# **ADWAYS**

2022 NOVEMBER 2, 2022

PRESENTATION MATERIAL

# QUARTER QUARTER

STOCK CODE: 2489

TSE PRIME MARKET ADWAYS INC.

Director and Chairman, Haruhisa Okamura

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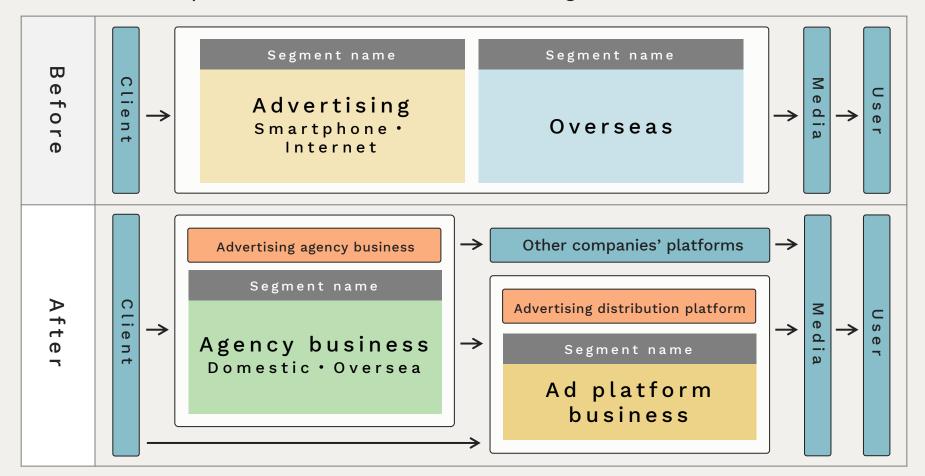
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#### **Note on Terms**

- 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 Q2 (July to September 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" 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.

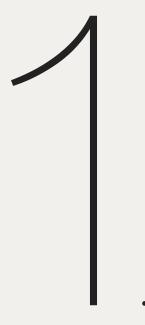
### Reporting Segment Change

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.



<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: Third quarter results



# FY2022Q3 Performance

## Quarterly Results (YoY · QoQ)

(JPY mn)

	FY2022 Q3 (Jul-Sep 2022)	YoY FY2021 Q2 (Jul-Sep 2021)		QoQ FY2022 Q2 (Apr-Jun 2022)			
	(Jul-3ep 2022)	Results	Change	Change(%)	Results	Change	Change(%)
Gross sales	14,368	13,244	+1,124	+8.5%	14,978	-609	-4.1%
Net sales	3,215	3,010	+205	+6.8%	3,213	+1	+0.1%
Gross profit	2,585	2,478	+106	+4.3%	2,588	-2	-0.1%
SG&A expenses	2,345	1,993	+352	+17.7%	2,294	+51	+2.2%
Operating profit	239	485	-245	-50.6%	294	-54	-18.4%
Ordinary profit	303	636	-332	-52.3%	13	+290	-
Profit attributable to owners of parent	453	453	+0	+0.1%	454	-1	-0.2%

Gross	YoY	Increased	JPY +1,124 mn	(+8.5%)
sales	QoQ	Decreased	JPY -609 mn	(-4.1%)

Operating	YoY	Decreased	JPY	<b>-245 mn</b> (-50.6%)
profit				<b>-54 mn</b> (-18.4%)

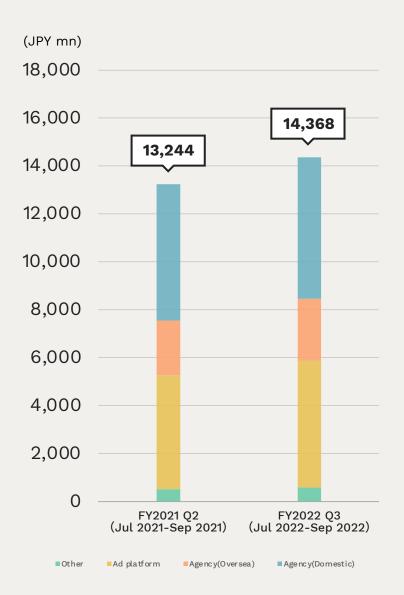
<sup>\*</sup>Y o Y Change(%) for Ordinary profit is not listed as it exceeded 1,000%.

# FY2022 Consolidated Performance Forecast and Results

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
FY2022 Forecast	59,000	13,800	1,420	1,690	1,360
Q3 Results	45,173	9,947	1,189	1,013	1,409
Progress rate	76.6%	72.1%	83.8%	60.0%	103.7%

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



#### Agency · · · · · JPY 8,482 mn –

(Comprehensive app & web marketing support business)

YoY: JPY +503 mn (+6.3%)

#### Domestic · · · · JPY 5,904 mn

YoY: JPY +217 mn (+3.8%)

While advertising spend decreased for some comic apps and game apps, apps not classified under comic or game apps such as mobile payment apps grew, resulting in increase.

