

1Q FIRST QUARTER

2024

APRIL 30, 2024
PRESENTATION MATERIAL

STOCK CODE : 2489
TSE PRIME MARKET
ADWAYS INC.

CEO
Sho Yamada



ADWAYS
IR CHANNEL

ADWAYS

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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. FY2024 Q1 Performance

Quarterly Results (YoY · QoQ)

(JPY mn)

	FY2024 Q1	FY2023 Q1 FY2024 Q1	YoY FY2023 Q1			QoQ FY2023 Q4		
		Performance trends	Results	Change	Change (%)	Results	Change	Change (%)
Gross sales	14,638		15,202	-564	-3.7%	14,637	0	0.0%
Net sales	3,298		3,455	-156	-4.5%	3,402	-103	-3.1%
Gross profit	2,708		2,898	-189	-6.5%	2,633	+75	+2.9%
SG&A expenses	2,514		2,358	+155	+6.6%	2,368	+146	+6.2%
Operating profit	194		539	-345	-64.0%	265	-70	-26.7%
Ordinary profit	323		575	-251	-43.8%	405	-81	-20.2%
Profit attributable to owners of parent	310		618	-307	-49.8%	296	+14	+4.9%

Gross sales	YoY	Decreased	JPY -564 mn	(-3.7%)
	QoQ	Increased	JPY +0 mn	(0.0%)

Operating profit	YoY	Decreased	JPY -345 mn	(-64.0%)
	QoQ	Decreased	JPY -70 mn	(-26.7%)

*QoQ increase in gross sales was less than one million yen.

FY2024 Consolidated Performance Forecasts and Results

(January 1, 2024-December 31, 2024)

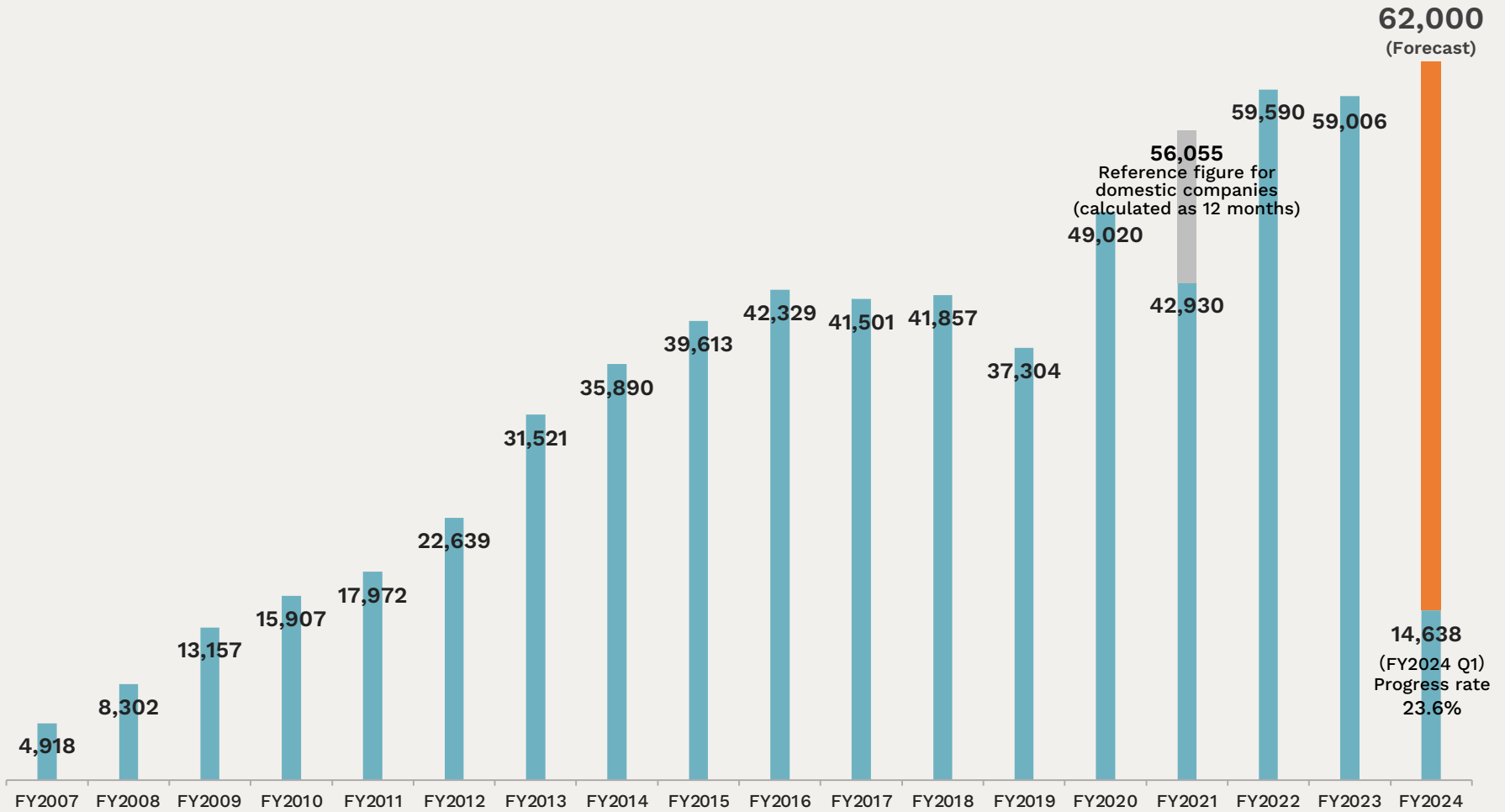
(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecasts	62,000	14,200	770	1,000	580
Q1 Results	14,638	3,298	194	323	310
Forecasts Progress rate	23.6%	23.2%	25.3%	32.4%	53.6%

Yearly Change in Consolidated Gross Sales

(FY2024 is reference figures combining the results of that year with forecast)

(JPY mn)



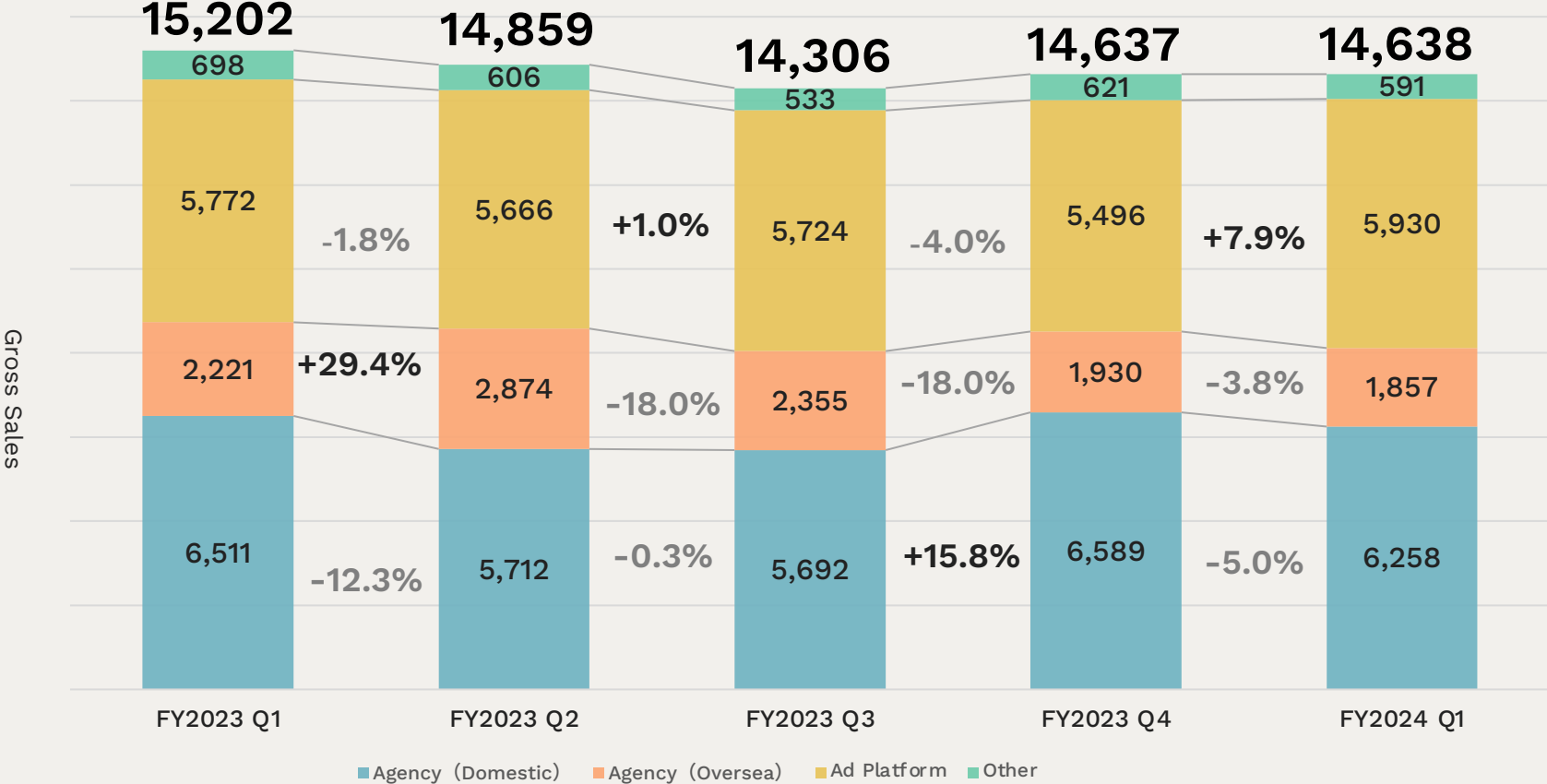
*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year year ended December 2021 was 9 months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

Quarterly Segment Summary

<p>Agency Business (Domestic)</p>	<p>Segment Gross sales : JPY 6,258 mn YoY : JPY -252 mn (-3.9%)</p> <p>Payment service apps are in a downtrend. Game apps declined during the quarter but are on a recovery trend thanks to orders for large new campaigns. Comic apps and other apps grew substantially.</p>
<p>Agency Business (Oversea)</p>	<p>Segment Gross sales : JPY 1,857 mn YoY : JPY -363 mn (-16.4%)</p> <p>App ads decreased in China due to underperformance of our services and other factors. In Taiwan, brand ads grew, but app ads declined.</p>
<p>Ad Platform Business</p>	<p>Segment Gross sales : JPY 5,930 mn YoY : JPY +158 mn (+2.7%)</p> <p>Although affiliate business declined as financial clients reduced their budgets, UNICORN's brands genre grew substantially, and the comic genre also recovered. The YouTube compatibility has been completed and is steadily increasing volume.</p>

Quarterly Change in Consolidated Gross Sales

(JPY mn)



