MAKING AI EASY

BY MAKING
SOFTWARE INTELLIGENT

Q3 FY2024 Earnings Nov 2024



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Our Mission

Turning AI into ROI by Making Software Intelligent



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FY24 Q3 Review & Achievements

FY24 Q3 Business Metrics



Business Outlook



Product Updates

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2024 Q3 Recap



Growth momentum continues in our key focus regions

Strong growth in NEA and the US & EMEA led to an all-time high revenue of JPY 9.1B with a 28% YoY growth. NEA's YoY growth accelerated to 37%, driven by strong expansion from existing E-Commerce customers. US & EMEA achieved a 29% YoY growth on top of last year's high YoY growth, with a robust 20% QoQ growth that further accelerated in USD terms, driven by gains in Digital Content and Other Internet Services.



Profitability reaches historical highs

Operating profit increased 2.5 times to JPY 788M, with an operating margin of 8.7%. EBITDA also improved 79% YoY, with an EBITDA margin of 16.9%. In addition, net income expanded by 2.7 times to JPY 814M, with a net margin of 9%. This strong profit expansion resulted from improved gross margin and increased R&D efficiency through AI initiatives. Enhanced sales and marketing productivity, driven by a go-to-market strategy focused on larger enterprises and AI insights, also contributed to this growth.



First dividend distribution forecasted with continuous improvement on core FCF

We initiated our first forecasted cash dividend payout of JPY 2 per share, driven by continuous improvements core free cash flow (FCF) and reflecting our strong financial performance and commitment to returning value to shareholders. This shareholder return in the form of dividends, following our first share buyback announced in Aug'24, underscores our dedication to sustaining profitable growth and achieving a well-balanced approach between investments for growth and shareholder returns.

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2024 Q3 Highlights

Revenue

JPY 9.1B

Profitability

Operating Income JPY 788M

Net Income JPY 814M

ARR(3)

JPY 33.4B

Revenue YoY Growth(1)

+28%

Gross Profit YoY Growth(2)

+31%

LTM NRR

USD-based(4) 117.8%

FX-neutral(5) 130.0%

(1) Revenue Growth from FY23 Q3 to FY24 Q3.
(2) Gross Profit Growth from FY23 Q3 to FY24 Q3.
(3) ARR is conducted as the sum of the per-solution ARR. (i) For AIQUA, AiDeal, AIXON, BotBonnie and AIRIS, which are offered on a subscription basis, we calculate ARR as of a certain date as the monthly recurring revenue converted in JPY during the one-month period ending on such date, multiplied by 12. (ii) For CrossX, we calculate ARR as of a certain date as the average of monthly recurring revenue converted in JPY during the six-month period ending on such date, multiplied by 12.
(4) We calculate NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year.
(5) We calculate FX-neutral NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year and converted to JP Yen based on the FX-neutral quarterly average exchange rate of FY23 Q4 to FY24 Q3, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year and converted to JP Yen based on applicable exchange rate of FY22 Q4 to FY23 Q3.

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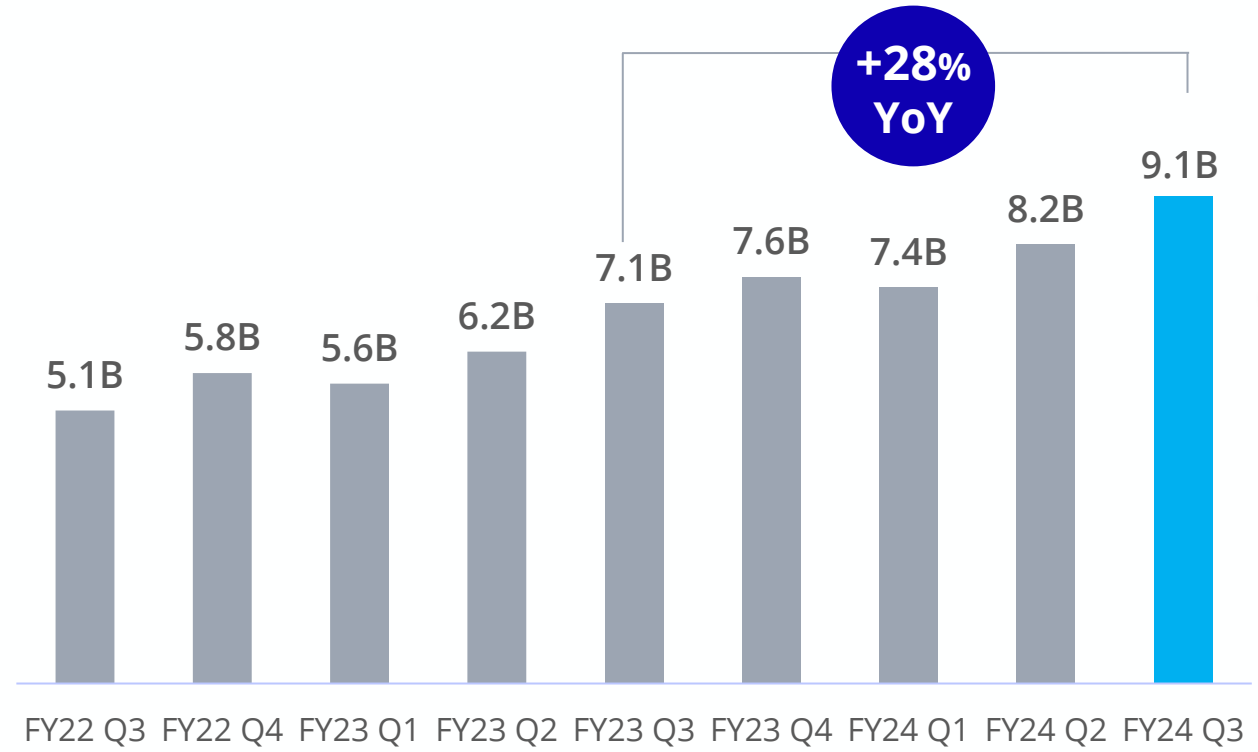
Revenue Trends

- We achieved robust growth continued from 1H with a 28% YoY increase in FY24 Q3. The growth in our key focus regions, NEA and the US/EMEA, was a major driver of this performance.
- We anticipate balanced contributions from both existing and new customers to incremental revenue, along with our strong performance in our key focus regions, to drive growth through year-end.

Revenue (JPY)



Incremental Revenue

55% from Existing Customers(1)

- Strong momentum in the NEA E-commerce vertical
- Continuous momentum in the US/EMEA Digital Content vertical

45% from New Customers(2)

- Continuous vertical diversification and new customer acquisition in NEA Digital Content
- Strong customer traction in CN outbound business and the US/EMEA, especially in Digital Content

(1)"Existing Customers" refers to customers acquired before FY23 Q4.
(2)"New Customers" refers to customers acquired from FY23 Q4 to FY24 Q3.

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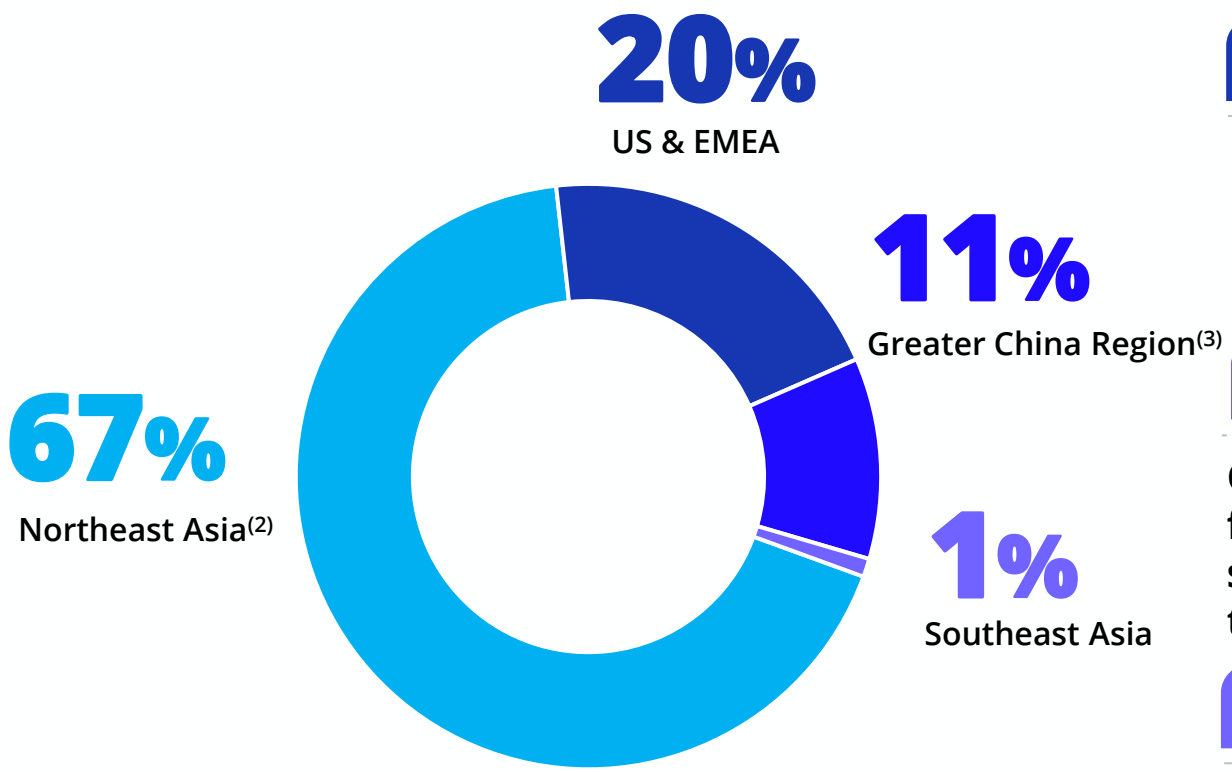
Diverse Revenue Base: Multiple regions demonstrate continuous growth momentum

FY24 Q3 Revenue % by Region[1]



(1) Percentages may not total 100 due to rounding
(2) Northeast Asia includes Japan & South Korea
(3) Greater China Region includes Taiwan, Hong Kong & China

NEA

37% YoY revenue growth with continuous expansion of existing key accounts, especially in E-commerce, as well as new customers from diversified verticals

US & EMEA

With 29% YoY revenue growth on top of last year's high growth, with a strong 20% QoQ growth, we are confident in the strength of underlying demand, driven mainly by Digital Content and Other Internet Services.

GCR

CN outbound business continued its strong expansion, with further growth opportunities expected as we streamline sales synergies in HK and TW to drive future growth across the region.

SEA

Continued focus on key accounts until the market is more mature

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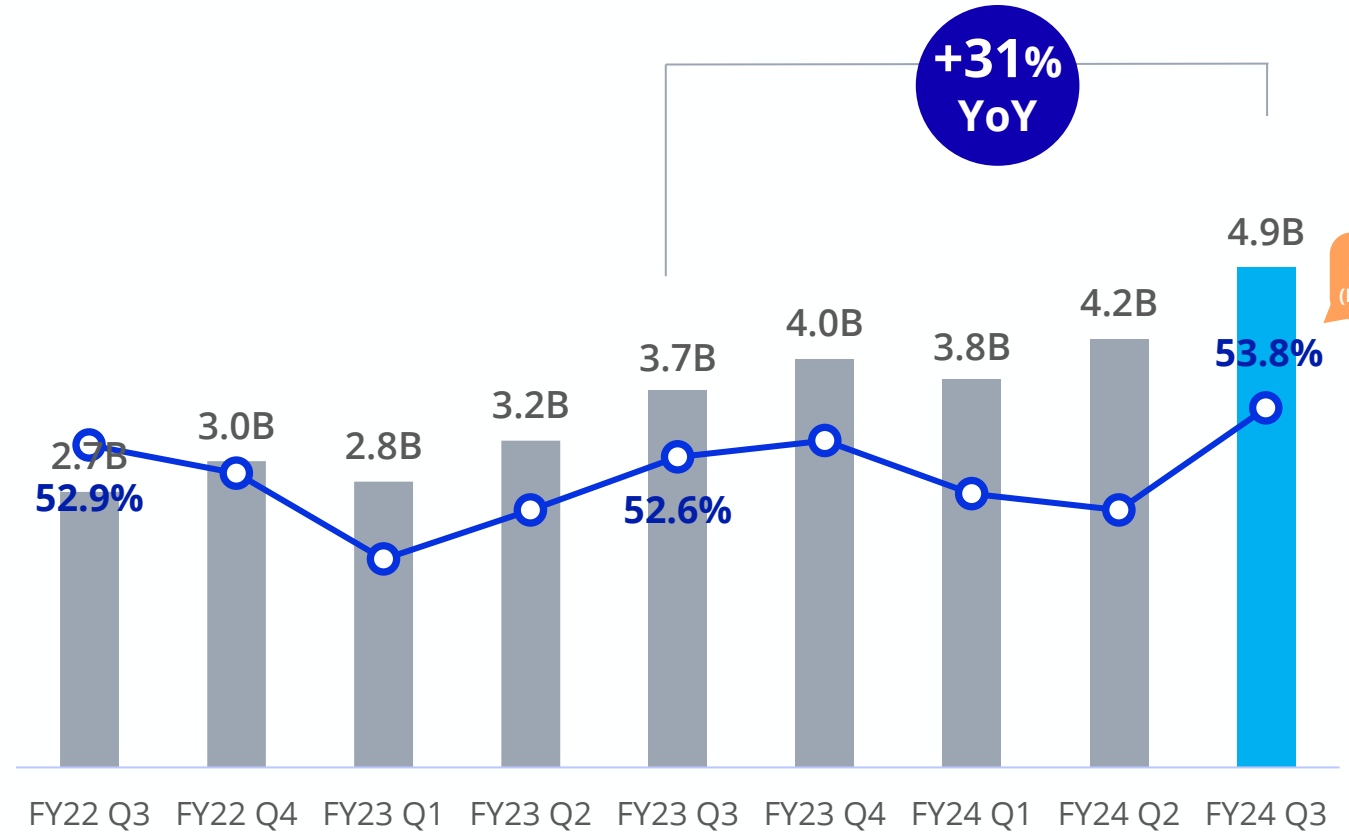
Gross Profit

- Gross profit reached a record-high quarterly figure of JPY 4.9B, marking a 31% YoY growth. Gross margin also improved to a historic high of 53.8%, as our continued investment in AI technology enhancements paid off.
- We expect the high gross margin levels seen in Q3 to continue through the end of FY24, with further improvements anticipated in FY25.

