# **ADWAYS**

2022 MAY 2, 2022 PRESENTATION MATERIAL

**FIRST QUARTER** 

STOCK CODE: 2489

TSE PRIME MARKET ADWAYS INC.

Director and Chairman, Haruhisa Okamura

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# Change to New Market Segment "Prime Market"

In accordance with Tokyo Stock Exchange's Market Restructuring, Adways changed to the "Prime Market" on April 4, 2022.



As part of the Prime Market, we will continue our comprehensive efforts to grow our group, expand our business, improve our profits and strengthen our governance. In addition, we will try our best to deliver essential value to all stakeholders by improving our corporate value in a way that makes people around the world say, "OMG, this is amazing".

# Becoming an Equity-Method Affiliate of Hakuhodo DY Holdings Inc.

Hakuhodo DY holdings







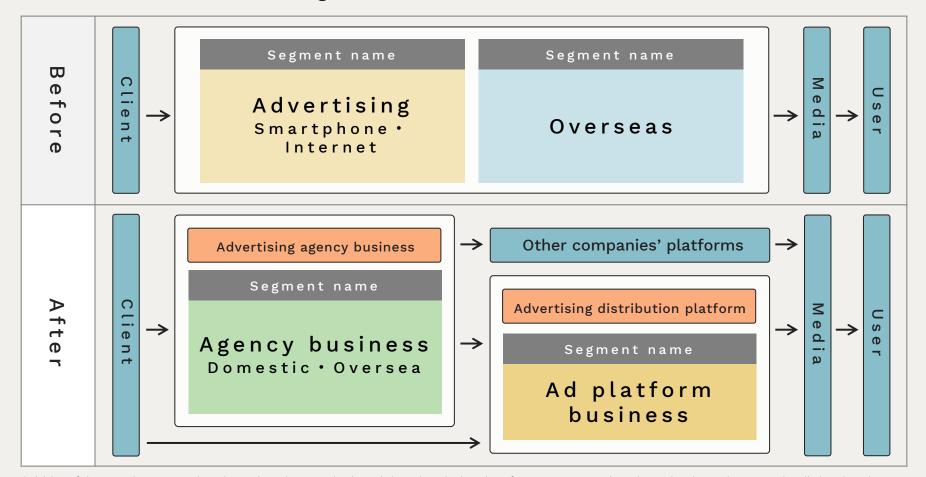
In November 2019, we entered into a capital and business alliance agreement with Hakuhodo DY Media Partners Inc., and in November 2021, we entered into a capital alliance agreement with Hakuhodo DY Media Partners Inc.'s parent company, Hakuhodo DY Holdings Inc. Moreover, with the appointment of Shota Umemoto, who was designated by Hakuhodo DY Holdings, Inc., as a director based on a resolution at our 22nd Annual General Meeting of Shareholders, held on March 24, 2022, we became an equity-method affiliate of the latter company.

#### **Note on Terms**

- 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".
- Due to a change in the accounting period starting from FY2021, year-on-year quarterly comparisons are made with reference to FY2020 Q4 (January to March 2021).
- The reporting segments starting from FY2022 are as follows: "Agency Business
  (Domestic/Oversea)," which provides comprehensive marketing support for apps and websites, and
  "Ad Platform Business," which operates UNICORN and affiliate ad services, etc. For details, see the
  next page.
- For the purpose of comparison with previous fiscal years, "gross sales" and "net sales" in the new segments for FY2020 and "gross sales" for FY2021 and FY2022 are indicated as reference values.
   However, please note that these are not official figures that have been audited by the accounting auditor.
- Gross profit margin, SG&A expense margin, operating profit margin, ordinary profit margin, profit margin (profit margin attributable to owners of parent), sales cost margin and listing fee margin are expressed as a percentage of the gross sales above.

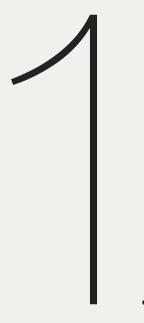
### Reporting Segment Change

The reporting segments have changed to the "Agency Business (Domestic/Oversea)," which provides comprehensive marketing support, and the "Ad Platform Business," which operates UNICORN and affiliate advertising services, etc.



<sup>\*</sup>Division of the reporting segment into domestic and oversea business is based on the location of our group companies prior to the change (FY2021 and earlier) and on the location of clients after the change (FY2022 and beyond).