Q1 Gross Sales : JPY 14,638 mn

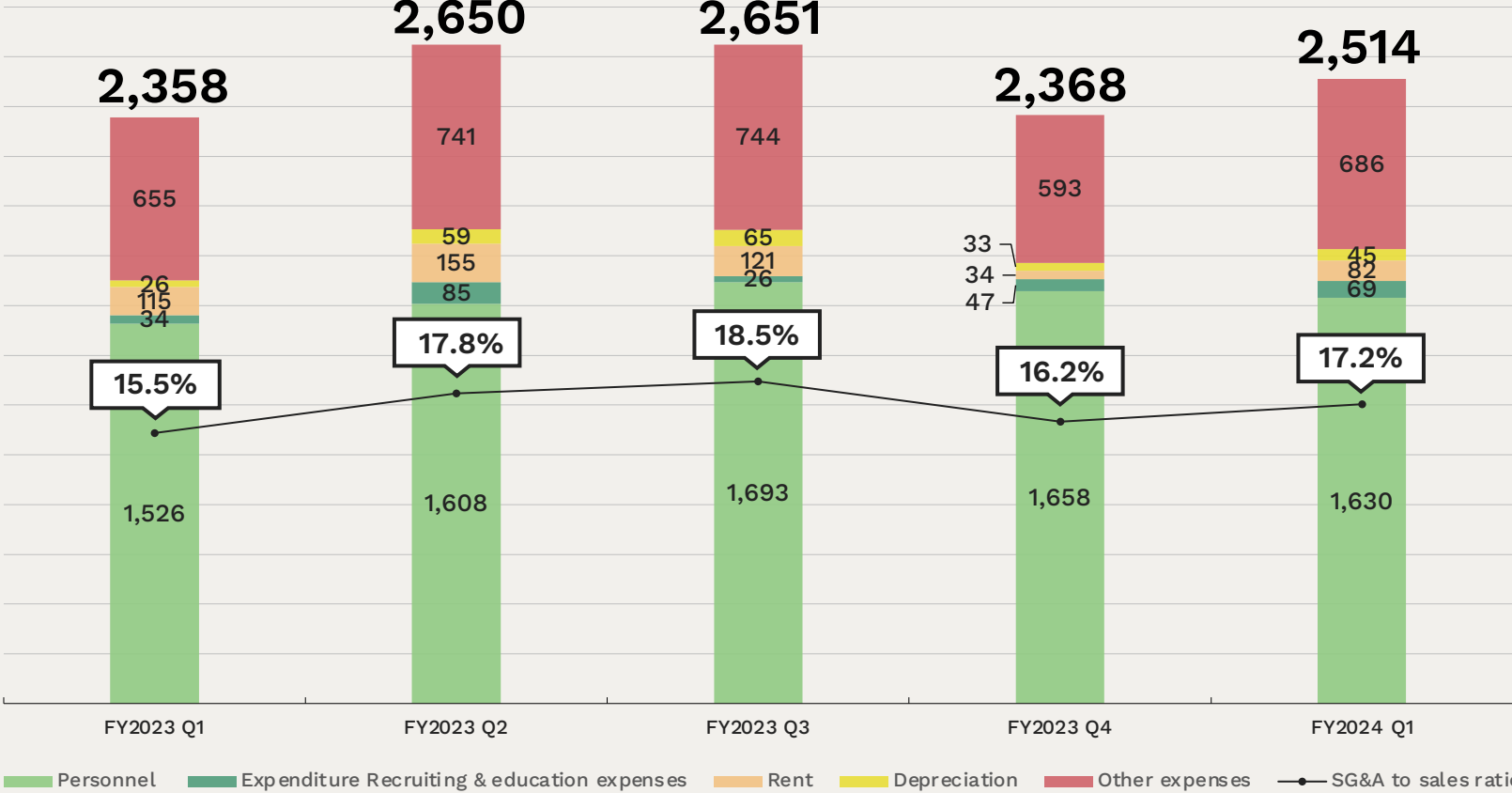
YoY: Decreased JPY -564 mn (-3.7%)

QoQ: Increased JPY 0 mn (0.0%)

*QoQ increase in gross sales was less than one million yen.

Quarterly Change in Consolidated SG&A Expenses

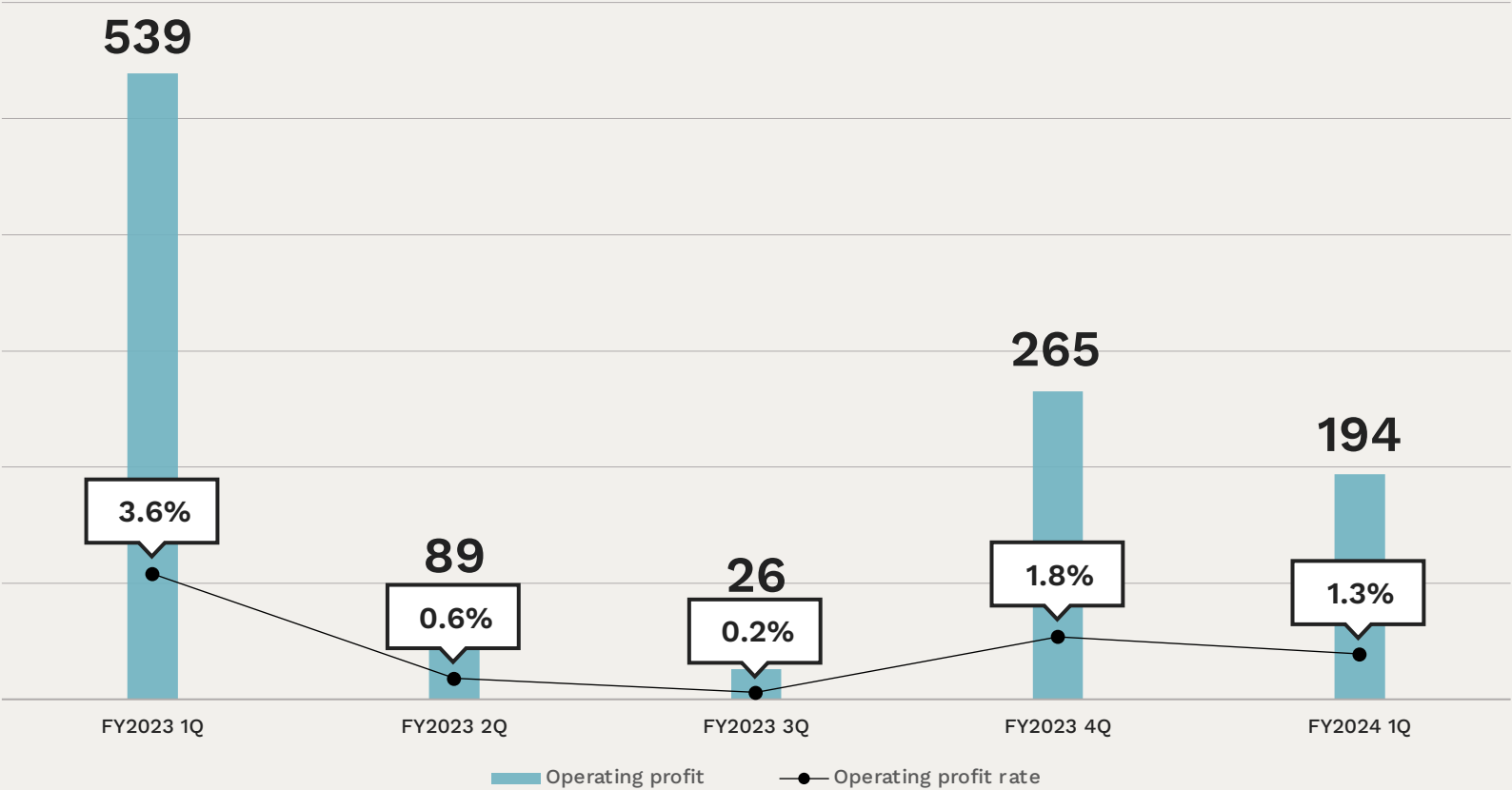
(JPY mn)



Q1 SG&A expenses : JPY 2,514 mn
 YoY: JPY +155 mn (+6.6%) SG&A to sales ratio: 17.2% (+1.7 points)

Quarterly Change in Consolidated Operating Profit

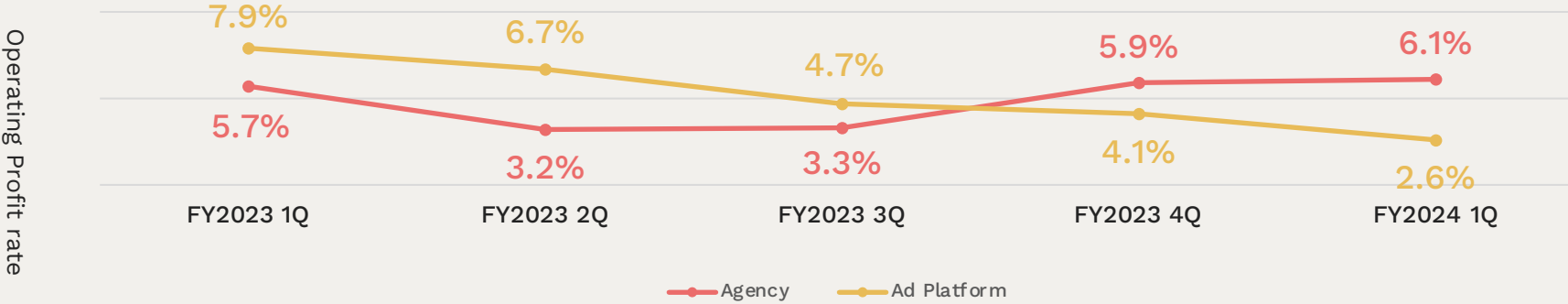
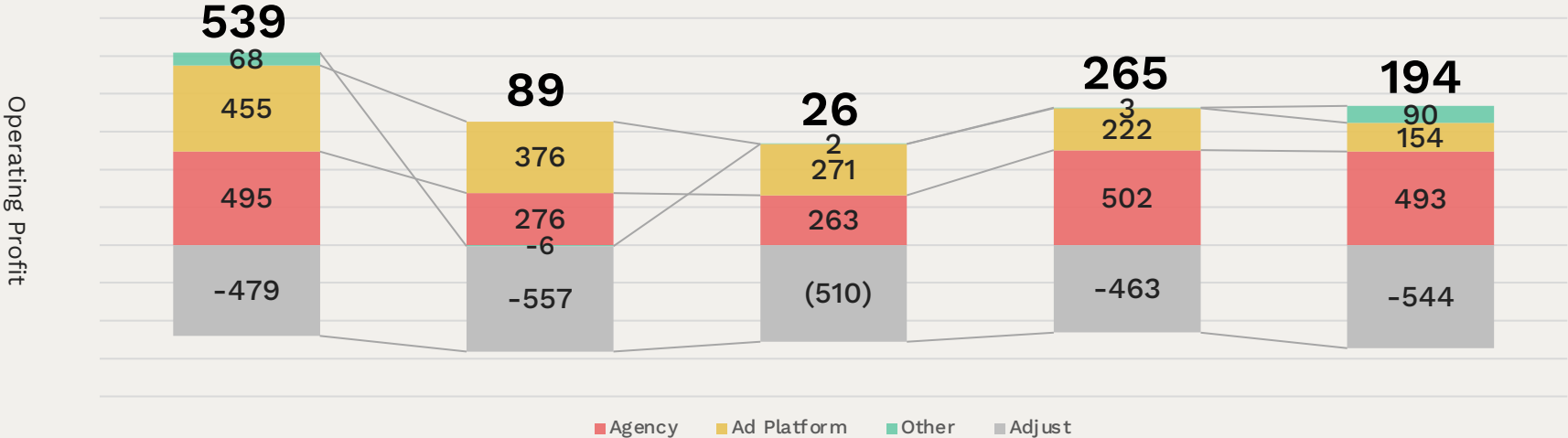
(JPY mn)



Q1 Operating profit : JPY 194 mn
YoY: JPY -345 mn (-64.0%) Operating Profit rate: 1.3% (YoY: -2.2 points)

Quarterly Change in Consolidated Operating Profit (By Segment)

(JPY mn)

