

ADWAYS

2023

AUGUST 3, 2023

**PRESENTATION
MATERIAL**

SECOND
QUARTER

STOCK CODE : 2489

TSE PRIME MARKET
ADWAYS INC.

CEO
Sho Yamada



Contents

| | |
|----------------------------|----------|
| 1. Q2 FY2023 Performance | ... P.6 |
| 2. Business Overview | ... P.18 |
| 3. Supplementary Materials | ... P.39 |

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 is 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.

Relocation of Head Office



In view of the Adways Group's business expansion and greater operational efficiency through revamping the office environment with the demand for diversified workstyles, including remote work, after COVID-19, the Adways Group relocated the head office and commenced operations there on June 5, 2023.

*For details on this matter, please check our website.

Two Consolidated Subsidiaries Converted Into Wholly Owned Subsidiaries Through Simplified Share Exchanges

(Announced on May 31, 2023)

Adways resolved at a meeting of its board of directors held on May 31, 2023, to conduct share exchanges in which Adways is the wholly owning parent company resulting from the share exchanges and two consolidated subsidiaries (UNICORN Inc. and Influencer Investment Holdings Inc.) are each the wholly owned subsidiary resulting from the respective share exchanges, with July 3, 2023, as the effective date. The share exchanges were completed on July 3, 2023.




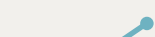



*For details on this matter, please check our website.

Chapter1 : **Second quarter results**

1. FY2023 Q2 Performance

Quarterly Results (YoY ・ QoQ)

(JPY mn)

| | FY2023 Q2 | FY2022 Q2 FY2023 Q2 | YoY FY2022 Q2 | | | QoQ FY2023 Q1 | | |
|---|-----------|---|------------------|--------|-----------|------------------|--------|-----------|
| | | Performance trends | Results | Change | Change(%) | Results | Change | Change(%) |
| Gross sales | 14,859 |  | 14,978 | -119 | -0.8% | 15,202 | -343 | -2.3% |
| Net sales | 3,387 |  | 3,213 | +174 | +5.4% | 3,455 | -67 | -2.0% |
| Gross profit | 2,740 |  | 2,588 | +152 | +5.9% | 2,898 | -158 | -5.5% |
| SG&A expenses | 2,650 |  | 2,294 | +356 | +15.5% | 2,358 | +291 | +12.4% |
| Operating profit | 89 |  | 294 | -204 | -69.5% | 539 | -450 | -83.4% |
| Ordinary profit | 227 |  | 13 | +214 | — | 575 | -347 | -60.4% |
| Profit attributable to owners of parent | 71 |  | 454 | -383 | -84.3% | 618 | -547 | -88.4% |

Gross sales YoY **Decreased** **JPY -119 mn** (-0.8%)
QoQ **Increased** **JPY -343 mn** (-2.3%)

Operating profit YoY **Decreased** **JPY -204 mn** (-69.5%)
QoQ **Increased** **JPY -450 mn** (-83.4%)

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

FY2023 Consolidated Performance Forecasts and Results

(January 1, 2023-December 31, 2023)

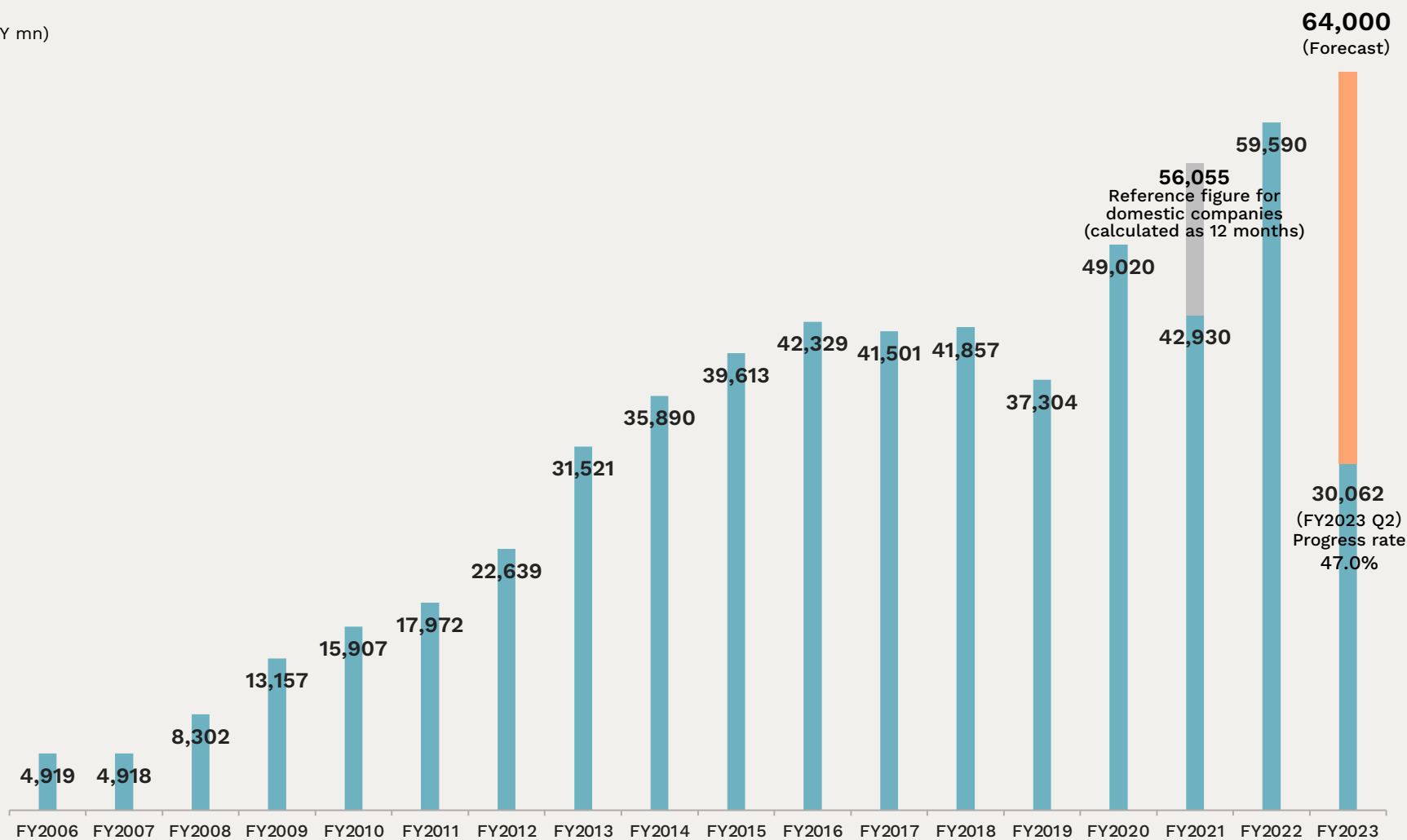
(JPY mn)

| | 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 |
| Q2 Results | 30,062 | 6,843 | 629 | 803 | 690 |
| Forecasts Progress rate | 47.0% | 48.9% | 36.0% | 41.2% | 51.1% |

Yearly Change in Consolidated Gross Sales

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

(JPY mn)

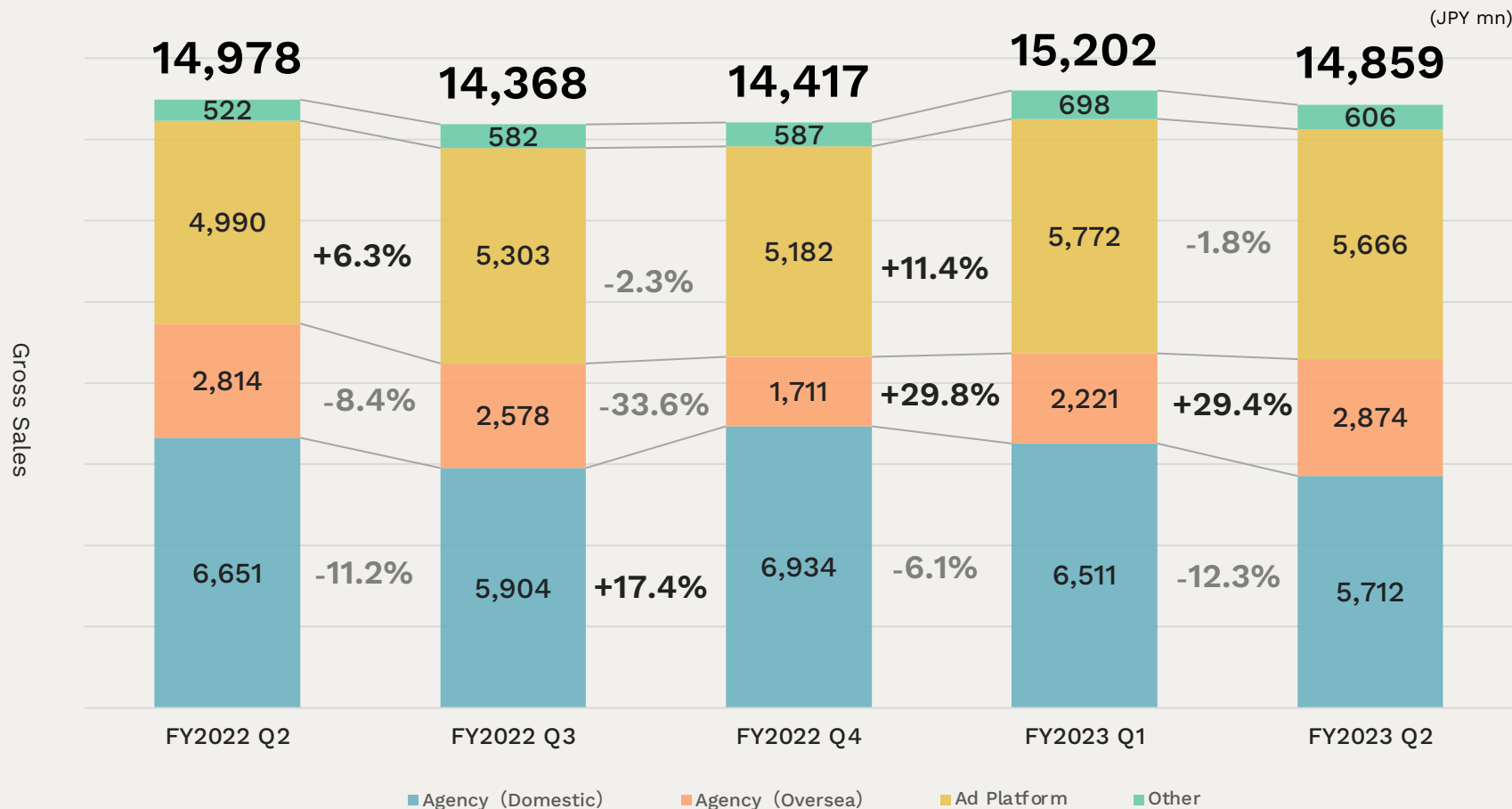


*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year year ended December 2021 was 9 months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

