

2Q SECOND QUARTER

2024

JULY 31, 2024
PRESENTATION MATERIAL

STOCK CODE : 2489
TSE PRIME MARKET
ADWAYS INC.

CEO
Sho Yamada



ADWAYS
IR CHANNEL

ADWAYS

Contents

1. Q2 FY2024 Performance ... P.4
2. Business Overview ... P.17
3. Supplementary Materials ... P.45

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.

Chapter1 : **Second quarter results**

1. Q2 FY2024 Performance

Quarterly Results (YoY · QoQ)

(JPY mn)

	FY2024 Q2	FY2023 Q2 FY2024 Q2	YoY FY2023 Q2			QoQ FY2024 Q1		
		Performance Trends	Results	Change	Change (%)	Results	Change	Change (%)
Gross sales	13,494		14,859	-1,364	-9.2%	14,638	-1,143	-7.8%
Net sales	3,094		3,387	-293	-8.6%	3,298	-204	-6.2%
Gross profit	2,514		2,740	-226	-8.3%	2,708	-194	-7.2%
SG&A expenses	2,655		2,650	+4	+0.2%	2,514	+140	+5.6%
Operating profit/loss	-140		89	-230	-	194	-335	-
Ordinary profit/loss	-65		227	-293	-	323	-389	-
Profit/Loss attributable to owners of parent	-132		71	-203	-	310	-443	-

Gross sales YoY **Decreased -1,364 mn** (-9.2%)
QoQ **Decreased -1,143 mn** (-7.8%)

Operating profit/loss YoY **Decreased -230 mn** (-)
QoQ **Decreased -335 mn** (-)

FY2024 Consolidated Performance Forecasts and Results

(January 1, 2024-December 31, 2024)

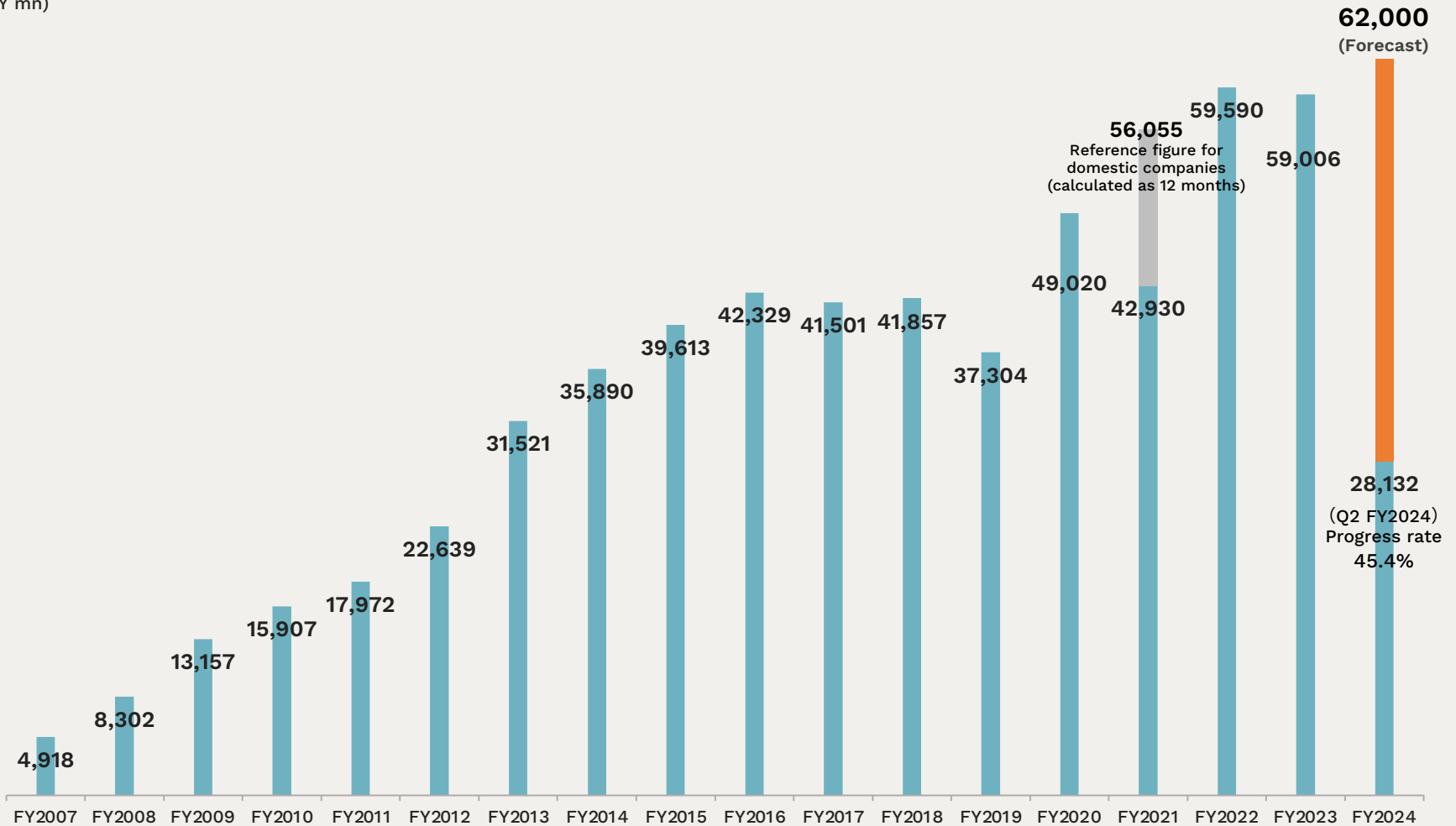
(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecasts	62,000	14,200	770	1,000	580
Q2 Results	28,132	6,393	53	257	178
Forecasts Progress rate	45.4%	45.0%	7.0%	25.8%	30.8%

Yearly Change in Consolidated Gross Sales

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

(JPY mn)



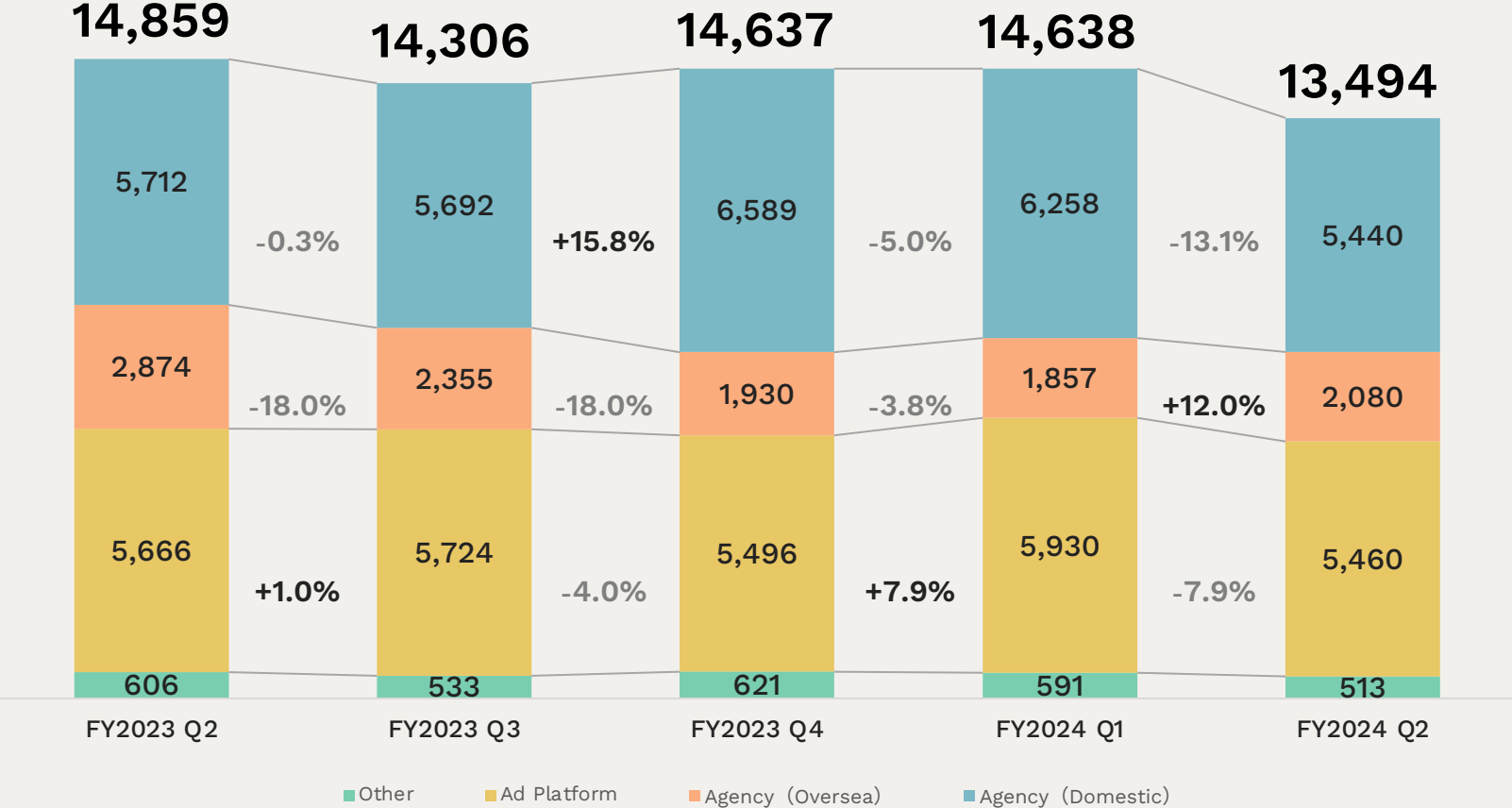
*FY2021 (12 months for domestic companies) is reference figures combining the results of that year with domestic companies' Q4 of the fiscal year ended March 2021 (accounting period) (in line with the change of fiscal year, the accounting period of the fiscal year year ended December 2021 was 9 months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

Quarterly Segment Summary

<p>Agency Business (Domestic)</p>	<p>Segment Gross sales : JPY 5,440 mn YoY : JPY -272 mn (-4.8%)</p> <p>Game apps and payment service apps decreased due in part to policy shifts at some clients. Comic apps and e-commerce campaigns grew. Brand ads for broadening awareness grew.</p>
<p>Agency Business (Oversea)</p>	<p>Segment Gross sales : JPY 2,080 mn YoY : JPY -793 mn (-27.6%)</p> <p>App ads decreased due in part to underperformance of our services in China. In Taiwan, LINE sales were extremely brisk, resulting in brand ads growing.</p>
<p>Ad Platform Business</p>	<p>Segment Gross sales : JPY 5,460 mn YoY : JPY -205 mn (-3.6%)</p> <p>Affiliate ads for apps decreased. Finance affiliate ads remained unchanged. UNICORN's brands genre grew substantially.</p>

Quarterly Change in Consolidated Gross Sales

(JPY mn)



