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TOKYO STOCK EXCHANGE FIRST SECTION ADWAYS INC. Director and Chairman, Haruhisa Okamura

STOCK CODE: 2489

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Note on Terms

- In the 22nd fiscal period (this period), the last day of our fiscal year changed from March 31 to December 31, so fiscal 2021 (22nd fiscal period) ends in December 2021.
- The accounting period for fiscal 2021 is nine months for domestic companies and twelve months for overseas companies.
- The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) is in effect from the beginning of fiscal 2021. Accordingly, "Net Sales" under the old standard are expressed as "Gross Sales".
- For comparison between the fiscal year ending December 2021 and the fiscal year ended March 2021 and before, gross sales for the fiscal year ending December 2021 and net sales for the fiscal year ended March 2021 (including quarterly and cumulative period) have been included as reference figures, but please note that these are not official audited figures.
- Gross profit margin, SG&A expense margin, operating profit margin, ordinary profit margin, profit margin (FY2021 Q1 profit margin attributable to owners of parent), sales cost margin and posting cost margin are expressed as a percentage of the gross sales above.

Second quarter

1 FY2021 Q2 Performance

Chapter1 : Second quarter results

Cumulative Quarterly Results (YoY)

(JPY mn)

	FY2021 Q2	YoY (FY2020 Q2 cumulative)			
	cumulative	Result	Change	Change (%)	
Gross sales	25,598	21,492	+4,105	+19.1%	
Net sales	5,764	4,771	+992	+20.8%	
Gross profit	4,646	3,994	+652	+16.3%	
SG&A expenses	3,855	3,311	+543	+16.4%	
Operating profit	791	682	+108	+16.0%	
Ordinary profit	1,087	866	+220	+25.5%	
Profit attributable to owners of parent	703	591	+111	+18.8%	
Gross sales YoY Increased JPY +4,105 mn (+19.1%) Operating profit YoY Increased +108 mn (+16.0%)					

Quarterly Results (YoY, QoQ)

(JPY mn)

FY2021		YoY FY2020 Q2		QoQ FY2021 Q1			
		Result	Change	Change (%)	Result	Change	Change (%)
Gross sales	13,244	11,489	+1,754	+15.3%	12,354	+890	+7.2%
Net sales	3,010	2,576	+433	+16.8%	2,754	+255	+9.3%
Gross profit	2,478	2,189	+289	+13.2%	2,167	+311	+14.4%
SG&A expenses	1,993	1,696	+296	+17.5%	1,862	+130	+7.0%
Operating profit	485	493	-7	-1.5%	305	+180	+59.1%
Ordinary profit	636	636	-0	-0%	450	+185	+41.2%
Profit attributable to owners of parent	453	413	+40	+9.8%	249	+204	+81.8%
Gross YoY Increased JPY +1,754 mn (+15.3%) sales QoQ Increased JPY +890 mn (+7.2%) Operating YoY Decreased JPY -7 mn (-1.5%) profit QoQ Increased JPY +180 mn(+59.1%)							

FY2021 Consolidated Performance Forecast Values

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	38,183	7,500	490	580	170
Revised forecasts	41,236	9,000	1,200	1,560	950
Change	+3,053	+1,500	+710	+980	+780
Change (%)	+8.0%	+20.0%	+144.9%	+169.0%	+458.8%

*Initial forecasts are the figures announced on May 13, 2021, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2021 Dividend Forecast Revisions

FY2021 Dividend Forecast

Initial forecasts JPY 2.70 per share

Revised forecasts JPY 5.21 per share (Dividend payout ratio of 21%)

Regular Dividend Policy (FY2021 – FY2023)

FY2021

Dividend payout ratio of 21% or

JPY 2.70 per share

Whichever is higher

FY2022

Dividend payout ratio of 22%

JPY 2.80 per share

Whichever is higher

FY2023

Dividend payout ratio of 23%

JPY 2.90 per share

Whichever is higher

*Initial forecasts are the figures announced on May 13, 2021, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2021 Consolidated Performance Forecast Values (April 1, 2021 – December 31, 2021)

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	38,183	7,500	490	580	170
Revised forecasts	41,236	9,000	1,200	1,560	950
Q2 Results (cumulative)	25,598	5,764	791	1,087	703
Initial forecasts Progress rate	67.0%	76.9%	161.5%	187.5%	413.6%
Revised forecasts Progress rate	62.1%	64.1%	65.9%	69.7%	74.0%

*Initial forecasts are the figures announced on May 13, 2021, in a press release concerning revision of the performance forecasts and dividend forecasts.

Investment in Humans, Businesses and Machines

Initial Plan: to invest approx. JPY 710 mn in FY2021

Business year	Investment amount (Initial forecasts)	Operating profit when investment made (Initial forecasts)	Operating profit when investment not made (Initial forecasts)
FY2021 (9-month period)	Approx. JPY 710 mn	JPY 490 mn	Approx. JPY 1,200 mn



Investment in humans

(Bolstering the workforce)



Investment in businesses (Expanding businesses)

ses)

Investment in machines

(Boosting operational efficiency)

Revised Plan: to invest approx. JPY 410 mn in FY2021

Business year	Investment amount (Revised forecasts)	Operating profit when investment made (Revised forecasts)	Operating profit when investment not made (Revised forecasts)
FY2021 (9-month period)	Approx. JPY 410 mn	JPY 1,200 mn	Approx. JPY 1,610 mn

Operating profit is expected to significantly increase due to a large increase in gross sales and gross profit in addition to investment not progressing as much as initially planned.

* Investment here refers to spending different from past spending (new investment).