Gross Profit (JPY) & Margin



Major Factors of Gross Margin Changes

Positive factors

- Positive effects of technological advancements, including algorithm improvements in 1H
- Consistent sequential margin improvement in Q3 has built strong momentum for further progress in FY25

Negative factors

- FX headwinds due to JPY depreciation compared to the same period last year

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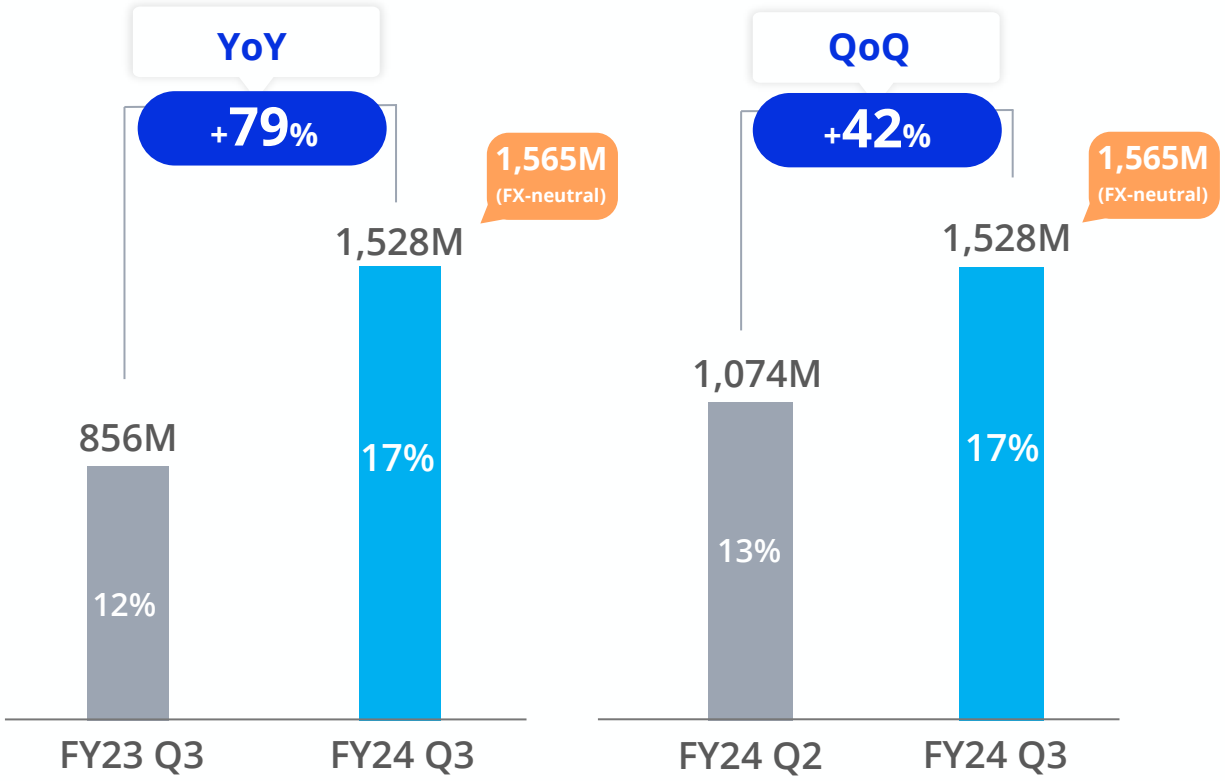
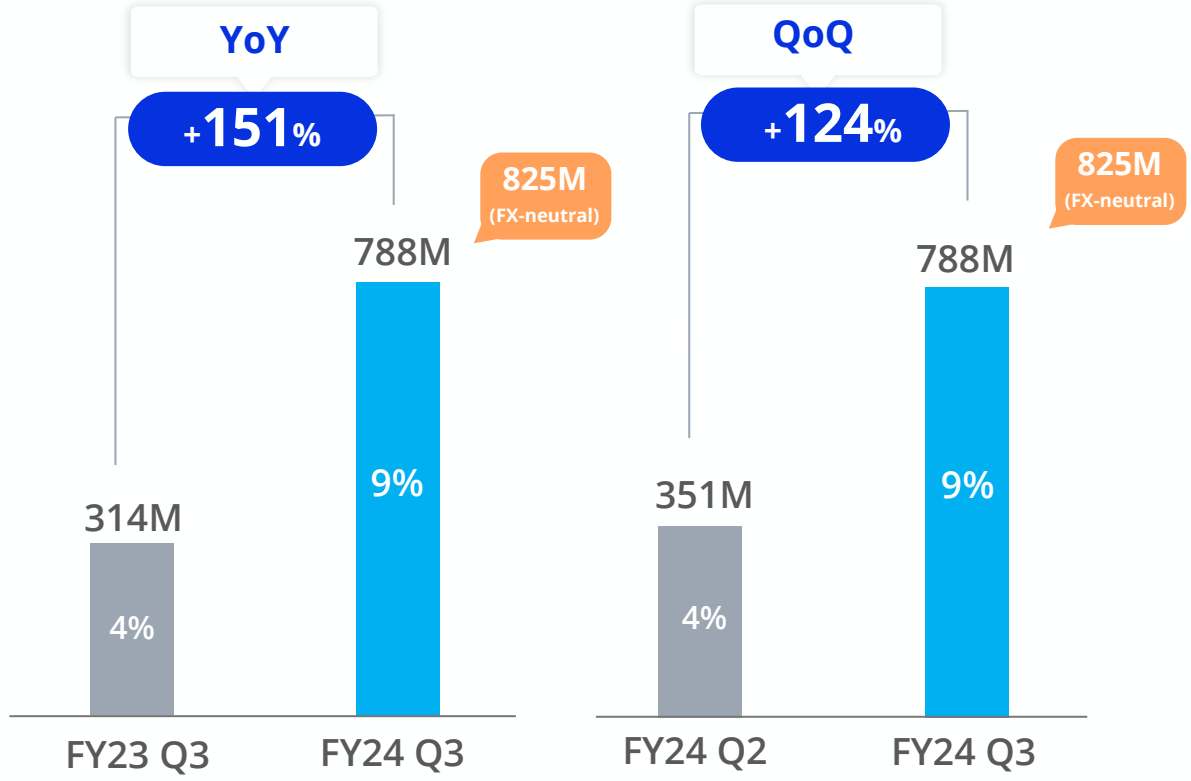
EBITDA & Operating Income

- We improved profitability primarily due to robust revenue growth and stronger operating leverage in S&M and G&A, driven by increased R&D investment in product differentiation.
- We expect profitability to maintain at a high level, following the seasonal pattern of previous years, as revenue scales up in line with the year's peak season.

EBITDA(1) & Margin (JPY)



Operating Income & Margin (JPY)



(1) EBITDA = operating income + depreciation and amortization + tax expenses included in operating expenses

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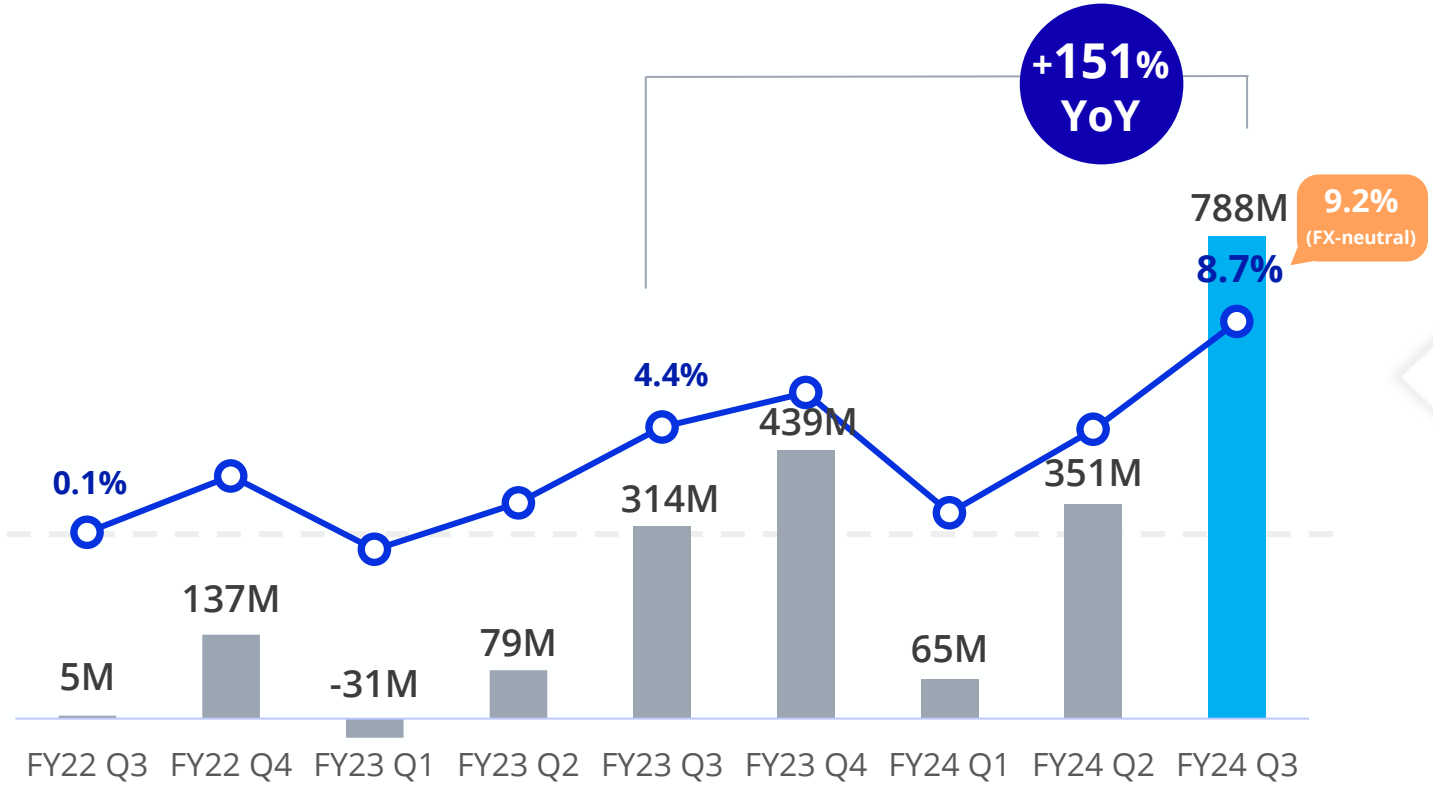
Operating Income

- Operating income increased by 2.5 times YoY to 788M, with operating margin improving by 4.3 p.p. YoY to 8.7% in FY24 Q3. This reflects strong operating leverage and disciplined cost management despite FX headwinds.
- We remain optimistic about our progress in improving profitability.