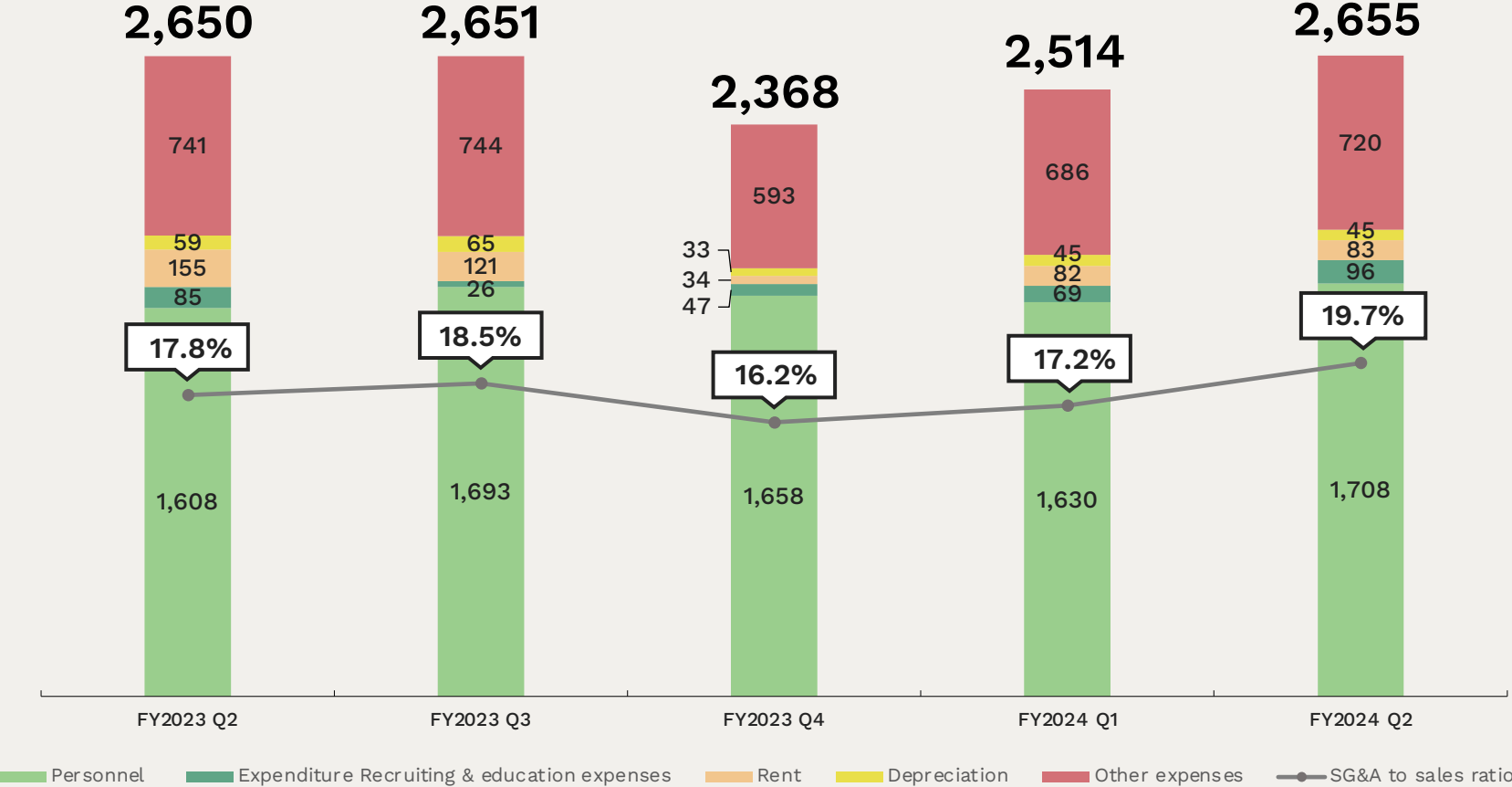
Q2 Gross Sales : JPY 13,494 mn

YoY: Decreased JPY -1,364 mn (-9.2%)

QoQ: Decreased JPY -1,143 mn (-7.8%)

Quarterly Change in Consolidated SG&A Expenses

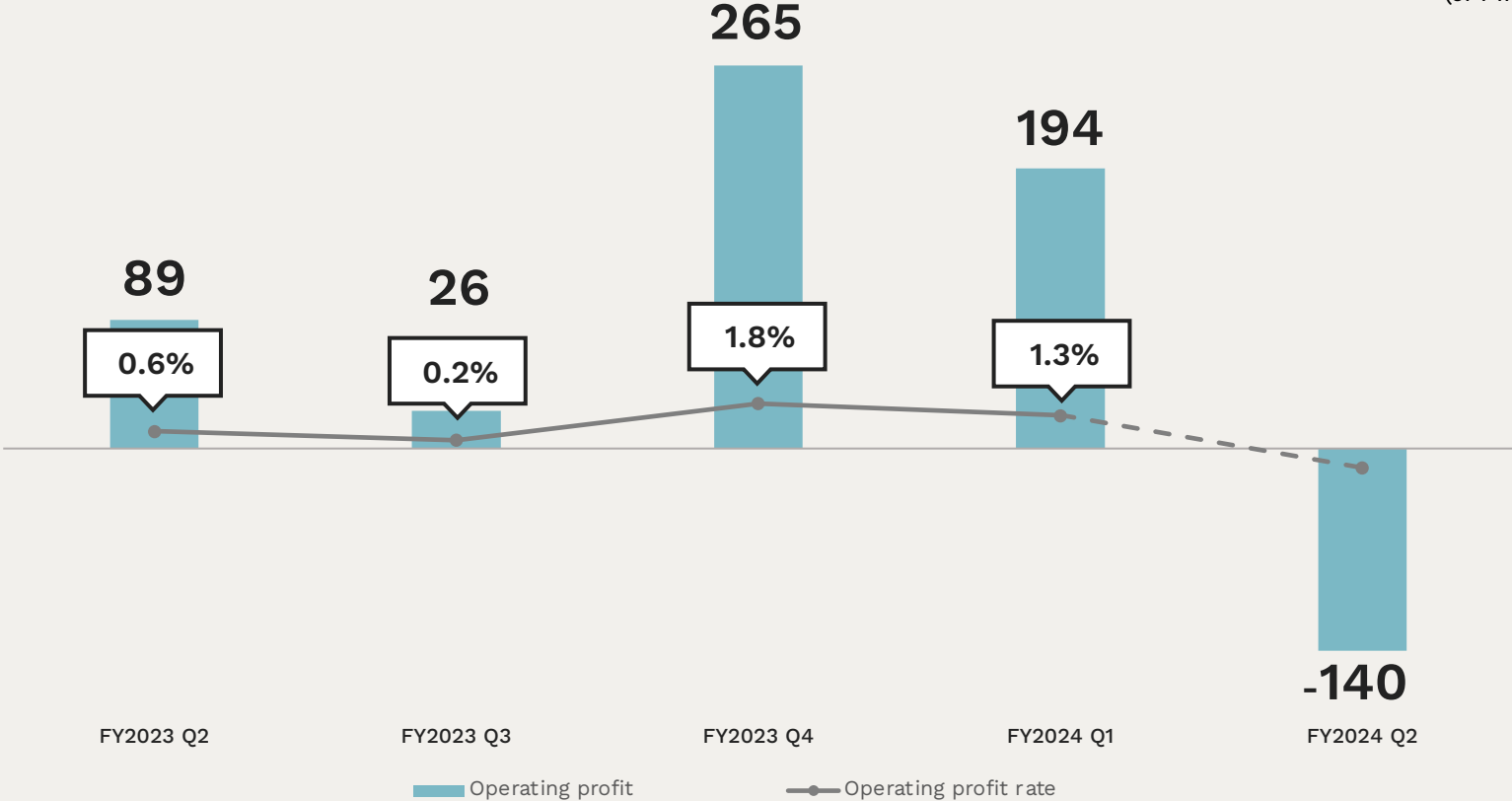
(JPY mn)



Q2 SG&A expenses : JPY 2,655 mn
 YoY: JPY +4 mn (+0.2%) SG&A to sales ratio: 19.7% (+1.8 points)

Quarterly Change in Consolidated Operating Profit/Loss

(JPY mn)



Q2 Operating profit/loss : JPY -140 mn

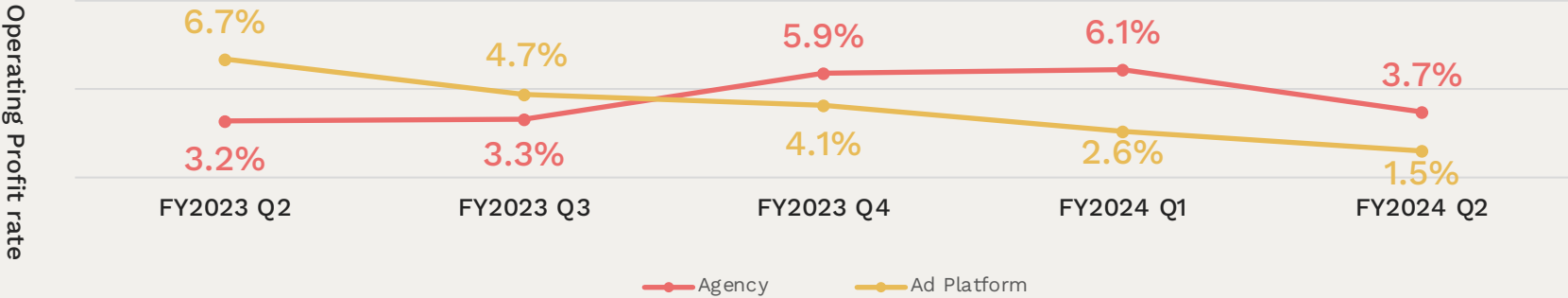
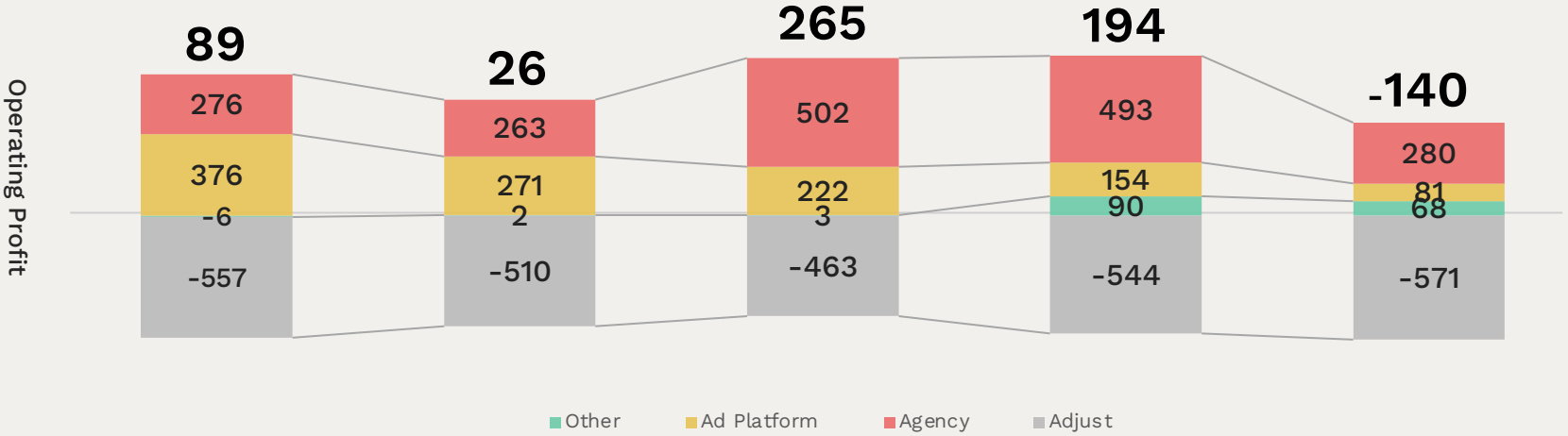
YoY: JPY -230 mn

QoQ: JPY -335 mn

*Operating profit rate for FY2024 Q2 is a negative figure and thus not presented.

