

3Q THIRD QUARTER 2024

OCTOBER 31, 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.

Chapter1 : **Third quarter results**

1. Q3 FY2024 Performance

Quarterly Results (YoY ・ QoQ)

(JPY mn)

	FY2024 Q3	FY2023 Q3 FY2024 Q3	YoY FY2023 Q3			QoQ FY2024 Q2		
		Performance Trends	Results	Change	Change (%)	Results	Change	Change (%)
Gross sales	12,899		14,306	-1,407	-9.8%	13,494	-595	-4.4%
Net sales	3,048		3,278	-229	-7.0%	3,094	-46	-1.5%
Gross profit	2,467		2,678	-210	-7.9%	2,514	-46	-1.8%
SG&A expenses	2,443		2,651	-208	-7.9%	2,655	-212	-8.0%
Operating profit	24		26	-1	-6.3%	-140	165	—
Ordinary profit	85		104	-19	-18.3%	-65	151	—
Profit attributable to owners of parent	32		-20	52	—	-132	164	—

Gross sales YoY **Decrease : 1,407 mn** (-9.8%)
QoQ **Decrease : 595 mn** (-4.4%)

Operating profit YoY **Decrease : 1 mn** (-6.3%)
QoQ **Increase : 165 mn** (-)

Cumulative Quarterly Results (YoY)

(JPY mn)

	FY2024 Q3 cumulative	YoY (FY2023 Q3 cumulative)		
		Results	Change	Change (%)
Gross sales	41,031	44,368	-3,336	-7.5%
Net sales	9,442	10,121	-679	-6.7%
Gross profit	7,690	8,317	-626	-7.5%
SG&A expenses	7,612	7,661	-48	-0.6%
Operating profit	78	656	-577	-88.0%
Ordinary profit	343	907	-564	-62.2%
Profit attributable to owners of parent	210	669	-459	-68.6%

Gross sales YoY **Decrease : 3,336 mn** (-7.5%)

Operating profit YoY **Decrease : 577 mn** (-88.0%)

FY2024 Consolidated Performance Forecast Revision

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	62,000	14,200	770	1,000	580
Revised forecasts (October 31, 2024)	54,500	12,500	140	485	220
Change	-7,500	-1,700	-630	-515	-360
Change (%)	-12.1%	-12.0%	-81.8%	-51.5%	-62.1%

*Initial forecast' refers to the figures announced in the Consolidated Financial Results for the Fiscal Year Ended December 2023, dated February 9, 2024.

FY2024 Consolidated Performance Forecast Revision

(JPY mn)

	Gross sales (Reference)	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Initial forecasts	62,000	14,200	770	1,000	580
Revised forecasts (October 31, 2024)	54,500	12,500	140	485	220
FY2024 Q3 cumulative	41,031	9,442	79	343	210
Revised forecasts Progress rate	75.3%	75.5%	56.1%	70.7%	95.7%

*Initial forecast' refers to the figures announced in the Consolidated Financial Results for the Fiscal Year Ended December 2023, dated February 9, 2024.

FY2024 Dividend Forecast Revisions

FY2024 Dividend Forecast

Initial forecasts JPY **3.57** **per share**
(Dividend payout ratio of 24%)

**Revised forecasts
(October 31, 2024)** JPY **3.00**

Regular Dividend Policy (FY2024 – FY2026)

FY2024

**Dividend payout
ratio of 24%**

or

JPY 3.00 per share

Whichever is higher

FY2025

**Dividend payout
ratio of 25%**

or

JPY 3.10 per share

Whichever is higher

FY2026

**Dividend payout
ratio of 26%**

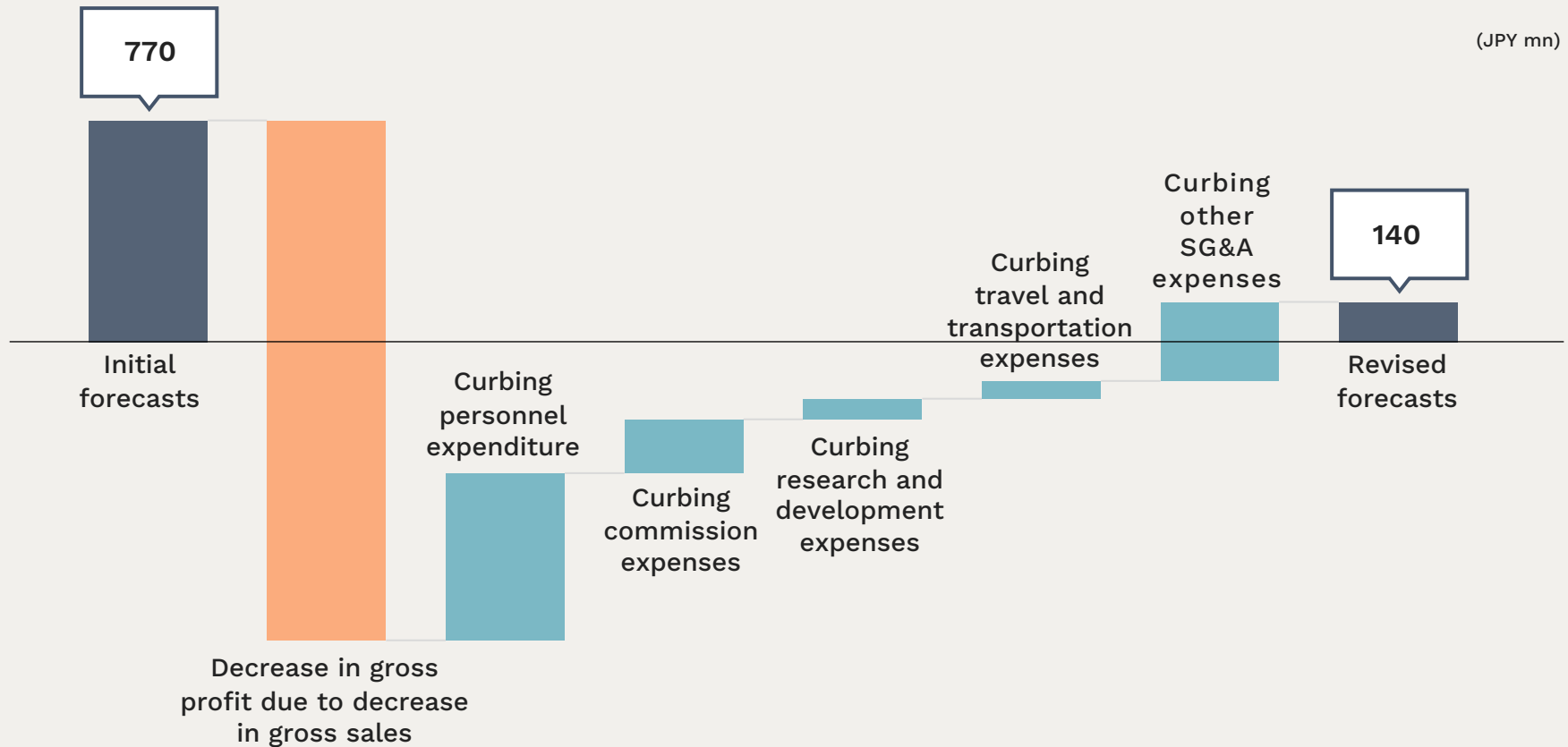
or

JPY 3.20 per share

Whichever is higher

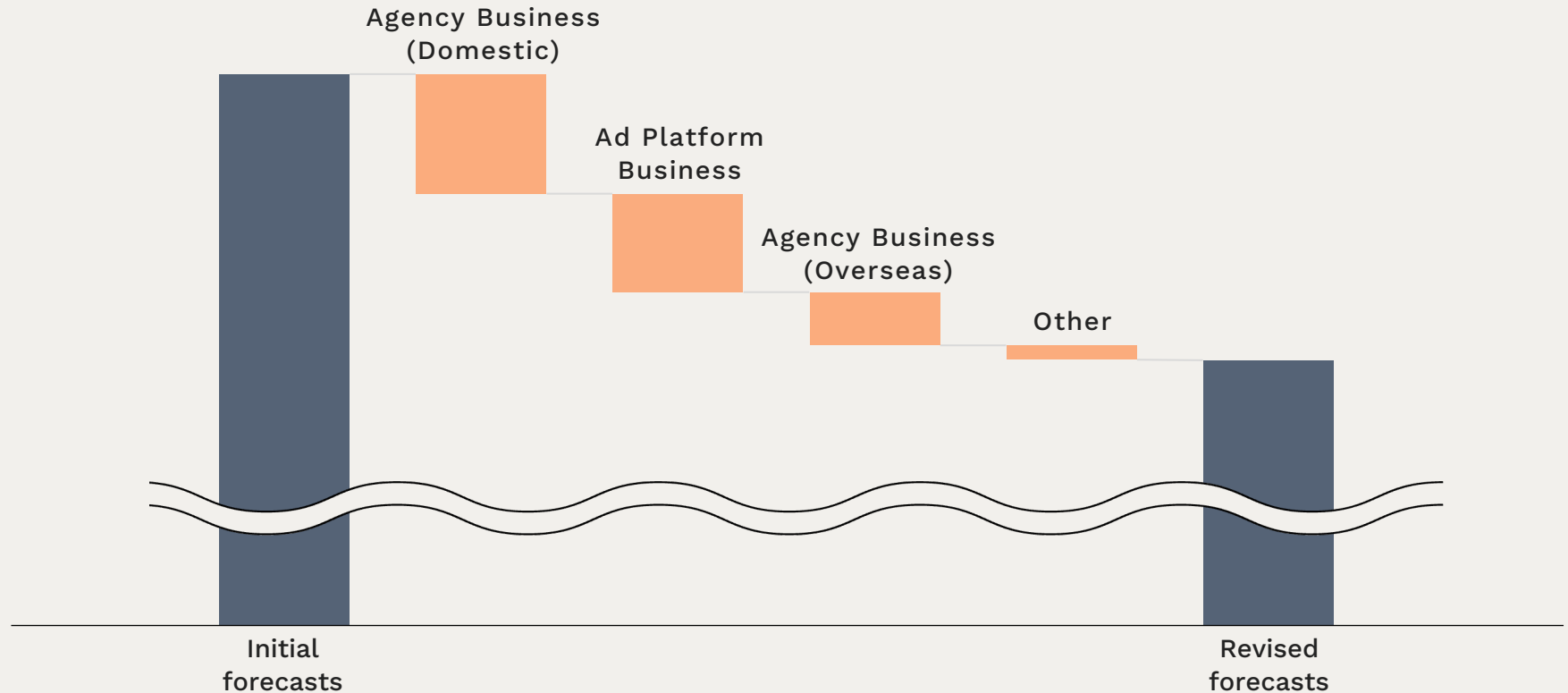
*Initial forecasts are the figures announced on February 10, 2023, in a press release concerning revision of the performance forecasts and dividend forecasts.

Revision of Performance Forecasts: Breakdown of Operating Profit



With gross sales decreasing, gross profit is decreasing significantly.
Curbing SG&A expenses, the revised performance forecast is operating profit of JPY 140 mn.

Revision of Performance Forecasts: Gross Profit Factors



Agency Business (Domestic)	Advertising demand from game clients is decreasing.
Agency Business (Overseas)	The app business in China is underperforming.
Ad Platform Business	Affiliate ads are underperforming. UNICORN is as initially forecast.

