

ADWAYS

2023

MAY 2, 2023

**PRESENTATION
MATERIAL**

FIRST QUARTER

STOCK CODE : 2489

TSE PRIME MARKET
ADWAYS INC.

CEO
Sho Yamada



Contents

1. Q1 FY2023 Performance	... P.5
2. Business Overview	... P.17
3. Supplementary Materials	... P.36

Note on Terms

- The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) is in effect from the beginning of FY2021. Accordingly, “Net Sales” under the old standard are expressed as “Gross Sales.”
- Please note that the gross sales and gross profit by reporting segment are not official figures that have been audited by the accounting auditor.
- Due to a change in the accounting period starting from FY2021, FY2021 is 9 months for domestic companies and 12 months for overseas subsidiaries, and FY2021 Q3 is 3 months for domestic companies and 6 months for overseas subsidiaries.
- 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.
- 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 posting cost margin are expressed as a percentage of the gross sales above.

Adways Established a Subsidiary Through a Simple Incorporation-Type Split

(Announced on Nov 25, 2022)

Adways DEEE Inc. was newly established on January 4, 2023, through an incorporation-type company split, and inherited the rights and obligations related to our ad platform business.


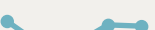





In our affiliate advertising service, the core of our ad platform business, we have not been able to adequately respond to the needs and issues faced by advertisers (clients) and media partners in this rapidly changing industry. In order to quickly respond to and resolve these issues, we established a subsidiary judging that it was necessary to develop our business through a subsidiary that can make quick management and business decisions.

Chapter1 : **First quarter results**

1. FY2023 Q1 Performance

Quarterly Results (YoY ・ QoQ)

(JPY mn)

	FY2023 Q1	FY2022 Q1 FY2023 Q1	YoY FY2022 Q1			QoQ FY2022 Q4		
		Performance trends	Results	Change	Change(%)	Results	Change	Change(%)
Gross sales	15,202		15,826	-623	-3.9%	14,417	+785	+5.4%
Net sales	3,455		3,518	-62	-1.8%	3,468	-12	-0.4%
Gross profit	2,898		2,804	+93	+3.3%	2,827	+70	+2.5%
SG&A expenses	2,358		2,149	+209	+9.7%	2,346	+12	+0.5%
Operating profit	539		655	-115	-17.6%	481	+58	+12.2%
Ordinary profit	575		696	-120	-17.4%	493	+82	+16.7%
Profit attributable to owners of parent	618		501	+117	+23.5%	1,127	-508	-45.1%

Gross sales YoY **Decreased** **JPY -623 mn** (-3.9%)
QoQ **Increased** **JPY +785 mn** (+5.4%)

Operating profit YoY **Decreased** **JPY -115 mn** (-17.6%)
QoQ **Increased** **JPY +58 mn** (+12.2%)

FY2023 Consolidated Performance Forecasts and Results

(January 1, 2023-December 31, 2023)

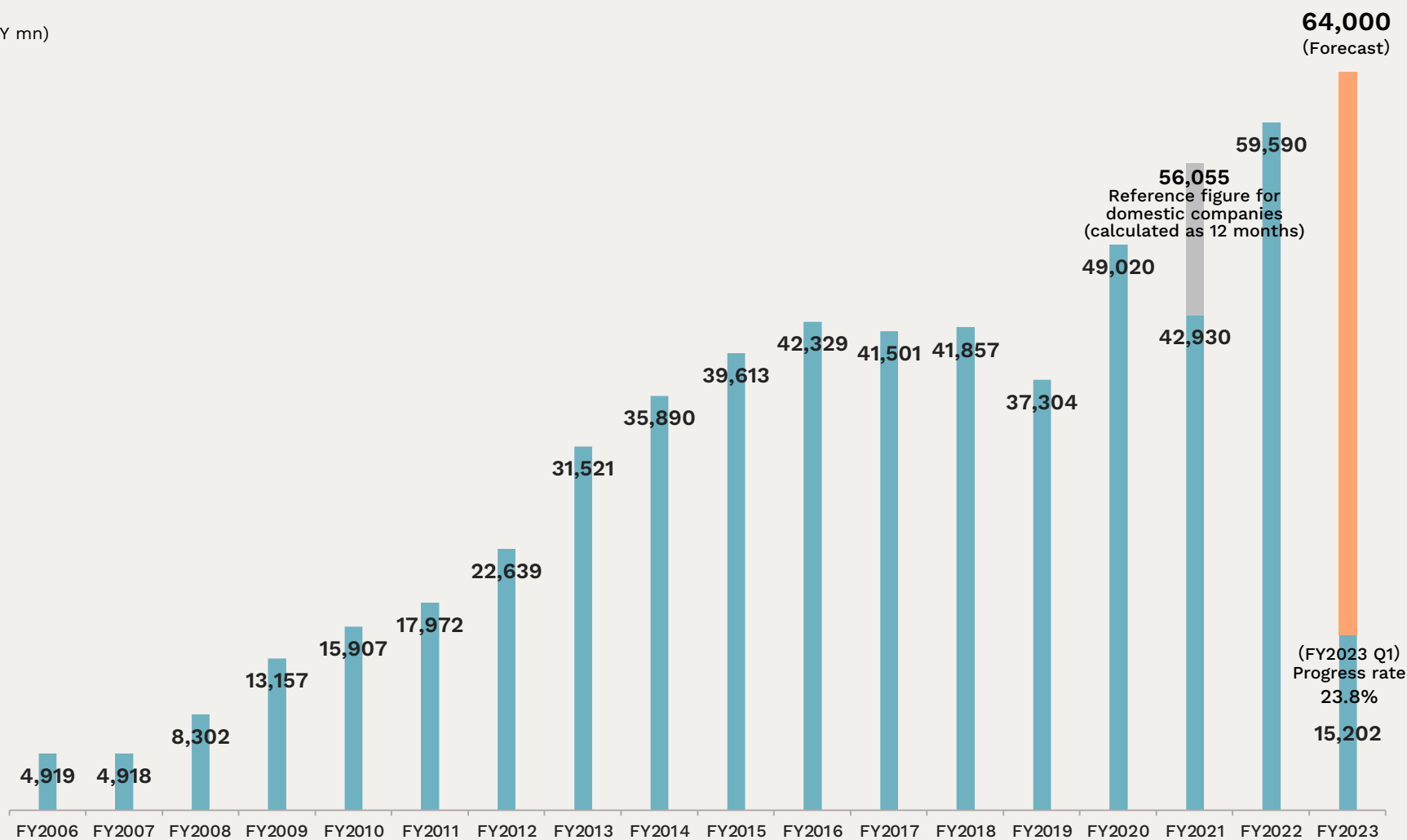
(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecasts	64,000	14,000	1,750	1,950	1,350
Q1 Results	15,202	3,455	539	575	618
Forecasts Progress rate	23.8%	24.7%	30.9%	29.5%	45.8%

Yearly Change in Consolidated Gross Sales

(FY2023 is reference figures combining the results of that year with forecast)

(JPY mn)



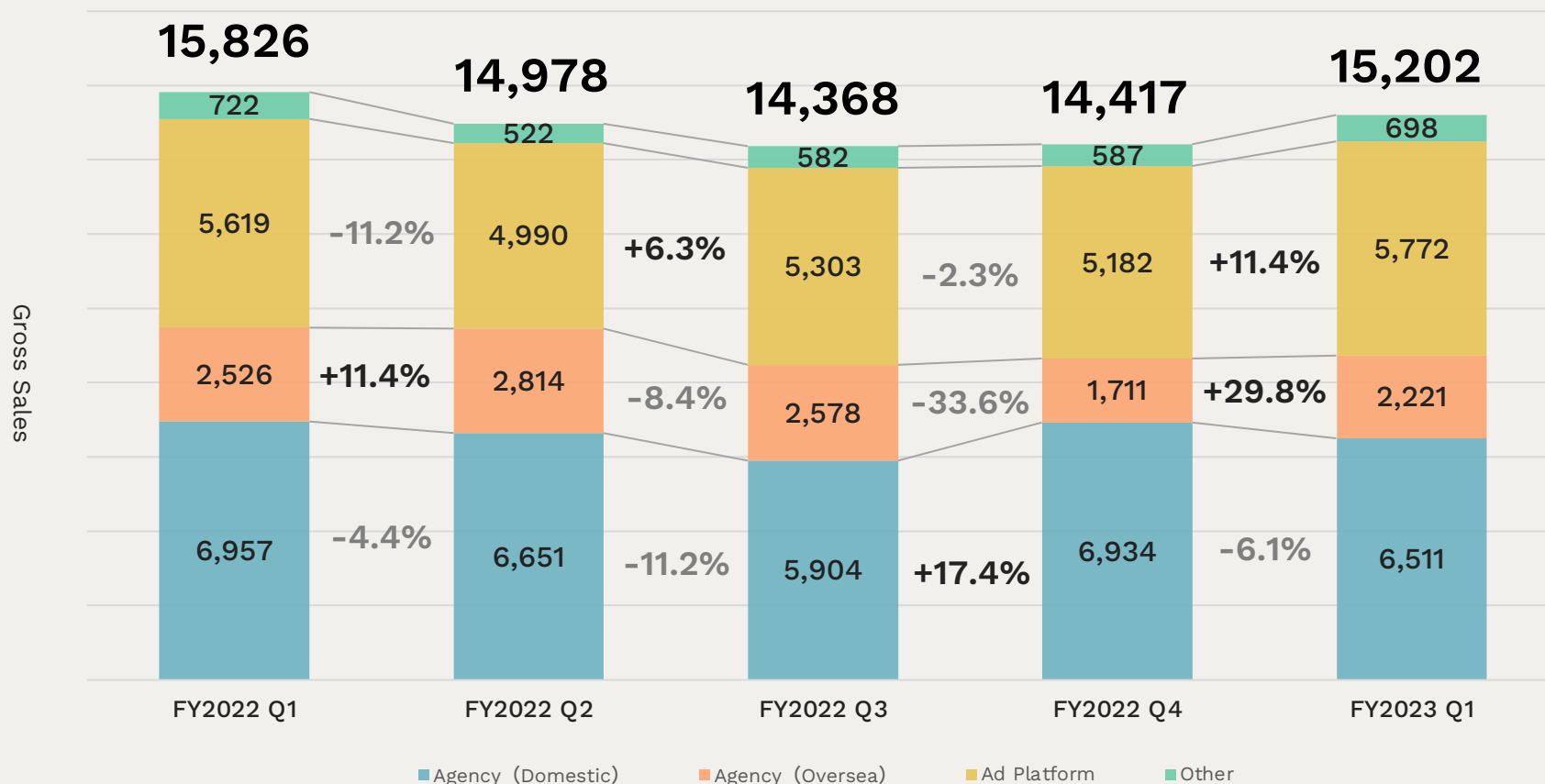
*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year year ended December 2021 was 9 months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

