

ADWAYS

2022

AUGUST 3, 2022

PRESENTATION MATERIAL

SECOND QUARTER

STOCK CODE : 2489

TSE PRIME MARKET
ADWAYS INC.

Director and Chairman,
Haruhisa Okamura

Contents

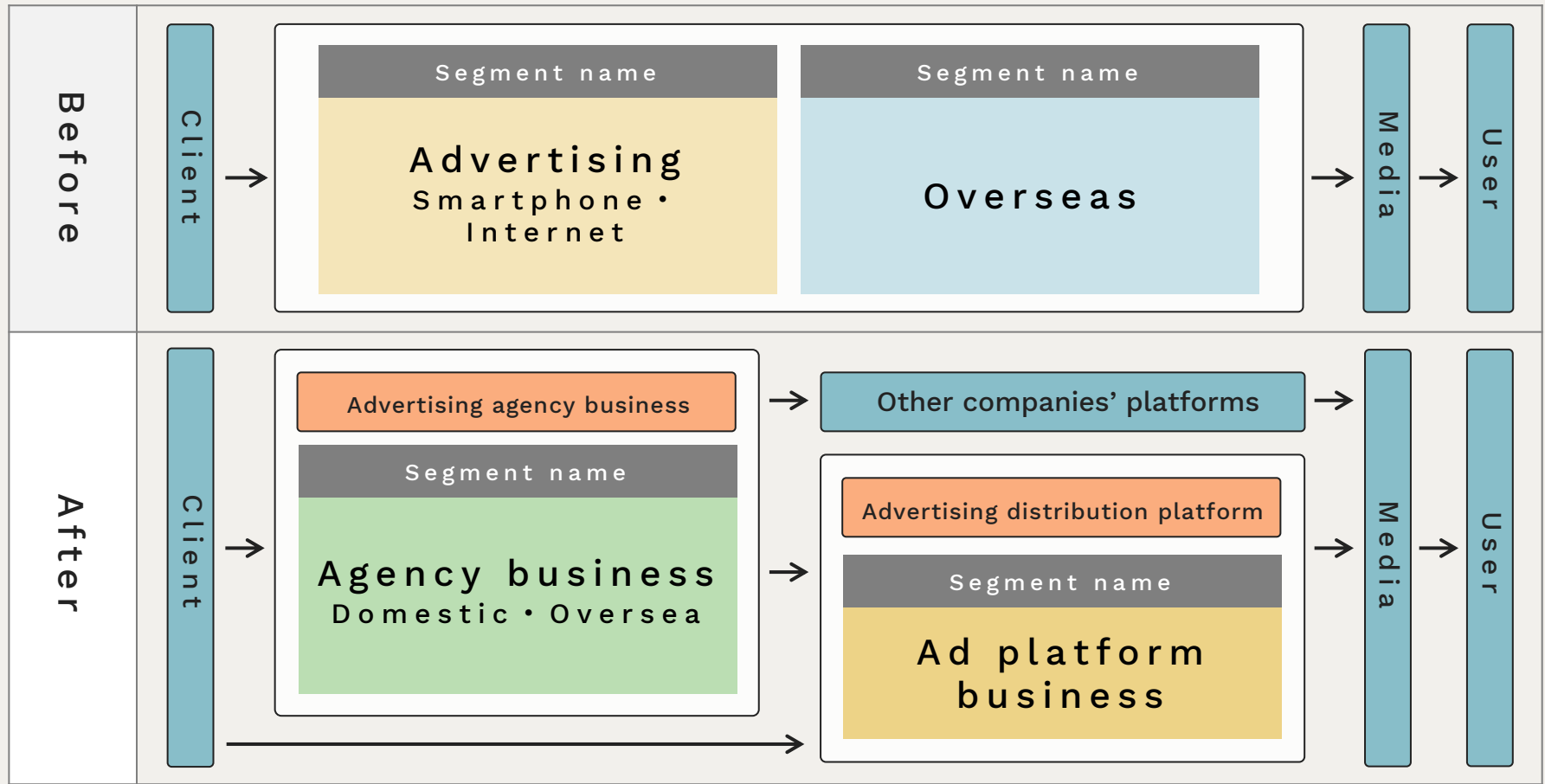
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Note on Terms

- 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 FY2021 Q1 (April to June 2021).
- The reporting segments starting from FY2022 are as follows: “Agency Business (Domestic/Overseas),” 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” 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 starting from FY2022 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.



*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 : **Second quarter results**

1.

FY2022 Q2
Performance

Quarterly Results (YoY · QoQ)

(JPY mn)

| | FY2022 Q2 (Apr-Jun 2022) | YoY FY2021 Q1 (Apr-Jun 2021) | | | QoQ FY2022 Q1 (Jan-Mar 2022) | | |
|---|-----------------------------|---------------------------------|--------|-----------|---------------------------------|--------|-----------|
| | | Results | Change | Change(%) | Results | Change | Change(%) |
| Gross sales | 14,978 | 12,354 | +2,624 | +21.2% | 15,826 | -847 | -5.4% |
| Net sales | 3,213 | 2,754 | +458 | +16.6% | 3,518 | -304 | -8.7% |
| Gross profit | 2,588 | 2,167 | +420 | +19.4% | 2,804 | -216 | -7.7% |
| SG&A expenses | 2,294 | 1,862 | +432 | +23.2% | 2,149 | +145 | +6.7% |
| Operating profit | 294 | 305 | -11 | -3.7% | 655 | -361 | -55.2% |
| Ordinary profit | 13 | 450 | -437 | -97.0% | 696 | -682 | -98.0% |
| Profit attributable to owners of parent | 454 | 249 | +205 | +82.3% | 501 | -46 | -9.2% |

Gross sales YoY **Increased** **JPY +2,624 mn** (+21.2%)
QoQ **Decreased** **JPY -847 mn** (-5.4%)

Operating profit YoY **Decreased** **JPY -11 mn** (-3.7%)
QoQ **Decreased** **JPY -361 mn** (-55.2%)

FY2022 Consolidated Performance Forecast Revision

(Revision of only profit attributable to owners of parent; Announced on May 31, 2022)

In light of events such as extraordinary income (gain on sales of investment securities) generating from selling a portion of investment securities, the FY2022 consolidated performance forecasts have been revised (Announced on May 31, 2022).

(JPY mn)

| | Gross sales (Reference) | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|--|----------------------------|-----------|------------------|-----------------|--|
| Initial forecasts | 59,000 | 13,800 | 1,420 | 1,690 | 1,000 |
| Revised forecasts (May 31, 2022) | 59,000 | 13,800 | 1,420 | 1,690 | 1,360 |
| Change | - | - | - | - | +360 |
| Change (%) | - | - | - | - | +36% |

*Initial forecasts are the figures announced on May 2, 2022, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2022 Consolidated Performance Forecast Revision

(Revision of only profit attributable to owners of parent; Announced on May 31, 2022)

(JPY mn)

| | Gross sales (Reference) | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent |
|--|----------------------------|-----------|------------------|-----------------|--|
| Initial forecasts | 59,000 | 13,800 | 1,420 | 1,690 | 1,000 |
| Revised forecasts (May 31, 2022) | 59,000 | 13,800 | 1,420 | 1,690 | 1,360 |
| Q2 Results | 30,804 | 6,731 | 949 | 709 | 955 |
| Revised forecasts Progress rate (May 31, 2022) | 52.2% | 48.8% | 66.9% | 42.0% | 70.3% |

*Initial forecasts are the figures announced on May 2, 2022, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2022 Dividend Forecast Revisions

(Announced on May 31, 2022)

FY2022 Dividend Forecast

Initial forecasts JPY **5.49** per share
(Dividend payout ratio of 22%)

**Revised forecasts
(May 31, 2022)** JPY **7.46** per share
(Dividend payout ratio of 22%)

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%**

or

JPY 2.80 per share

Whichever is higher

FY2023

**Dividend payout
ratio of 23%**

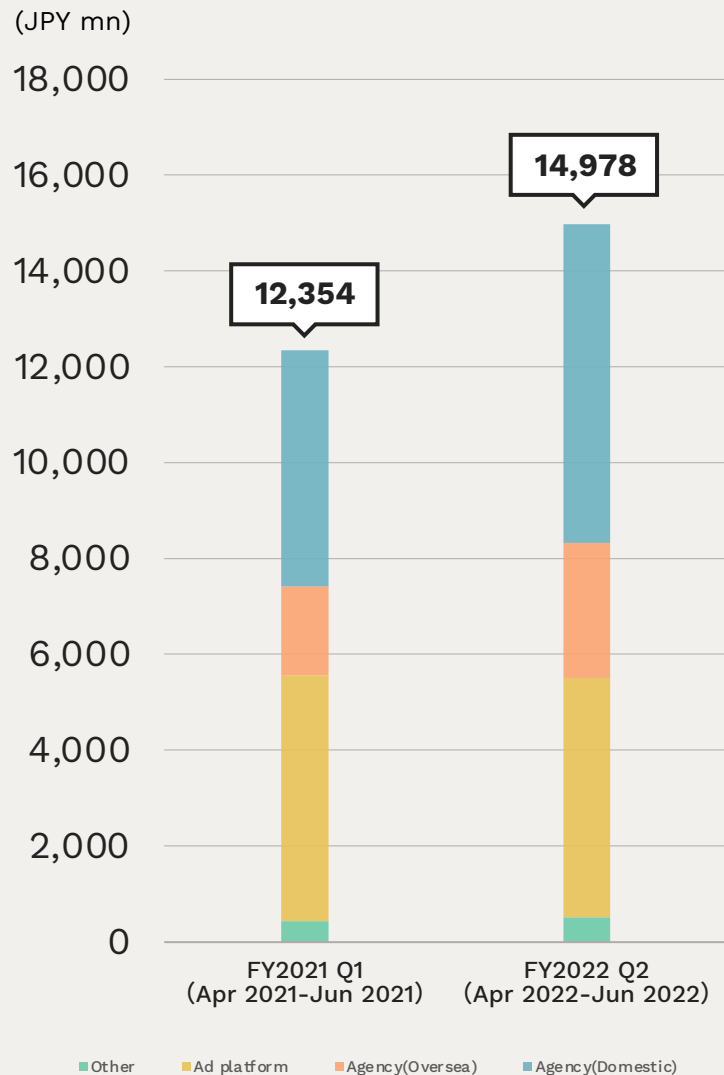
or

JPY 2.90 per share

Whichever is higher

*Initial forecasts are the figures announced on May 2, 2022, in a press release concerning revision of the performance forecasts and dividend forecasts.

Gross Sales (YoY Change)



Agency JPY 9,465 mn

(Comprehensive app & web marketing support business)

YoY: JPY +2,679 mn (+39.5%)

Domestic JPY 6,651 mn

YoY: JPY +1,713 mn (+34.7%)

While decreasing for game apps, not only comic apps but also apps not classified under game or comic apps such as mobile payment apps grew substantially, resulting in increase.

Oversea JPY 2,814 mn

YoY: JPY +966 mn (+52.3%)

While decreasing for China due in part to the COVID-19 lockdown, app advertising in Taiwan grew substantially, resulting in increase.

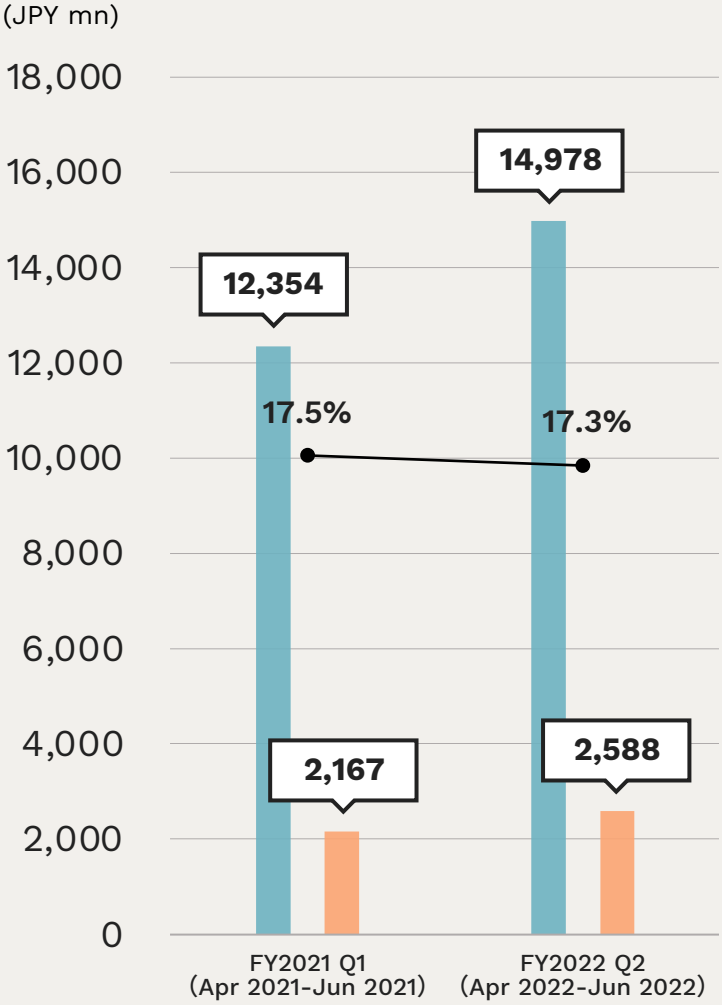
Ad platform JPY 4,990 mn

(UNICORN, affiliate ad service business etc.)