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* "Operating profit when investment not made" refers to operating profit when investment was not made. 10

Gross Sales (QoQ Change)

16,000 13,244 14,000 12.354 12,000 10,000 8.000 6.000 4,000 2,000 0 FY2021 Q2 FY 2021 Q1

(JPY mn)

Domestic ... JPY 10,703 mn

QoQ: JPY +414 mn (+4.0%)

Smartphone · · · · JPY 6,740 mn

(Mainly app advertising)

QoQ: JPY +1,163 mn (+20.9%)

In addition to the significant increase in gross sales of UNICORN, advertising spend of mobile payment app and manga app, which decreased in Q1, increased. That of game app remained mostly flat.

PC · · · · · · · · · JPY 3,962 mn

(PC web advertising and smartphone web advertising)

QoQ: JPY -748 mn (-15.9%)

Some clients increased advertising spend, but several finance clients decreased advertising spend.

Overseas · · · · · JPY 2,154 mn -000: JPY +443 mn (+25.9%)

Advertising spend increased as a result of Chinese clients strengthening overseas expansion. App advertising grew in Taiwan.

*The accounting periods of our overseas subsidiaries end in December, so their FY2021 Q2 (April – June) figures are consolidated with the Adways Group's FY2021 Q2 (July - September) figures.

Smartphone PC(including web browser) Overseas Media contents Other

Gross Profit (QoQ Change)

(JPY mn)

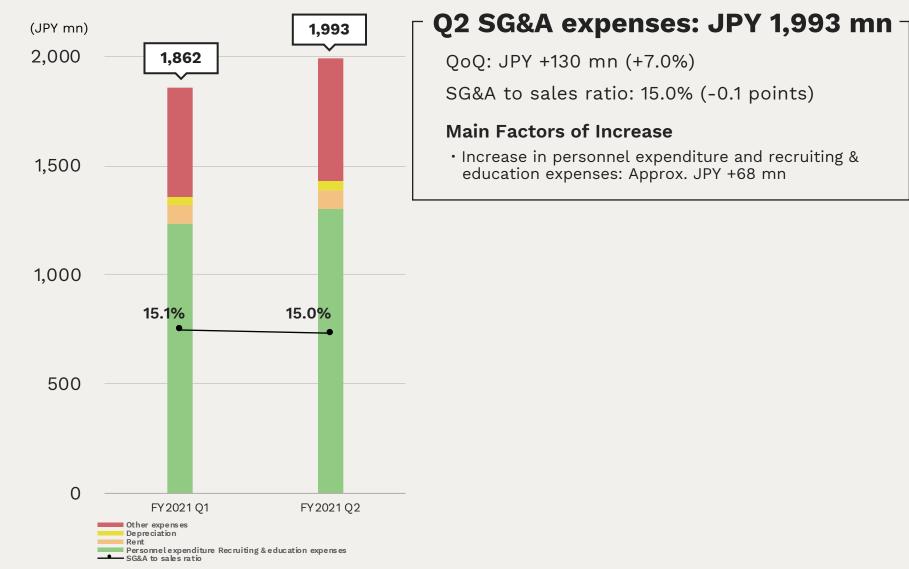


Q2 Gross profit: JPY 2,478 mn

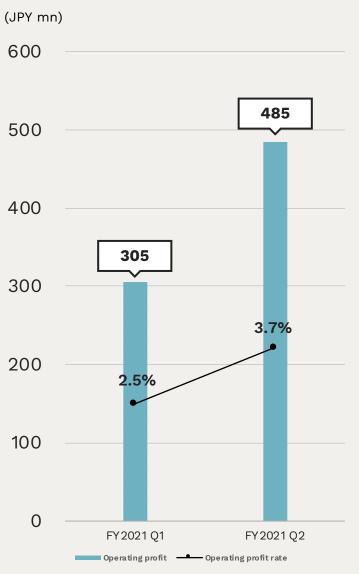
QoQ: JPY +311 mn (+14.4%)

Gross profit rate: 18.7% (+1.2 points)

SG&A Expenses (QoQ Change)



Operating Profit (QoQ Change)



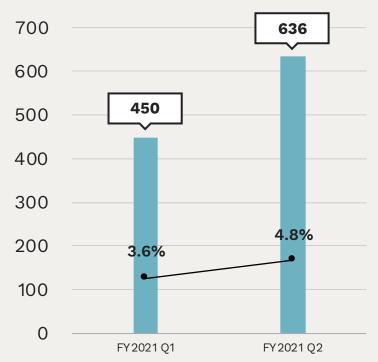
Q2 Operating profit: JPY 485 mn

QoQ: JPY +180 mn (+59.1%)

Operating Profit rate: 3.7% (+1.2 points)

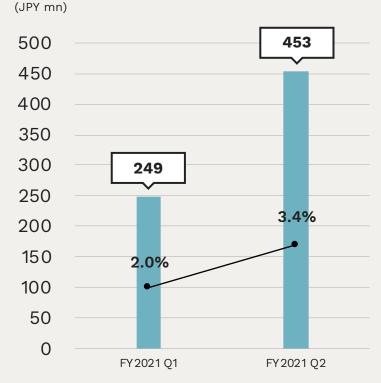
Ordinary Profit (QoQ Change)

(JPY mn)



Q2 Ordinary profit: JPY 636 mn QoQ: JPY+185 mn (+41.2%) Ordinary Profit rate: 4.8% (+1.2 points)

Profit Attributable to Owners of Parent (QoQ Change)