Quarterly Segment Summary

<p>Agency Business (Domestic)</p>	<p>Segment Gross sales : JPY 6,511 mn YoY : JPY -446 mn (-6.4%)</p> <p>While apps not classified under games and comics grew, game apps, comic apps and EC campaigns declined.</p>
<p>Agency Business (Oversea)</p>	<p>Segment Gross sales : JPY 2,221 mn YoY : JPY -305 mn (-12.1%)</p> <p>Although app marketing business in China recovered due to the easing of restrictions on the gaming industry by the Chinese government, gross sales in Taiwan declined due to the impact of foreign exchange rates, etc.</p>
<p>Ad Platform Business</p>	<p>Segment Gross sales : JPY 5,772 mn YoY : JPY +152 mn (+2.7%)</p> <p>While gross sales of EC category in affiliate decreased, UNICORN, app and finance category in affiliate grew.</p>

Quarterly Change in Consolidated Gross Sales

(JPY mn)

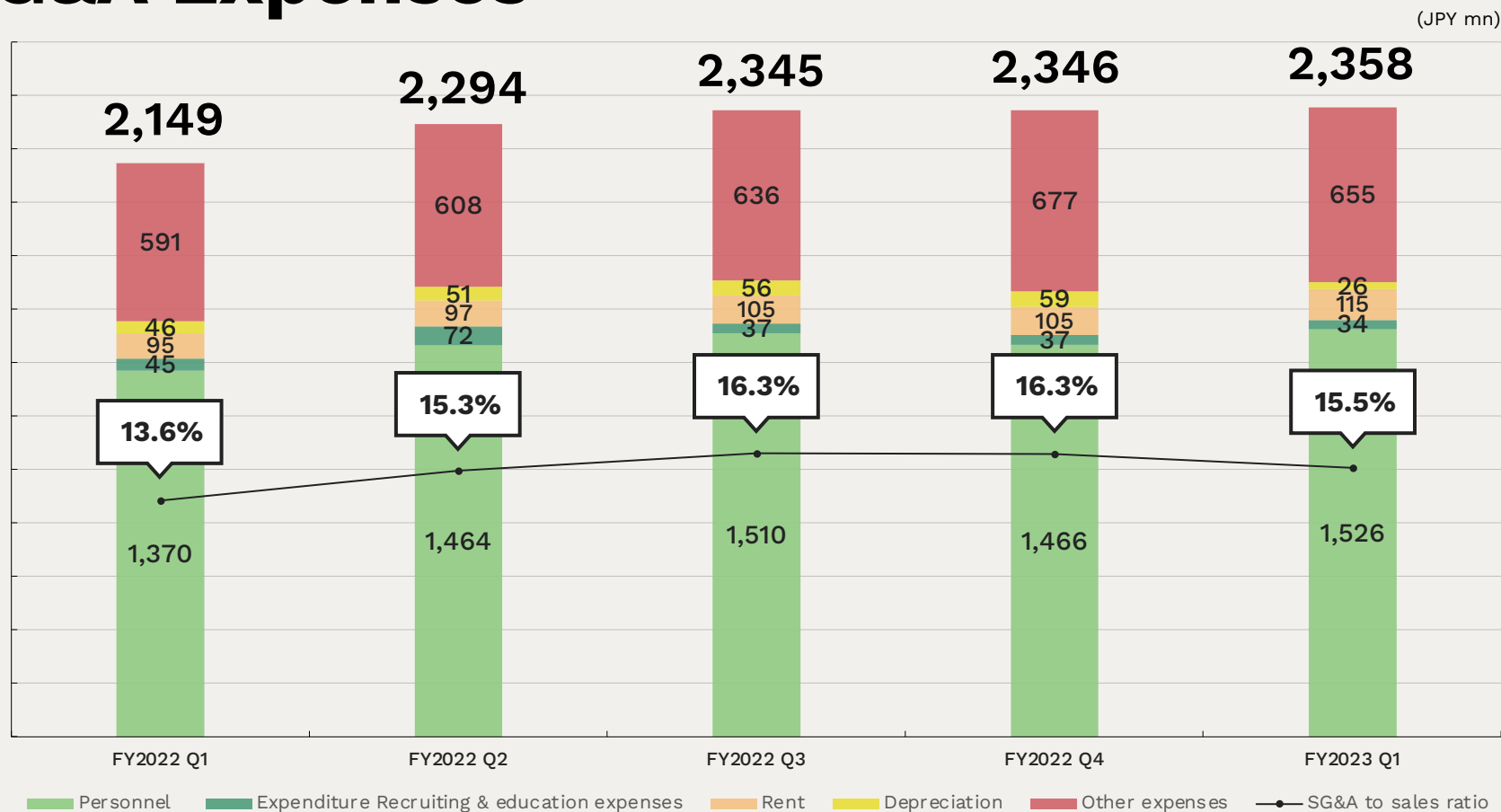


Q1 Gross Sales : JPY 15,202 mn

YoY: Decreased JPY -623 mn (-3.9%)

Q o Q: Increased JPY +785 mn (+5.4%)

Quarterly Change in Consolidated SG&A Expenses



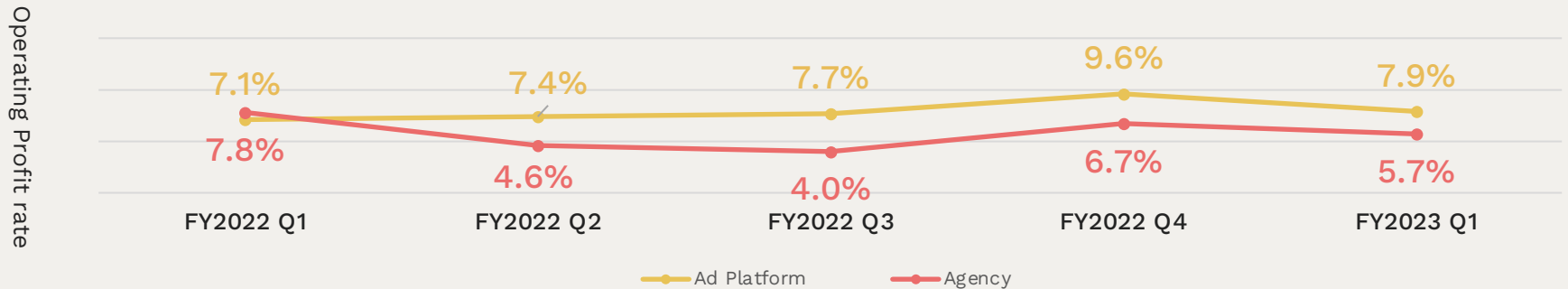
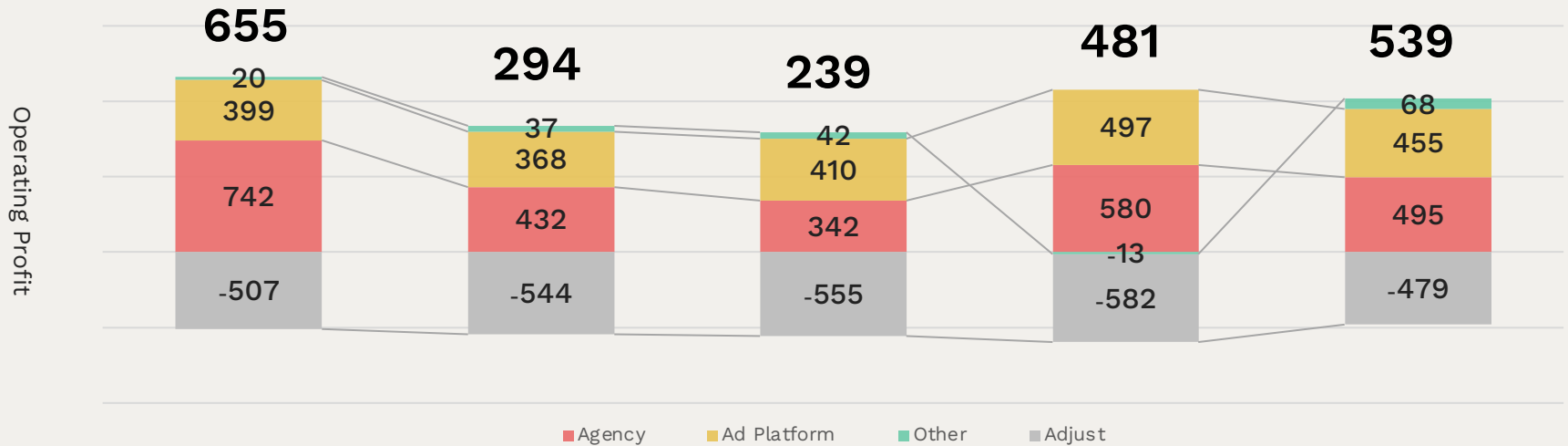
Q1 SG&A expenses : JPY 2,358 mn

YoY: JPY +209 mn (+9.7%)

SG&A to sales ratio: 15.5% (+1.9 points)

Quarterly Change in Consolidated Operating Profit

(JPY mn)