Quarterly Segment Summary

| | |
|---------------------------------------|---|
| <p>Agency Business (Domestic)</p> | <p>Segment Gross sales : JPY 5,712 mn YoY : JPY -938 mn (-14.1%)</p> <p>While apps not classified under games or comics grew, comic apps and e-commerce campaigns decreased. Game apps remained largely unchanged.</p> |
| <p>Agency Business (Oversea)</p> | <p>Segment Gross sales : JPY 2,874 mn YoY : JPY +59 mn (+2.1%)</p> <p>While app advertising and brand advertising slumped in Taiwan, newly receiving a large campaign, the impact of an e-commerce sales event, etc. in China resulted in gross sales increasing.</p> |
| <p>Ad Platform Business</p> | <p>Segment Gross sales : JPY 5,666 mn YoY : JPY +675 mn (+13.5%)</p> <p>While UNICORN remained largely unchanged, finance affiliate increased and Smart-C and AppDriver grew substantially.</p> |

Quarterly Change in Consolidated Gross Sales



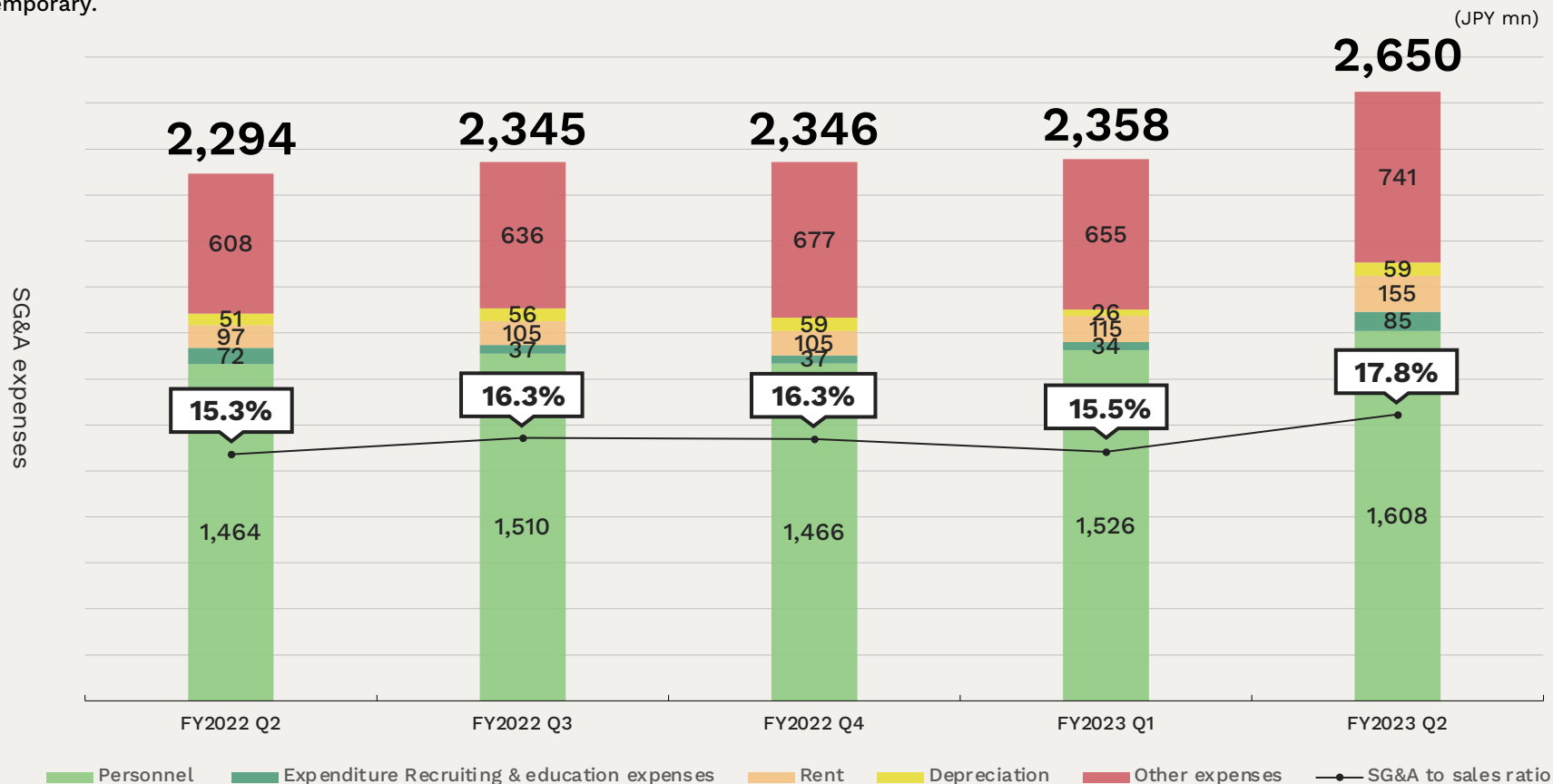
Q2 Gross Sales : JPY 14,859 mn

YoY: Decreased JPY -119 mn (-0.8%)

Q o Q: Increased JPY -343 mn (-2.3%)

Quarterly Change in Consolidated SG&A Expenses

FY2023 Q2 saw increase in recruiting & education expenses and personnel expenditure due to hiring new graduates, as well as rent and other expenses, such as supplies expenses, due to relocation of the head office, but the increase in rent and other expenses, such as supplies expenses, is temporary.



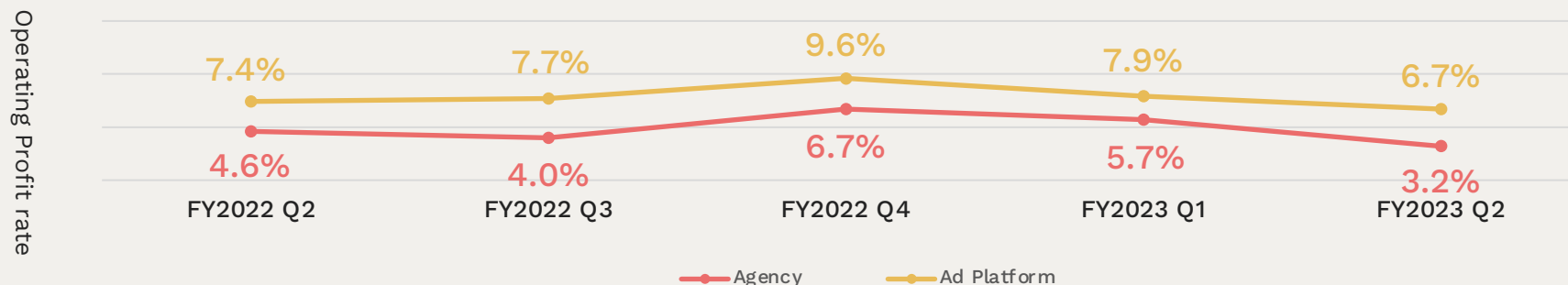
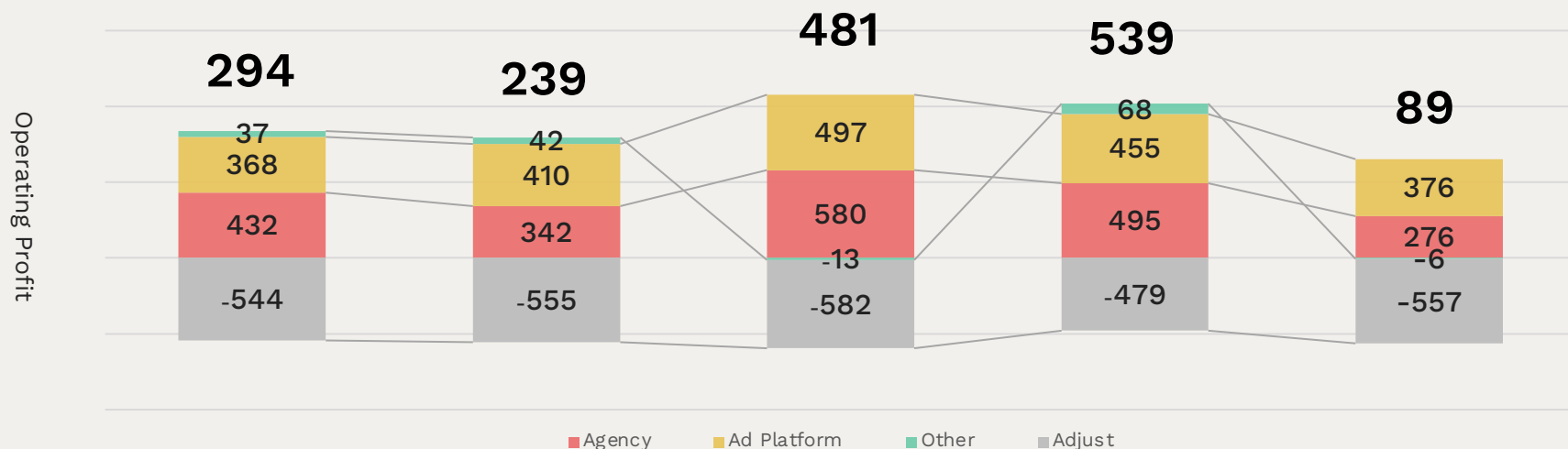
Q2 SG&A expenses : JPY 2,650 mn

YoY: JPY +356 mn (+15.5%)

SG&A to sales ratio: 17.8% (+2.5 points)

Quarterly Change in Consolidated Operating Profit

(JPY mn)