Operating Income (JPY) & Margin



Major Factors of Operating Margin Changes

YoY basis

- Higher sales productivity resulting in S&M operating leverage improvement
- Better operational efficiency and disciplined expense control
- The increase of ROI-oriented R&D investment resulted in stronger operating leverage in S&M and G&A
- FX headwinds due to JPY depreciation
- Improved gross margin

QoQ basis

- Improved operating leverage from seasonal revenue increases despite FX headwinds
- Enhanced productivity and efficiency in S&M and G&A
- Improved gross margin

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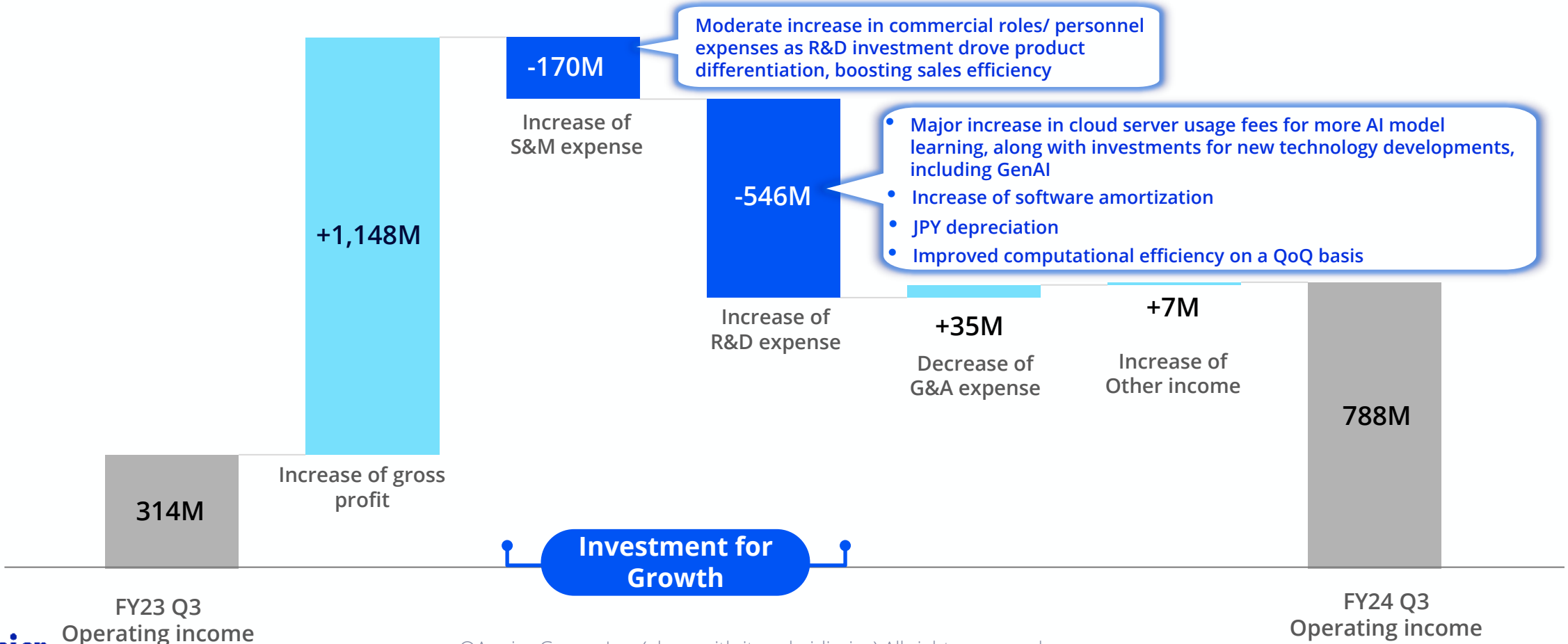
2024 Q3 - Operating Income YoY Change

- The significant increase in operating profit was driven by growing business scale with strong operating leverage, particularly in S&M and G&A. We invested in R&D to strengthen our product competitiveness and drive future growth.

Operating Income Waterfall (JPY)



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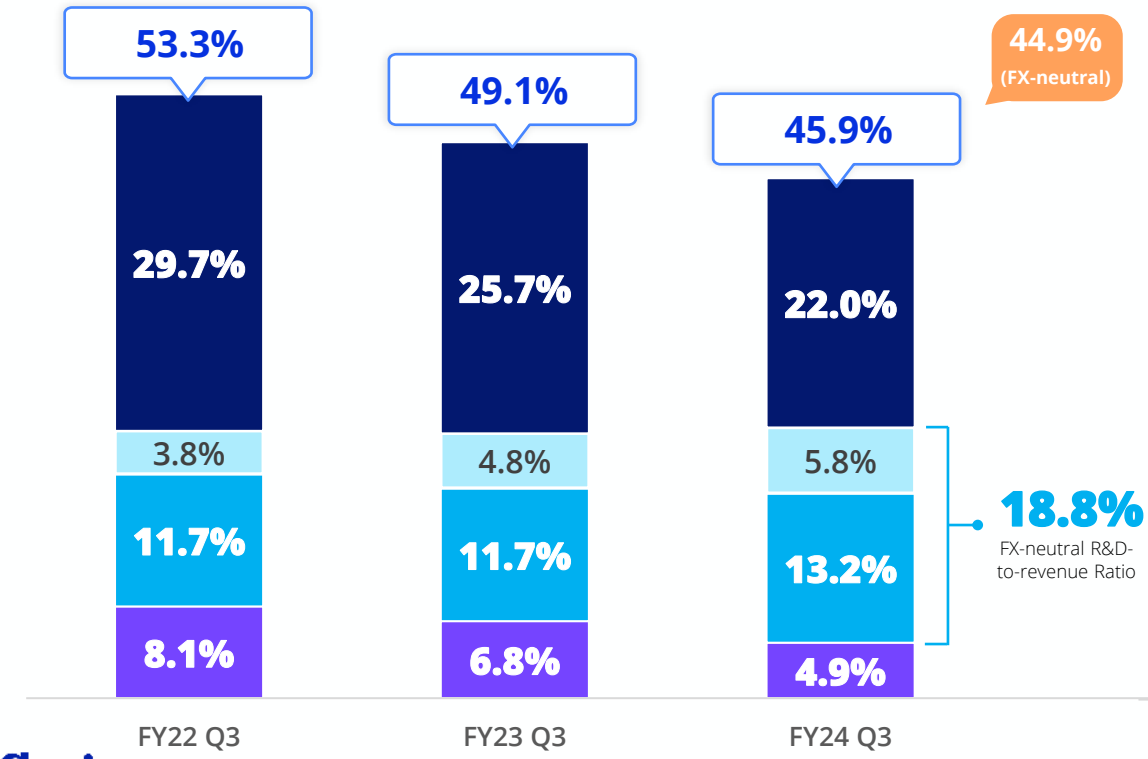
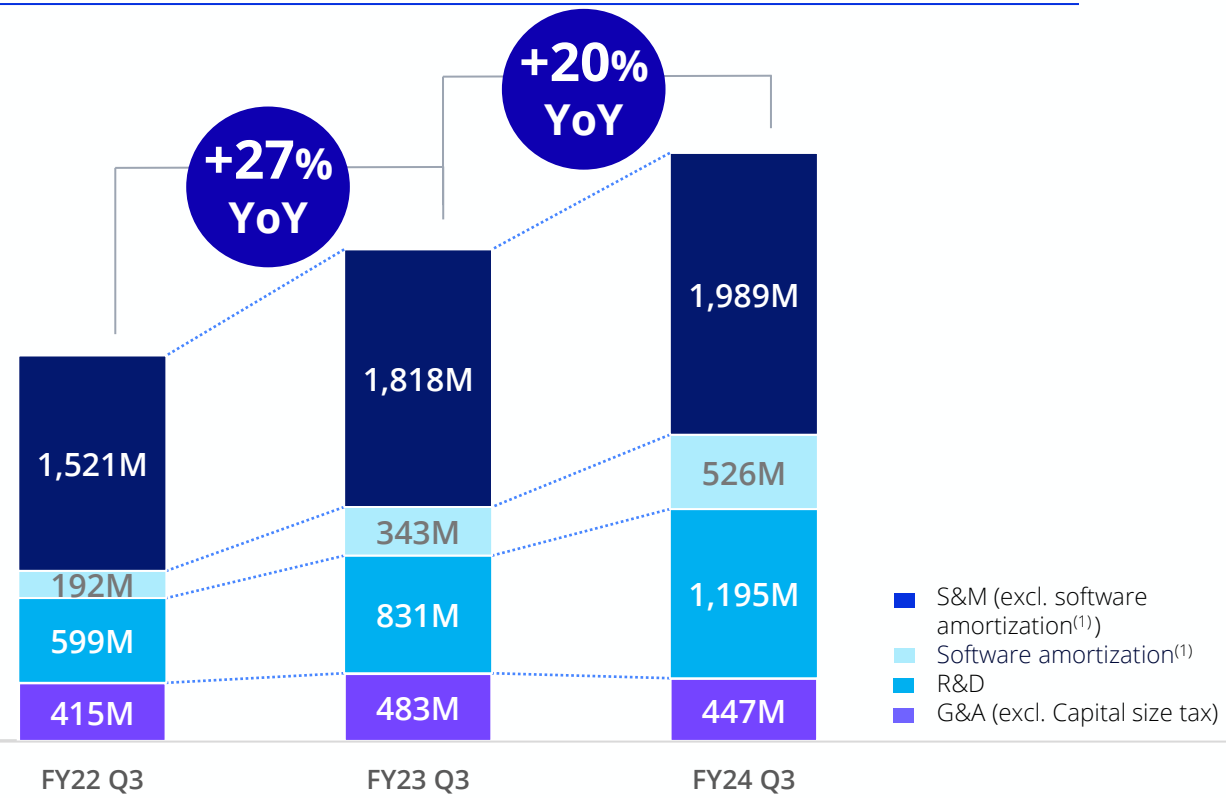
Disciplined OPEX

- The declining S&M and G&A-to-revenue ratio demonstrated accelerated operating leverage through productivity and efficiency improvements, along with the enhanced product differentiation from increased R&D investment.
- The increase in R&D spending in FY24 Q3 was primarily due to the increase of cloud server usage fees for product enhancement, other expenses for new algorithm development, and software amortization, in addition to JPY depreciation.

Q3 OPEX Structure (% Revenue)



Q3 OPEX (JPY)



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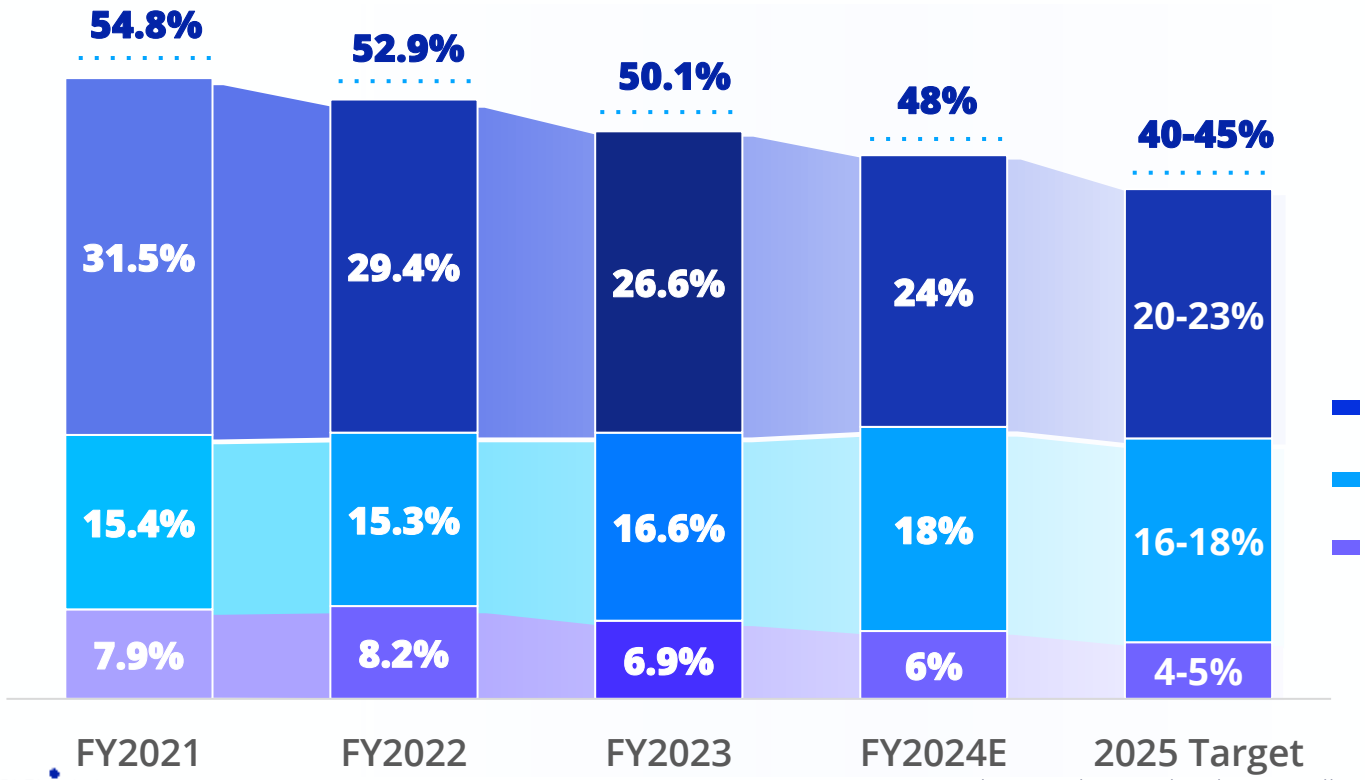
(1) Our Sales and Marketing Expenses included amortization of software. We started software capitalization in FY2020. Please refer to Appendix for details.
(2) Percentages may not equal to the sum due to rounding

OPEX Structure towards FY25

- We are making steady progress towards our 2025 target. We see opportunities to accelerate our AI technology development, allowing us to achieve higher margin improvements and higher revenue scale.
- The AI technology advancements can also enhance sales productivity to bolster our operational efficiency. Consequently, we anticipate a further decline in the S&M-to-revenue ratio compared to our original FY25 financial target of 23-25%.