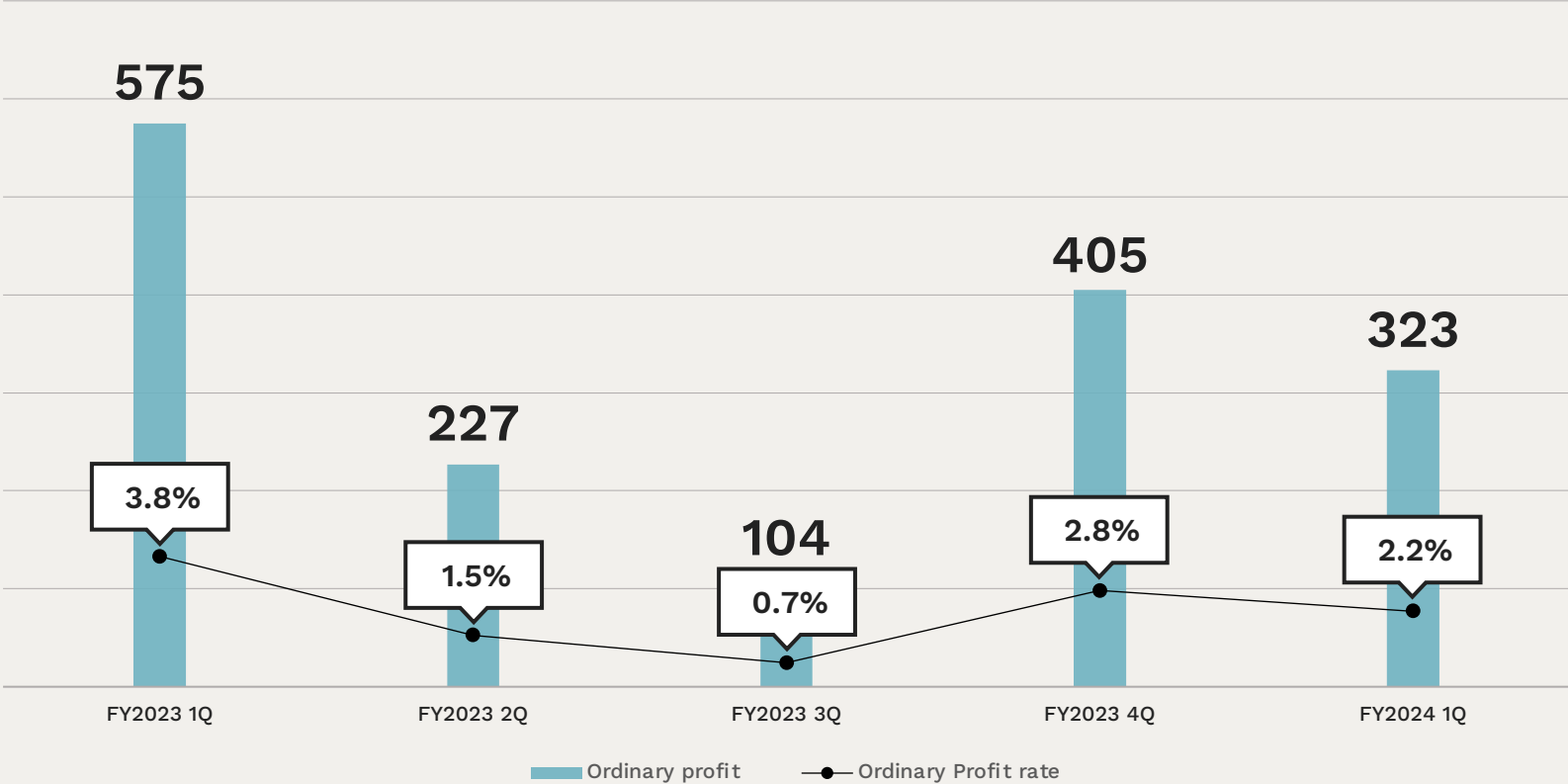


Agency Although gross sales declined, operating profit rate is on an upward trend as a result of improved SG&A expenses.

Ad Platform Operating profit rate decreased owing to aggressive investment for further growth in the future.

Quarterly Change in Consolidated Ordinary Profit

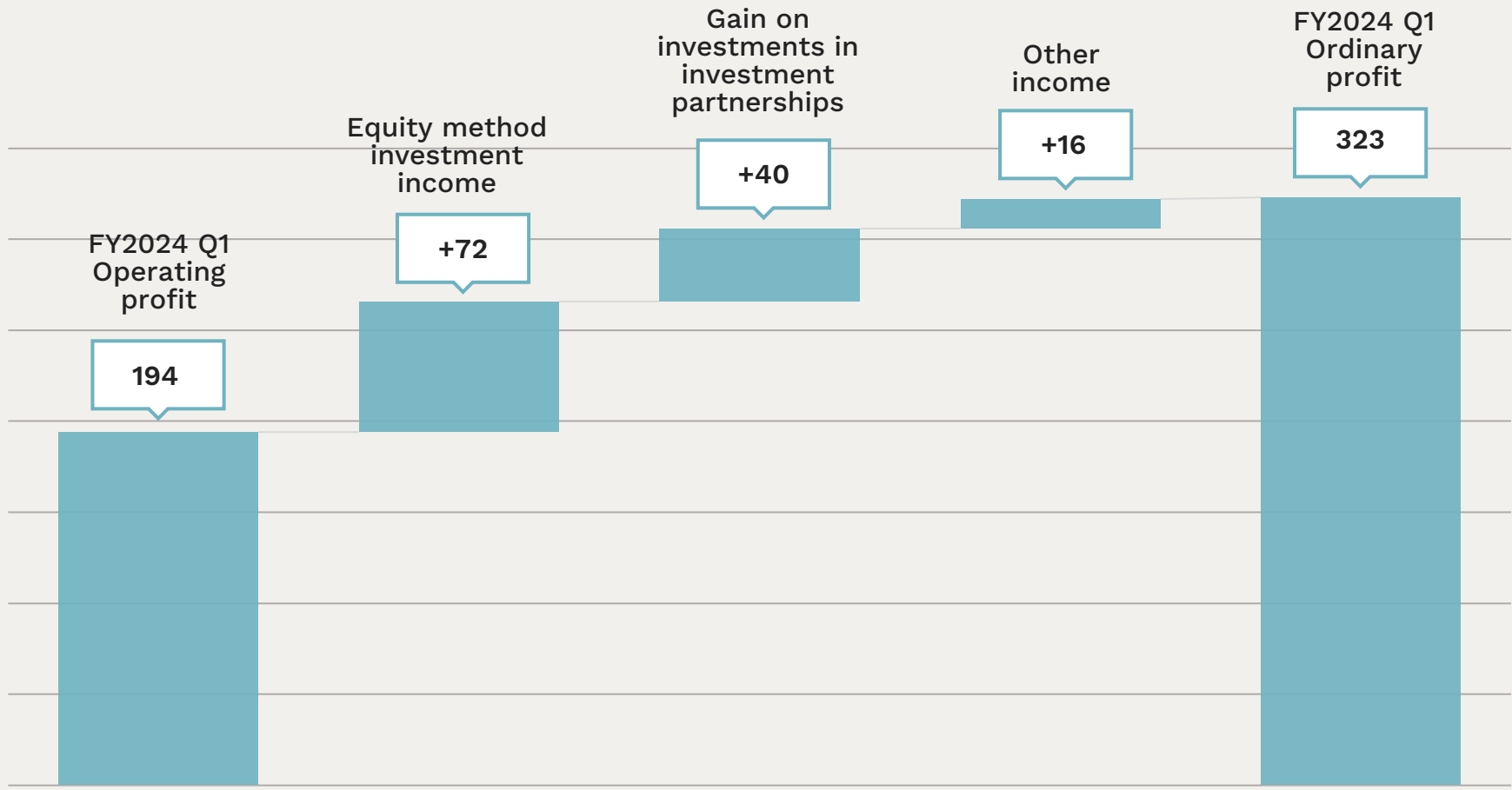
(JPY mn)



Ordinary profit: JPY 323mn
YoY: JPY -251 mn (-43.8%) Ordinary Profit rate: 2.2% (YoY: -1.6 points)

Breakdown of FY2024 Q1 Ordinary Profit

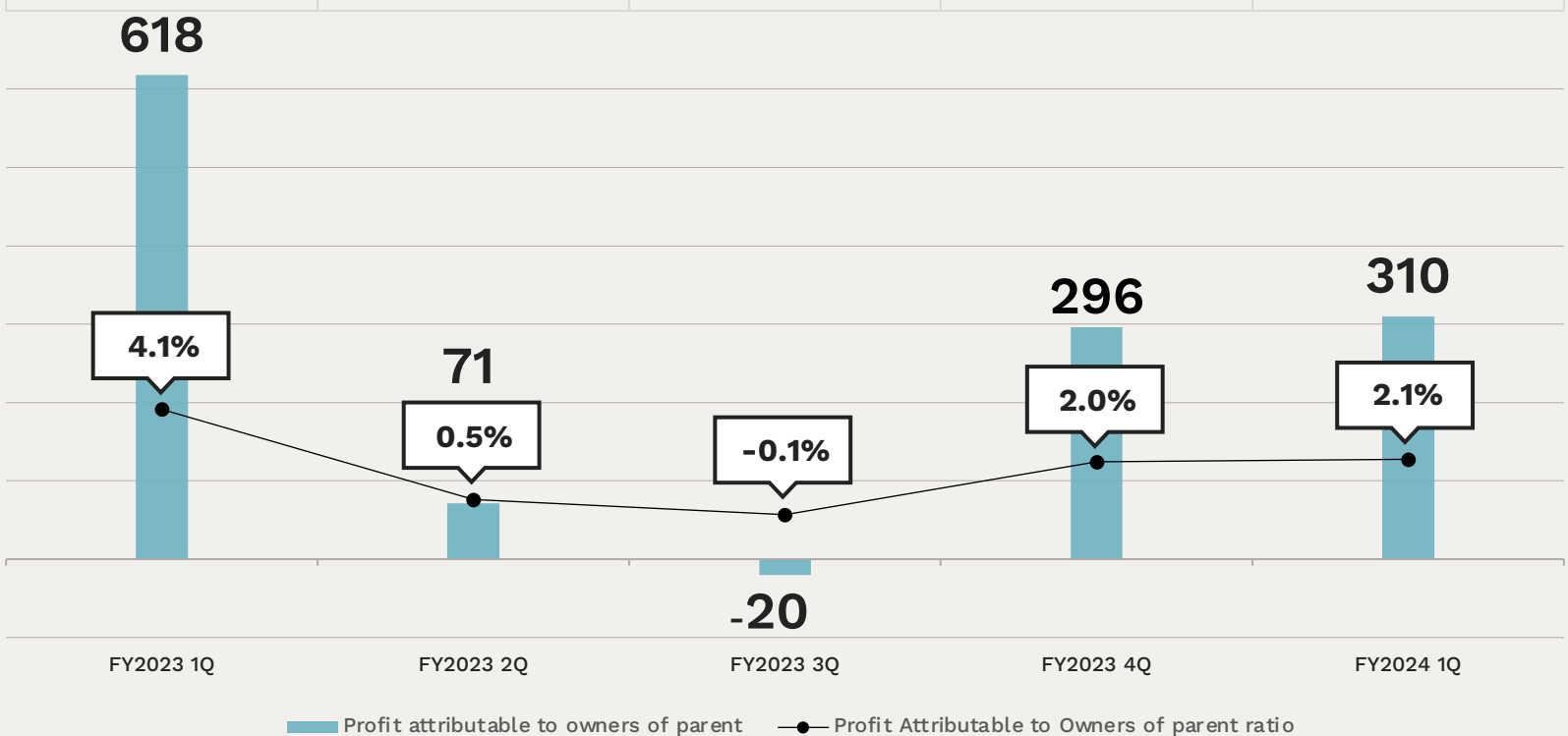
(JPY mn)



Equity method investment income	.....	JPY +72 mn
Gain on investments in investment partnerships	.....	JPY +40 mn
Other income	.....	JPY +16 mn

Quarterly Change in Consolidated Profit Attributable to Owners of Parent

(JPY mn)