Revision of Performance Forecasts: Causes and Countermeasures

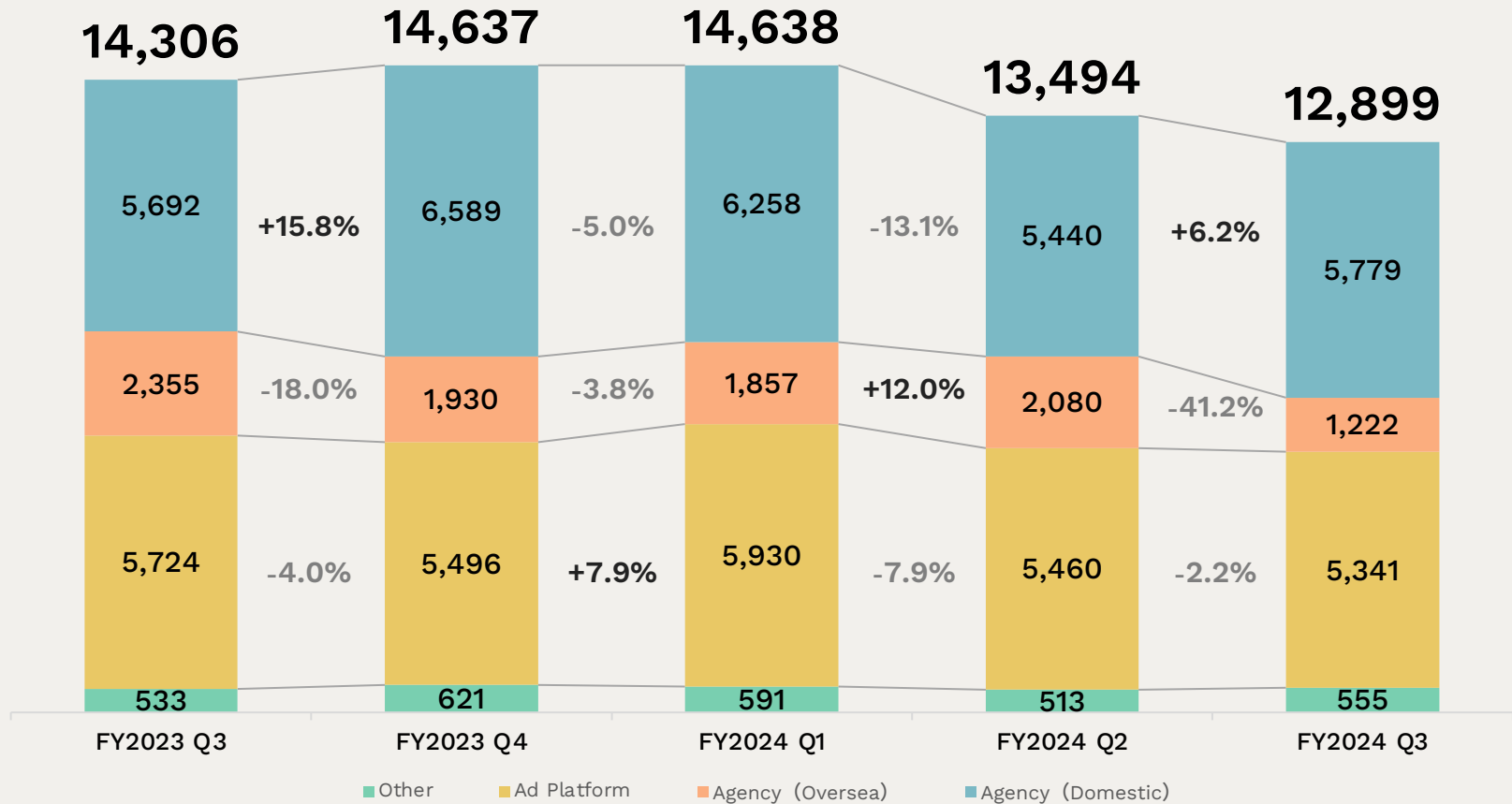
	Causes	Countermeasures
Agency Business (Domestic)	<ul style="list-style-type: none"> Advertising demand is decreasing due to new titles becoming fewer and advertising budgets being reviewed at game app clients. Advertising demand is decreasing due to a large client's advertising budget reduction and other impact. 	<ul style="list-style-type: none"> Focus on gaining new clients in non-game app areas. Strengthen gaining brand ads for which the market is expanding. Expand transactions in the web field by utilizing the AMP series¹ and other unique in-house solutions. Strengthen support in data-driven marketing² by utilizing MARKETING DOC¹ and other unique in-house solutions. <p><small>*1. For details on the AMP series and MARKETING DOC, please refer to past financial presentation materials and press releases.</small></p> <p><small>*2. Data-driven marketing: Marketing conducted based on various data.</small></p>
Agency Business (Overseas)	<ul style="list-style-type: none"> Game app clients in China are increasing advertising without going through an agency but rather through other means such as direct placement of ads with advertising media that have global reach. With more and more agents in China foraying into cross-border marketing*, competition is intensifying among agents and dragging down gross profit margin. <p><small>* Cross-border marketing: Marketing conducted in different countries, such as placing ads in other countries.</small></p>	<ul style="list-style-type: none"> Strengthen gaining brand ads for which the market is expanding. In China, focus on gaining not only game app clients, the main business partners, but also e-commerce and AI-related clients. Focus on gaining game app clients outside of greater China.
Ad Platform Business	<ul style="list-style-type: none"> Credit card and other finance-related clients' advertising budgets are shrinking. In affiliate ad services for apps, ad spend from clients is decreasing with the decreasing number of installs of game apps. 	<ul style="list-style-type: none"> Strengthen gaining advertising media by utilizing the JANEEE series¹ of ad optimization support to perform effectiveness analysis and measures according to each media. In affiliate ad services for apps, strengthen gaining advertising media and strengthen sales to clients by utilizing Push Reward² and other lineup of new solutions. <p><small>*1. For details on the JANEEE series, please refer to P40 and past financial presentation materials.</small></p> <p><small>*2. For details on Push Reward, please refer to P41.</small></p>

Quarterly Segment Summary

<p>Agency Business (Domestic)</p>	<p>Segment Gross sales : JPY 5,779 mn YoY Increase : JPY 86 mn (+1.5%)</p> <p>Game apps decreased due in part to policy shifts at some clients. Comic apps grew. Brand ads for broadening awareness grew.</p>
<p>Agency Business (Overseas)</p>	<p>Segment Gross sales : JPY 1,222 mn YoY Decrease : JPY 1,132 mn (-48.1%)</p> <p>App ads decreased due in part to underperformance of our services in China. Brand ads grew with brisk LINE sales in Taiwan.</p>
<p>Ad Platform Business</p>	<p>Segment Gross sales : JPY 5,341 mn YoY Decrease : JPY 383 mn (-6.7%)</p> <p>Affiliate ads for apps and finance affiliate ads decreased. UNICORN's brands genre grew substantially.</p>

Quarterly Change in Consolidated Gross Sales

(JPY mn)



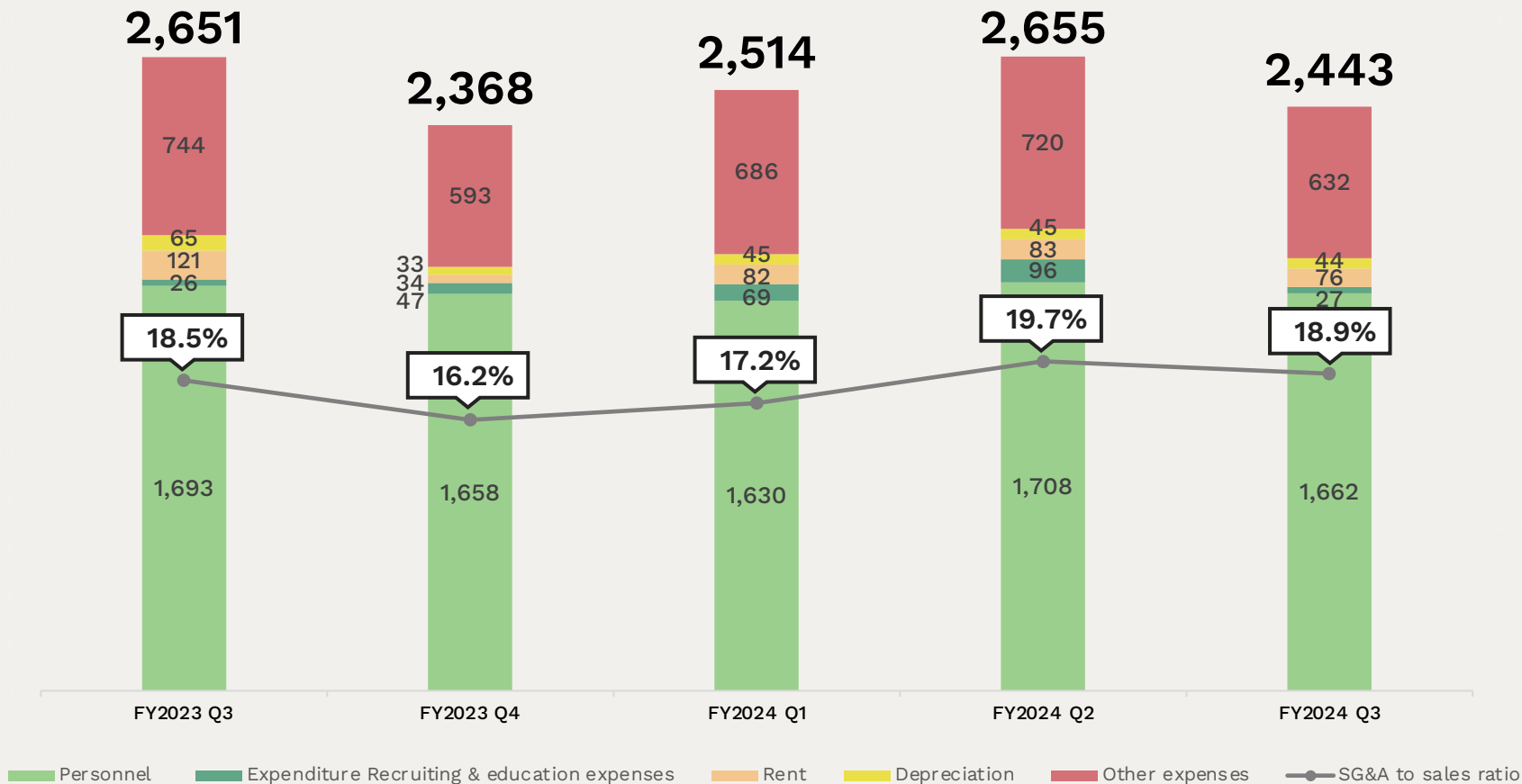
Q3 Gross Sales : JPY 12,899 mn

YoY Decrease : JPY 1,407 mn (-9.8%)

QoQ Decrease : JPY 595 mn (-4.4%)

Quarterly Change in Consolidated SG&A Expenses

(JPY mn)



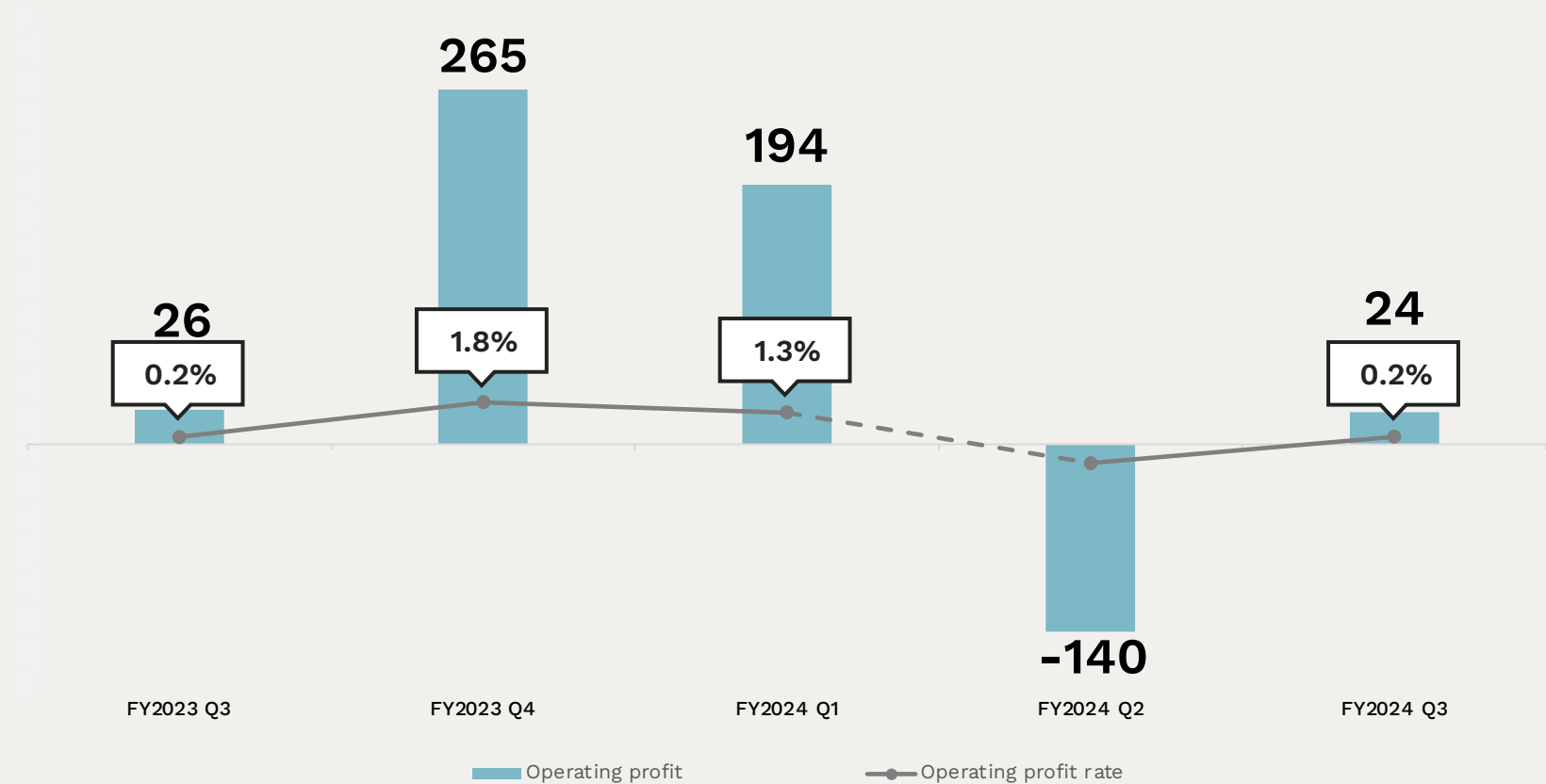
Q3 SG&A expenses : JPY 2,443 mn

YoY Decrease : JPY 208 mn (-7.9%)