Historical OPEX Structure & 2025 Margin Target
(% Revenue)



2025 Financial Target

Revenue Growth(2)
30%+

Gross Margin(3)
55-60%

Operating Margin(4)
15-20%

(1) Our Sales and Marketing Expenses included amortization of software. We started software capitalization in FY2020.
(2) Average Revenue Growth Rate target from 2022 to 2025
(3) Gross Margin Target in 2025
(4) Operating Margin Target in 2025
(5) Percentages may not equal to the sum due to rounding

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FY24 Q3 Review & Achievements

FY24 Q3 Business Metrics

Business Outlook

Product Updates

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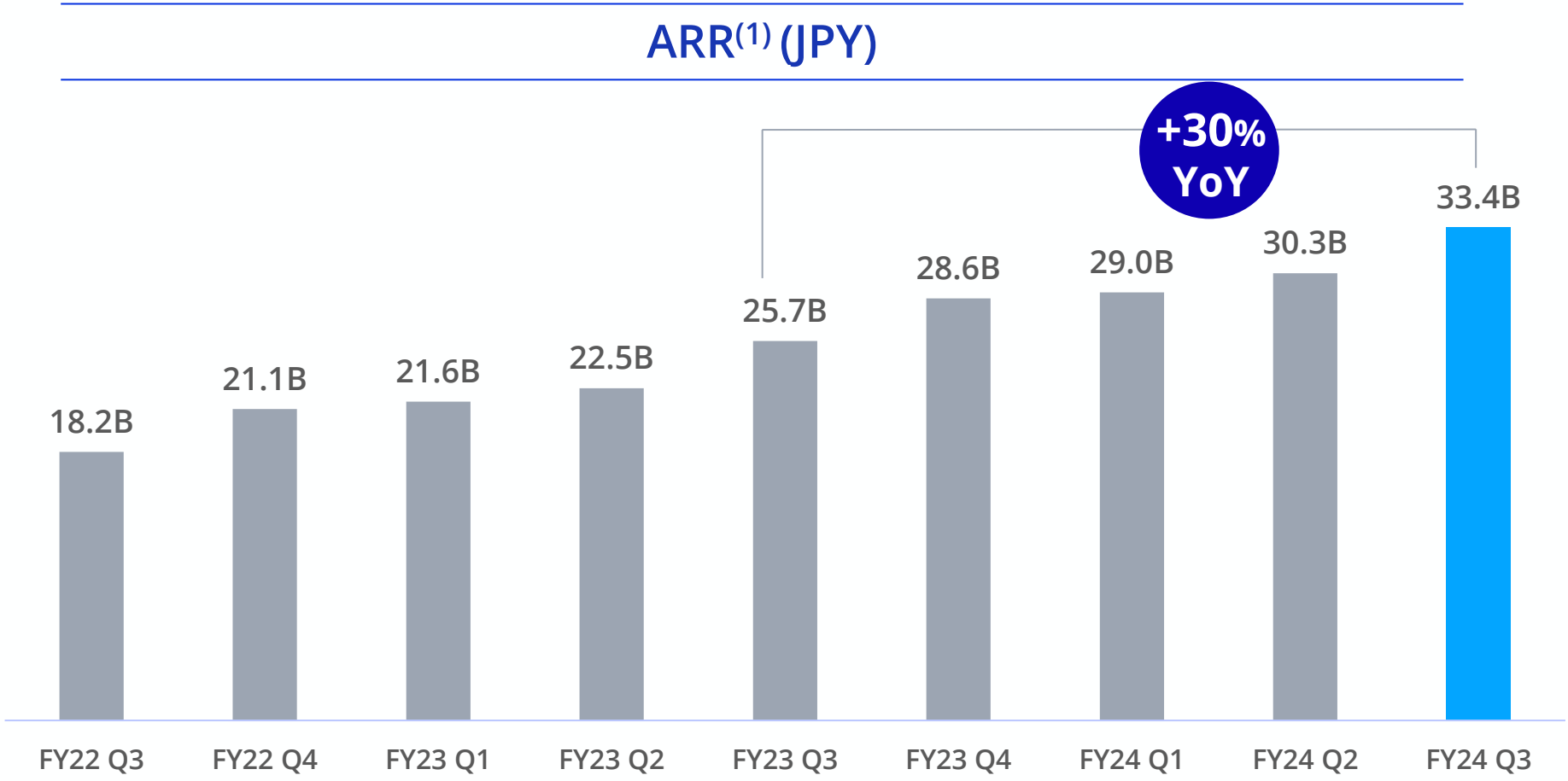
Annual Recurring Revenue Quarterly Trends

- Our recurring revenue currently constitutes over 95% of our total revenue.



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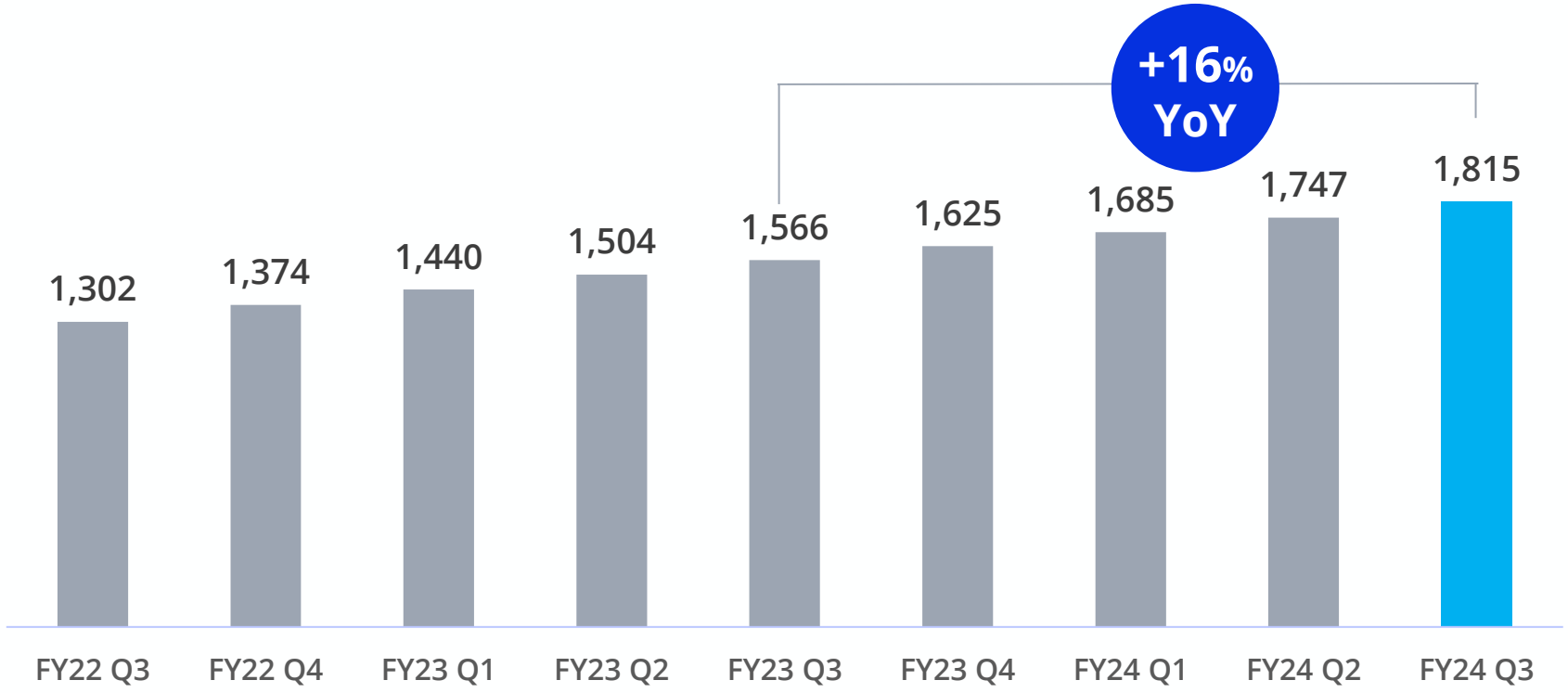
Quarterly Customer # Trend

- New customers in FY24 Q3 were mainly from Digital Content and E-Commerce (53% and 20% of total new customers respectively).
- We have steadily increased the number of customers each quarter through our strategy of focusing on larger enterprises.

of Customers(1)



(1) "Customer" refers to a corporate group that has one or more active contracts for our solutions, excluding paid or unpaid trial, demo use and customers acquired through business acquisitions. Such corporate group is counted as a separate "customer" with respect to each solution it uses.

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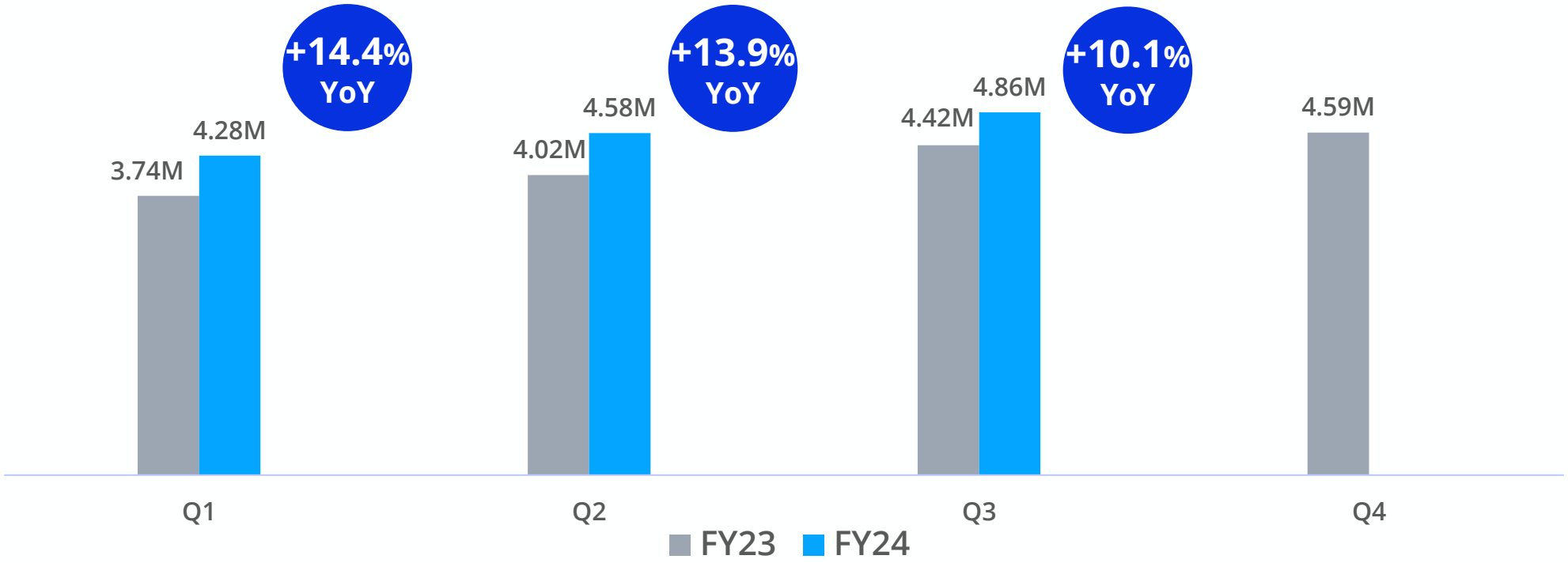
Quarterly Average Revenue per Customer

- The ARPC YoY growth rate in FY24 Q3 reached 10.1%, maintaining a high level despite a less favorable FX impact compared to Q2.
- This is mainly driven by the healthy expansion of existing customers and a continued strategic focus on acquiring larger enterprise customers, who have greater potential to increase ARPC over time.