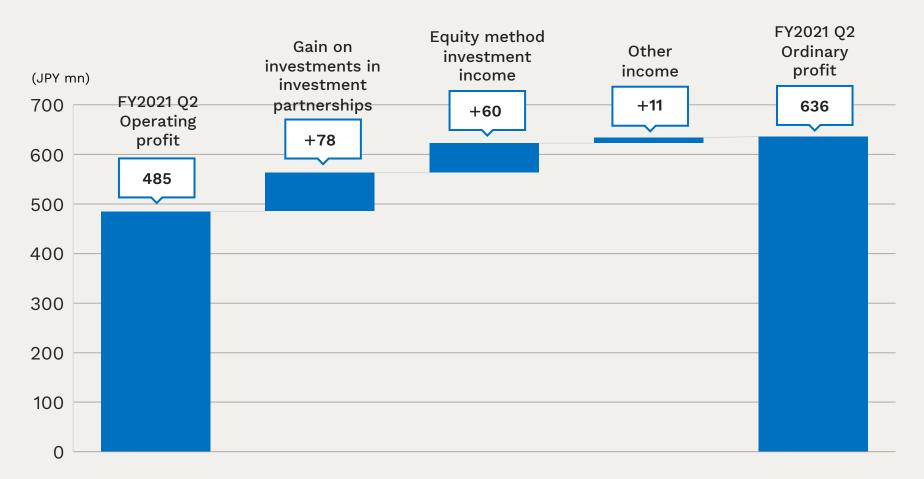


Q2 Profit attributable to owners of parent : JPY 453 mn

QoQ: JPY +204 mn (+81.8%)

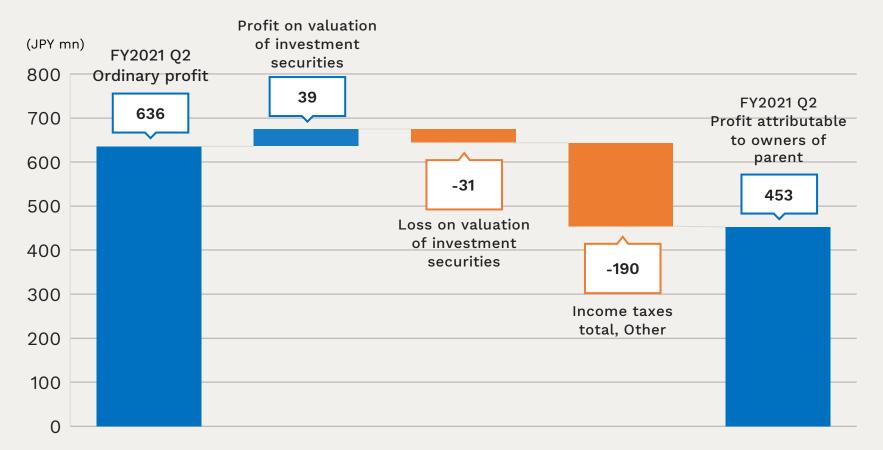
Profit Attributable to Owners of parent ratio:3.4% (+1.4 points)

Breakdown of FY2021 Q2 Ordinary Profit



Gain on investments in investment partnerships ••••••••••••••••••••••••••	JPY +78 mn
Equity method investment income	JPY +60 mn
Other income	JPY +11 mn

Breakdown of FY2021 Q2 Profit Attributable to Owners of Parent

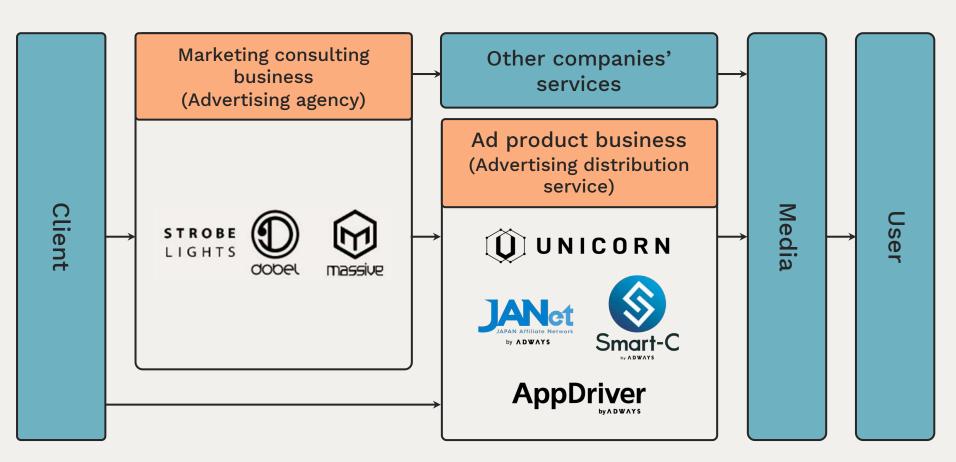


Profit on valuation of investment securities	••••••••••••••••••••••••••••••••••••••	39 mn
Loss on valuation of investment securities	••••••••••••••••••••••••••••••••••••••	-31 mn
Income taxes total, Other •••••	••••••••••••••••••••••••••••••••••••••	-190 mn





Advertising business



We classify our ad business into a marketing consulting business that also sells other companies' services and an ad product business that operates our ad distribution service.