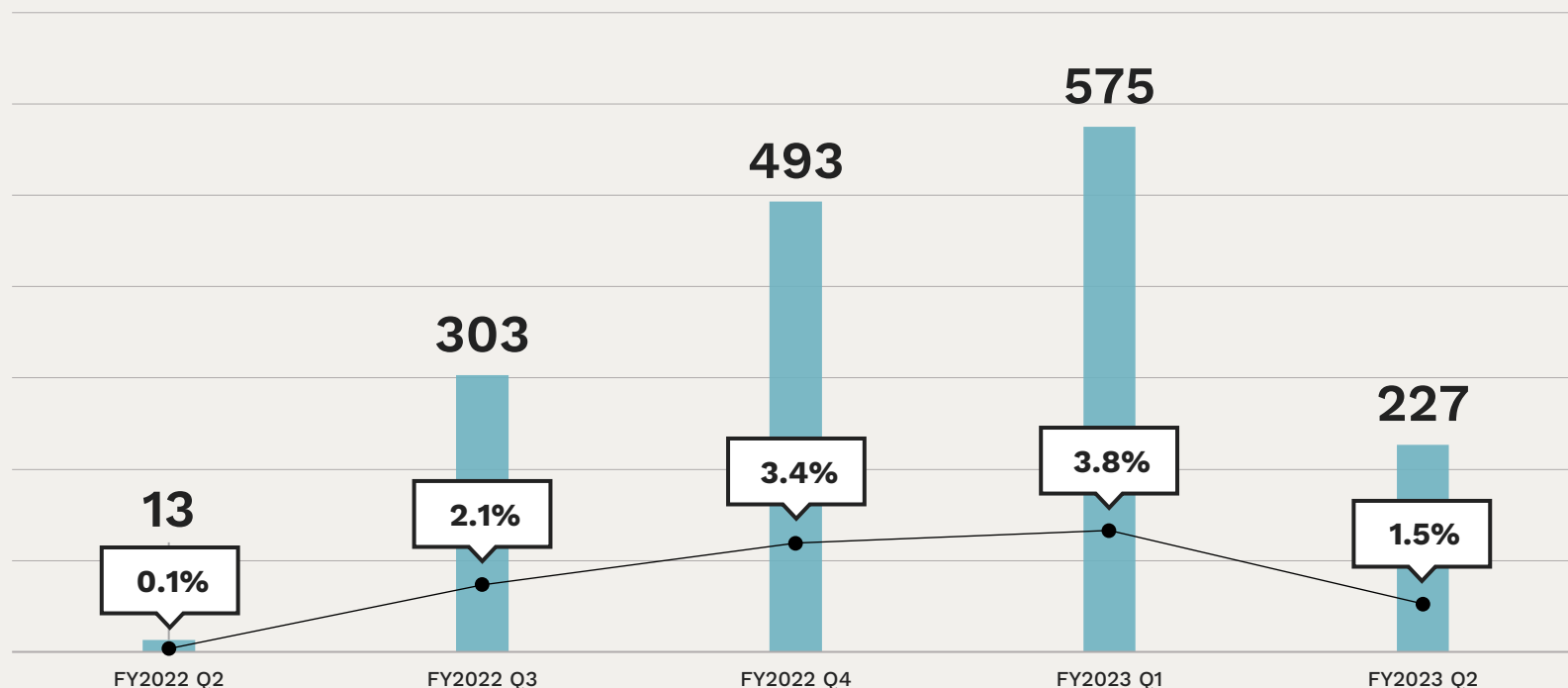
Q2 Operating profit : JPY 89 mn

YoY: JPY -204 mn (-69.5%)

Operating Profit rate: 0.6% (-1.4 points)

Quarterly Change in Consolidated Ordinary Profit

(JPY mn)

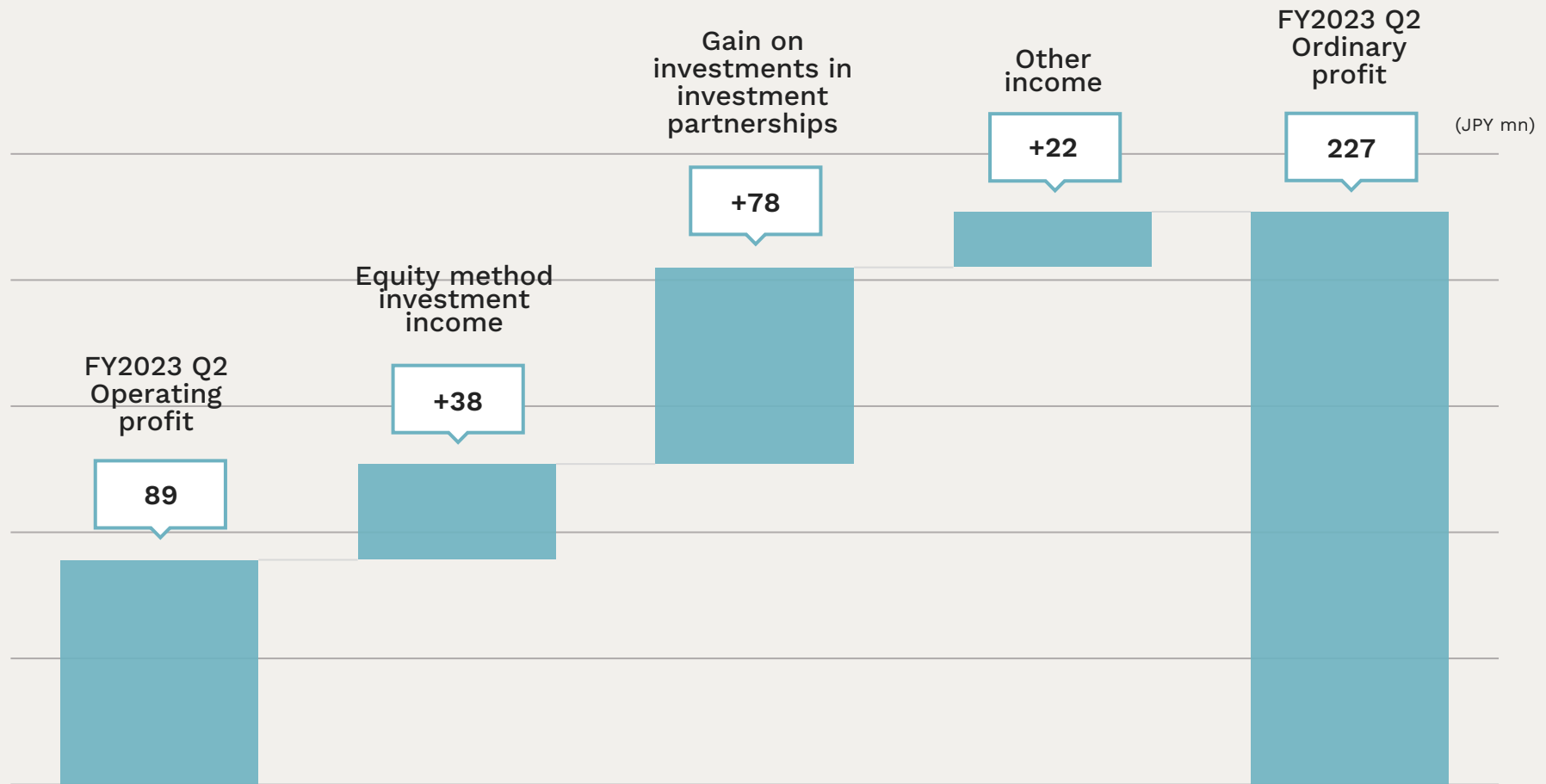


Ordinary profit: JPY 227 mn

YoY: JPY +214 mn (-)

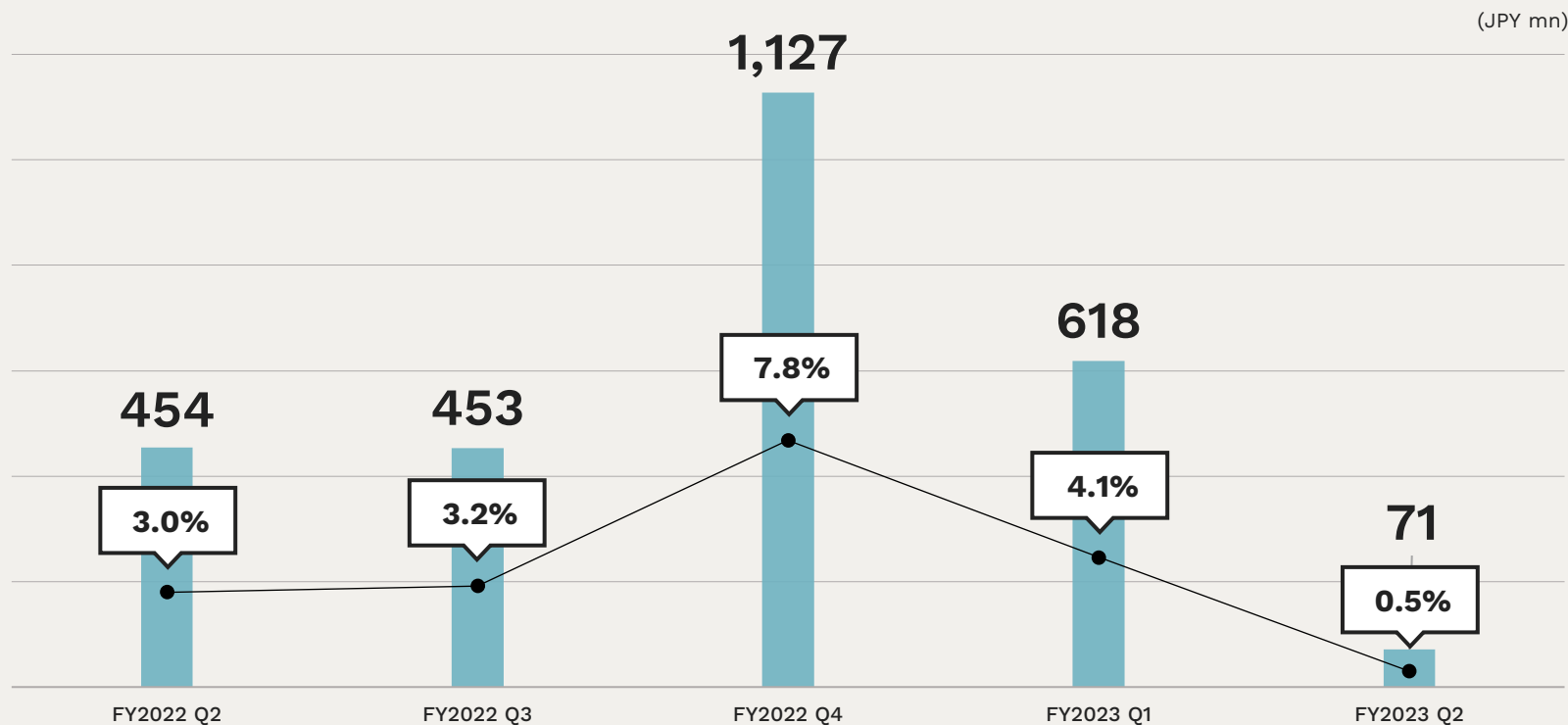
Ordinary Profit rate: 1.5% (+1.4 points)

Breakdown of FY2023 Q2 Ordinary Profit

[illegible][illegible]