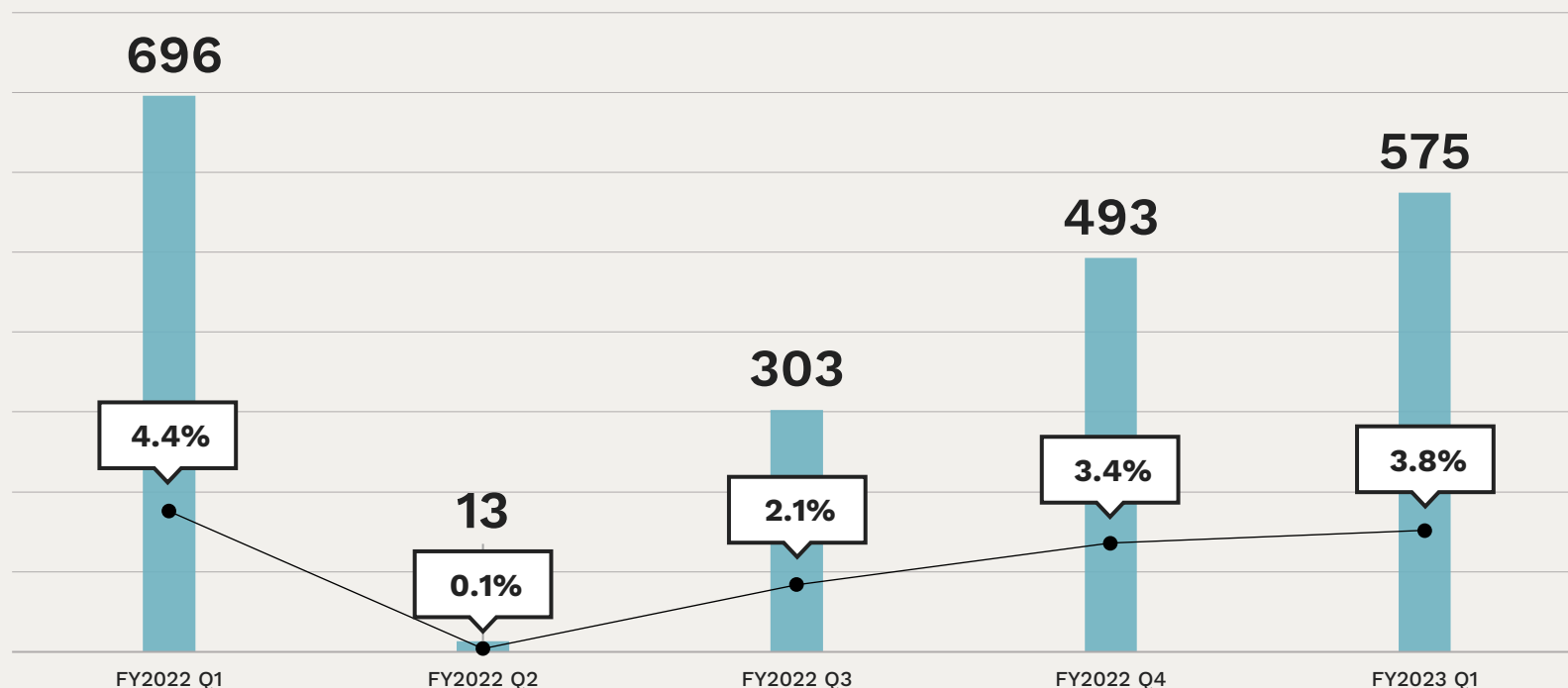
Q1 Operating profit : JPY 539 mn

YoY: JPY -115 mn (-17.6%)

Operating Profit rate: 3.6% (-0.6 points)

Quarterly Change in Consolidated Ordinary Profit

(JPY mn)

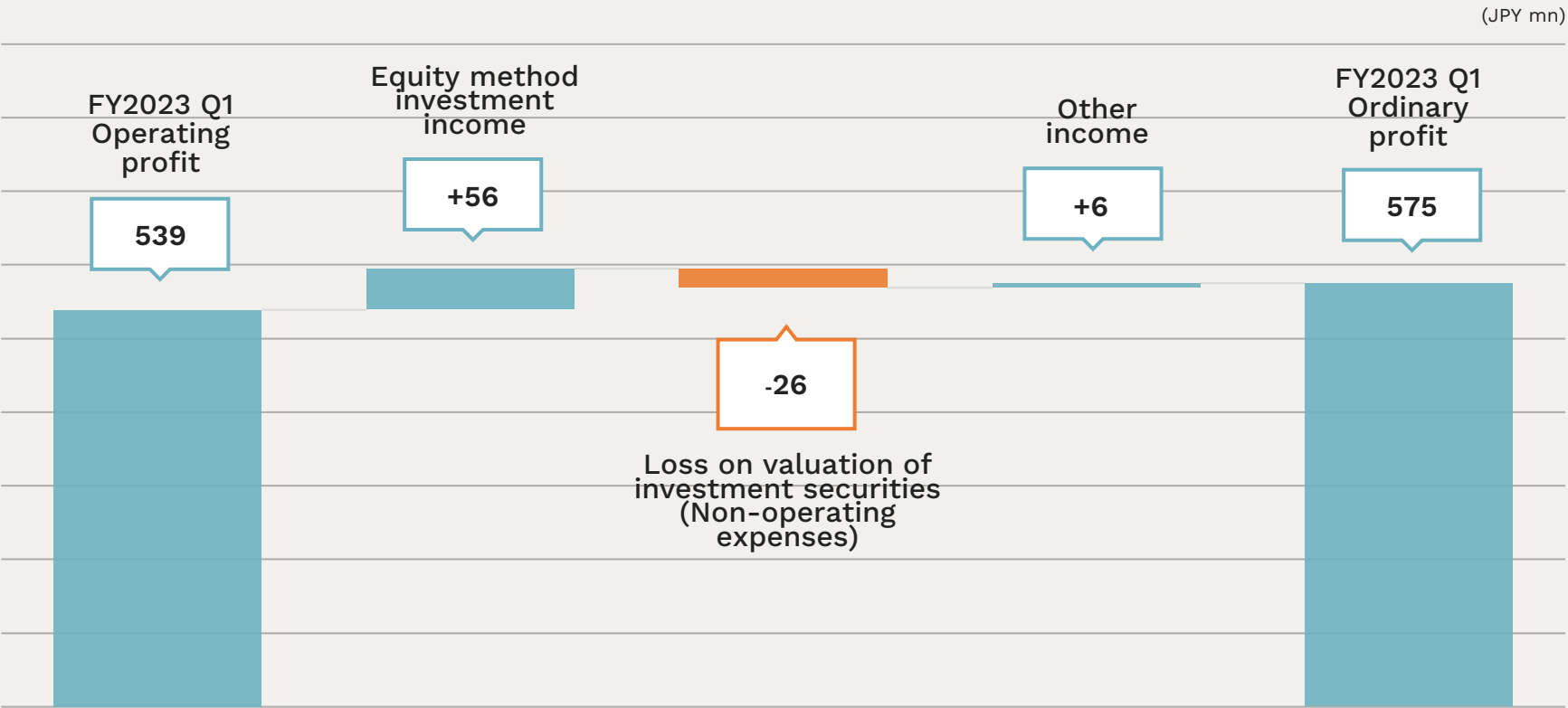


Ordinary profit: JPY 575 mn

YoY: JPY -120 mn (-17.4%)

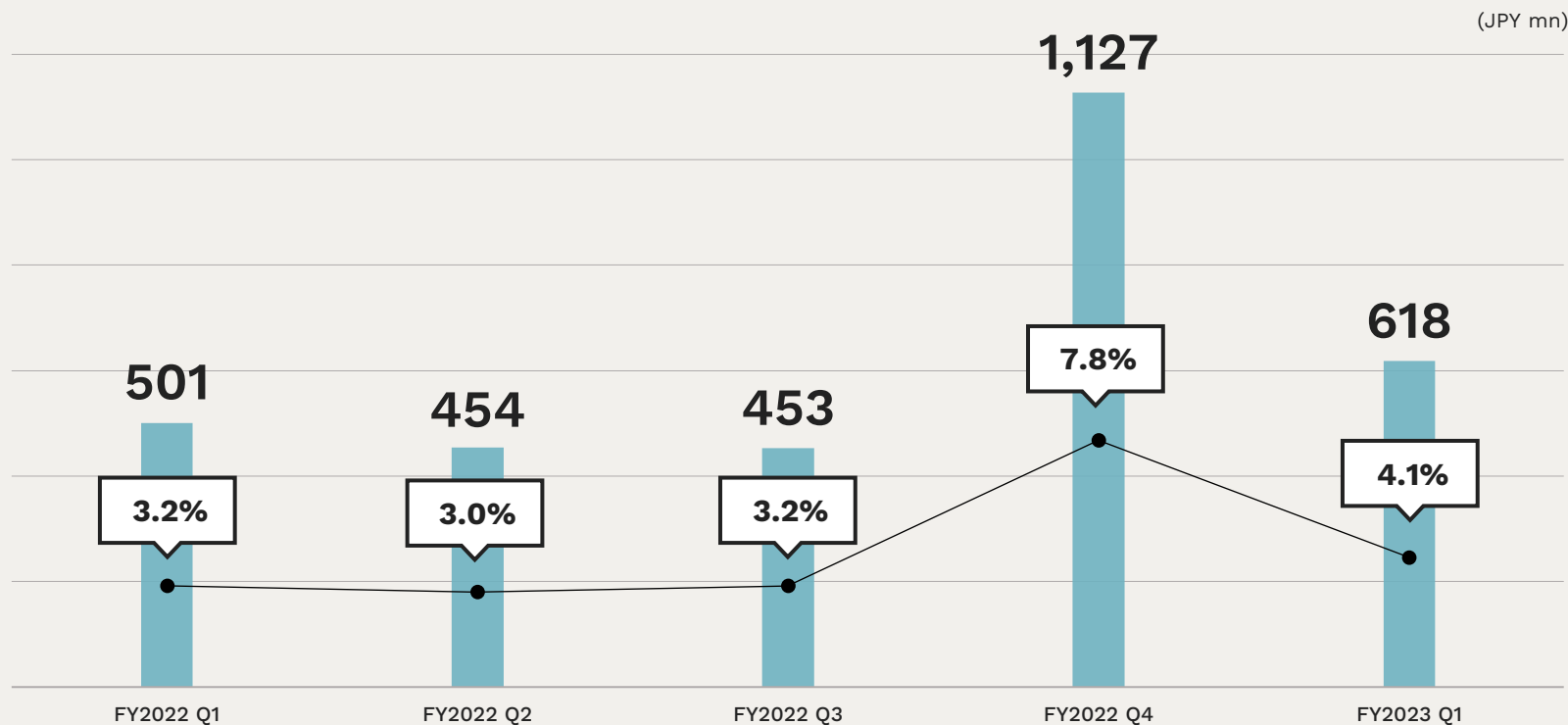
Ordinary Profit rate: 3.8% (-0.6 points)