Chapter1: First quarter results



# FY2022Q1 Performance

### **Quarterly Results (YoY)**

(JPY mn)

	FY2022 Q1	F	YoY Y2020 Q4 (Jan-Mar 20	21)
	(Jan-Mar 2022)	Results	Change	Change(%)
Gross sales	15,826	15,566	+259	+1.7%
Net sales	3,518	3,214	+303	+9.4%
Gross profit	2,804	2,580	+223	+8.7%
SG&A expenses	2,149	2,034	+114	+5.7%
Operating profit	655	546	+108	+19.9%
Ordinary profit	696	560	+135	+24.2%
Profit attributable to owners of parent	501	514	-13	-2.7%

Gross sales

YoY

Increased

**JPY +259 mn** (+1.7%)

**Operating** profit

YoY

Increased **JPY +108 mn** (+19.9%)

# FY2022 Consolidated Performance Forecast Revision

(JPY mn)

					(01 1 11111)
	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	58,000	13,500	1,100	1,400	700
Revised forecasts	59,000	13,800	1,420	1,690	1,000
Change	+1,000	+300	+320	+290	+300
Change (%)	+1.7%	+2.2%	+29.1%	+20.7%	+42.9%

<sup>\*</sup>Initial forecasts are the figures announced on February 10, 2022, in the "Consolidated financial results summary for full year FY2021 (Full Year FY2022 Earnings Guidance)".

<sup>\*</sup>As indicated in the "Notice Regarding Gains Recorded from Sale of Investment Securities (Forecast)" disclosed on a timely basis on April 28, 2022, since a portion of the investment securities owned by our group will be sold, we expect to record gains from the sale of these securities. However, at the current time, it is not possible to calculate the impact on our performance, so it has not been included in this forecast.

Once the impact becomes clear, we will disclose it promptly.

### FY2022 Consolidated Performance Forecasts and Results (January 1, 2022-December 31, 2022)

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	58,000	13,500	1,100	1,400	700
Revised forecasts	59,000	13,800	1,420	1,690	1,000
Q1 Results	15,826	3,518	655	696	501
Initial forecasts Progress rate	27.3%	26.1%	59.6%	49.7%	71.6%
Revised forecasts Progress rate	26.8%	25.5%	46.2%	41.2%	50.1%

<sup>\*</sup>Initial forecasts are the figures announced on February 10, 2022, in the "Consolidated financial results summary for full year FY2021 (Full Year FY2022 Earnings Guidance)".

### Investment in Humans, **Businesses and Machines**

Initial Plan: to invest approx. JPY 520 mn in FY2022

Business year	Investment amount (Initial forecasts)	Operating profit when investment made (Initial forecasts)	Operating profit when investment not made (Initial forecasts)
FY2022	Approx. JPY 520 mn	JPY 1,100 mn	Approx. JPY <b>1,620</b> mn

#### Revised Plan: to invest approx. JPY 840 mn in FY2022

Business year	Investment amount (Revised forecasts)	Operating profit when investment made (Revised forecasts)	Operating profit when investment not made (Revised forecasts)
FY2022	Approx. JPY 840 mn	JPY 1,420 mn	Approx. JPY <b>2,260 mn</b>



Approx. JPY 240 mn

Approx. JPY 390 mn



Investment in businesses

(Expanding businesses)

Initial forecast Approx. JPY 90 mn



Revised forecast Approx. **JPY 140 mn** 



Investment in machines

(Boosting operational efficiency)

Initial forecast Approx. JPY 190 mn

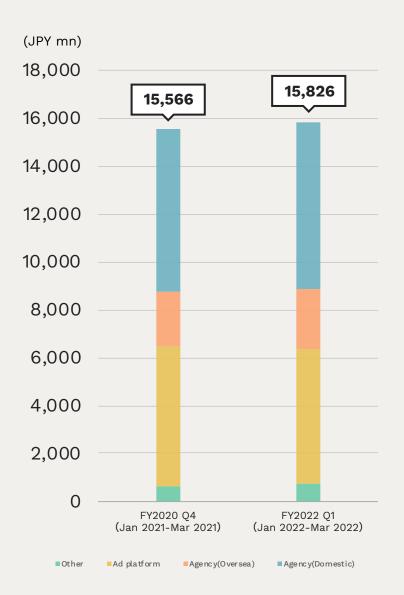


Revised forecast Approx. JPY 310 mn

#### Strengthening our advertising business base through more proactive investment.

- \* Investment here refers to spending different from past spending (new investment).
- \* "Operating profit when investment not made" refers to operating profit when investment was not made. 11 Copyright © Adways Inc. All Rights Reserved.