Quarterly Change in Consolidated Operating Profit/Loss (By Segment)

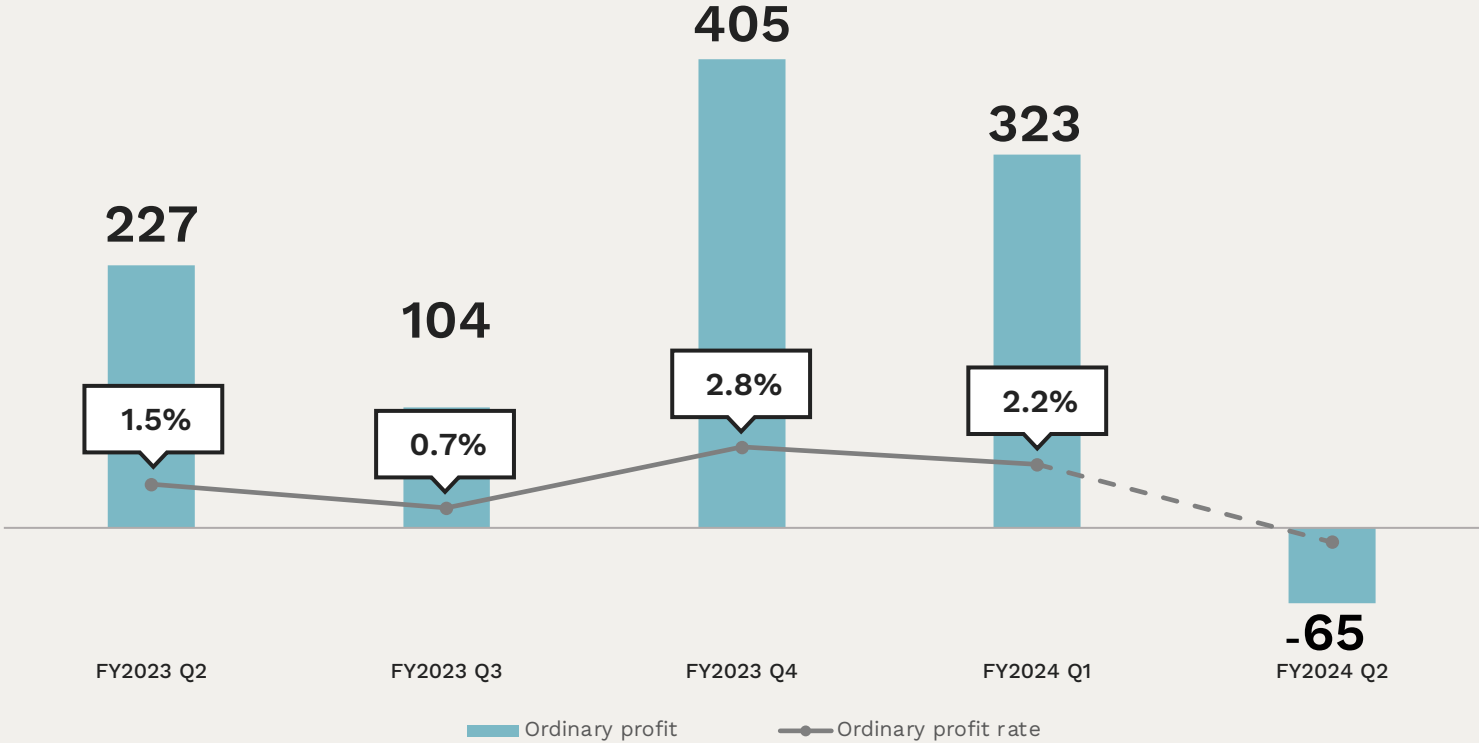
(JPY mn)



Agency : Although gross sales decreased YoY, keeping SG&A expenses under control resulted in operating profit rate improving.
Ad Platform : Operating profit rate decreased due to aggressive investment for further growth in the future.

Quarterly Change in Consolidated Ordinary Profit/Loss

(JPY mn)

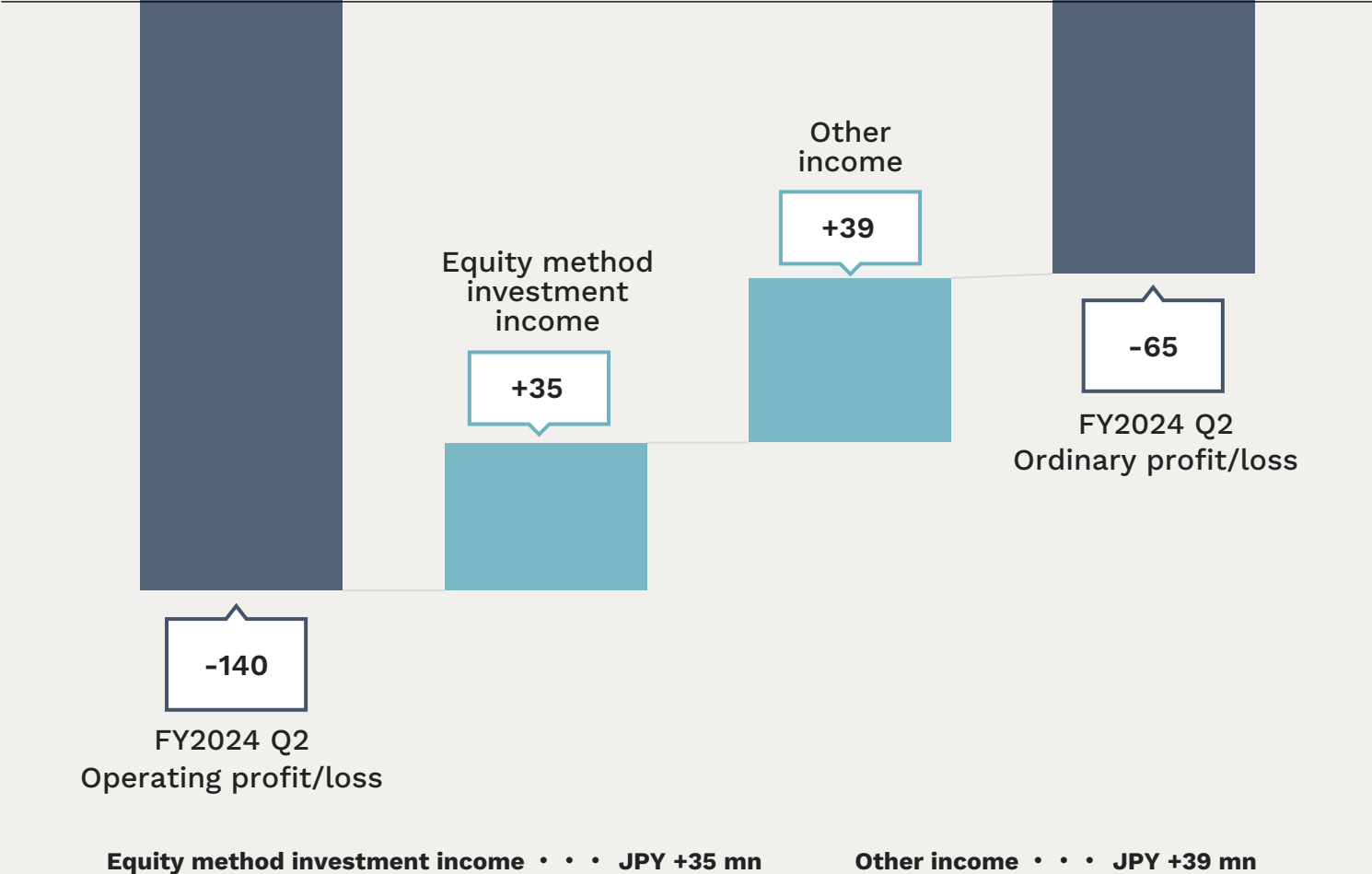


Q2 Ordinary profit/loss : JPY -65 mn
 YoY: JPY -293 mn QoQ: JPY -389 mn

*Ordinary profit rate for FY2024 Q2 is a negative figure and thus not presented.

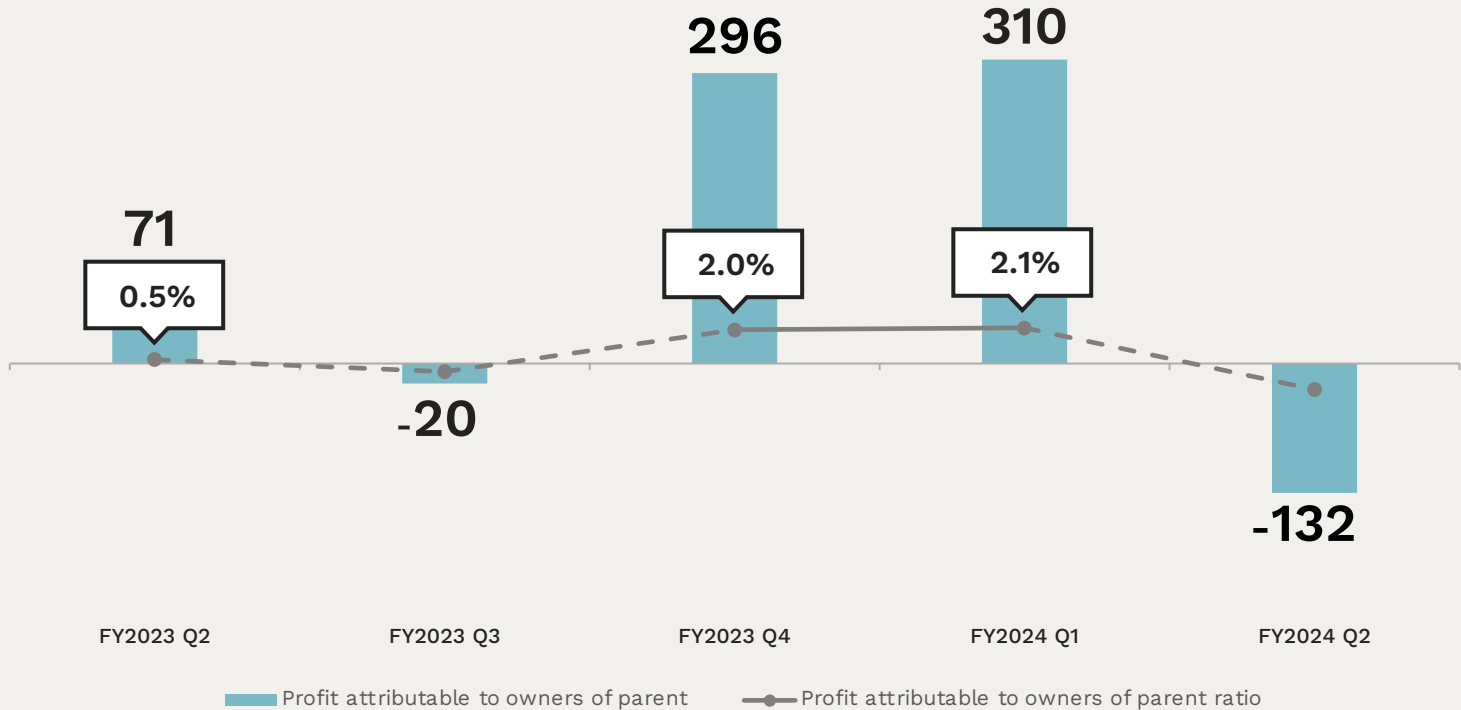
Breakdown of FY2024 Q2 Ordinary Profit/Loss

(JPY mn)



Quarterly Change in Consolidated Profit/Loss Attributable to Owners of Parent

(JPY mn)

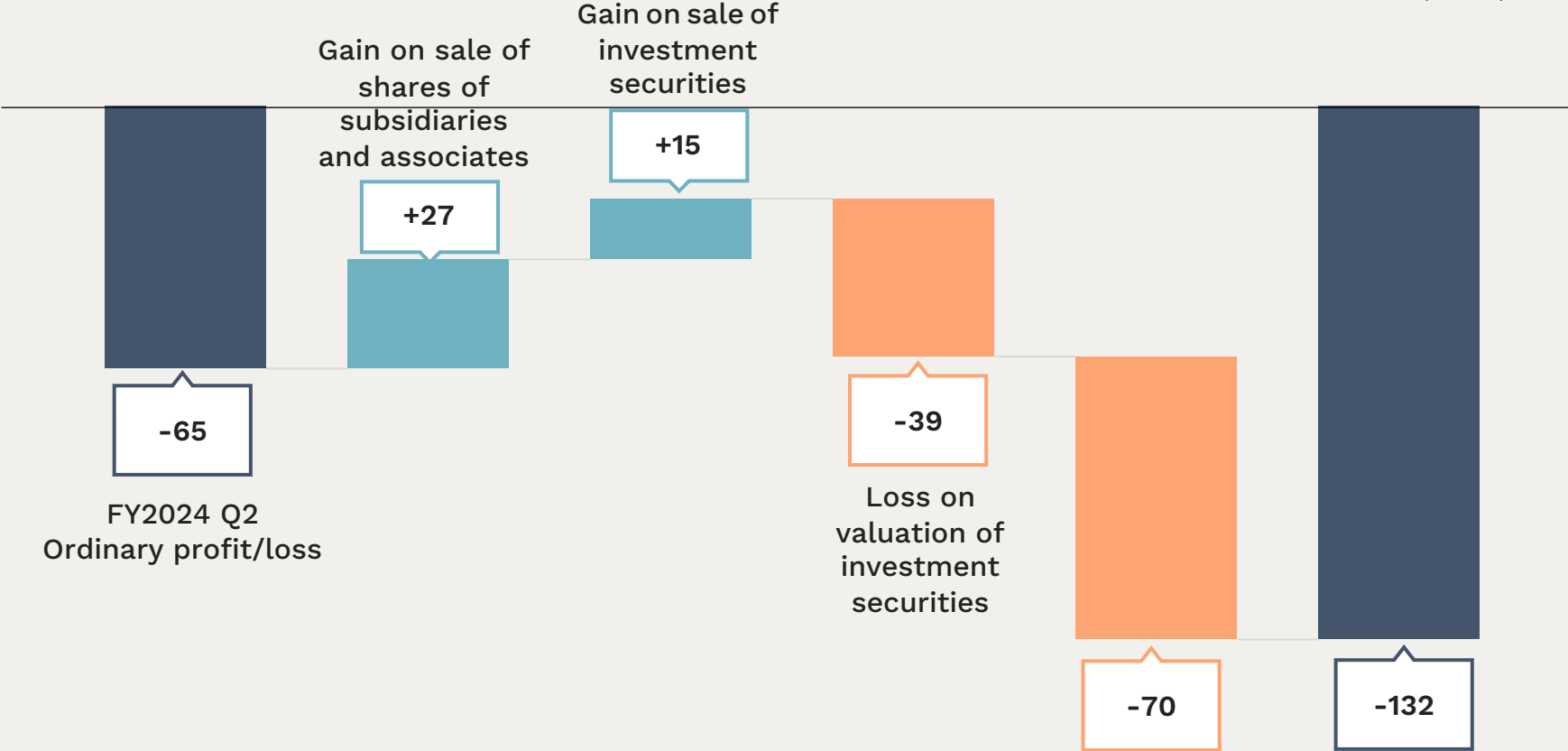


Profit/Loss attributable to owners of parent : JPY -132 mn
 YoY: JPY -203 mn QoQ: JPY -443 mn

*Profit attributable to owners of parent ratio for FY2023 Q3 and FY2024 Q2 are negative figures and thus not presented.