Breakdown of FY2023 Q1 Ordinary Profit



Equity method investment income	JPY +56 mn
Loss on valuation of investment securities (Non-operating expenses)	JPY -26 mn
Other income	JPY +6 mn

Quarterly Change in Consolidated Profit Attributable to Owners of Parent

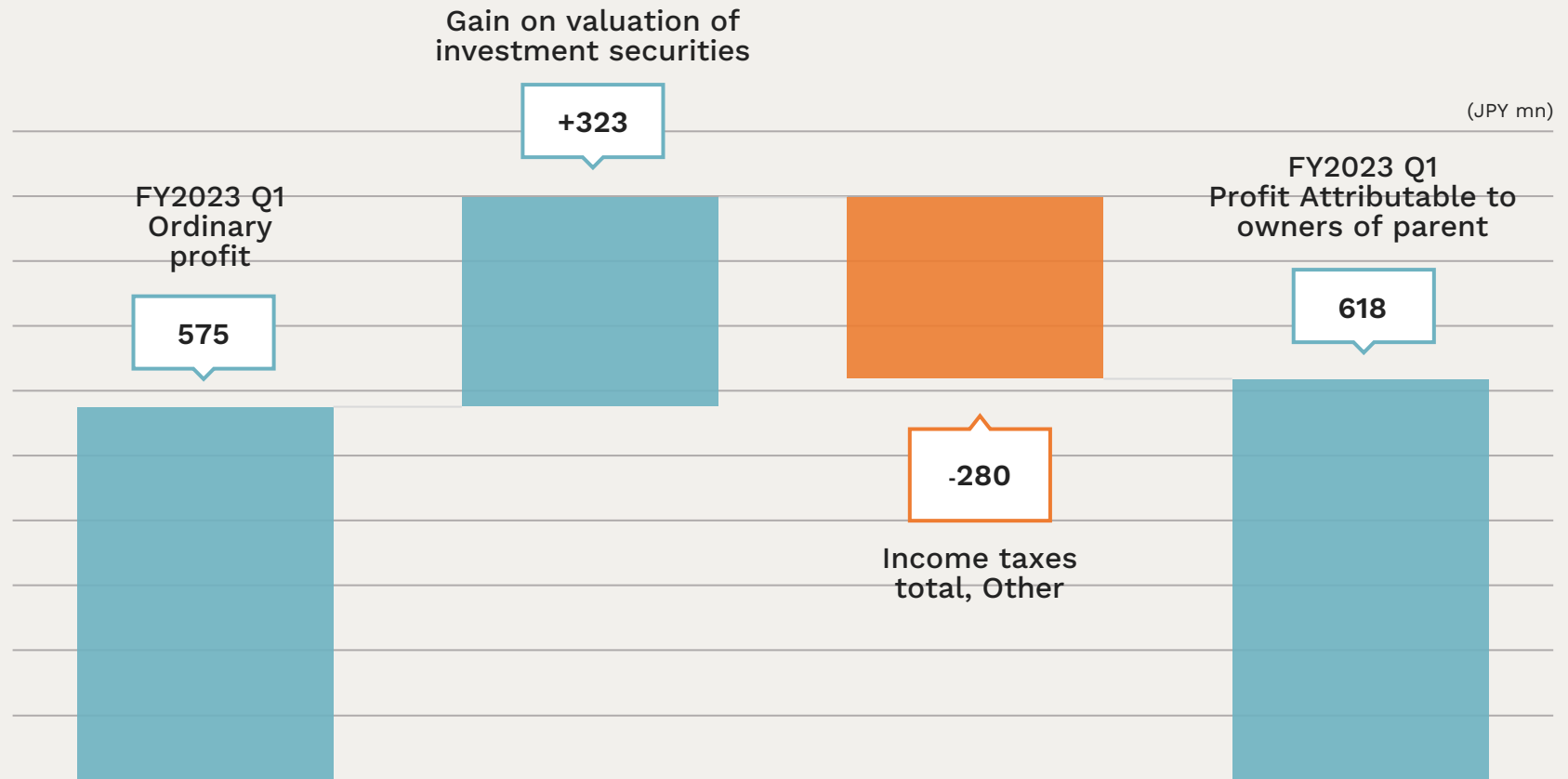


Profit attributable to owners of parent : JPY 618 mn

YoY: JPY +117 mn (+23.5%)

Profit Attributable to Owners of parent
ratio: 4.1% (+0.9 points)

Breakdown of FY2023 Q1 Profit Attributable to Owners of Parent

[illegible]

Income taxes total, Other **JPY -280 mn**

2.

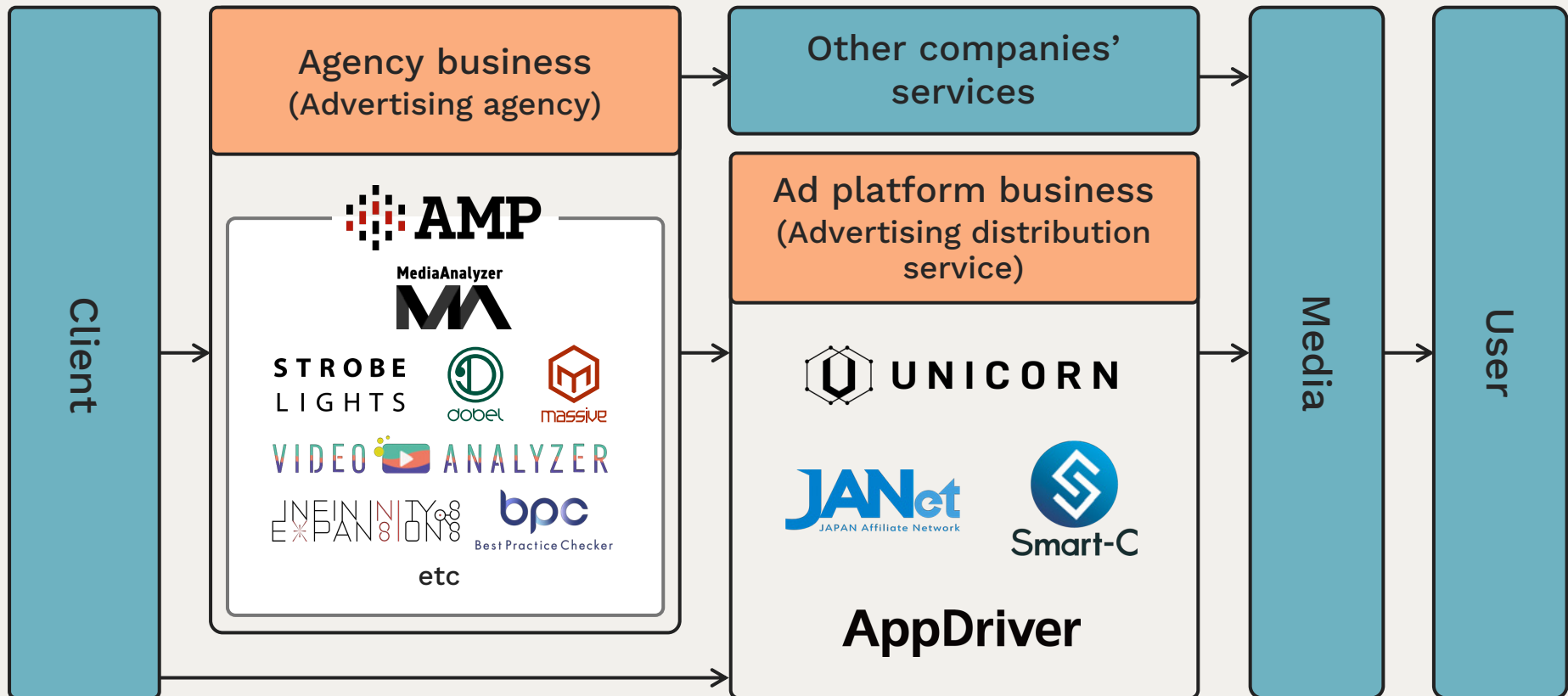
Chapter 2: business overview

BUSINESS OVER VIEW

Advertising business

First 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)

Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

First quarter

Digital transformation of marketing as a business growth driver for clients

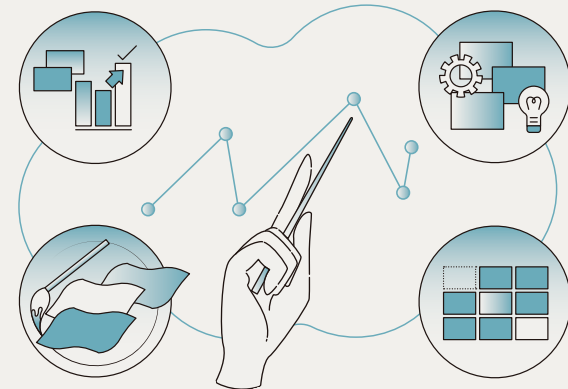
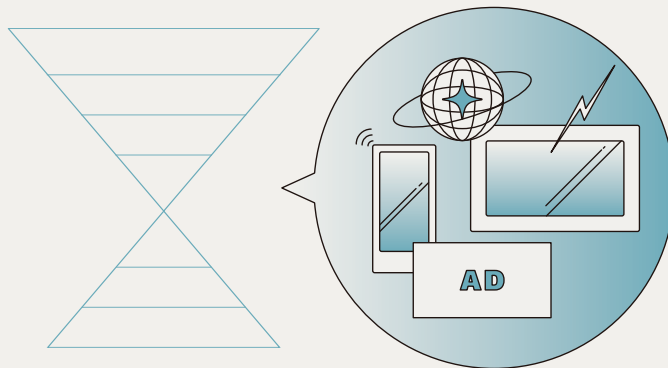
Hakuhodo DY holdings



Hakuhodo DY
media partners



ADWAYS



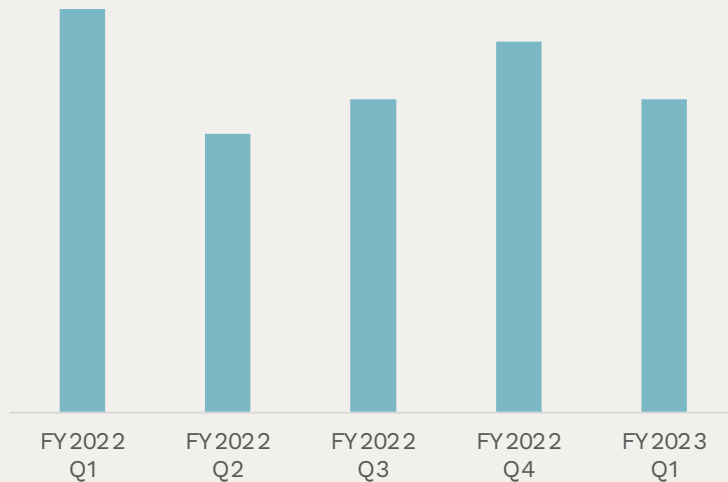
In our agency business, we provide comprehensive marketing support through integrated offline and online planning. In order to approach brand advertisers and execute more effective market planning conscious of full-channel¹ and full-funnel² marketing plans that integrate TV and digital, rather than confining ourselves to an advertising framework, we are marketing consultants who provide comprehensive marketing support for all types of issues. We also fuse AI-based highly sophisticated marketing technology and human operational and creative capabilities to create essential advertising value in order to provide comprehensive and efficient support for our clients' business growth.