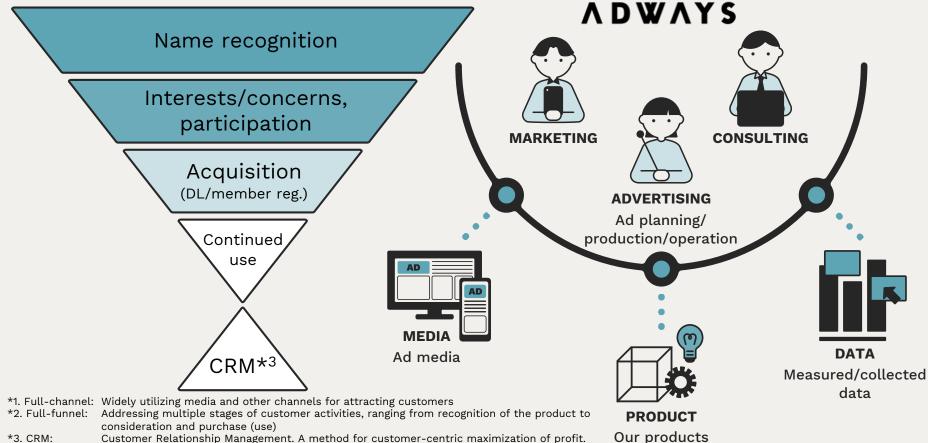
Marketing consulting business

Comprehensive app & web marketing support business

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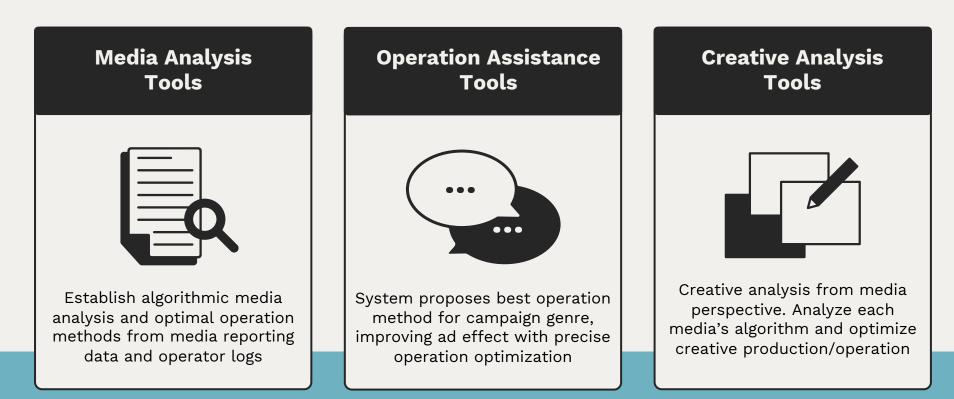
Comprehensive marketing support through integrated planning offline and online

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



*3. CRM: Customer Relationship Management. A method for customer-centric maximization of profit.

Leverage technology to maximize substantive ad effect



Maximize ad effect by analyzing main mega-platforms' algorithms to optimize operation

Progress of Capital and Business Alliance with Hakuhodo DY Group

Gross Sales from Alliance with Hakuhodo DY Group Number of Clients from Alliance with Hakuhodo DY Group



Gross sales and number of clients showed strong growth when compared with last quarter as well as with the same quarter of last year.

Ad product business

UNICORN, affiliate ad service business etc.

UUNICORN REDEFINE DIGITAL MARKETING,

Japan's First Certified Apple Search Ads Partner



Only seven companies, including UNICORN, have been certified as "Campaign Management Partner" in the world.

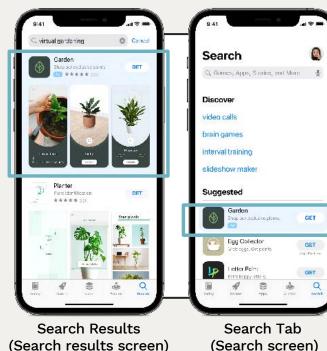
UNICORN's Apple Search Ads Automated Optimization Engine

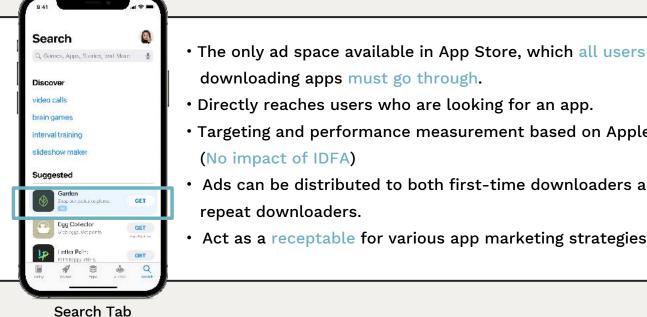
Only companies that have consented to be listed here are shown (in Japanese syllabary order).



The number of clients using the engine, including leading companies, has surpassed 50.

What Is Apple Search Ads?





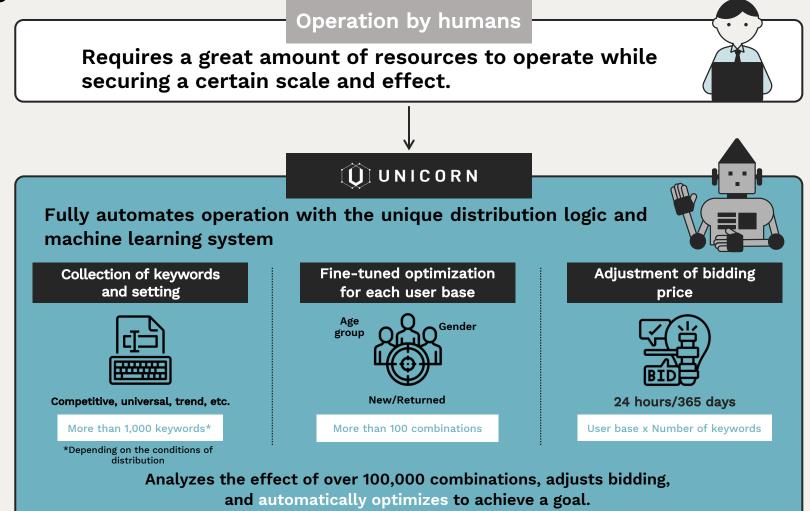
downloading apps must go through. • Directly reaches users who are looking for an app.