### **Gross Sales (YoY Change)**



#### Agency · · · · · JPY 9,484 mn-

(Comprehensive app & web marketing support business)

YoY: JPY +415 mn (+4.6%)

#### Domestic · · · · JPY 6,957 mn

YoY: JPY +141 mn (+2.1%)

In the equivalent quarter last year, sales were partly driven by a major promotion for a QR code payment app, but although there was a recoil reduction, gross sales grew due to significant growth of multiple manga apps.

#### Oversea · · · · JPY 2,526 mn

YoY: JPY +274 mn (+12.2%)

Gross sales increased due to global advertising distribution associated with enhanced international expansion by Chinese clients. Brand advertising grew in Taiwan.

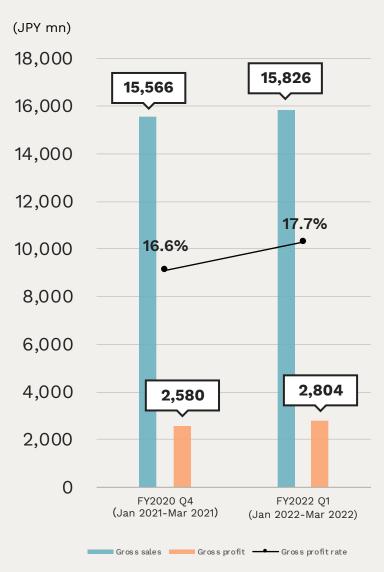
#### Ad platform · · · JPY 5,619 mn-

(UNICORN, affiliate ad service business etc.)

YoY: JPY -248 mn (-4.2%)

While UNICORN's gross sales increased significantly, affiliate gross sales from some consumer finance and credit card clients decreased.

# **Gross Profit (YoY Change)**



#### Q1 Gross profit : JPY 2,804 mn

YoY: JPY +223 mn (+8.7%)

Gross profit rate: 17.7% (+1.1 points)

# SG&A Expenses (YoY Change)



#### Q1 SG&A expenses : JPY 2,149 mn

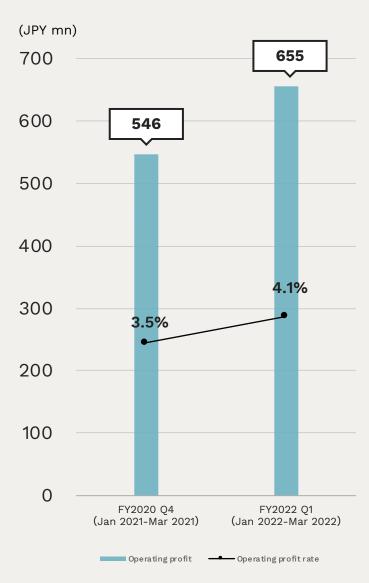
YoY: JPY +114 mn (+5.7%)

SG&A to sales ratio: 13.6% (+0.5 points)

#### **Main Factors of Increase**

 Increase in personnel expenditure and recruiting & education expenses: Approx. JPY +106 mn

# **Operating Profit (YoY Change)**

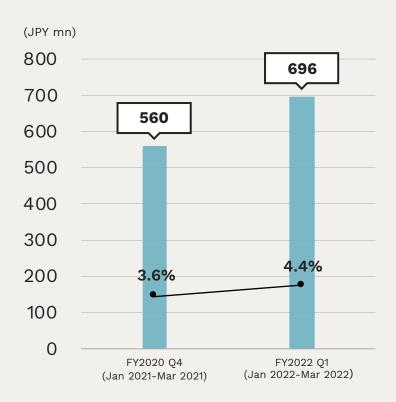


#### Q1 Operating profit: JPY 655 mn

YoY: JPY +108 mn (+19.9%)

Operating Profit rate: 4.1% (+0.6 points)

# Ordinary Profit (YoY Change)



#### Q1 Ordinary profit: JPY 696 mn

YoY: JPY +135 mn (+24.2%)

Ordinary Profit rate: 4.4% (+0.8 points)