SG&A to sales ratio : 18.9% (+0.4 points)

Quarterly Change in Consolidated Operating Profit/Loss

(JPY mn)



Q3 Operating profit : JPY 24 mn

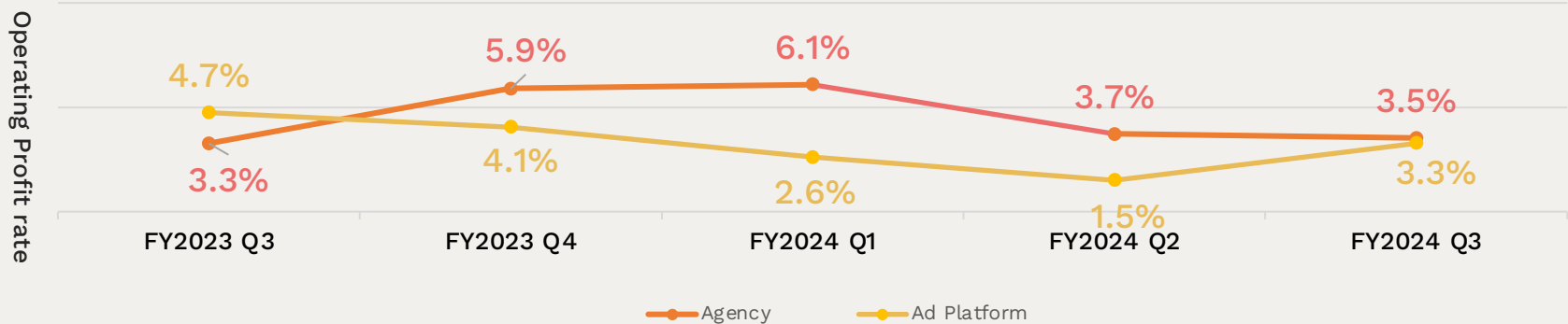
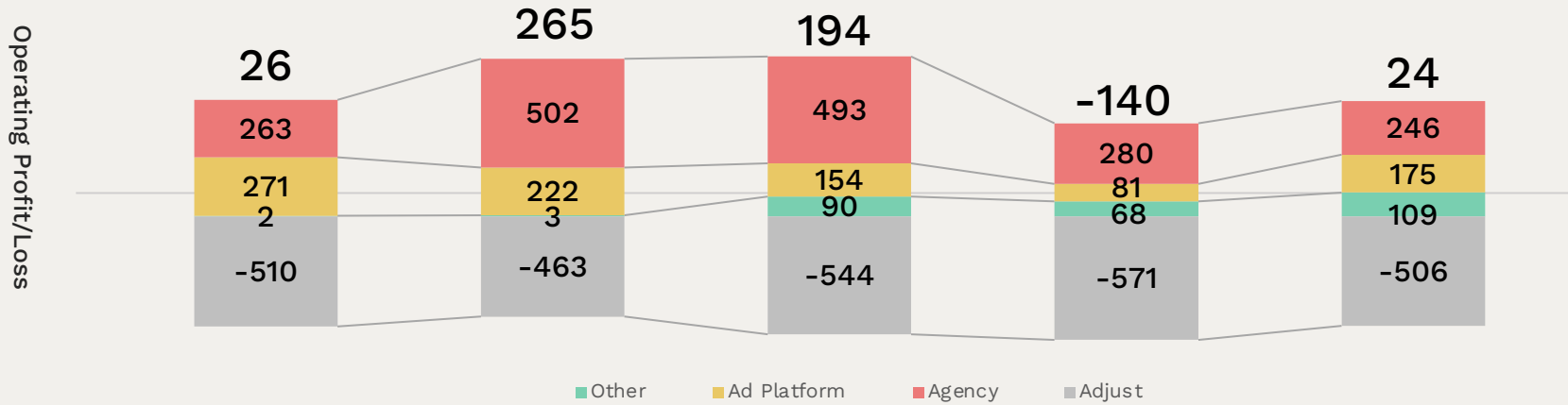
YoY Decrease : JPY 1 mn (-6.3%)

Operating profit rate : 0.2% (YoY: No change)

*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)

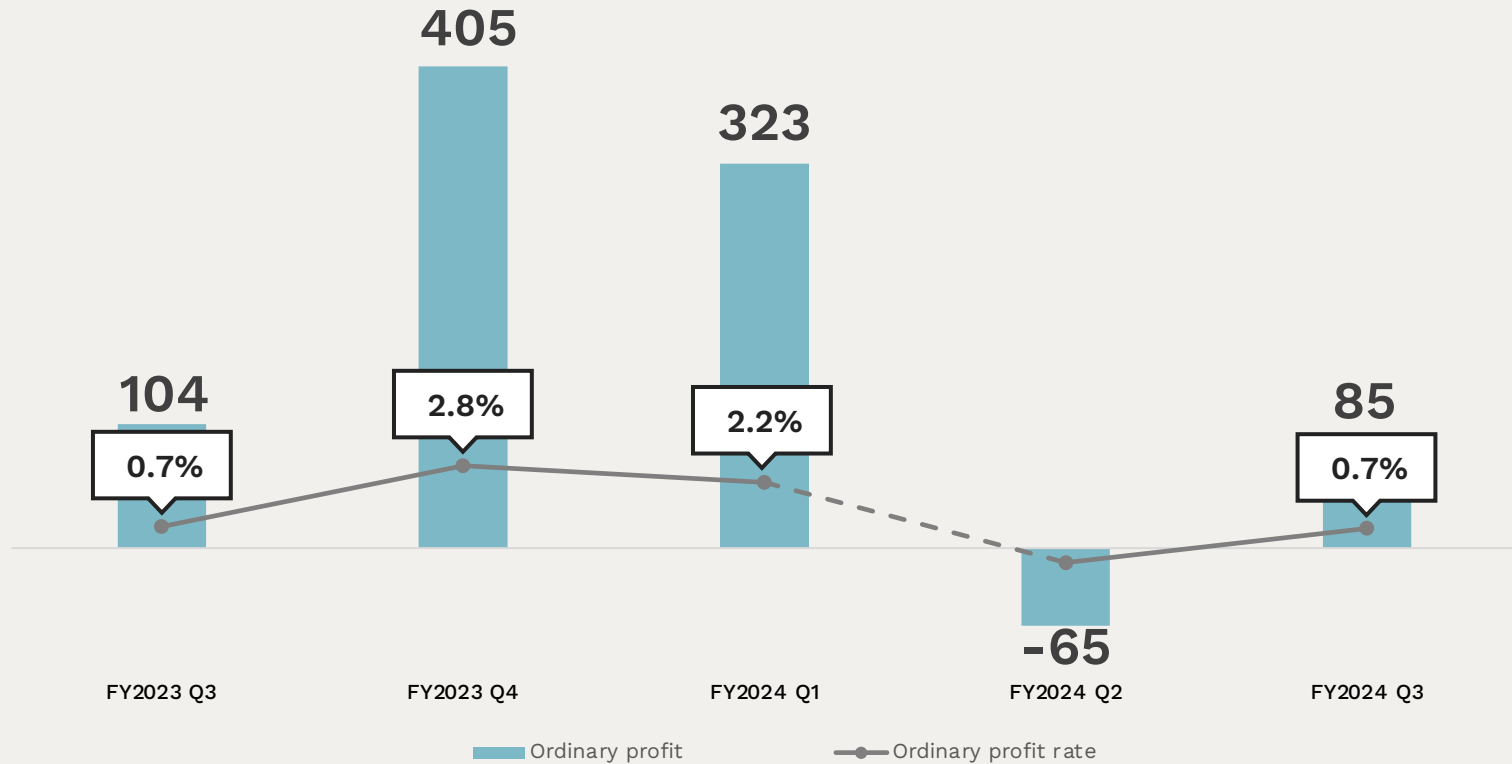


Agency : Despite efforts to curb SG&A expenses, operating profit decreased YoY and QoQ.

Ad Platform : Operating profit decreased YoY, but increased QoQ as a result of curbing SG&A expenses.

Quarterly Change in Consolidated Ordinary Profit/Loss

(JPY mn)



Q3 Ordinary profit : JPY 85 mn

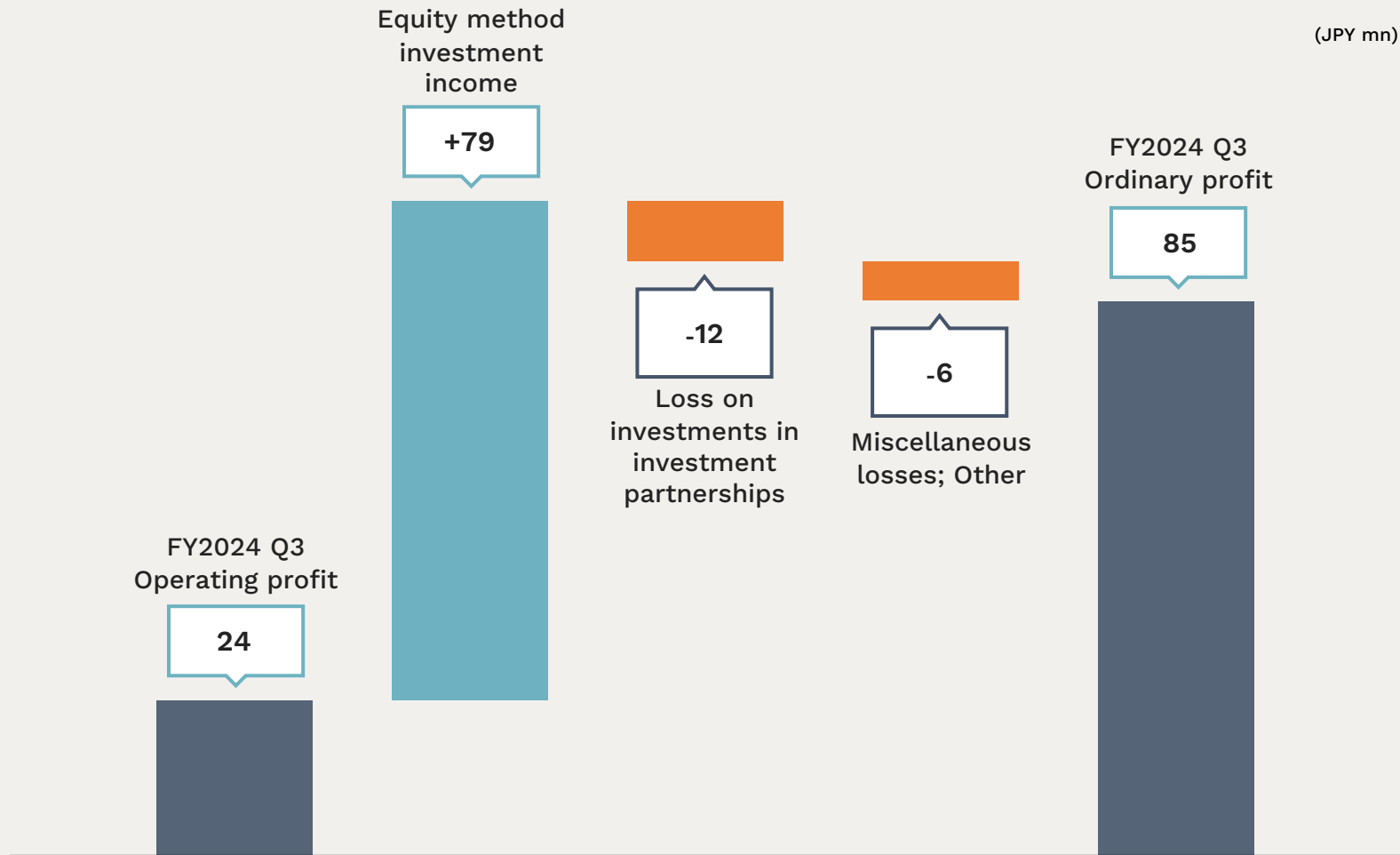
YoY Decrease : JPY 19 mn (-18.3%)

Ordinary Profit rate : 0.7% (-0.1 points)

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

Breakdown of FY2024 Q3 Ordinary Profit

(JPY mn)