• Targeting and performance measurement based on Apple ID. (No impact of IDFA)

- Ads can be distributed to both first-time downloaders and repeat downloaders.
- Act as a receptable for various app marketing strategies.

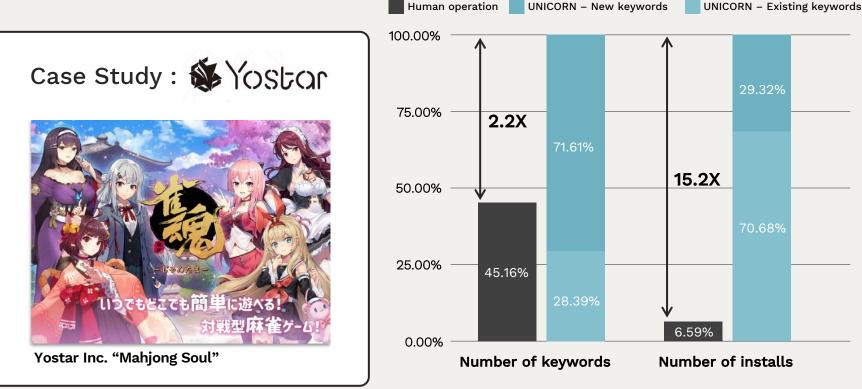
Since Apple Search Ads ensures distribution of ads to active users who visit App Store to look for an app using the search function, possible to acquire loyal users who will not only download apps but also are likely to demonstrate high retention rate later on.

Fully Automated Operation & Optimization by UNICORN



Maximizes Apple Search Ads distribution by seeking higher efficiency with less resource.

Comparison of Human Operation and UNICORN Operation

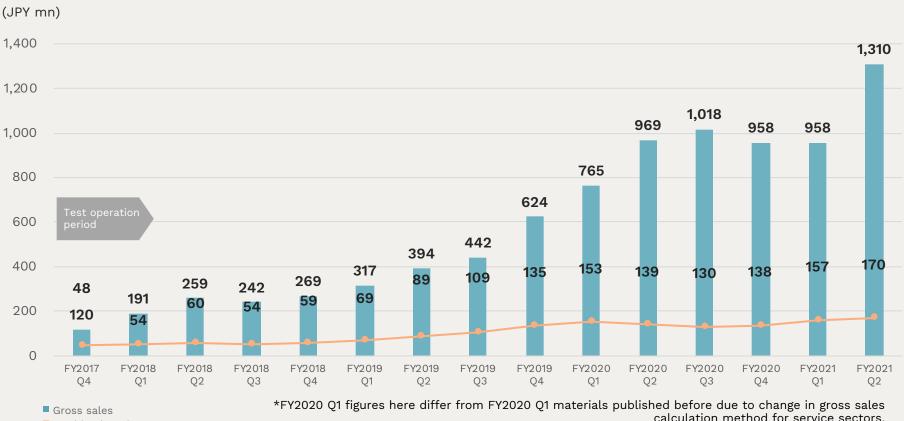


*1 Comparison of human operation and UNICORN operation for a period of three months. *2 Keywords refer to the number of keywords that have resulted in installs.

In comparison with human operation, the number of keywords increased by more than twofold in UNICORN operation. Overall, UNICORN operation succeeded in expanding the number of installs by more than fifteenfold.

Progress of UNICORN

Change in UNICORN Gross Sales and Machine Learning Costs



Machine learning costs

Gross sales increased 135% year on year, entering a regrowth phase.

About UNICORN

Progress of UNICORN

Progress by Genre

FY2021 Q2 results

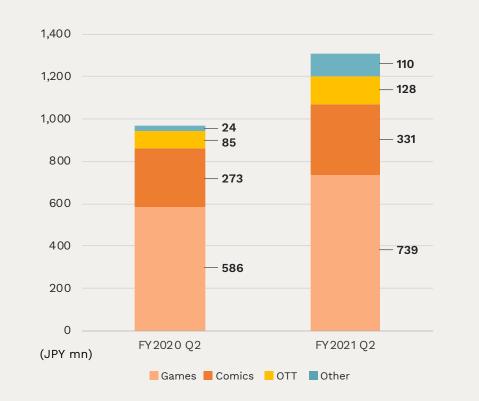
57%

8%

Games Comics OTT Other

10%

25%

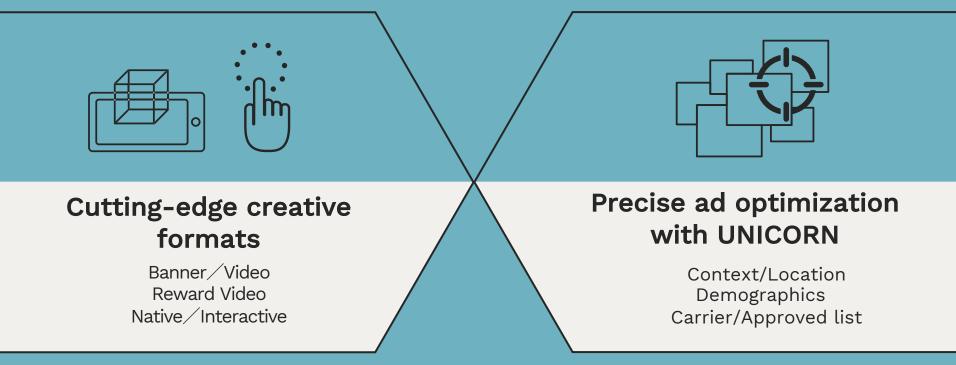


Significant growth in all genres. In Other, we expect the Web business, focused on brand advertisers, to become our fourth pillar.