#### Oversea · · · · JPY 2,578 mn

YoY: JPY +286 mn (+12.5%)

China showed signs of recovery from the downturn caused in part by the COVID-19 lockdown and app advertising in Taiwan grew substantially, resulting in increase.

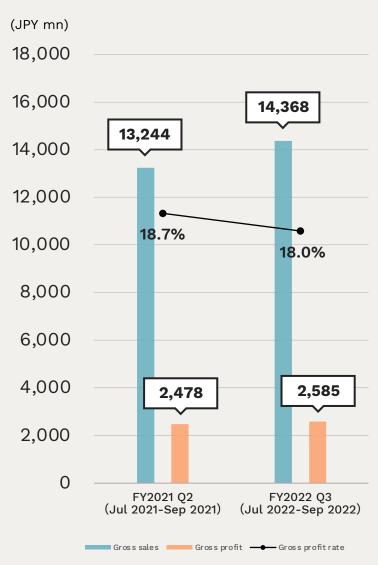
#### Ad platform · · · JPY 5,303 mn

(UNICORN, affiliate ad service business etc.)

YoY: JPY +557 mn (+11.7%)

While affiliate gross sales decreased in the e-commerce category, app and finance affiliate and UNICORN grew, resulting in increase.

### **Gross Profit (YoY Change)**



#### Q3 Gross profit : JPY 2,585 mn

YoY: JPY +106 mn (+4.3%)

Gross profit rate: 18.0% (-0.7 points)

### SG&A Expenses (YoY Change)



#### Q3 SG&A expenses : JPY 2,345 mn

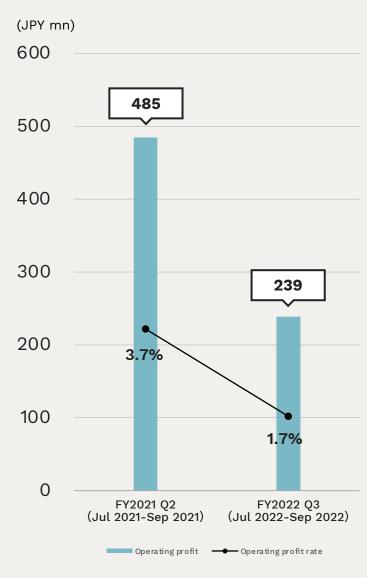
YoY: JPY +352 mn (+17.7%)

SG&A to sales ratio: 16.3% (+1.3 points)

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

• Increase in personnel expenditure and recruiting & education expenses: Approx. JPY +242 mn

### **Operating Profit (YoY Change)**

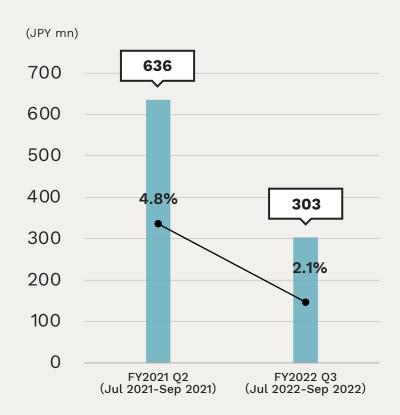


#### Q3 Operating profit: JPY 239 mn

YoY: JPY -245 mn (-50.6%)

Operating Profit rate: 1.7% (-2.0 points)

# Ordinary Profit (YoY Change)

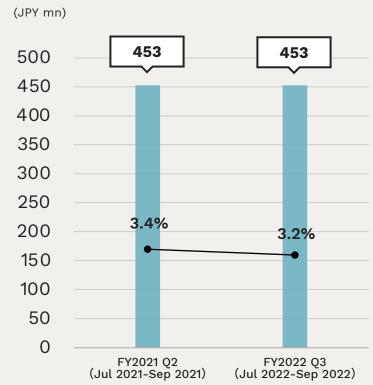


#### Q3 Ordinary profit: JPY 303 mn

YoY: JPY -332 mn (-52.3%)

Ordinary Profit rate: 2.1% (-2.7 points)