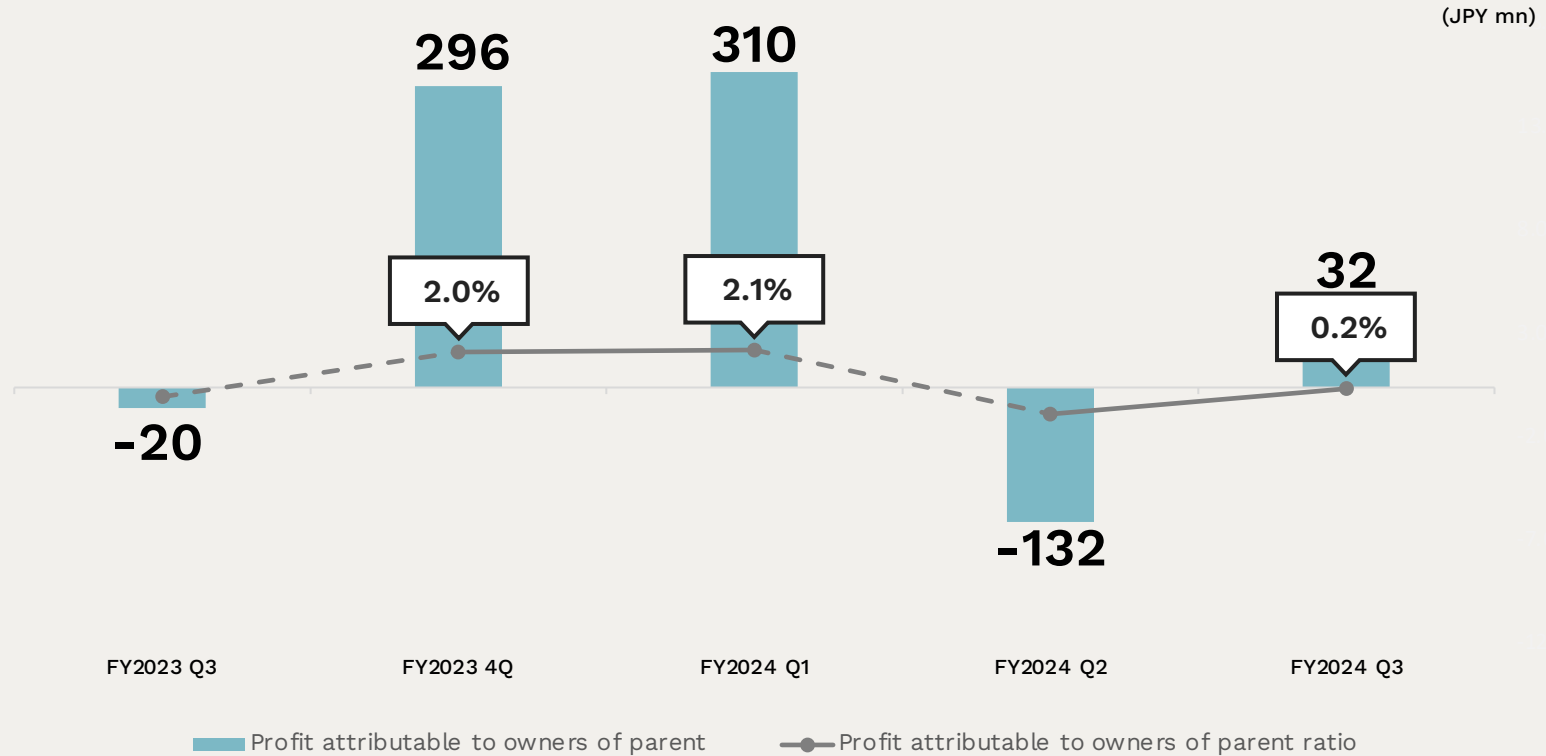


Equity method investment income . . . JPY +79 mn

Loss on investments in investment partnerships . . . JPY -12 mn

Miscellaneous losses; Other . . . JPY -6 mn

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



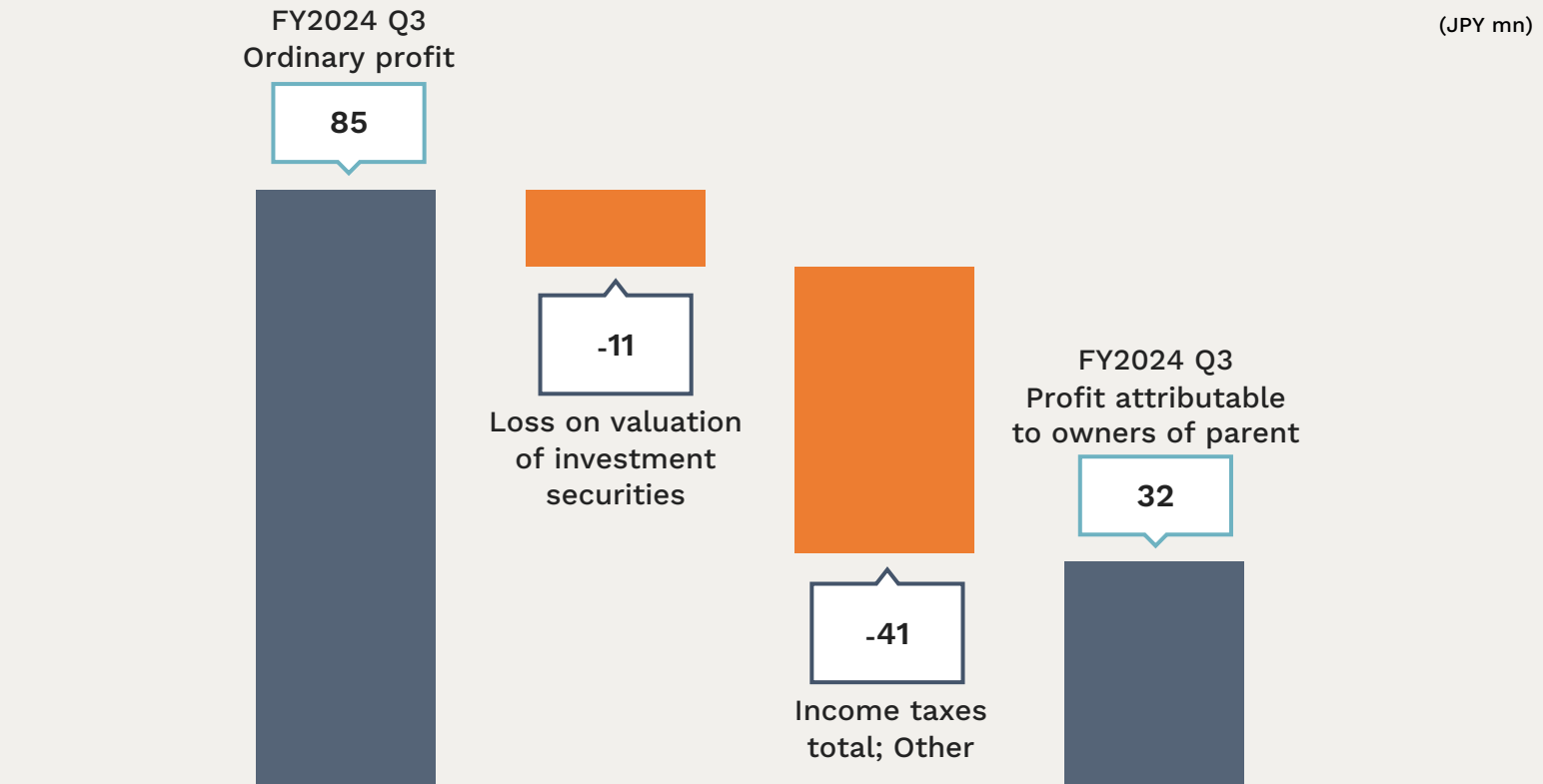
Profit attributable to owners of parent : JPY 32 mn

YoY Increase : JPY 52 mn

QoQ Increase : JPY 164 mn

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

Breakdown of FY2024 Q3 Profit Attributable to Owners of Parent



Loss on valuation of investment securities • • • JPY -11 mn

Income taxes total; Other • • • JPY -41 mn

2.

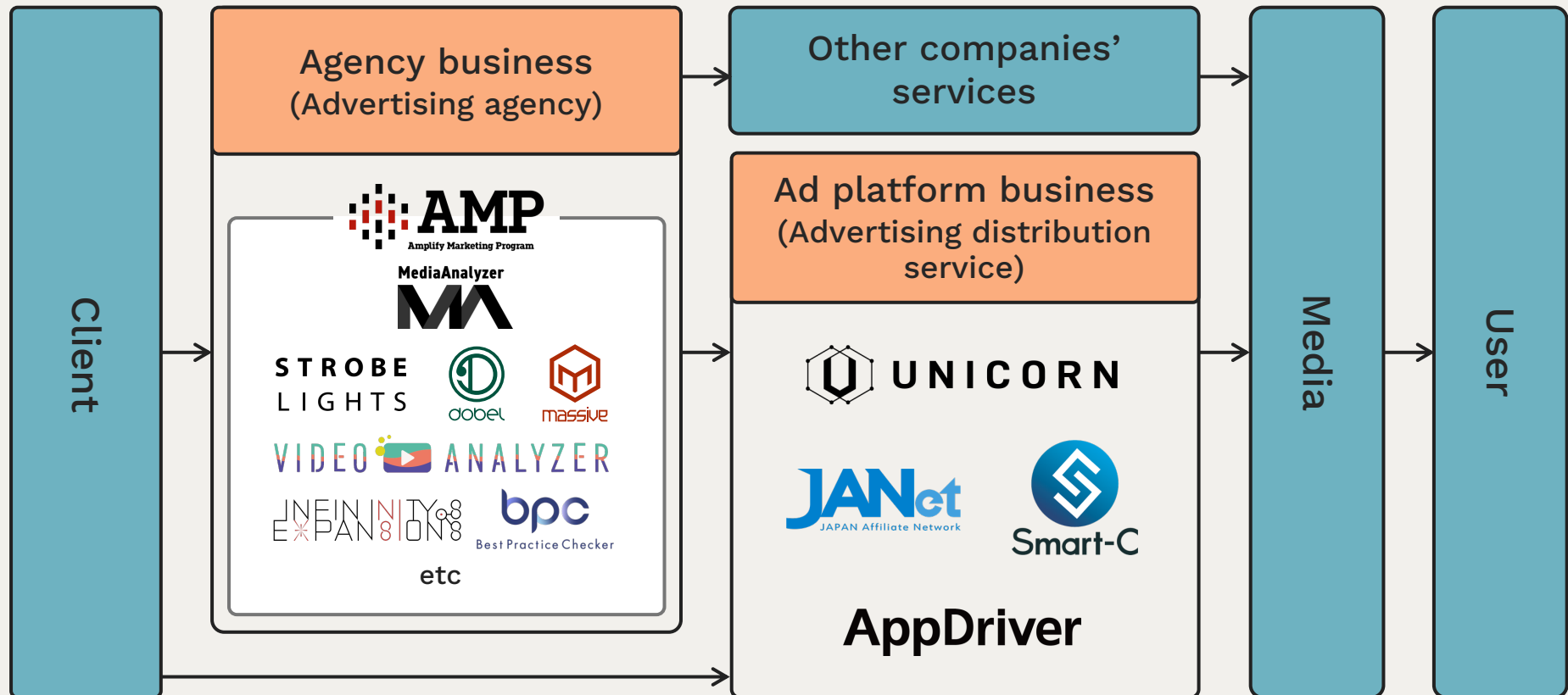
Chapter 2: business overview

BUSINESS OVER VIEW

Advertising business

Third 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/Overseas)

Comprehensive app & web marketing support business

Principles of Agency Business (Domestic)

Third quarter

Digital transformation of marketing as a business growth driver for clients

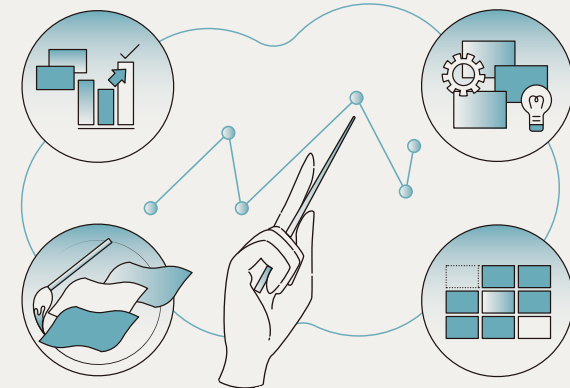
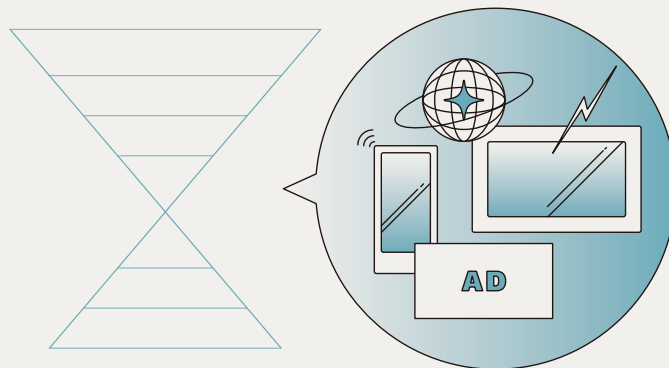
HakuhodoDY holdings



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



Gross profit and number of accounts both increased YoY.