YoY: JPY -135 mn (-2.6%)

While UNICORN gross sales increased significantly, affiliate gross sales from some e-commerce clients decreased. Remained pretty much unchanged for finance clients.

Gross Profit (YoY Change)



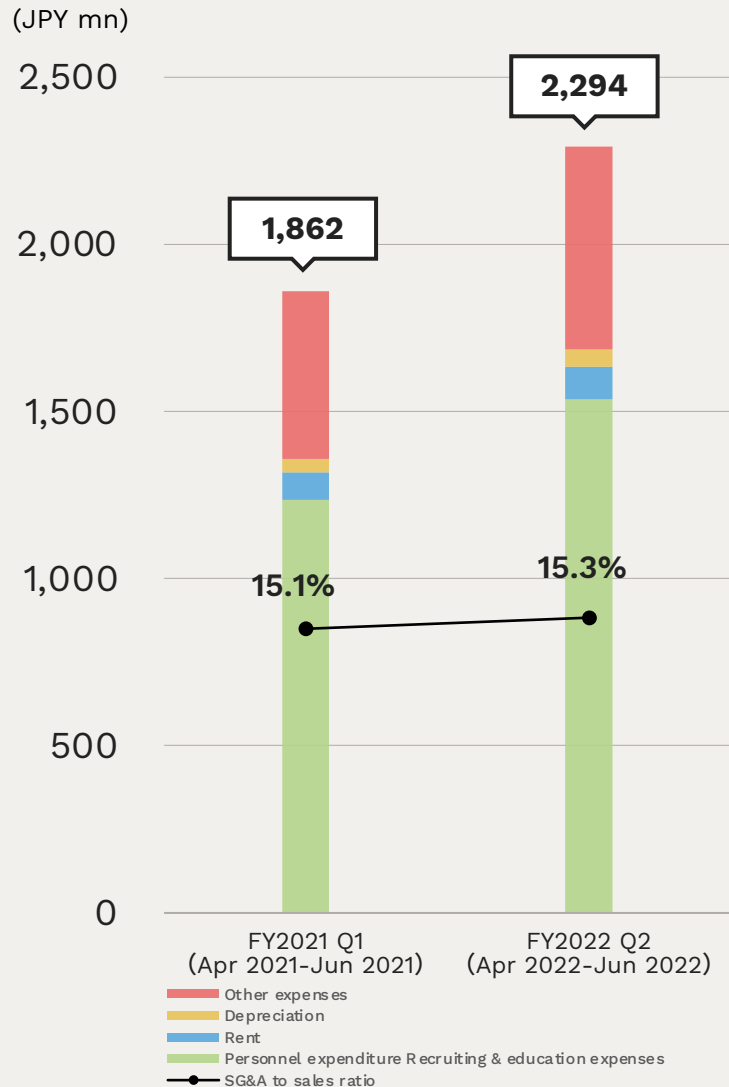
Q2 Gross profit : JPY 2,588 mn

YoY: JPY +420 mn (+19.4%)

Gross profit rate: 17.3% (-0.2 points)

Legend: Gross sales (blue bar), Gross profit (orange bar), Gross profit rate (black line)

SG&A Expenses (YoY Change)



Q2 SG&A expenses : JPY 2,294 mn

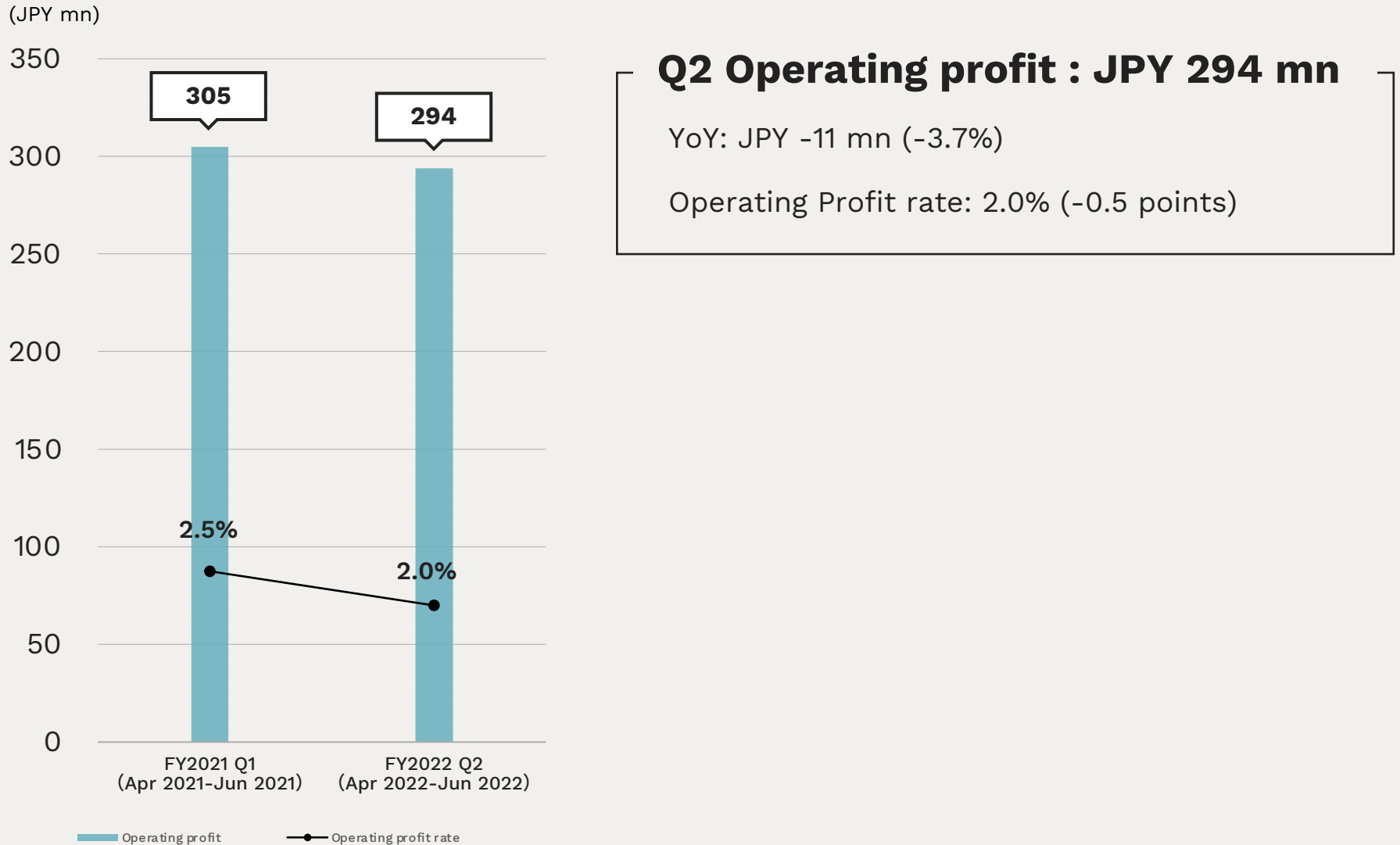
YoY: JPY +432 mn (+23.2%)

SG&A to sales ratio: 15.3% (+0.2 points)

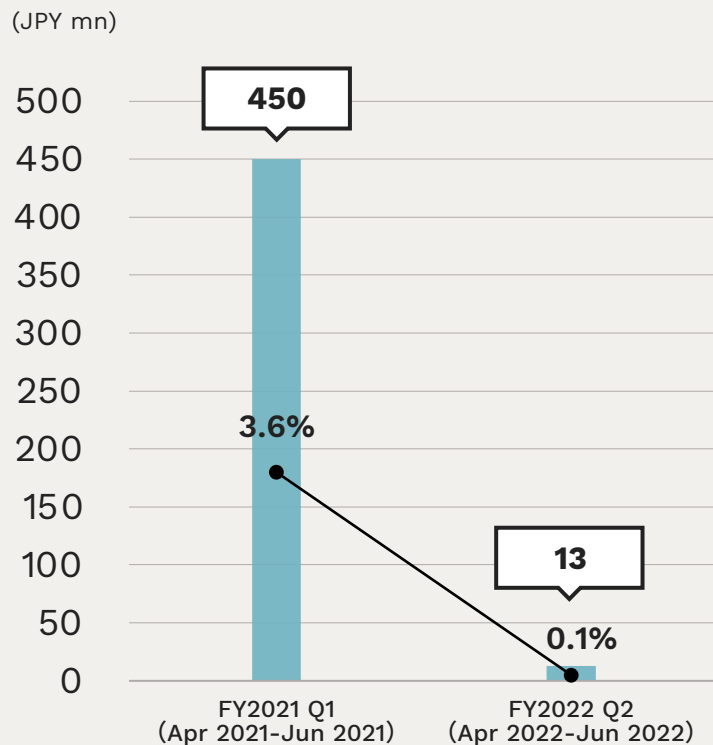
Main Factors of Increase

- Increase in personnel expenditure and recruiting & education expenses: Approx. JPY +301 mn

Operating Profit (YoY Change)



Ordinary Profit (YoY Change)

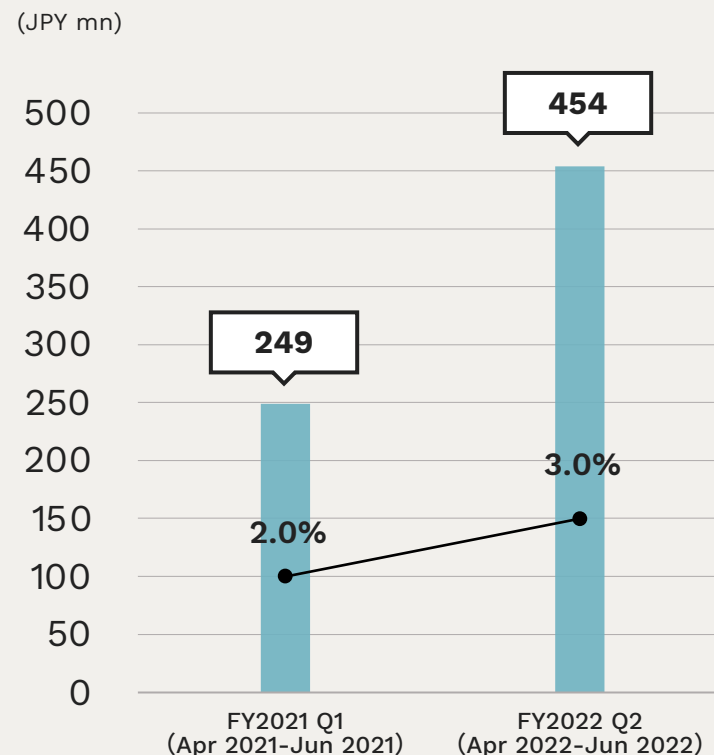


Q2 Ordinary profit : JPY 13 mn

YoY: JPY -437 mn (-97.0%)

Ordinary Profit rate: 0.1% (-3.5 points)

Profit Attributable to Owners of Parent (YoY Change)