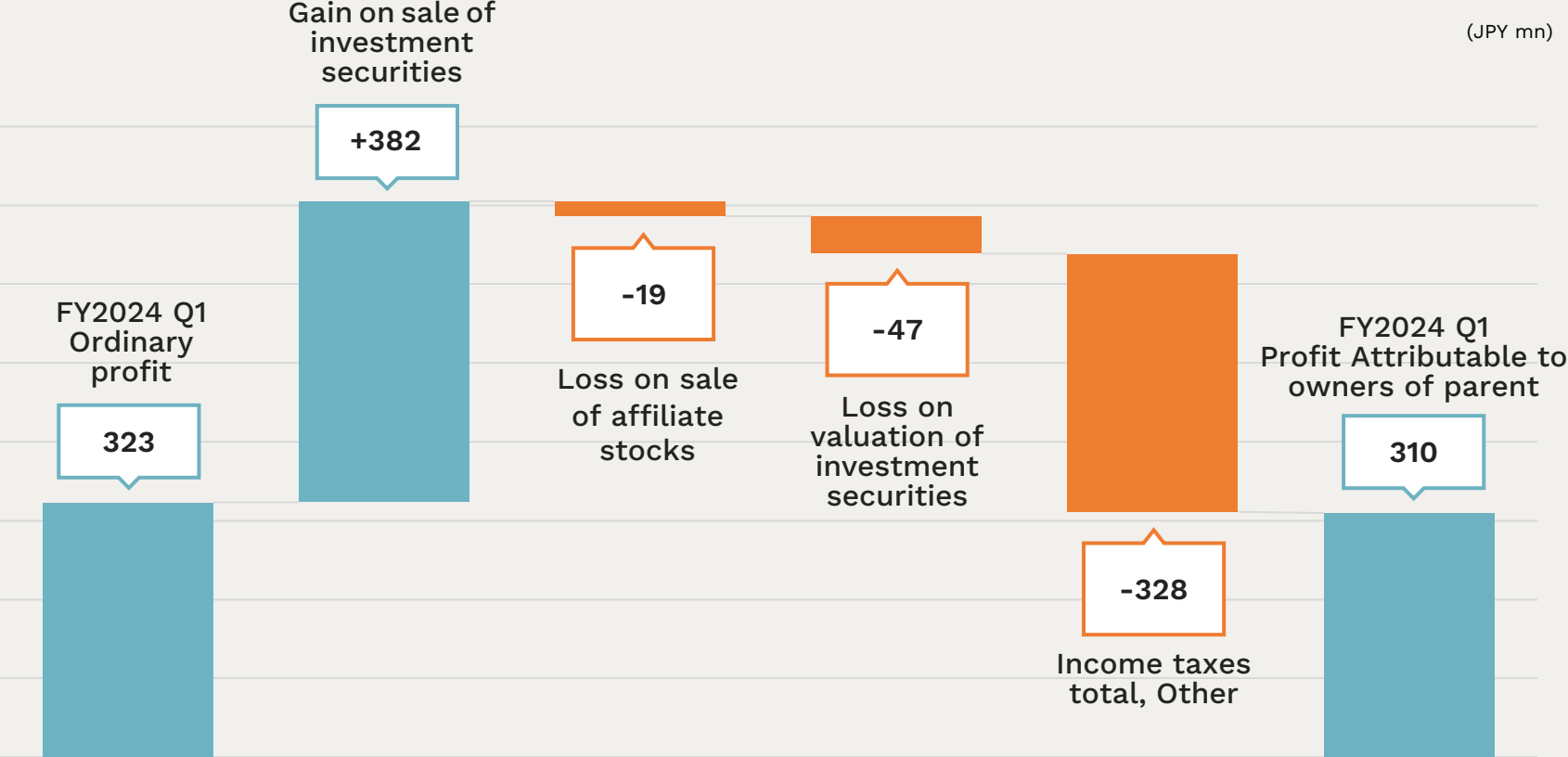


Profit attributable to owners of parent : JPY 310 mn

YoY: JPY -307 mn (-49.8%) Profit Attributable to Owners of parent ratio: 2.1% (YoY: -1.9%)

Breakdown of FY2024 Q1 Profit Attributable to Owners of Parent

(JPY mn)



Gain on sale of investment securities	.....	JPY +382 mn
Loss on sale of affiliate stocks	.....	JPY -19 mn
Loss on valuation of investment securities	.....	JPY -47 mn
Income taxes total, Other	.....	JPY -328 mn

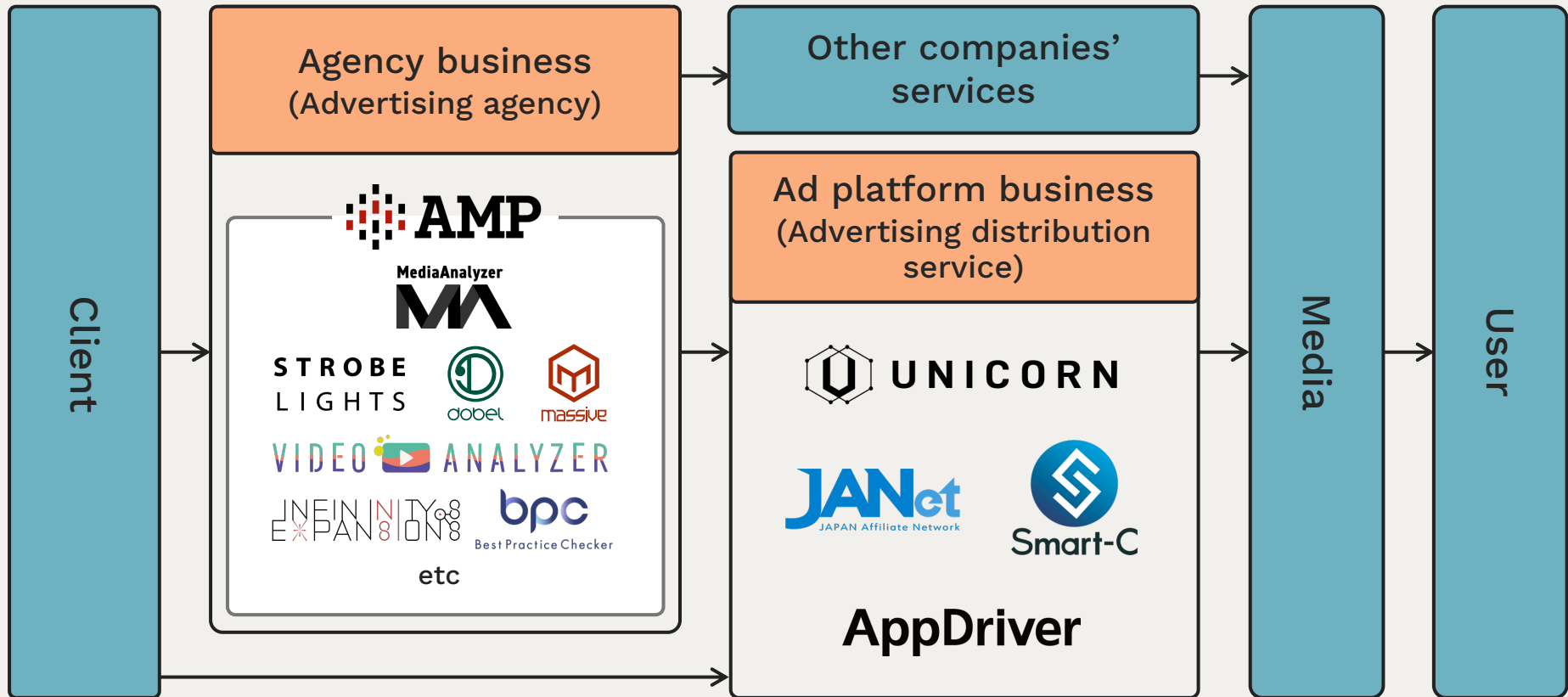
2.

Chapter 2: business overview

BUSINESS OVERVIEW

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)

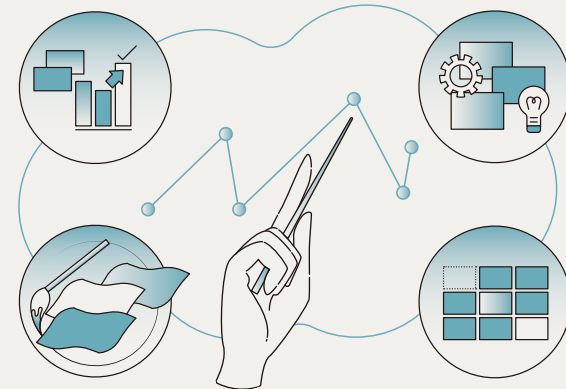
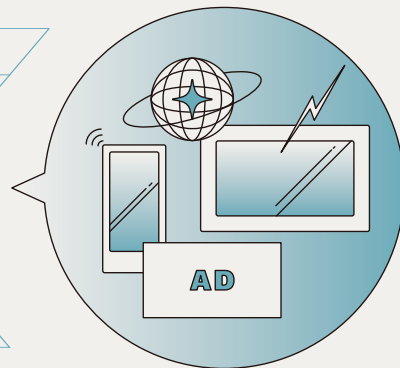
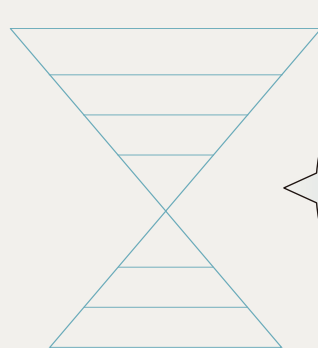
Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

First quarter

Digital transformation of marketing as a business growth driver for clients

Hakuhodo DY holdings



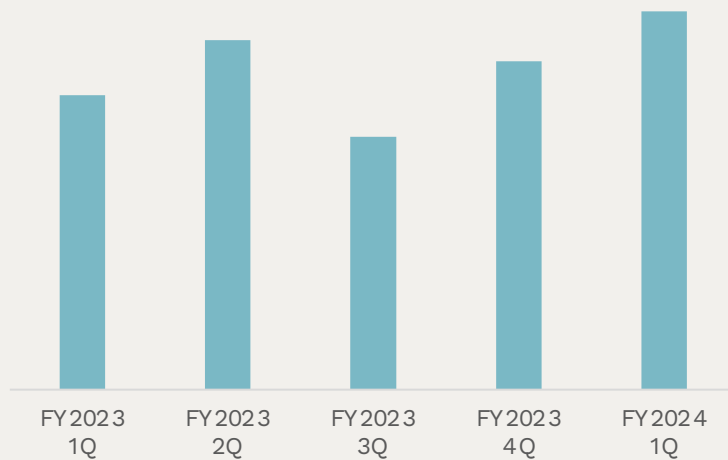
In our agency business, we provide comprehensive marketing support through integrated offline and online planning. In order to approach brand advertisers and execute more effective market planning conscious of full-channel¹ and full-funnel² marketing plans that integrate TV and digital, rather than confining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



Gross profit and number of accounts both grew YoY.

Launch of ADWAYS EN Inc.