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

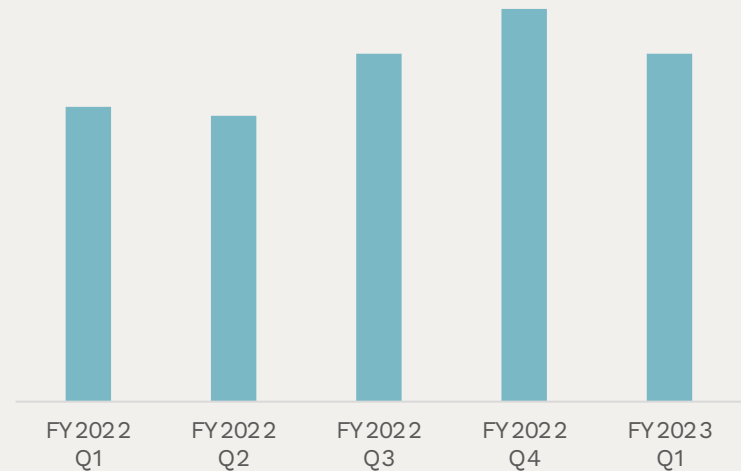
*2.Full-funnel : Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

Progress of Capital and Business Alliance with Hakuhodo DY Group

Gross Sales from Alliance with Hakuhodo DY Group



Number of Clients from Alliance with Hakuhodo DY Group



Compared with the same quarter of last year (FY2022 Q1), which saw a temporary significant increase, gross sales decreased while the number of accounts increased.

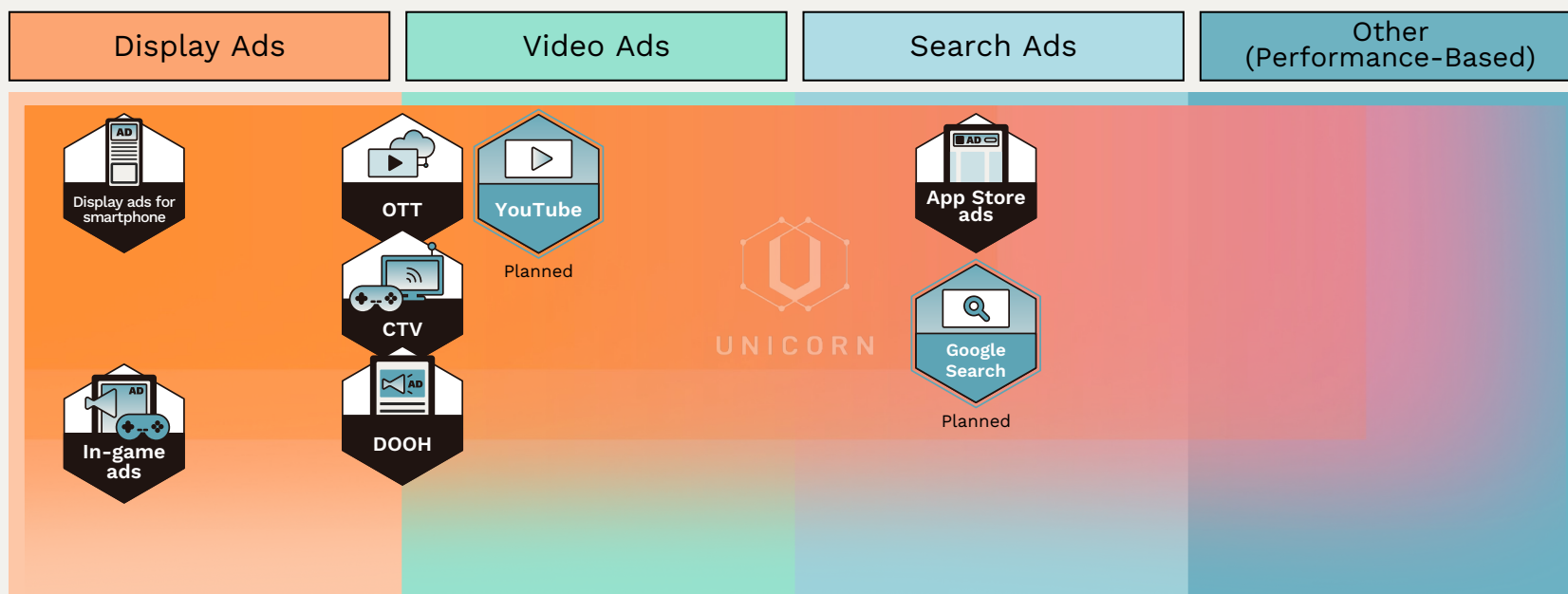
Ad platform business

UNICORN, affiliate ad service business etc.



Principles of Ad Platform Business (UNICORN)

Three-dimensional expansion based on channel, value and account

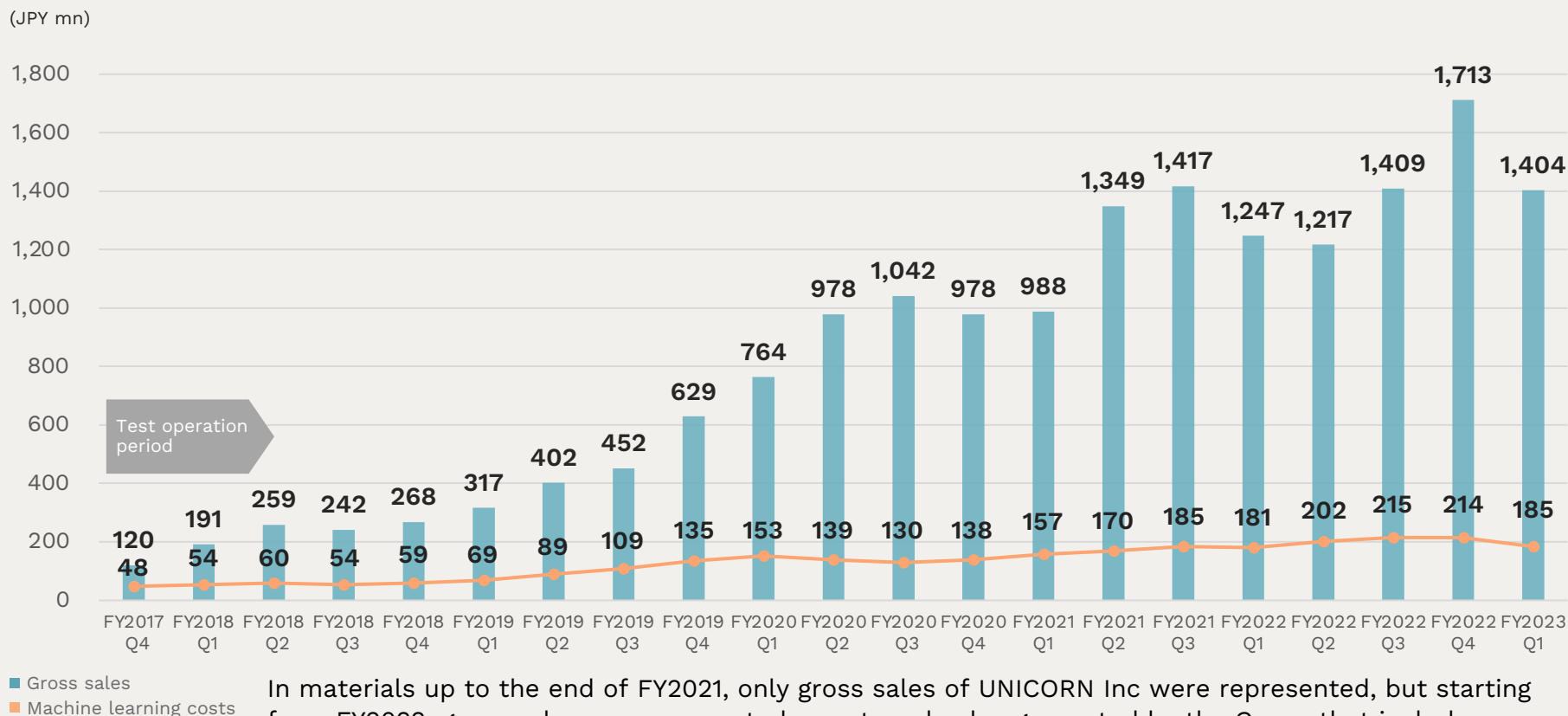


UNICORN continues to expand in terms of distribution, working with services such as Connected TV and OTT* in addition to automatically optimized distribution on the Apple Search Ads | Today tab, search tab, search results, and product pages. In addition, support for mega platforms (Google Search, YouTube, etc.) is planned. We will continue to optimize user communication across all channels.

Progress of UNICORN

First quarter

Change in UNICORN Gross Sales and Machine Learning Costs



Gross sales grew 112% YoY.

