



ADWAYS

2023

OCTOBER 31, 2023

PRESENTATION
MATERIAL

THIRD
QUARTER



STOCK CODE : 2489

TSE PRIME MARKET
ADWAYS INC.

CEO
Sho Yamada

3Q

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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.

1. FY2023 Q3 Performance

Quarterly Results (YoY · QoQ)

(JPY mn)

	FY2023 Q3	FY2022 Q3 FY2023 Q3	YoY FY2022 Q3			QoQ FY2023 Q2		
		Performance Trends	Results	Change	Change (%)	Results	Change	Change (%)
Gross sales	14,306		14,368	-62	-0.4%	14,859	-552	-3.7%
Net sales	3,278		3,215	+62	+2.0%	3,387	-109	-3.2%
Gross profit	2,678		2,585	+92	+3.6%	2,740	-61	-2.3%
SG&A expenses	2,651		2,345	+306	+13.1%	2,650	+1	+0.0%
Operating profit	26		239	-213	-89.0%	89	-63	-70.4%
Ordinary profit	104		303	-199	-65.7%	227	-123	-54.2%
Profit attributable to owners of parent	-20		453	-474	—	71	-91	—

Gross sales YoY **Decreased** JPY **-62 mn** (-0.4%)
QoQ **Decreased** JPY **-552 mn** (-3.7%)

Operating profit YoY **Decreased** JPY **-213 mn** (-89.0%)
QoQ **Decreased** JPY **-63 mn** (-70.4%)

FY2023 Consolidated Performance Forecast Revision

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	64,000	14,000	1,750	1,950	1,350
Revised forecasts (October 31, 2023)	58,919	13,500	800	1,120	750
Change	-5,081	-500	-950	-830	-600
Change (%)	-7.9%	-3.6%	-54.3%	-42.6%	-44.4%

*Initial forecasts are the figures announced on February 10, 2023, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2023 Consolidated Performance Forecast Revision

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	64,000	14,000	1,750	1,950	1,350
Revised forecasts (October 31, 2023)	58,919	13,500	800	1,120	750
Q3 Results	44,368	10,121	656	907	669
Revised forecasts Progress rate (October 31, 2023)	75.3%	75.0%	82.0%	81.0%	89.3%

*Initial forecasts are the figures announced on February 10, 2023, in a press release concerning revision of the performance forecasts and dividend forecasts.

FY2023 Dividend Forecast Revisions

FY2023 Dividend Forecast

Initial forecasts JPY **7.84** **per share**
(Dividend payout ratio of 23%)

**Revised forecasts
(October 31, 2023)** JPY **4.50** **per share**
(Dividend payout ratio of 23%)

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 February 10, 2023, in a press release concerning revision of the performance forecasts and dividend forecasts.

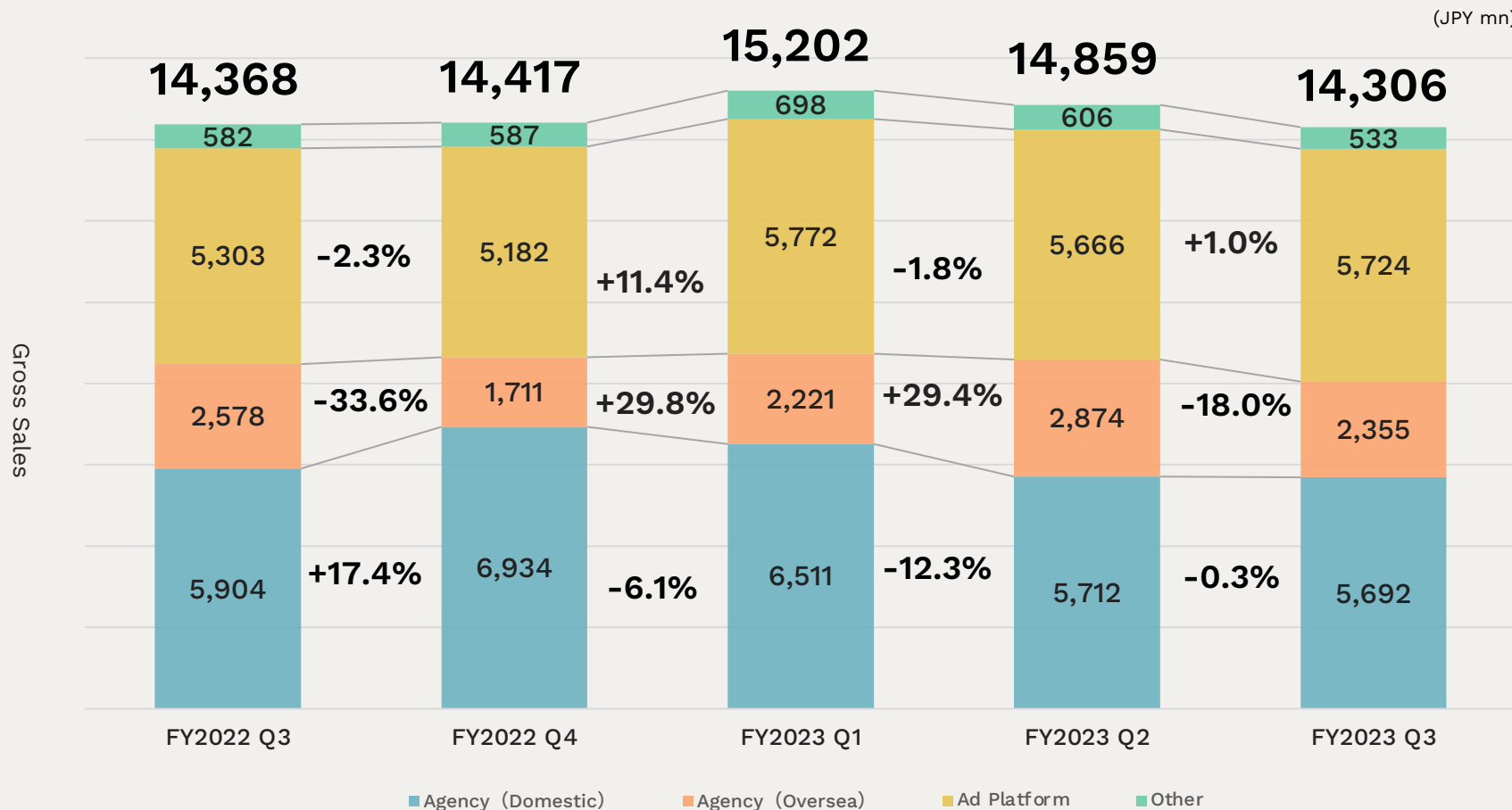
Revision of Performance Forecasts: Causes and Countermeasures

<p>Agency Business (Domestic)</p>	<p>The Adways Group's sales center on game and comic app advertising, but clients' advertising budget is decreasing as their revenue is on a decreasing trend due in part to market commoditization* and the freshness of popular apps showing signs of fading as a long time has passed since these were released. We are thus focusing on newly tapping advertising beyond game and comic app advertising and have even received a large campaign, but this was not enough to offset the decreasing trend in game and comic app advertising. We will continue to focus on newly tapping advertising beyond game and comic app advertising, aiming to capture clients without being bound to specific fields.</p> <p>In addition, the forecast is that the decline in TV viewership will lead to further progress in the transition from TV commercials to digital media. The Adways Group, too, will increasingly strengthen efforts to secure advertising in digital media.</p> <p>*Commoditization: Becoming no longer differentiated in function, quality, etc. as the market is stimulated and other companies enter the market</p>
<p>Agency Business (Oversea)</p>	<p>In Taiwan, a Chinese game company was placing priority on the Japanese and U.S. markets, resulting in a budget reduction as well as a decrease in the number of major new title releases and such having a ripple effect on also app advertising. In addition, with the economic downturn, there were also advertising budget reductions overall in Taiwan, causing brand advertising to also decrease. We are thus seeking to strengthen sales centering on the relatively brisk LINE-related services, such as IDEA Push and management of official LINE accounts, as well as expanding UNICORN.</p> <p>In China, the mainstay app advertising and brand advertising were both brisk, but operating profit was affected by the recording of provision of allowance for doubtful accounts. Going forward, we will strengthen client management also.</p>
<p>Ad Platform Business</p>	<p>With UNICORN, business performance has been steadily increasing in recent years, but there were increasing cases of the ad delivery logic not working well amid the diversification of the purposes of ad delivery and the expansion of handled advertising genres. In addition, the measurement environment surrounding smartphone app ads is changing globally, but adapting to the changes took time, resulting in a decrease in gross sales. We have been responding to the diversification of the purposes of ad delivery and the expansion of handled advertising genres by updating the ad delivery logic, but this had caused behavior that was not intended. Although it took time to discover, we have identified the causes and developed countermeasures and are formulating measures to prevent recurrence. We believe that there is a risk of losing the effect of ad delivery directly leading to incoming traffic of potential customers if we merely simply respond to the changes in the measurement environment, so we took time to consider and carry out improvements. With both factors addressed during Q3, improvement can be expected for Q4 onward. We also expect further growth for Q4 onward through optimization of YouTube ad delivery and focusing on expansion in Taiwan in brand advertising.</p>

Quarterly Segment Summary

<p>Agency Business (Domestic)</p>	<p>Segment Gross sales : JPY 5,692 mn YoY : JPY -211 mn (-3.6%)</p> <p>Game apps and comic apps remained largely unchanged. QR mobile payment apps were among those decreasing due to decrease on the rebound of having conducted promotions on a large scale in the same quarter of the previous year.</p>
<p>Agency Business (Oversea)</p>	<p>Segment Gross sales : JPY 2,355 mn YoY : JPY -223 mn (-8.6%)</p> <p>In the app business, there was a budget reduction of a client and decrease in the number of major new title releases in Taiwan. In the brand business, too, Taiwan's economic downturn causing budget reductions and other factors resulted in decrease.</p>
<p>Ad Platform Business</p>	<p>Segment Gross sales : JPY 5,724 mn YoY : JPY +421 mn (+7.9%)</p> <p>While UNICORN decreased due to the external environment and imperfection in the logic, affiliate grew substantially, mainly in the finance genre of JANet.</p>

Quarterly Change in Consolidated Gross Sales



Q3 Gross Sales : JPY 14,306 mn

YoY: Decreased JPY -62 mn (-0.4%)

QoQ: Decreased JPY -552 mn (-3.7%)