Overseas Marketing Support Business



Certified as LINE Taiwan's "LINE Biz-Solutions Partner"
as newly "Creative Partner" following on from "Sales Partner."

Overseas Marketing Support Business

Taiwan

Forayed into the retail media network (RMN) field, which is rapidly expanding market share around the world, by partnering with Taiwan FamilyMart, which has more than 4,200 physical stores across Taiwan



By combining app and e-commerce site memberships, LINE official accounts, various social media, in-store signage and other channels, ads can be delivered to more than 18 million users.

Ad platform business

UNICORN, affiliate ad service business etc.

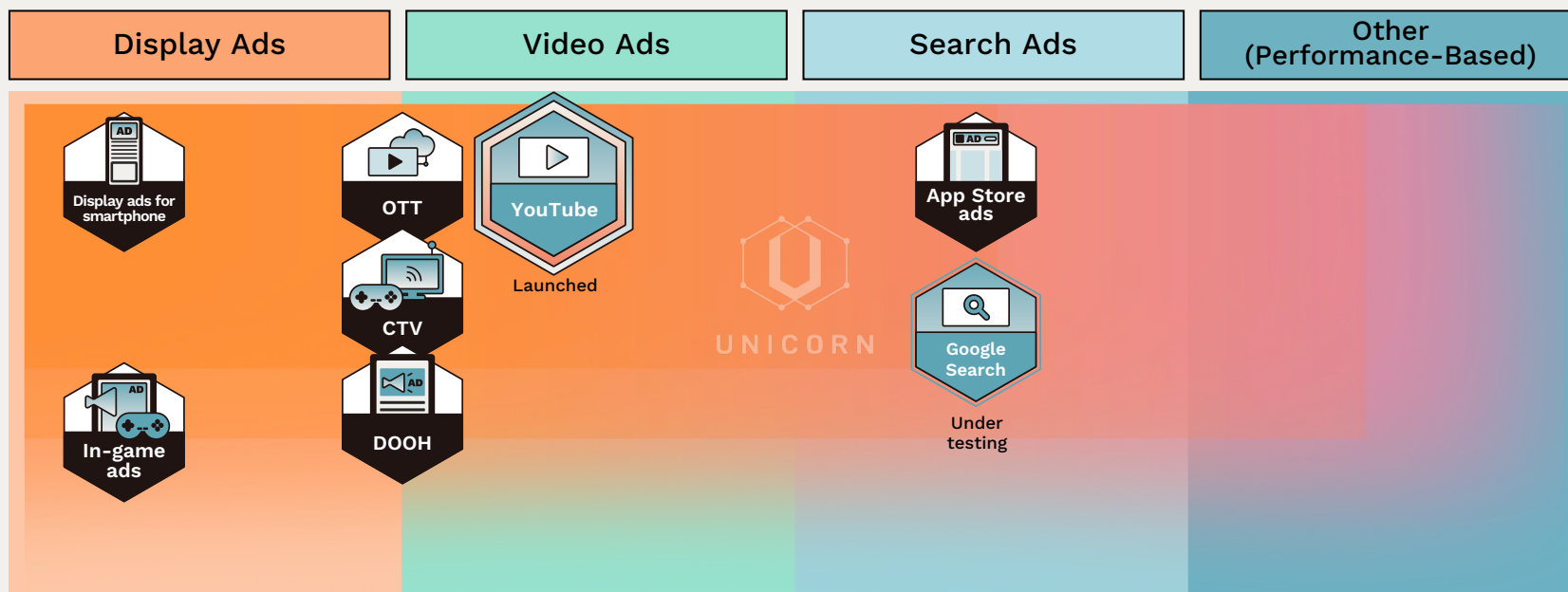


UNICORN

REDEFINE DIGITAL MARKETING

Principles of Ad Platform Business (UNICORN)

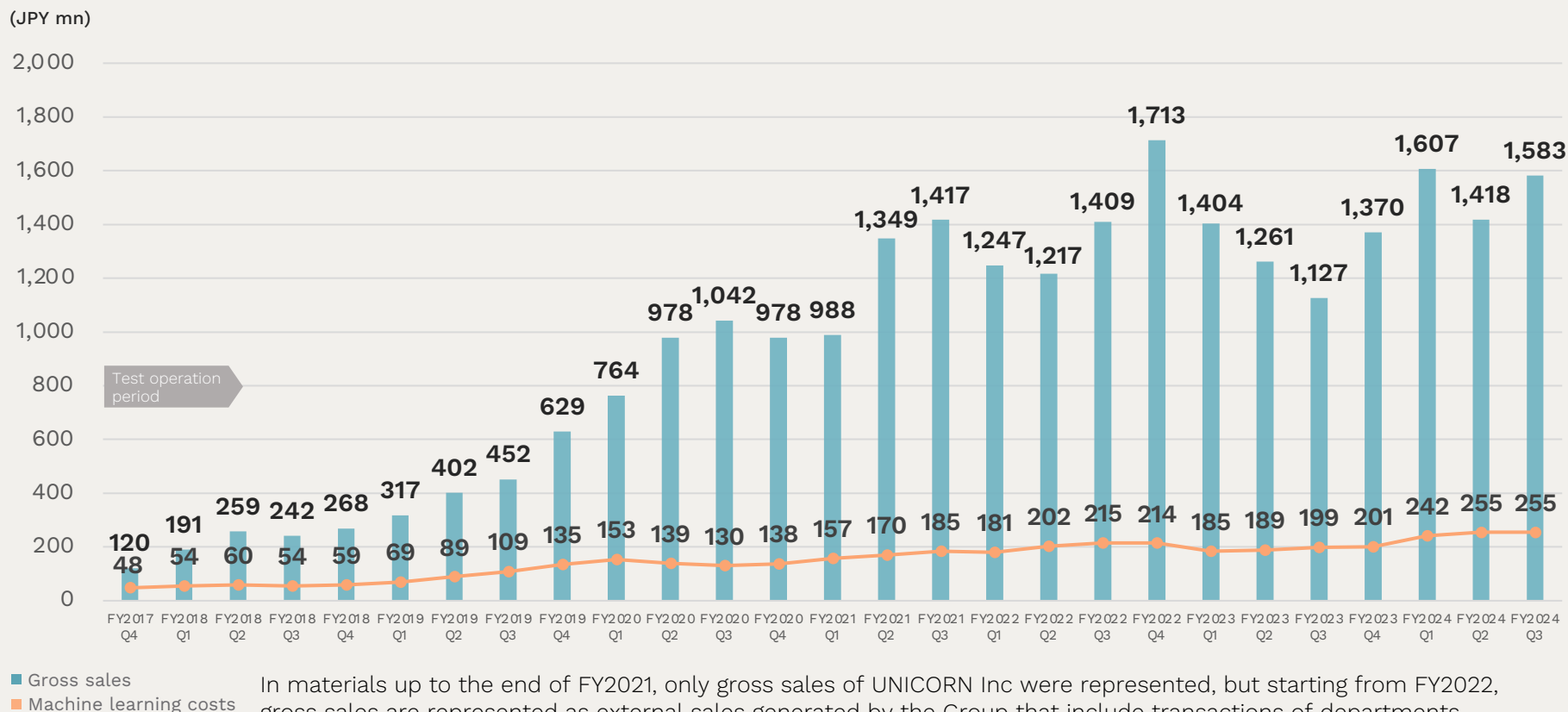
Three-dimensional expansion
based on channel, value and account



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)

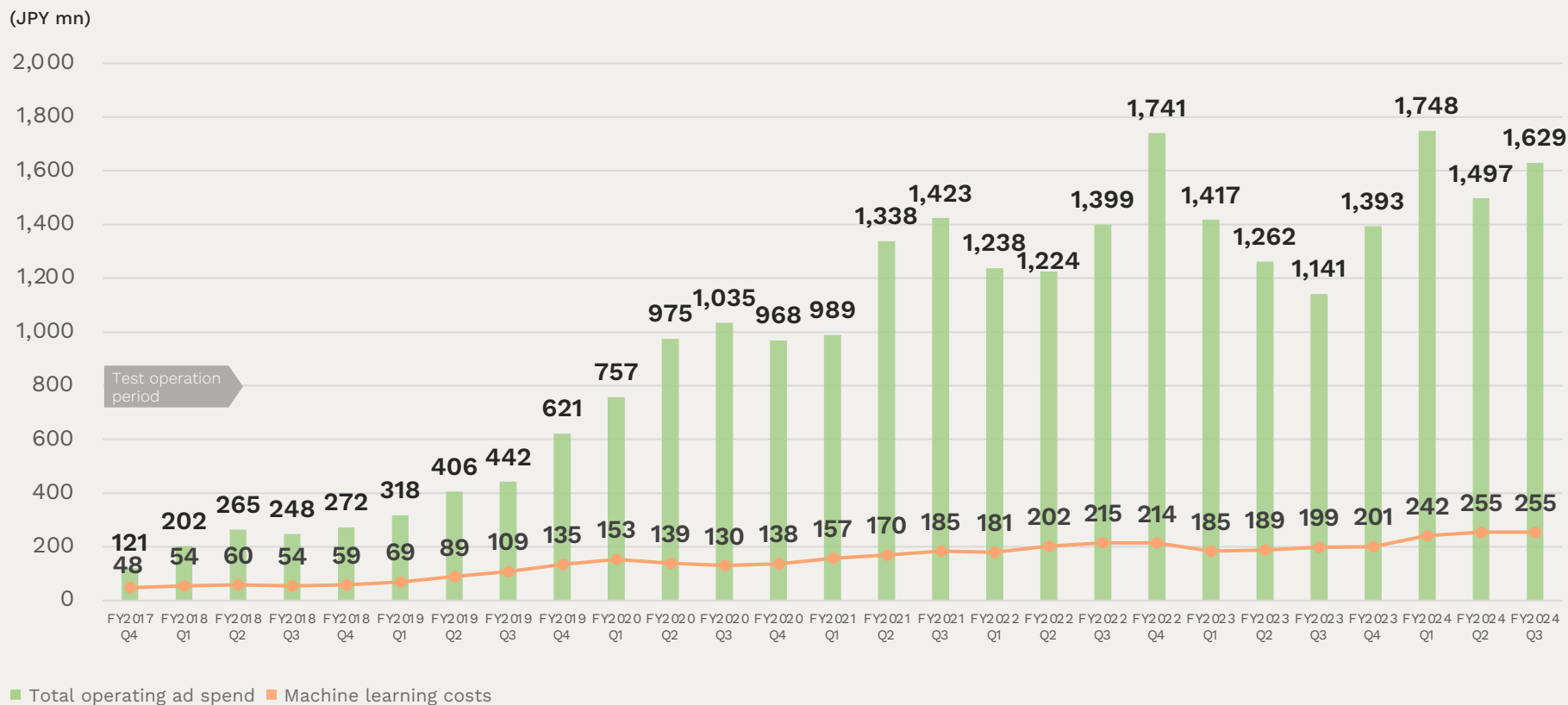
Change in UNICORN Gross Sales and Machine Learning Costs



Grew substantially both QoQ and YoY (significant growth of 140%).

Progress of UNICORN (Total Operating Ad Spend*)

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



Total operating ad spend* also grew substantially both QoQ and YoY (significant growth of 142%).