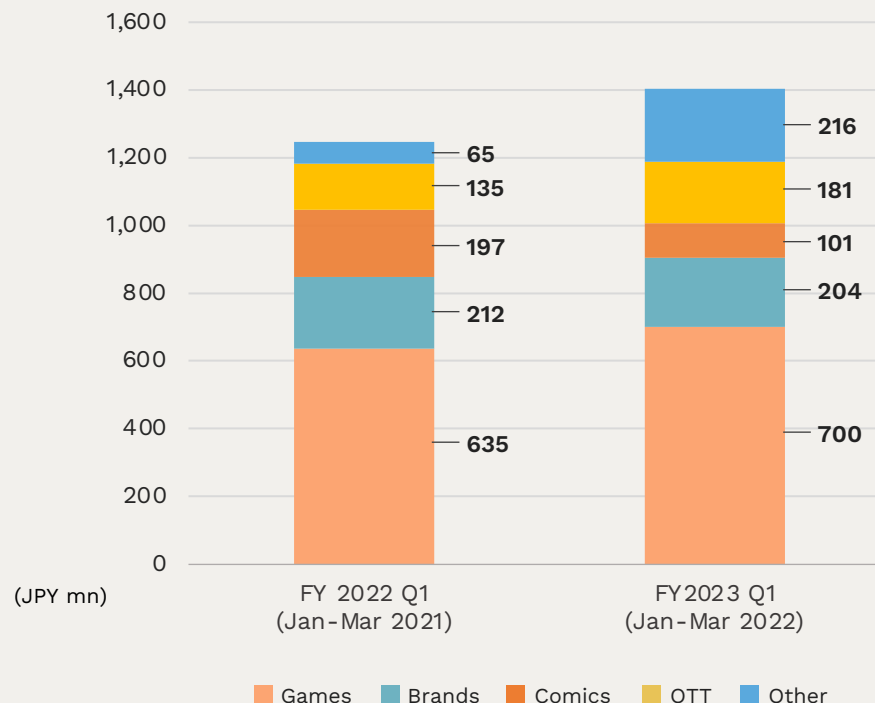
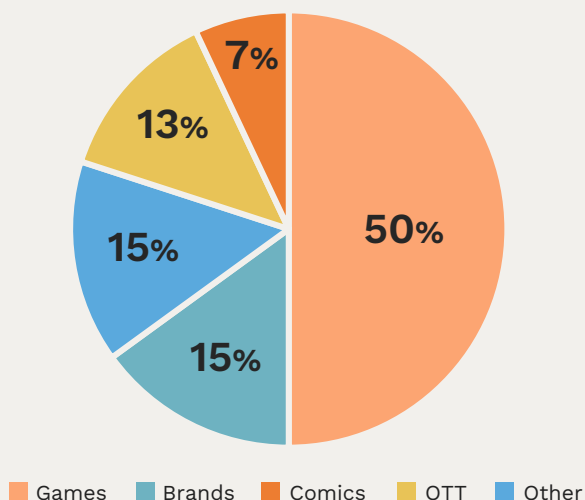
About UNICORN

Progress of UNICORN

First quarter

Progress by Genre

FY2023 Q1 results



*The “Brands” category, which was classified under “Other” until FY2021, is displayed as a separate category starting from FY2022.

“Games”, “OTT” and “Other” categories grew.

About UNICORN

Progress of UNICORN

First quarter

UNICORN's Performance: YoY

(JPY mn)

	FY2023 Q1 (Jan-Mar 2023)	YoY FY2022 Q1 (Jan-Mar 2022)		
		Result	Change	Change(%)
Gross sales	1,404	1,247	+156	+12.6%
Gross profit	436	409	+27	+6.7%
Operating profit	83	121	-38	-31.3%

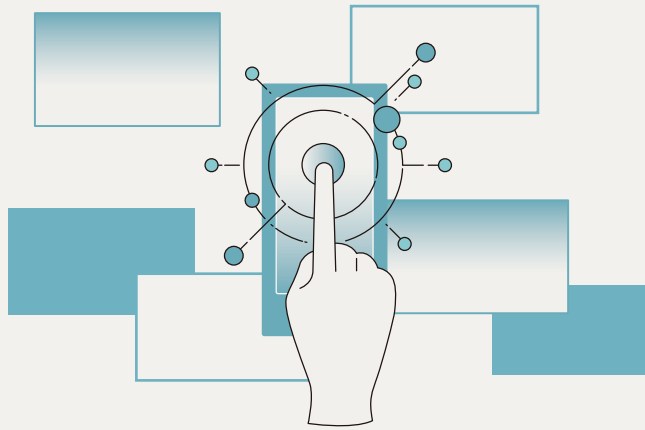
Gross sales and gross profit increased, but operating profit decreased.

About UNICORN

Advanced ad method

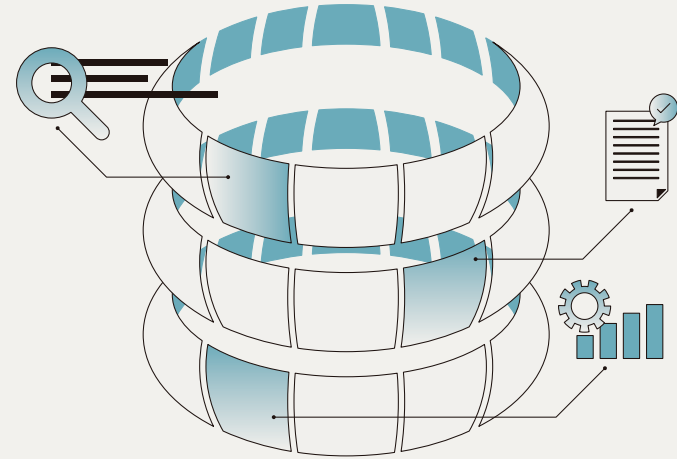
UNICORN Interactive AD

First 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 innovative creatives**

Launching Volumetric Video-Based “XR Ads”



Utilization of volumetric video technology, which can generate 3D images in near-real time by converting real space, people, and objects into data, in ads makes it possible to convey a brand's worldview and the appeal of its products and brand as a completely new visual experience.

D E E E

Delight
喜び

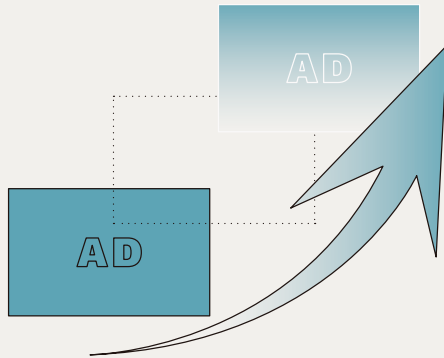
Exciting
わくわく

Eager
熱心

Exceed
超える

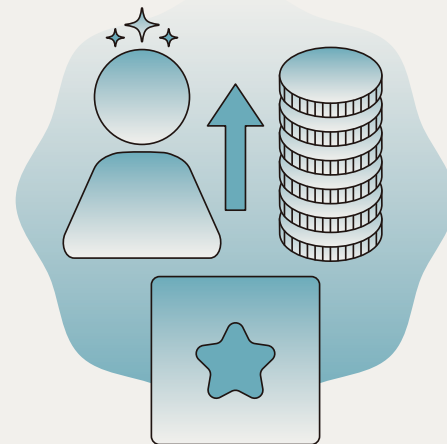
New fusion of tradition
and innovation.

Principles of Ad Platform Business (ADWAYS DEEE)



Update affiliate advertising with
new concepts

AppDriver



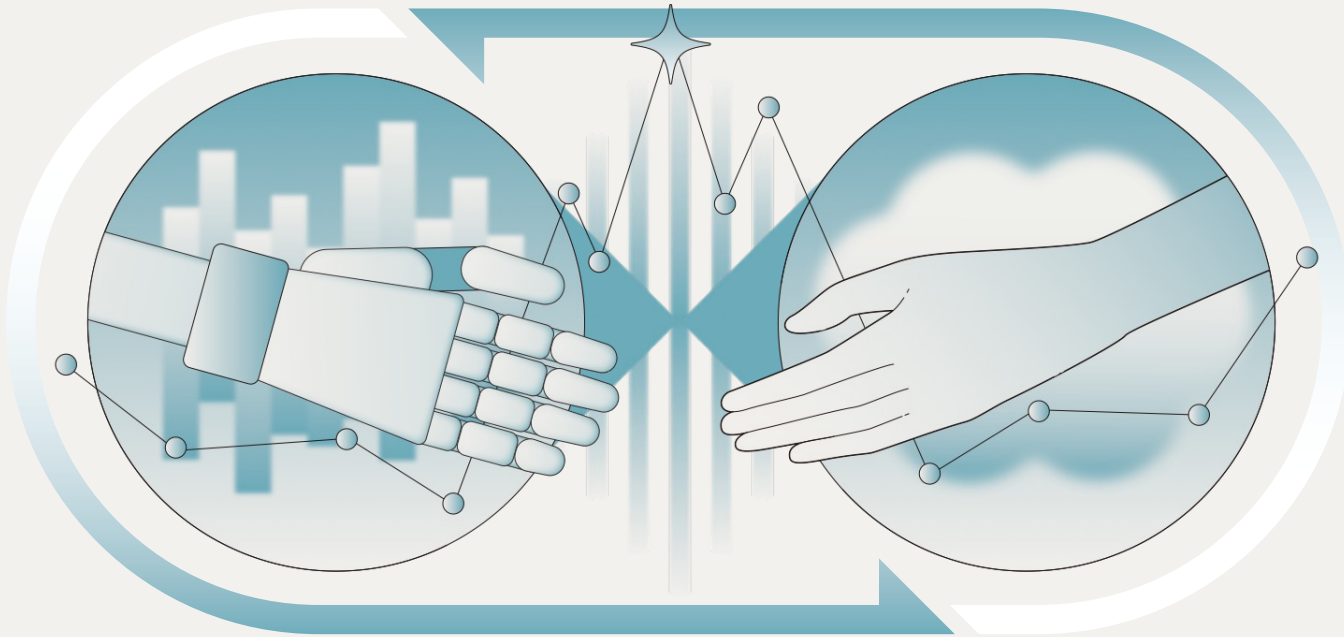
Strengthen service development to
improve consumer experience and
maximize media revenue

Launching “JANEEE Advertising Report”



The JANEEE Advertising Report improves the analytical environment for partners by visualizing on a dashboard user needs using a dedicated tool in addition to a variety of data and trend data to help them optimize affiliate advertising and maximize revenue.