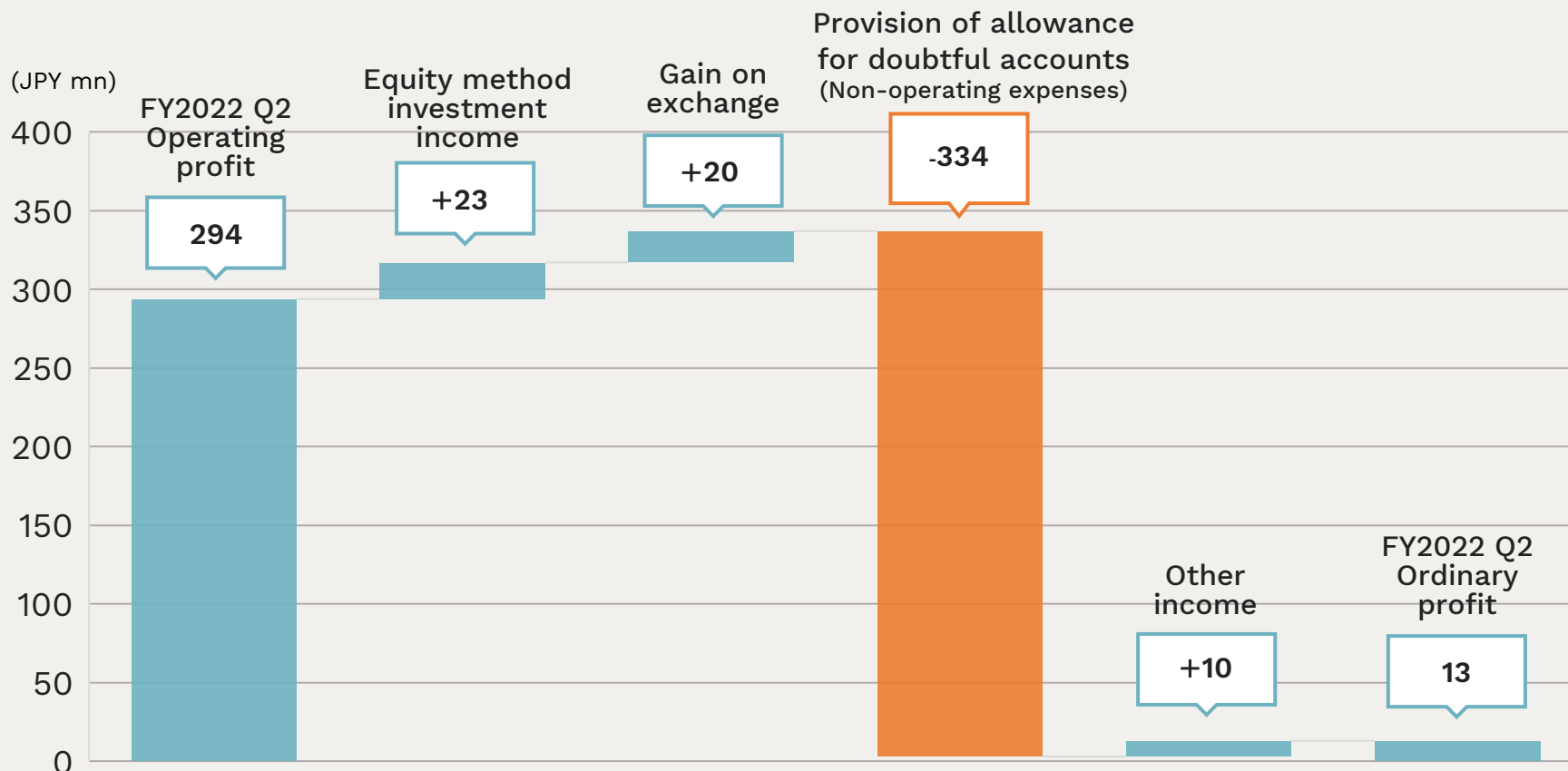
**Q2 Profit attributable to owners
of parent : JPY 454 mn**

YoY: JPY +205 mn (+82.3%)

Profit Attributable to Owners of parent ratio:
3.0% (+1.0 points)

Breakdown of FY2022 Q2 Ordinary Profit

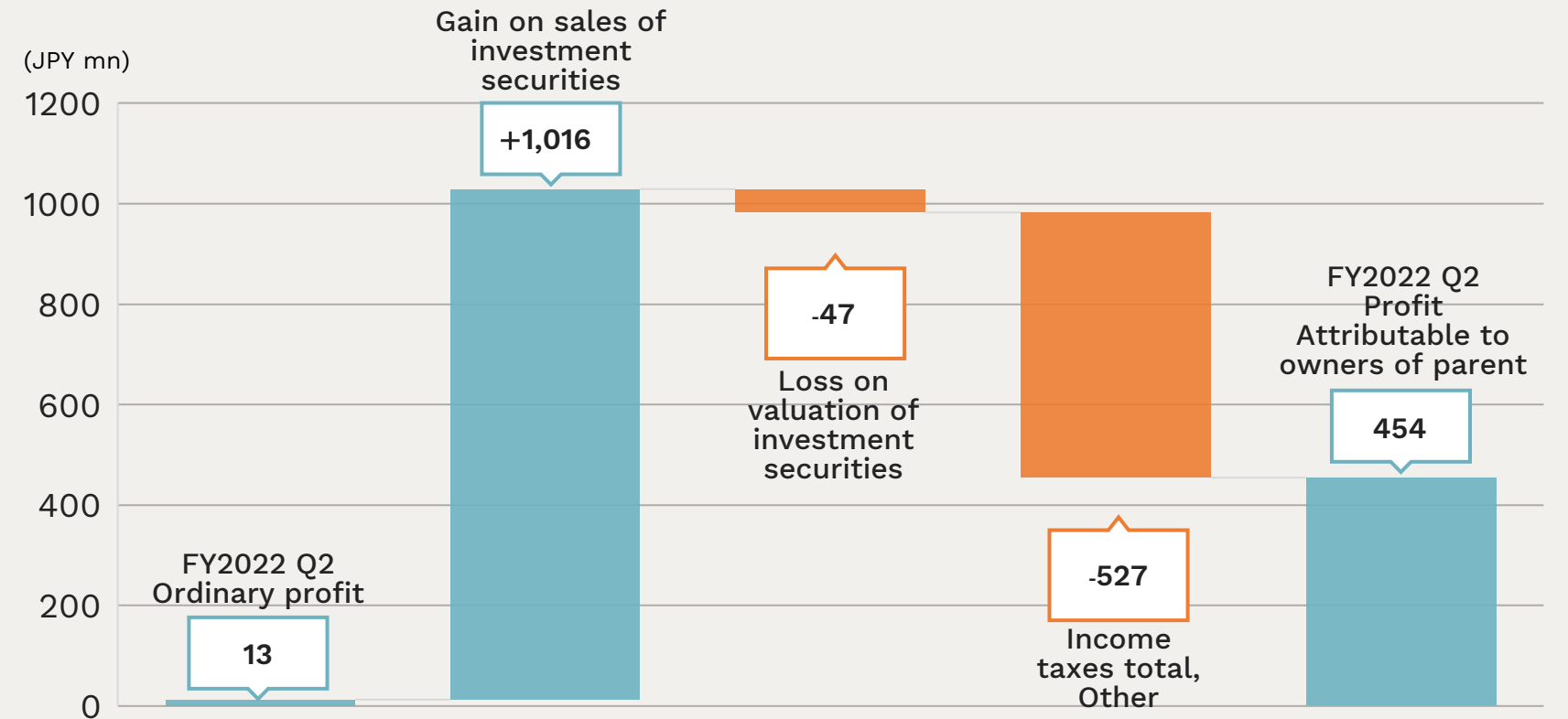
As a result of reviewing the collectability of receivables of MU CHARM LABORATORY LIMITED, an equity-method affiliate of the Group, recorded provision of allowance for doubtful accounts (non-operating expenses) of 334 mn (announced on June 28, 2022).



| | |
|---|-------------|
| Equity method investment income | JPY +23 mn |
| Gain on Exchange | JPY +20 mn |
| Provision of allowance for doubtful accounts (Non-operating expenses) | JPY -334 mn |
| Other income | JPY +10 mn |

Breakdown of FY2022 Q2 Profit Attributable to Owners of Parent

In light of events such as selling a portion of our shares in ANYCOLOR Inc. from participating in its secondary distribution of its common stock upon its listing on the Tokyo Stock Exchange, recorded extraordinary income (gain on sales of investment securities) of 1,016 mn (announced on May 31, 2022).



| | | |
|--|-----|----------|
| Gain on sales of investment securities | JPY | 1,016 mn |
| Loss on valuation of investment securities | JPY | -47 mn |
| Income taxes total, Other | JPY | -527 mn |

Investment in Humans, Businesses and Machines

Plan to invest approx. JPY 840 mn in FY2022

| Business year | Investment amount | Operating profit when investment made (Initial forecasts) | Operating profit when investment not made (Initial forecasts) |
|---------------|--------------------|---|---|
| FY2022 | Approx. JPY 840 mn | JPY 1,420 mn | Approx. JPY 2,260 mn |



Q2 investment progress

O: As planned Δ: Less than planned ×: Much less than planned

Securing advertising business foothold through “investment in humans,” “investment in businesses” and “investment in machines”

* 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.. 17

2.