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



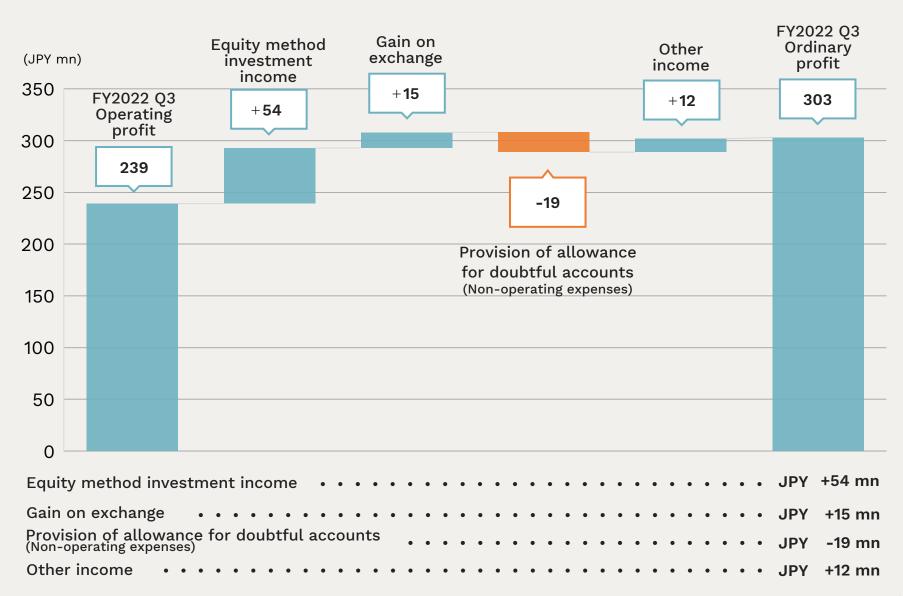
### Q3 Profit attributable to owners of parent: JPY 453 mn

YoY: JPY +0 mn (+0.1%)

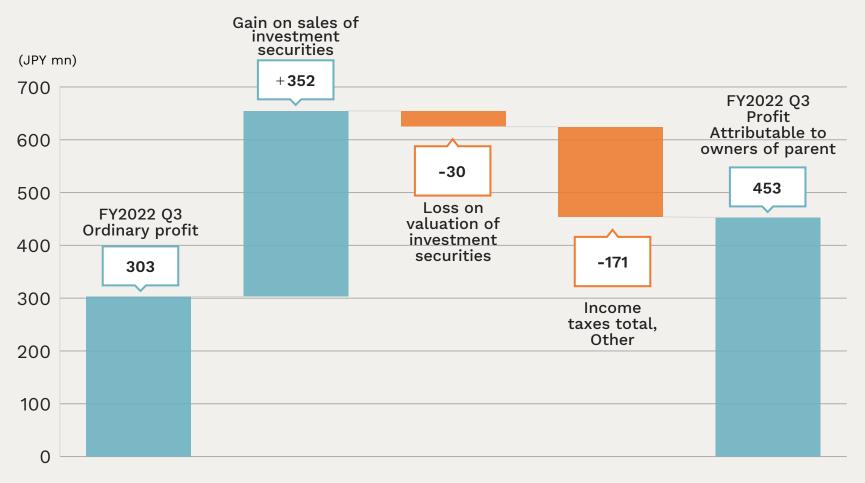
Profit Attributable to Owners of parent ratio:

3.2% (-0.2 points)

### **Breakdown of FY2022 Q3 Ordinary Profit**



# Breakdown of FY2022 Q3 Profit Attributable to Owners of Parent



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

Plan to invest approx. JPY 840 mn in FY2022

Business year	Investment amount	Operating profit when investment made	Operating profit when investment not made	
FY2022	Approx. JPY 840 mn	JPY 1,420 mn	Approx. JPY 2,260 mn	













03 investment progress







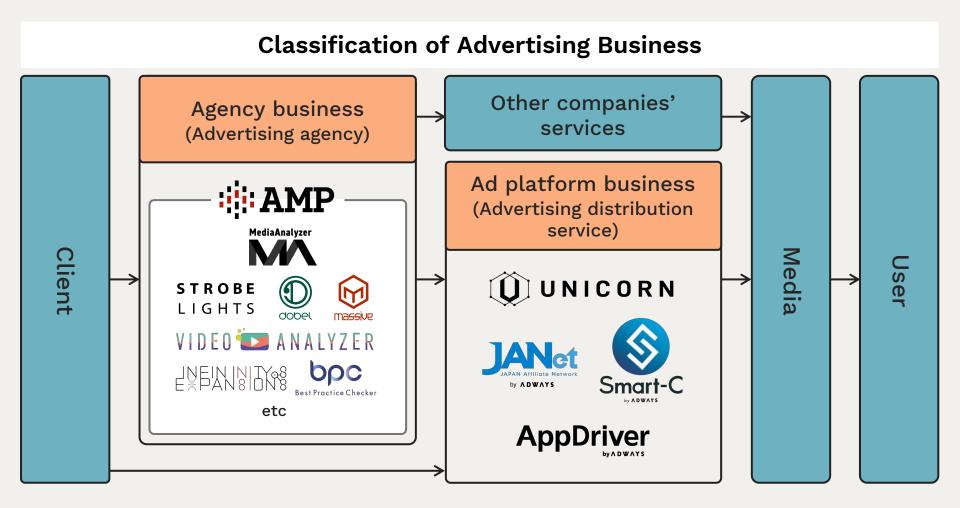
O: As planned  $\Delta$ : Less than planned  $\times$ : Much less than planned

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

<sup>\*</sup> Investment here refers to spending different from past spending (new investment).