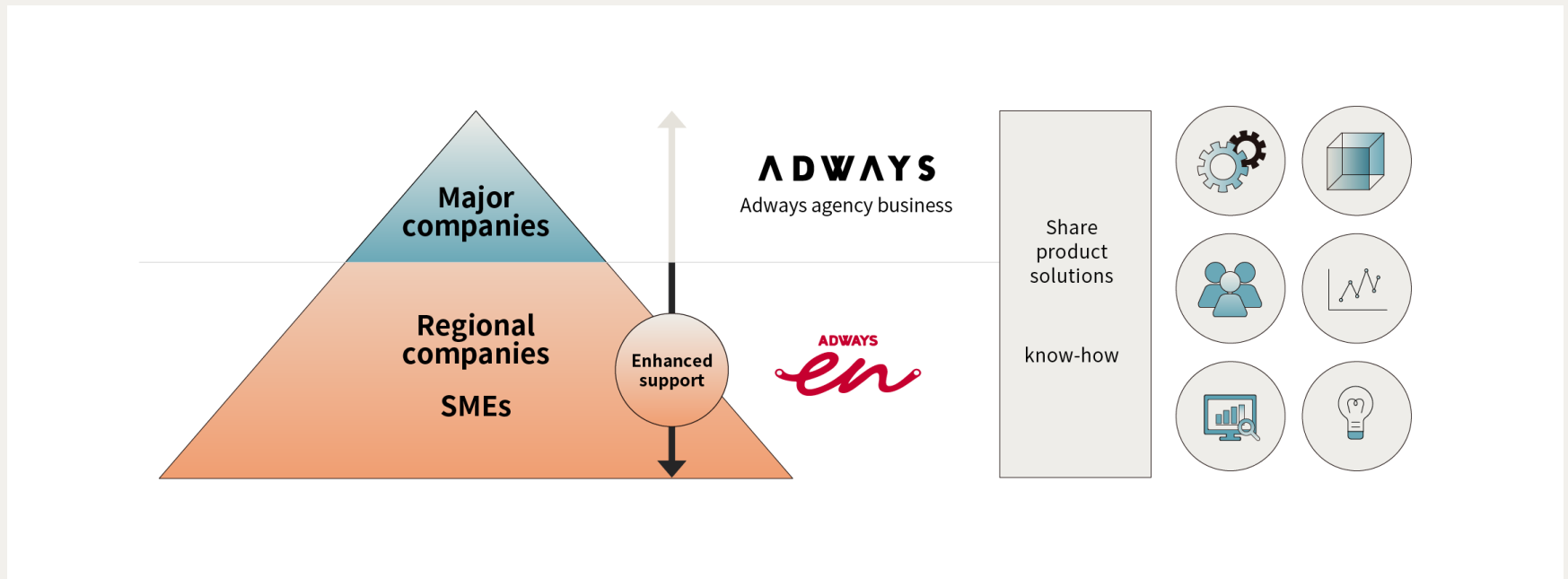
MISSION

Expand our network through digital marketing to connect people with each other and with what they want



We provide problem-solving and marketing support to Japanese regional companies/SMEs with a focus on digital advertising

Digital Marketing Support Business for Regional Companies/SMEs



We provide one-stop digital marketing support by maximizing high marketing effectiveness and productivity based on the streamlined operations and products of our agency business

Ad platform business

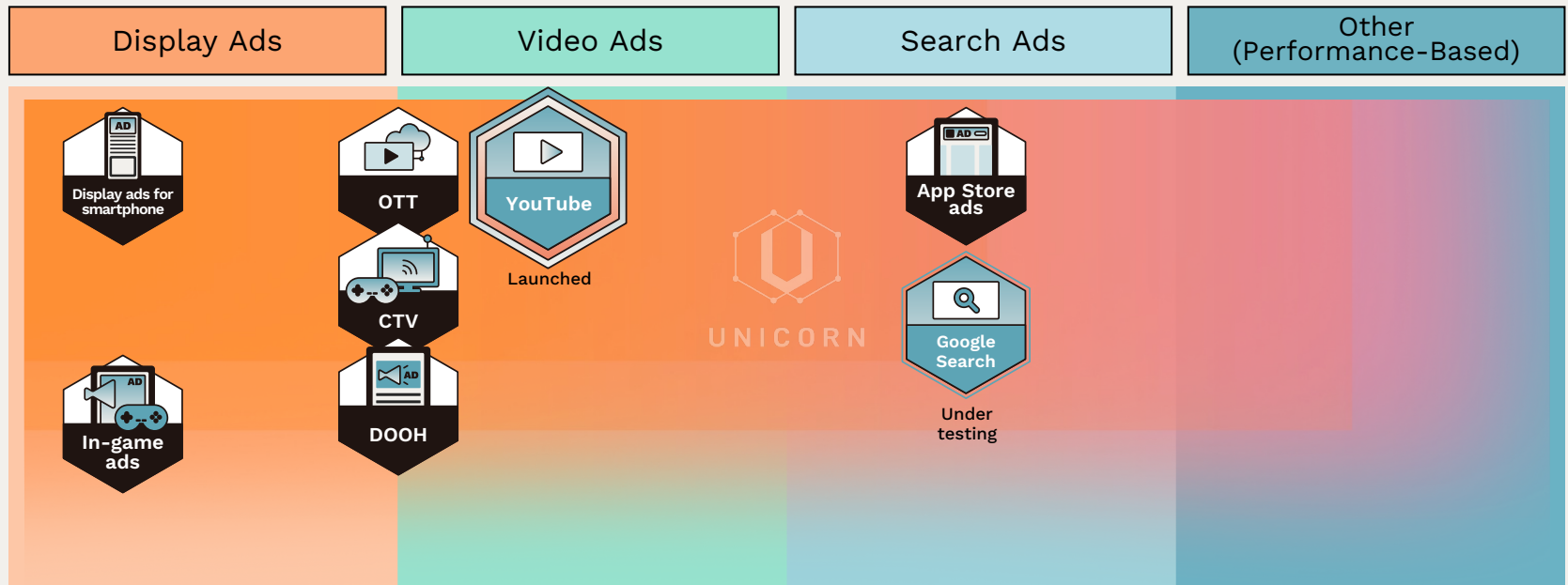
UNICORN, affiliate ad service business etc.



UNICORN
REDEFINE DIGITAL MARKETING

Principles of Ad Platform Business (UNICORN)

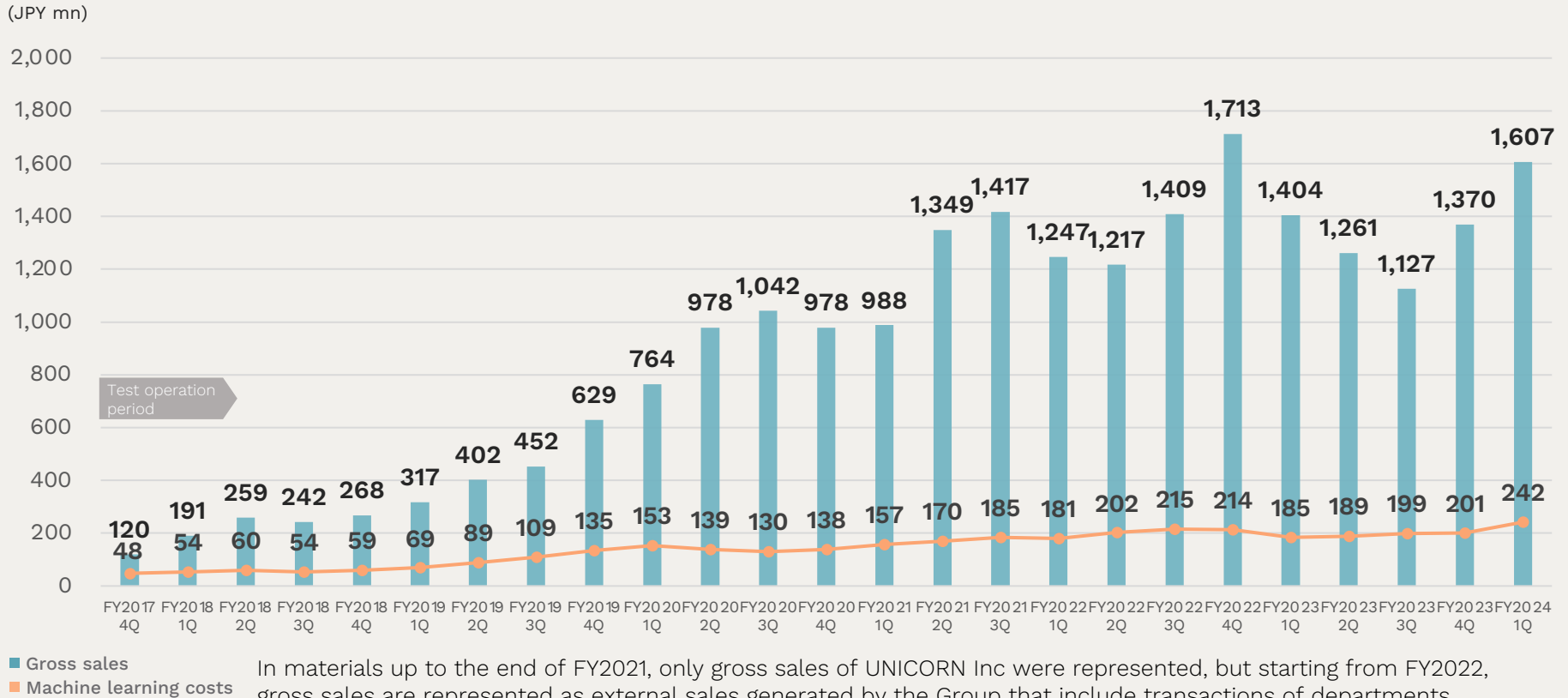
Three-dimensional expansion
based on channel, value and account



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.

Progress of UNICORN (Gross sales)

Change in UNICORN Gross Sales and Machine Learning Costs

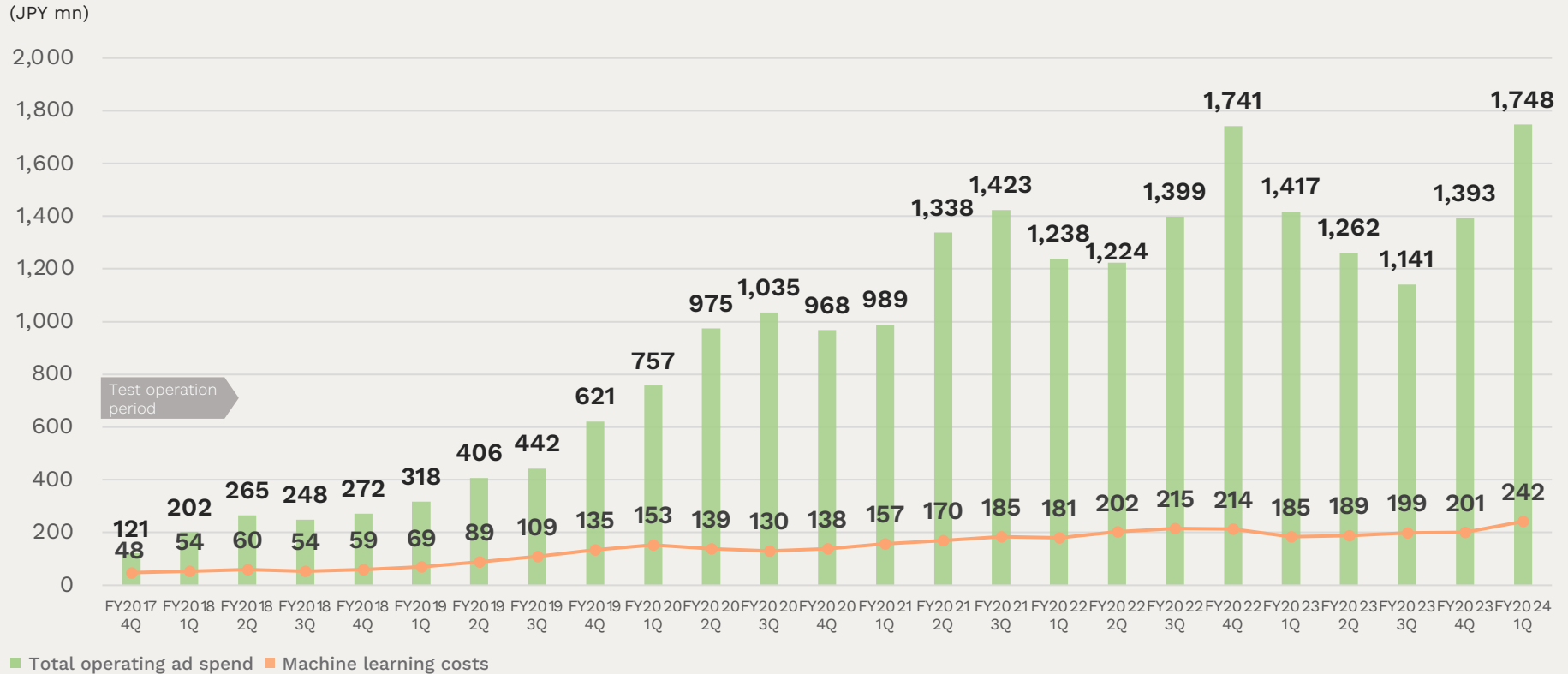


In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from FY2022, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handling UNICORN related sales. As a result, gross sales in materials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