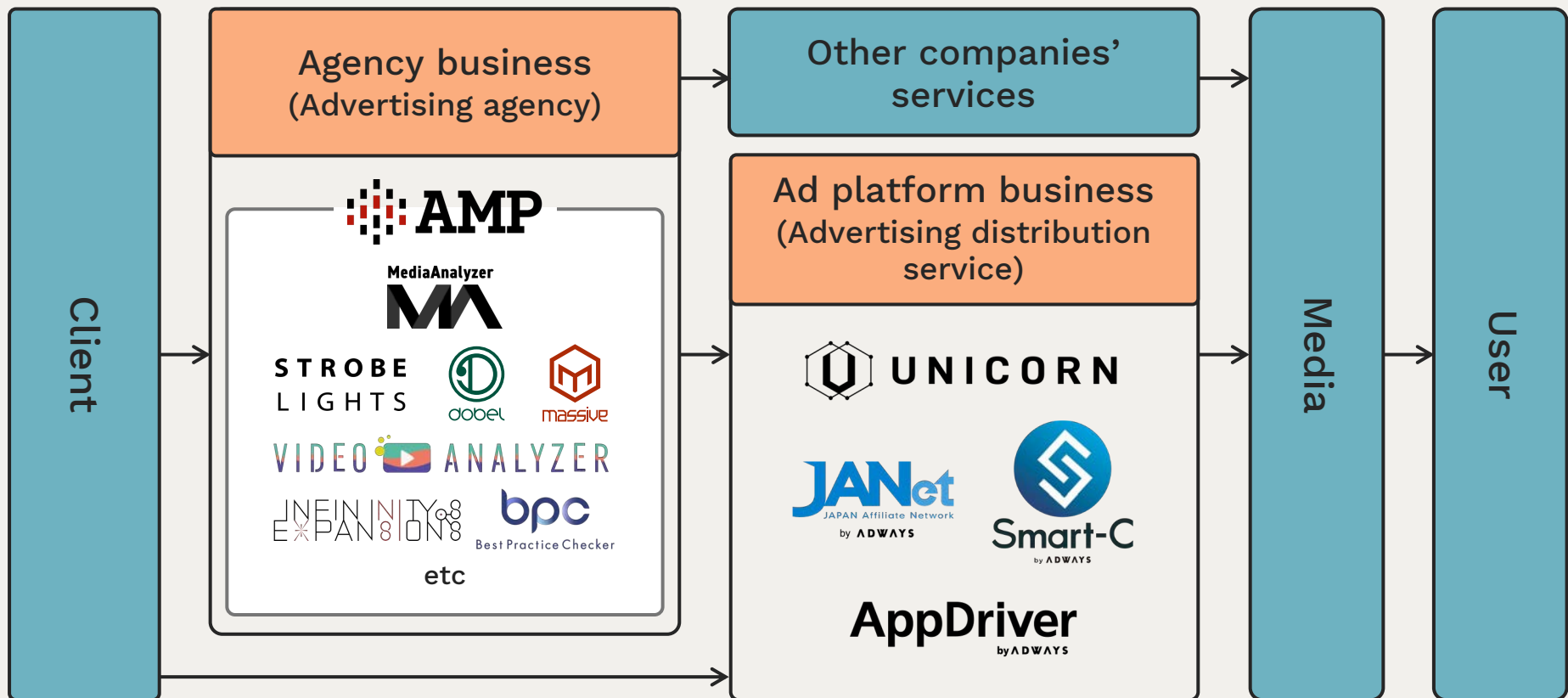
Chapter 2 : business overview

BUSINESS
OVER
VIEW

Advertising business

Second quarter

Classification of Advertising Business



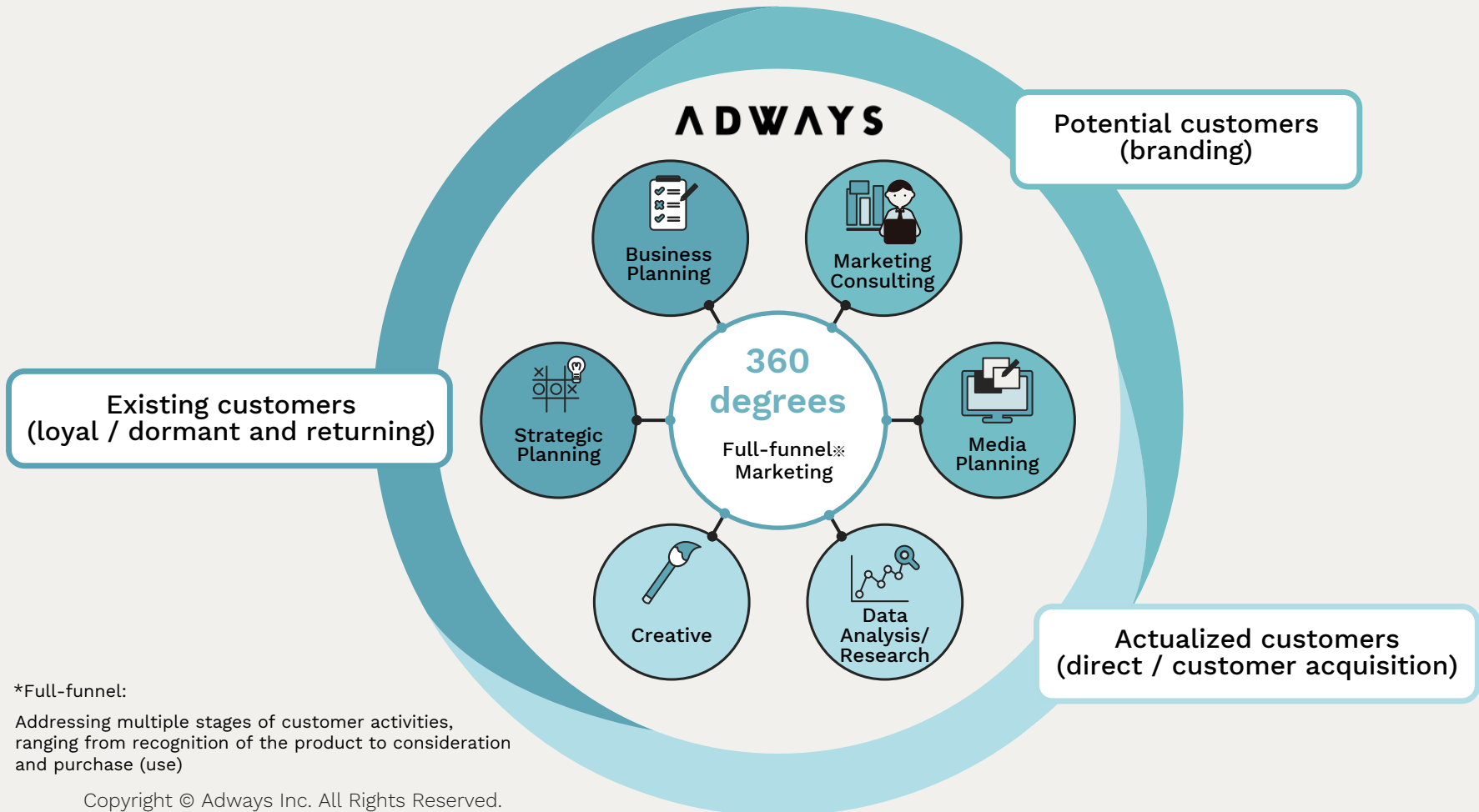
We classify our ad business into an agency business that also sells other companies' services and an ad platform business that operates our ad distribution service.

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



*Full-funnel:

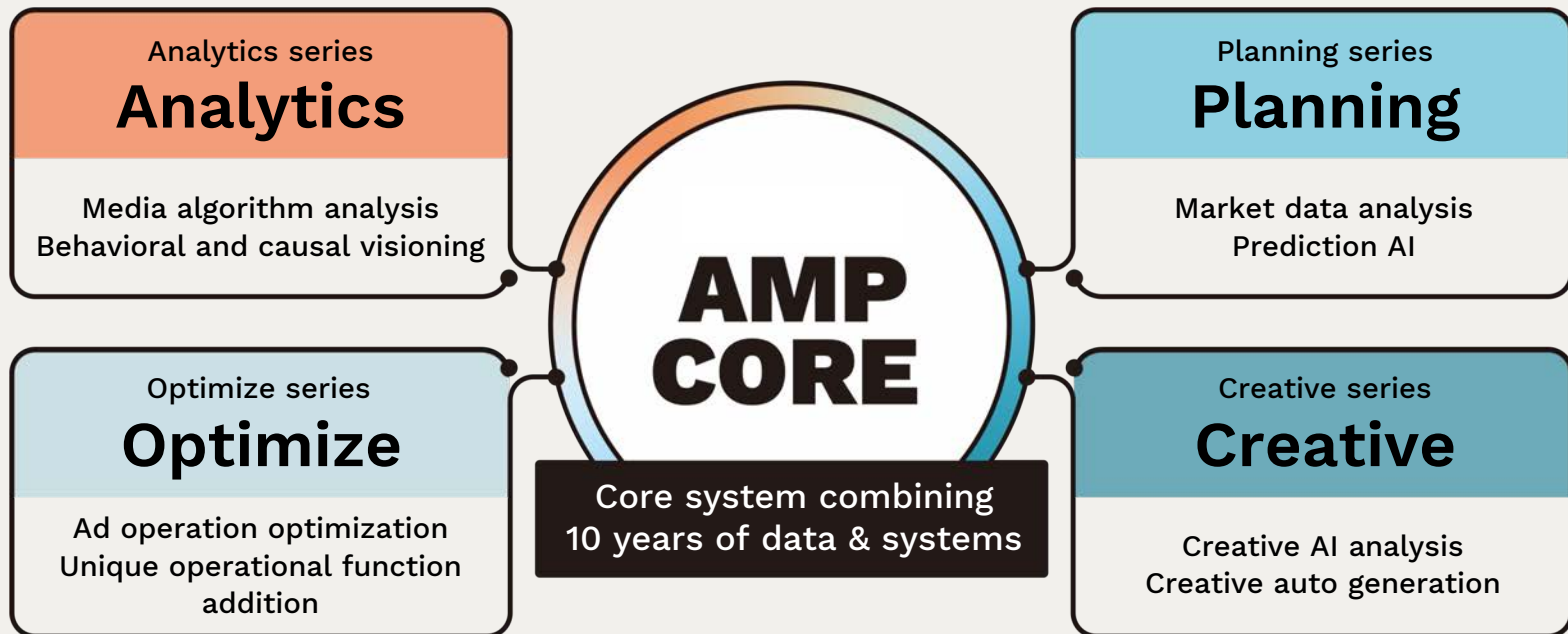
Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

Next-Generation Solutions for Amplifying Digital Marketing



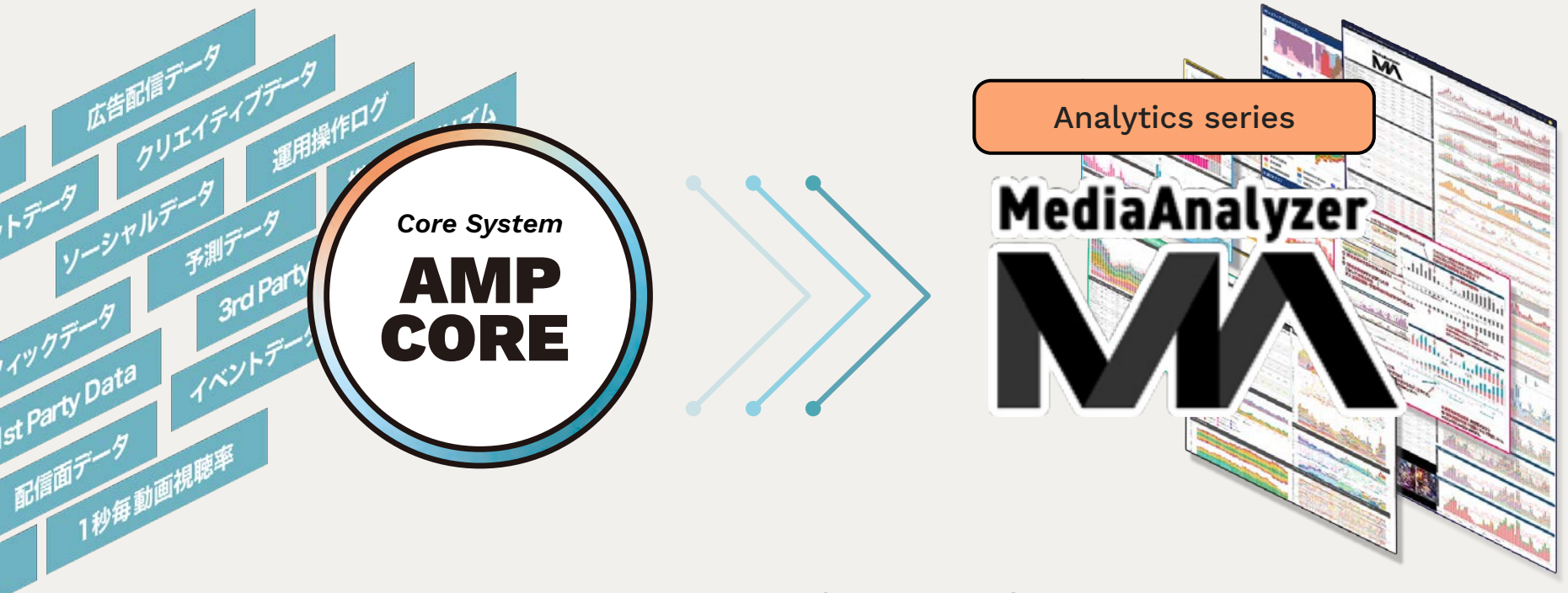
Integration of All Marketing Data from 10 Years of Advertising Operations

“AMP” is a group of solutions equipped with “AMP CORE,” a core system newly developed by integrating all advertising support systems Adways has worked on to date and consolidating the 10 years of data accumulated from such.



Completely New System for Marketing Analytics AMP Media Analyzer

Analysis of algorithms said to be never before possible

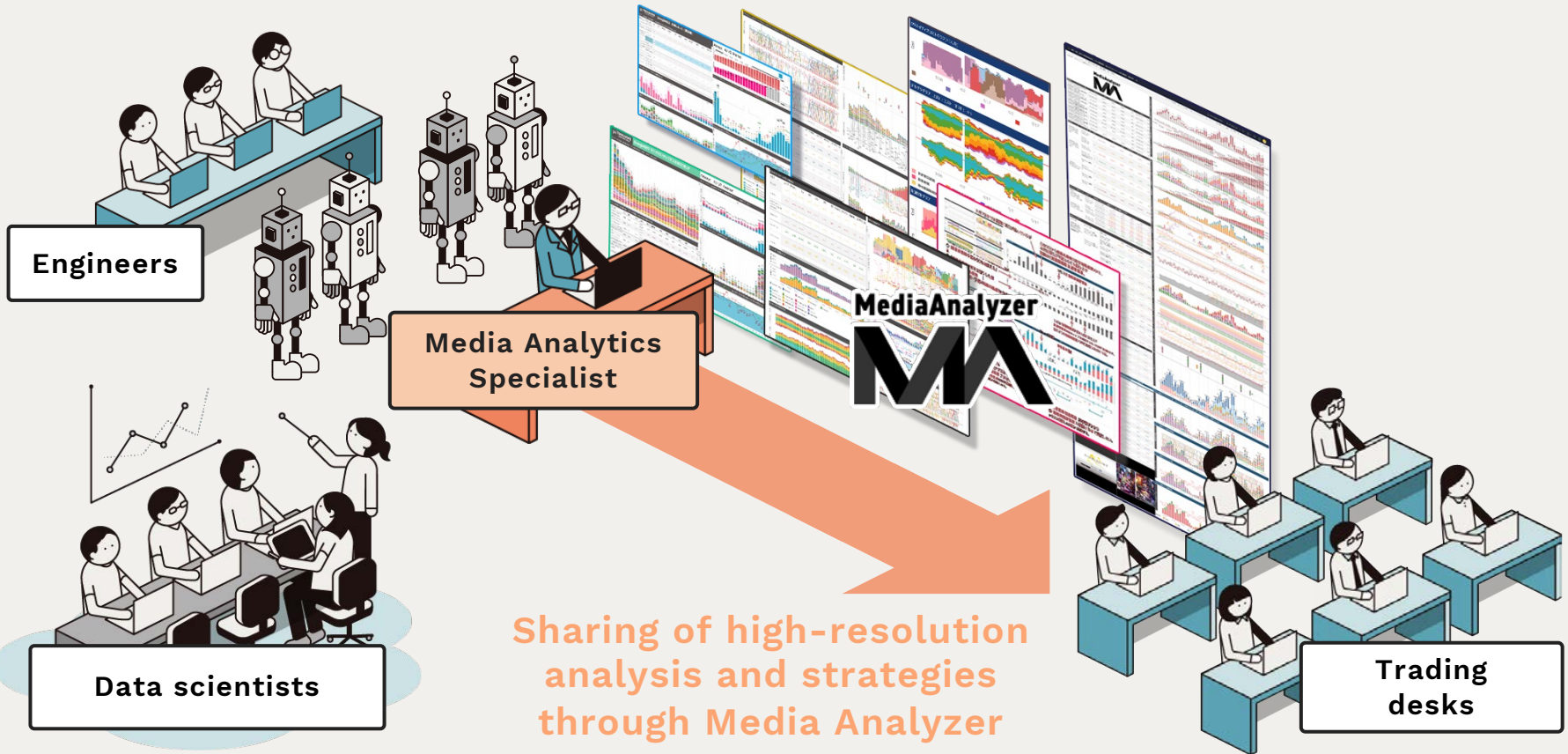


Along with behavior prediction of ad platforms, supports actions to be taken by operators when unexpected algorithms develop

“Sophisticated Mechanization”