Other income **JPY +22 mn**

Quarterly Change in Consolidated Profit Attributable to Owners of Parent

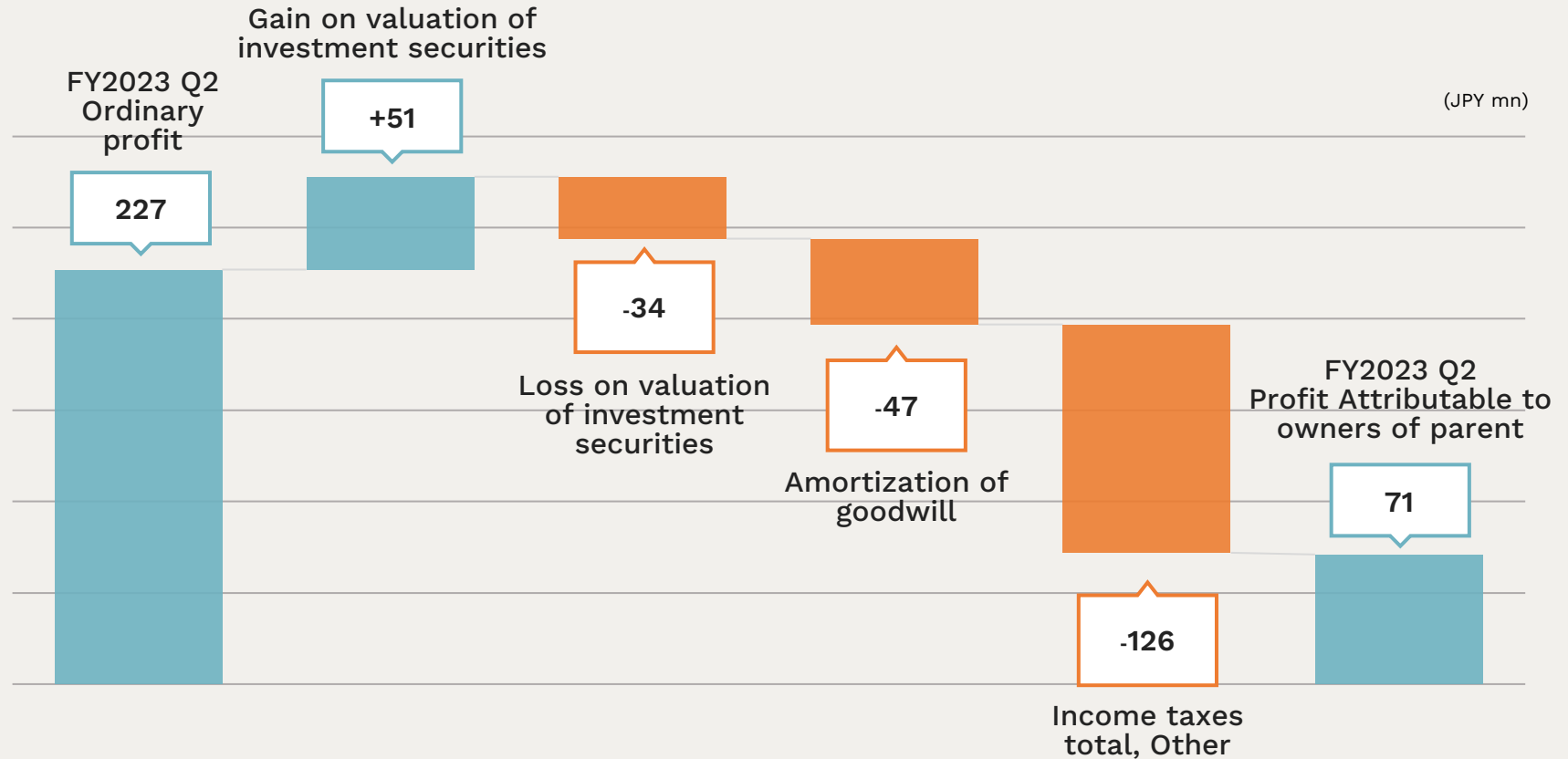


Profit attributable to owners of parent : JPY 71 mn

YoY: JPY -383 mn (-84.3%)

Profit Attributable to Owners of parent
ratio: 0.5% (-2.6 points)

Breakdown of FY2023 Q2 Profit Attributable to Owners of Parent

[illegible]

2.

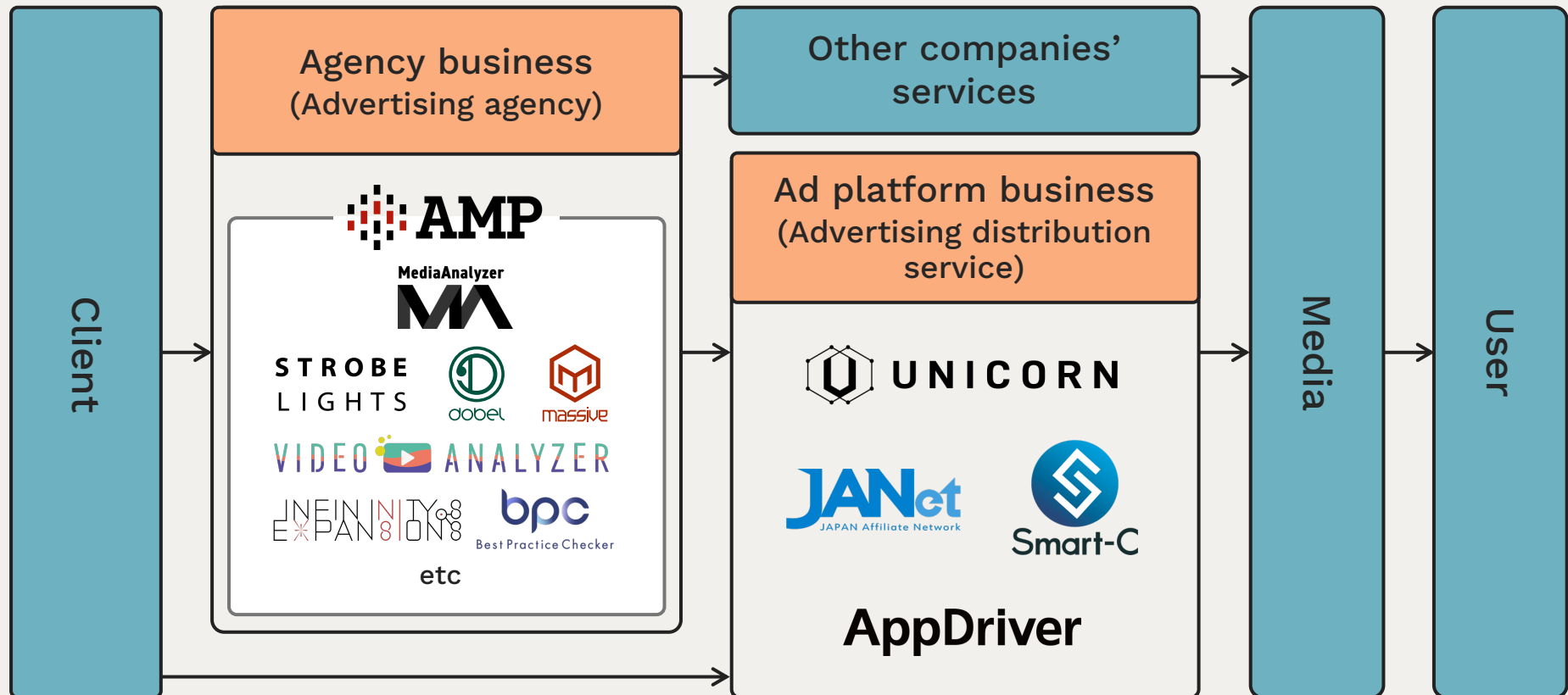
Chapter 2: business overview

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)

Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

Second quarter

Digital transformation of marketing as a business growth driver for clients

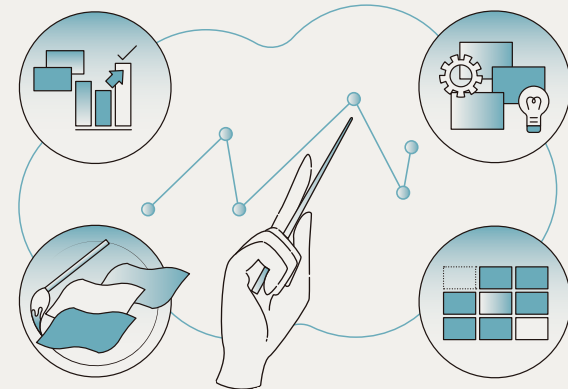
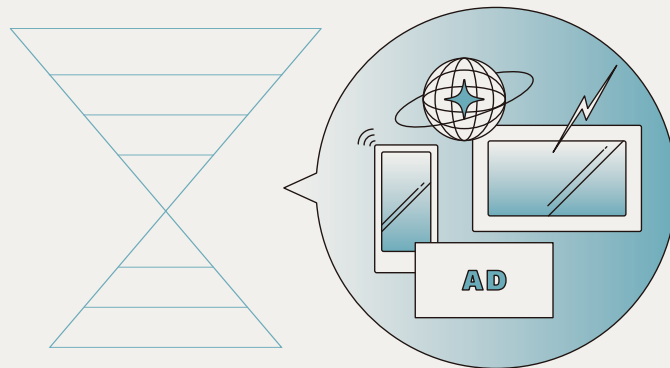
Hakuhodo DY holdings



Hakuhodo DY
media partners



ADWAYS



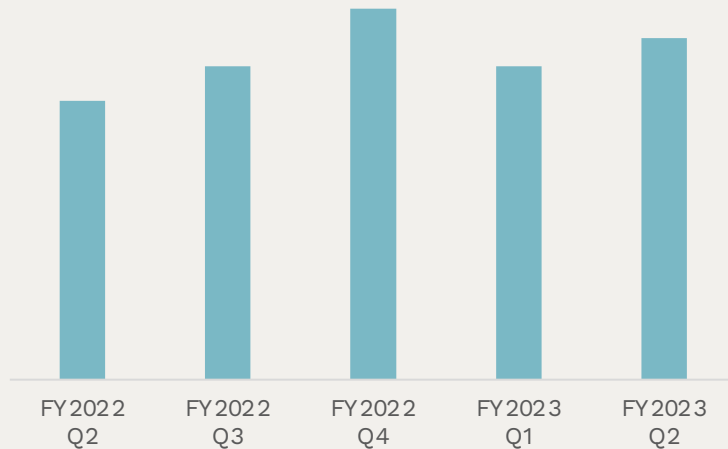
In our agency business, we provide comprehensive marketing support through integrated offline and online planning. In order to approach brand advertisers and execute more effective market planning conscious of full-channel¹ and full-funnel² marketing plans that integrate TV and digital, rather than confining 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

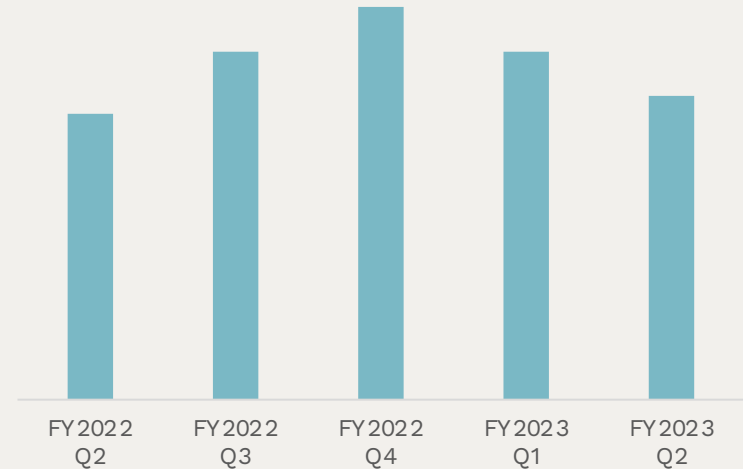
*2.Full-funnel : Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

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 equivalent quarter last year, gross sales increased, the number of accounts grew.

Ad platform business

UNICORN, affiliate ad service business etc.