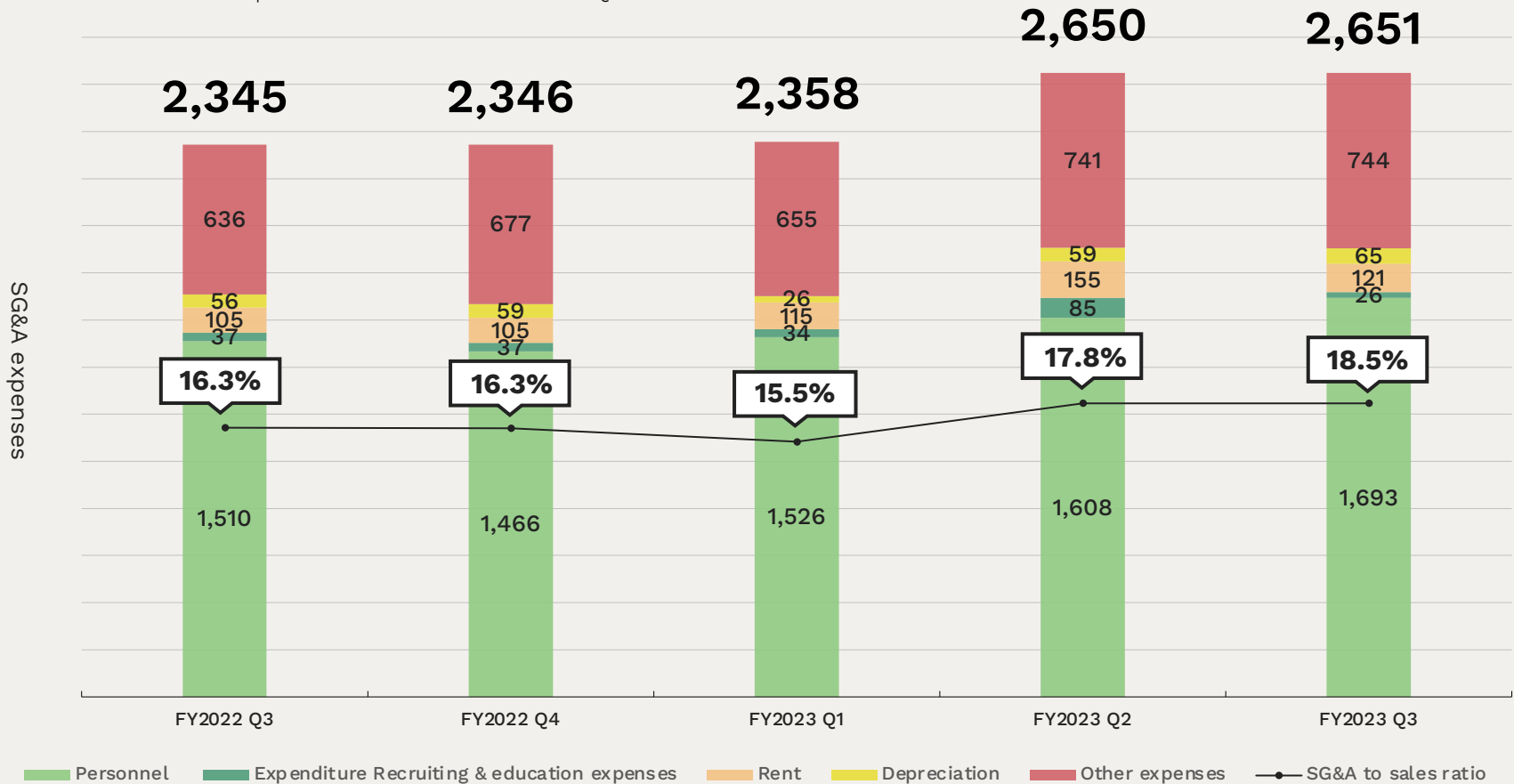
Quarterly Change in Consolidated SG&A Expenses

(1) Personnel expenditure increased due in part to recording of provision for bonuses whereas not accrued up to Q2

(2) Other SG&A expenses increased due in part to recording of provision of allowance for doubtful accounts

Provision for bonuses is expected to be recorded in also Q4.

(JPY mn)



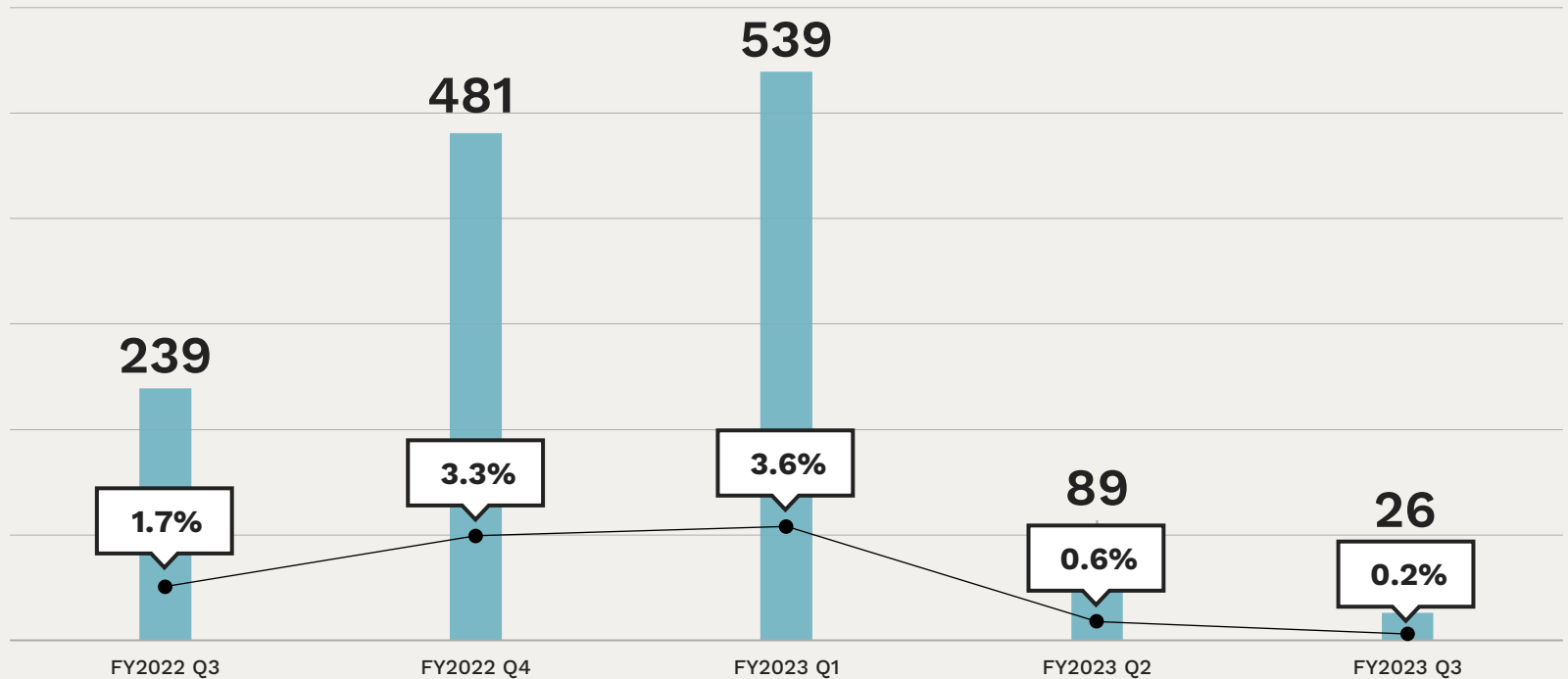
Q3 SG&A expenses : JPY 2,651 mn

YoY: JPY +306 mn (+13.1%)

SG&A to sales ratio: 18.5% (+2.2 points)

Quarterly Change in Consolidated Operating Profit

(JPY mn)

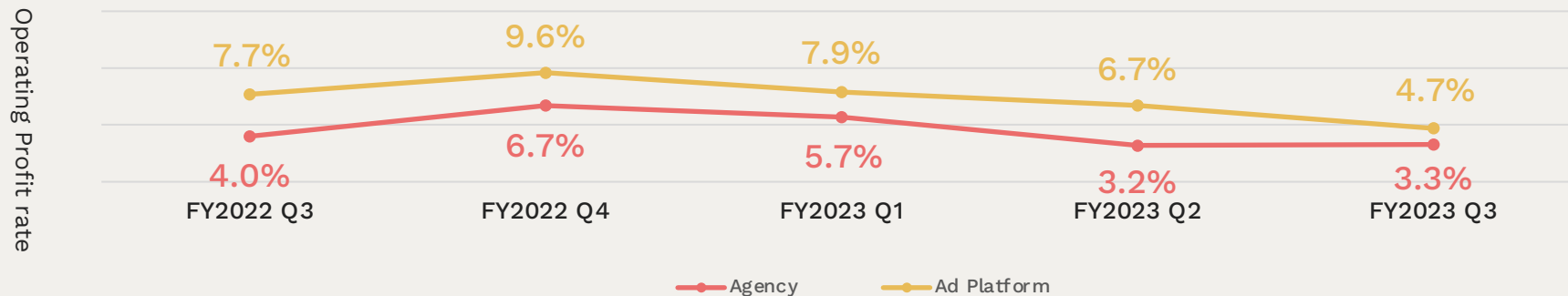
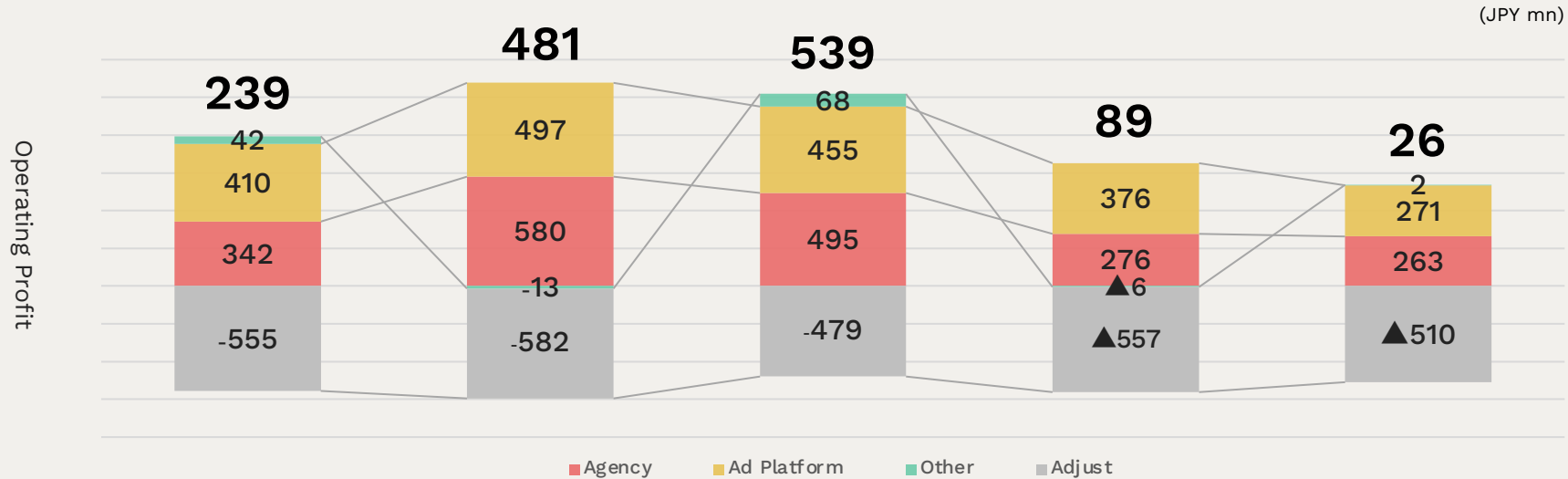