Enabling a New Dimension of Ad Operation

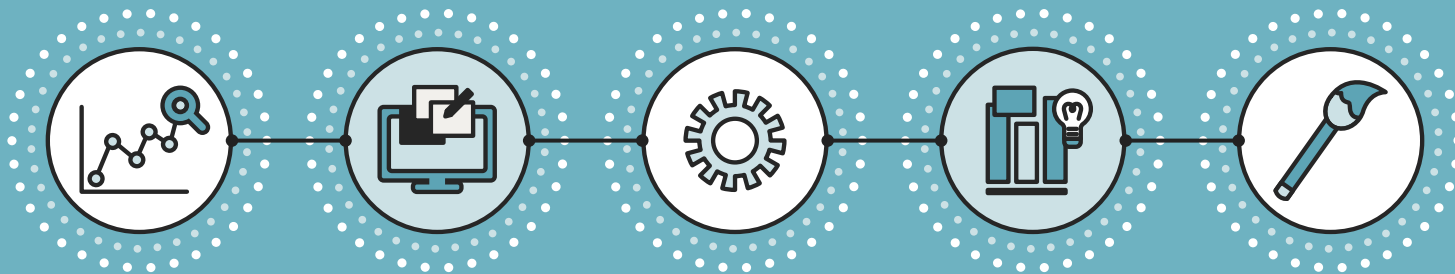
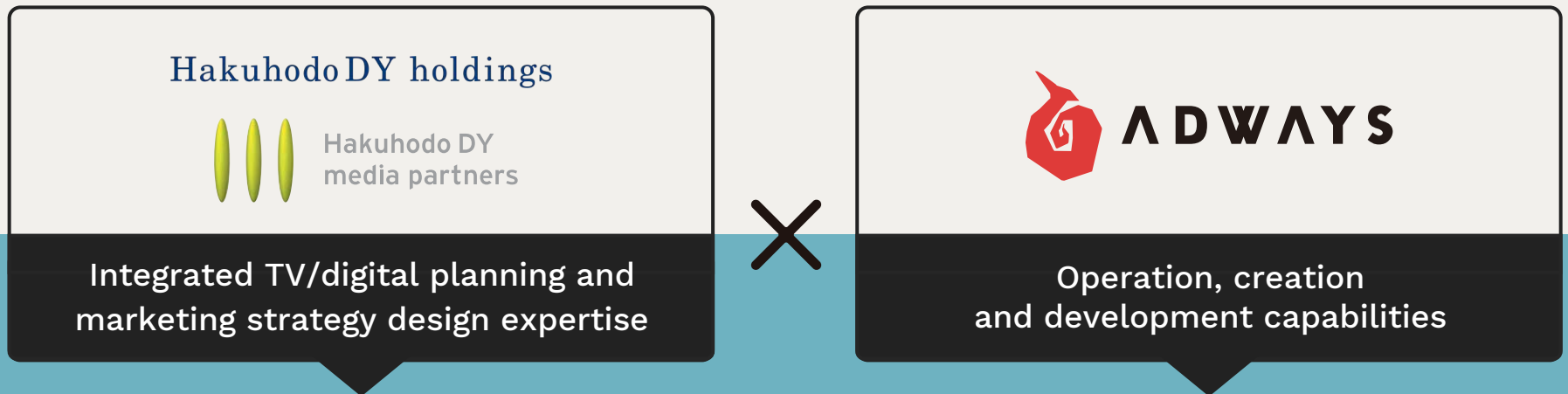
Second quarter



Advance testing resulted in case of ad distribution volume rising by 121% and CPA improving by 32%

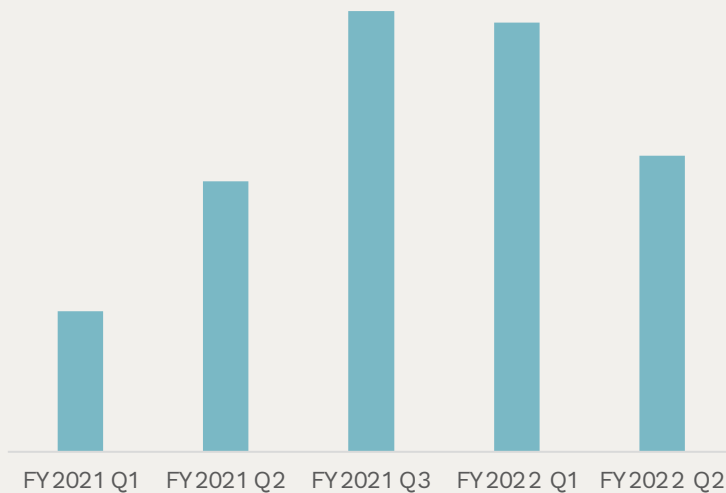
Capital Alliance for a Stronger Strategic Partnership

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

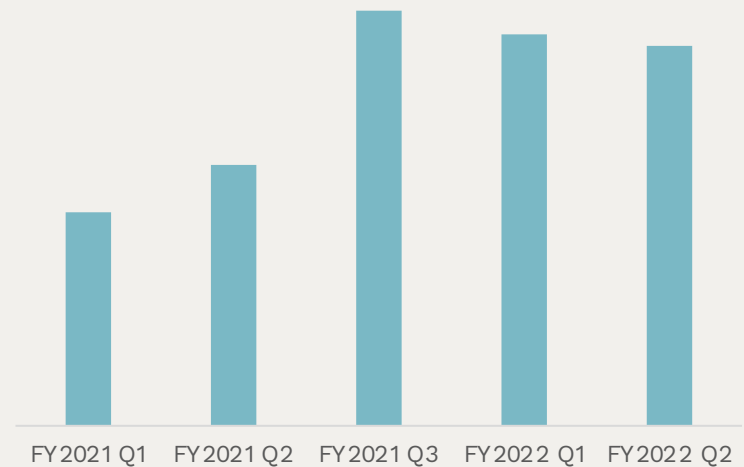


Progress of Capital and Business Alliance with Hakuhodo DY Group

Gross Sales from Alliance with Hakuhodo DY Group



Number of Clients from Alliance with Hakuhodo DY Group

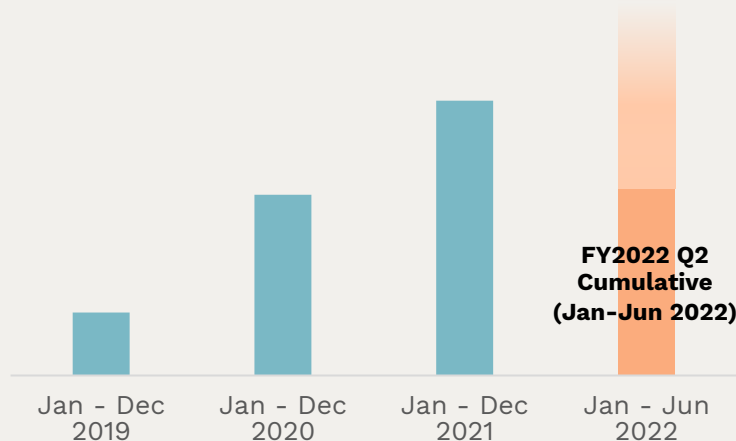


Compared with the equivalent quarter last year (April 2021- June 2021), gross sales increased, the number of accounts grew.

Overseas Marketing Support Business

Taiwan

Gross Sales



LINE “Diamond Sales Partner” and “The Best Sales Partner” of “LINE Family Club” certified



Brisk gross sales with effective utilization of own ad distribution support solution “IDEA Push” and LINE ads features to provide optimal support for brand and e-commerce clients. Certified as “Diamond Partner” in two categories (Display Solutions and Account Solutions) and “The Best Sales Partner” of “LINE Family Club”

Ad platform business

(Domestic • Oversea)

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

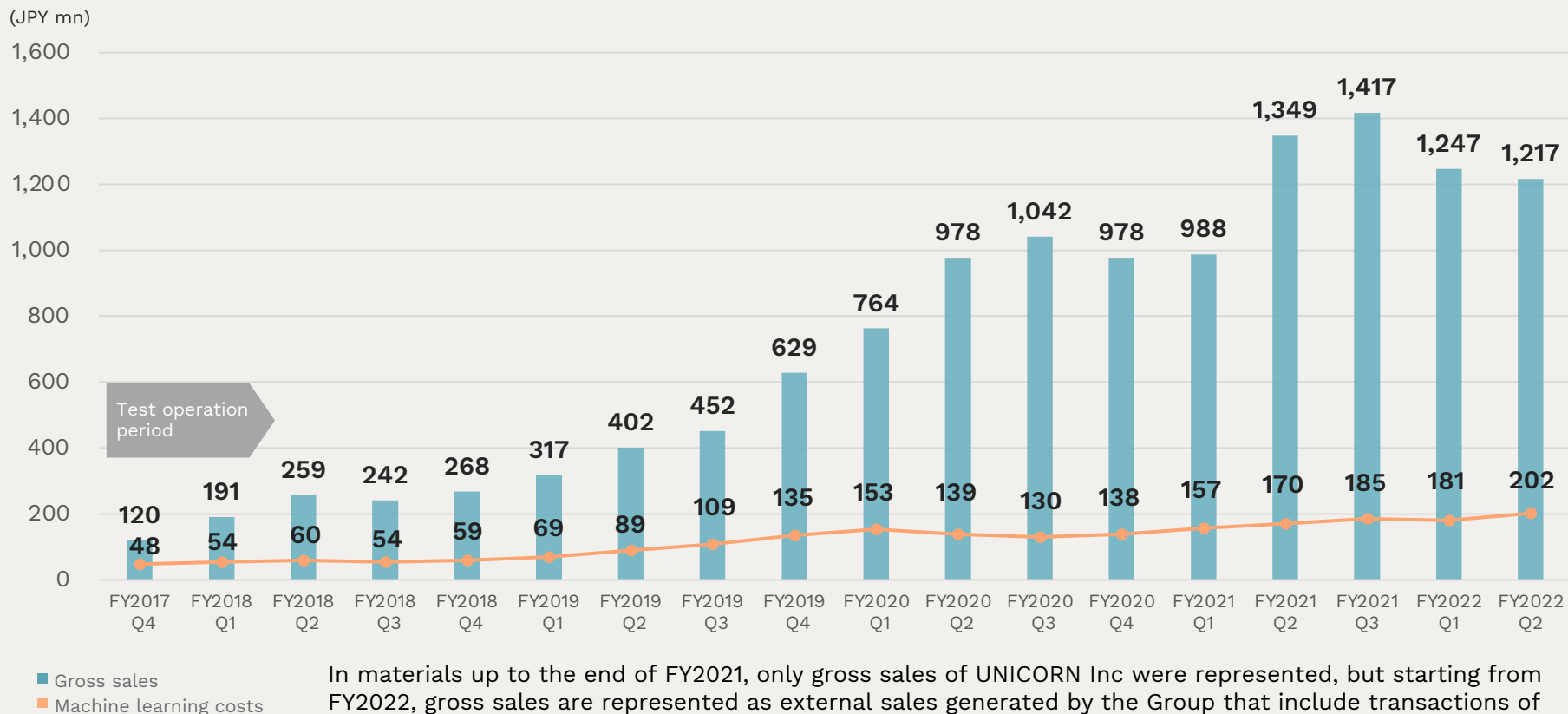


UNICORN
REDEFINE DIGITAL MARKETING.

Progress of UNICORN

Second quarter

Change in UNICORN Gross Sales and Machine Learning Costs



In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from FY2022, 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 123% year on year.

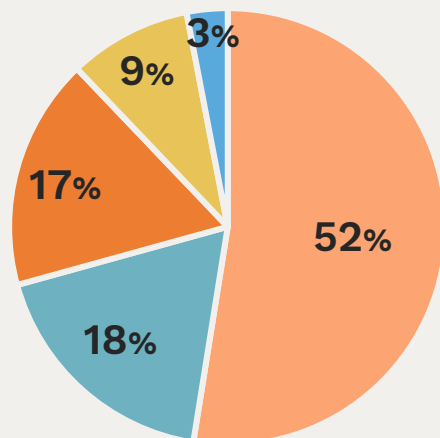
About UNICORN

Progress of UNICORN

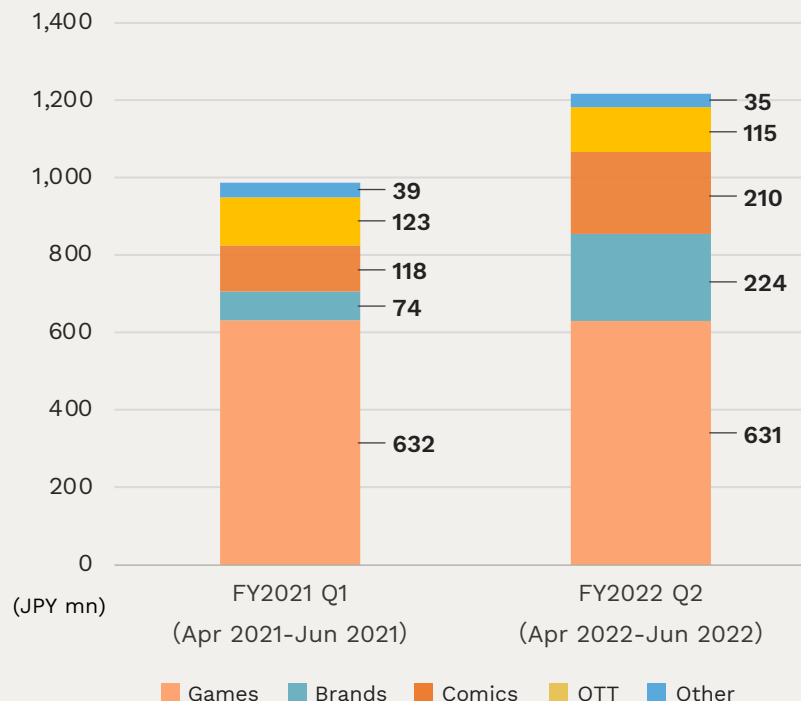
Second quarter

Progress by Genre

FY2022 Q2 results



Games Brands Comics OTT Other



The “Brands” category, which was classified under “Other” until FY2021, is 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 FY2022, 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.)