#### Profit Attributable to Owners of Parent (YoY Change)



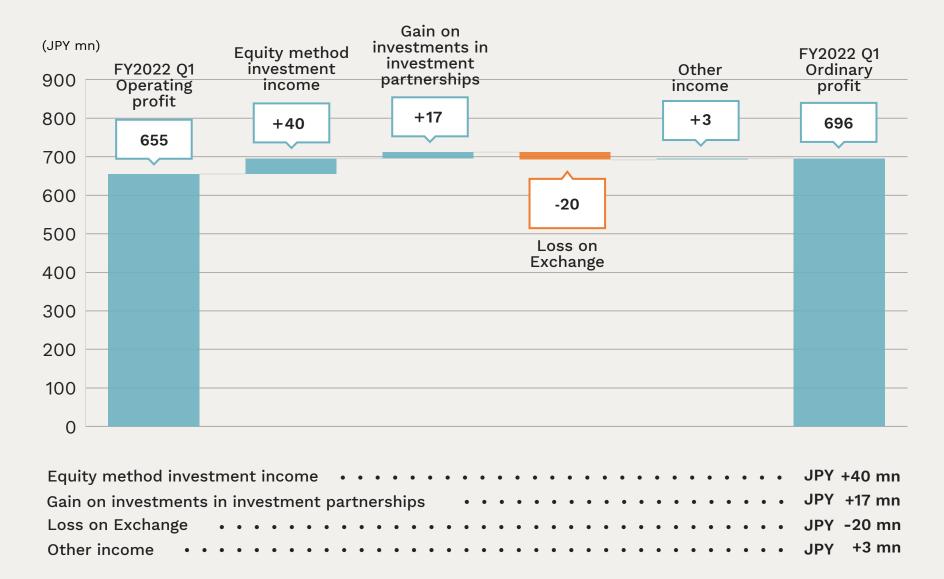
### Q1 Profit attributable to owners of parent: JPY 501 mn

YoY: JPY -13 mn (-2.7%)

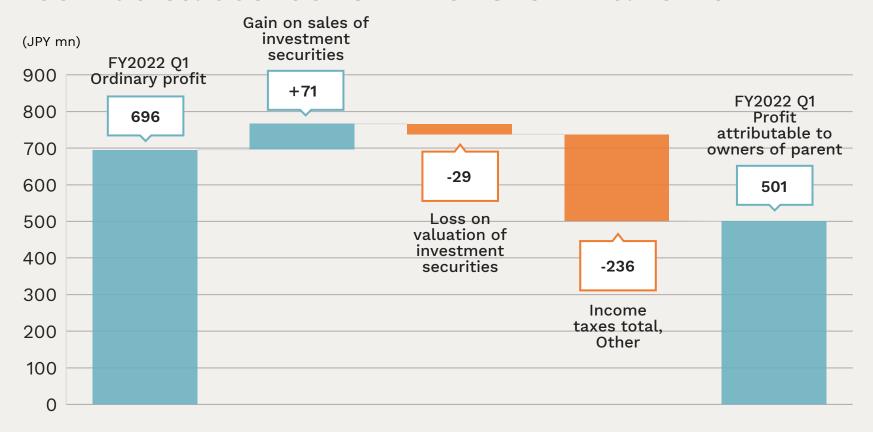
Profit Attributable to Owners of parent ratio:

3.2% (-0.1 points)

### **Breakdown of FY2022 Q1 Ordinary Profit**



# **Breakdown of FY2022 Q1 Profit Attributable to Owners of Parent**

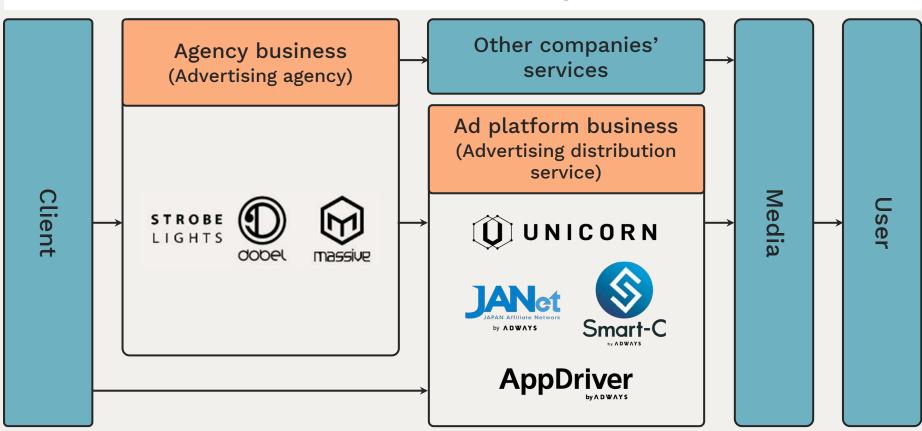


Gain on sales of investment securities •	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	JPY	71 mn
Loss on valuation of investment securities		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	JPY	-29 mr
Income taxes total. Other • • • • • •	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•					JPY	-236 mr