Q3 Operating profit : JPY 26 mn

YoY: JPY -213 mn (-89.0%)

Operating Profit rate: 0.2% (-1.5 points)

Quarterly Change in Consolidated Operating Profit (By Segment)



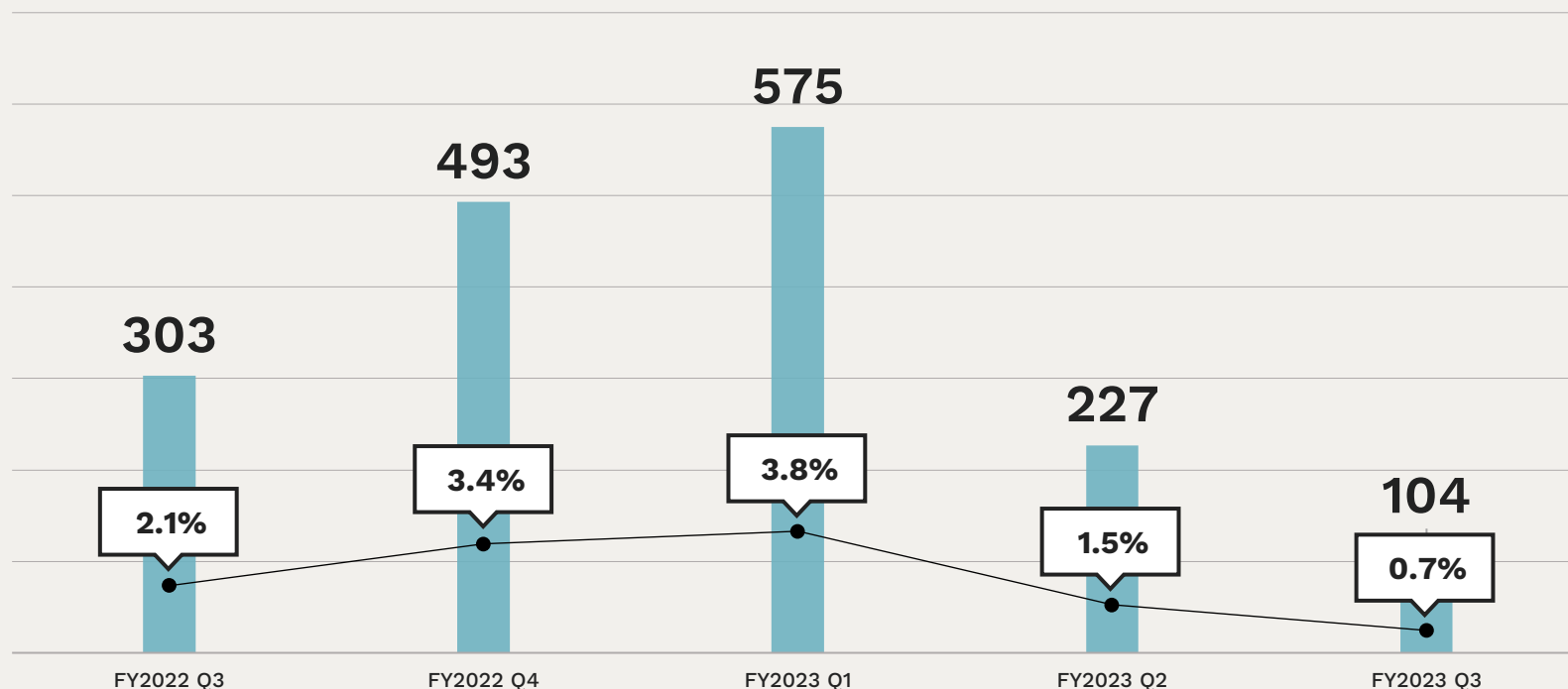
Q3 Operating profit : JPY 26 mn

YoY: JPY -213 mn (-89.0%)

Operating Profit rate: 0.2% (-1.5 points)

Quarterly Change in Consolidated Ordinary Profit

(JPY mn)

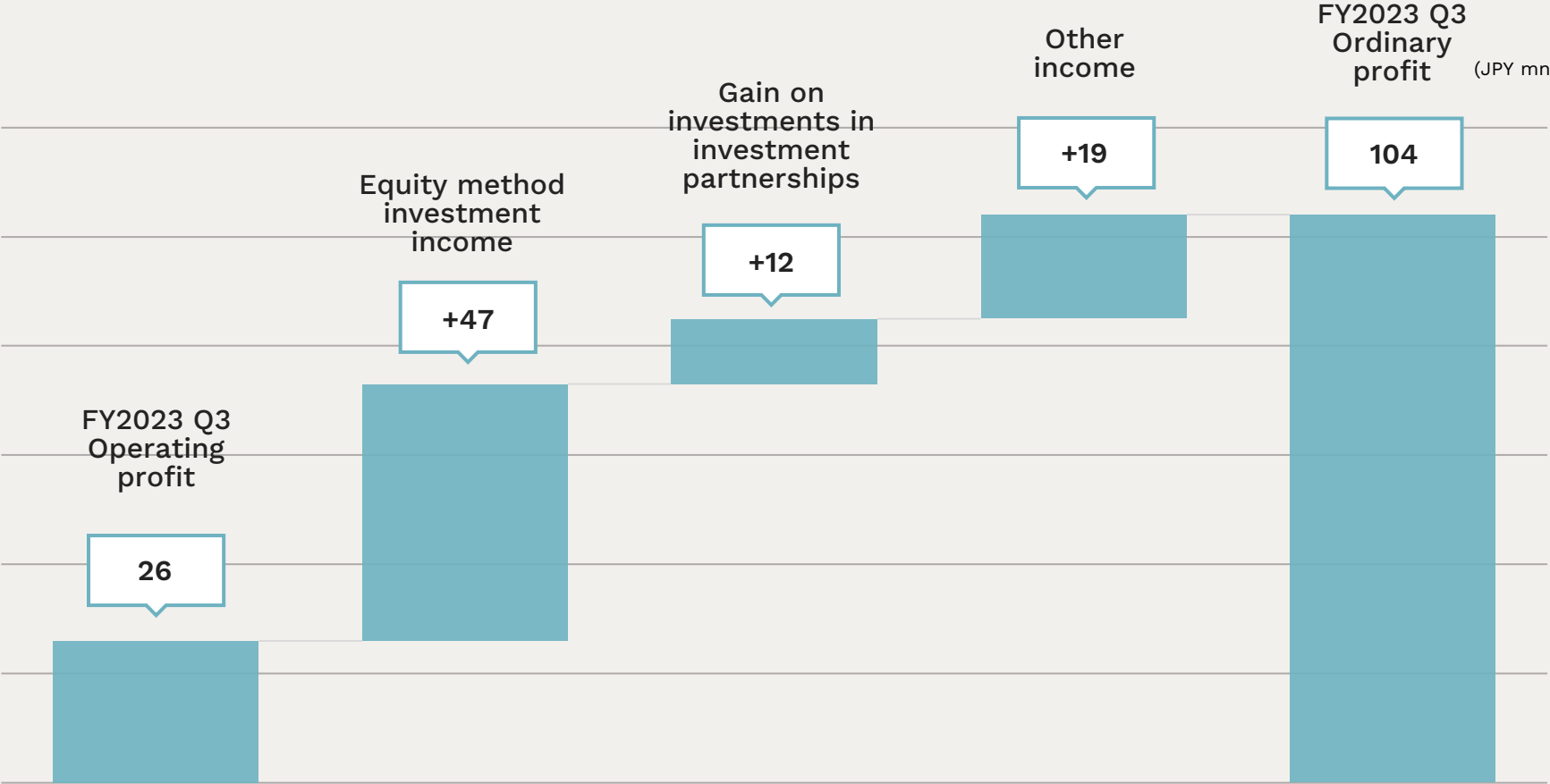


Ordinary profit: JPY 104 mn

YoY: JPY -199 mn (-65.7%)

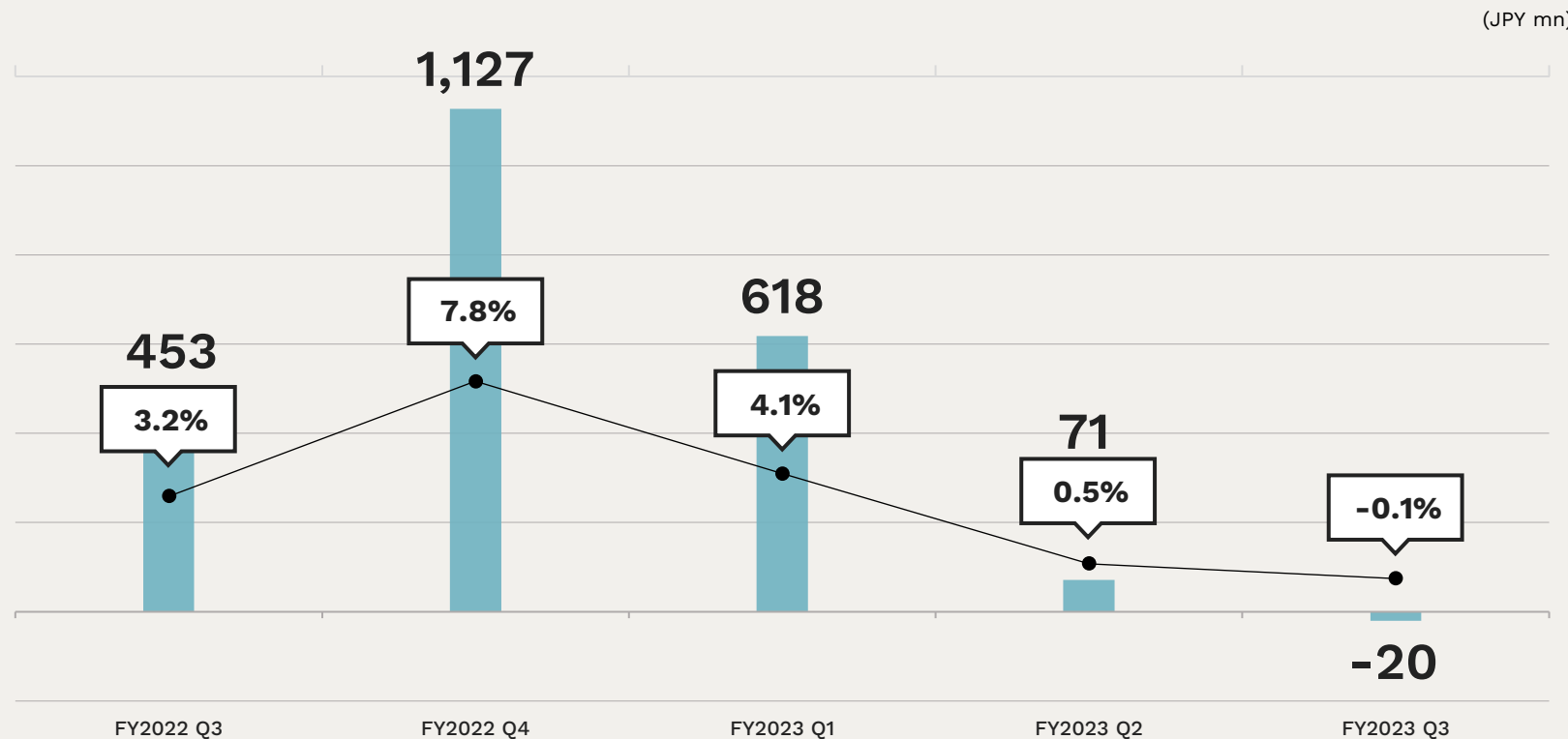
Ordinary Profit rate: 0.7% (-1.4 points)