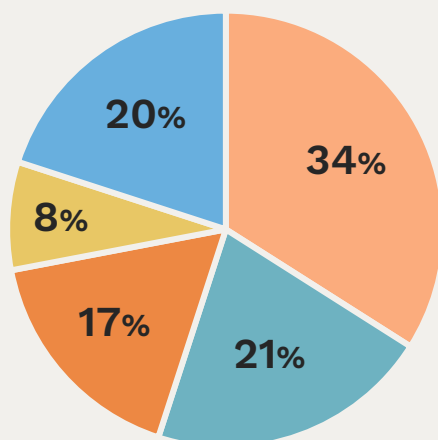
*Total operating ad spend is different from gross sales in that it is the total amount of money actually spent on ads served through UNICORN's system. In some cases, only UNICORN's margin is included in gross sales at the request of the client, and in other cases, gross sales are reduced when certain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

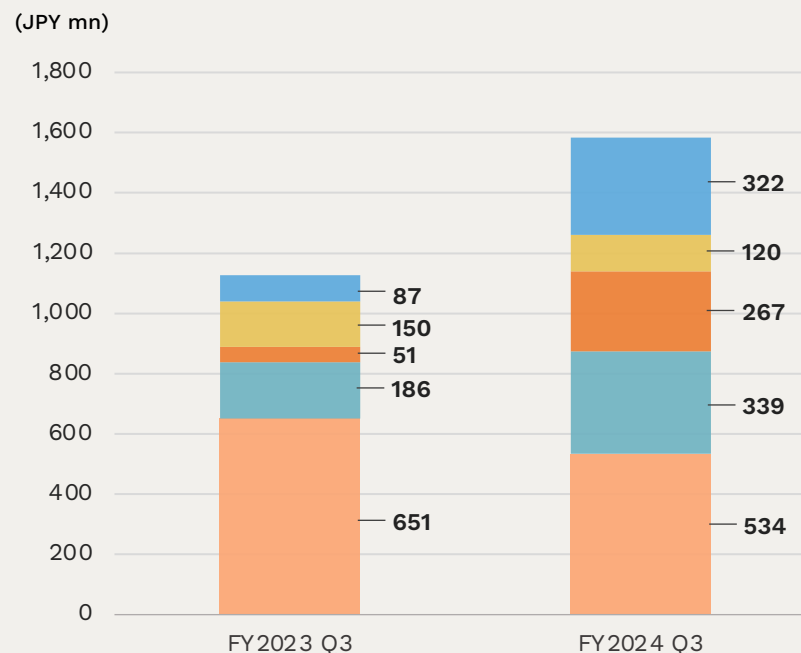
Third quarter

Progress by Genre

FY2024 Q3 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

Third quarter

UNICORN's Performance: YoY

(JPY mn)

	FY2024 Q3	YoY FY2023 Q3		
		Result	Change	Change (%)
Gross sales	1,583	1,127	+456	+40.5%
Gross profit	552	373	+179	+47.9%
Operating profit	62	-3	65	-

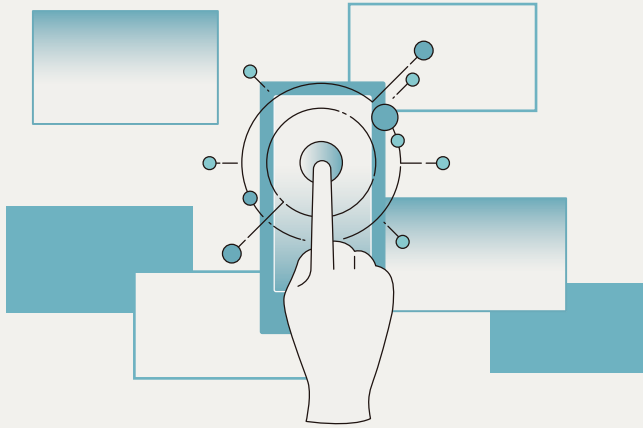
Gross sales, gross profit and operating profit each increased significantly YoY.

*Operating profit rate for FY2023 Q3 is a negative figure and thus not presented.

About **UNICORN**

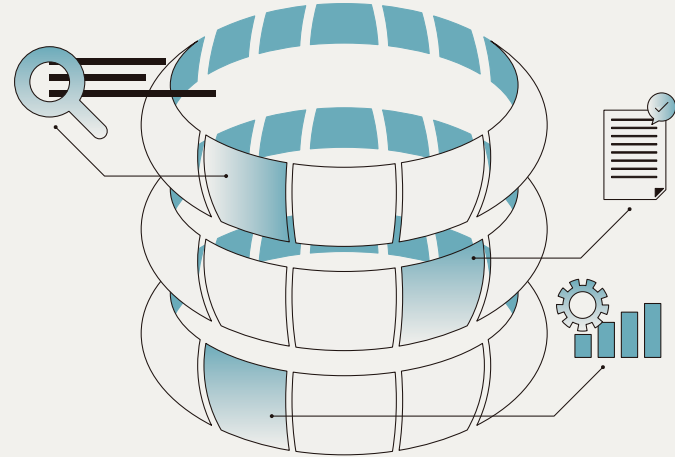
Advanced ad method UNICORN Interactive AD

Third quarter



**Cutting-edge creative
formats**

Banner / Video / Reward Video
Native / Interactive



**Precise ad optimization
with UNICORN**

Context / Location / Demographics
Carrier / Approved list

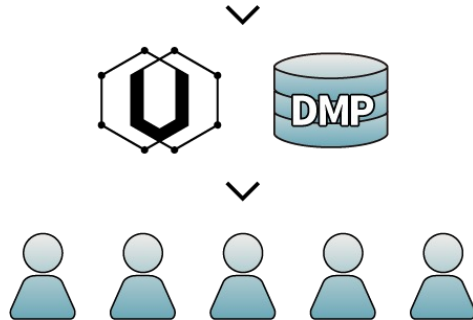
**Achieve completely new types of communication with
unencountered users by using innovative creatives**

“B2B Targeting” Realizing Effective Digital Ad Delivery in the B2B Field

UNICORN's New Feature “B2B Targeting”

**Targeting according to job type,
business type, company size, etc.
based on audience data for businesses**

Japan's largest business entity database



Sales size	Capital	Listing	Job type
JPY 500 mn to 1,000 mn JPY 10,000 mn to 100,000 mn JPY 100,000 mn or more	JPY 100 mn to 1,000 mn JPY 1,000 mn to 5,000 mn	Listed Not listed	Sales General affairs / HR Financial affairs / Accounting Planning/Marketing etc.
Number of employees	Profit size	Head office location	Engineer/Designer
1 to 99 employees 100 to 999 employees 1,000 employees or more	JPY 500 mn or more	Tokyo Other than Tokyo	Engineer Designer Python etc.
	Salaried employees	Business type	
	Executives/Directors Management level General	Manufacturing Information and communications etc.	

*The above is some of the deliverable segments

B2B Targeting enables targeted delivery by designating the traits of targeted companies, which can include not only specific business types and job types but also the number of employees, sales size and whether or not listed, so that users can be efficiently approached.

TOKYO GAME CONNECT

Co-Host and Speaker

TOKYO GAME CONNECT was co-hosted by UNICORN with four other companies at the forefront of the mobile app industry in line with the holding of TOKYO GAME SHOW.



Took the stage with Mercari, Inc.'s Hiroaki Shimizu to speak on the topic of
“How to evaluate ads has evolved this much without game companies knowing! How to discern true ad effectiveness learning from market leaders”

**Seeking to accelerate initiatives with various companies
to create new ad value through pursuit of a framework for
real and appropriate evaluation of ads and real ad effectiveness.**

D E E E

Delight
喜び

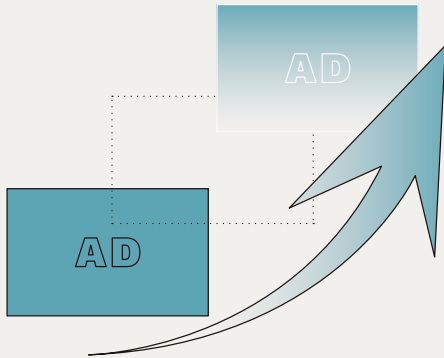
Exciting
わくわく

Eager
熱心

Exceed
超える

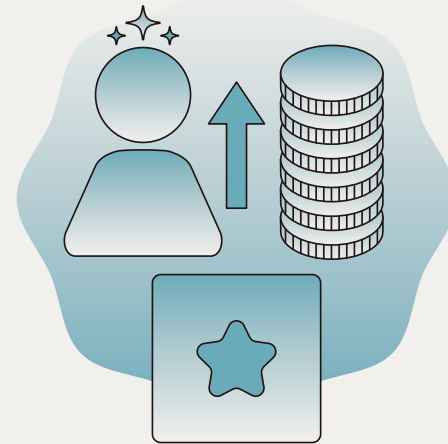
New fusion of tradition
and innovation.

Principles of Ad Platform Business (ADWAYS DEEE)



Update affiliate advertising with
new concepts

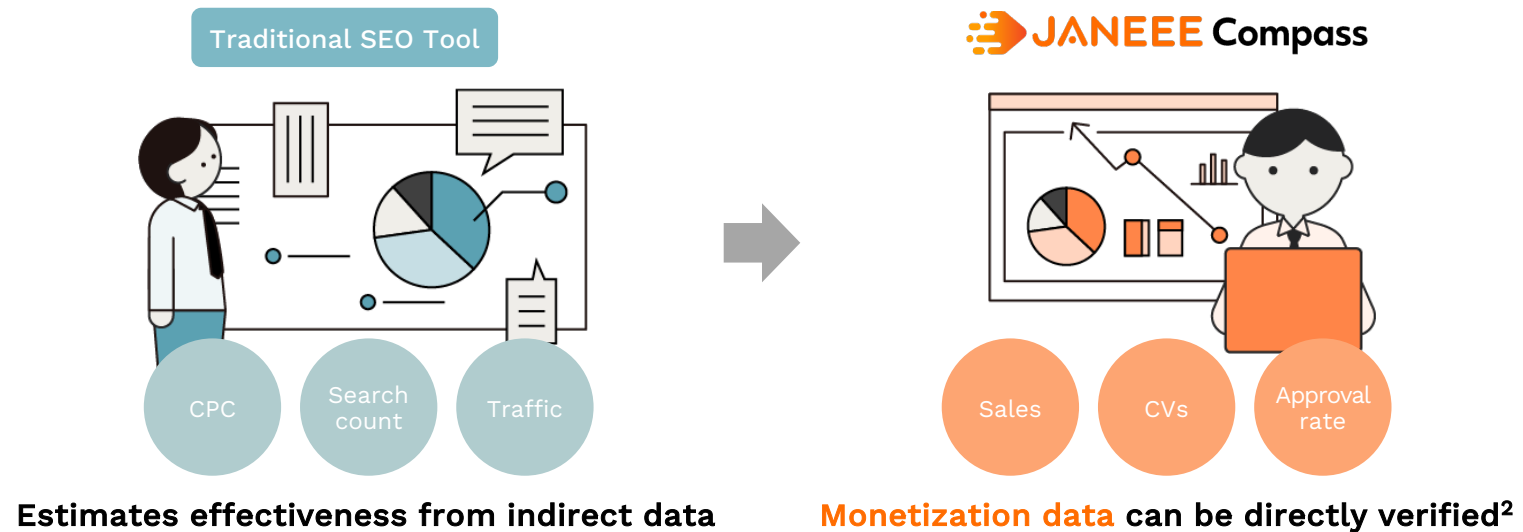
AppDriver



Strengthen service development to
improve consumer experience and
maximize media revenue

Industry's First¹ to Predict Affiliate Ad Effectiveness “JANEEE Compass”

Industry's First Affiliate Effectiveness Prediction Feature



The industry's first user acquisition support feature that enhances planning efficiency and boosts revenue through the advance prediction of the sales size of affiliate ads using over 10 years of data accumulated from JANet.

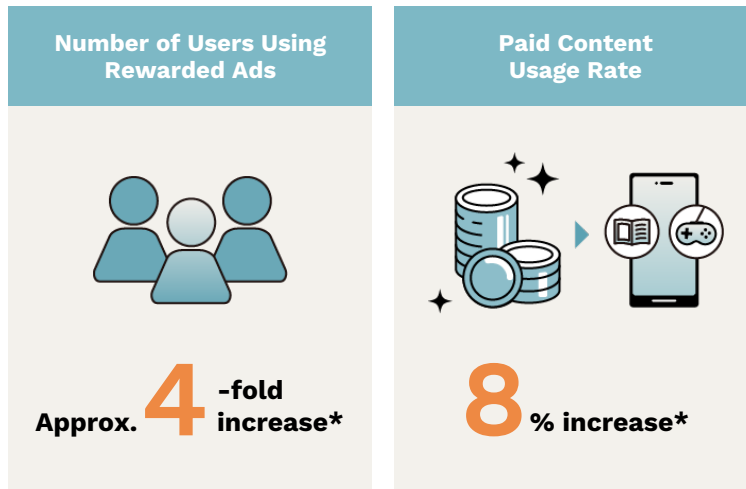
*1. According to research by Adways

*2. The tool provides visualization of the effectiveness estimated based on data sourced from JANet and external tools, and is not a guarantee of actual effectiveness.