Chapter2: business overview

# **Advertising business**



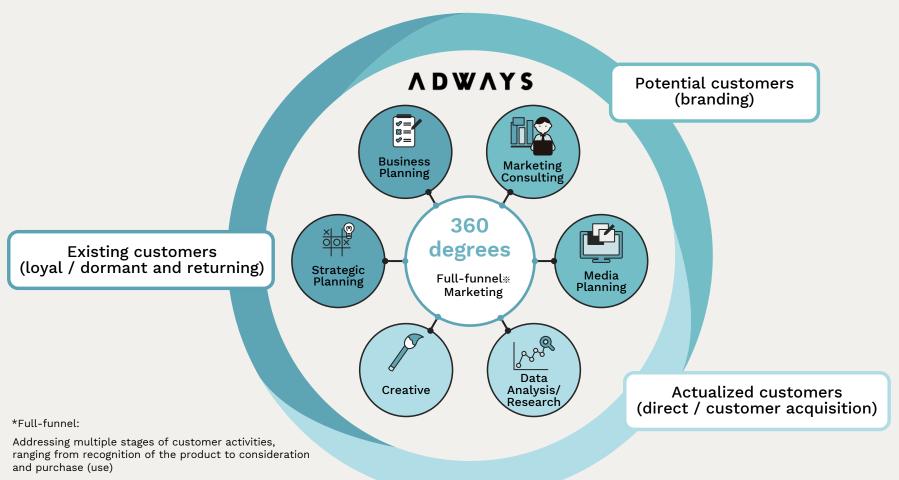
We classify our ad business into an agency business that also sells other companies' services and an ad platform business that operates our ad distribution service.

# 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

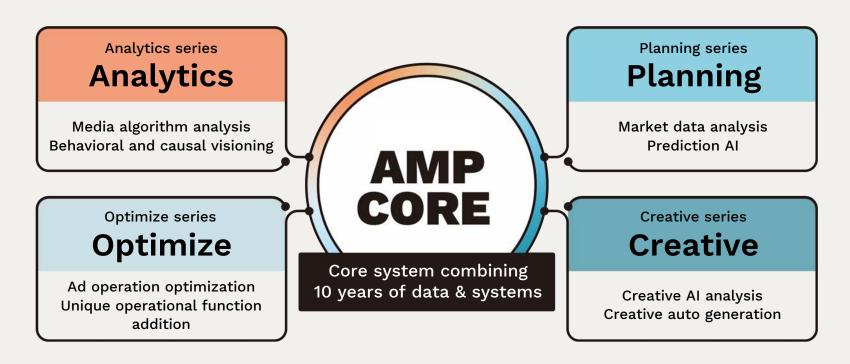


### Next-Generation Solutions for Amplifying Digital Marketing



# Integration of All Marketing Data from 10 Years of Advertising Operations

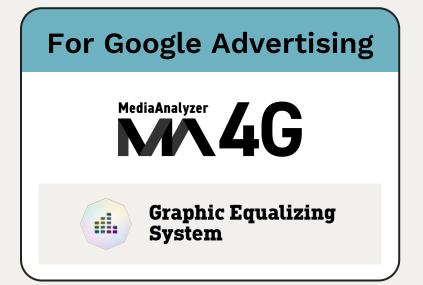
"AMP" is a group of solutions equipped with "AMP CORE," a core system newly developed by integrating all advertising support systems Adways has worked on to date and consolidating the 10 years of data accumulated from such.