About UNICORN

Second quarter

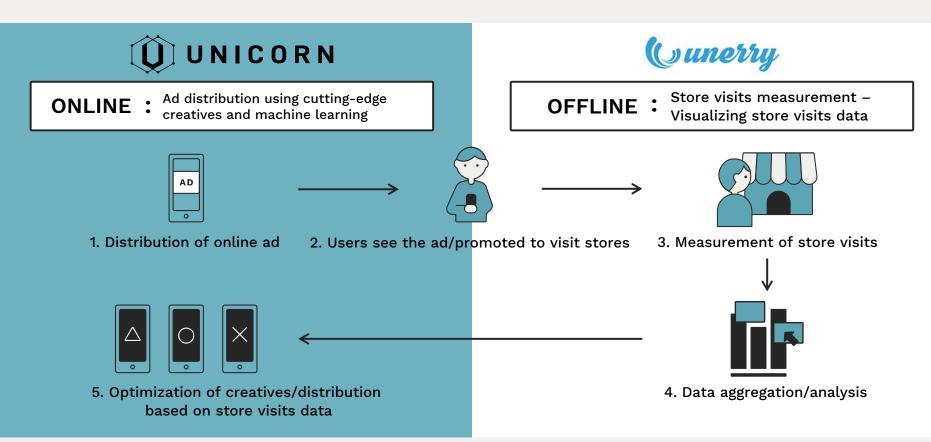
Advanced ad method UNICORN Interactive AD



Achieve completely new types of communication with unencountered users by using unprecedented creatives

Second quarter

Automated Optimization of Ad Distribution Based on Measurement of Store Visits in Collaboration with Beacon Bank



Support maximization of clients' OMO* effect through analysis of offline customer behaviors from entry to the store to purchase.

*OMO (Online Merges with Offline): Optimization of customer experience from integration of online and offline.

Overseas ad business

Comprehensive overseas app & web marketing support business

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Second quarter

Overseas ad business

China

App Marketing Business (Change in Gross Sales)



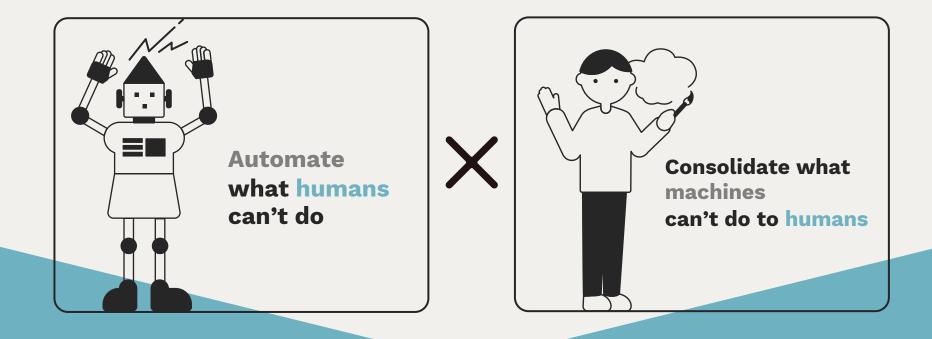
FY2021 Q2 app business gross sales increased 195% YoY

Taiwan Launched IDEA Push



Started to provide solutions to support ad distribution within LINE official accounts