114% YoY, a significant recovery from the sluggish 3Q 2023

Progress of UNICORN (Total Operating Ad Spend*)

Change in UNICORN Total Operating Ad Spend*/Machine Learning Costs



Highest total operating ad spend* since service launch

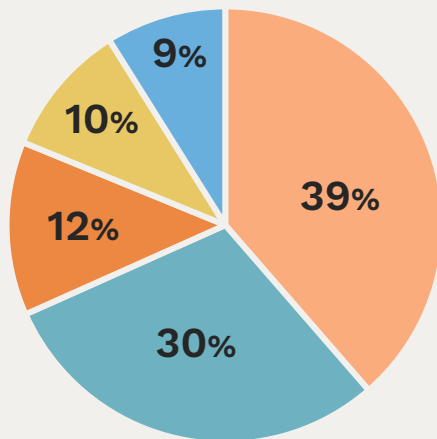
*Total operating ad spend is different from gross sales in that it is the total amount of money actually spent on ads served through UNICORN's system. In some cases, only UNICORN's margin is included in gross sales at the request of the client, and in other cases, gross sales are reduced when certain conditions are met according to the agreement with the client, so in order to show more accurately the increase or decrease of UNICORN as a service, from 2024 we are adding a chart of total operating ad spend.

Progress of UNICORN

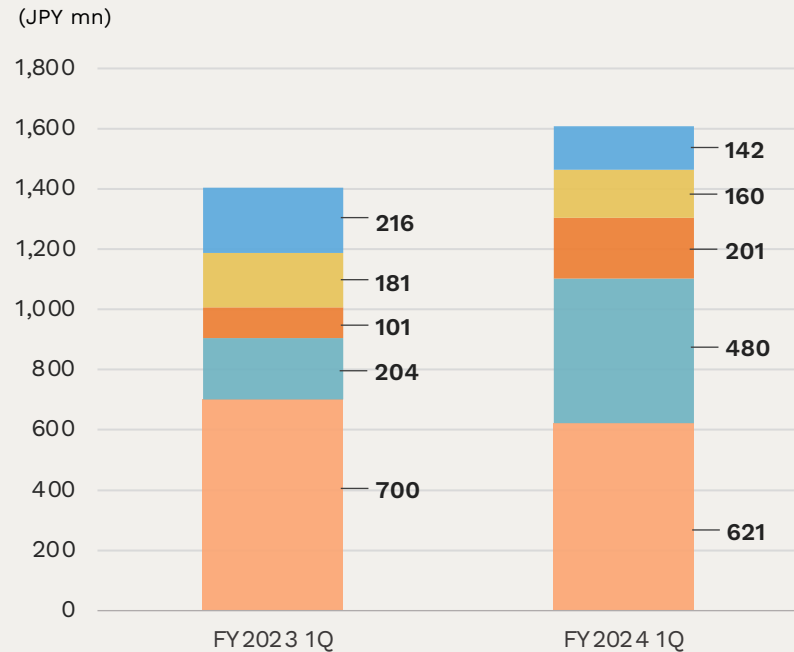
First quarter

Progress by Genre

FY2024 Q1 results



Games Brands Comics OTT Other



Games Brands Comics OTT Other

Brands grew substantially in the same quarter last year and comics, which performed poorly, also recovered.

About UNICORN

Progress of UNICORN

First quarter

UNICORN's Performance: YoY

(JPY mn)

	FY2024 1Q	YoY FY2023 Q1		
		Result	Change	Change (%)
Gross sales	1,607	1,404	+203	+14.5%
Gross profit	480	436	+43	+9.9%
Operating profit	33	83	-50	-60.3%

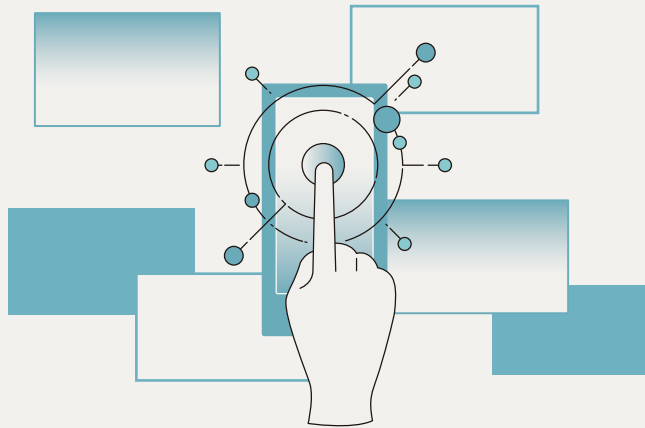
Gross sales and gross profit increased substantially.
Operating profit decreased owing to investment for further growth.

About UNICORN

Advanced ad method

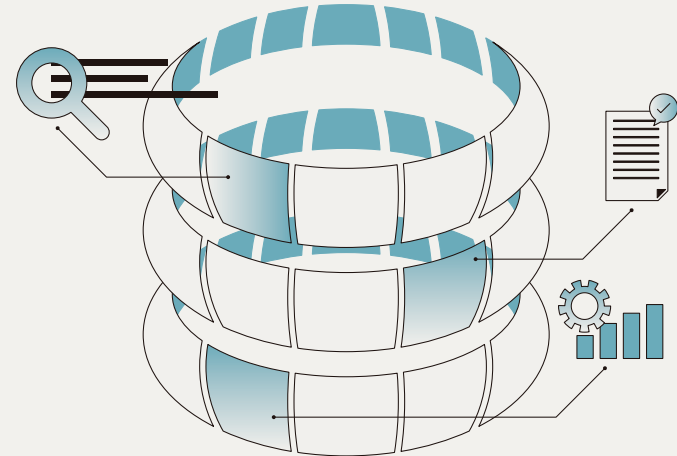
UNICORN Interactive AD

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

RTB Integration with Major Japanese Premium SSP YieldOne®



DOOH ad illustration



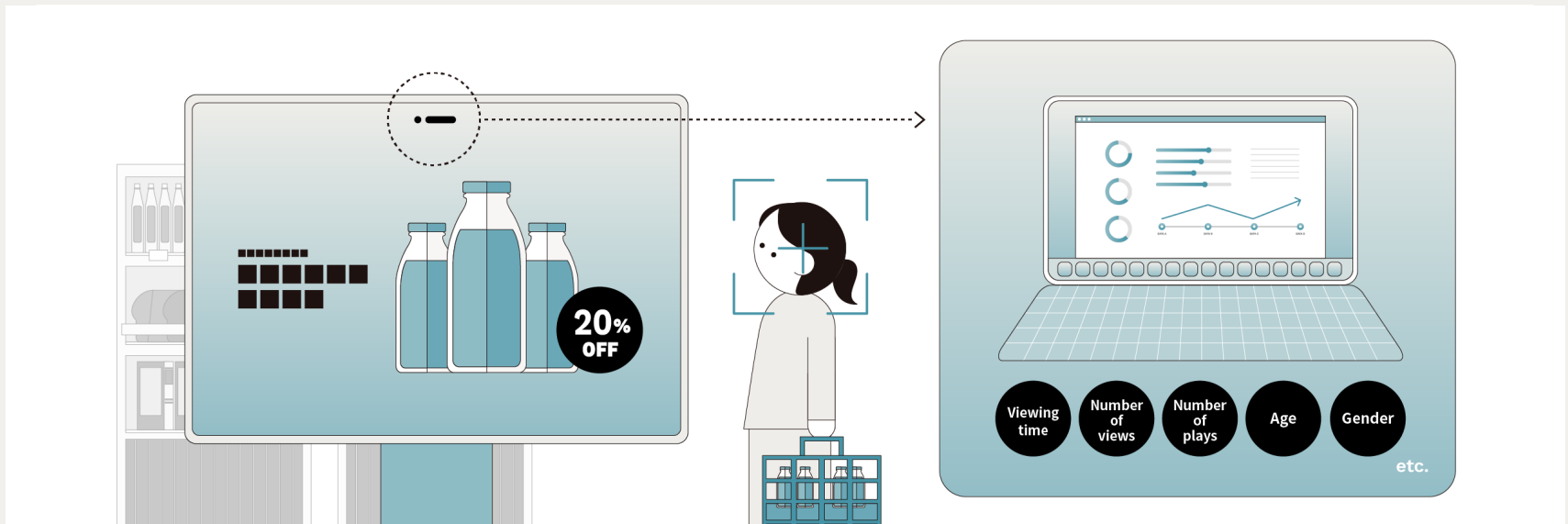
Skin ad illustration



YieldOne®, the SSP operated by Platform One Inc., plans to expand its advertising space to include digital signage (DOOH), which is expected to grow, and special formats such as skin ads and takeover ads, and we will both continue to support clients in maximizing advertising effectiveness.

_____ About **UNICORN**

Launch Provision of Ad Distribution Platform for Retail Media and Integrated Digital Signage



In collaboration with Parsempo Ltd., in addition to providing camera-equipped Android devices (tablets, etc.) to retail stores, it will be possible to analyze video in real time in a privacy-compliant manner, aggregate data such as viewing time, number of views, number of plays, age, and gender for signage advertising, and deliver advertising based on this data.

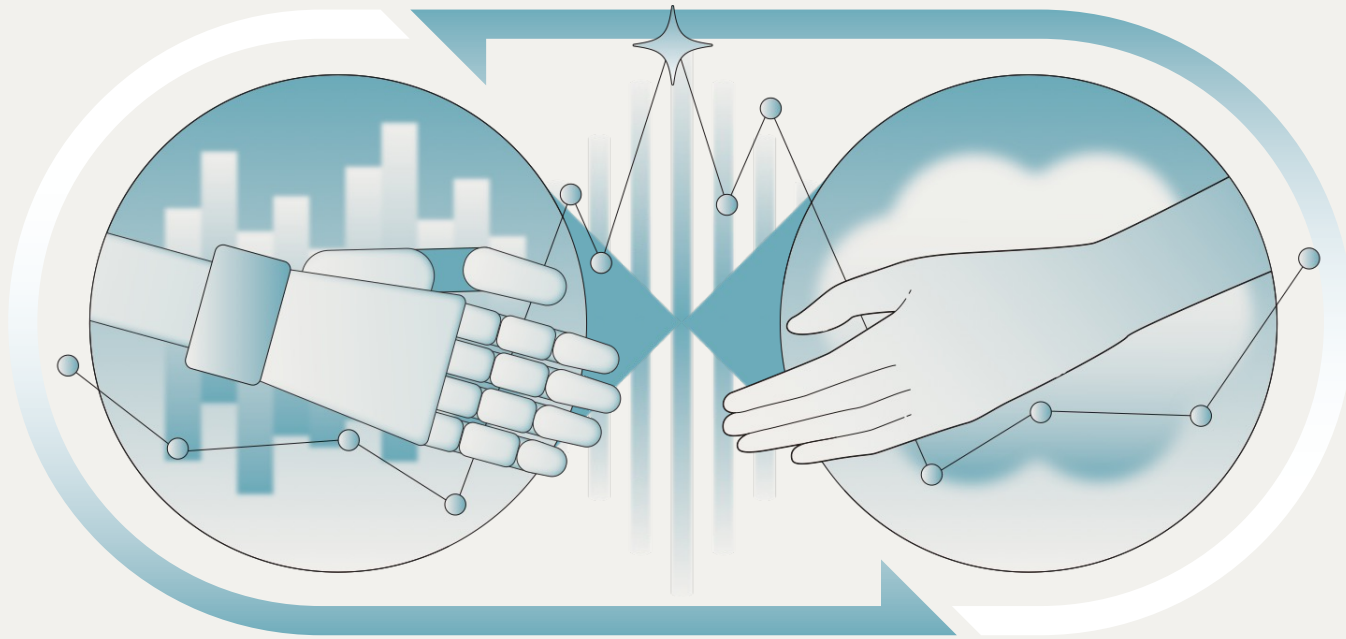
Transfer of Group Company to Cloud Nine Inc.