Co-existence of Humans & Machines



Automate
What **humans** can't do

Consolidate what machines
can't do to **humans**

✦ **Maximize** performance

PURPOSE OF ADWAYS

**Make the world say
“OMG, This is Amazing”
and empower every
person to expand their
potential, the heart of our
“No People, No Gain”
philosophy.**

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.

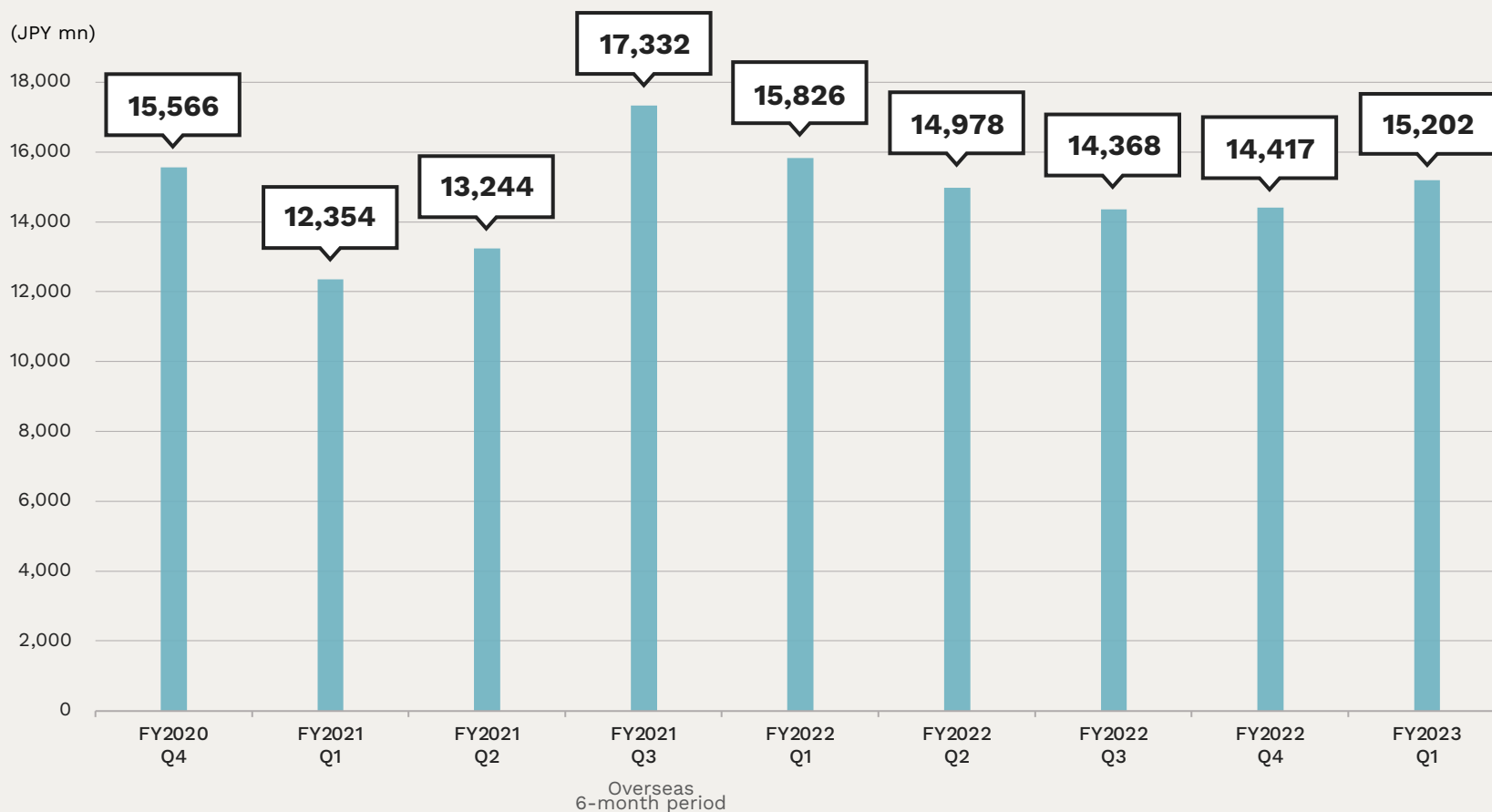
Statements made herein are based on information available as of May 2, 2023, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY MATERIALS

3.

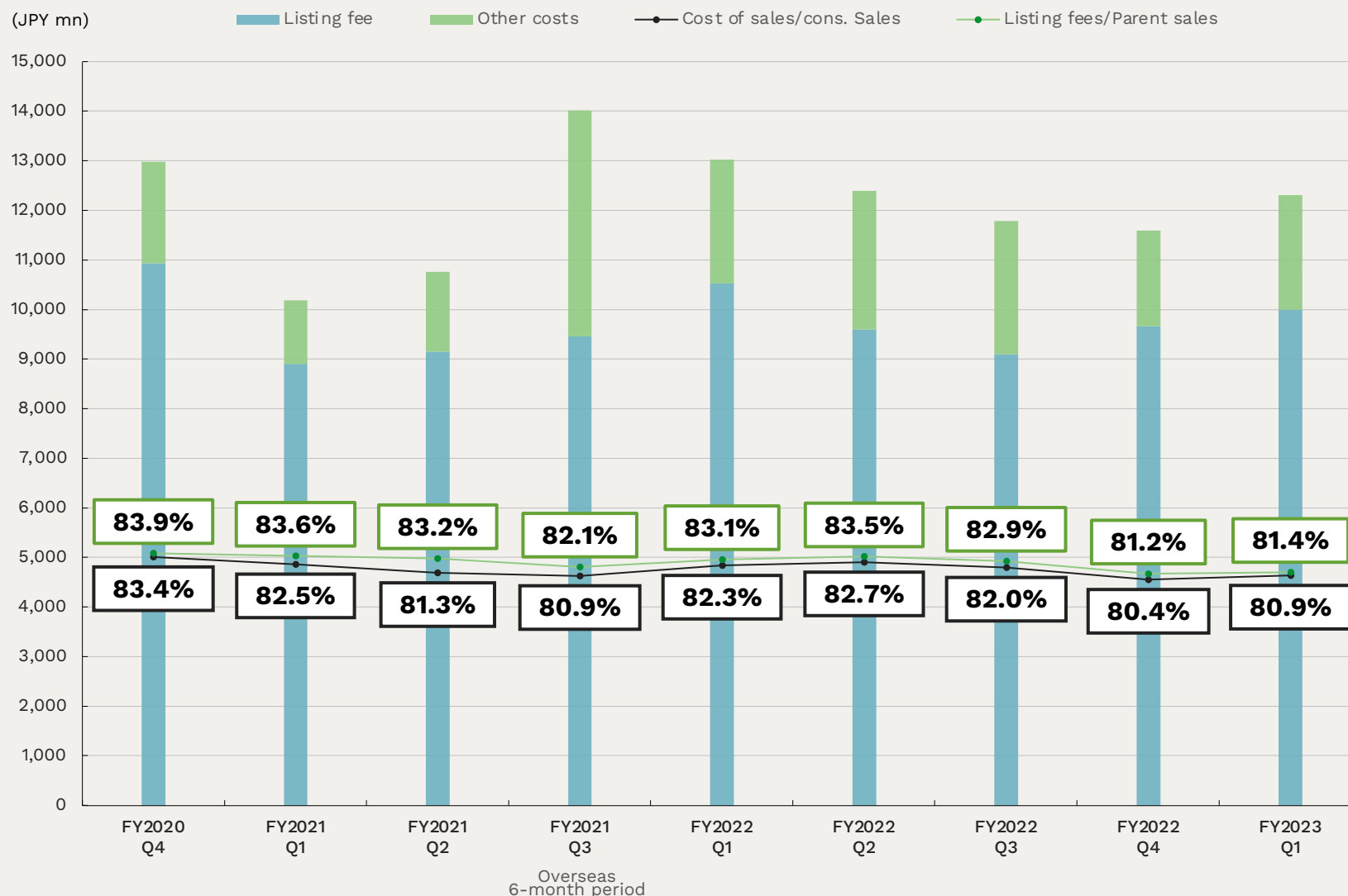
Chapter 3 : Supplementary materials

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.