Breakdown of FY2024 Q2 Profit/Loss Attributable to Owners of Parent

(JPY mn)



Gain on sale of shares of subsidiaries and associates . . . JPY +27 mn
Gain on sale of investment securities . . . JPY +15 mn
Loss on valuation of investment securities . . . JPY -39 mn
Income taxes total, Other . . . JPY -70 mn

FY2024 Q2 Profit/Loss attributable to owners of parent

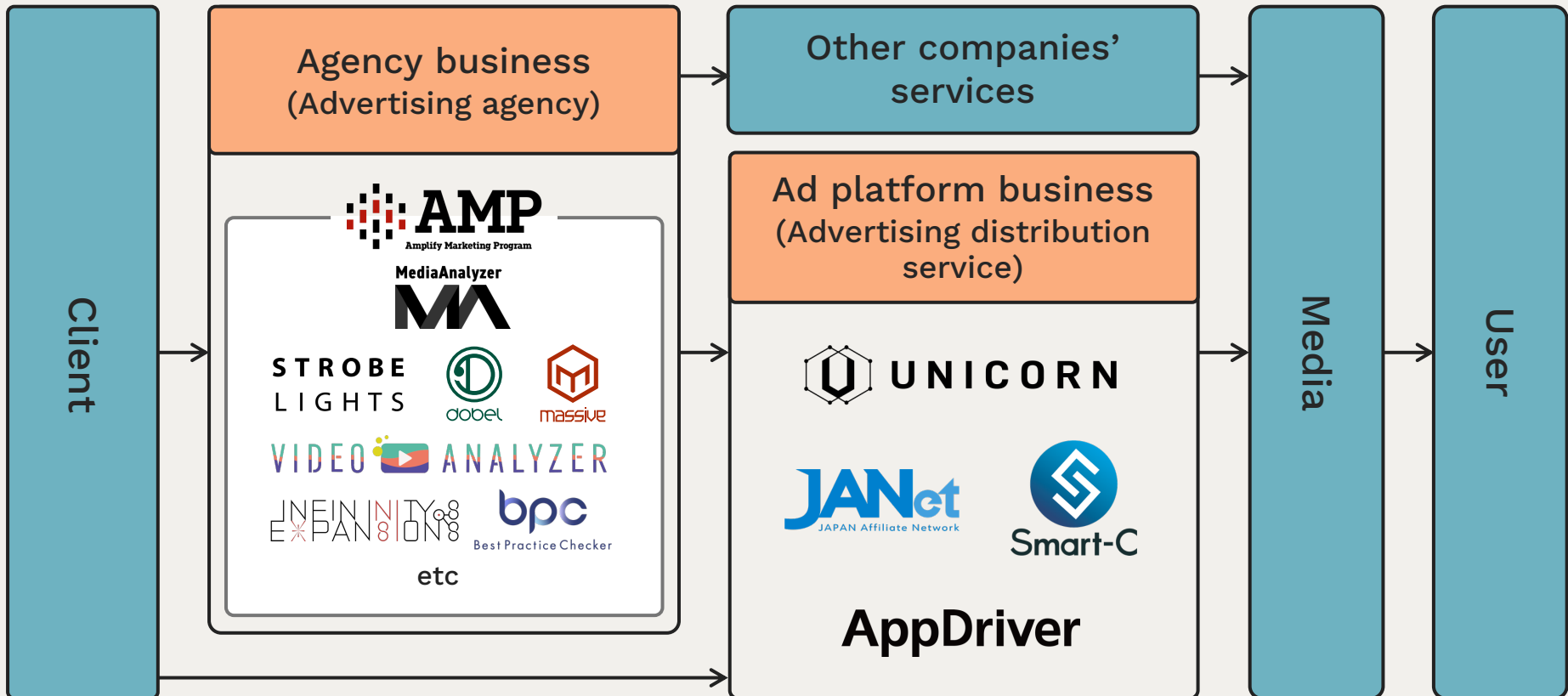
2.

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/Overseas)

Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

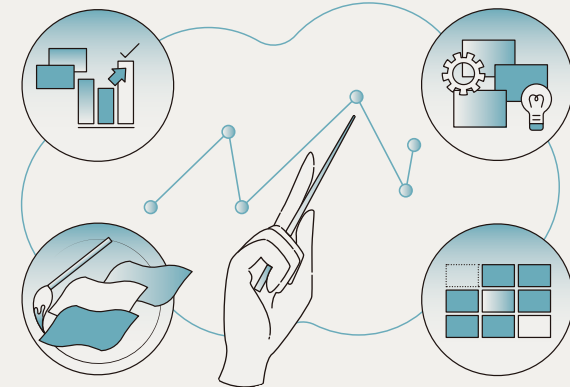
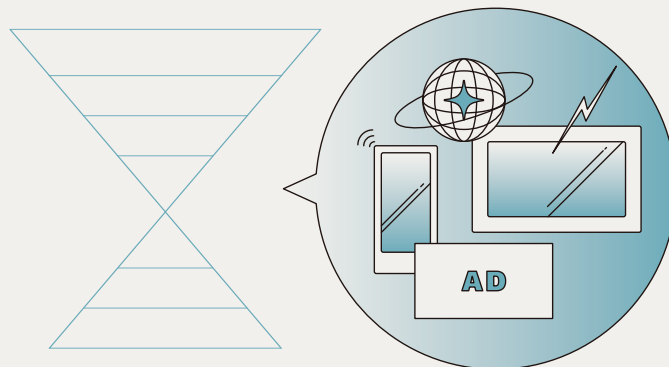
First quarter

Digital transformation of marketing as a business growth driver for clients

HakuhodoDY holdings



Hakuhodo DY
media partners



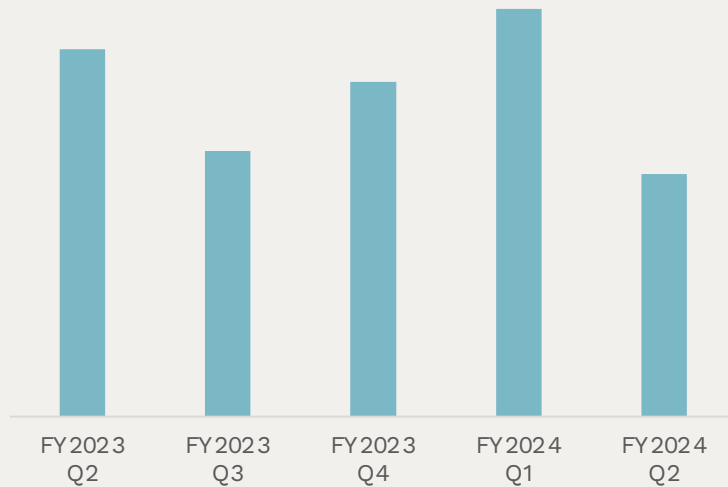
In our agency business, we provide comprehensive marketing support through integrated offline and online planning. In order to approach brand advertisers and execute more effective market planning conscious of full-channel¹ and full-funnel² marketing plans that integrate TV and digital, rather than confining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

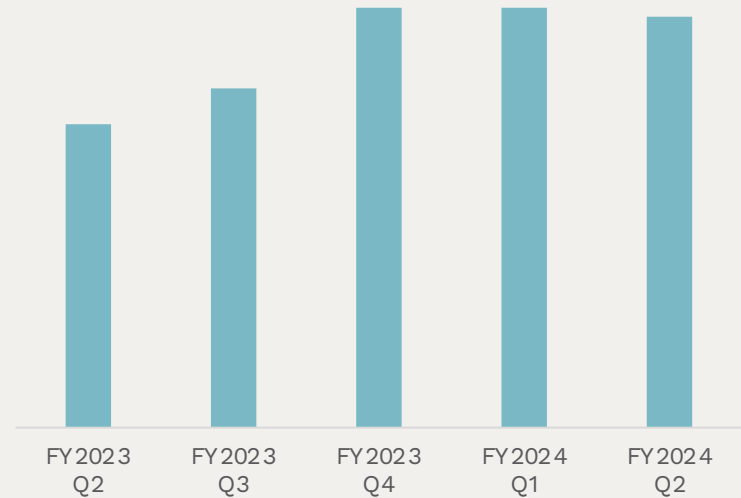
*2.Full-funnel : Addressing multiple stages of customer activities, ranging from recognition of the product to consideration and purchase (use)

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



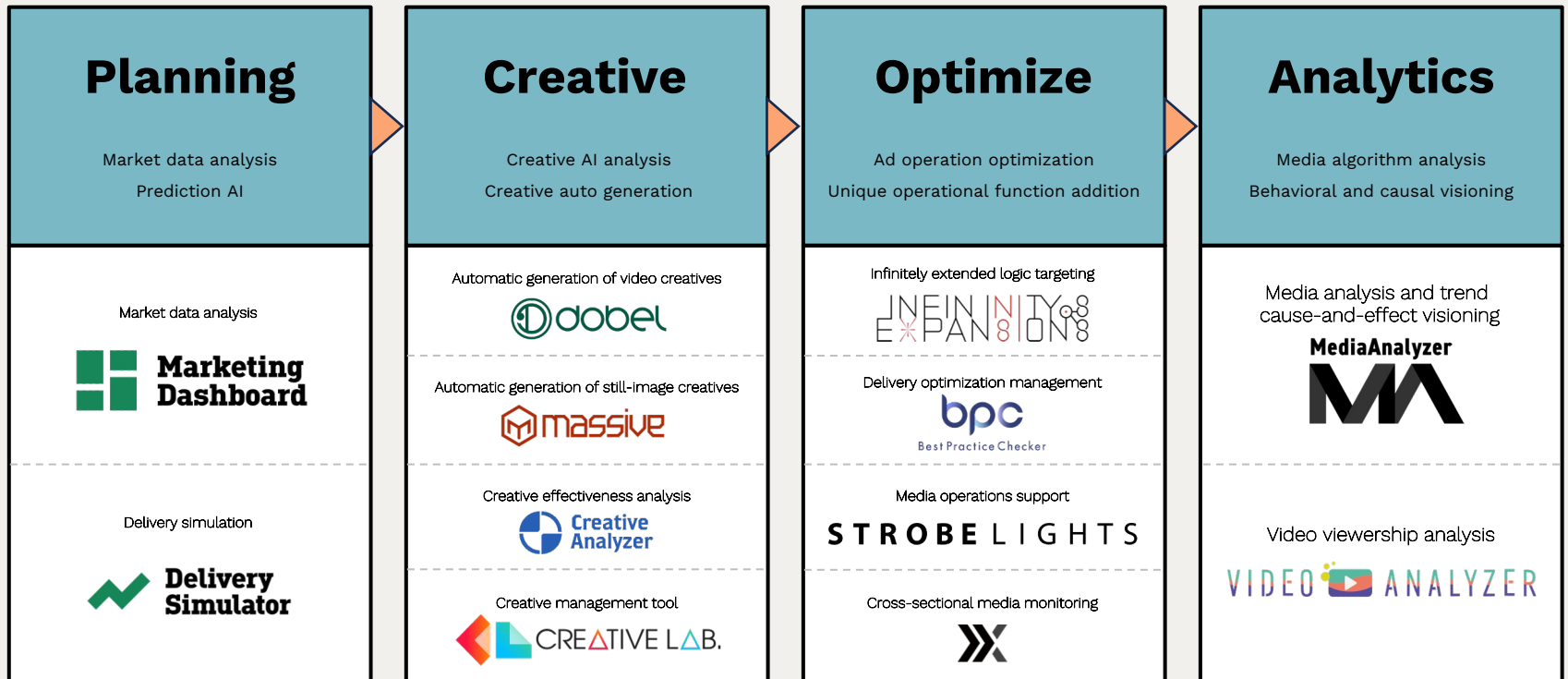
**Budgets reduced due to client policy in some accounts.
Number of accounts increased YoY.**

Next-Generation Solutions for Amplifying Digital Marketing



Integration of All Programmatic Advertising Support of Adways Spanning 10 Years

AMP Series creating real advertising value by integrating strong, people-driven operational capabilities and creativity with sophisticated marketing technologies that leverage AI, providing comprehensive, efficient support for clients' business growth.