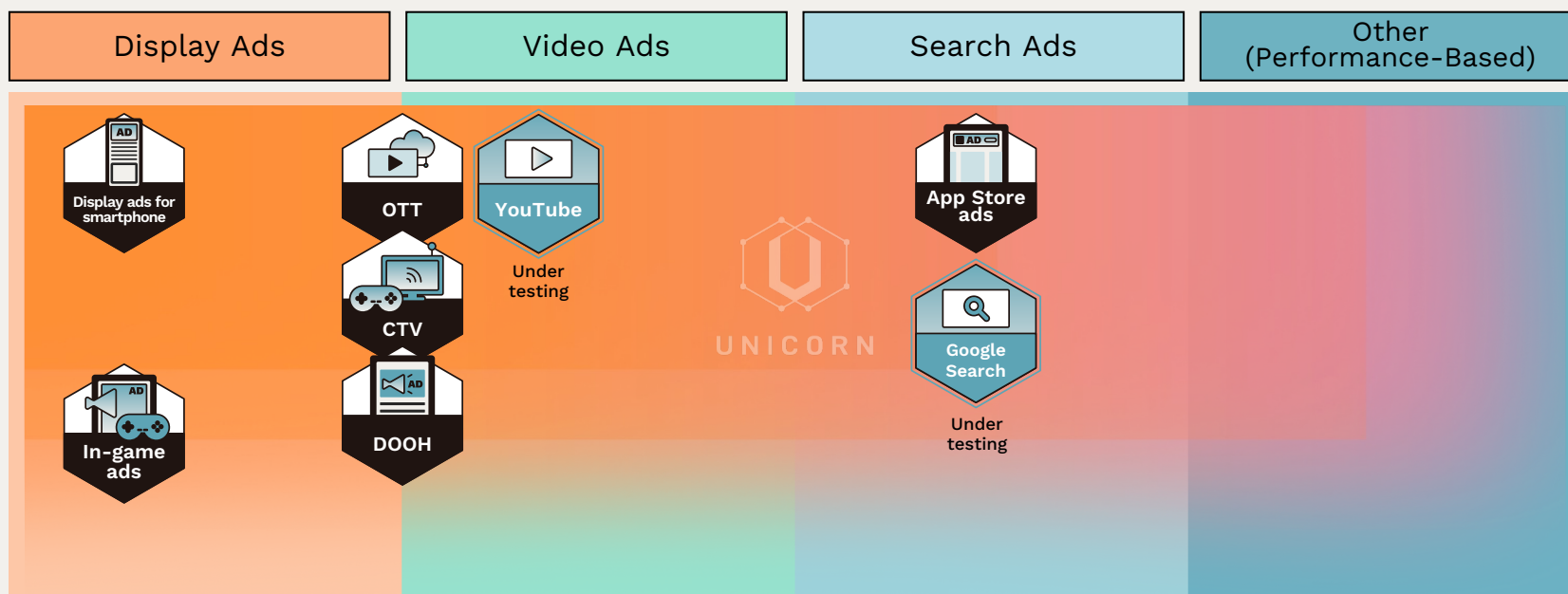


UNICORN

REDEFINE DIGITAL MARKETING

Principles of Ad Platform Business (UNICORN)

Three-dimensional expansion based on channel, value and account

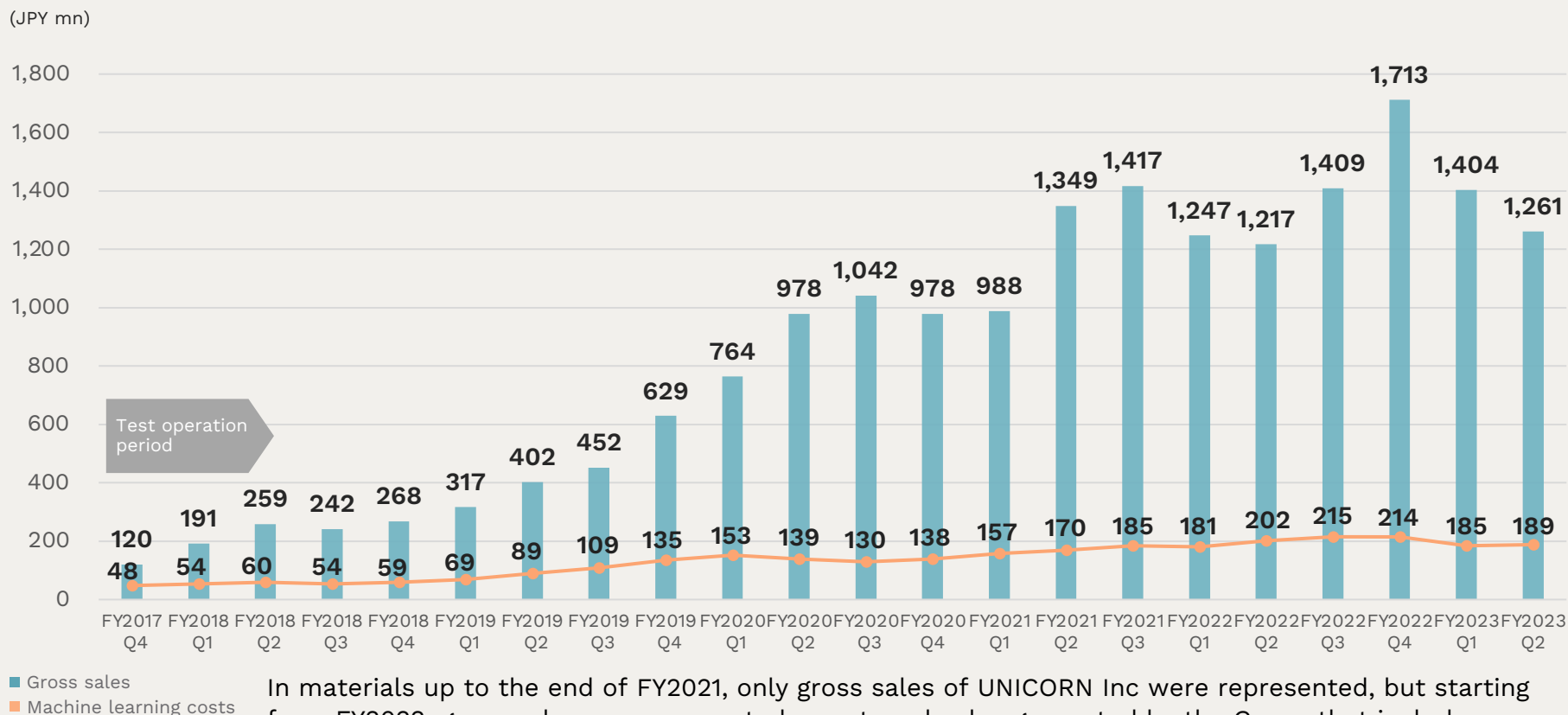


UNICORN continues to expand in terms of distribution, working with services such as Connected TV and OTT* in addition to automatically optimized distribution on the Apple Search Ads | Today tab, search tab, search results, and product pages. In addition, compatibility with also mega platforms (Google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

Progress of UNICORN

Second quarter

Change in UNICORN Gross Sales and Machine Learning Costs



Gross sales grew 103% YoY.

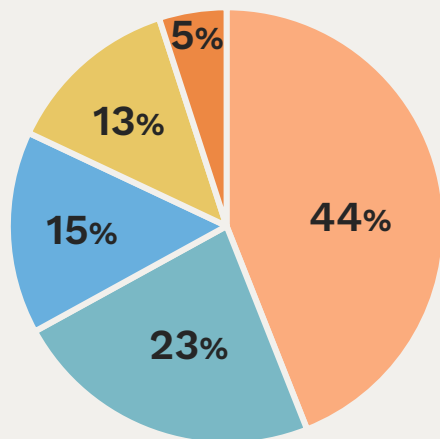
About UNICORN

Progress of UNICORN

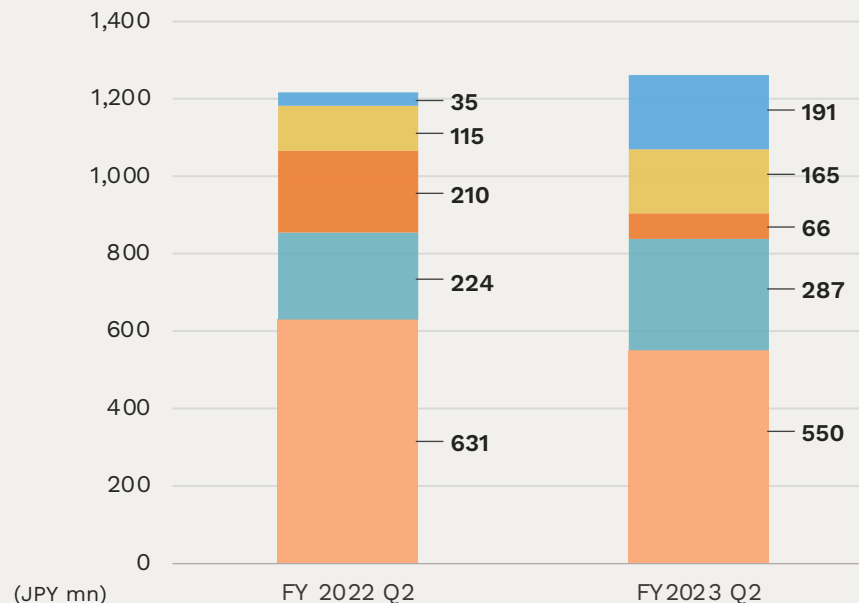
Second quarter

Progress by Genre

FY2023 Q2 results



Games Brands Comics OTT Other



Games Brands Comics OTT Other

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

About UNICORN

Progress of UNICORN

Second quarter

UNICORN's Performance: YoY

(JPY mn)

| | FY2023 Q2 | YoY FY2022 Q2 | | |
|------------------|-----------|---------------|--------|-----------|
| | | Result | Change | Change(%) |
| Gross sales | 1,261 | 1,217 | +44 | +3.6% |
| Gross profit | 463 | 446 | +16 | +3.8% |
| Operating profit | 89 | 101 | -12 | -11.9% |

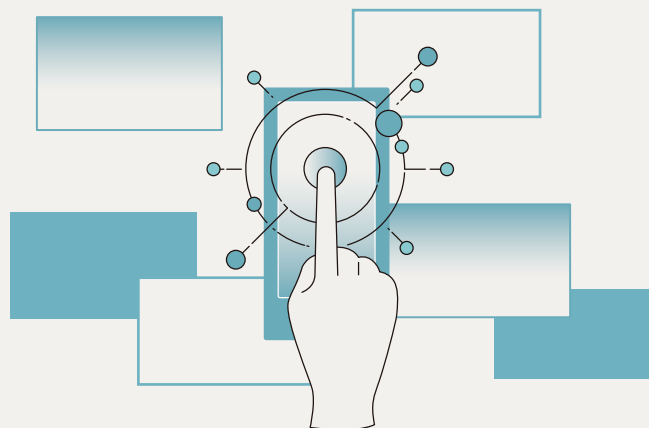
Gross sales and gross profit increased, but operating profit decreased.