Co-existence of Humans & Machines



Maximize performance

Beyond Everything Internet

インターネットの全てを越えていく

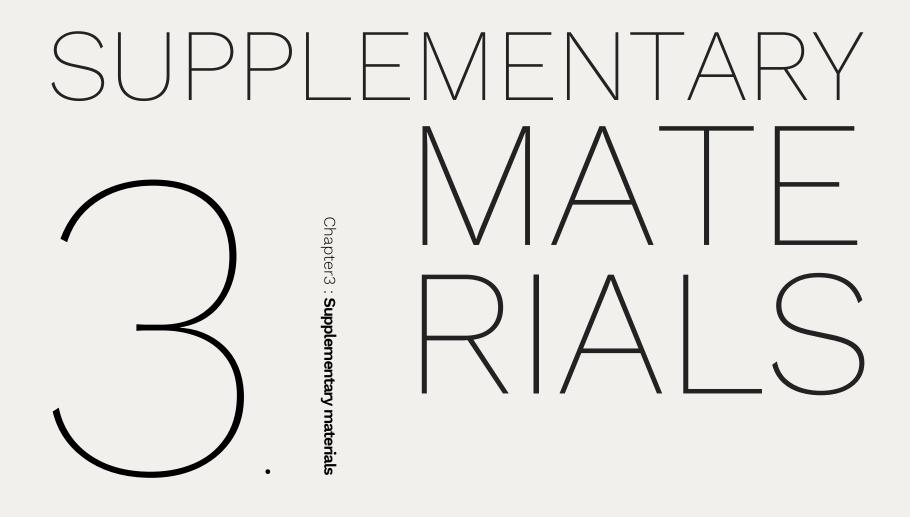


OMG, This is Amazing

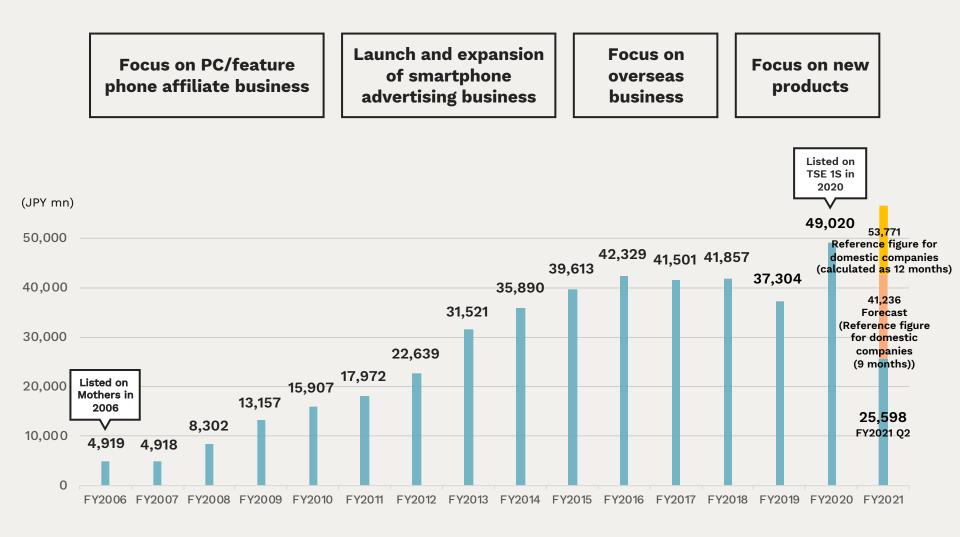
Thank you very much for attending our presentation today

The information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecasts 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 Nov 4, 2021, and a variety of factors may cause the statements to differ from actual results.



Yearly Change in Consolidated Gross Sales

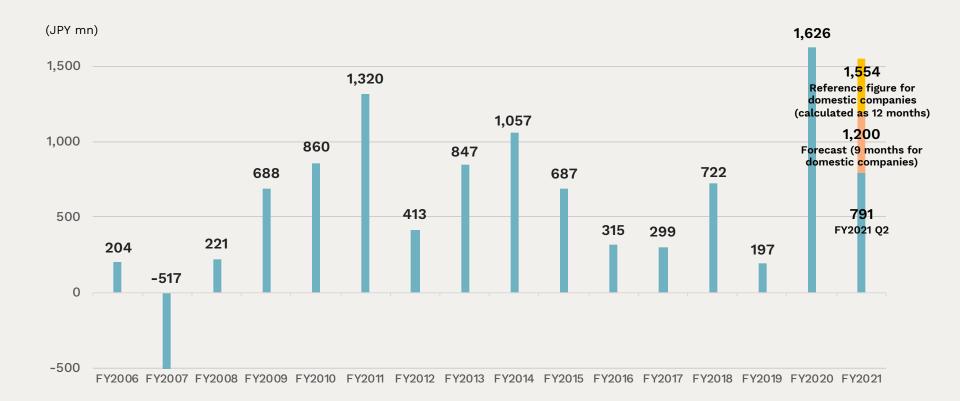


* Reference figure for domestic companies (calculated as 12 months) is a figure calculated for 12 months based on the average figure of forecast for domestic companies for 9 months.

(In line with the change of fiscal year, the accounting period of the fiscal year ending December 2021 will be 9 months for domestic companies.)

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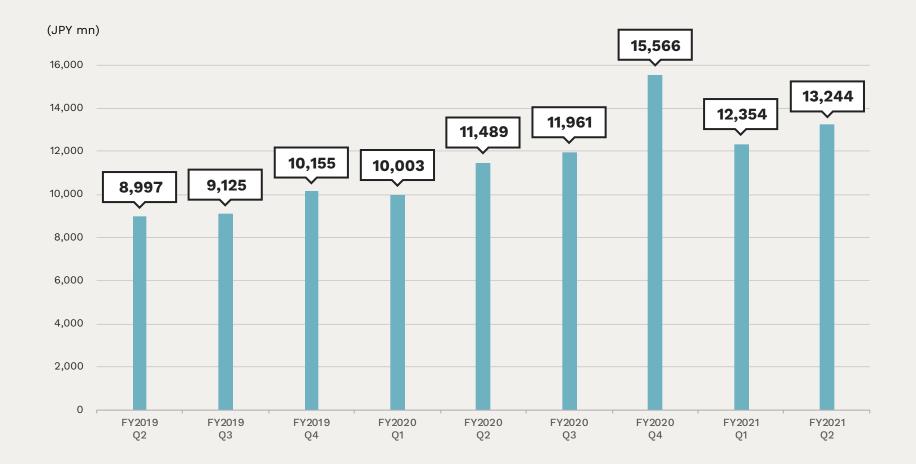
Yearly Change in Consolidated Operating Profit



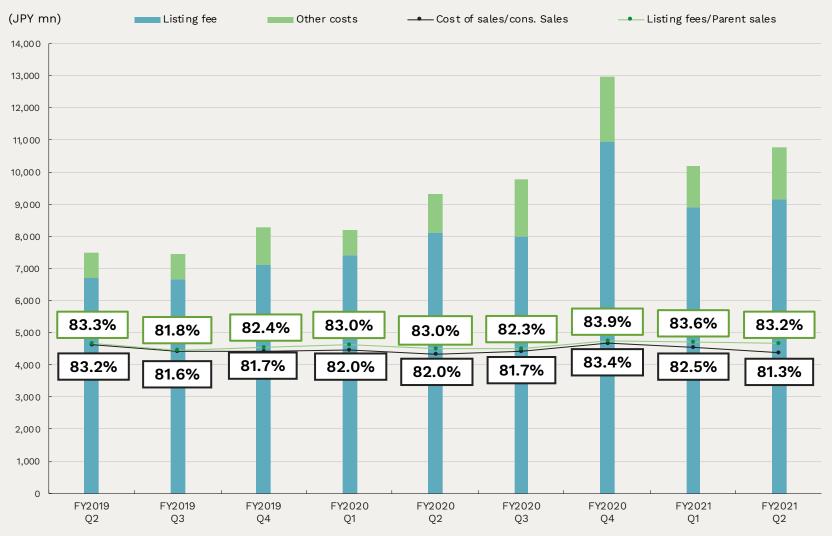
*Reference figure for domestic companies (calculated as 12 months) is operating profit calculated based on the forecast operating profit rate, which is calculated for gross sales calculated for 12 months based on the average figure of forecast for domestic companies for 9 months. (In line with the change of fiscal year, the accounting period of the fiscal year ending December 2021 will be 9 months for domestic companies.)