Breakdown of FY2023 Q3 Ordinary Profit



Equity method investment income	JPY +47 mn
Gain on investments in investment partnerships	JPY +12 mn
Other income	JPY +19 mn

Quarterly Change in Consolidated Profit Attributable to Owners of Parent

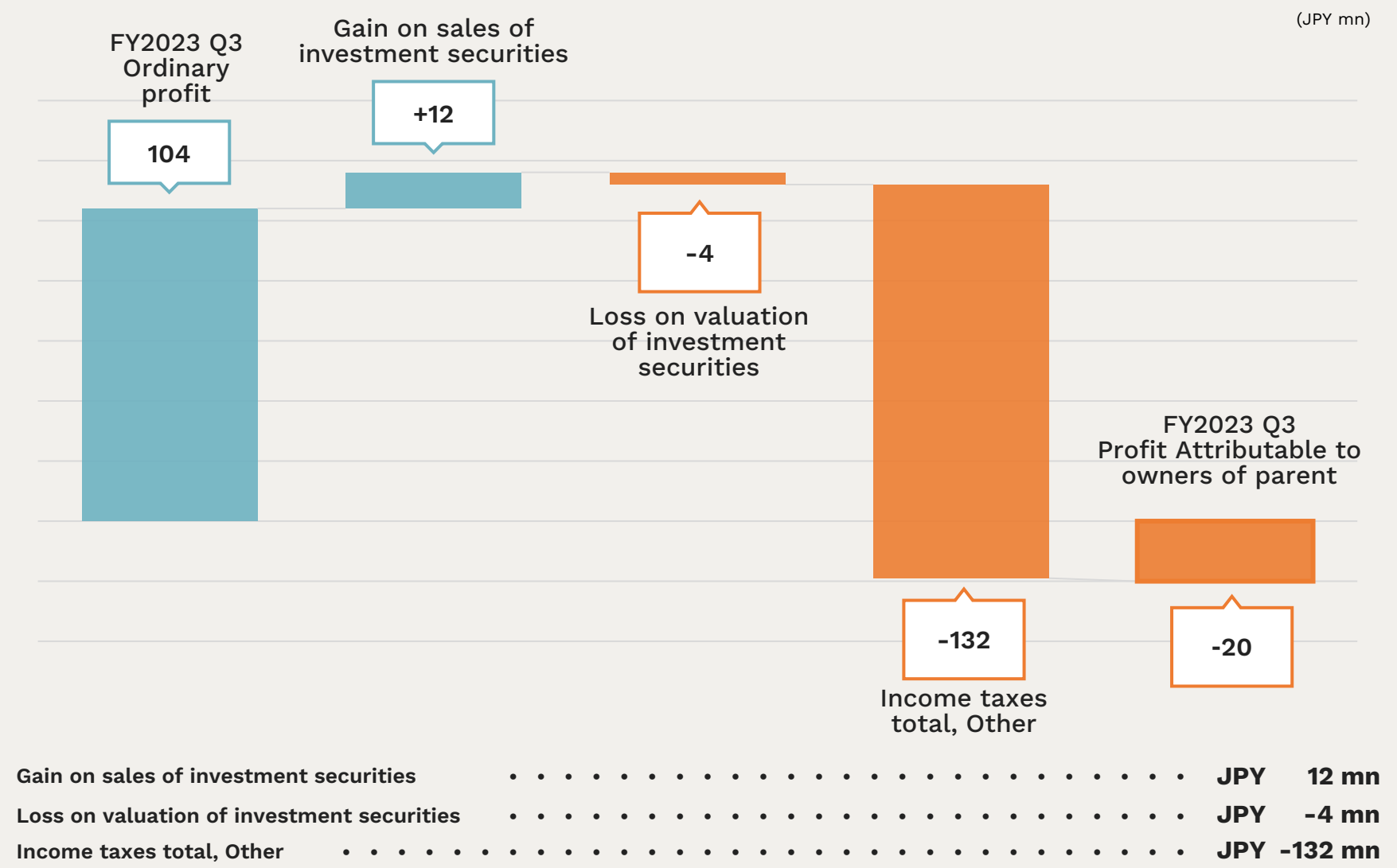


Profit attributable to owners of parent : JPY -20 mn

YoY: JPY -474 mn (-)

Profit Attributable to Owners of parent
ratio: -0.1% (-)

Breakdown of FY2023 Q3 Profit Attributable to Owners of Parent



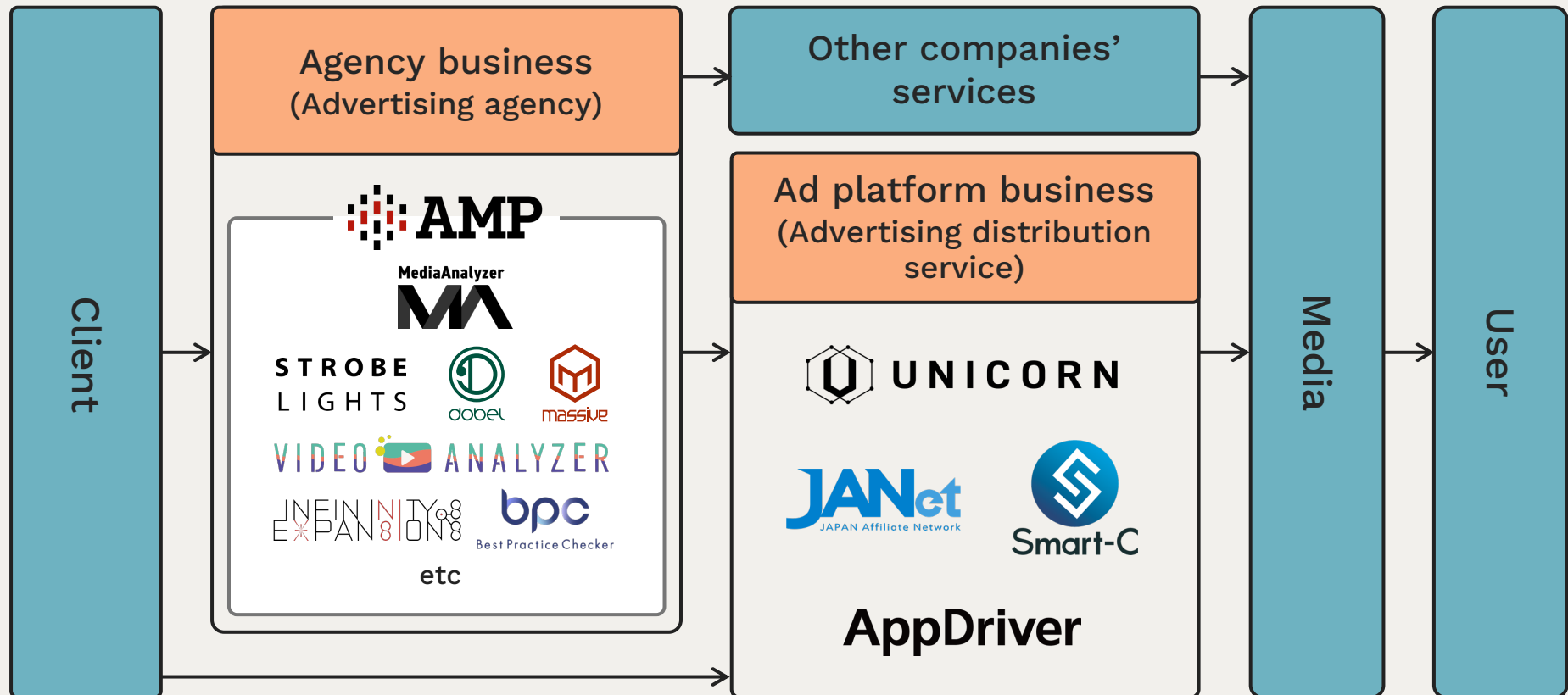
2.

Chapter 2: business overview

BUSINESS OVER VIEW

Advertising business

Classification of Advertising Business



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

Agency business (Domestic)

Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

Third quarter

Digital transformation of marketing as a business growth driver for clients

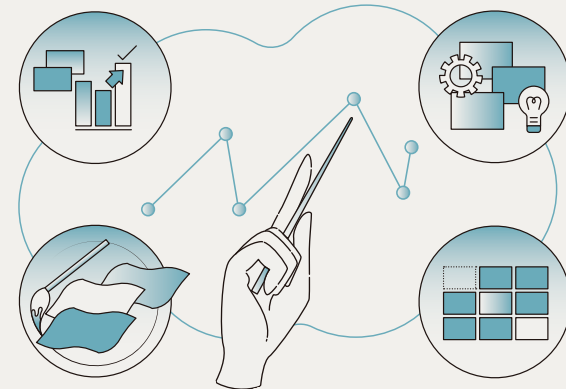
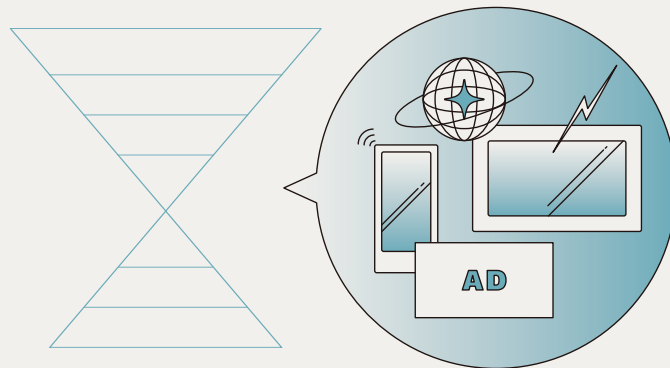
Hakuhodo DY holdings