About UNICORN

Advanced ad method

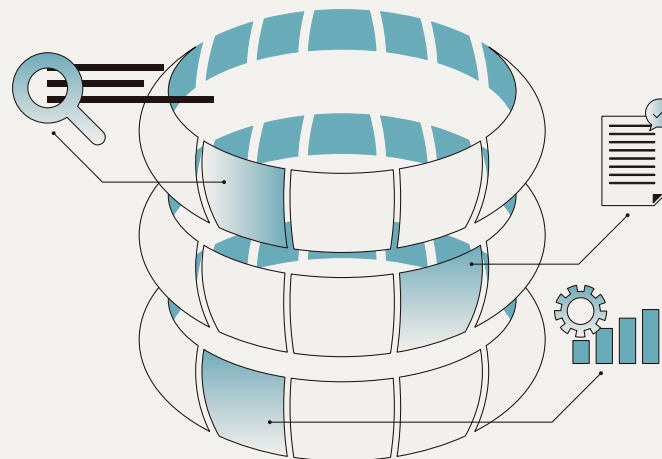
UNICORN Interactive AD

Second quarter



**Cutting-edge creative
formats**

Banner / Video / Reward Video
Native / Interactive



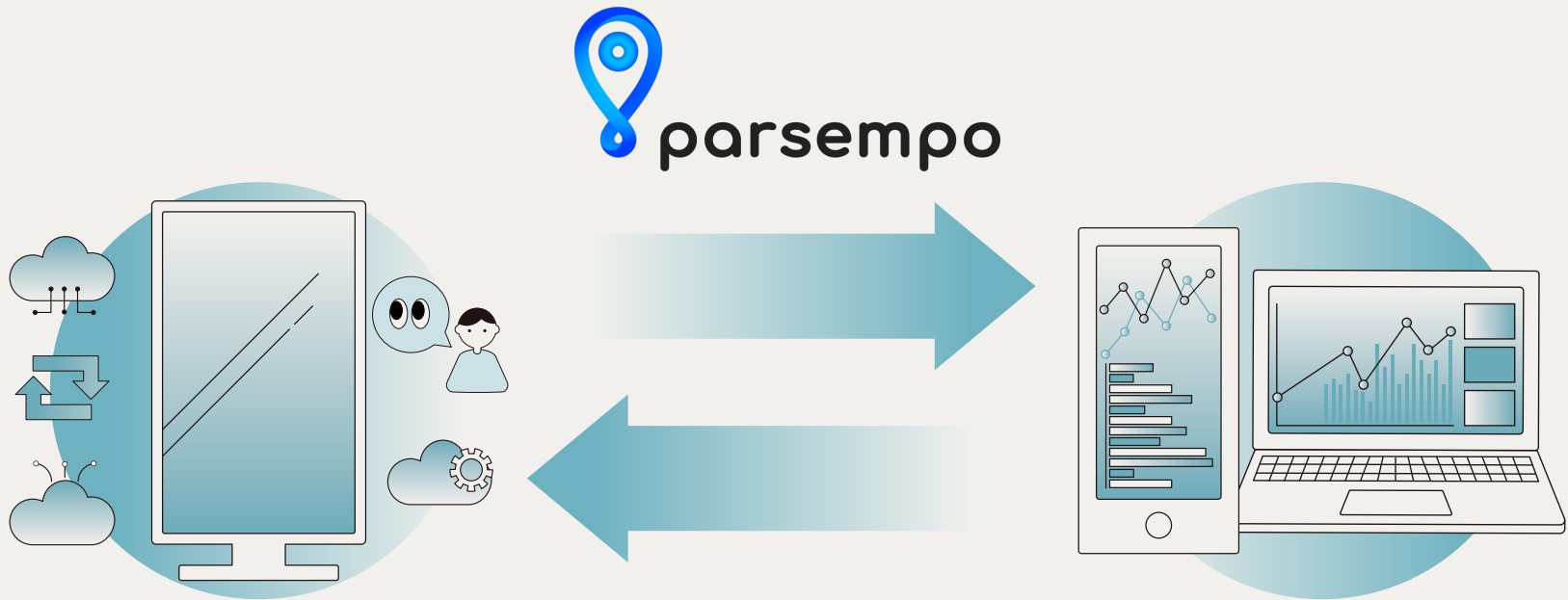
**Precise ad optimization
with UNICORN**

Context / Location / Demographics
Carrier / Approved list

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

Investment in “Parsempo,” Developer of Digital Signage SaaS

All aspects of digital signage from content management to programmatic advertising platform made available as a one-stop solution



Privacy-compliant real-time video analytics, engagement analytics, data- and AI-based high-accuracy effectiveness measurement and reporting for visualization of the effectiveness, realizing data-driven marketing tactics support.

D E E E

Delight
喜び

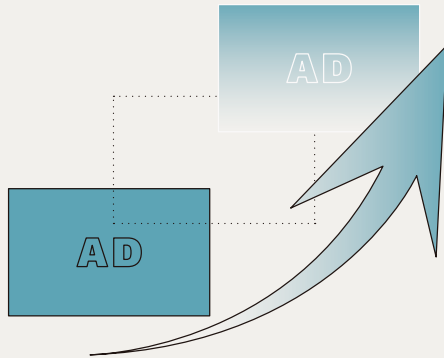
Exciting
わくわく

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

Supporting Affiliate Ad Optimization and Maximization of Revenue

“JANEEE Advertising Report”

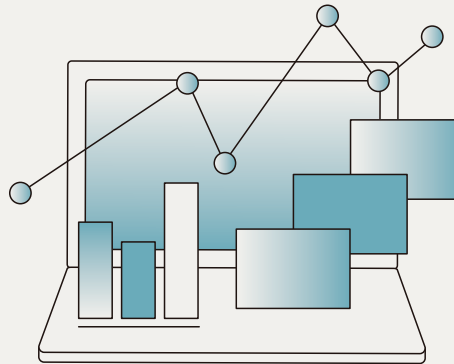


Integration of various data

- ✓ Click-through count and performance metrics data held by JANet
- ✓ Data on attracting customers obtained with the cooperation of partners
- ✓ User needs- and trend-related data utilizing dedicated tool



Centralized management of reports



Support for improvement activities and streamlining up to monetization



Consulting support based on years of operational expertise

Contributing to partners' business growth as well as serving to promote enhancing the transparency and fairness and ensuring the soundness of affiliate ads

As a result of consulting support using the preceding prototype*, there was even a case of monthly average revenue from JANet increasing by 21%.

Other Businesses (Non-Advertising)

New solutions in non-advertising businesses

Providing New Experiences and Value

Promoting new solutions and business diversification in non-advertising businesses

“Old Rookie Sauna” membership and subscription-based saunas



On July 12, 2023, opened
“Old Rookie Sauna Ginza Central St.,”
the first sauna in the series to be open
to women.

“Old Rookie Cafe” cafe space for smokers



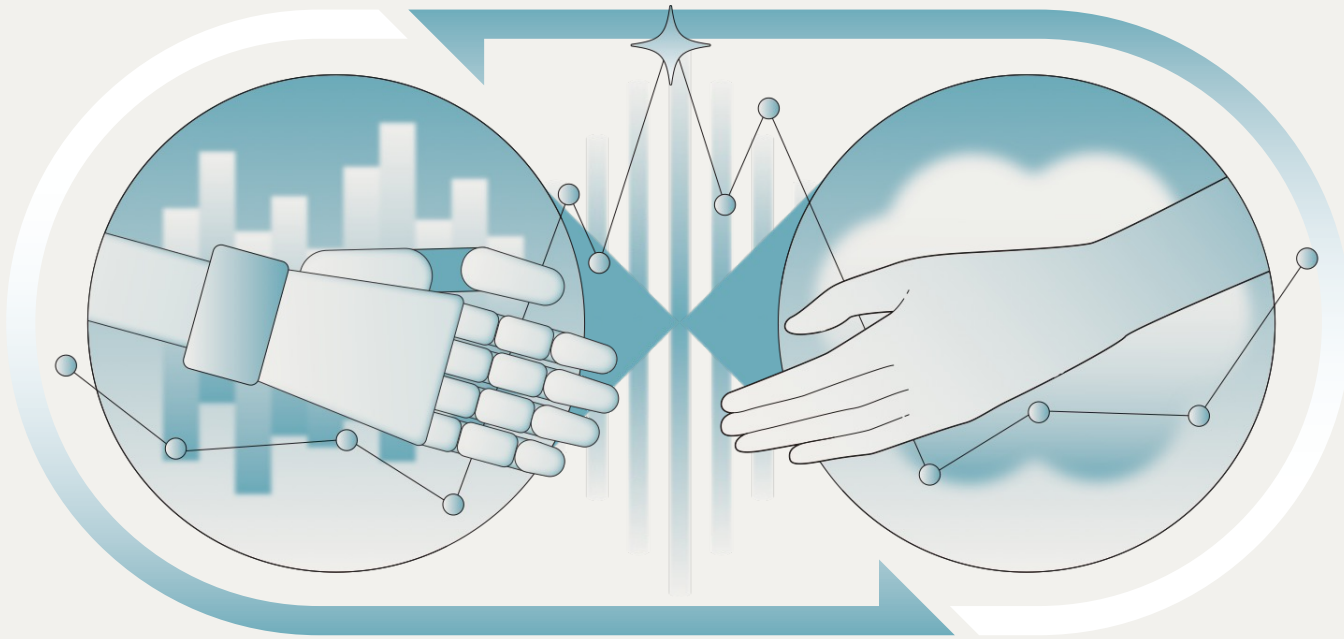
Providing a comfortable smoking
environment to contribute to making
society free of violation of rules and
promote coexistence of smokers and
non-smokers.

Program to support early return to work from leave of absence



Program providing sauna facilities free
of charge and covering all fees to use
designated gyms to support early return
to work for those on leave of absence.

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.