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Quarterly Change in Consolidated Gross Sales



Quarterly Change in Consolidated Cost of Sales



*Listing fee and Listing fees/Parent sales show non-consolidated figures.

Quarterly Change in Consolidated SG&A Expenses



Quarterly Change in Consolidated Operating Profit

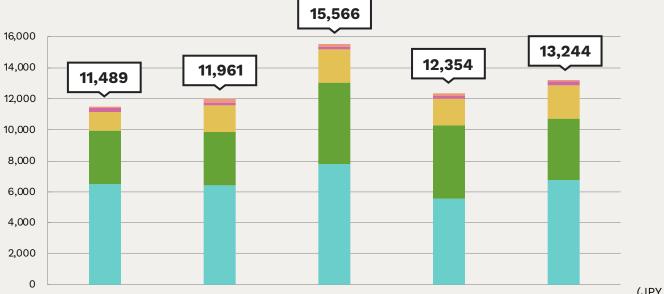


Consolidated Balance Sheet (QoQ)

(JPY mn)

	FY2021 Q2	FY2021 Q1	Change	Change (%)
Current assets	17,822	16,543	+1,278	+7.7%
(Cash and deposits)	9,028	9,295	-266	-2.9%
Non-current assets	3,393	3,304	+89	+2.7%
Total assets	21,215	19,847	+1,367	+6.9%
Current liabilities	9,364	8,405	+959	+11.4%
Non-current liabilities	217	258	-40	-15.8%
Total liabilities	9,582	8,663	+918	+10.6%
Net assets	11,633	11,184	+449	+4.0%

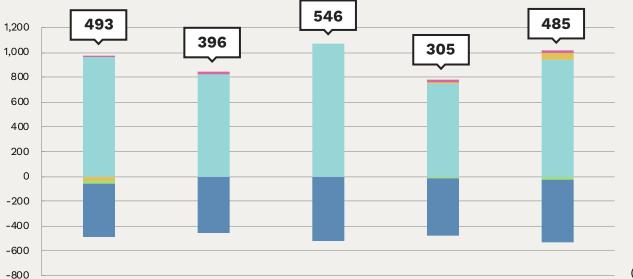
Quarterly Breakdown of Consolidated Sales by Segment



(JPY mn)

							QoQ	
	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	Change	Change(%)	
Smartphone	6,458	6,408	7,756	5,577	6,740	+1,163	+20.9%	
PC	3,446	3,429	5,312	4,711	3,962	-748	-15.9%	
Overseas	1,261	1,744	2,097	1,710	2,154	+443	+25.9%	
Media contents	190	202	216	198	219	+20	+10.6%	
Other	132	176	183	156	167	+10	+6.8%	
Total	11,489	11,961	15,566	12,354	13,244	+890	+7.2%	

Quarterly Breakdown of Consolidated Operating Profit by Segment

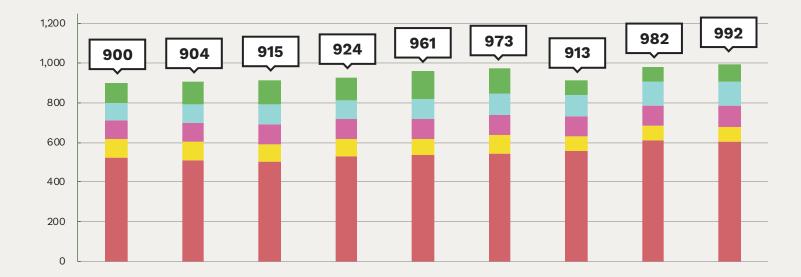


(JPY mn)

							QoQ	
	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	Change	Change (%)	
Advertising	960	828	1,068	752	942	+189	+25.2%	
Overseas	-34	-5	0	11	49	+38	+347.9%	
Media Contents	17	20	0	17	21	+3	+19.5%	
Other	-27	-4	-9	-10	-25	-14	_	
Eliminations & Corporate	-423	-442	-512	-465	-502	-37	—	
Total	493	396	546	305	485	+180	+59.1%	

*QoQ Change (%) for Other and Eliminations & Corporate are not listed as they marked operating losses.

Quarterly Change in Group Employees



(Persons)	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2
ADW Japan	521	512	506	533	535	546	558	613	602
ADW China	95	91	88	82	83	90	75	74	79
Domestic subsidiaries	99	96	100	102	100	105	99	101	106
Overseas subsidiaries (excluding China)	87	92	96	98	104	107	110	117	120
Temporary workers, part-time employees	98	113	125	109	139	125	71	77	85
Total	900	904	915	924	961	973	913	982	992

Company Overview

Company name	Adways Inc.	
Founded	February 28, 2001	
Business overview	Internet business	
CEO	Sho Yamada	
Capital	JPY 1,630 mn	(As at end of September 2021)
Gross sales	JPY 49,020 mn	(FY2020, Consolidated basis)
Employees * including temporary workers	992 (for the entire group)	(As at end of September 2021)