In addition to producing and managing a wide range of entertainers such as artists, composers, and illustrators like Ado and shallm, it also operates “SHOWBIZ,” a platform that allows anyone to distribute music collaborations, through a subsidiary.

**Transferred some shares of UNICORN subsidiary
TheSwampman to Cloud Nine**

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.

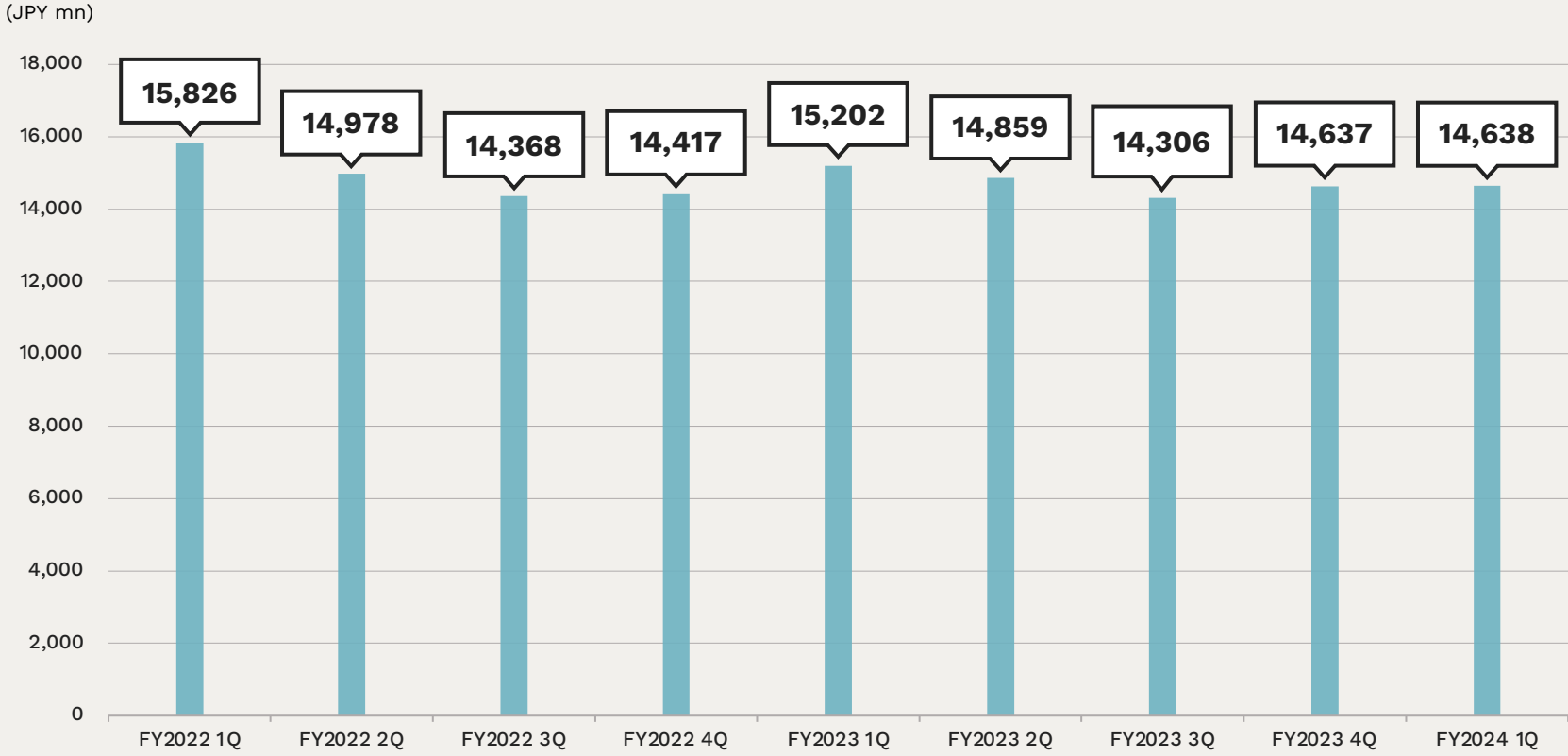
Statements made herein are based on information available as of April 30h, 2024, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY MATERIALS

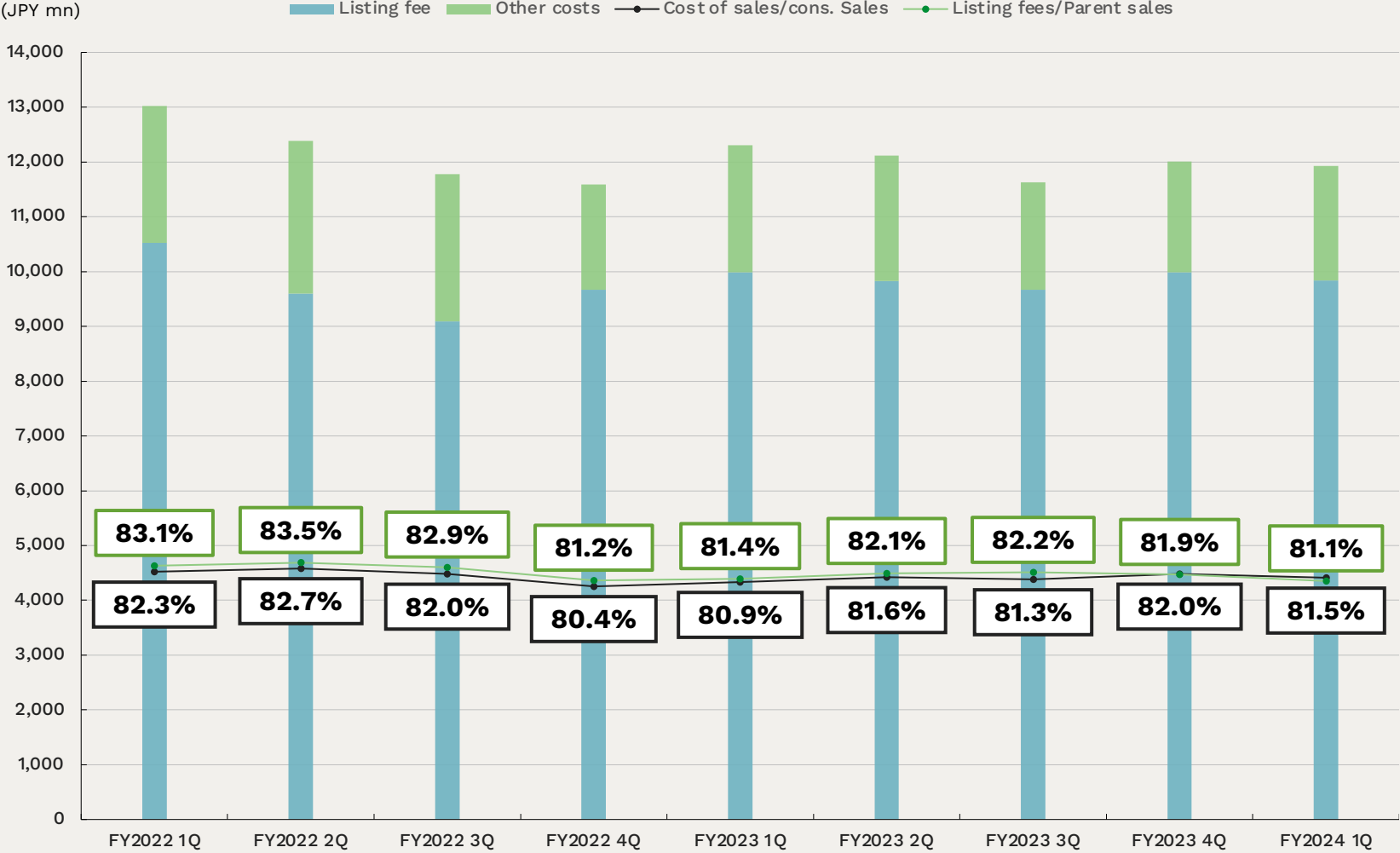
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Chapter 3 : **Supplementary materials**