Push-Type Rewarded Ads That Do Not Interfere with User Experience “Push Reward”

AppDriver

Push Reward Leading to
Greater Rate of Use



*Results of partial validation testing by Adways

About Push Reward

Delivers at the Best Timing
in the App Experience



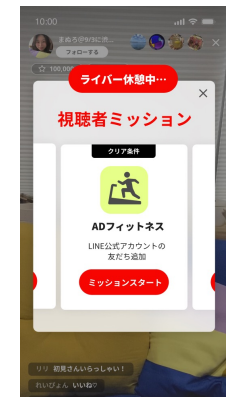
Comic app

Grants the points short for reading more of the comic



Online claw machine app

Delivers ads while other users are playing or when on the waiting list

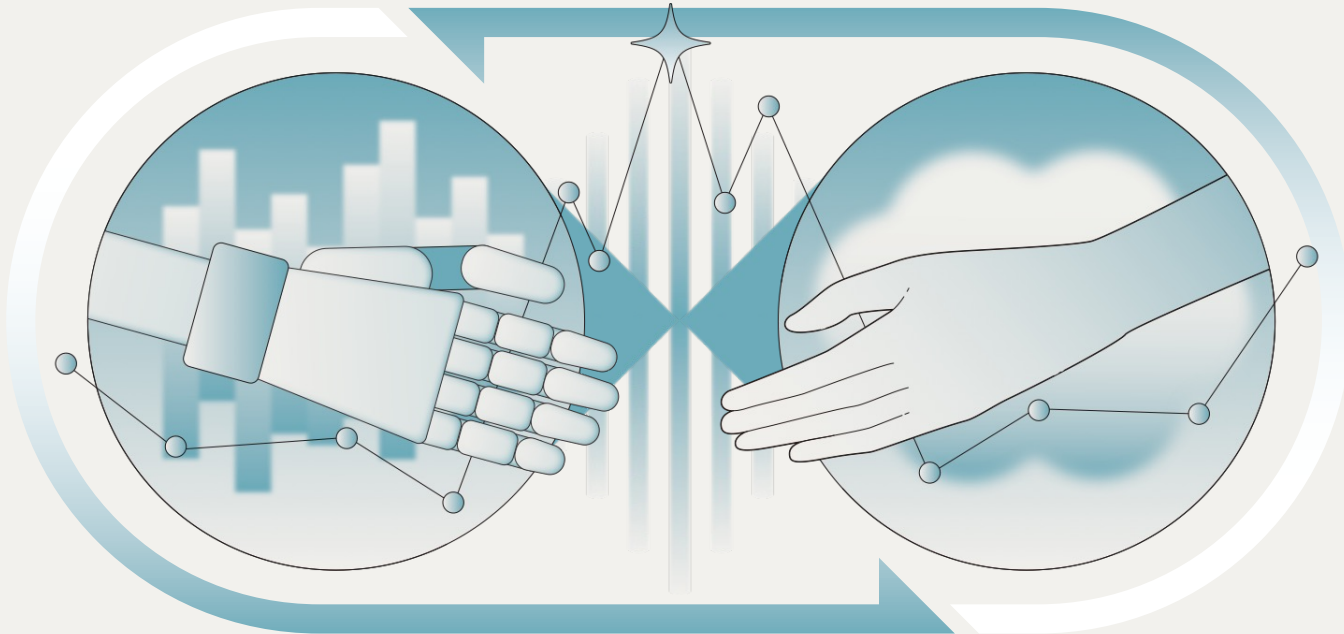


Livestreaming app

Challenge missions while streamers are on breaks

AppDriver will keep supporting the growth strategies of diversified customers as features continue to be enhanced by identifying the essential issues of the rewarded ad market.

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, 2024, and a variety of factors may cause the statements to differ from actual results.

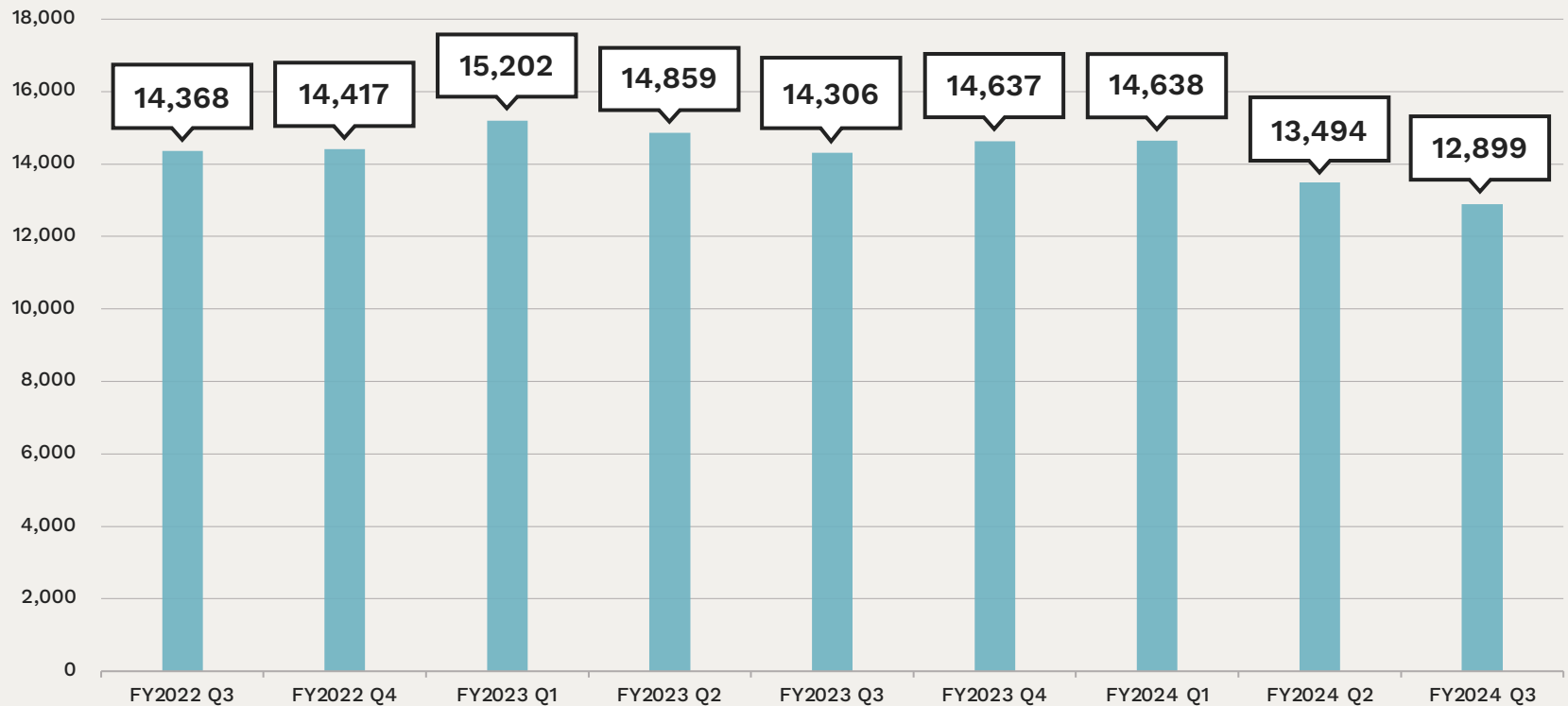
SUPPLEMENTARY MATERIALS

3.

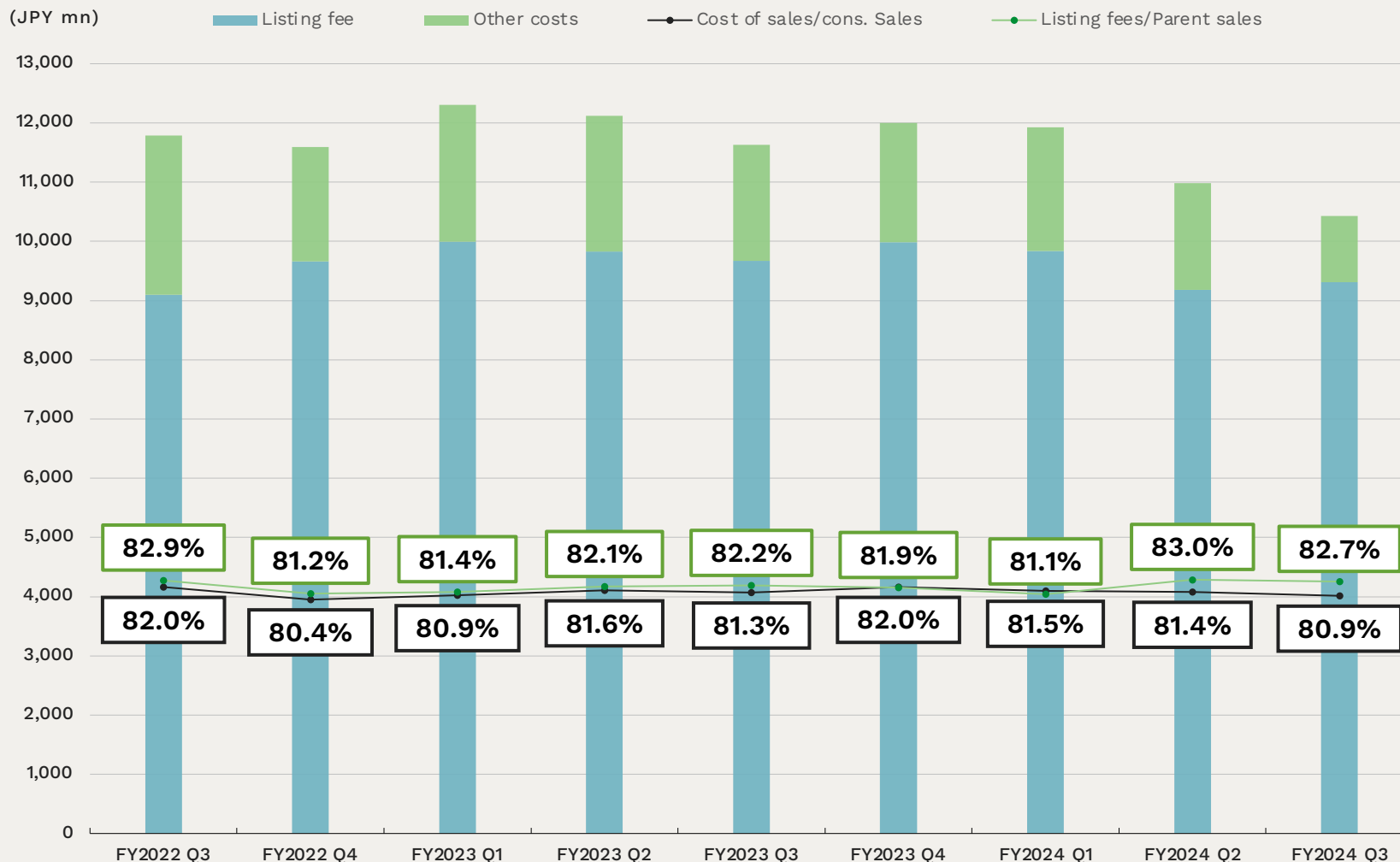
Chapter 3 : Supplementary materials

Quarterly Change in Consolidated Gross Sales

(JPY mn)