Quarterly Average Revenue per Customer[(1)] (JPY)



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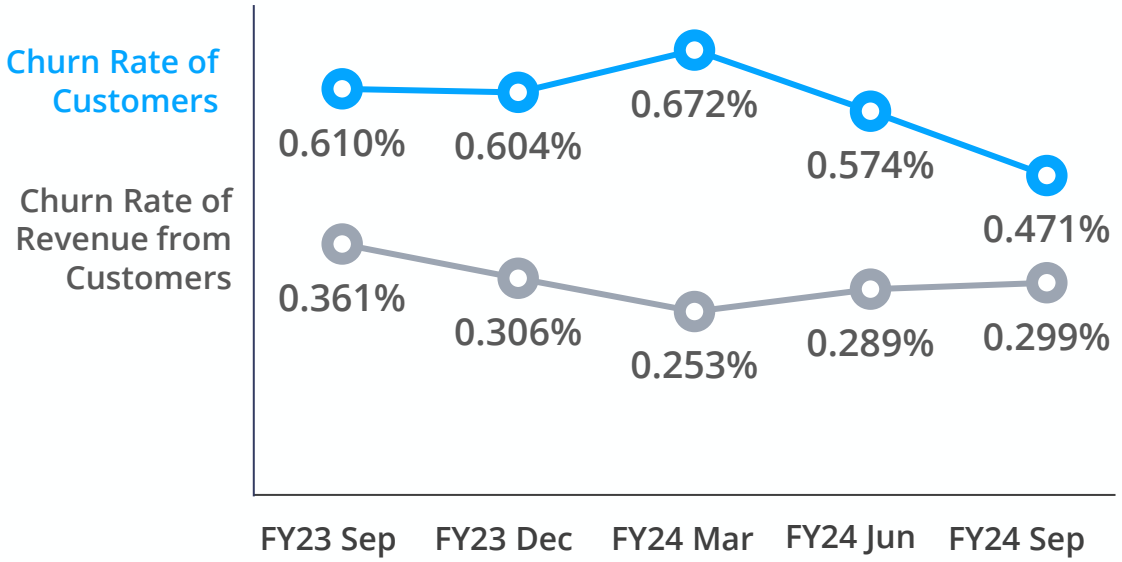
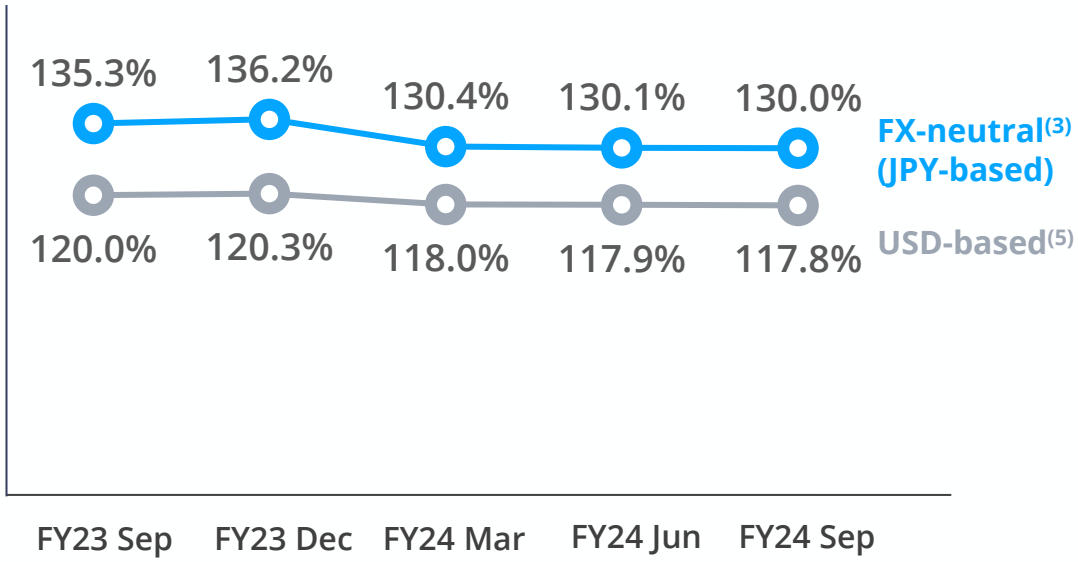
Historical best churn rate & solid LTM NRR prove the stickiness of our customers to our solutions

- The USD-based LTM NRR has remained at a high level, driven by healthy growth from key accounts. The narrowing gap between USD-based and JPY-based LTM NRR is due to smaller USD/JPY fluctuations compared to one year ago in the YoY comparison.

LTM Churn Rate of Customers(1) and Churn Rate of Revenue from Customers(2)



LTM Net Revenue Retention



(1) Churn Rate of customers = The number of customers that terminated their relationship with us during the month divided by the number of all customers as of the end of the month.
(2) Churn Rate of Revenue from customers = Revenue calculated in U.S. dollars from customers that terminated their relationship with us during the month, divided by revenue calculated in U.S. dollars from all customers
(3) We calculate FX-neutral NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year and converted to JP Yen based on the FX-neutral quarterly average exchange rate of FY23 Q4 to FY24 Q3, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year and converted to JP Yen based on applicable exchange rate of FY22 Q4 to FY23 Q3
(4) FX-neutral refers to a calculation using the same applicable exchange rate from the comparison period, excluding the impact of currency fluctuations in the current period.
(5) We calculate NRR by dividing (i) total revenue calculated in U.S. dollars from the last 12 months from customers that used one of our solutions during the same period in the prior year, by (ii) total revenue calculated in U.S. dollars from such customers during the same period of the prior year.
(6) Above calculation does not include BotBonnie's and Woopra's customers.

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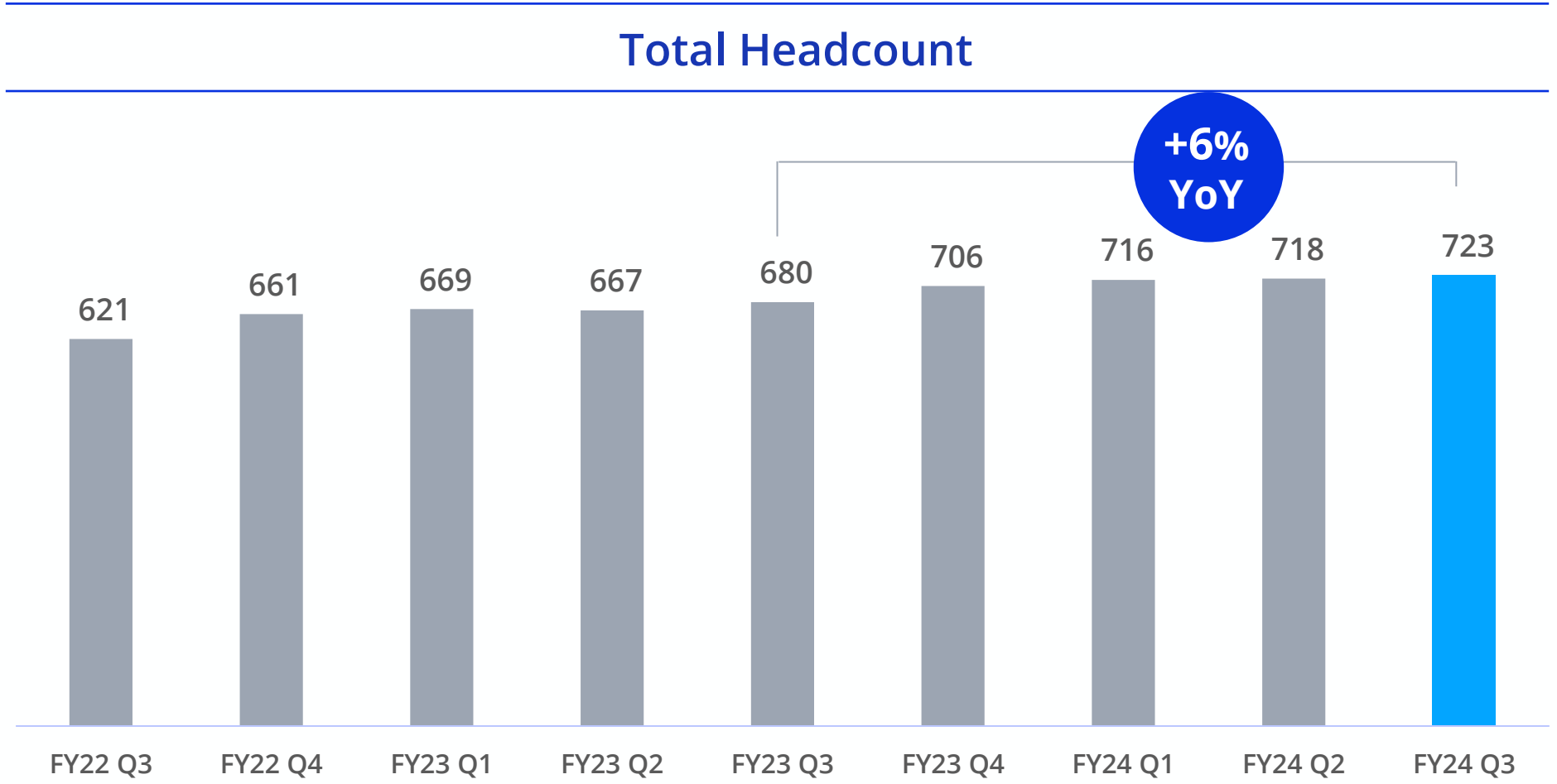
Hiring to scale our opportunities & continuous investment in new talents

- New hires in FY24 Q3 were moderate, while we made good progress in commercial and engineering roles recruitment, especially in our key regions.
- We have adopted a quality-over-quantity hiring strategy, contributing to our profitable growth and improving productivity.



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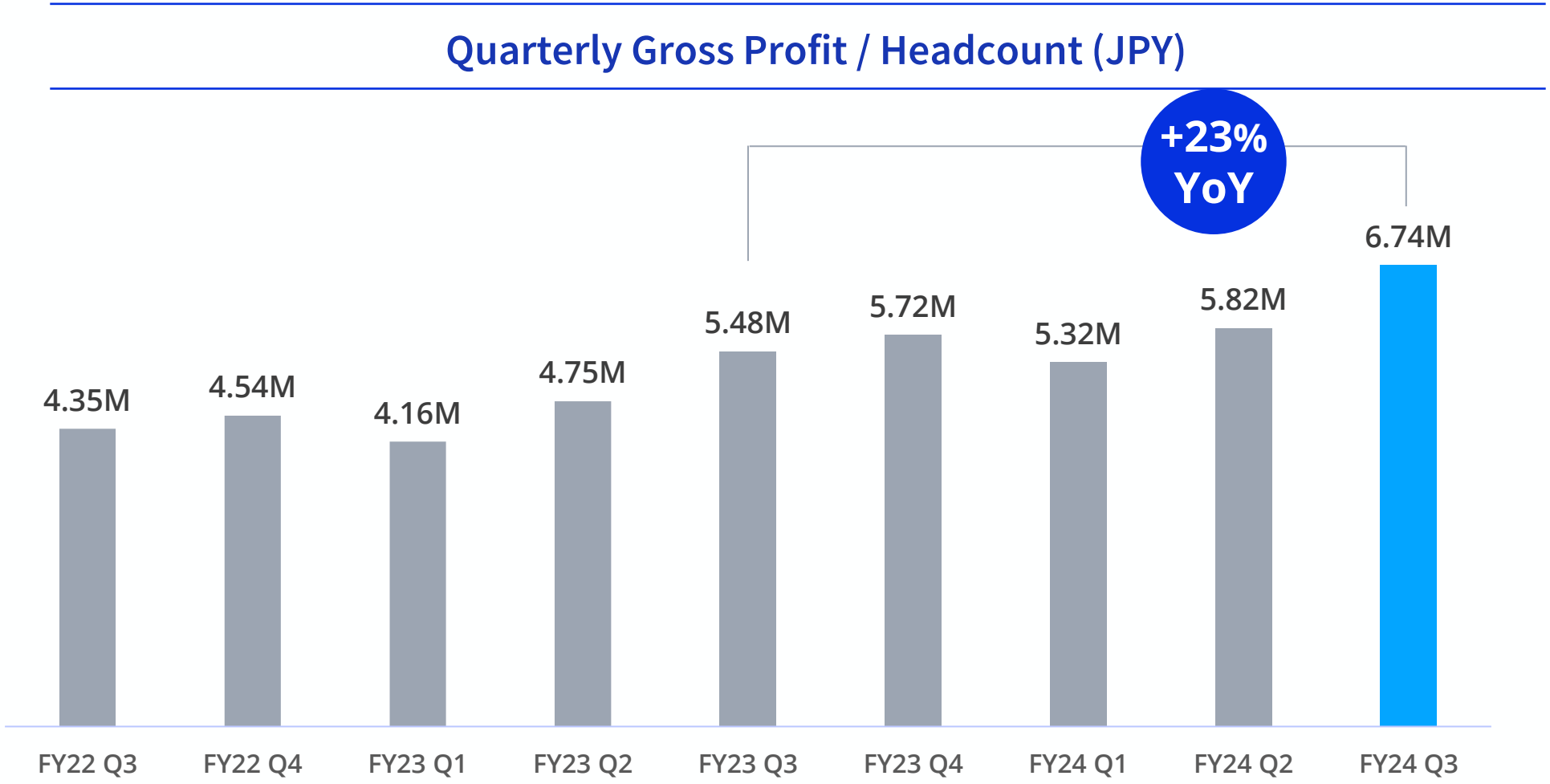
Productivity Improvement

- We have further strengthened our productivity improvement, driving our quarterly gross profit per headcount to a historical high of 6.74M with a 23% YoY growth in FY24 Q3.