Quarterly Change in Consolidated Gross Sales

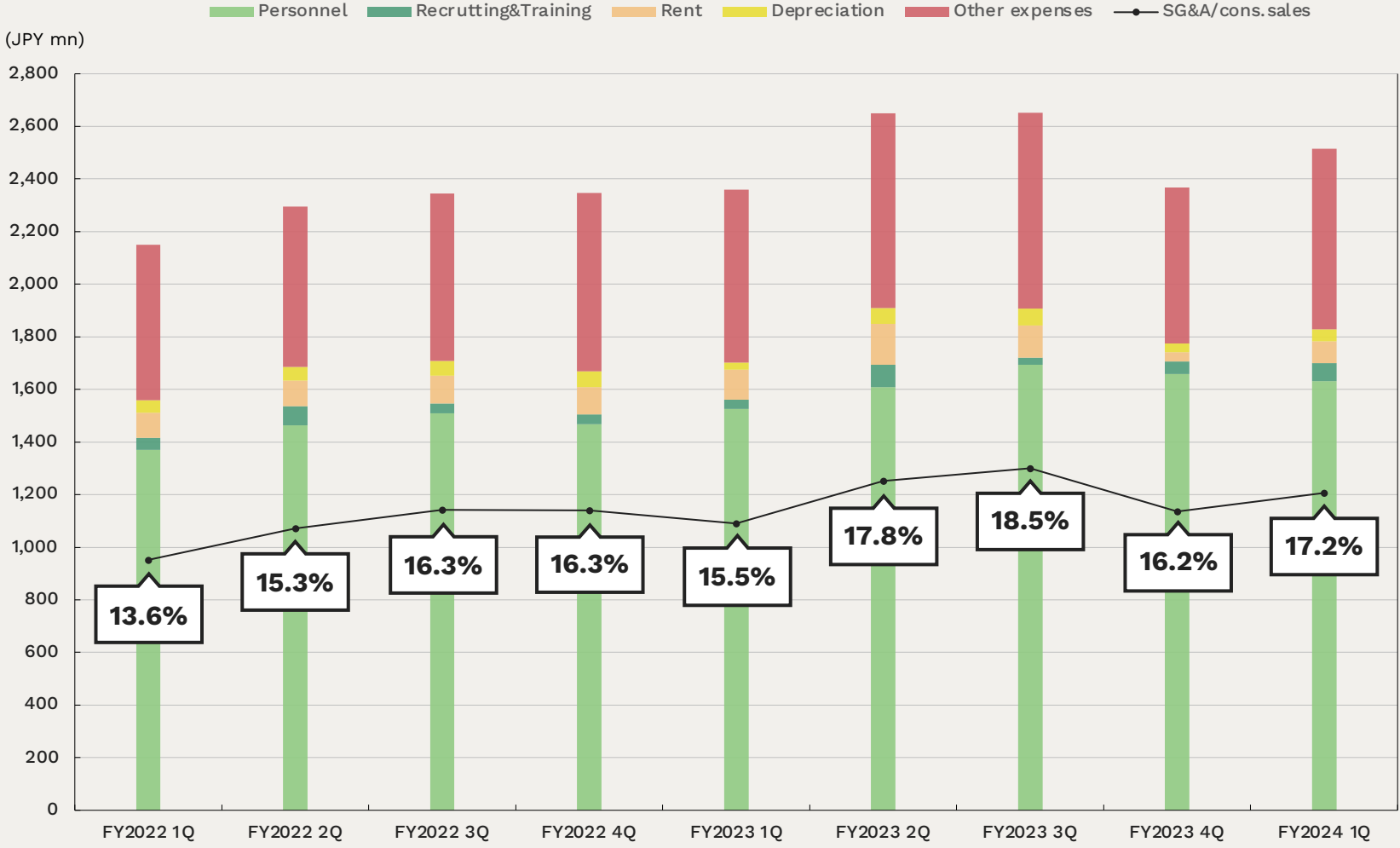


Quarterly Change in Consolidated Cost of Sales

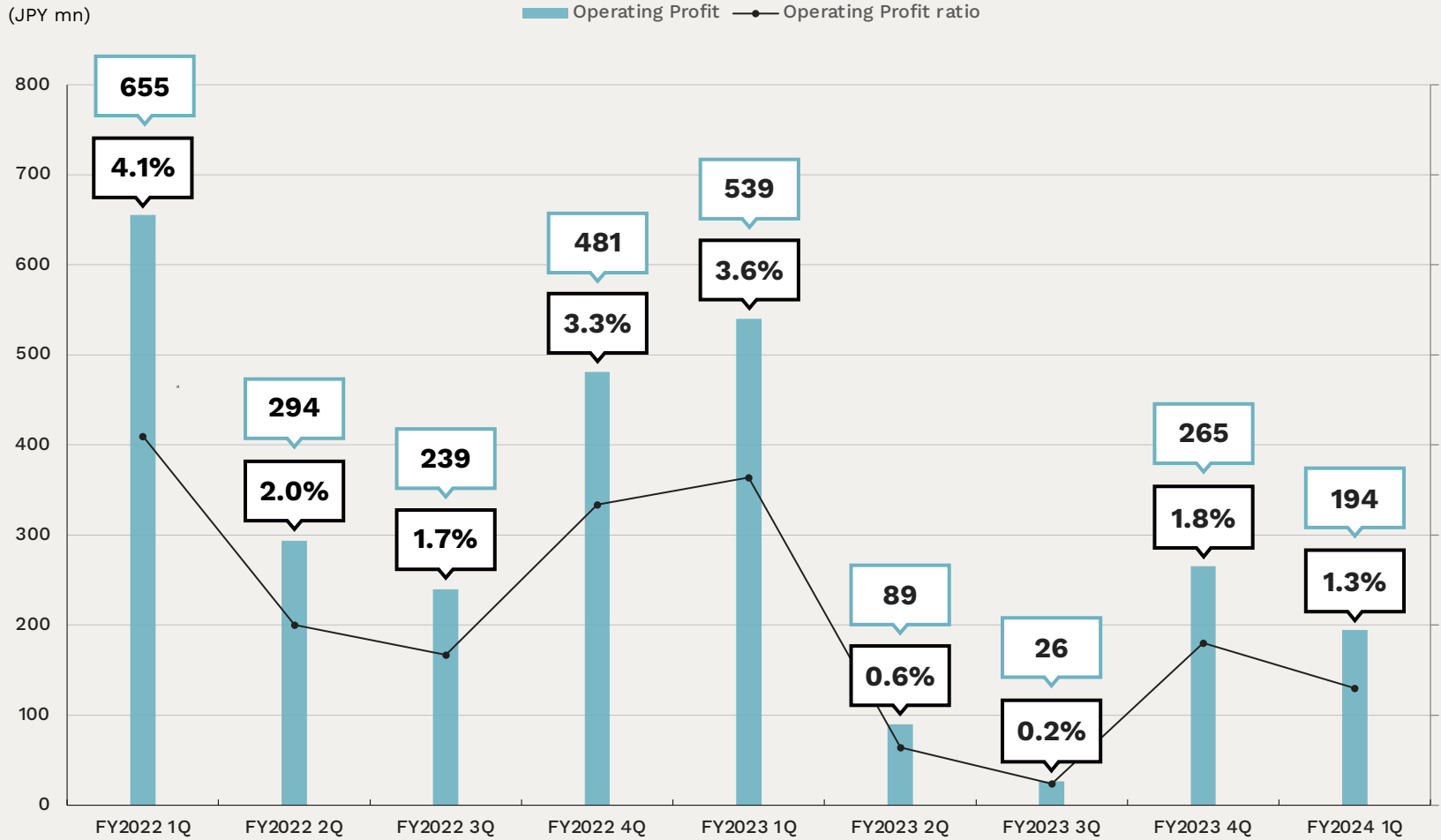


*Listing fee and Listing fees/Parent sales show non-consolidated figures and ADWAYS DEEE totals.

Quarterly Change in Consolidated SG&A Expenses



Quarterly Change in Consolidated Operating Profit

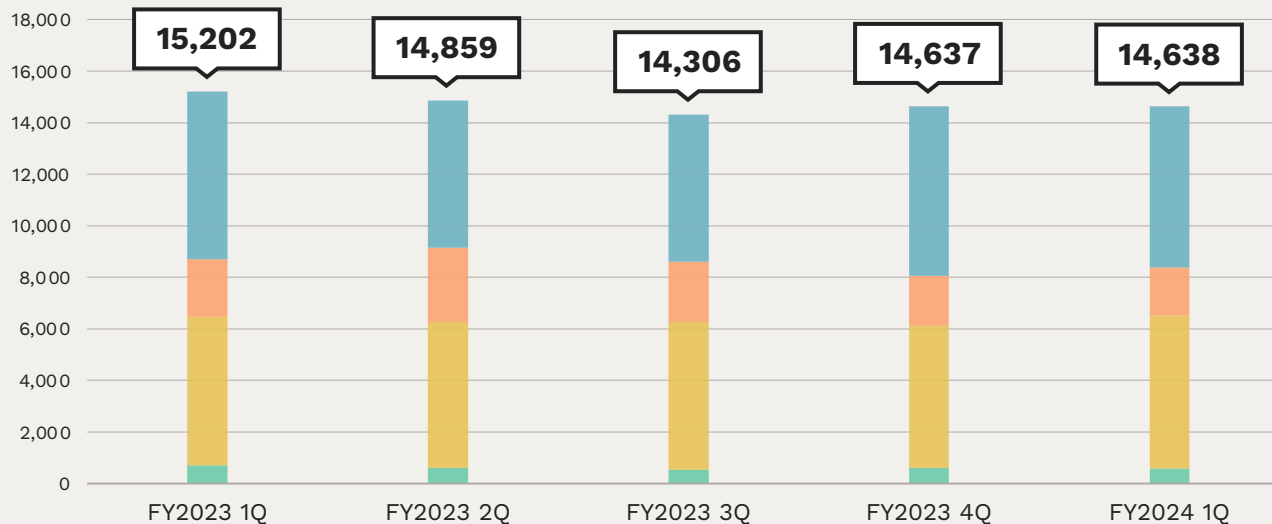


Consolidated Balance Sheet (QoQ)

(JPY mn)

	FY2024 1Q	FY2023 4Q	Change	Change (%)
Current assets	19,773	19,940	-166	-0.8%
(Cash and deposits)	10,015	10,194	-178	-1.7%
Non-current assets	5,012	5,287	-274	-5.2%
Total assets	24,786	25,227	-440	-1.7%
Current liabilities	9,989	10,342	-352	-3.4%
Non-current liabilities	227	283	-55	-19.7%
Total liabilities	10,217	10,625	-408	-3.8%
Net assets	14,569	14,601	-32	-0.2%

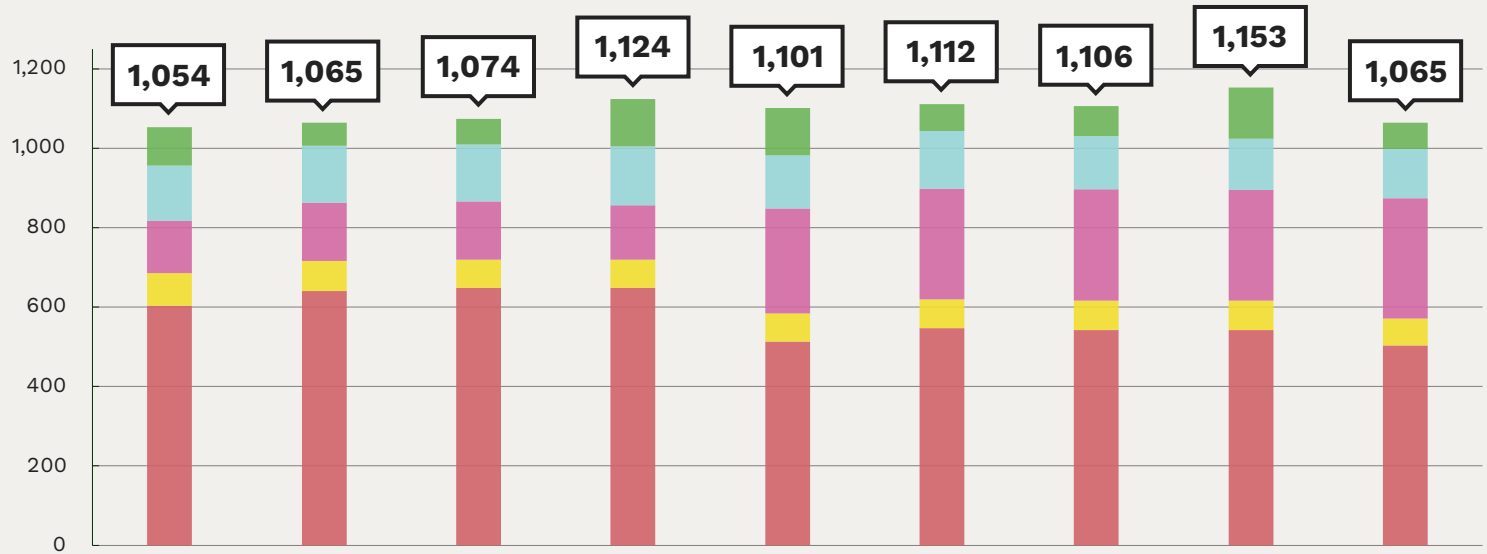
Quarterly Breakdown of Consolidated Sales by Segment



(JPY mn)	FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2024 1Q	QoQ	
						Change	Change (%)
Agency (domestic)	6,511	5,712	5,692	6,589	6,258	-330	-5.0%
Agency (overseas)	2,221	2,874	2,355	1,930	1,857	-72	-3.8%
Ad platform	5,772	5,666	5,724	5,496	5,930	+434	+7.9%
Other	698	606	533	621	591	-30	-4.8%
Total	15,202	14,859	14,306	14,637	14,638	+0	+0.0%

*QoQ increase in gross sales was less than one million yen.

Quarterly Change in Group Employees



(Persons)	FY2022 1Q	FY2022 2Q	FY2022 3Q	FY2022 4Q	FY2023 1Q	FY2023 2Q	FY2023 3Q	FY2023 4Q	FY2024 1Q
ADW Japan	603	641	648	649	513	548	543	542	504
ADW China	83	76	72	71	72	72	74	75	67
Domestic subsidiaries	132	146	147	137	263	279	280	279	303
Overseas subsidiaries (excluding China)	138	144	143	148	135	145	133	128	125
Temporary workers, part-time employees	98	58	64	119	118	68	76	129	66
Total	1,054	1,065	1,074	1,124	1,101	1,112	1,106	1,153	1,065

*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 1,717 mn (As at end of March 2024)
Gross sales	JPY 59,006 mn (FY2023, Consolidated basis)
Employees ※including temporary workers	1,065 (for the entire group) (As at end of March 2024)