Chapter2: business overview

# Advertising business

#### Classification of Advertising Business



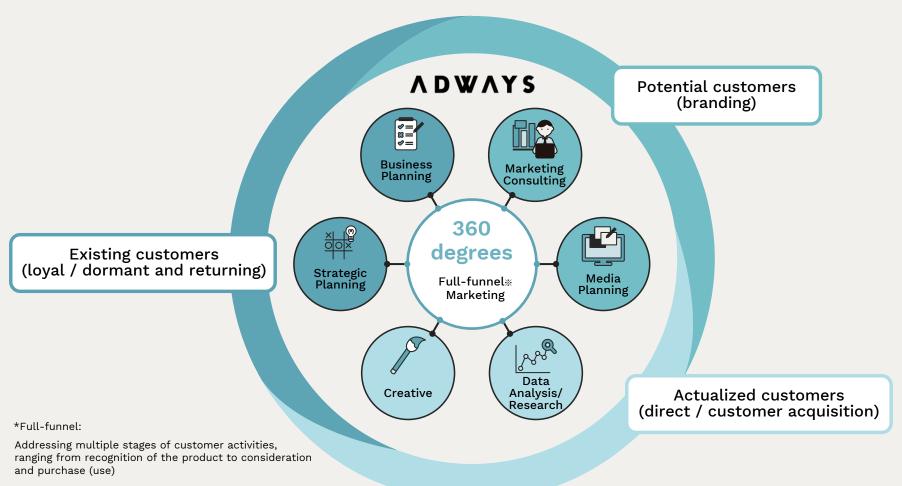
We classify our ad business into an agency business that also sells other companies' services and an ad platform business that operates our ad distribution service.

# Agency business (Domestic · Oversea)

Comprehensive app & web marketing support business

# **Principles of Agency Business**

360-degree coverage of the marketing field through integrated offline and online planning



# Leverage technology to maximize the true value of ad results



Media Analysis
Tools

Establish algorithmic media analysis and optimal operation methods from media reporting data and operator logs



Operation Assistance
Tools

System proposes best operation method for campaign genre, improving ad effect with precise operation optimization



Creative Analysis
Tools

Creative analysis from media perspective. Analyze each media's algorithm and optimize creative production/operation

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

# Capital Alliance for a Stronger Strategic Partnership

Combining our group's operation, creation and development capabilities with Hakuhodo DY Group's integrated TV/digital planning and marketing strategy design expertise to build a stronger collaborative structure



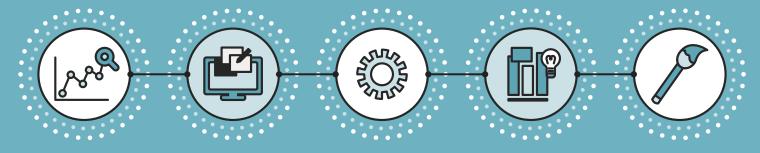


Integrated TV/digital planning and marketing strategy design expertise





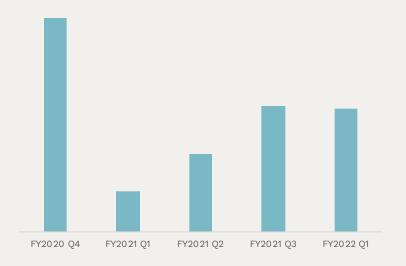
Operation, creation and development capabilities



# 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





Compared with the equivalent quarter last year, gross sales decreased, but the number of accounts grew. Gross sales have been strong since FY2021 Q1.

# Overseas Marketing Support Business

#### Taiwan

Launch of "SENSIBILITY CONSCIOUS" fashion brand with Taiwanese celebrity Joanne Tseng



# Ad platform business

UNICORN, affiliate ad service business etc.