“Brands” and “Comics” category each grew significantly.

About UNICORN

Progress of UNICORN

Second quarter

UNICORN's Performance: YoY

(JPY mn)

| | FY2022 Q2 (Apr-Jun 2022) | YoY FY2021 Q1 (Apr-Jun 2021) | | |
|------------------|-----------------------------|---------------------------------|--------|-----------|
| | | Result | Change | Change(%) |
| Gross sales | 1,217 | 988 | +229 | +23.2% |
| Gross profit | 446 | 287 | +159 | +55.6% |
| Operating profit | 101 | 5 | +95 | - |

In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from FY2022, 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.)

*YoY Change (%) for Operating profit is not listed as it exceeded 1,000%.

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

About UNICORN

Commencement of Collaboration with ID5

Second quarter

Enabling targeting-based distribution utilizing ID5
to support maximization of ad effects



UNICORN



UNICORN's first collaboration with an ID solution,
utilizing ID5 realizes effective and transparent marketing
communications while respecting users' privacy

ID5 ID: Next-generation universal identification data that web publishers, advertisers and adtech platforms can use to recognize users and deliver campaign goals across different types of devices without relying on traditional identification methods (e.g., third-party cookies and MAIDs).

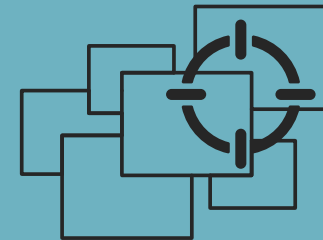
Advanced ad method UNICORN Interactive AD

Second quarter



Cutting-edge creative formats

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

Overseas Ad Platform Business

Second quarter

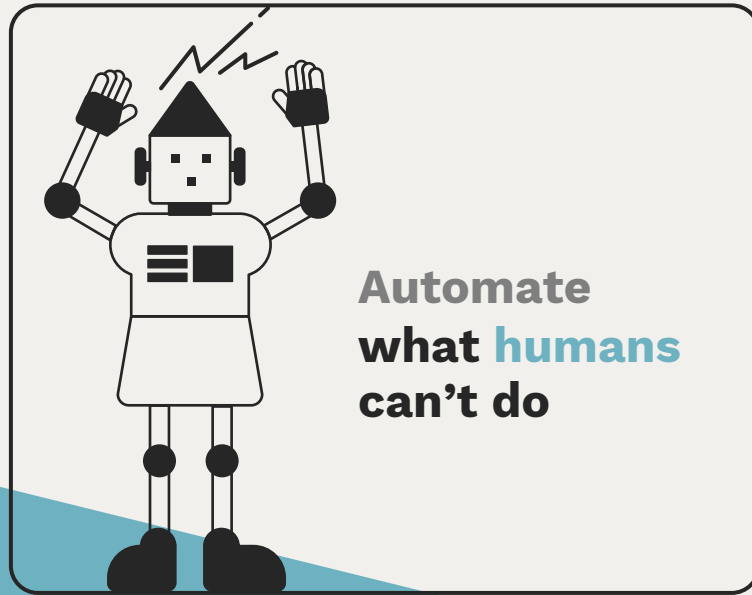
Taiwan

Officially released fully automated marketing platform “UNICORN”
Strengthened initiatives in the brand advertising field



Introduced “UNICORN Interactive AD,” which enables realistic marketing of product and brand appeal by offering users interactive virtual experiences, and “Contextual Targeting Function,” which targets users by keywords based on the context of the content

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

なにが
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 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.

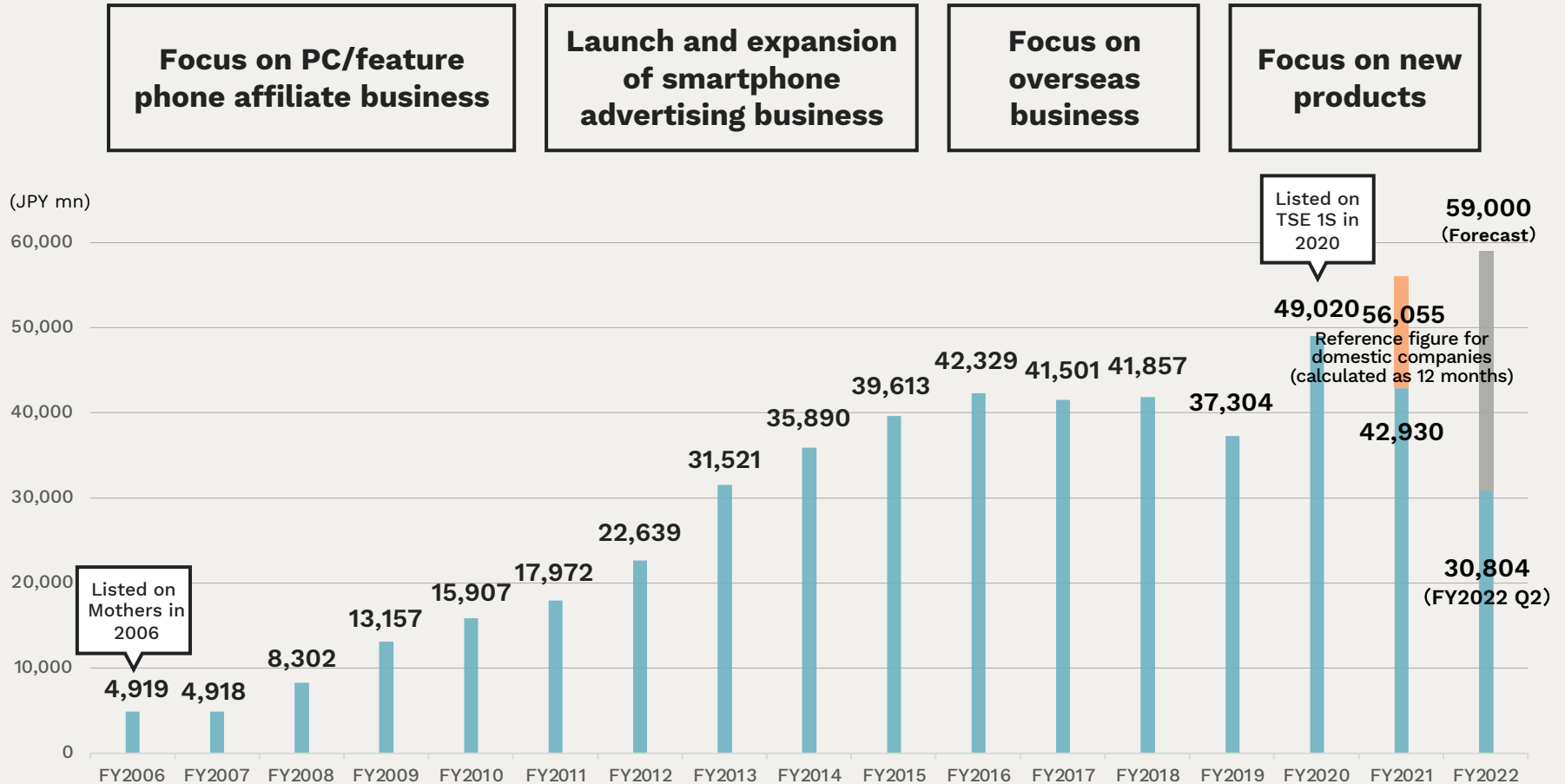
Statements made herein are based on information available as of August 3, 2022, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY
MATERIALS