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FY24 Q3 Review & Achievements

FY24 Q3 Business Metrics

Business Outlook

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2024 9M Overview & 2024 Guidance

- In FY24, we expect continued execution to achieve sustainable and profitable growth , demonstrating our core value of innovative technology enhancement, and further business efficiency at scale.

	2024 9M		YoY	2024		YoY	Highlights
Revenue	24.6 Bn		+31%	34.5 Bn		+31%	➤ Continued robust expansion in the US & EMEA with a 47% YoY growth in 9M, far above the overall company growth rate ➤ Drove revenue growth through expansions in both verticals and existing customers in NEA, achieving a 35% YoY growth in 9M ➤ New growth drivers from vertical expansion in GCR, especially CN outbound business, showing continuous sales momentum ➤ AI trend to increase customer acceptance of our key differentiators
Gross Profit	12.9 Bn	52.3%	+33%	18.5 Bn	53.5%	+35%	➤ Continuous technological advancements on AI prediction accuracy improvements and new product experiments to drive future margin expansion towards the end of the year ➤ FX headwinds due to JPY depreciation
Operating Income	1.2 Bn	4.9%	+3.0 p.p.	2.1 Bn	6.1%	+3.0 p.p.	➤ Strong operating leverage with better productivity to accelerate margin improvement for S&M and G&A ➤ Increasing R&D investment to capitalize on evolving industry trends, while maintaining disciplined expense management ➤ Accelerating profitability toward the end of FY24 due to seasonal business trend
Dividend	JPY 2 per share forecasted as year-end dividend payment						➤ We decided to initiate dividend payment forecast due to our strong financial performance and expect continued improvement in core FCF in Q4 and FY25.
Share Repurchase	Repurchased 228,600 shares with JPY 384M as of Oct 31 (Progress: 38.4%)						➤ We initiated a share repurchase in Aug 24 to improve capital efficiency and shareholder returns by leveraging our financial stability and positive 2H outlook with total amount up to JPY 1.0B or 1M shares

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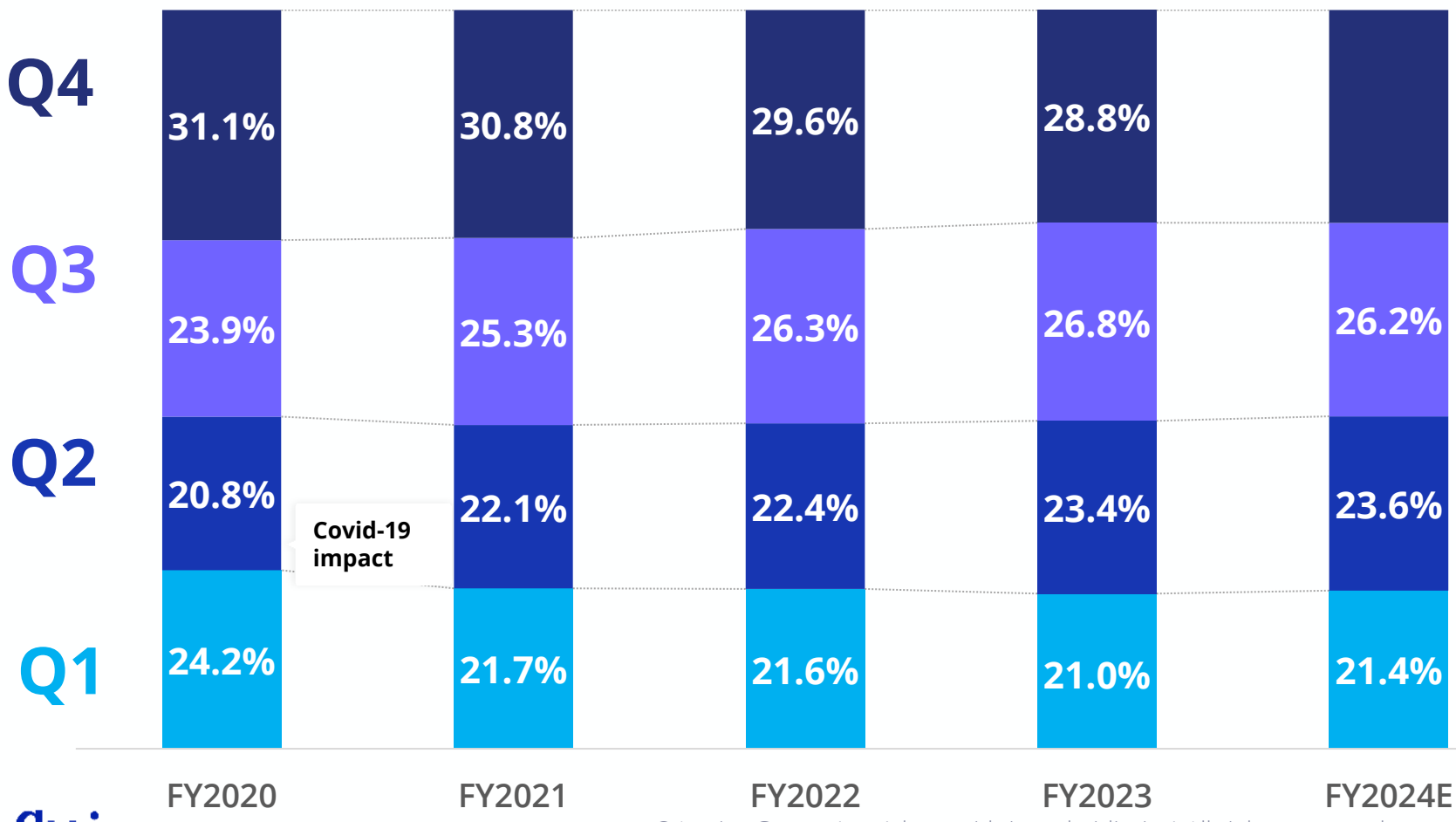
Quarterly Seasonality

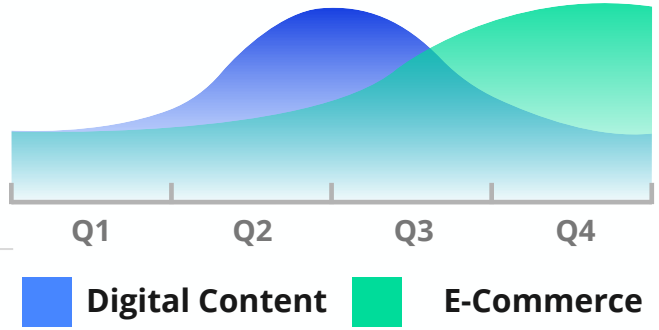
- We expect a stronger business momentum with increased seasonality in FY24 Q4.

Quarterly Revenue Breakdown



We expect Q4 to be the peak season in FY24, following a similar seasonal pattern as in previous years.

FY24 2H USD/JPY **138**



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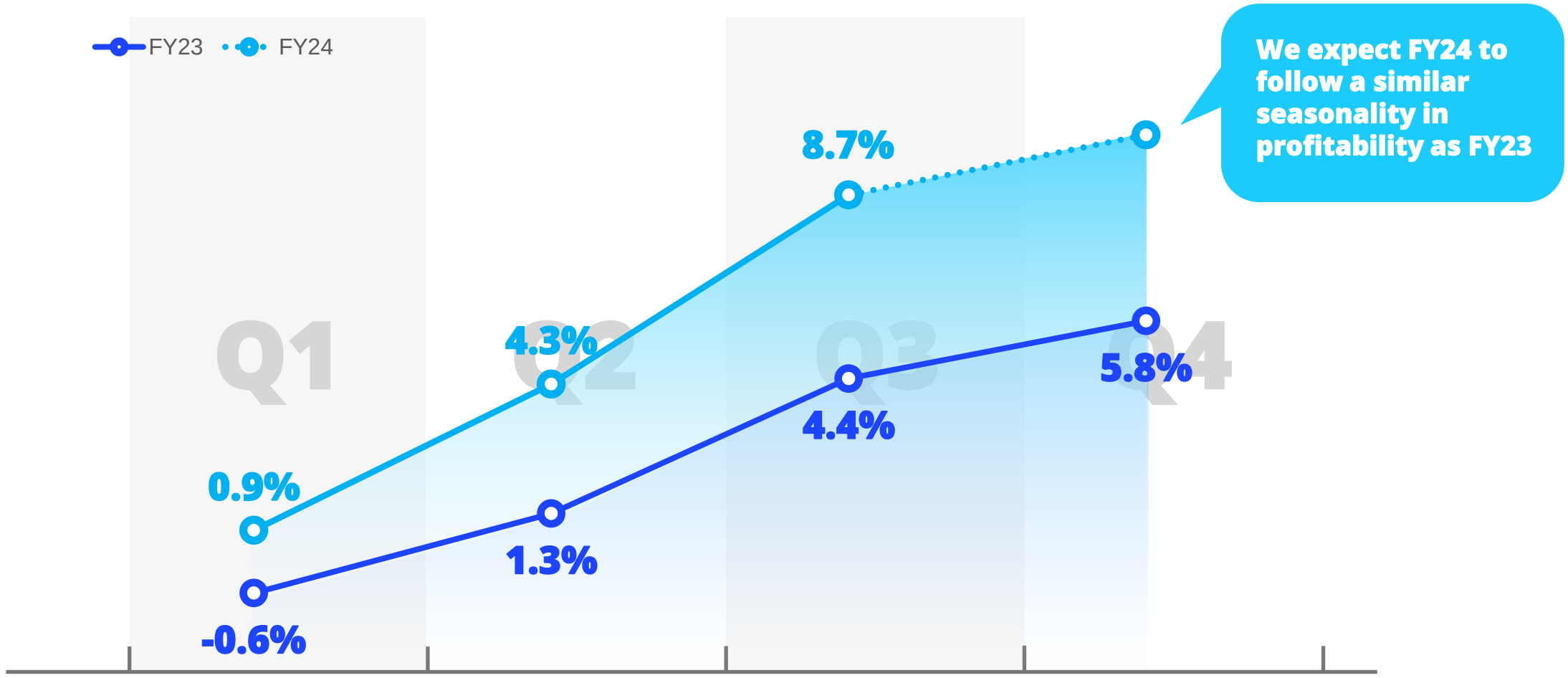
Quarterly Seasonality in Profitability

Quarterly Operating Margin



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FY24 Q3 Business Metrics



Business Outlook



Product Updates

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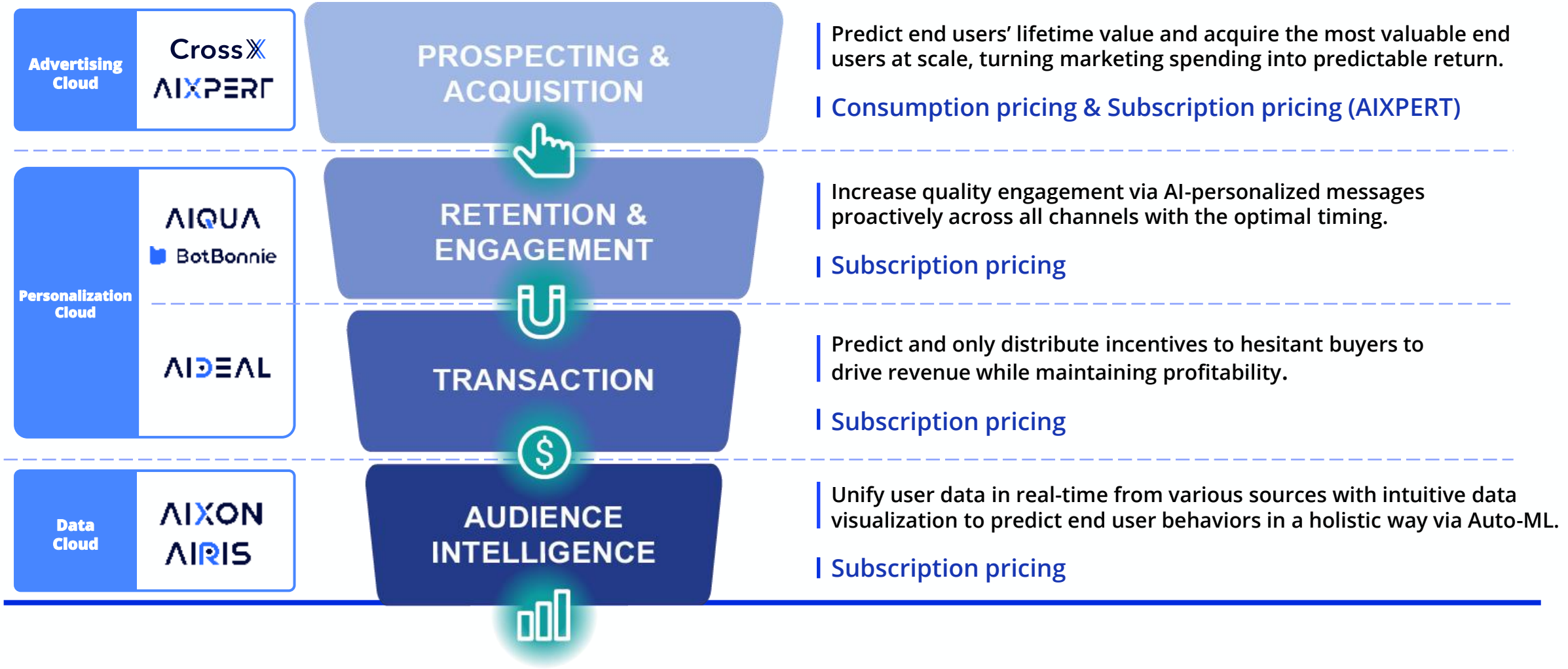
Comprehensive AI-Powered Solutions Across the Funnel



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Appier's position in the AI stack

- Our unique position in the AI application layer is bolstered by our data moat, differentiated algorithm, and domain knowledge.