Hakuhodo DY
media partners



ADWAYS



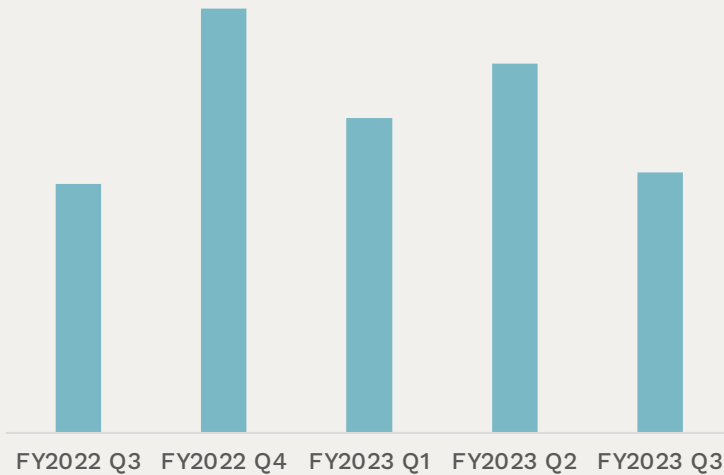
In our agency business, we provide comprehensive marketing support through integrated offline and online planning. In order to approach brand advertisers and execute more effective market planning conscious of full-channel¹ and full-funnel² marketing plans that integrate TV and digital, rather than confining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

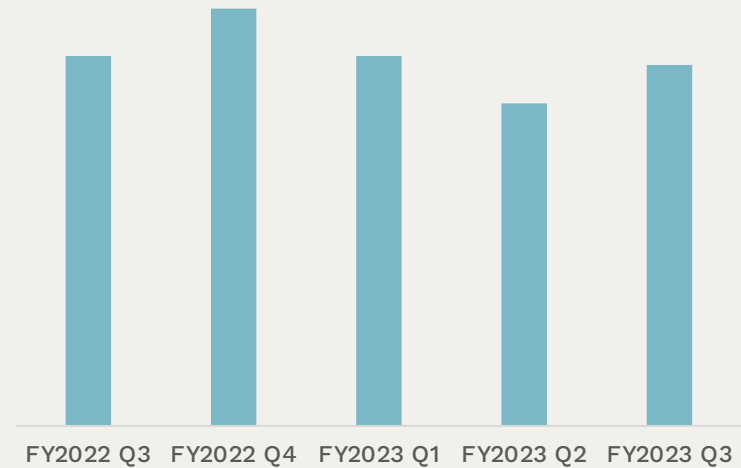
*2.Full-funnel : Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

Progress of Capital and Business Alliance with Hakuhodo DY Group

Gross Profit from Alliance with Hakuhodo DY Group



Number of Clients from Alliance with Hakuhodo DY Group



The graph that was of “gross sales” from the alliance with the Hakuhodo DY Group in the materials up to FY2023 Q2 has been changed to the graph of “gross profit” from the alliance with the Hakuhodo DY Group starting from FY2023 Q3, with retrospective application for prior periods, in order to more accurately present progress as gross sales is the amount of our margin plus the amount payable to the media in some cases while gross sales is just our margin in other cases.

Gross profit increased slightly YoY

Ad platform business

UNICORN, affiliate ad service business etc.

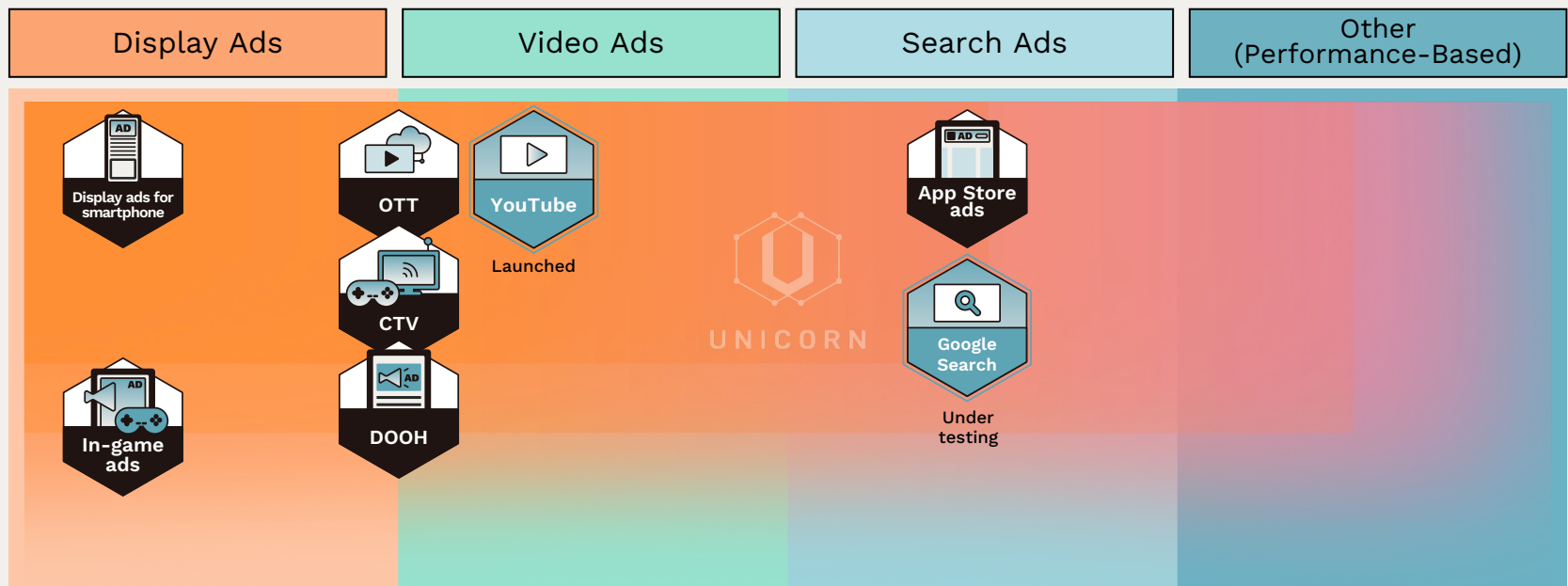


UNICORN

REDEFINE DIGITAL MARKETING

Principles of Ad Platform Business (UNICORN)

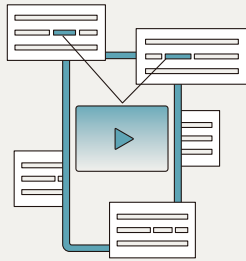
Three-dimensional expansion
based on channel, value and account



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, with testing done, compatibility with YouTube is now complete and provision of ad delivery menu has commenced. We will continue to optimize user communication across all channels.

Commencement of YouTube X Contextual Advertising Menu Provision

Supporting brand advertisers to optimize YouTube ad performance



Delivery to content having high affinity with the brand

Delivers video of high correlation based on video details (information like title, description, tags, etc.) by utilizing UNICORN's unique analytical technology



Ensuring brand safety

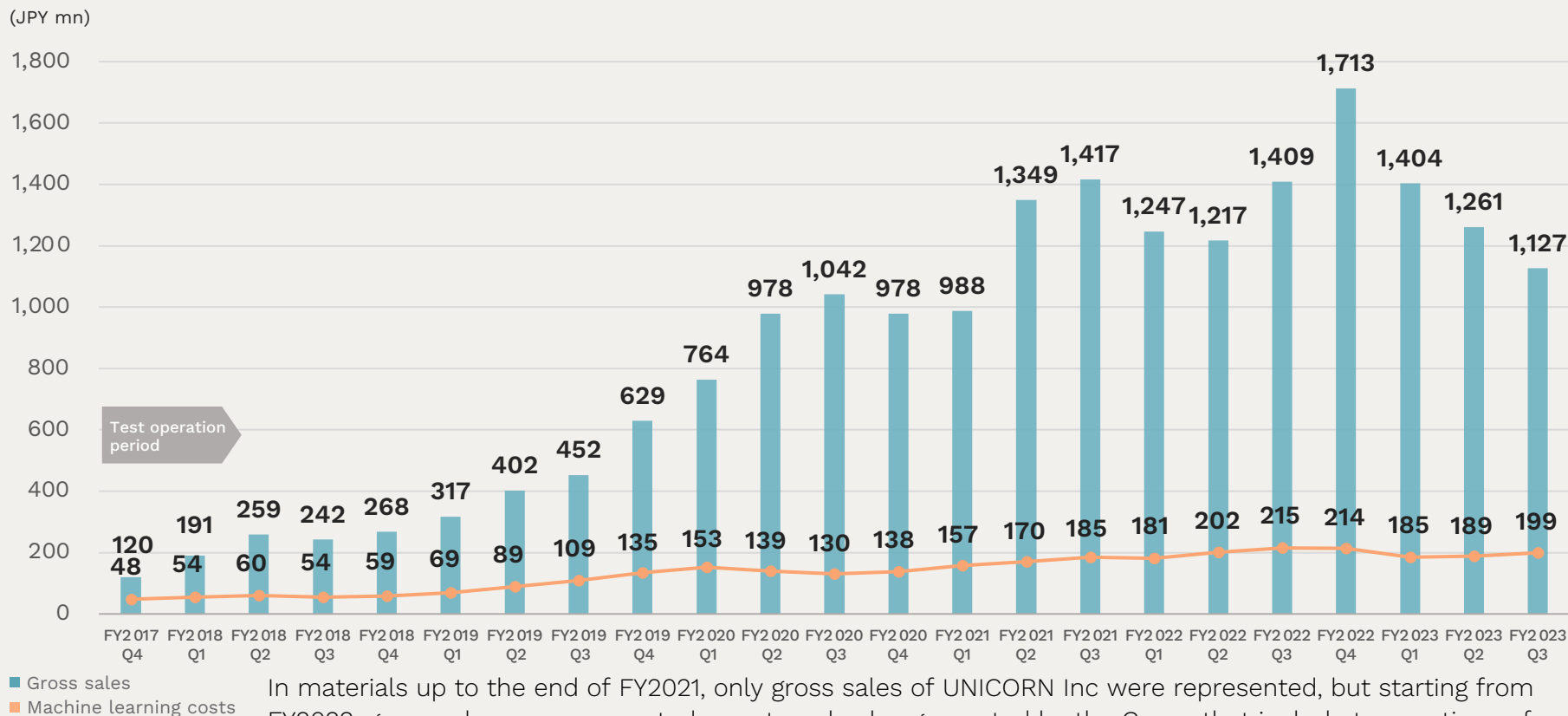
Keywords that could lead to brand damage can be set for delivery to exclude channels that contain those keywords

Natural language processing of video content through text mining of video details.
Delivering ads to video content of high correlation, making it possible
to prevent mismatching between video content and the content of ads
and to approach lead customers.

Progress of UNICORN

Third 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 handling 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.)