# **Ad Platform Business Principles**

Implementing strategies and measures aligned with the product phase



Expanding campaign genres and strengthening initiatives aimed at brand advertisers





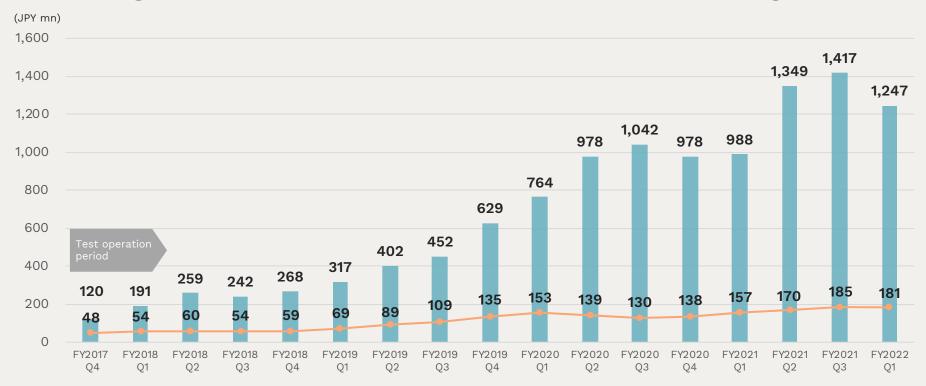


Restructuring products with the aim of creating new value



# **Progress of UNICORN**

#### Change in UNICORN Gross Sales and Machine Learning Costs



Gross salesMachine learning costs

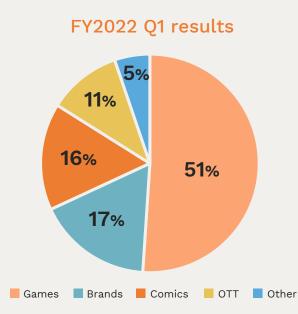
In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from this document, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handle UNICORN related sales. As a result, gross sales in materials for FY2021 and earlier and gross sales in this document differ. (Transactions of departments that also handle other products are not included.)

Gross sales increased 127% year on year.

About **UNICORN** 

# **Progress of UNICORN**

#### **Progress by Genre**





The "Brands" category, which was classified under "Other" until FY2021, will be displayed as a separate category starting from FY2022. In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from this document, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handle UNICORN related sales. As a result, gross sales in materials for FY2021 and earlier and gross sales in this document differ. (Transactions of departments that also handle other products are not included.)

Each category grew significantly. In particulzar, there was substantial growth in transactions with brand advertisers.

About **UNICORN** 

# **Progress of UNICORN**

#### **UNICORN's Performance: YoY**

(JPY mn)

	FY2022 Q1		YoY FY2020 Q4 (Jan-Mar 2021)	
	(Jan-Mar 2022)	Result	Change	Change(%)
Gross sales	1,247	978	+269	+27.5%
Gross profit	409	272	+136	+50.1%
Operating profit	121	32	+88	+273.5%

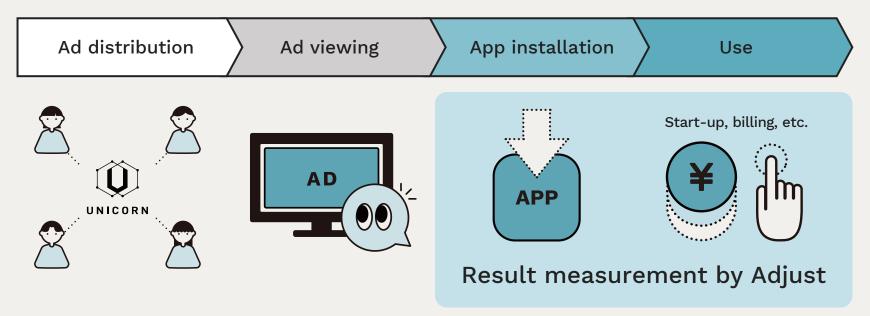
In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from this document, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handle UNICORN related sales. As a result, gross sales in materials for FY2021 and earlier and gross sales in this document differ. (Transactions of departments that also handle other products are not included.)

Gross sales, gross profit, and operating profit each grew substantially.