# Ad Optimization Product Compatible with Major Mega Platforms









Plan to release a series of products designed for other major mega platforms

# For Google AMP Media Analyzer 4G

MediaAnalyzer 4G



Graphic Equalizing System

Al performs 24/7 real-time monitoring and analysis of ad trend on an hourly basis, detects waveforms indicating room for improvement in ad effectiveness and applies the optimal distribution logic



CVs: Avg. 23.2% increase CPA: Avg. 22.6% improvement

Automatically identifies characteristic waveforms in ad trend, enabling high-level and reproducible ad operation

# For Meta (Facebook and Instagram) AMP Media Analyzer 4M

MediaAnalyzer 4



Al performs real-time monitoring and analysis of tens of thousands of trend data on creatives data

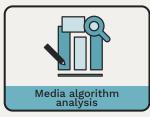


Achieves sustained ad effectiveness improvement by performing detailed analysis by demographic data\* and placement and making the most of the characteristics of Meta advertising

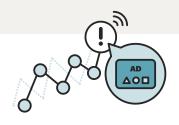
# New Dimension of Ad Operation Utilizing the AMP Series



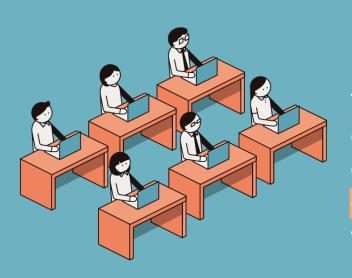








Al detects
ad optimization points



The series of mechanisms
eliminates "dependence on the person in
charge" from ad operation work,
enabling high-level ad operation by anyone
whatever the genre of the campaign

# 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



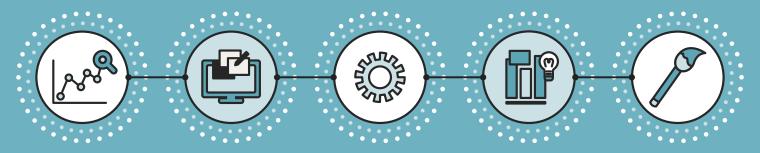


Integrated TV/digital planning and marketing strategy design expertise





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 (July 2021- September 2021), gross sales Increased, the number of accounts grew.

# Overseas Marketing Support Business



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 in Taiwan.

Brisk gross sales in the "OrangeStar," e-commerce and content marketing support business mainly for livestream shopping in China.

# 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





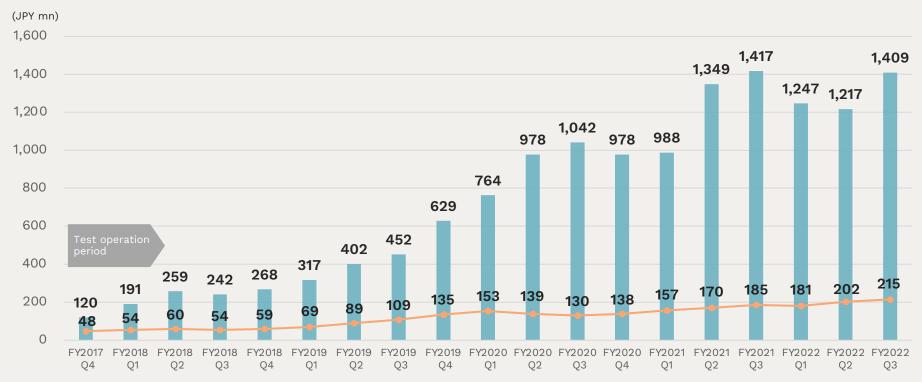


Restructuring products with the aim of creating new value



# **Progress of UNICORN**

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



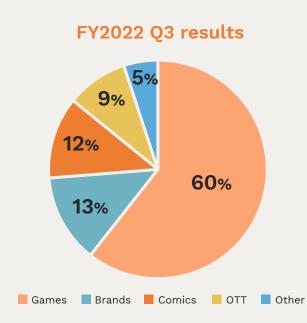
Gross salesMachine learning costs

In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from 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 104% year on year.

# **Progress of UNICORN**

#### **Progress by Genre**





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.)

"Game" and "Brands" category each grew significantly.

# **Progress of UNICORN**

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

(JPY mn)

	FY2022 Q3 (Jul-Sep 2022)	YoY FY2021 Q2 (Jul-Sep 2021)			
		Result	Change	Change(%)	
Gross sales	1,409	1,349	+60	+4.5%	
Gross profit	490	412	+78	+19.0%	
Operating profit	133	127	+5	+4.4%	

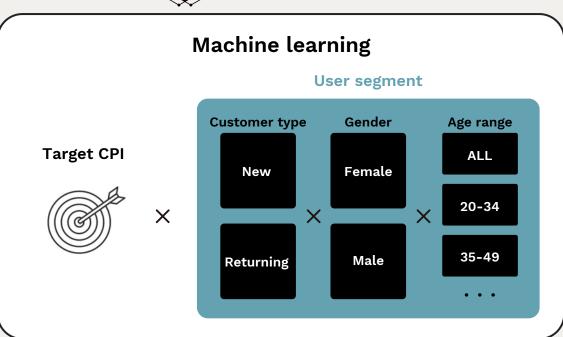
In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from FY2022, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handle UNICORN related sales. As a result, gross sales in materials for FY2021 and earlier and gross sales in this document differ. (Transactions of departments that also handle other products are not included.)