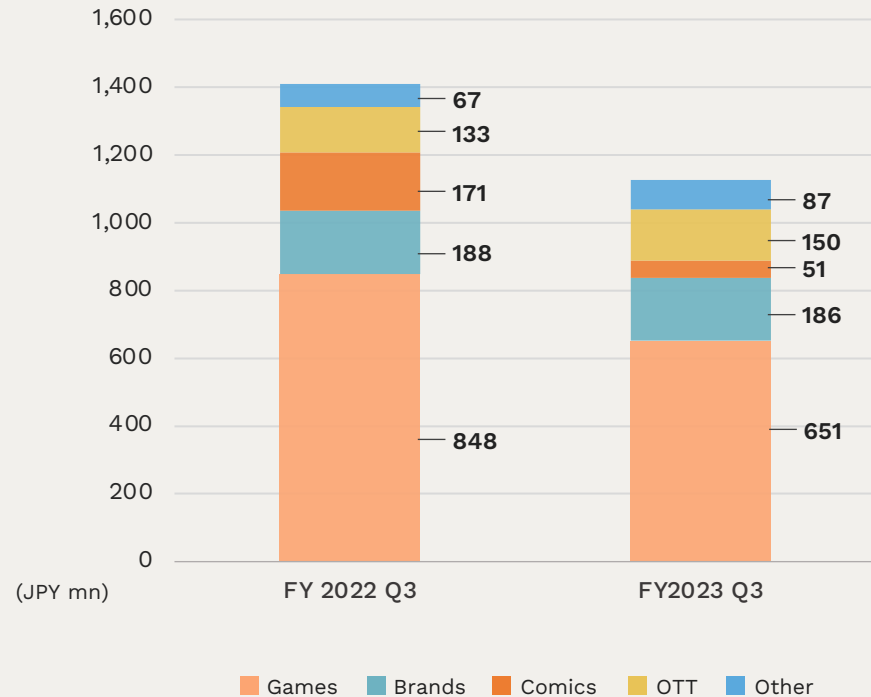
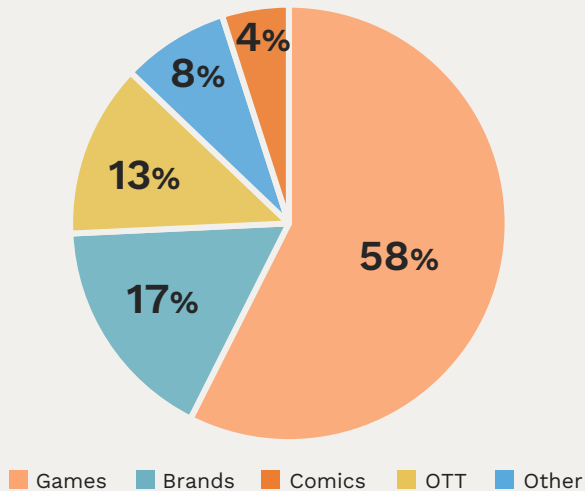
Change in the external environment and imperfection in the optimization logic resulted in gross sales being 80% on an YoY comparison

About UNICORN

Progress of UNICORN

Progress by Genre

FY2023 Q3 results



“Games” and “Comics” genres decreased

Progress of UNICORN

UNICORN's Performance: YoY

(JPY mn)

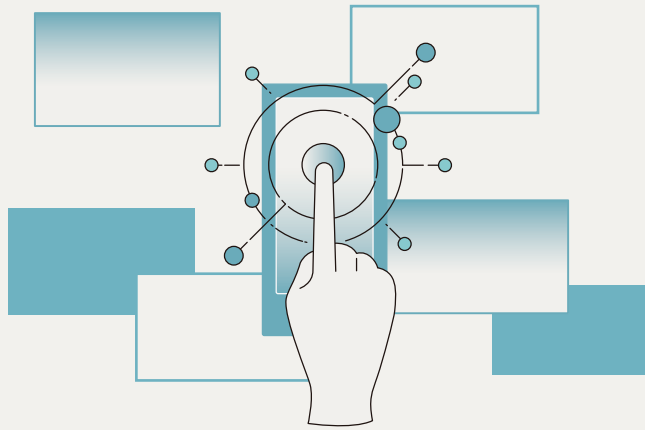
	FY2023 Q3	YoY FY2022 Q3		
		Result	Change	Change (%)
Gross sales	1,127	1,409	-282	-20.0%
Gross profit	373	490	-117	-23.9%
Operating profit	-3	133	-136	—

Gross sales, gross profit and operating profit each decreased

About **UNICORN**

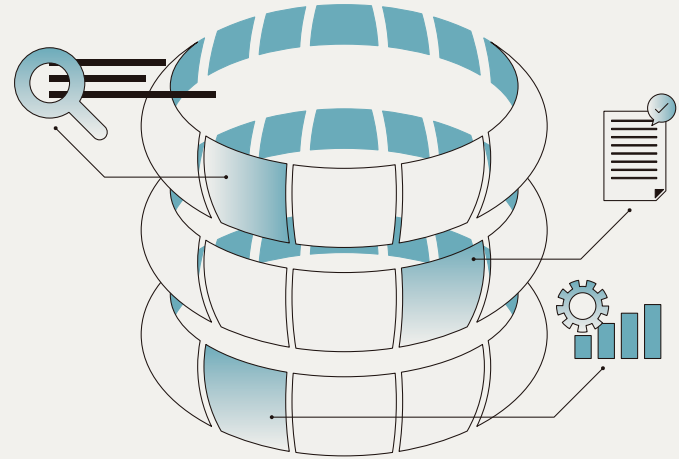
Advanced ad method

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 innovative creatives**

Commencement of Collaboration for Realizing Real-Time Ad Delivery to Digital Billboards

Enabling digital ad delivery
in dynamic and static formats through programmatic buying of
ad slots on digital billboards held by PAS.Communications



Provider of an array of services relating to digital billboards. Media representative for over 150 digital billboards across Japan from Hokkaido to Okinawa, mainly in the Tokyo metropolitan area such as Shibuya and Omotesando.



Increasing new points of contact with users
for clients to achieve brand recognition and user acquisition

D E E E

Delight
喜び

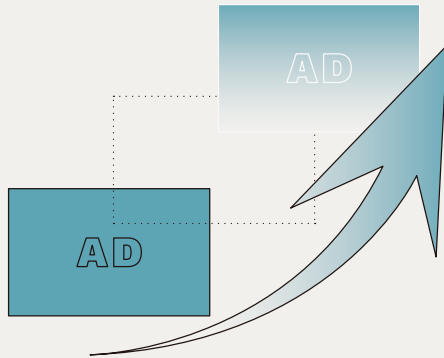
Exciting
わくわく

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



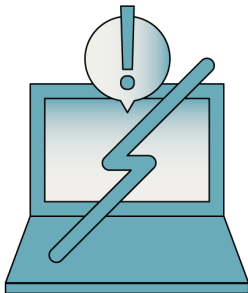
Strengthen service development to
improve consumer experience and
maximize media revenue

Release of “JANEEE Block” as Function Against Fraudulent Traffic



Enabling fraudulent traffic to be detected and checked via email notification and the “JANEEE Advertising Report” dashboard, preventing opportunity losses and supporting improvement of ad effectiveness

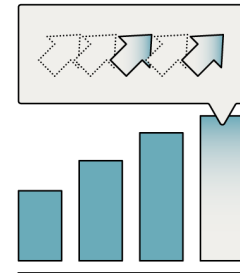
Detection,
notification and
visualization of
fraudulent traffic



Exclusion of
fraudulent
IP addresses



Control of
fraudulent clicks
Improvement of
ad effectiveness



Promotes enhancing the transparency and fairness
and ensuring the soundness of affiliate ads

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

Vtuber Business



29 entertainers

Total of approximately 2.29 million subscribers to YouTube channels

*As at the end of September 2023

Streaming



Goods/Music



Holding events



Media appearances

TV Asahi Network
“GARIBINGER V”

Nippon TV
“MUSIC VERSE”

... and several others

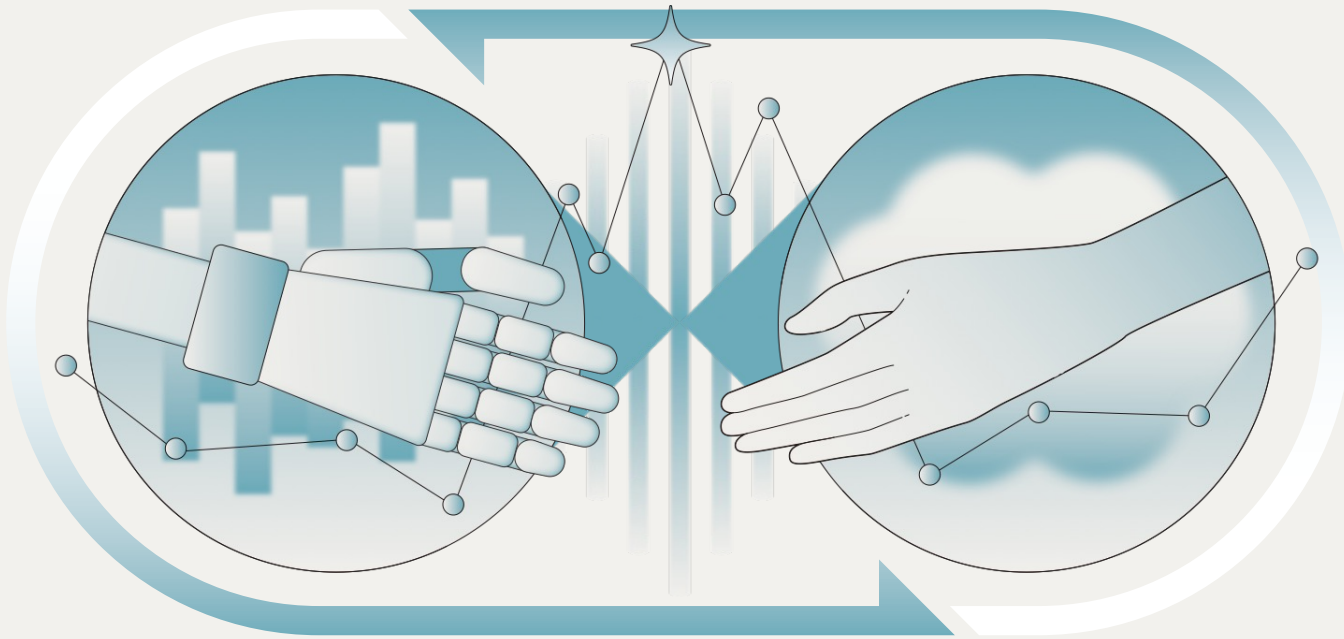
Providing new experiences in entertainment

“Nanashi Summer Festival 2023” Held in August 2023

Held “Nanashi inc. × atre Akihabara,” collaboration café,
and Nanashi inc.’s first one-on-one talk event



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.