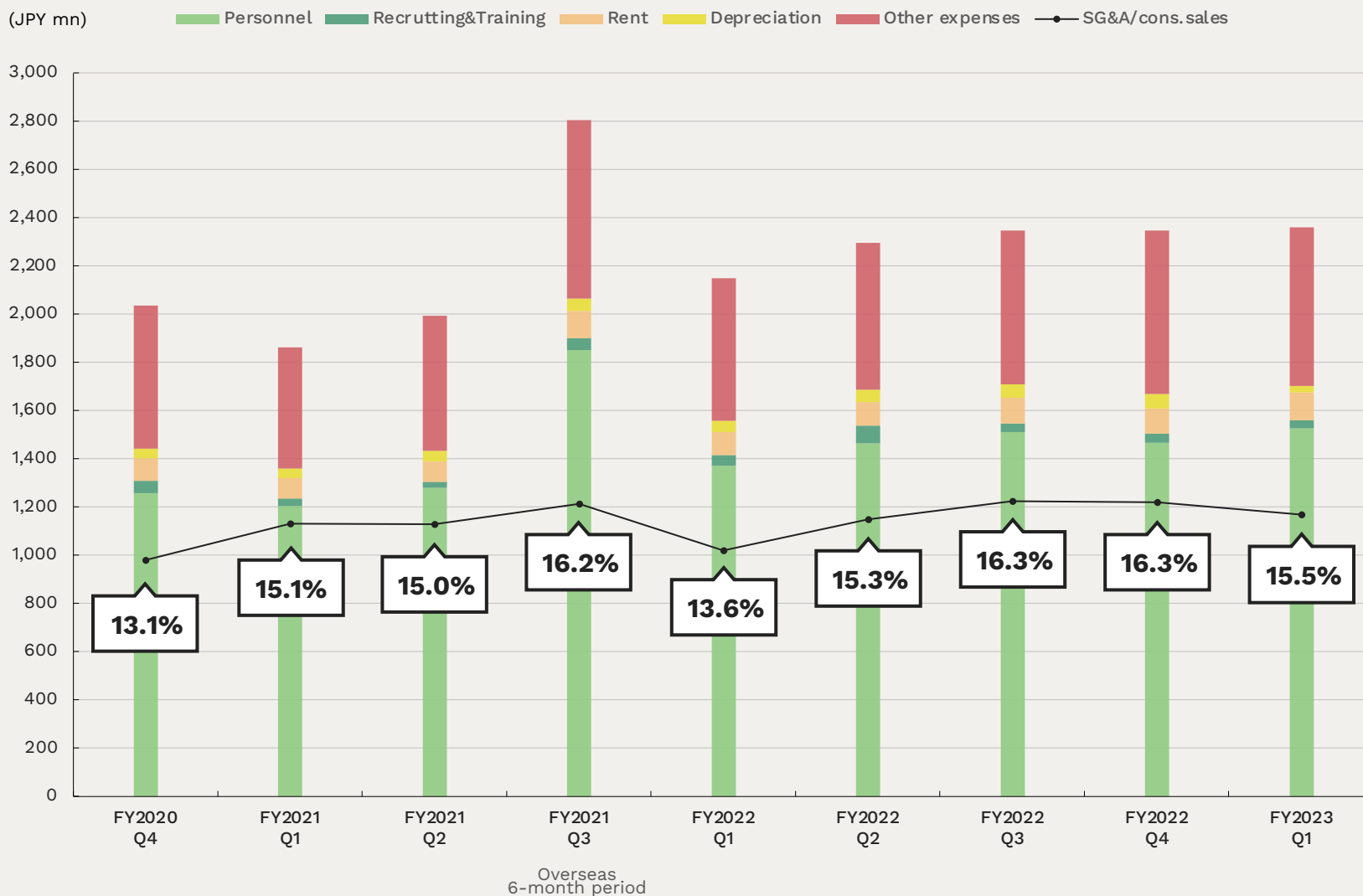
Quarterly Change in Consolidated Cost of Sales



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

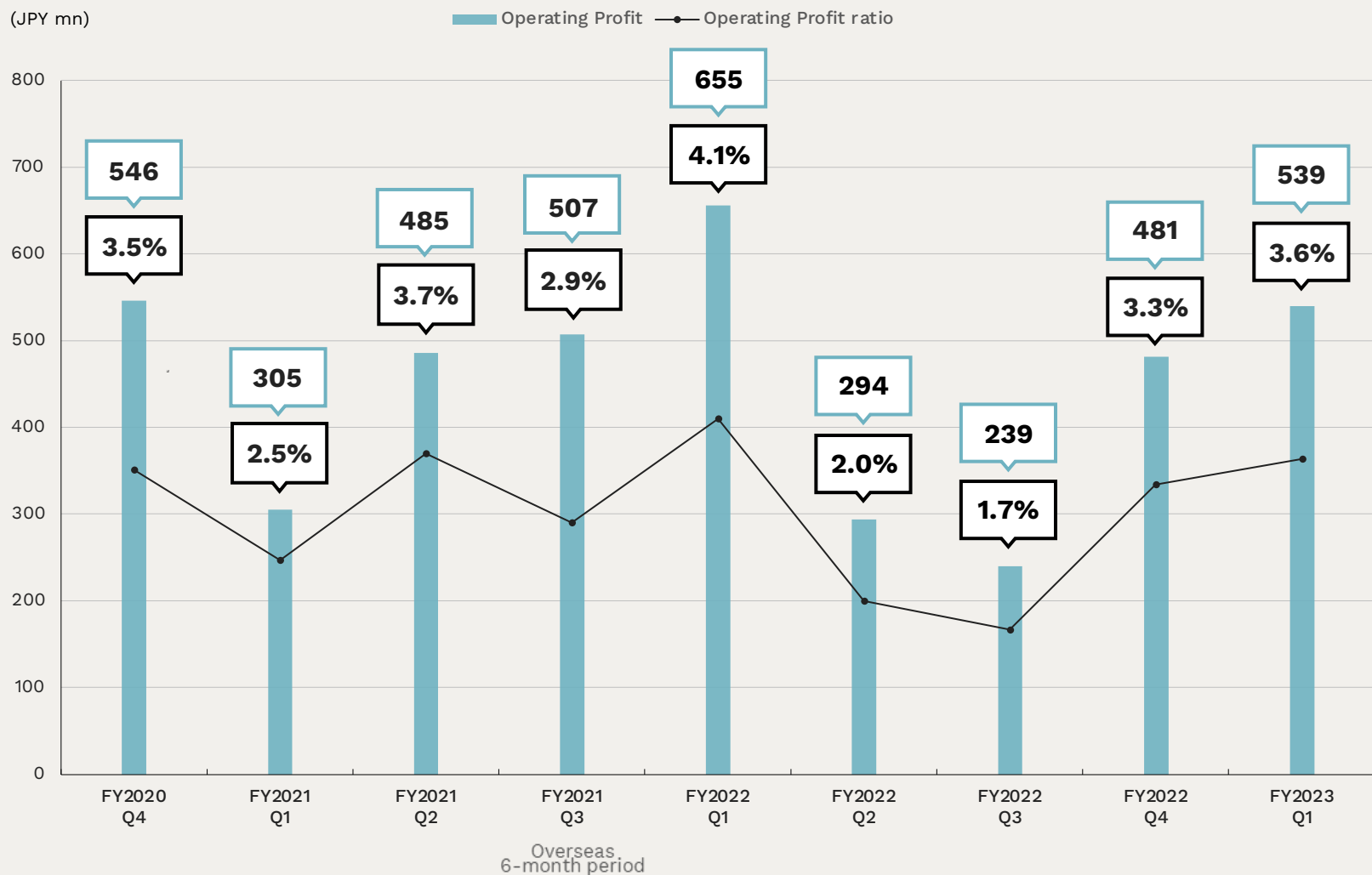
*Listing fee and Listing fees/Parent sales show non-consolidated figures and ADWAYS DEEE totals.

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



*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)

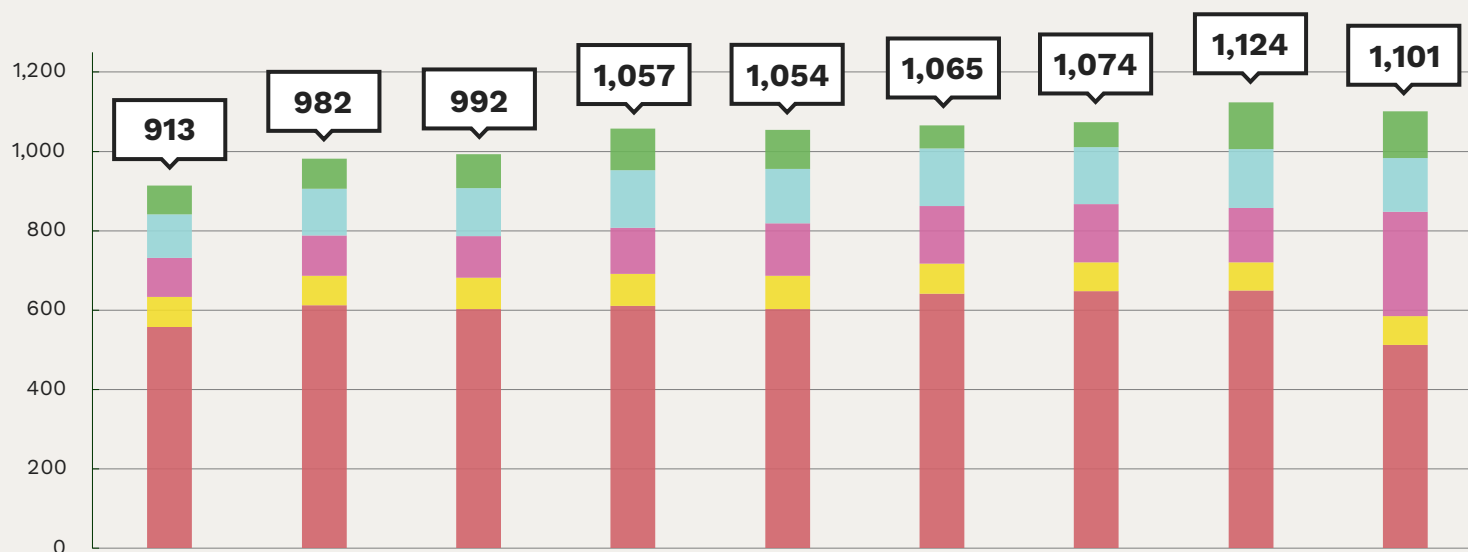
	FY2023 Q1	FY2022 Q4	Change	Change (%)
Current assets	20,319	22,892	-2,573	-11.2%
(Cash and deposits)	11,037	12,869	-1,832	-14.2%
Non-current assets	4,651	4,897	-245	-5.0%
Total assets	24,971	27,790	-2,818	-10.1%
Current liabilities	9,768	11,151	-1,383	-12.4%
Non-current liabilities	252	316	-63	-20.0%
Total liabilities	10,021	11,468	-1,446	-12.6%
Net assets	14,950	16,322	-1,372	-8.4%

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

N.B.: Treasury stock acquired from February 17 to March 31, 2023: 1,243,859,600 yen

With regard to subsequent acquisition, please see the IR section of our website.

Quarterly Change in Group Employees



(Persons)	FY2020 Q4	FY2021 Q1	FY2021 Q2	FY2021 Q3	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1
ADW Japan	558	613	602	611	603	641	648	649	513
ADW China	75	74	79	80	83	76	72	71	72
Domestic subsidiaries	99	101	106	117	132	146	147	137	263
Overseas subsidiaries (excluding China)	110	117	120	144	138	144	143	148	135
Temporary workers, part-time employees	71	77	85	105	98	58	64	119	118
Total	913	982	992	1,057	1,054	1,065	1,074	1,124	1,101

*Adways Japan decreased and domestic subsidiaries increased due to the ad platform business spinning off and becoming a subsidiary in FY2023 Q1.

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 2023)
Gross sales	JPY 59,590 mn	(FY2022, Consolidated basis)
Employees <small>* including temporary workers</small>	1,101 (for the entire group)	(As at end of March 2023)