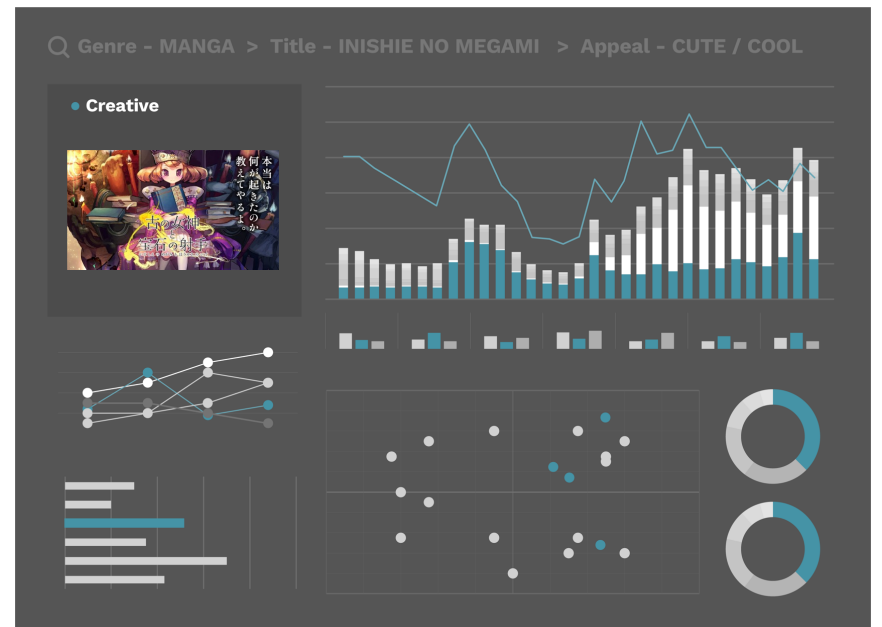


*Plan to keep expanding the Series as needed

Analytics Tool Specializing in Creatives “Creative Analyzer”



Creative
Creative series



Provides visualization of ad effectiveness per ad creative from various angles, such as campaign genre, appeal point and length. Realizes production of more highly effective ad creatives based on the findings of advanced analytics.

Ad Optimization Products

Compatible with Major Mega Platforms



AI detects ad improvement and optimization points, enabling improvement of ad effectiveness and also control of ad delivery in line with marketing strategies.

Google
Advertising
Compatible

Meta
(Facebook and Instagram)
Advertising
Compatible

X
(formerly Twitter)
Advertising
Compatible

TikTok
Advertising
Compatible



Compatible with “Google Search”
Serving to enhance ad effectiveness
for web promotions.

Overseas Marketing Support Business



Certified as LINE Taiwan’s “Display Solutions Sales Partner” with the one and only highest level of recognition, “Emerald,” and selected as “The Best Sales Partner” of “LINE Family Club” for the fifth consecutive year.

Ad platform business

UNICORN, affiliate ad service business etc.

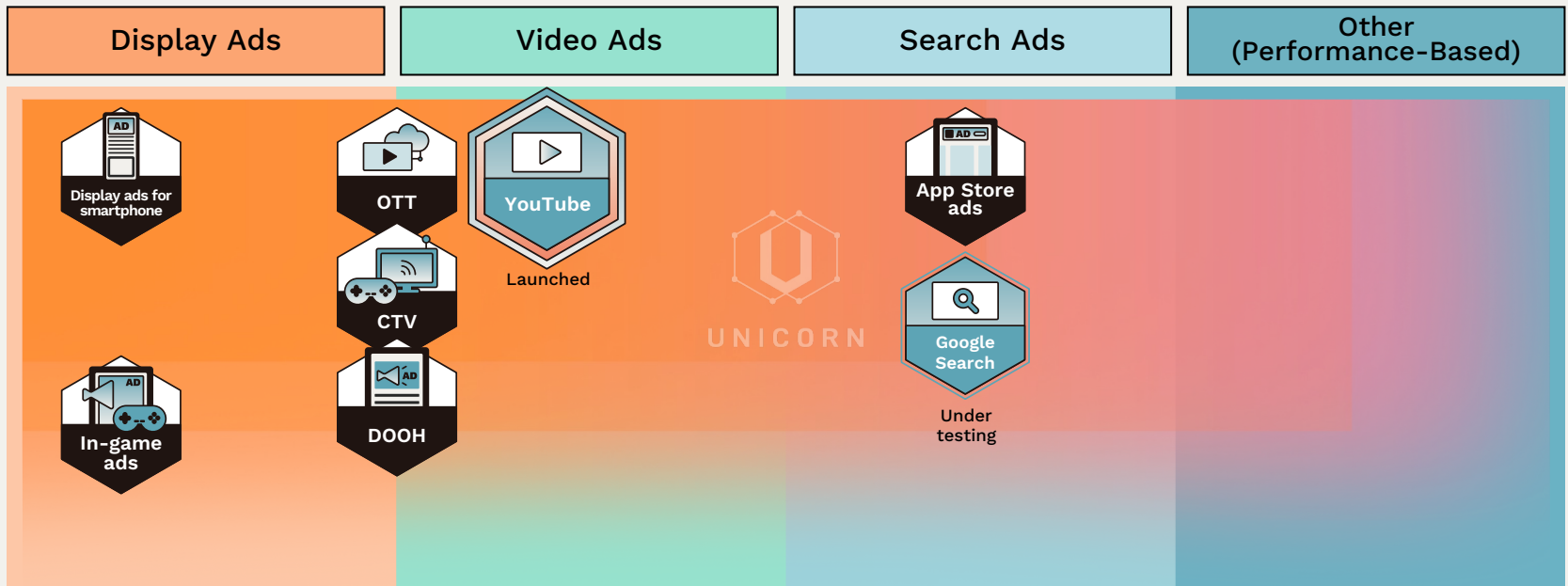


UNICORN

REDEFINE DIGITAL MARKETING.

Principles of Ad Platform Business (UNICORN)

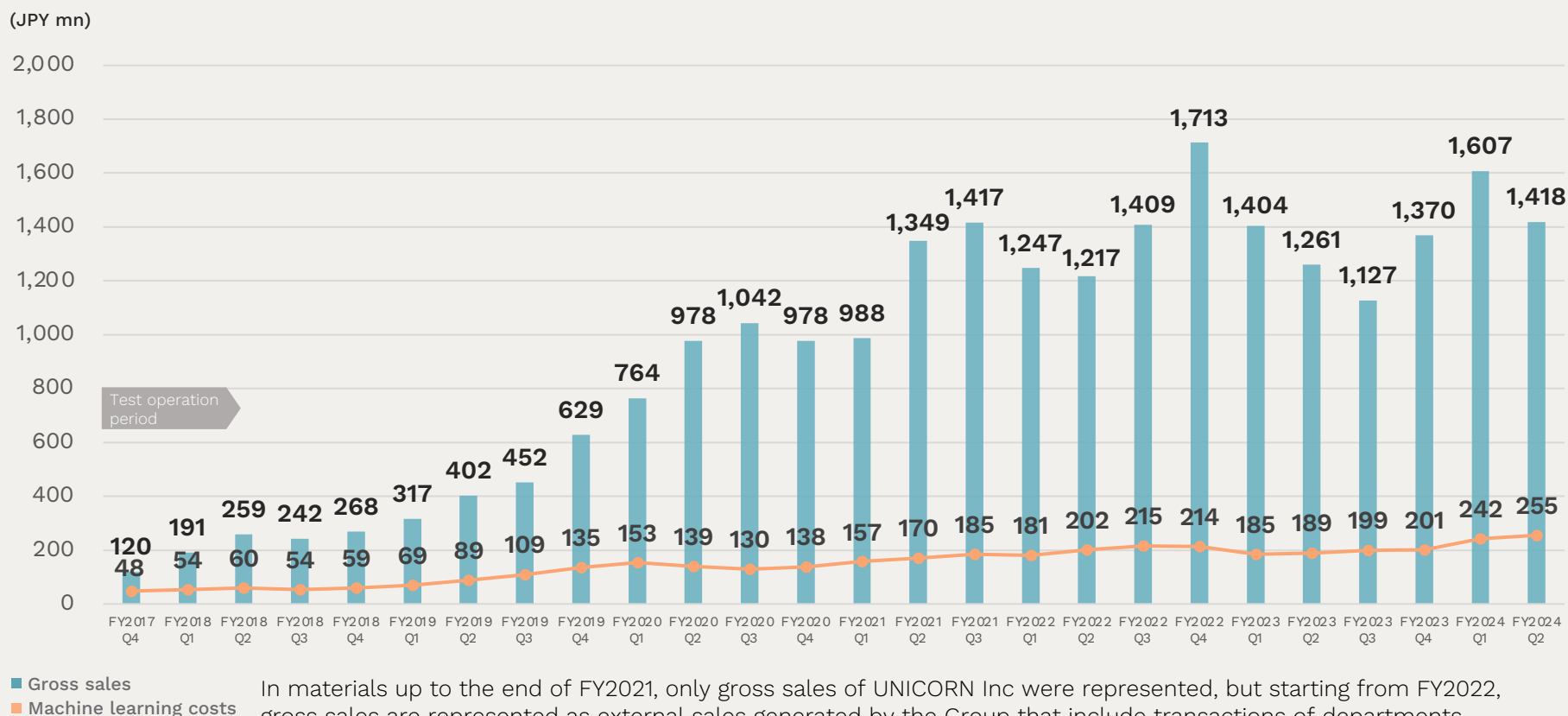
Three-dimensional expansion
based on channel, value and account