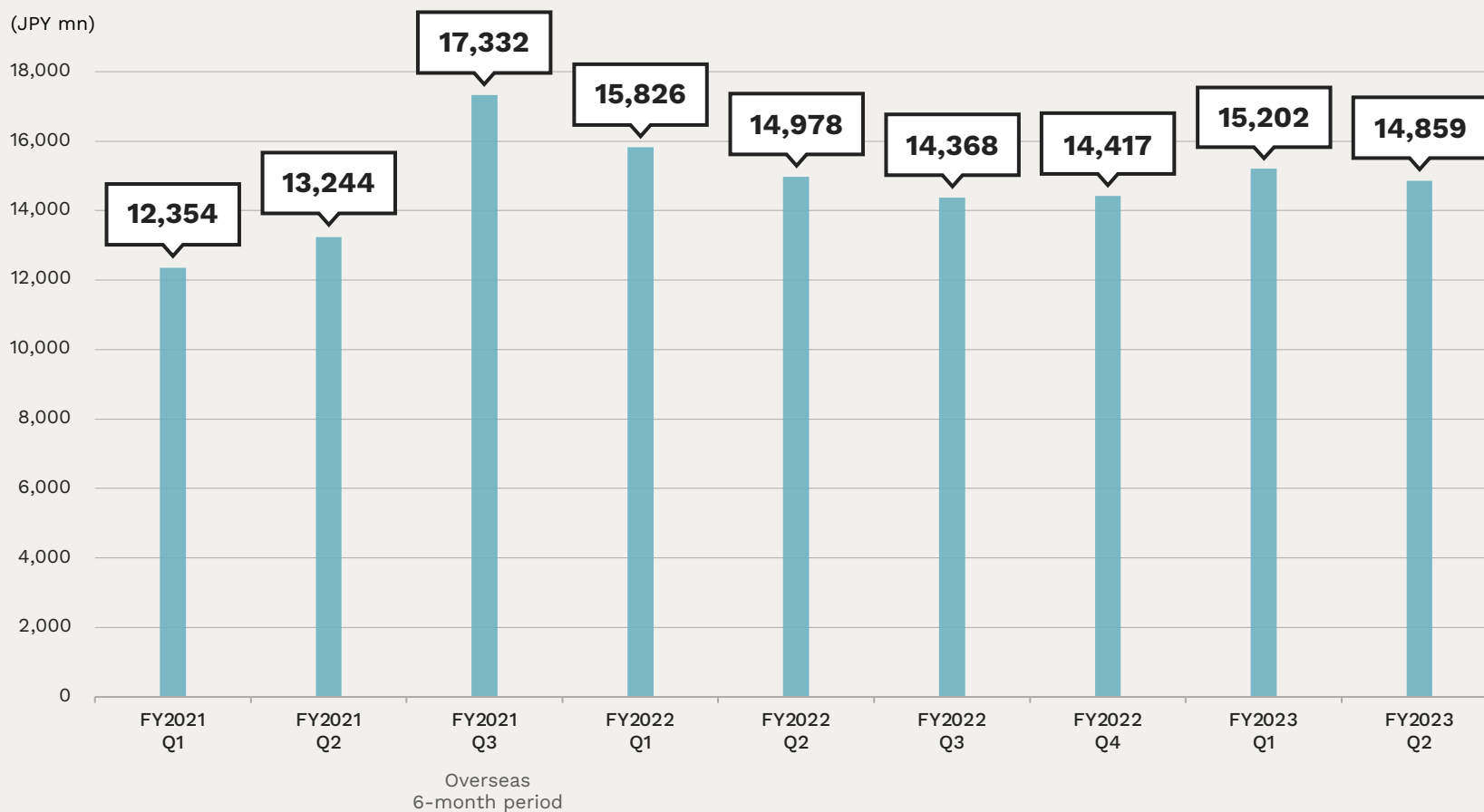
Statements made herein are based on information available as of August 3, 2023, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY MATERIALS

3.

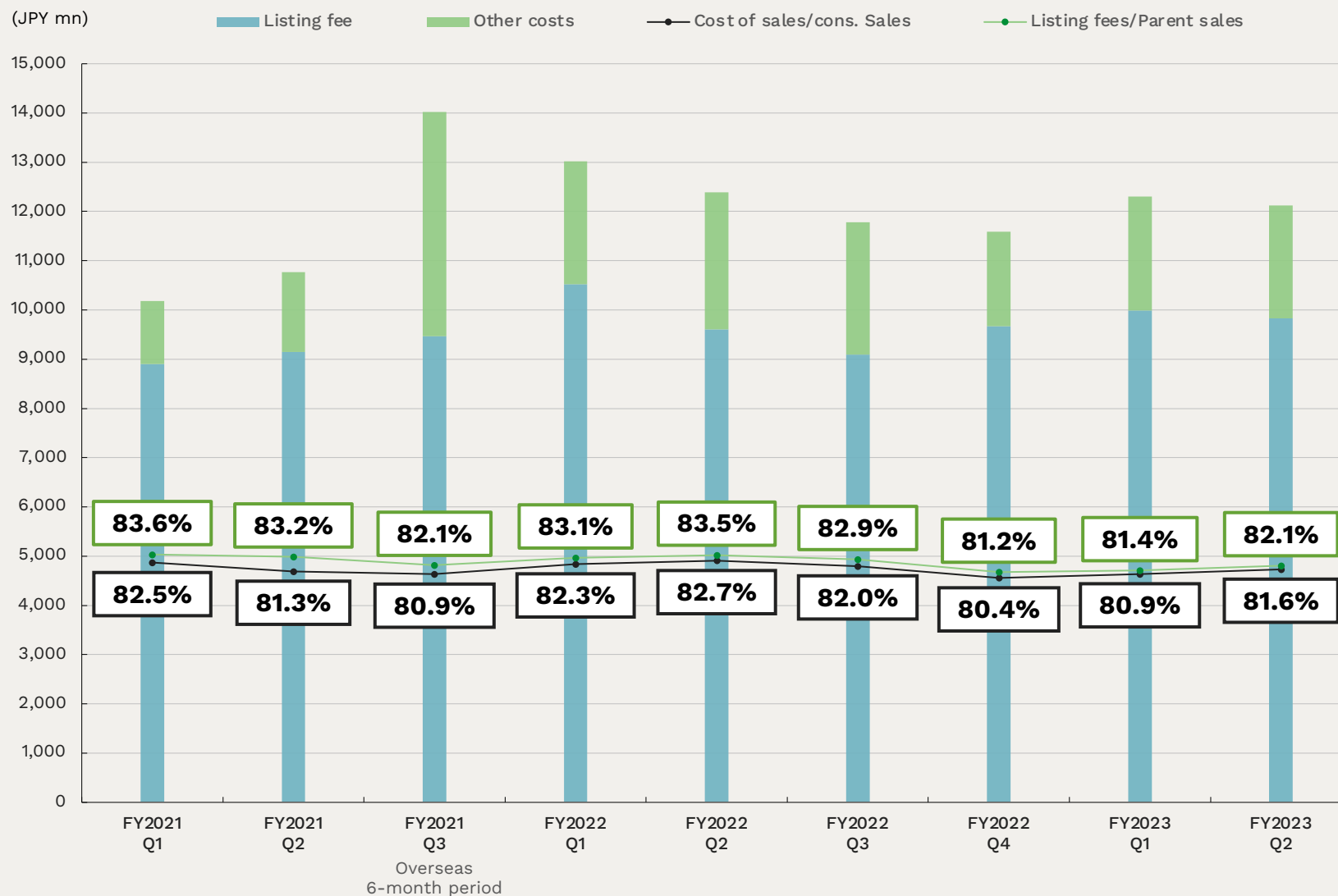
Chapter 3 : Supplementary materials

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.

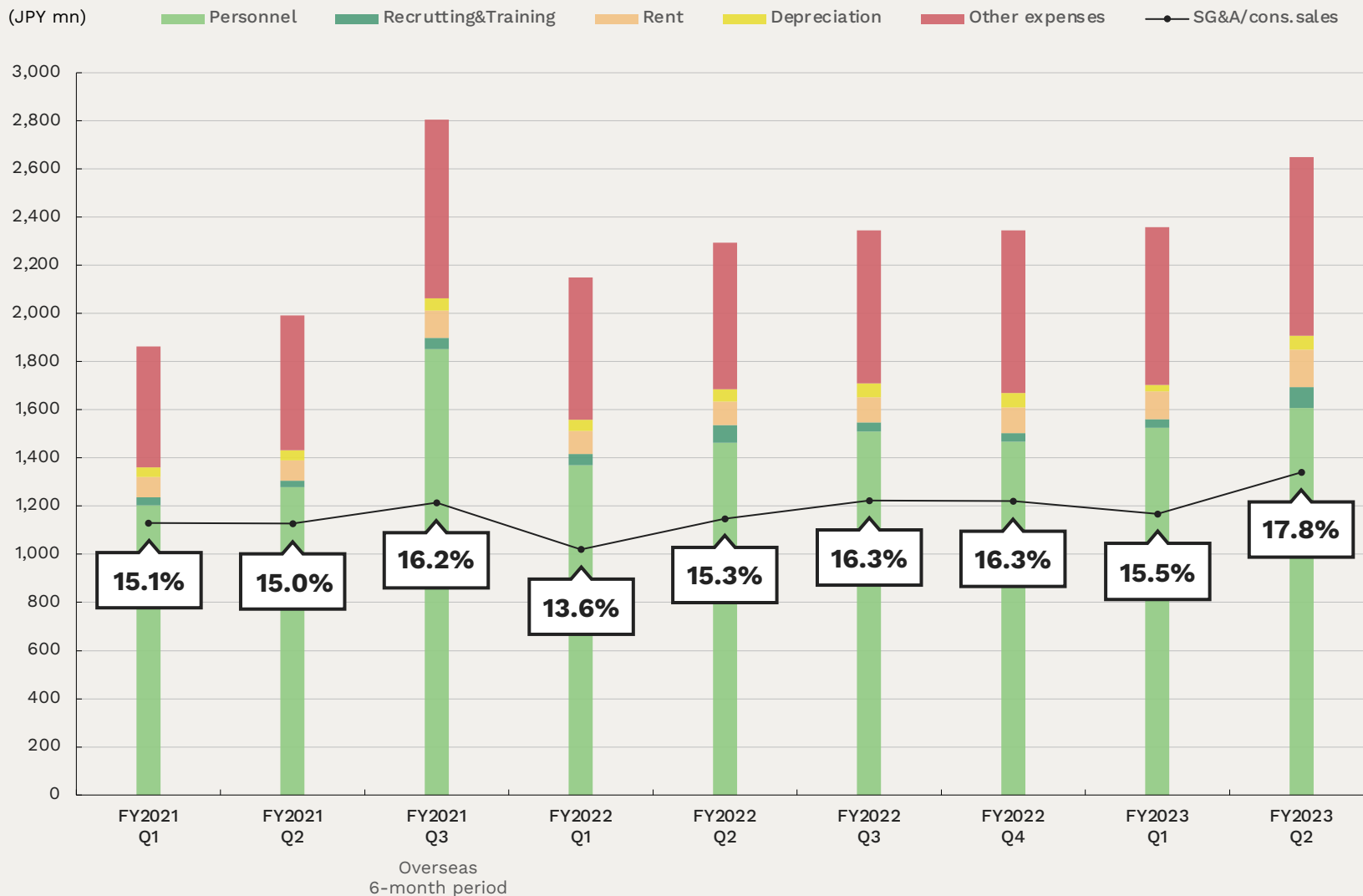
Quarterly Change in Consolidated Cost of Sales