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

# Commencement of Provision of Fully Automated Optimized Distribution in App Store Search Tab







Displays campaign in App Store Search tab ads ("Suggested" list).

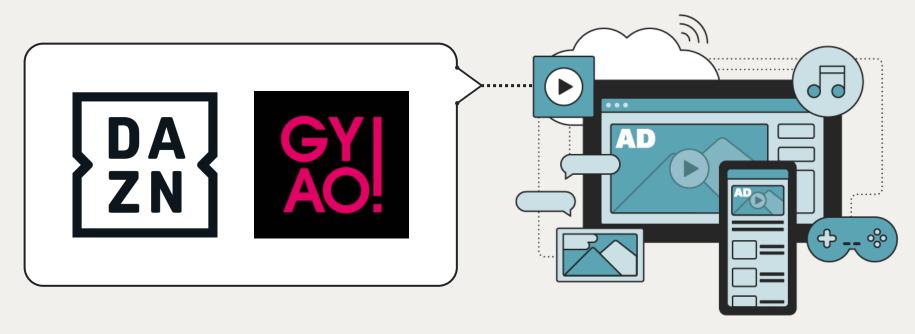
Can thus be among the first to capture the attention of many users

before they search for apps.

About UNICORN

### Strengthening of Ad Distribution for OTT\*

Commenced programmatic trading collaboration with video streaming services "DAZN" and "GYAO!"



With ads being able to be displayed in premium videos, clients' goals of brand recognition, user acquisition, and higher ad cost-effectiveness can be achieved.

\*OTT (Over The Top): General term for a service that delivers content over the internet

## "DAVINCI," a Dedicated Ad Platform for Blockchain Games

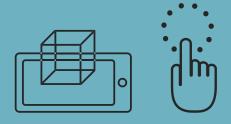
Signed a memorandum of understanding with ForN Co. Ltd. and Days, Inc. on development of "DAVINCI," a dedicated ad platform for blockchain games