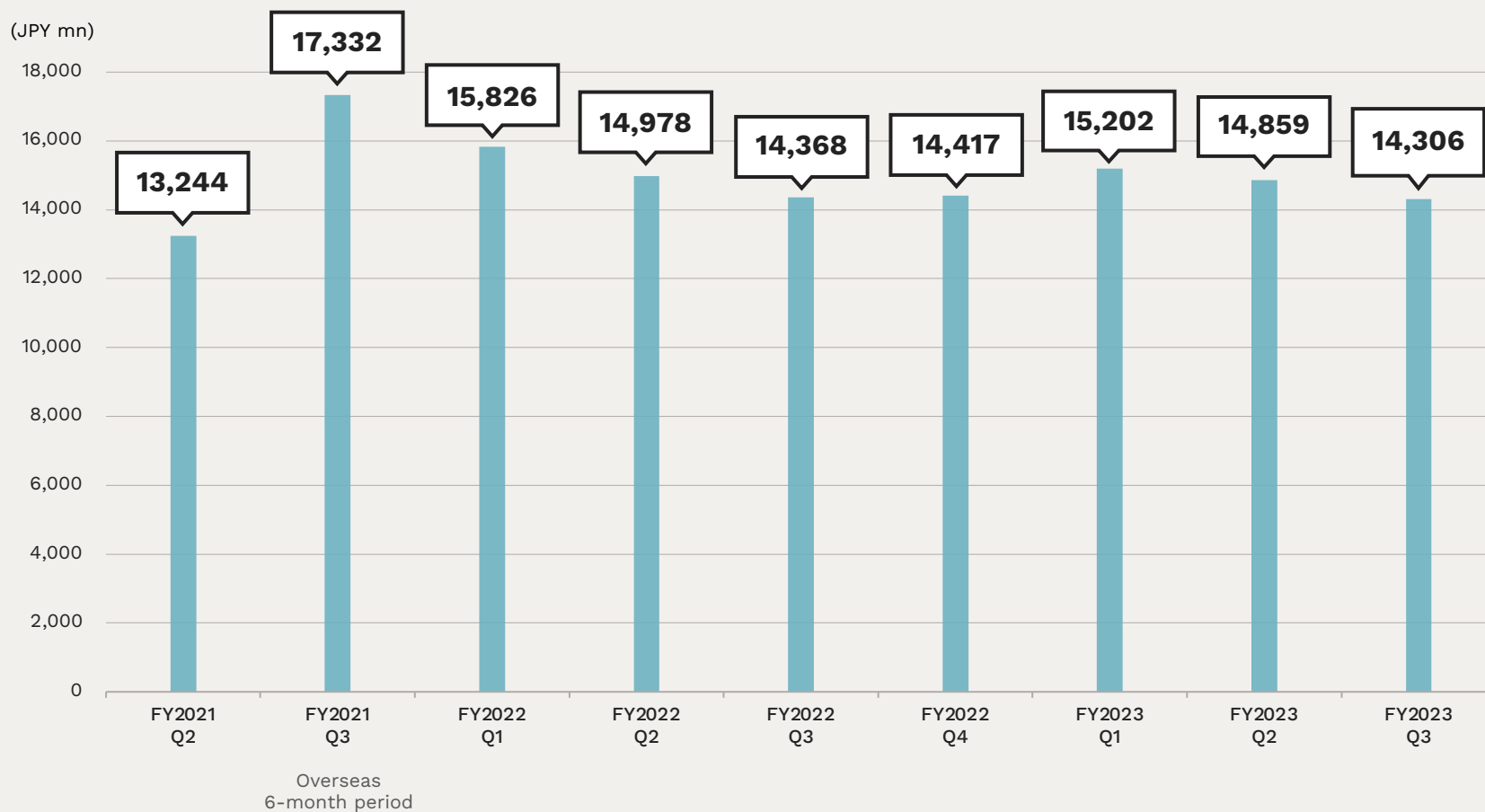
Statements made herein are based on information available as of October 31, 2023, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY MATERIALS

3.

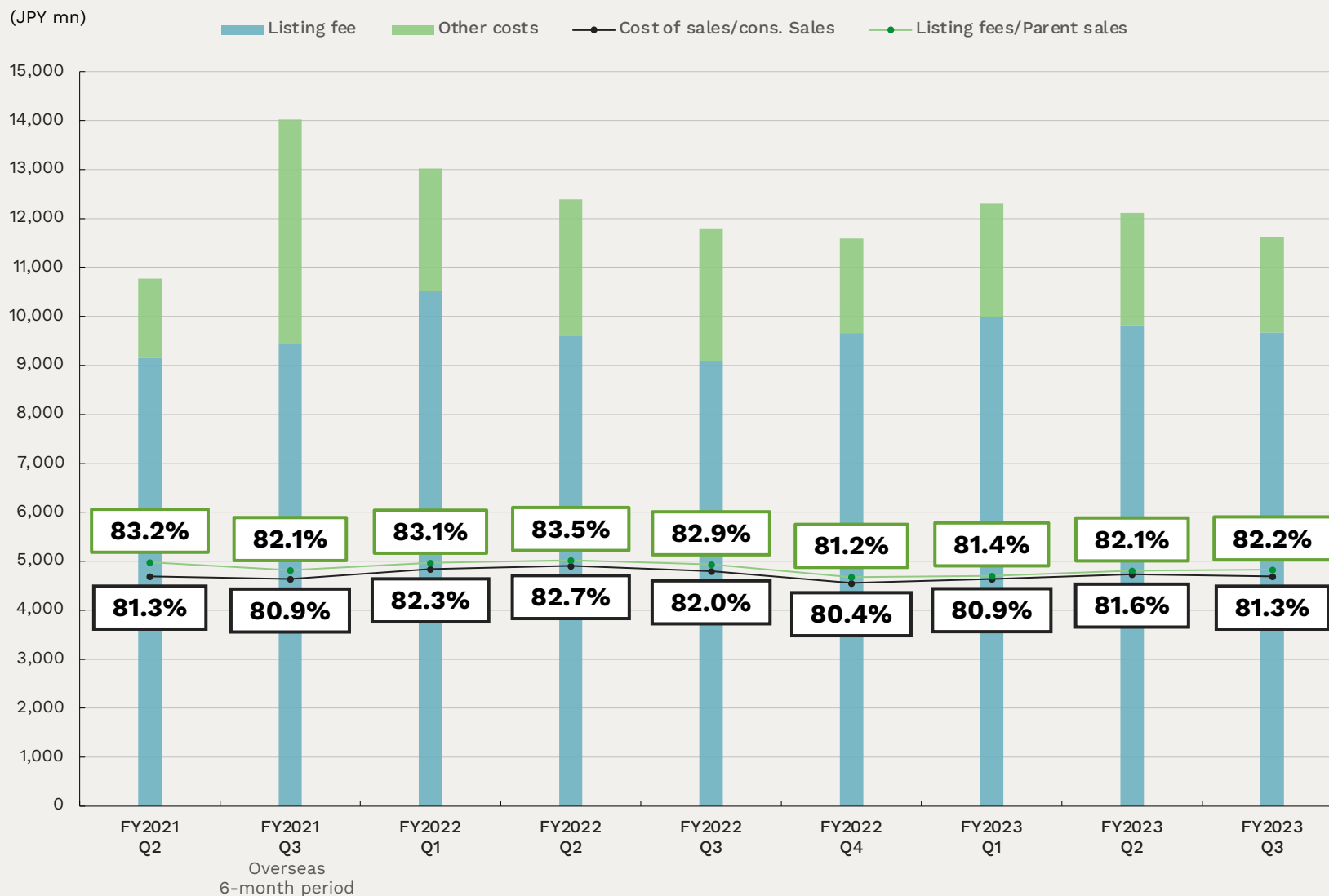
Chapter 3 : **Supplementary materials**

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



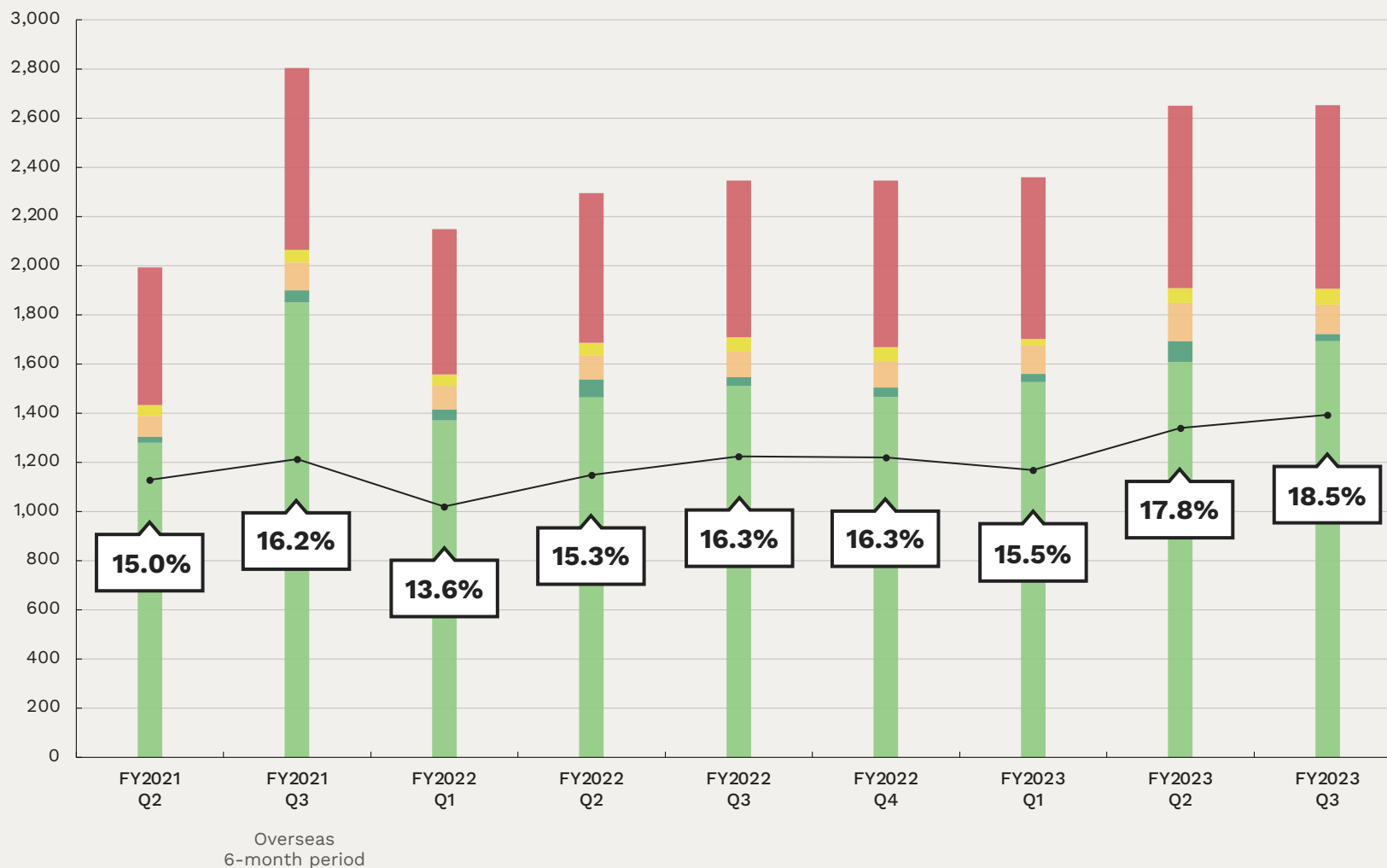
*FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