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

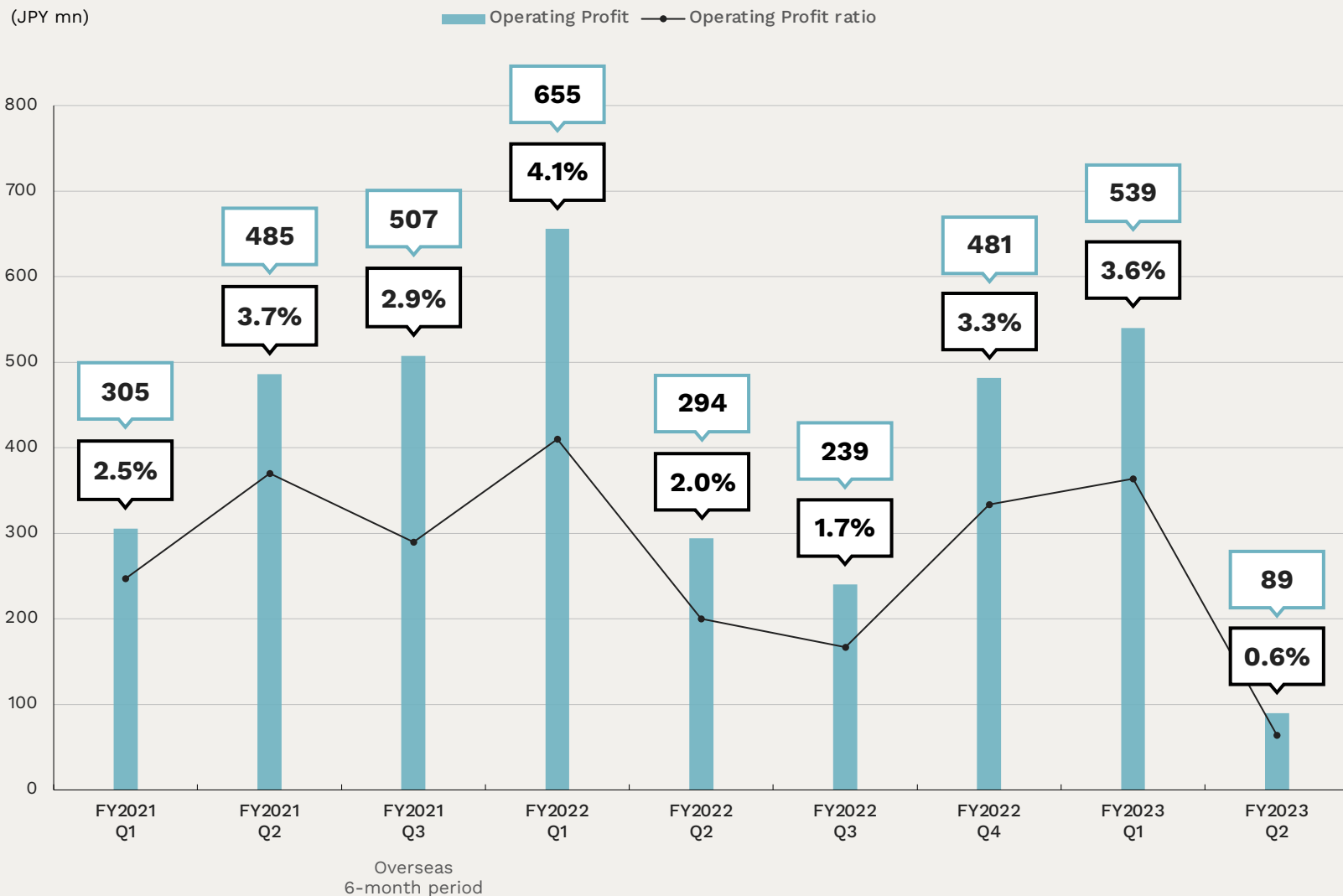
*Listing fee and Listing fees/Parent sales show non-consolidated figures and ADWAYS DEEE totals.

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 Q2 | FY2023 Q1 | Change | Change (%) |
|-------------------------|-----------|-----------|--------|------------|
| Current assets | 18,579 | 20,319 | -1,739 | -8.6% |
| (Cash and deposits) | 9,823 | 11,037 | -1,213 | -11.0% |
| Non-current assets | 5,240 | 4,651 | +588 | +12.7% |
| Total assets | 23,820 | 24,971 | -1,151 | -4.6% |
| Current liabilities | 9,309 | 9,768 | -458 | -4.7% |
| Non-current liabilities | 409 | 252 | +156 | +62.0% |
| Total liabilities | 9,719 | 10,021 | -301 | -3.0% |
| Net assets | 14,100 | 14,950 | -849 | -5.7% |

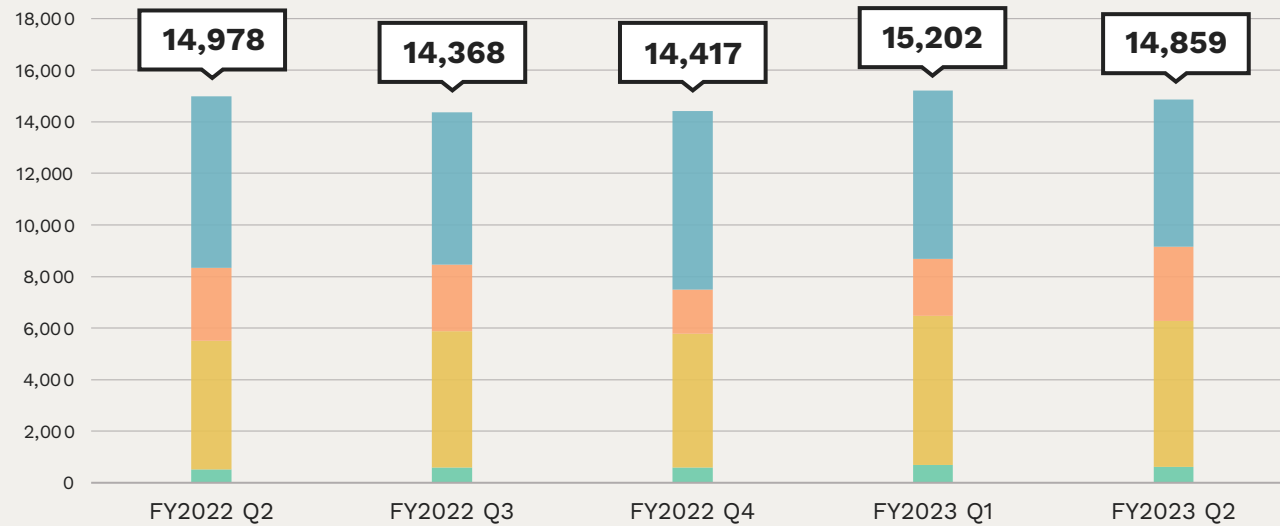
Net assets decreased due to purchase of treasury stock.

N.B.: Treasury stock purchased from April 1, 2023, to May 11, 2023: JPY 756,076,400

For the purchase details, please check the IR section of our website.

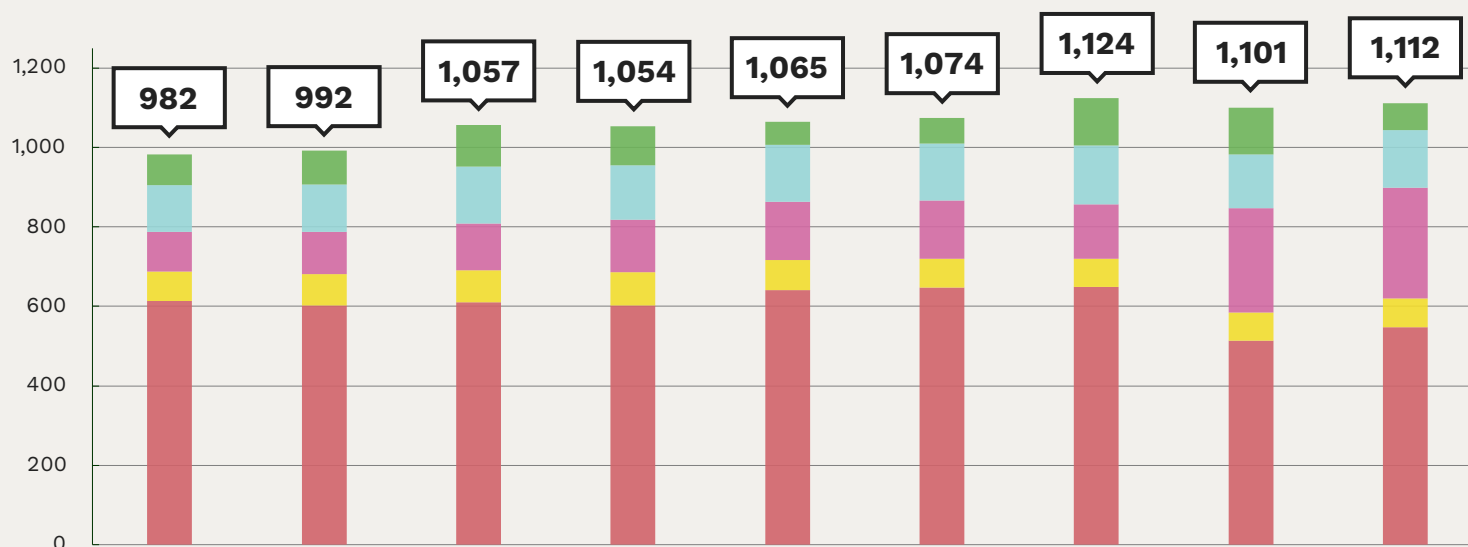
*The purchase of treasury stock ended on May 11, 2023.

Quarterly Breakdown of Consolidated Sales by Segment



| | | | | | | QoQ | |
|-------------------|-----------|-----------|-----------|-----------|-----------|--------|------------|
| (JPY mn) | FY2022 Q2 | FY2022 Q3 | FY2022 Q4 | FY2023 Q1 | FY2023 Q2 | Change | Change (%) |
| Agency (domestic) | 6,651 | 5,904 | 6,934 | 6,511 | 5,712 | -798 | -12.3% |
| Agency (overseas) | 2,814 | 2,578 | 1,711 | 2,221 | 2,874 | +652 | +29.4% |
| Ad platform | 4,990 | 5,303 | 5,182 | 5,772 | 5,666 | -105 | -1.8% |
| Other | 522 | 582 | 587 | 698 | 606 | -91 | -13.1% |
| Total | 14,978 | 14,368 | 14,417 | 15,202 | 14,859 | -343 | -2.3% |

Quarterly Change in Group Employees



| (Persons) | FY2021 Q1 | FY2021 Q2 | FY2021 Q3 | FY2022 Q1 | FY2022 Q2 | FY2022 Q3 | FY2022 Q4 | FY2023 Q1 | FY2023 Q2 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| ADW Japan | 613 | 602 | 611 | 603 | 641 | 648 | 649 | 513 | 548 |
| ADW China | 74 | 79 | 80 | 83 | 76 | 72 | 71 | 72 | 72 |
| Domestic subsidiaries | 101 | 106 | 117 | 132 | 146 | 147 | 137 | 263 | 279 |
| Overseas subsidiaries (excluding China) | 117 | 120 | 144 | 138 | 144 | 143 | 148 | 135 | 145 |
| Temporary workers, part-time employees | 77 | 85 | 105 | 98 | 58 | 64 | 119 | 118 | 68 |
| Total | 982 | 992 | 1,057 | 1,054 | 1,065 | 1,074 | 1,124 | 1,101 | 1,112 |

*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 June 2023) |
| Gross sales | JPY 59,590 mn | (FY2022, Consolidated basis) |
| Employees * including temporary workers | 1,112 (for the entire group) | (As at end of June 2023) |