About <b>UNICORN</b>
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# Starting an Ad Result Measurement Partnership with Adjust for Connected TVs

Reaching viewers in the same way as conventional TV commercials while also enabling distribution tailored to viewers



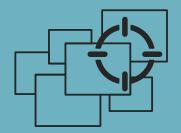
Linking our system to Adjust will enable us to measure the effectiveness of ads for connected TVs distributed via UNICORN and the behavior of users who viewed ads and downloaded apps

# Advanced ad method UNICORN Interactive AD





Banner / Video Reward Video Native / Interactive

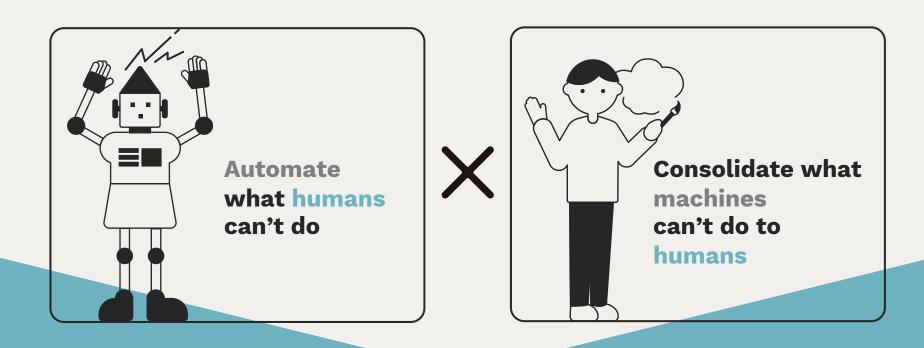


Precise ad optimization with UNICORN

Context/Location Demographics Carrier/Approved list

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

# Co-existence of Humans & Machines



# Maximize performance





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 May 2, 2022, and a variety of factors may cause the statements to differ from actual results.

# SUPPLEMENTARY MATERIAL SUPPLEMENTARY

Chapter3: Supplementary materials

RIALS

#### **Yearly Change in Consolidated Gross Sales**

Focus on

overseas

Focus on new

Launch and expansion

of smartphone

phone affiliate business products advertising business **business** Listed on (JPY mn) 59.000 TSE 1S in (Forecast) 60,000 2020 49,020 50,000 Reference figure for domestic companies 42,329 41.501 41,857 (calculated as 12 months) 39,613 37,304 40,000 35,890 31,521 42,930 30,000 22,639

FY2015 FY2016

FY2017 FY2018 FY2019

FY2020

FY2012 FY2013 FY2014

15.826

(FY2022 Q1)

FY2021 FY2022

8,302

FY2007 FY2008 FY2009

20,000

10,000

Listed on

Mothers in 2006

4,919 4,918

Focus on PC/feature

15,907

FY2011

FY2010

13,157

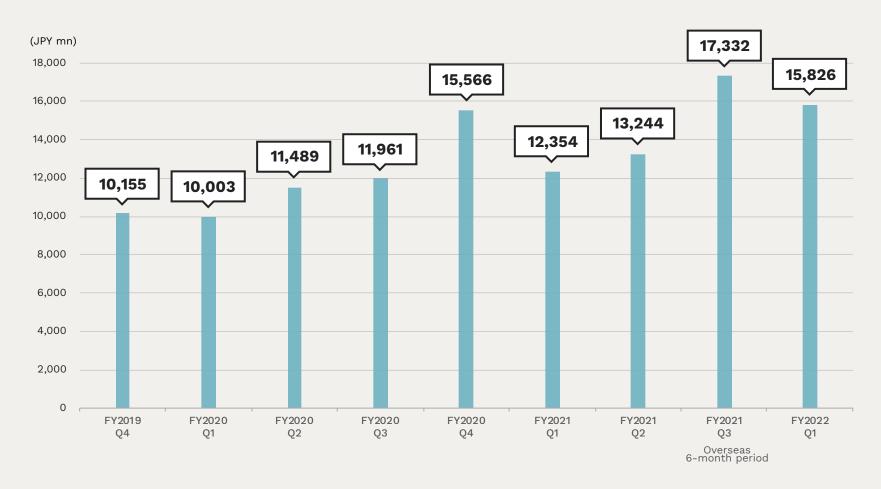
<sup>\*</sup>FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was 9 months for domestic companies).

#### Yearly Change in Consolidated Operating Profit



<sup>\*</sup>FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was 9 months for domestic companies).

## **Quarterly Change in Consolidated Gross Sales**



<sup>\*</sup>FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

#### **Quarterly Change in Consolidated Cost of Sales**



<sup>\*</sup>FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

<sup>\*</sup>Listing fee and Listing fees/Parent sales show non-consolidated figures.