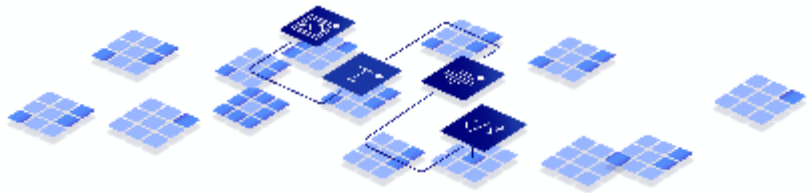
Applications

Fintech | Marketing | Cybersecurity

Appier

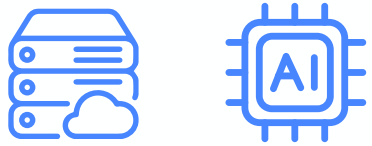
- Data Moat
- Domain Knowledge
- Verticalized model adaption

Foundation Models/ Utility Layer



- Data Breadth
- Model size & sophistication

Hardware



- Computational Efficiency & Capabilities

How we maintain our dominance in AI applications in the marketing domain

Data Moat

AI models trained with a wide variety of data across different industries, regions and business objectives for more than 10 years

AI Technologies

Our team of world-class award-winning experts, with years of experiences in applying AI technology to marketing, builds our strong differentiation

ROI-driven solutions

Our product design capabilities enable us to translate technology into ROI, driving sustainable growth for both our customers and our business

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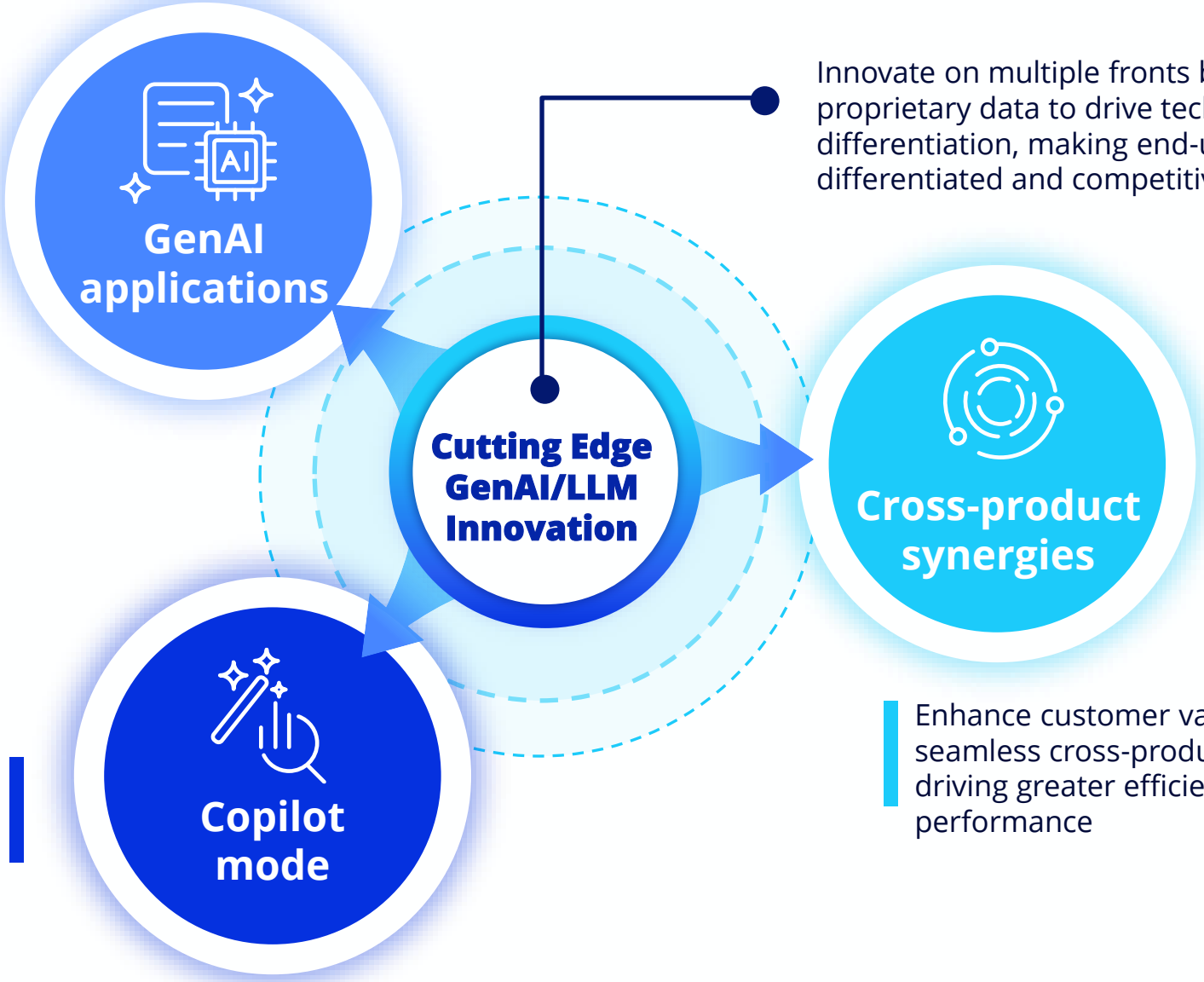
Product Development Strategy

Deliver extra ROI for our customers through innovative GenAI applications that leverage our technology



Innovate on multiple fronts by leveraging our proprietary data to drive technology differentiation, making end-use applications more differentiated and competitive

Enhance customer value through seamless cross-product integration, driving greater efficiency and performance

Empower customers to automate workflows and enhance productivity through seamless, natural language interfaces

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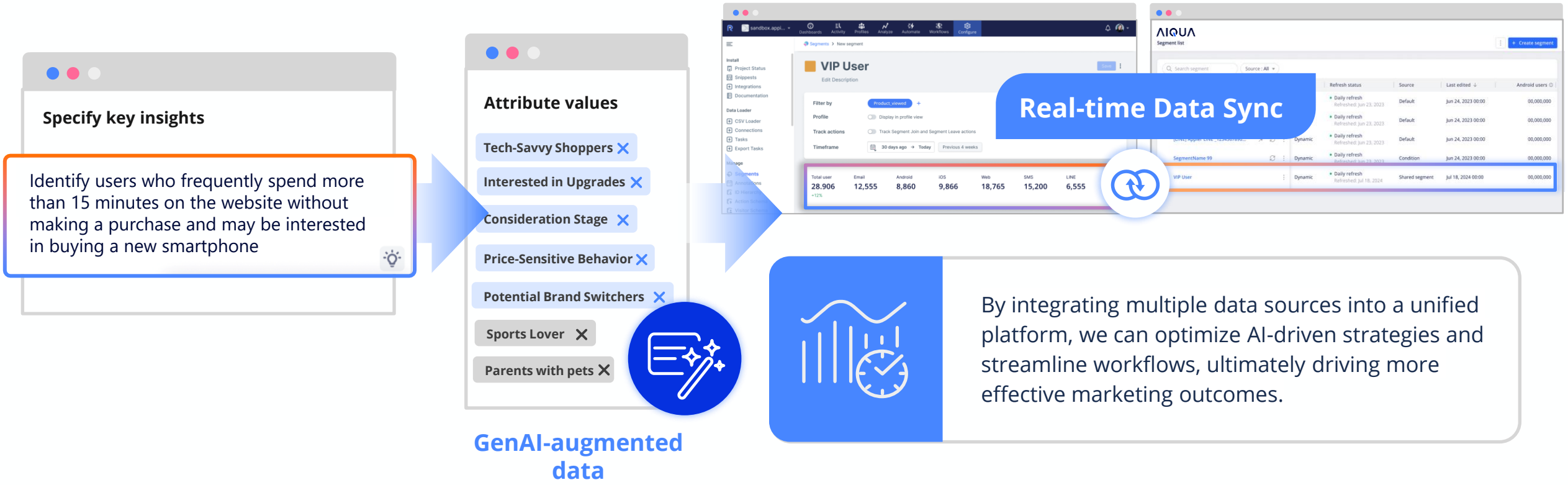
GenAI-augmented data with real-time data sync for a seamless user experience

Leverage GenAI to learn and predict customer interests, synchronizing data in real time across products for seamless experiences across platforms.



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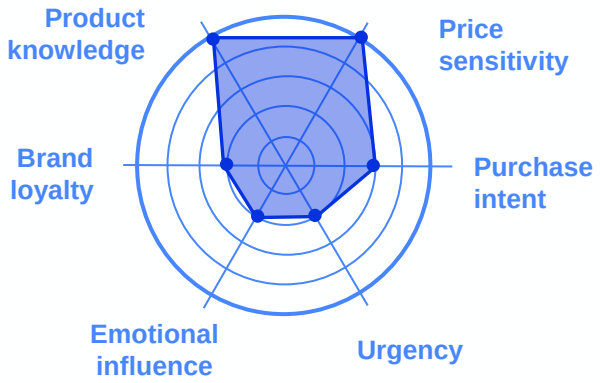
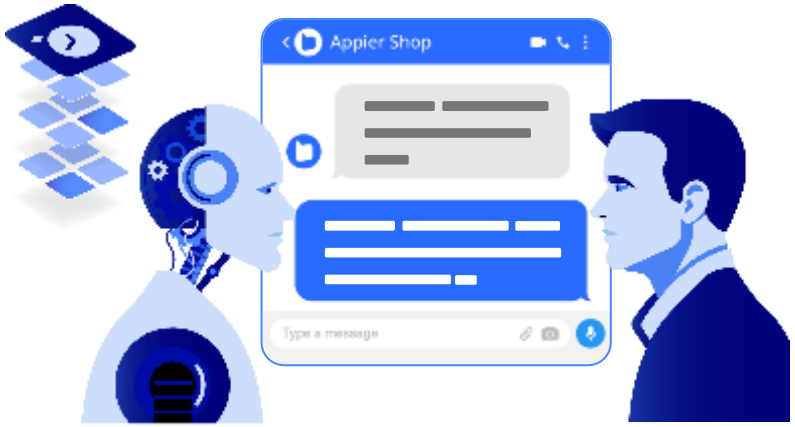
Conversational Commerce: GenAI Salesbot that adapts to customers' intent

Salesbot evolves to deliver real-time, personalized support with adaptive insights into customer needs and behaviors.







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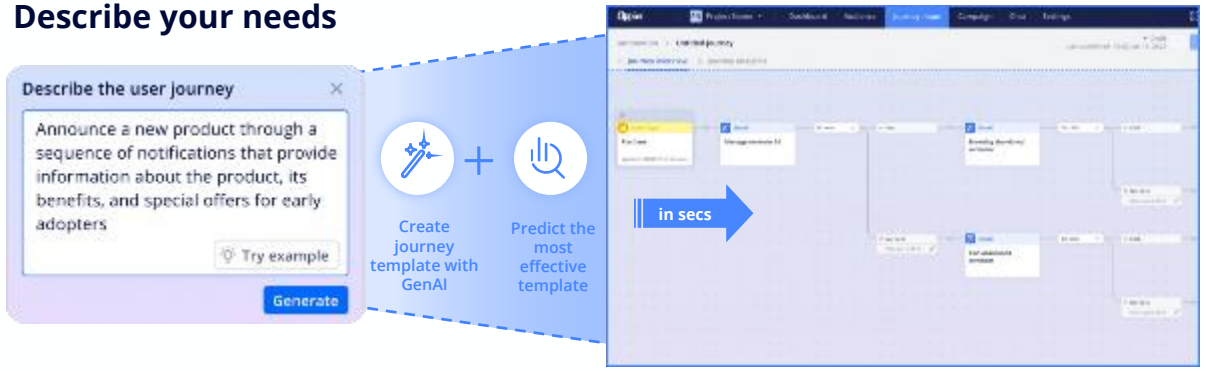
Generative AI is the new UI for enterprise software

AIQUA — Streamline omnichannel journey creation with Journey Copilot

By harnessing customers' historical data with the powerful language model of GenAI, customers can generate marketing plans with a higher chance of success and swiftly design effective customer journeys using natural language commands, optimizing engagement with minimal effort.