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

Quarterly Change in Consolidated SG&A Expenses

(JPY mn)

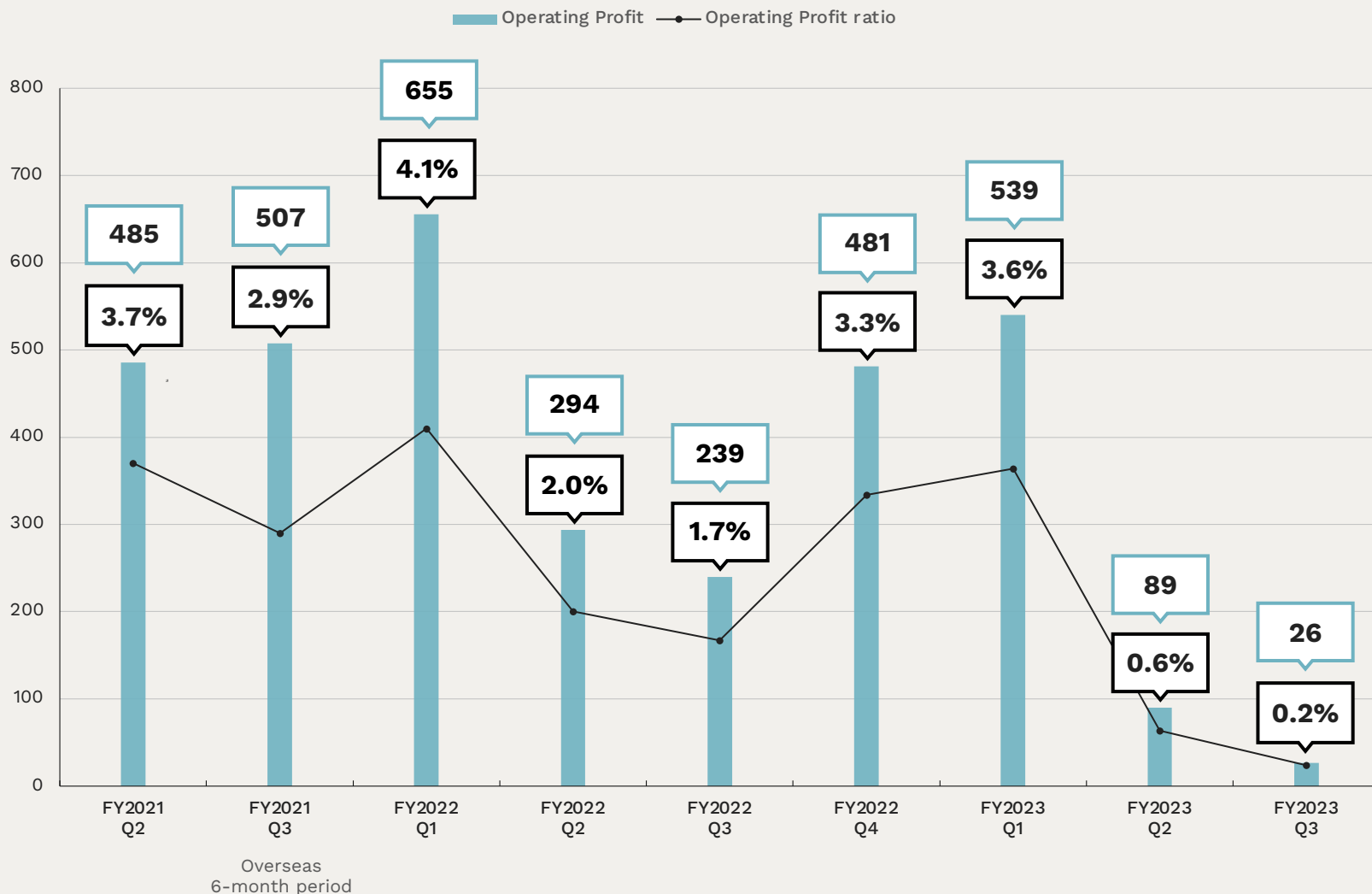
Personnel Recruiting&Training Rent Depreciation Other expenses SG&A/cons.sales



*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)



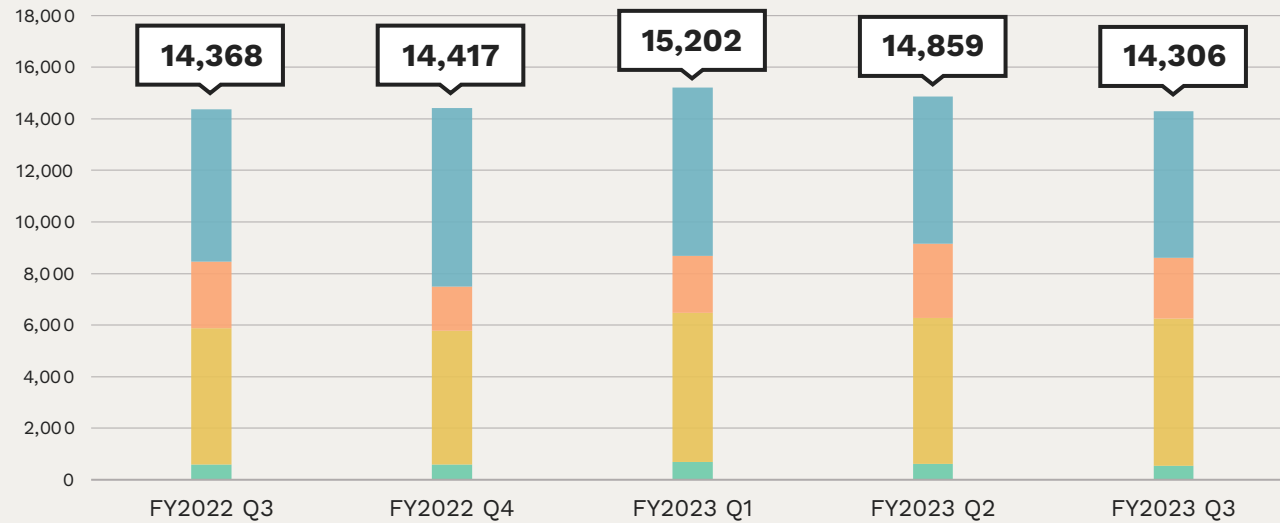
*FY2021 Q3 is a 6-month accounting period for overseas subsidiaries in line with the change of fiscal year.

Consolidated Balance Sheet (QoQ)

(JPY mn)

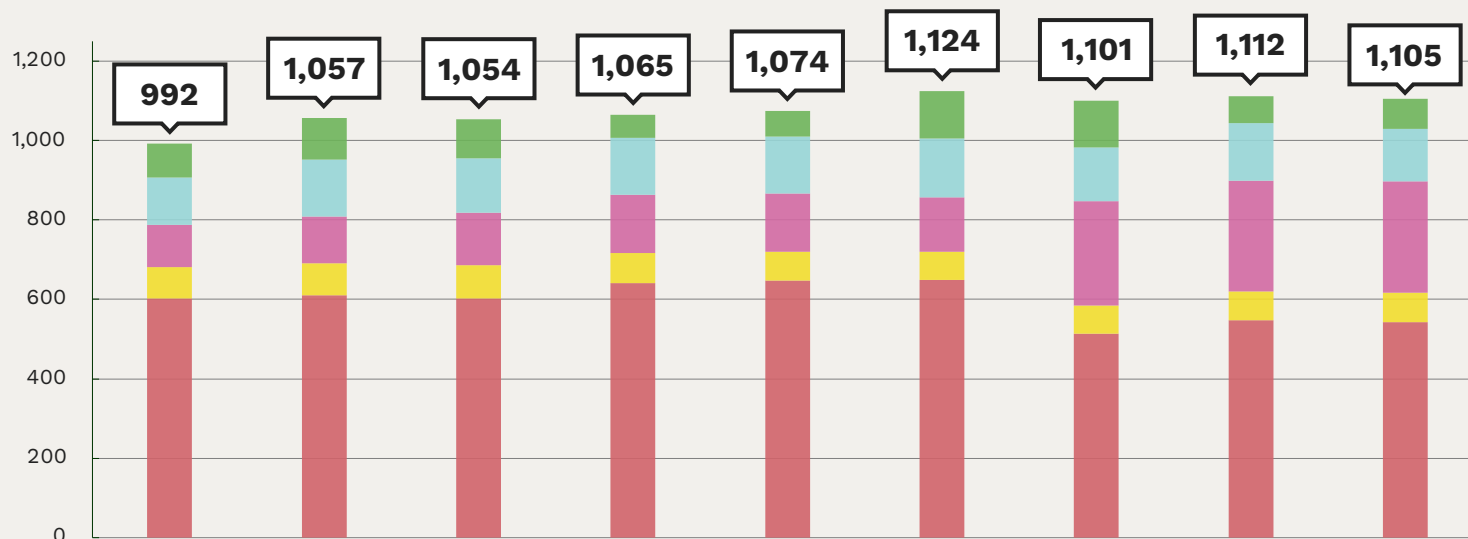
	FY2023 Q3	FY2023 Q2	Change	Change (%)
Current assets	19,095	18,579	+515	+2.8%
(Cash and deposits)	9,757	9,823	-66	-0.7%
Non-current assets	5,444	5,240	+204	+3.9%
Total assets	24,540	23,820	+720	+3.0%
Current liabilities	9,741	9,309	+431	+4.6%
Non-current liabilities	351	409	-58	-14.3%
Total liabilities	10,092	9,719	+373	+3.8%
Net assets	14,447	14,100	+346	+2.5%

Quarterly Breakdown of Consolidated Sales by Segment



						QoQ	
(JPY mn)	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	Change	Change (%)
Agency (domestic)	5,904	6,934	6,511	5,712	5,692	-19	-0.3%
Agency (overseas)	2,578	1,711	2,221	2,874	2,355	-518	-18.0%
Ad platform	5,303	5,182	5,772	5,666	5,724	+58	+1.0%
Other	582	587	698	606	533	-73	-12.1%
Total	14,368	14,417	15,202	14,859	14,306	-552	-3.7%

Quarterly Change in Group Employees



(Persons)	FY2021 Q2	FY2021 Q3	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3
ADW Japan	602	611	603	641	648	649	513	548	543
ADW China	79	80	83	76	72	71	72	72	74
Domestic subsidiaries	106	117	132	146	147	137	263	279	280
Overseas subsidiaries (excluding China)	120	144	138	144	143	148	135	145	133
Temporary workers, part-time employees	85	105	98	58	64	119	118	68	76
Total	992	1,057	1,054	1,065	1,074	1,124	1,101	1,112	1,106

*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 September 2023)
Gross sales	JPY 59,590 mn	(FY2022, Consolidated basis)
Employees * including temporary workers	1,106 (for the entire group)	(As at end of September 2023)