#### **Quarterly Change in Consolidated SG&A Expenses**



<sup>\*</sup>FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

#### **Quarterly Change in Consolidated Operating Profit**



<sup>\*</sup>FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

#### **Consolidated Balance Sheet (QoQ)**

(JPY mn)

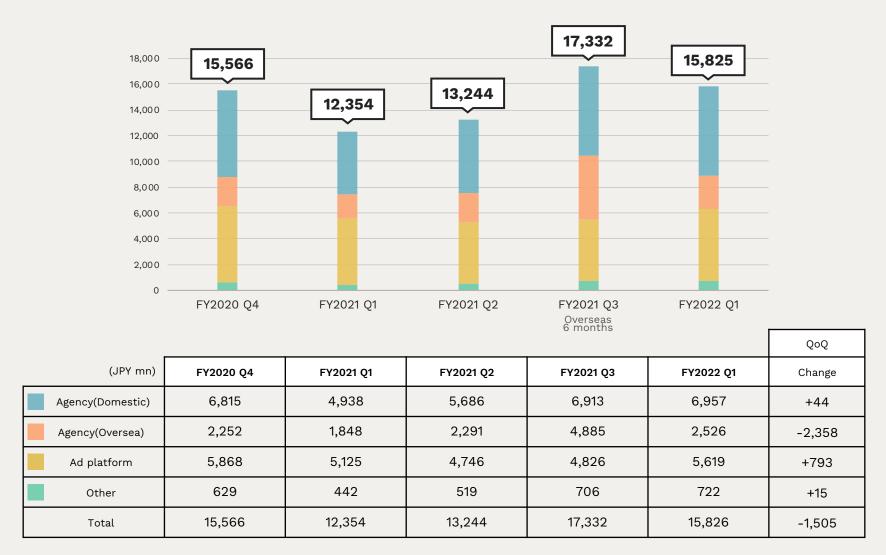
	FY2022 Q1	FY2021 Q3	Change	Change (%)
Current assets	20,793	21,762	-969	-4.5%
(Cash and deposits)	9,621	9,916	-295	-3.0%
Non-current assets	3,669	3,511	+157	+4.5%
Total assets	24,462	25,274	-811	-3.2%
Current liabilities	10,112	10,171	-58	-0.6%
Non-current liabilities	222	165	+56	+34.5%
Total liabilities	10,334	10,336	-1	-0.0%
Net assets	14,128	14,937	-809	-5.4%

<sup>\*</sup> Due to a change in the accounting period starting from FY2021, the previous year ended is Q3 FY2021.

The net asset amount decreased due to the acquisition of treasury stock.

N.B.: Treasury stock acquired from January 1 to March 31, 2022: 1,215,076,700 yen With regard to subsequent acquisition, please see the IR section of our website.

#### **Quarterly Breakdown of Consolidated Sales by Segment**



<sup>\*</sup> Since FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year, the percentage change compared with FY2022 Q1 is not indicated.

## Quarterly Breakdown of Consolidated Operating Profit by Segment



(JPY mn)	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2022 Q1	Change
Agency	695	497	646	928	742	-185
Ad Platform	408	282	360	283	399	+115
Other	-0	14	7	21	20	-0
Eliminations & Corporate	-557	-489	-529	-725	-507	+218
Total	546	305	485	507	655	+148

<sup>\*</sup> Since FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year, the percentage change compared with FY2022 Q1 is not indicated.

#### **Quarterly Change in Group Employees**



(Persons)	FY2019 Q4	FY2020 Q1	FY2020 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2022 Q1
ADW Japan	506	533	535	546	558	613	602	611	603
ADW China	88	82	83	90	75	74	79	80	83
Domestic subsidiaries	100	102	100	105	99	101	106	117	132
Overseas subsidiaries (excluding China)	96	98	104	107	110	117	120	119	138
Temporary workers, part-time employees	125	109	139	125	71	77	85	105	98
Total	915	924	961	973	913	982	992	1,032	1,054

### **Company Overview**

Company name	Adways Inc.	
Founded	February 28, 2001	
Business overview	Internet business	
CEO	Sho Yamada	
Capital	JPY 1,716 mn	(As at end of March 2022)
Gross sales	JPY 42,930 mn (Domestic 9-month period)	(FY2021, Consolidated basis)
Employees * including temporary workers	1,054 (for the entire group)	(As at end of March 2022)