3

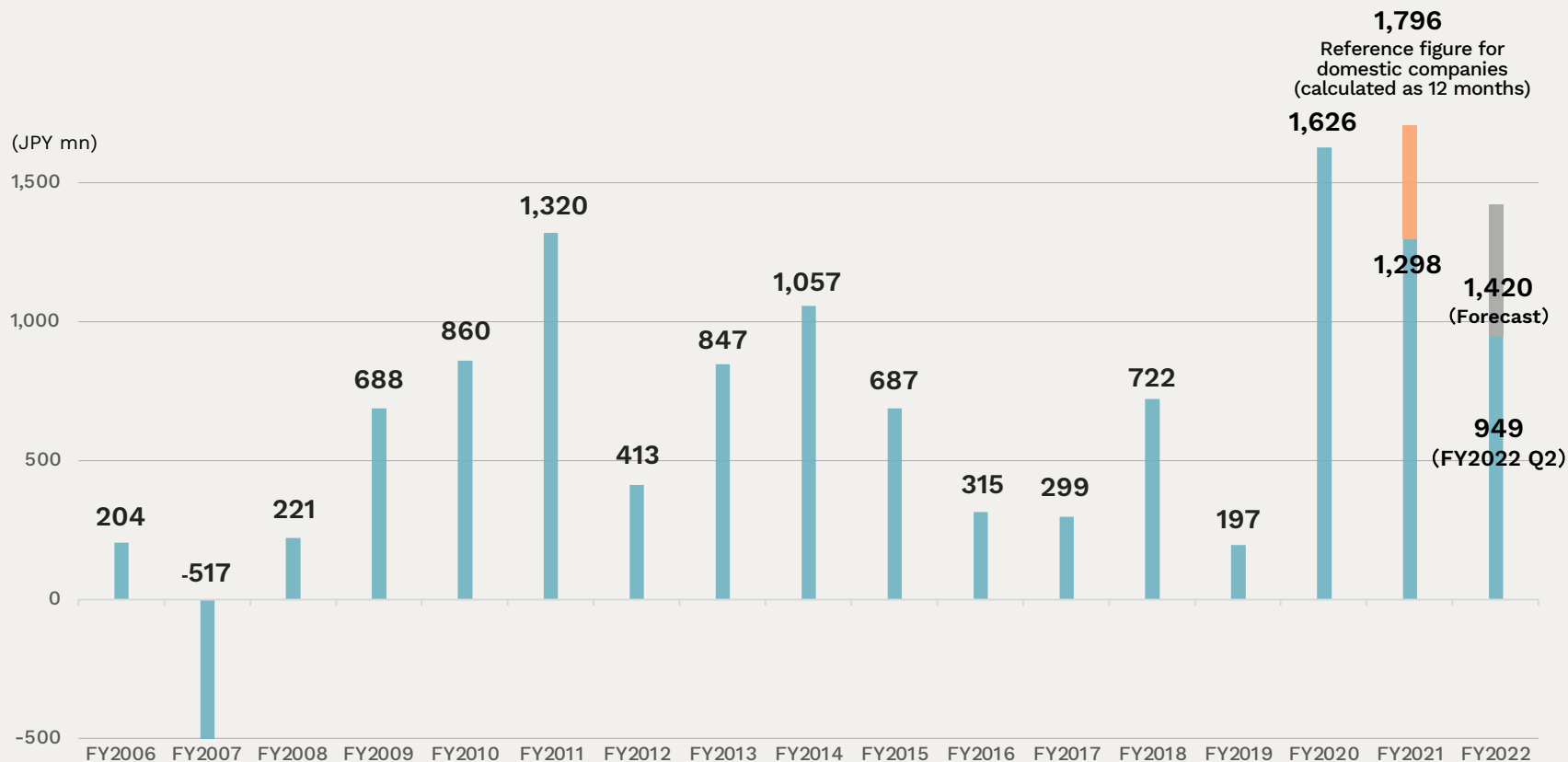
Chapter 3 : Supplementary materials

Yearly Change in Consolidated Gross Sales



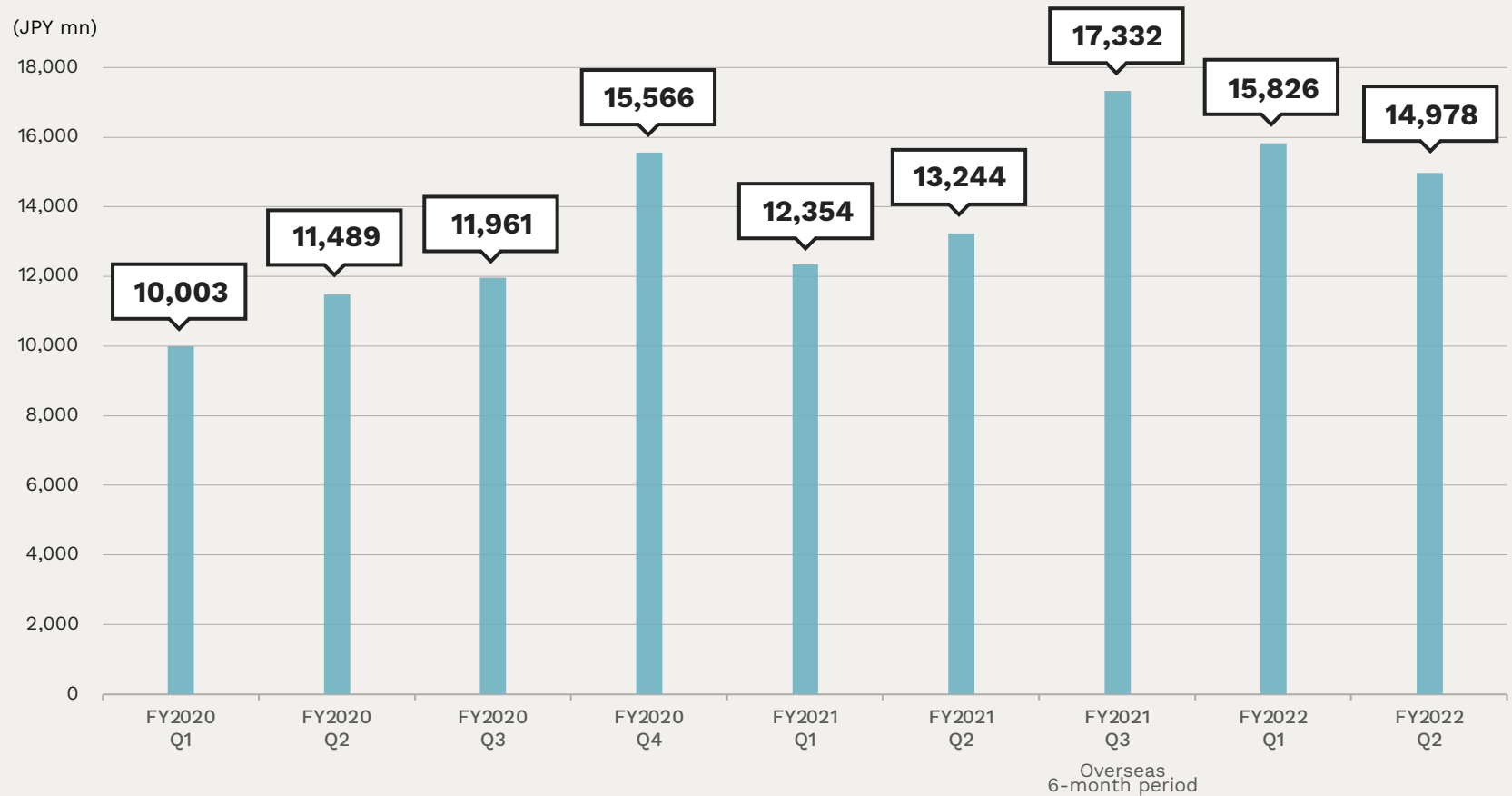
*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was 9 months for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

Yearly Change in Consolidated Operating Profit



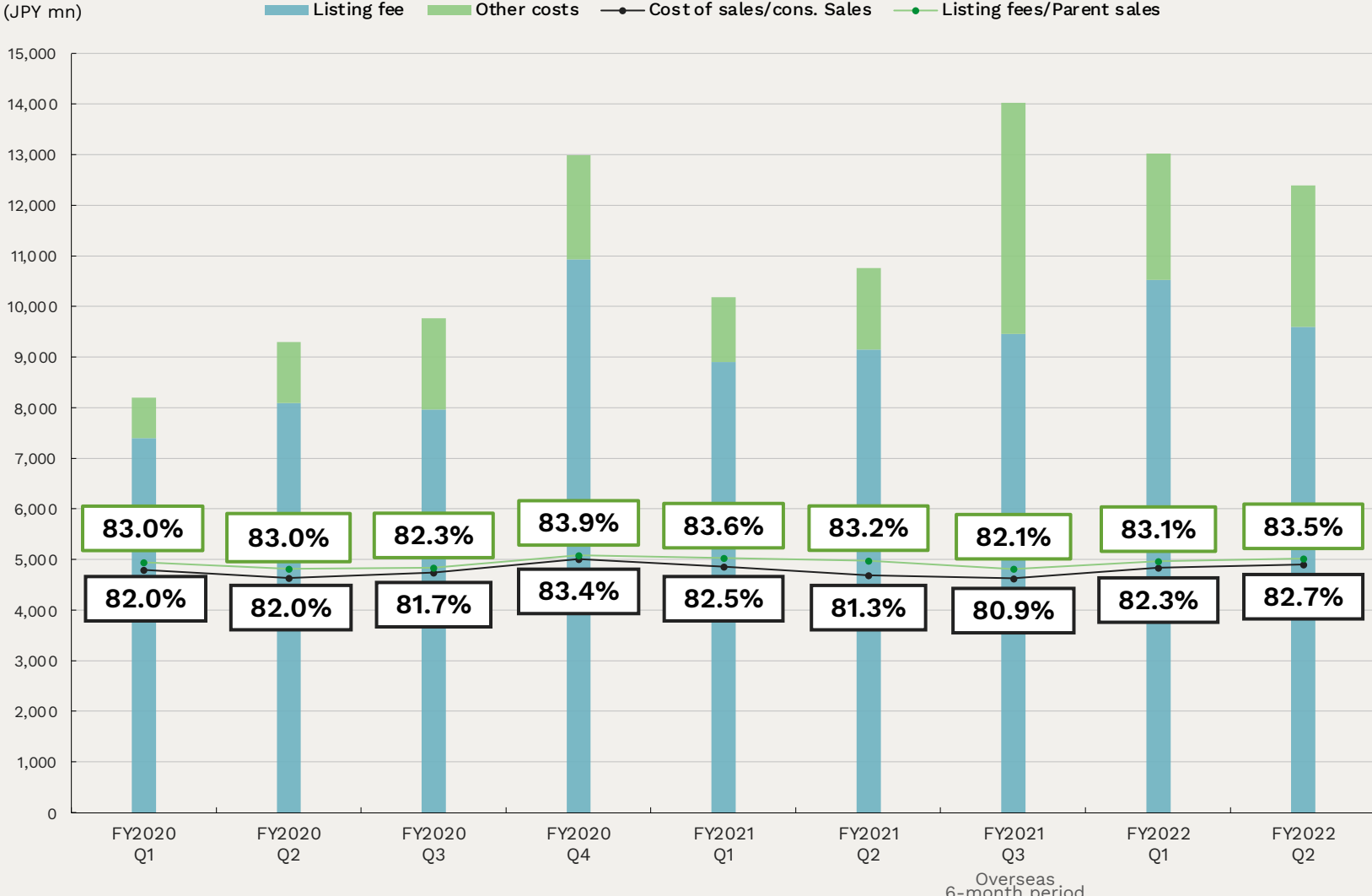
*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was 9 months for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

Quarterly Change in Consolidated Gross Sales



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

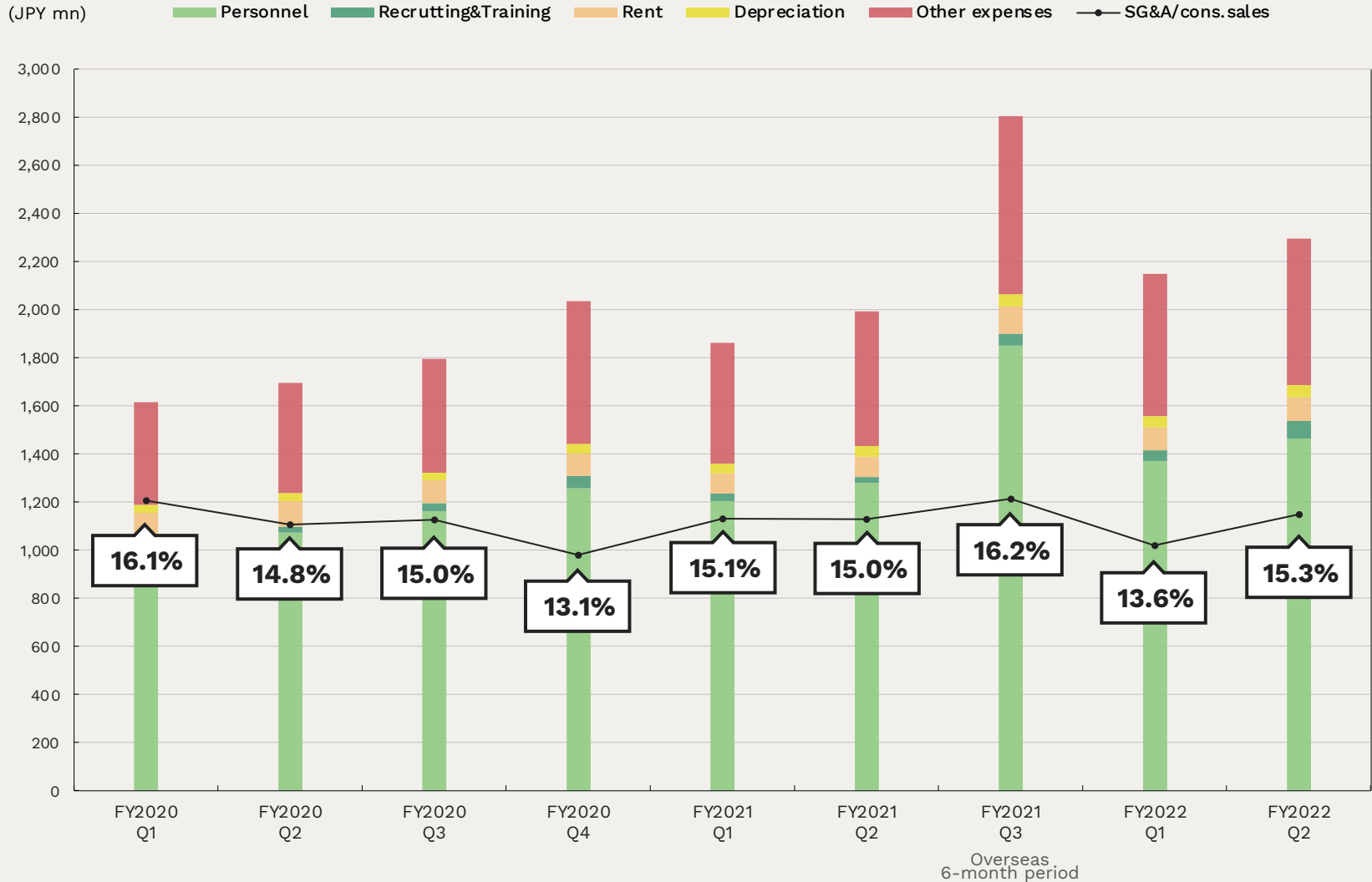
Quarterly Change in Consolidated Cost of Sales



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

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

Quarterly Change in Consolidated SG&A Expenses

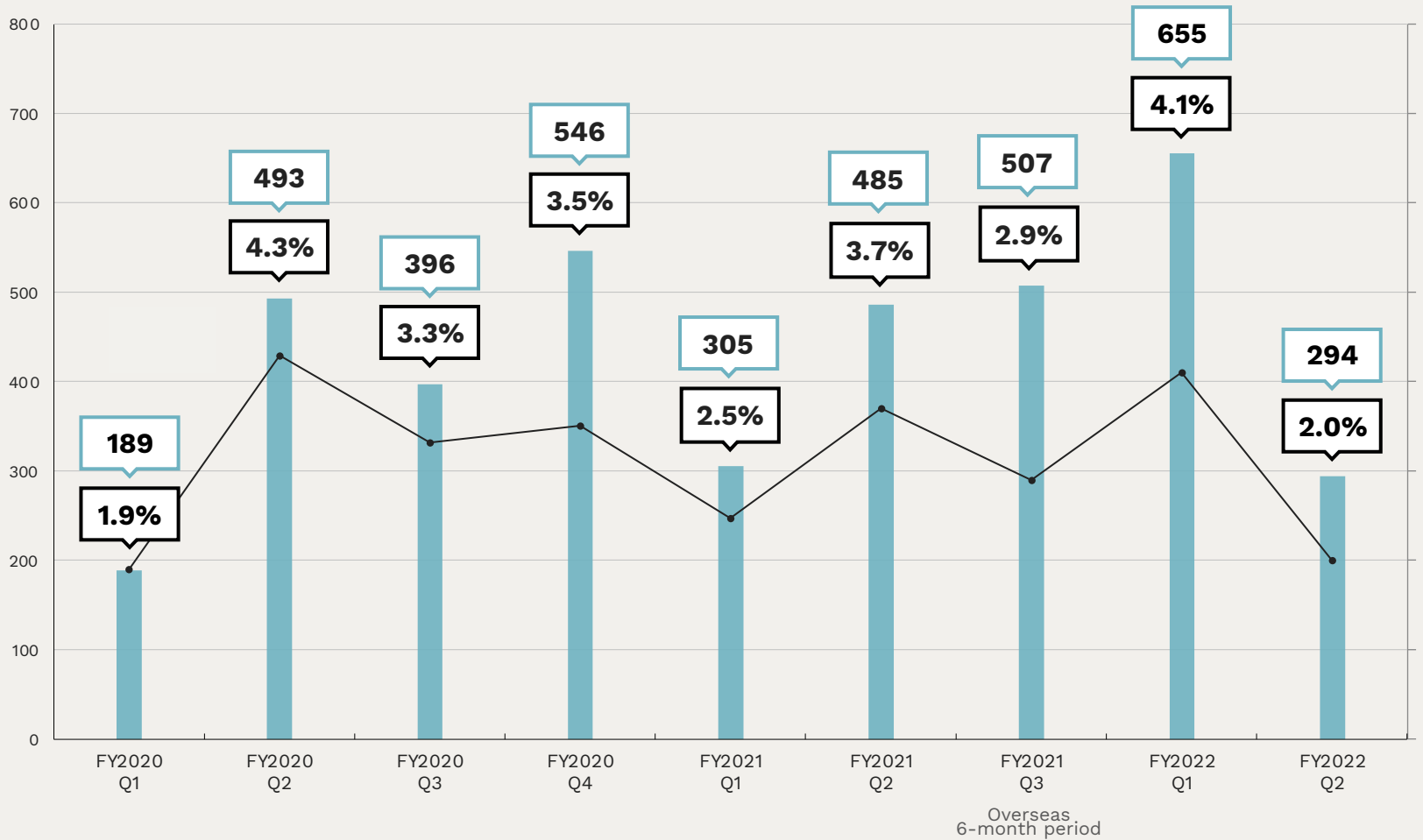


*FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

Quarterly Change in Consolidated Operating Profit

(JPY mn)