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

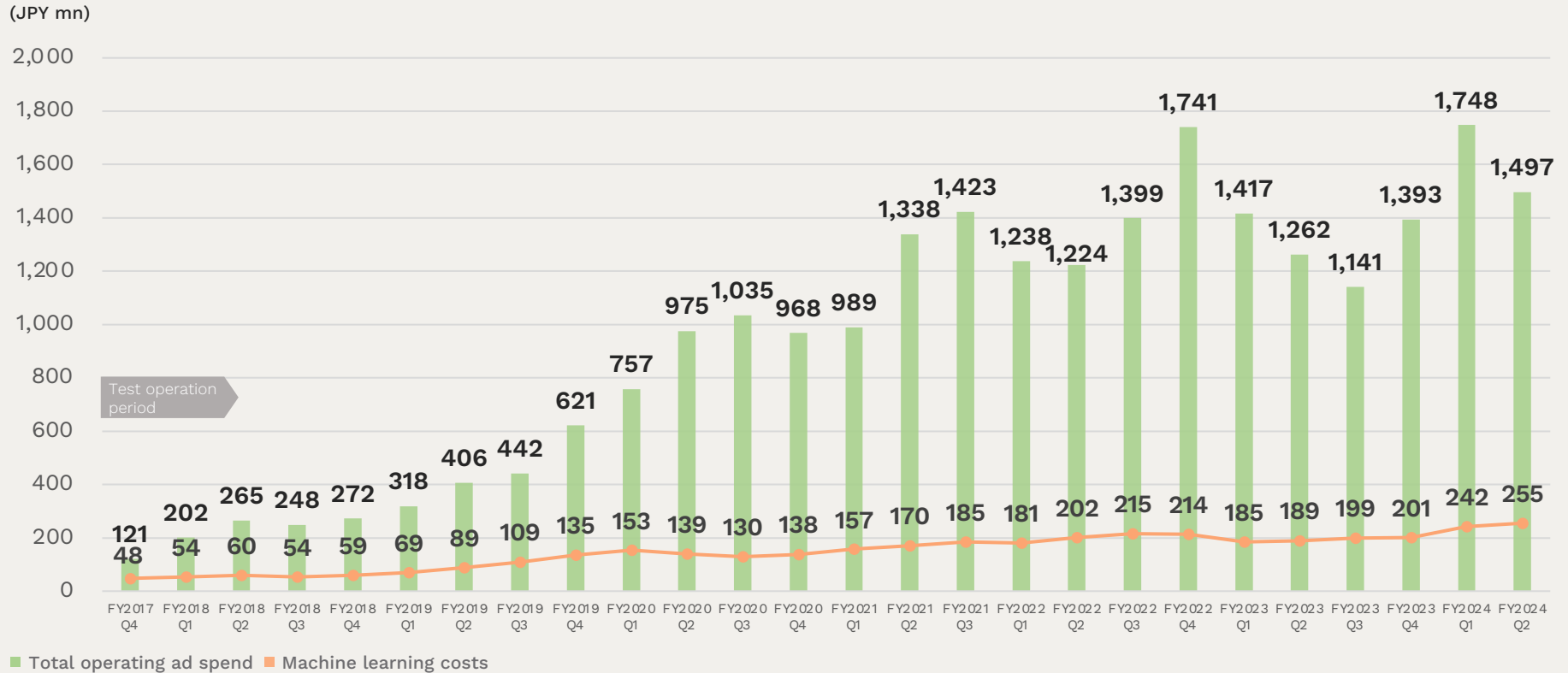


In materials up to the end of FY2021, only gross sales of UNICORN Inc were represented, but starting from FY2022, gross sales are represented as external sales generated by the Group that include transactions of departments exclusively handling UNICORN related sales. As a result, gross sales in materials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

112% YoY, with not only Q1 but also Q2 marking new record highs each fiscal year.

Progress of UNICORN (Total Operating Ad Spend*)

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



Total operating ad spend* also grew, with the YoY change being 118% (JPY 234 mn increase)

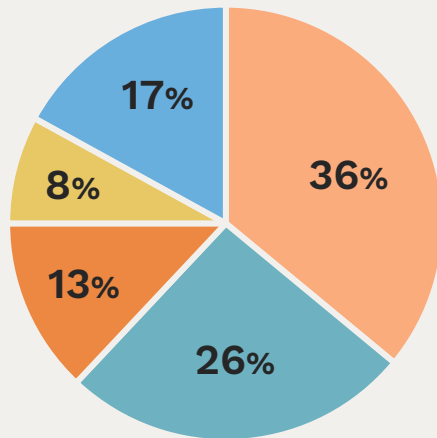
*Total operating ad spend is different from gross sales in that it is the total amount of money actually spent on ads served through UNICORN's system. In some cases, only UNICORN's margin is included in gross sales at the request of the client, and in other cases, gross sales are reduced when certain 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

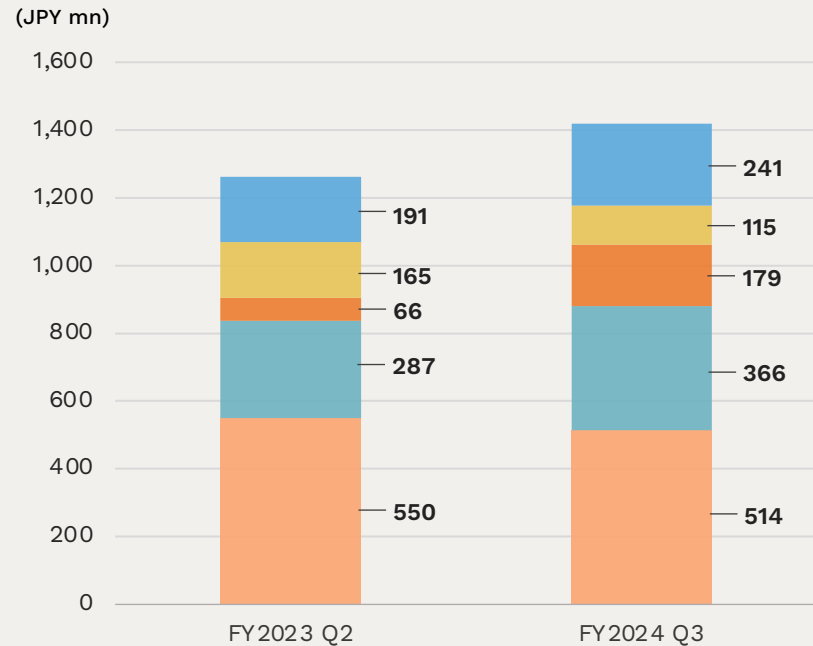
Second quarter

Progress by Genre

FY2024 Q2 Results



Games Brands Comics OTT Other



Games Brands Comics OTT Other

By genre, brands grew substantially and comics, which had performed poorly in the same quarter of the previous year, also recovered.

About UNICORN

Progress of UNICORN

Second quarter

UNICORN's Performance: YoY

(JPY mn)

	FY2024 Q2	YoY FY2023 Q2		
		Result	Change	Change (%)
Gross sales	1,418	1,261	+156	+12.4%
Gross profit	498	463	+34	+7.5%
Operating profit/loss	-2	89	-50	-

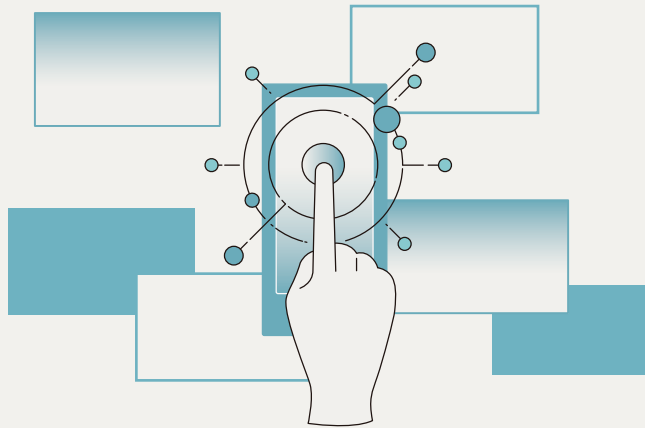
Gross sales and gross profit showed solid performance.
Operating profit decreased due in part to increase in hiring of new graduates for further growth ahead.

*Operating profit/loss for FY2024 Q2 is a negative figure and the rate of change is thus not presented.

About **UNICORN**

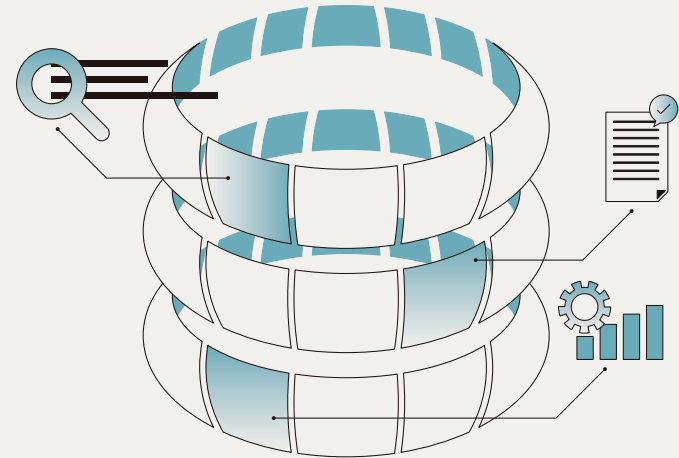
Advanced ad method UNICORN Interactive AD

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**

“Reaction Banners” Contributing to Brand Lift* Through Optimization of Delivery

Favorability
UP

Intent to use
UP

A brand lift* study found that utilization of reaction banners produced such results as brand favorability increasing by 20.5pt and intent to use the brand increasing by 18.7pt.

A visualization of how much target ads or products “capture the attention” of users is created based on the reaction of users when ads display. The delivery is optimized by using unique algorithms based on machine learning of this data. This leads to effectively greater reach to those users reacting positively to the ads.

*Brand lift: Lifting of awareness, perception, purchase intent, etc. for a brand

About **UNICORN**

Strategic Partnership and Establishment of Joint Venture with MetricWorks Inc.

Established MetricWorks Japan Inc. as a joint venture with MetricWorks Inc., provider of a next-generation mobile measurement platform that has entered into partnerships with also Google, TikTok, Meta and other leading global companies



Seeking to contribute to stimulating domestic and overseas promotions and marketing campaigns by strengthening initiatives for real ad evaluation support to advertisers

GAME FUTURE SUMMIT 2024

Sponsor and Speaker

Yamada took the stage to speak along with key industry figures at GAME FUTURE SUMMIT 2024, a large-scale offline conference event for the game industry



Held a talk session on the topic of “what to know on how to deliver ads and evaluate them to increase your users”

Seeking to contribute to further development of the game industry by building a framework for real and appropriate evaluation of ads to help advertisers maximize ad effectiveness and publishers* maximize earnings based on such.

*Publishers: Businesses that publish content in the game industry

About **UNICORN**

Establishment of UNICORN THA Co., Ltd. in Thailand as the First Overseas Expansion

As the first overseas expansion of UNICORN, established UNICORN THA Co., Ltd. as a local subsidiary in Thailand, where the transition to a digital economy is progressing under the national project “Thailand 4.0”*



Designed to realize maximization of the effectiveness of promotions, UNICORN’s various functions and strengths will be introduced to Thailand’s digital market to support brand marketing.

*Thailand 4.0: The vision for the economy and society that Thailand seeks to become over the long term proposed by the Thai Government in 2015

D E E E

Delight
喜び

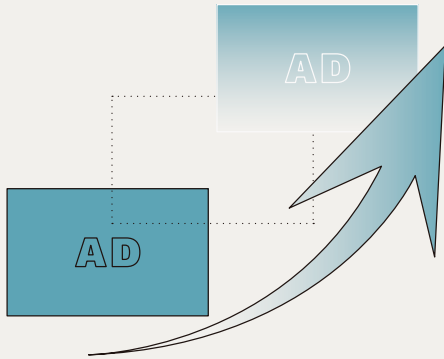
Exciting
わくわく

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

Launch of Business of Operating E-Commerce Websites for Conveying the Appeal of Local Products From All Over Japan

くぼたび屋さん
旅に生きる夫婦が出逢った“とっておき”をお届け

**47都道府県の
ときめき商品、集めています。**

どうも、年300日くらい旅するアラサー夫婦「くぼたび」の商店です。
わたしたちが日本全国を旅するなかで“ときめいた”品だけを集めています。

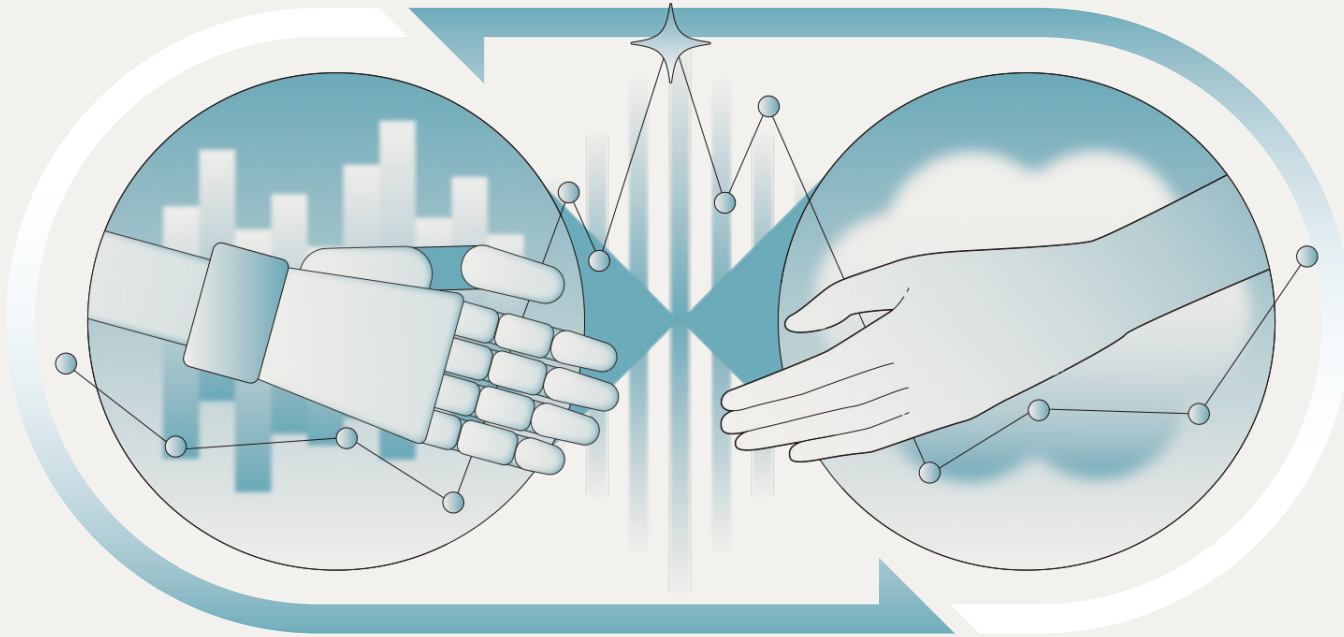
47都道府県すべてのとっておき商品をそろえぞ！
…と夢を胸に、今日もきょうとて旅しています。