"DAVINCI" is planned to be developed and provided based on UNICORN

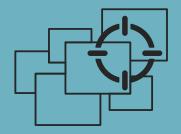
About **UNICORN** 

## Advanced ad method UNICORN Interactive AD



## Cutting-edge creative formats

Banner / Video Reward Video Native / Interactive

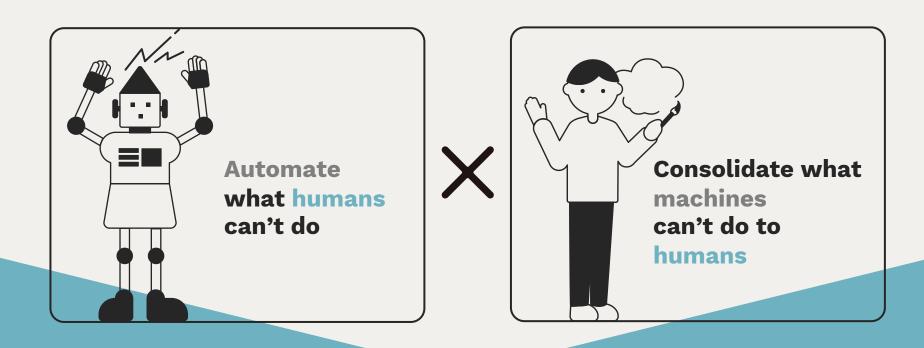


## Precise ad optimization with UNICORN

Context/Location Demographics Carrier/Approved list

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

## Co-existence of Humans & Machines



## Maximize performance





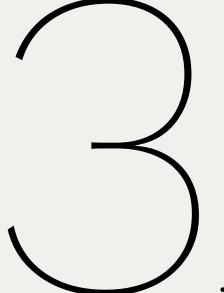
OMG, This is Amazing

## 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.

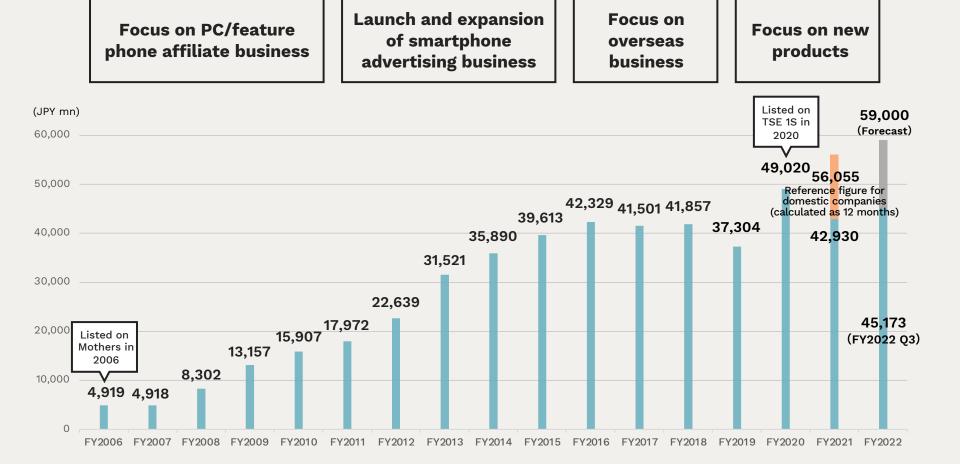
Statements made herein are based on information available as of November 2, 2022, and a variety of factors may cause the statements to differ from actual results.

# SUPPLEMENTARY Chapter Chapte



Chapter3: Supplementary materials

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



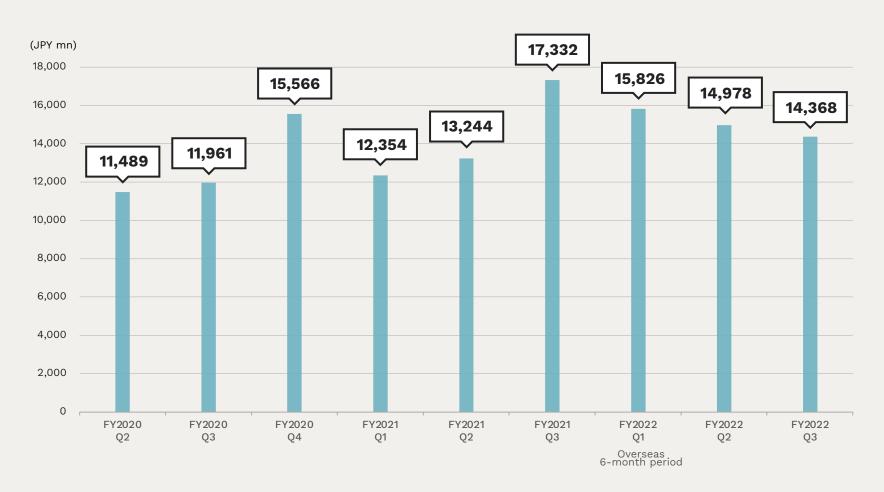
<sup>\*</sup>FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was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

## Yearly Change in Consolidated Operating Profit



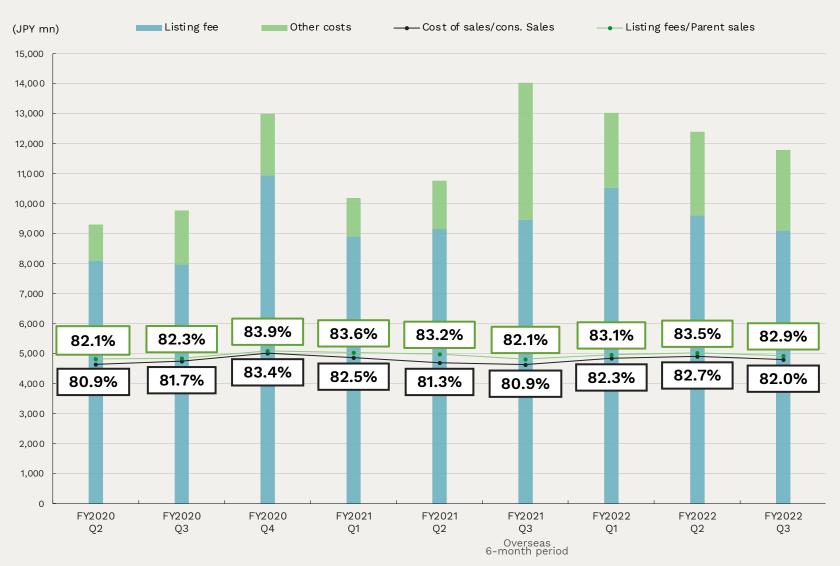
<sup>\*</sup>FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year ended December 2021 was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