Operating Profit — Operating Profit ratio



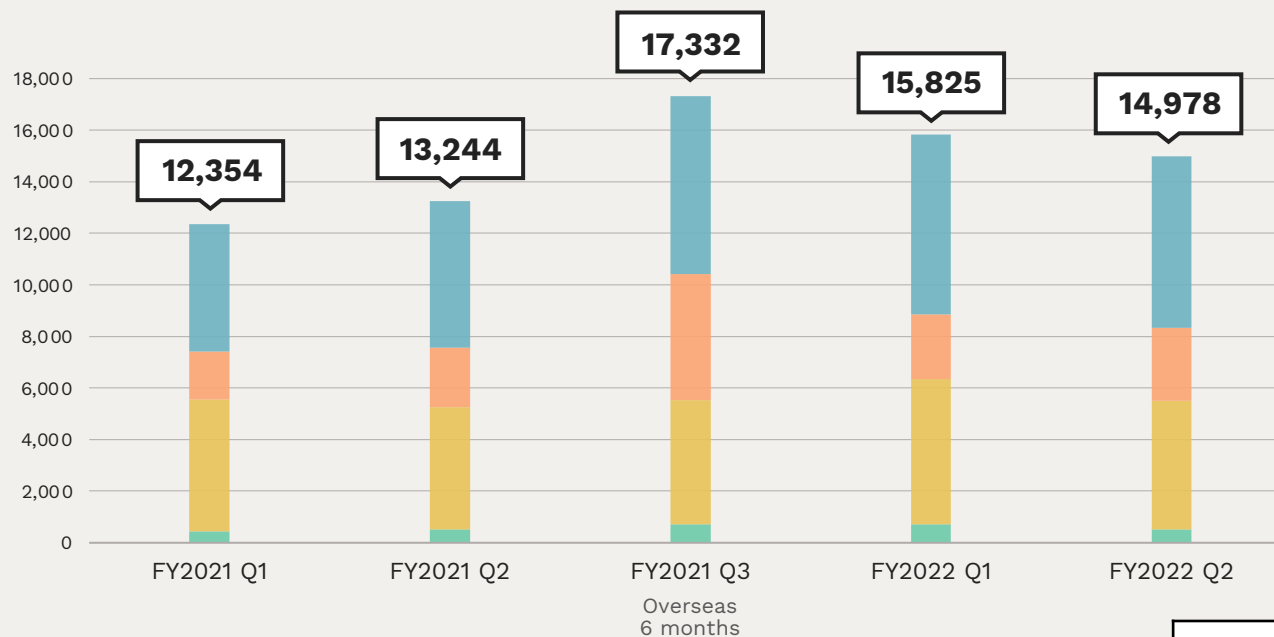
*FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

Consolidated Balance Sheet (QoQ)

(JPY mn)

| | FY2022 Q2 | FY2021 Q1 | Change | Change (%) |
|-------------------------|-----------|-----------|--------|------------|
| Current assets | 21,033 | 20,793 | +240 | +1.2% |
| (Cash and deposits) | 12,528 | 9,621 | +2,907 | +30.2% |
| Non-current assets | 5,791 | 3,669 | +2,121 | +57.8% |
| Total assets | 26,824 | 24,462 | +2,362 | +9.7% |
| Current liabilities | 10,181 | 10,112 | +68 | +0.7% |
| Non-current liabilities | 845 | 222 | +623 | +280.7% |
| Total liabilities | 11,027 | 10,334 | +692 | +6.7% |
| Net assets | 15,797 | 14,128 | +1,669 | +11.8% |

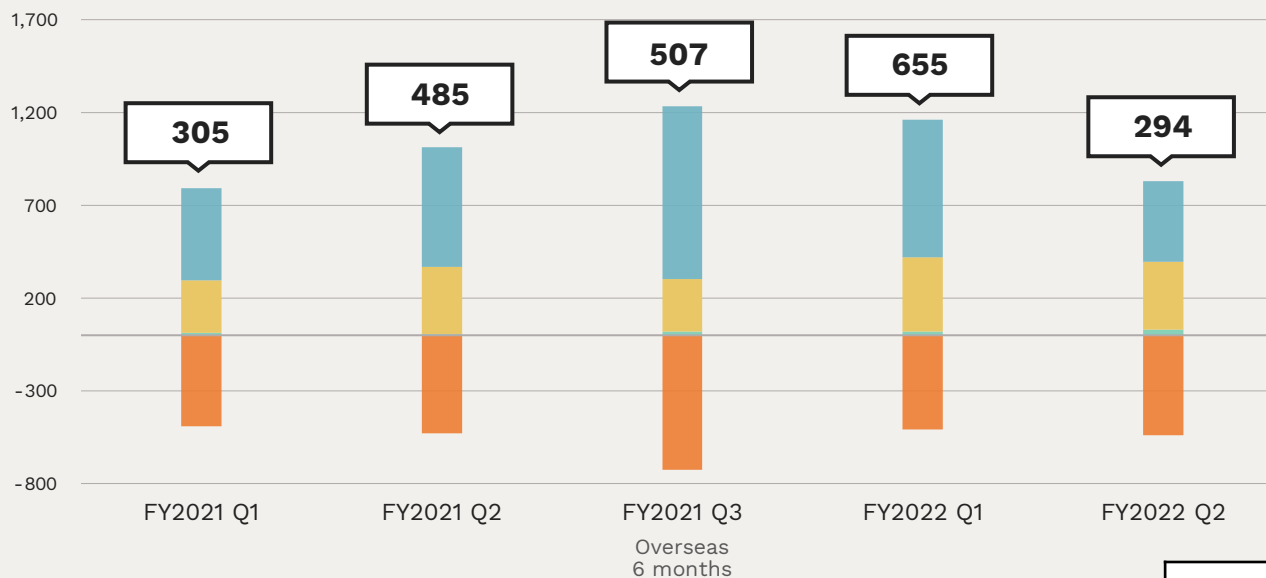
Quarterly Breakdown of Consolidated Sales by Segment



| (JPY mn) | FY2021 Q1 | FY2021 Q2 | FY2021 Q3 | FY2022 Q1 | FY2022 Q2 | QoQ | |
|------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|
| | | | | | | Change | Change (%) |
| Agency(Domestic) | 4,938 | 5,686 | 6,913 | 6,957 | 6,651 | -306 | -4.4% |
| Agency(Overseas) | 1,848 | 2,291 | 4,885 | 2,526 | 2,814 | +287 | +11.4% |
| Ad platform | 5,125 | 4,746 | 4,826 | 5,619 | 4,990 | -629 | -11.2% |
| Other | 442 | 519 | 706 | 722 | 522 | -199 | -27.6% |
| Total | 12,354 | 13,244 | 17,332 | 15,826 | 14,978 | -847 | -5.4% |

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

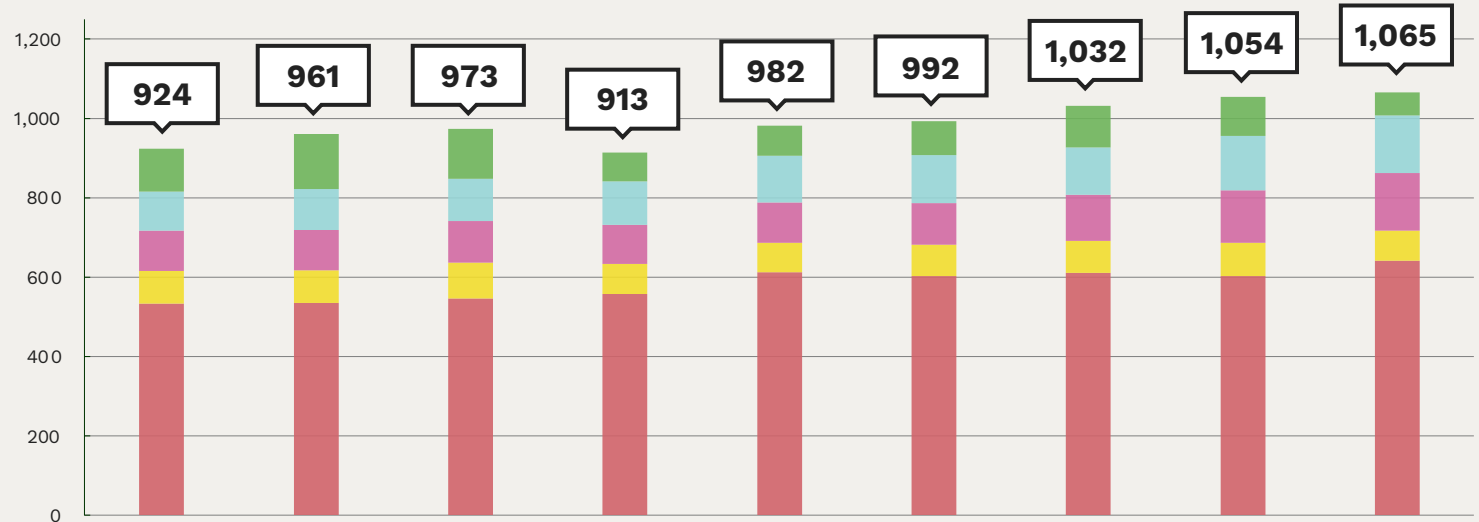
Quarterly Breakdown of Consolidated Operating Profit by Segment



| (JPY mn) | | | | | | QoQ | |
|---|------------|------------|------------|------------|------------|-------------|---------------|
| | FY2021 Q1 | FY2021 Q2 | FY2021 Q3 | FY2022 Q1 | FY2021 Q2 | Change | Change (%) |
| ■ Agency | 497 | 646 | 928 | 742 | 432 | -309 | -41.7% |
| ■ Ad Platform | 282 | 360 | 283 | 399 | 368 | -30 | -7.6% |
| ■ Other | 14 | 7 | 21 | 20 | 37 | +16 | +79.2% |
| ■ Eliminations & Corporate | -489 | -529 | -725 | -507 | -544 | -37 | - |
| Total | 305 | 485 | 507 | 655 | 294 | -361 | -55.2% |

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

Quarterly Change in Group Employees



| (Persons) | FY2020 Q1 | FY2020 Q2 | FY2020 Q3 | FY2020 Q4 | FY2021 Q1 | FY2021 Q2 | FY2021 Q3 | FY2022 Q1 | FY2022 Q2 |
|---|------------|------------|------------|------------|------------|------------|--------------|--------------|--------------|
| ADW Japan | 533 | 535 | 546 | 558 | 613 | 602 | 611 | 603 | 641 |
| ADW China | 82 | 83 | 90 | 75 | 74 | 79 | 80 | 83 | 76 |
| Domestic subsidiaries | 102 | 100 | 105 | 99 | 101 | 106 | 117 | 132 | 146 |
| Overseas subsidiaries (excluding China) | 98 | 104 | 107 | 110 | 117 | 120 | 119 | 138 | 144 |
| Temporary workers, part-time employees | 109 | 139 | 125 | 71 | 77 | 85 | 105 | 98 | 58 |
| Total | 924 | 961 | 973 | 913 | 982 | 992 | 1,032 | 1,054 | 1,065 |

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 June 2022) |
| Gross sales | JPY 42,930 mn (Domestic 9-month period) (FY2021, Consolidated basis) |
| Employees * including temporary workers | 1,065 (for the entire group) (As at end of June 2022) |