佐賀県

Launched e-commerce website “Kubotabiyanan” jointly with “Kubotabi (@kubo_tabi_),” popular creators known as “a married couple around thirty years old who travel around 300 days a year” with a total of over 2.75 million followers on social media

Seeking to contribute to market development by fostering ties and collaboration with creators who are serving as disseminators of information, as well as local governments, producers and companies nationwide, and through effective promotions, development of collaboration products and so forth that would lead to ongoing sales of local specialties.

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

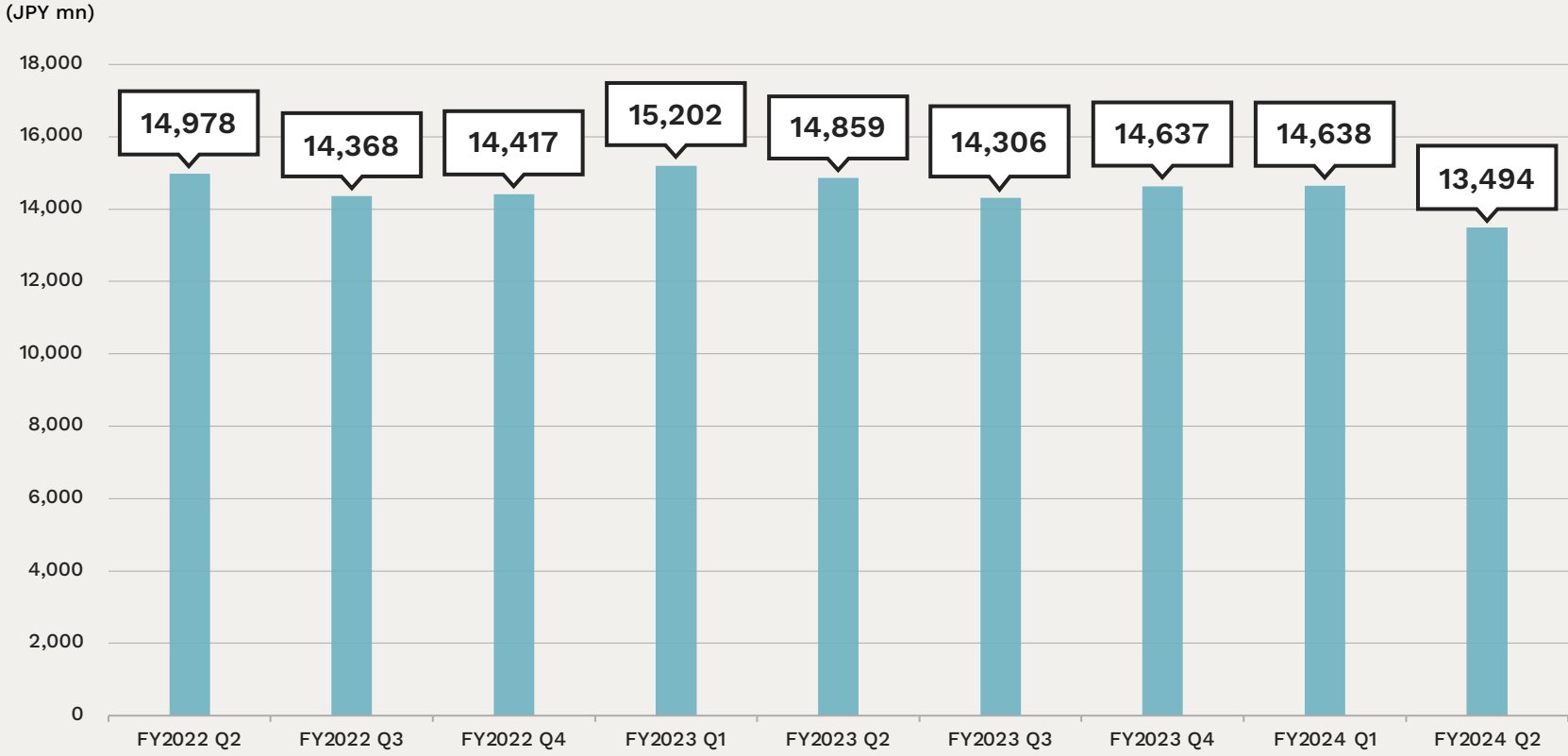
The information provided in this presentation contains forward-looking statements including Adways Inc.'s current plans, outlook, estimates and forecasts related to its business and industry trends. Such statements are subject to certain risks and uncertainties. Actual results may differ from the outlook 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 July 31, 2024, and a variety of factors may cause the statements to differ from actual results.

SUPPLEMENTARY
MATERIALS

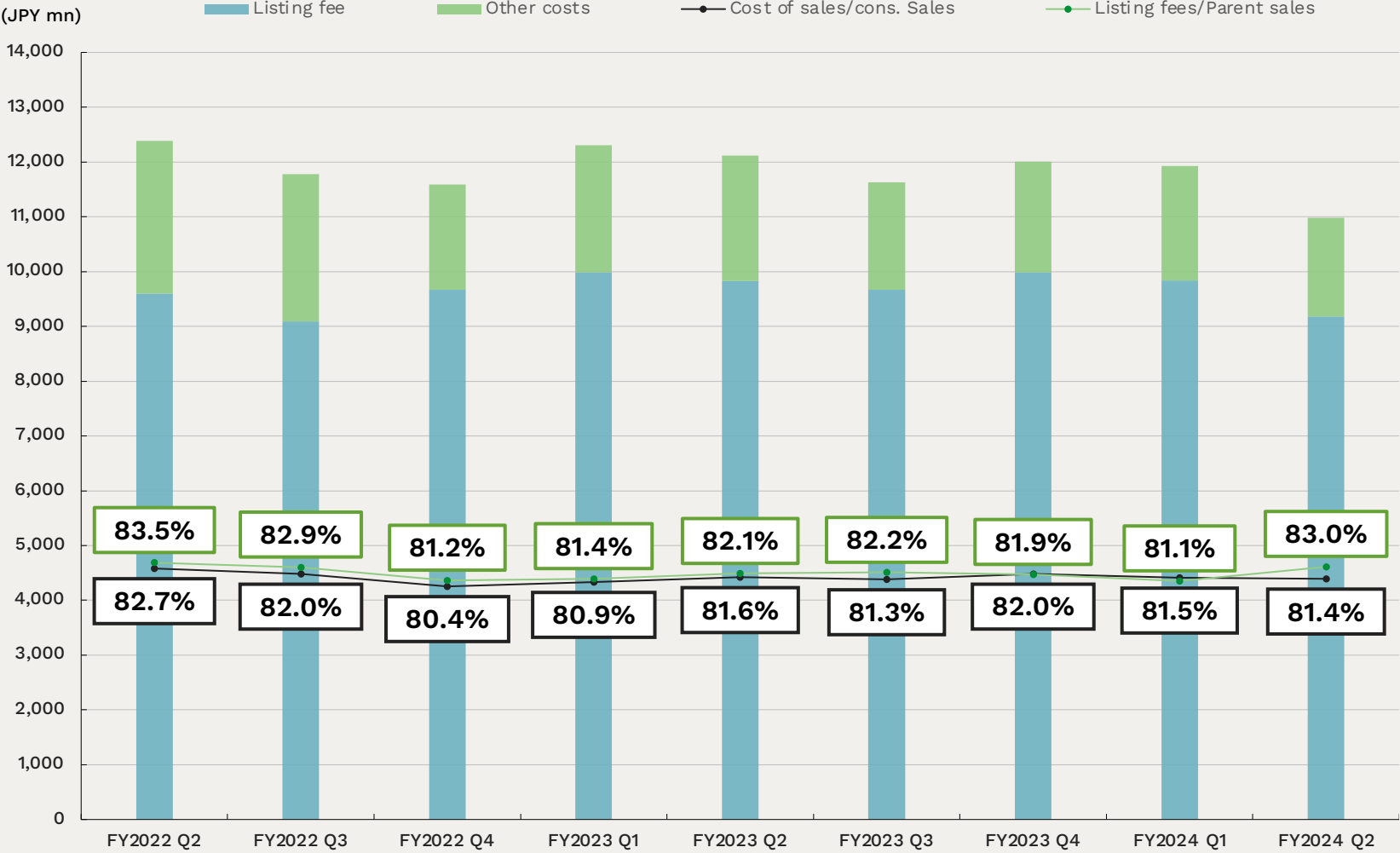
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Chapter 3 : Supplementary materials

