)
Current assets	19,105	17,664	+1,440	+8.2%
(Cash and deposits)	11,973	11,361	+612	+5.4%
Non-current assets	3,602	2,809	+793	+28.2%
Total assets	22,708	20,474	+2,233	+10.9%
Current liabilities	8,575	7,333	+1,241	+16.9%
Non-current liabilities	346	149	+197	+132.7%
Total liabilities	8,922	7,483	+1,439	+19.2%
Net assets	13,785	12,991	+794	+6.1%

Quarterly Breakdown of Consolidated Sales by Segment



							QoQ	
	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	Change	Change(%)	
Smartphone	4,765	4,957	5,306	6,458	6,408	-50	-0.8%	
PC	3,379	3,784	3,629	3,446	3,429	-16	-0.5%	
Overseas	704	1,167	814	1,261	1,744	+482	+38.3%	
Media contents	153	162	146	190	202	+12	+6.3%	
Other	122	82	106	132	176	+43	+33.2%	
Total	9,125	10,155	10,003	11,489	11,961	+471	+4.1%	

Quarterly Breakdown of Consolidated Sales by Segment



							QoQ	
	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	Change	Change(%)	
Advertising	605	699	697	960	828	-132	-13.7%	
Overseas	-79	-50	-77	-34	-5	+29	_	
Media contents	14	10	11	17	20	+3	+19.7%	
Other	-21	-38	-49	-27	-4	+22	_	
Eliminations & Corporate	-414	-423	-392	-423	-442	-19	_	
Total	103	198	189	493	396	-96	-19.5%	

Quarterly Change in Group Employees



(Persons)	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3
ADW Japan	509	510	533	521	512	506	533	535	546
ADW China	80	78	84	95	91	88	82	83	90
Domestic subsidiaries	93	90	102	99	96	100	102	100	105
Overseas subsidiaries (excluding China)	91	90	85	87	92	96	98	104	107
Temporary workers, part-time employees	129	123	110	98	113	125	109	139	125
Total	902	891	914	900	904	915	924	961	973

Company Overview

Company name	Adways Inc.	
Founded	February 28, 2001	
Business overview	Internet business	
Founder and CEO	Haruhisa Okamura	
Capital	JPY 1,608 mn	(As at end of December 2020)
Net sales	JPY 37,304 mn	(FY2019, Consolidated basis)
Employees * including temporary workers	973 (for the entire group)	(As at end of December 2020)