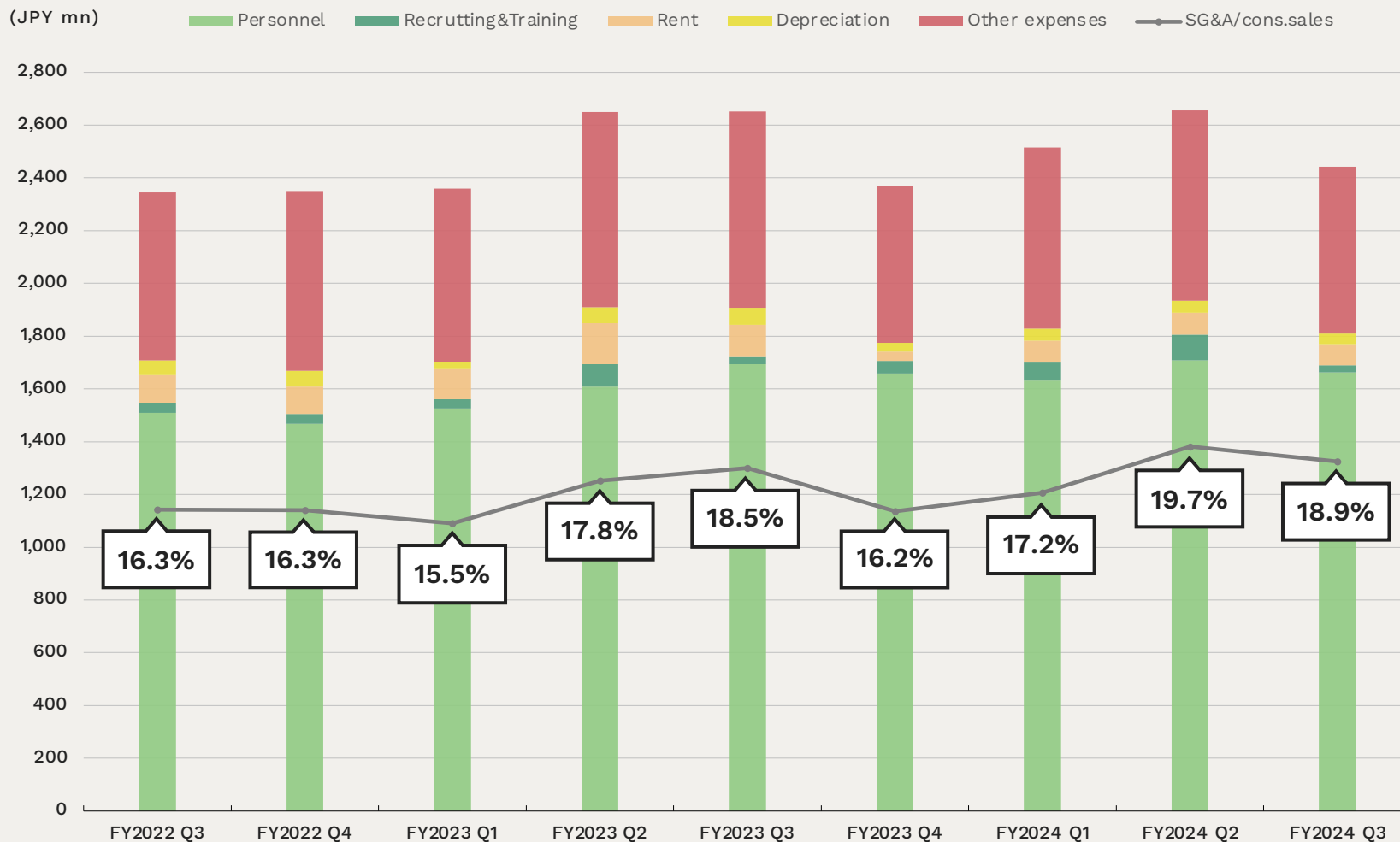


Quarterly Change in Consolidated Cost of Sales



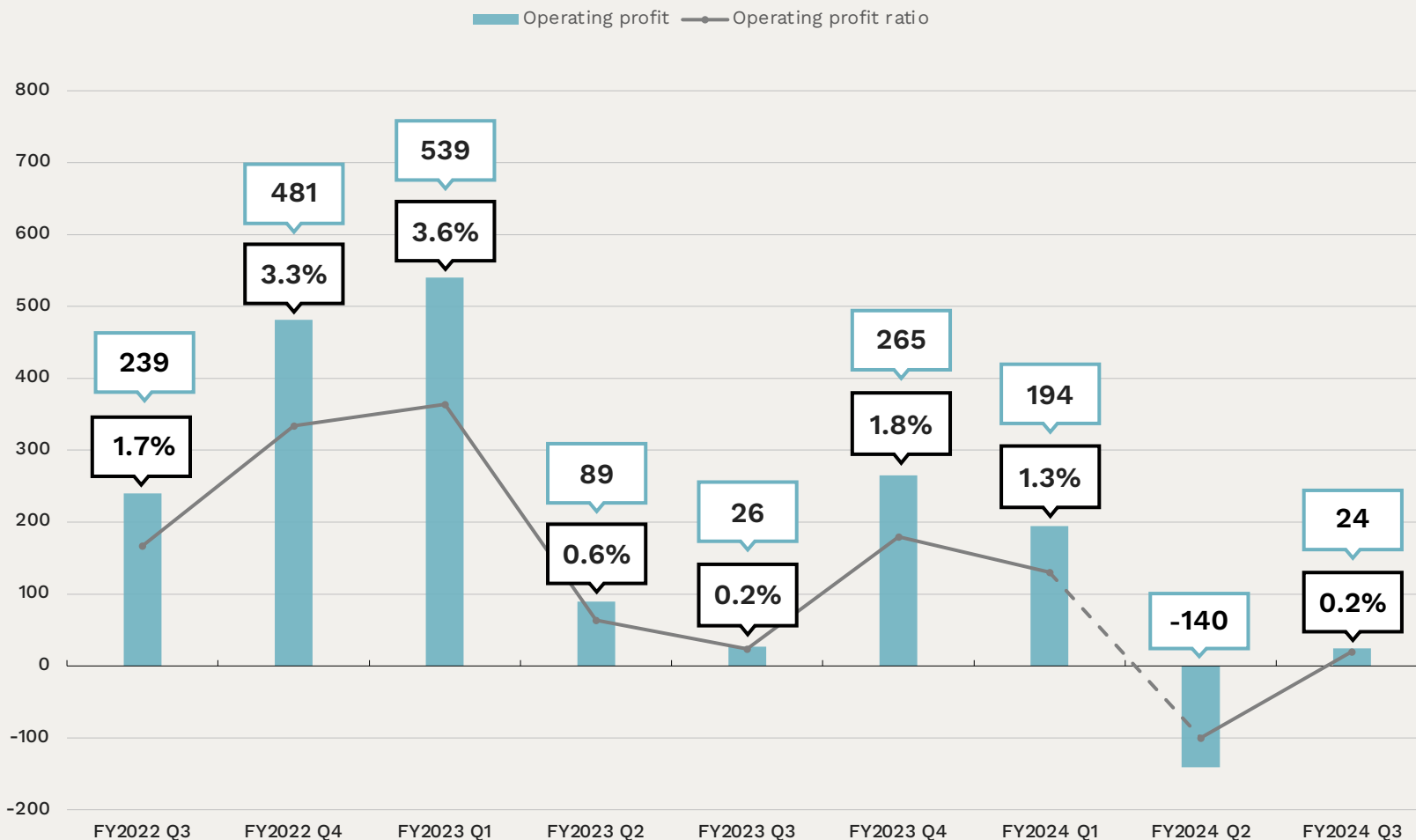
*Listing fee and Listing fees/Parent sales show non-consolidated figures and ADWAYS DEEE totals.

Quarterly Change in Consolidated SG&A Expenses



Quarterly Change in Consolidated Operating Profit/Loss

(JPY mn)



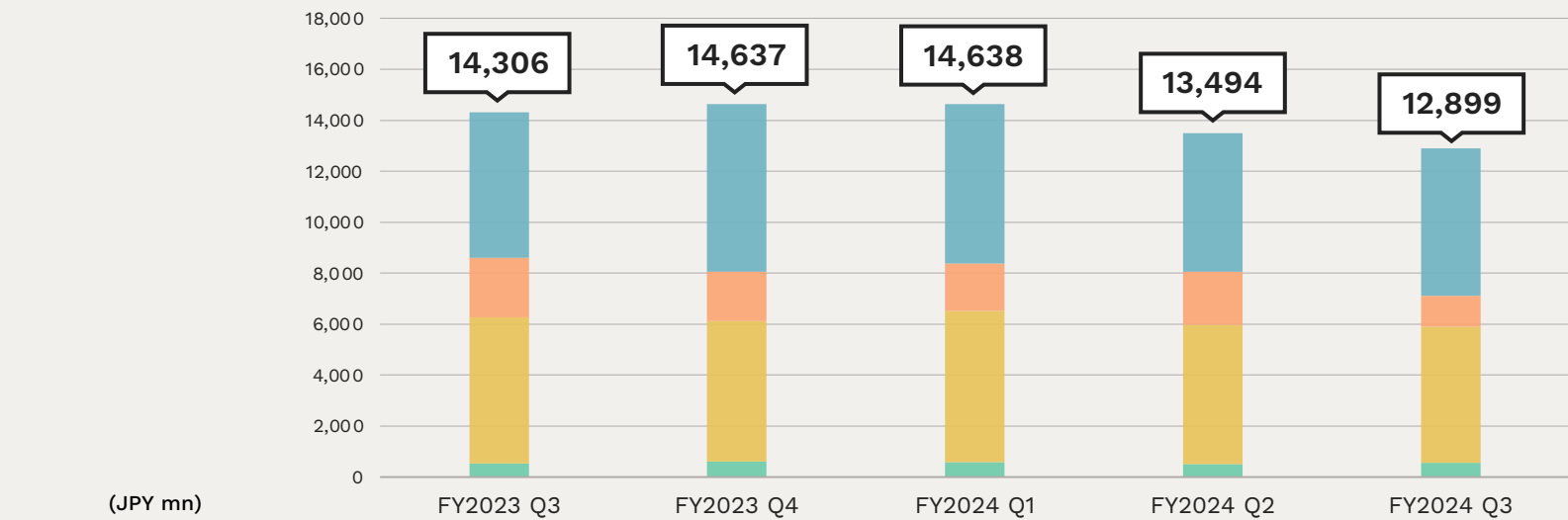
*Operating profit rate for FY2024 Q2 is a negative figure and thus not presented.

Consolidated Balance Sheet (QoQ)

(JPY mn)

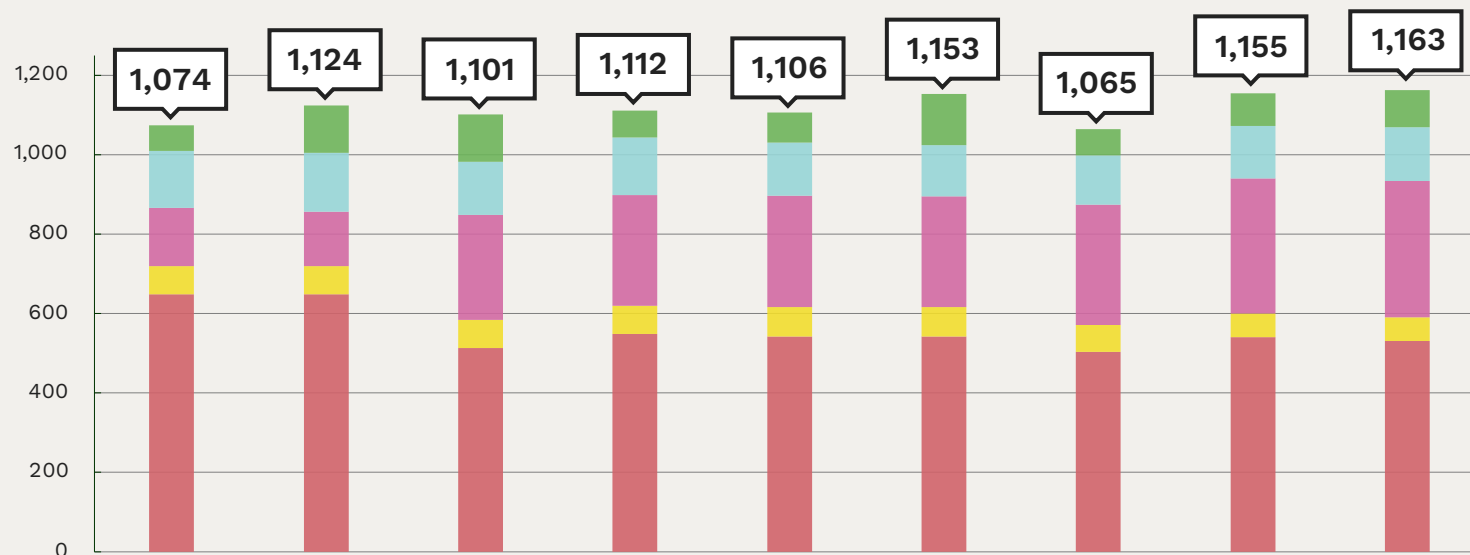
	FY2024 Q3	FY2024 Q2	Change	Change (%)
Current assets	18,030	18,184	-153	-0.8%
(Cash and deposits)	9,725	9,985	-259	-2.6%
Non-current assets	5,152	5,236	-84	-1.6%
Total assets	23,182	23,420	-238	-1.0%
Current liabilities	8,470	8,510	-40	-0.5%
Non-current liabilities	214	258	-44	-17.1%
Total liabilities	8,684	8,769	-84	-1.0%
Net assets	14,498	14,651	-153	-1.0%

Quarterly Breakdown of Consolidated Sales by Segment



	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2	FY2024 Q3	QoQ	
						Change	Change (%)
Agency (domestic)	5,692	6,589	6,258	5,440	5,779	+339	+6.2%
Agency (overseas)	2,355	1,930	1,857	2,080	1,222	-858	-41.2%
Ad platform	5,724	5,496	5,930	5,460	5,341	-118	-2.2%
Other	533	621	591	513	555	+42	+8.2%
Total	14,306	14,637	14,638	13,494	12,899	-595	-4.4%

Quarterly Change in Group Employees



(Persons)	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	FY2024 Q2	FY2024 Q3
■ ADW Japan	648	649	513	548	543	542	504	540	531
■ ADW China	72	71	72	72	74	75	67	61	59
■ Domestic subsidiaries	147	137	263	279	280	279	303	339	344
■ Overseas subsidiaries (excluding China)	143	148	135	145	133	128	125	133	136
■ Temporary workers, part-time employees	64	119	118	68	76	129	66	82	93
Total	1,074	1,124	1,101	1,112	1,106	1,153	1,065	1,155	1,163

*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 September 2024)
Gross sales	JPY 59,006 mn	(FY2023, Consolidated basis)
Employees ※including temporary workers	1,163 (for the entire group)	(As at end of September 2024)