Quarterly Change in Consolidated Gross Sales

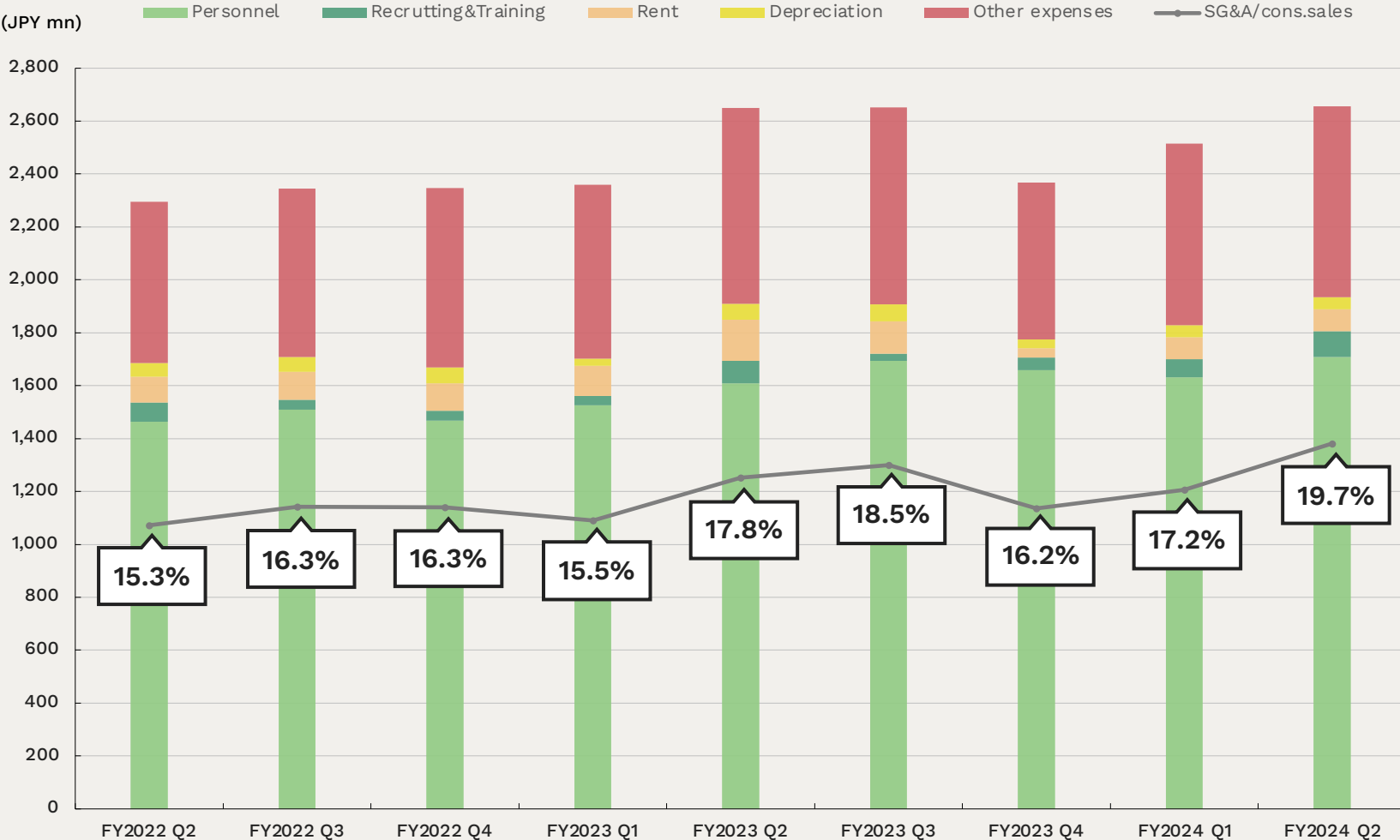


Quarterly Change in Consolidated Cost of Sales

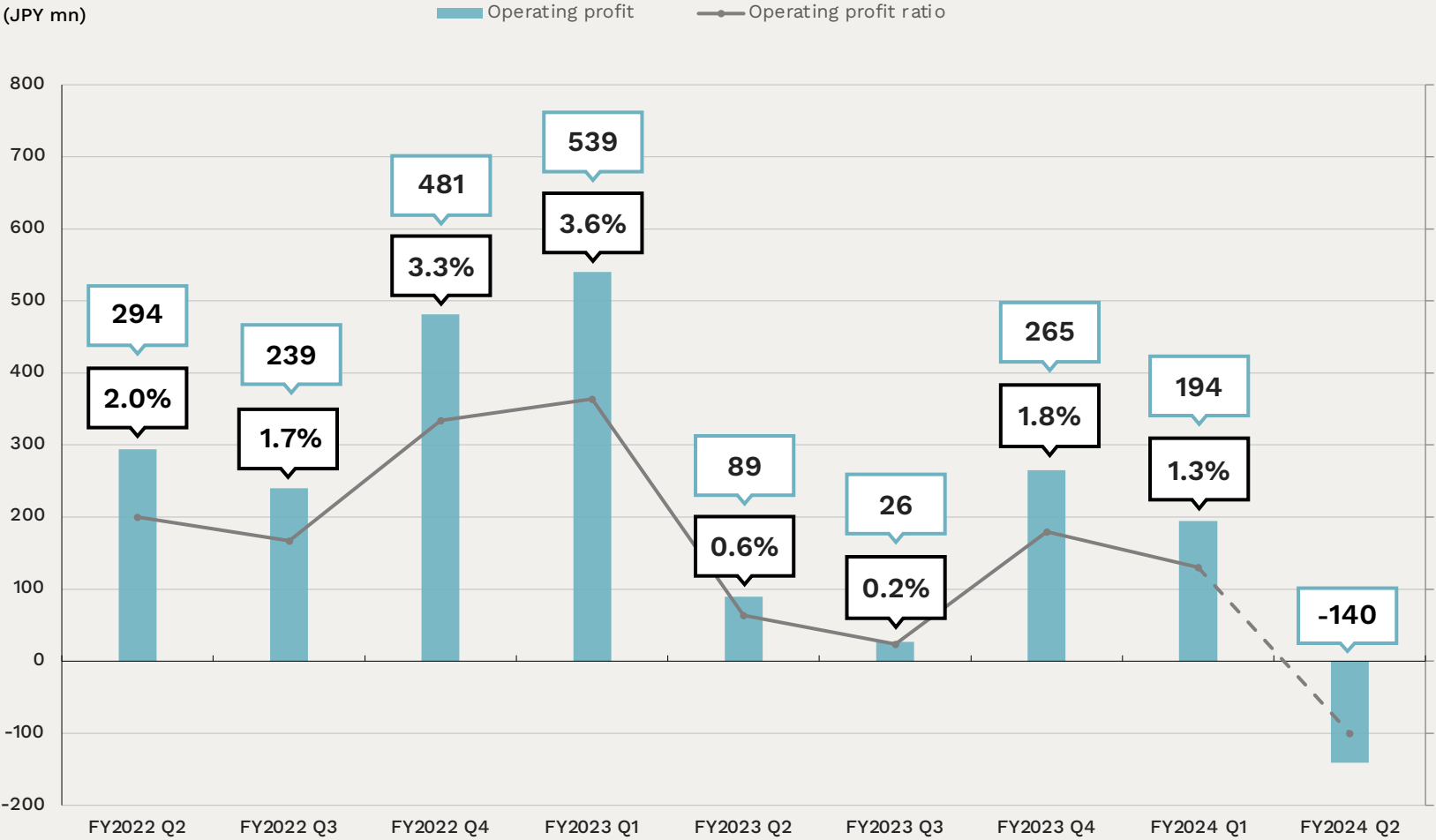


*Listing fee and Listing fees/Parent sales show non-consolidated figures and ADWAYS DEEE totals.

Quarterly Change in Consolidated SG&A Expenses



Quarterly Change in Consolidated Operating Profit/Loss

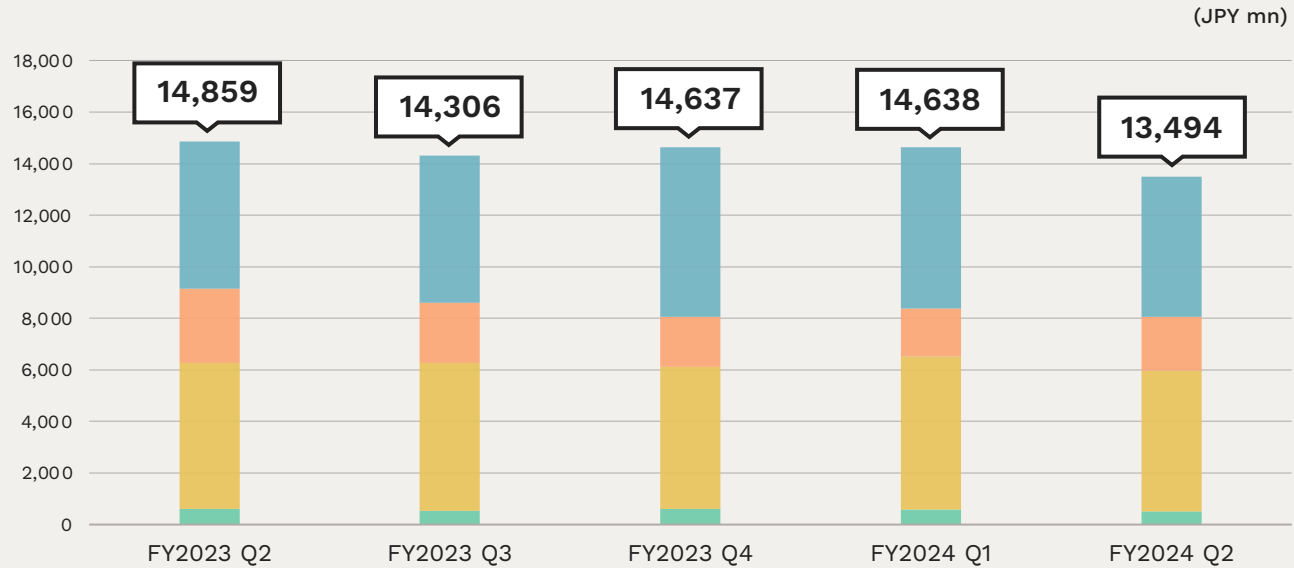


Consolidated Balance Sheet (QoQ)

(JPY mn)

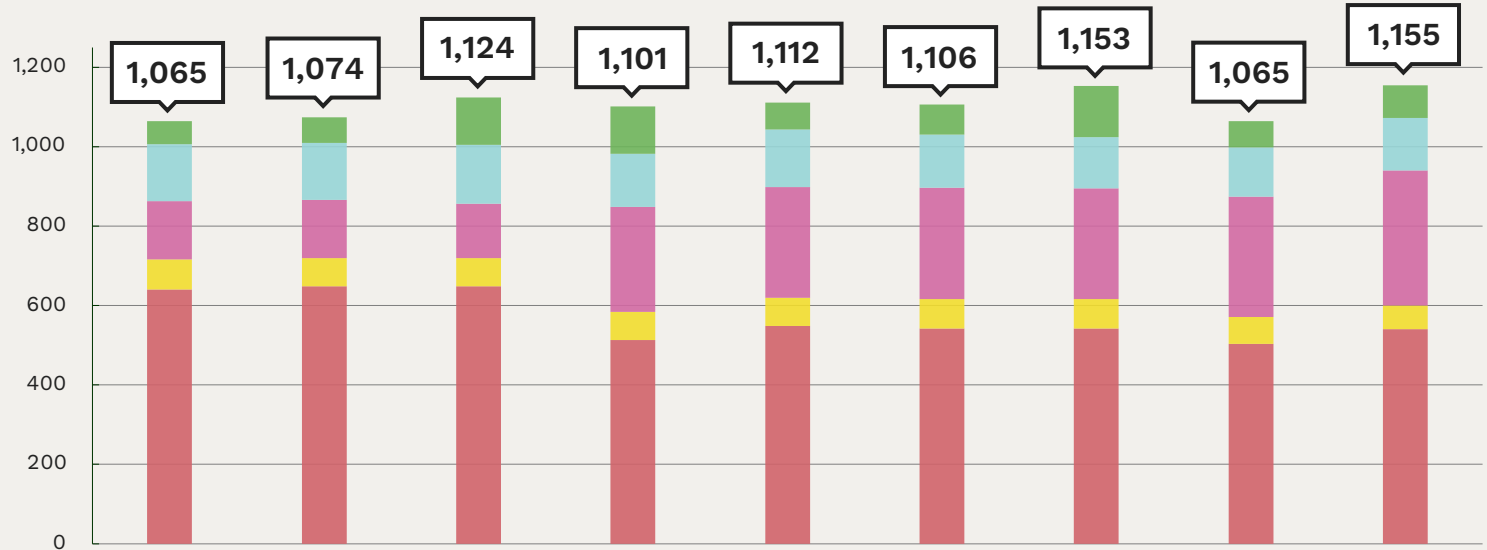
	FY2024 Q2	FY2024 Q1	Change	Change (%)
Current assets	18,184	19,773	-1,589	-8.0%
(Cash and deposits)	9,985	10,015	-30	-0.3%
Non-current assets	5,236	5,012	+223	+4.5%
Total assets	23,420	24,786	-1,365	-5.5%
Current liabilities	8,510	9,989	-1,479	-14.8%
Non-current liabilities	258	227	+31	+13.7%
Total liabilities	8,769	10,217	-1,447	-14.2%
Net assets	14,651	14,569	+82	+0.6%

Quarterly Breakdown of Consolidated Sales by Segment



(JPY mn)	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2	QoQ	
						Change	Change (%)
Agency (domestic)	5,712	5,692	6,589	6,258	5,440	-818	-13.1%
Agency (overseas)	2,874	2,355	1,930	1,857	2,080	+222	+12.0%
Ad platform	5,666	5,724	5,496	5,930	5,460	-470	-7.9%
Other	606	533	621	591	513	-77	-13.2%
Total	14,859	14,306	14,637	14,638	13,494	-1,143	-7.8%

Quarterly Change in Group Employees



(Persons)	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2
ADW Japan	641	648	649	513	548	543	542	504	540
ADW China	76	72	71	72	72	74	75	67	61
Domestic subsidiaries	146	147	137	263	279	280	279	303	337
Overseas subsidiaries (excluding China)	144	143	148	135	145	133	128	125	133
Temporary workers, part-time employees	58	64	119	118	68	76	129	66	82
Total	1,065	1,074	1,124	1,101	1,112	1,106	1,153	1,065	1,155

*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 June 2024)
Gross sales	JPY 59,006 mn (FY2023, Consolidated basis)
Employees ※including temporary workers	1,153 (for the entire group) (As at end of June 2024)