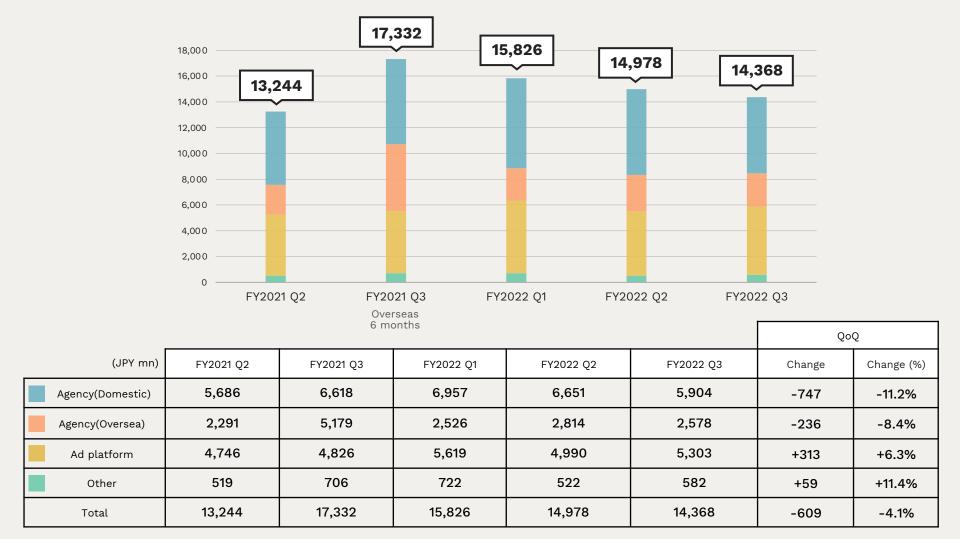
<sup>\*</sup>FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

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

(JPY mn)

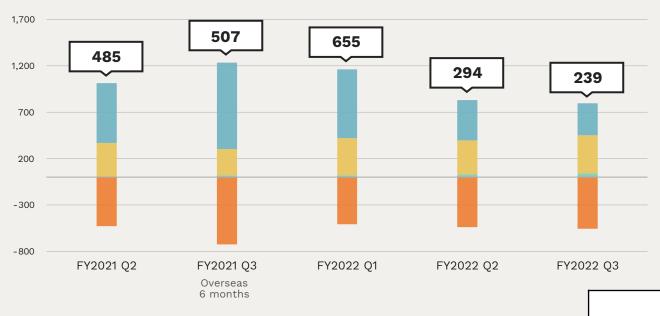
	FY2022 Q3	FY2021 Q2	Change	Change (%)
Current assets	21,520	21,033	+487	+2.3%
(Cash and deposits)	12,180	12,528	-348	-2.8%
Non-current assets	7,444	5,791	+1,652	+28.5%
Total assets	28,964	26,824	+2,139	+8.0%
Current liabilities	10,477	10,181	+295	+2.9%
Non-current liabilities	1,209	845	+364	+43.1%
Total liabilities	11,687	11,027	+660	+6.0%
Net assets	17,277	15,797	+1,479	+9.4%

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



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

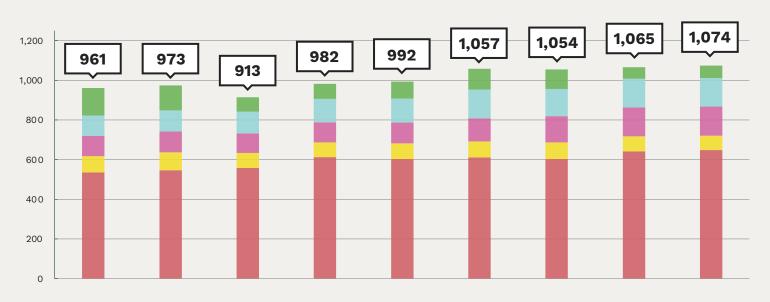
## Quarterly Breakdown of Consolidated Operating Profit by Segment



						QoQ	
(JPY mn)	FY2021 Q2	FY2021 Q3	FY2022 Q1	FY2021 Q2	FY2021 Q3	Change	Change (%)
Agency	646	928	742	432	342	-90	-20.8%
Ad Platform	360	283	399	368	410	+41	+11.3%
Other	7	21	20	37	42	+5	+13.7%
Eliminations & Corporate	-529	-725	-507	-544	-555	-10	-
Total	485	507	655	294	239	-54	-18.4%

<sup>\*</sup>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 Q2	FY2020 Q3	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2022 Q1	FY2022 Q2	FY2022 Q3
ADW Japan	535	546	558	613	602	611	603	641	648
ADW China	83	90	75	74	79	80	83	76	72
Domestic subsidiaries	100	105	99	101	106	117	132	146	147
Overseas subsidiaries (excluding China)	104	107	110	117	120	144	138	144	143
Temporary workers, part-time employees	139	125	71	77	85	105	98	58	64
Total	961	973	913	982	992	1,057	1,054	1,065	1,074

## **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 September 2022)
Gross sales	JPY 42,930 mn (Domestic 9-month period)	(FY2021, Consolidated basis)
Employees * including temporary workers	1,074 (for the entire group)	(As at end of September 2022)