Describe your needs

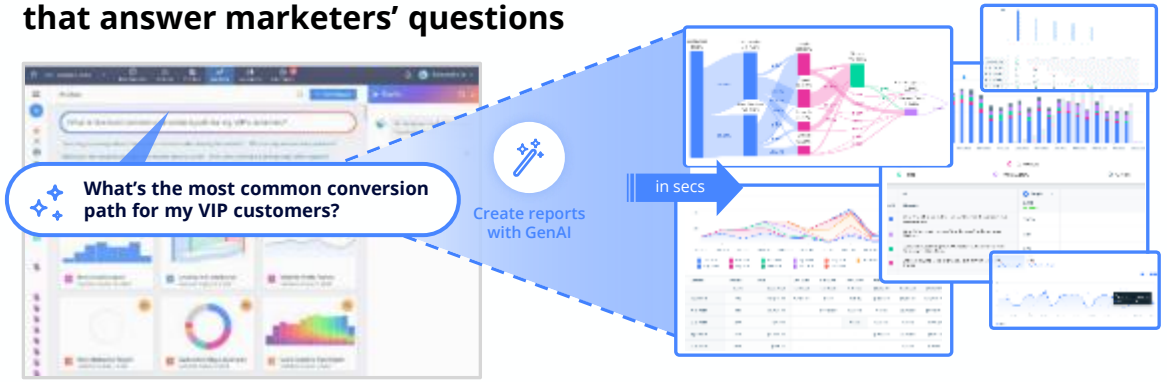


AI generates the most effective journey templates customized for marketing requirements

AIRIS — Turn data into decisions with Analytics Copilot

Previously, customers spent hours analyzing data to uncover business insights. With GenAI, they can automatically interpret the current state of their business and receive accurate analytics, allowing them to focus on decision-making and execution.

Using NLP to generate reports that answer marketers' questions



AI generates the report that answers the question

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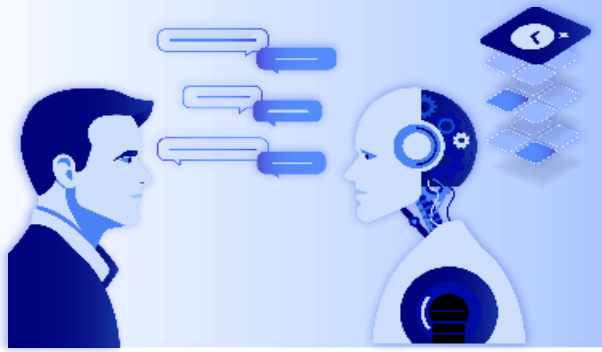
Appier highlights groundbreaking AI research



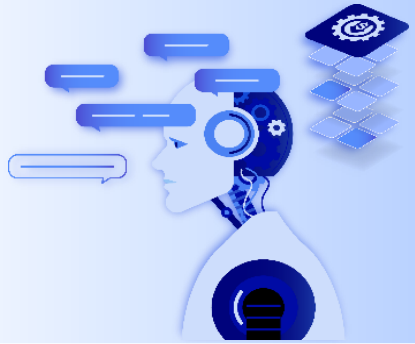
Multi-LLM collaboration(1)

Application example:
Dynamic ad creative optimization - lead to more effective digital marketing strategies and campaign performance



Real-time feedback data training(2)

Application example:
Human-like AI bot- gather user feedback in real-time and categorize shopper types after interactions to enhance customer satisfaction and drive business success



Model self-reflection(2)

Application example:
Intelligent AI assistant- examine LLM's thought processes, seek necessary assistance before making decisions to improve response quality

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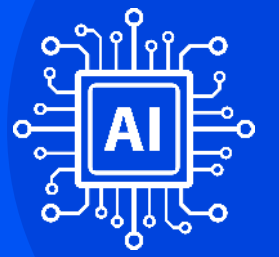
(1) Accepted by NeurIPS 2024
(2) Accepted by EMNLP 2024





Turning AI into ROI

Our enhanced product synergies mean data synergies for our customers. Our improved AI brings extra ROI to our customers. With these principles, we continue delivering value to our customers in all kinds of environments.









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Appendix

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Founder-led Management of AI & Business Leaders

Founders



Dr. Chih-Han Yu
Chief Executive Officer

Stanford University
Harvard University



Joe Su
Chief Information Officer

Harvard University



Dr. Winnie Lee
Chief Operating Officer

Stanford University
Washington University

Business leadership



Dr. Ming-Yu Chen
Chief Technology Officer

Microsoft, Zillow, Compass



Dr. Joe Chang
Chief Strategy Officer

McKinsey & Company,
IQVIA



Koji Tachibana
Senior Vice President of Finance
Head of Japan

DeNA, NOMURA,
METI



Magic Tu
Senior Vice President,
Sales for Global

HTC, Synopsys

Awards and Recognitions

7 world champions
in data mining contests [1]
(2008 - 2020)

AI100
CB Insights (2017, 2018)

Top 50
AI startups worldwide
(2017)

Cool Vendor in AI
Gartner
(2017)

(1) Championships on which Appier employees were part of the winning team

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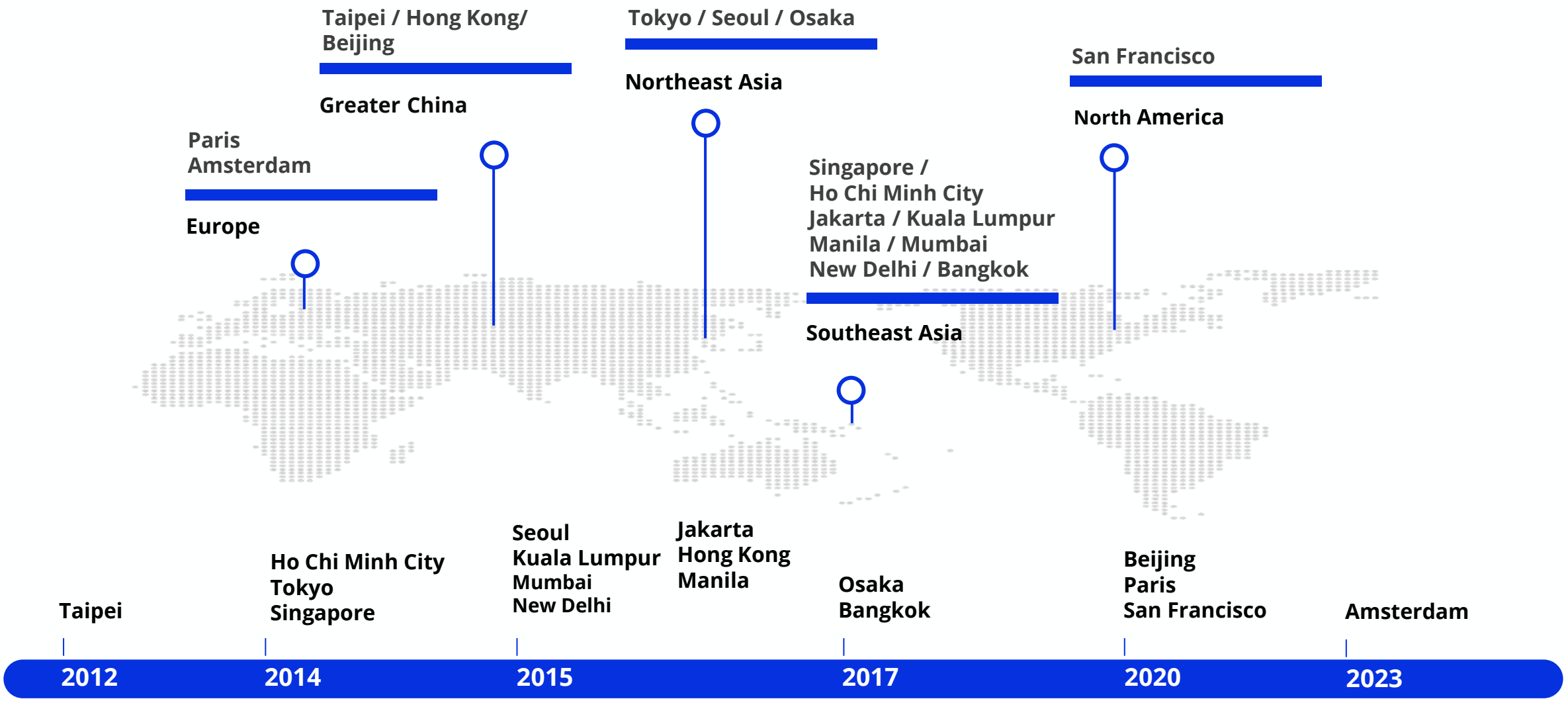
Appier’s global presence: 17 offices worldwide



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AI is the key component in the 1st party data world

With Only 1st Party Data

Key Differentiators

- **Real-time prediction**
- **Precise prediction from sparse data**

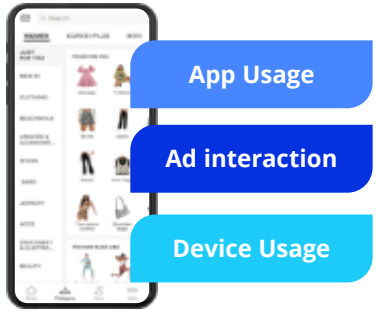
User generated 1st party data



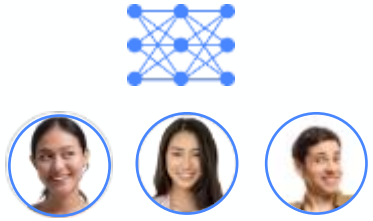
Real-time user preference prediction



Real-time AI recommendation



Real-time learning of behavioral patterns



Discover valuable users

With 3rd Party Data



Deliver content based on 3rd party cookie mapping



3rd party ID synchronization

3rd party database

Tracking and identifying users in each session between websites to know their Interests

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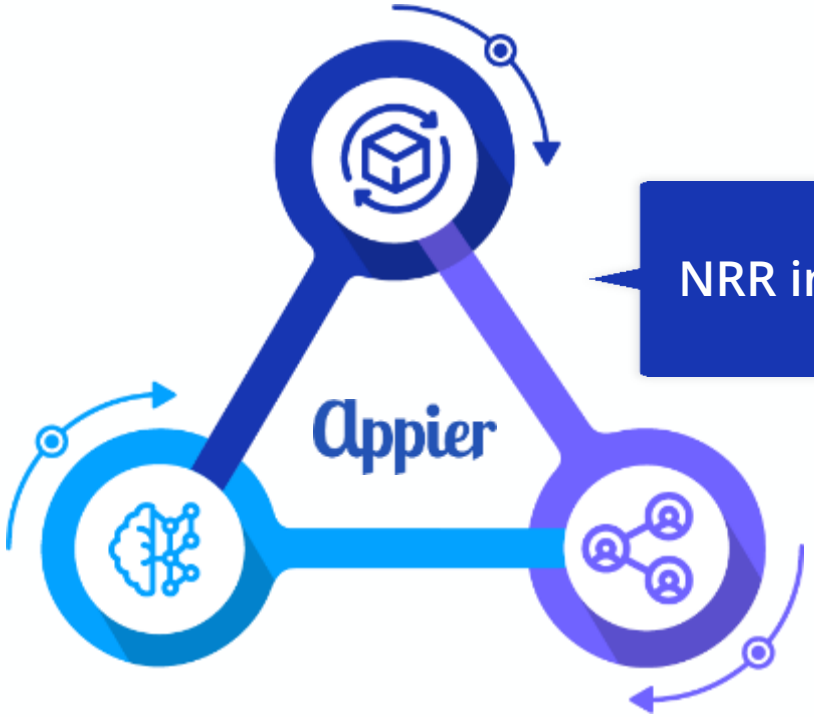
Appier's Strong Network Effects Drive Platform Value

Complementary and Relevant Products



NRR increases

AI Model Learning & Improvement

Data Synergy Across Products

Higher Sales Productivity



Number of new customers rises

Higher ROI for S&M investment

Higher Gross Profit per Customer

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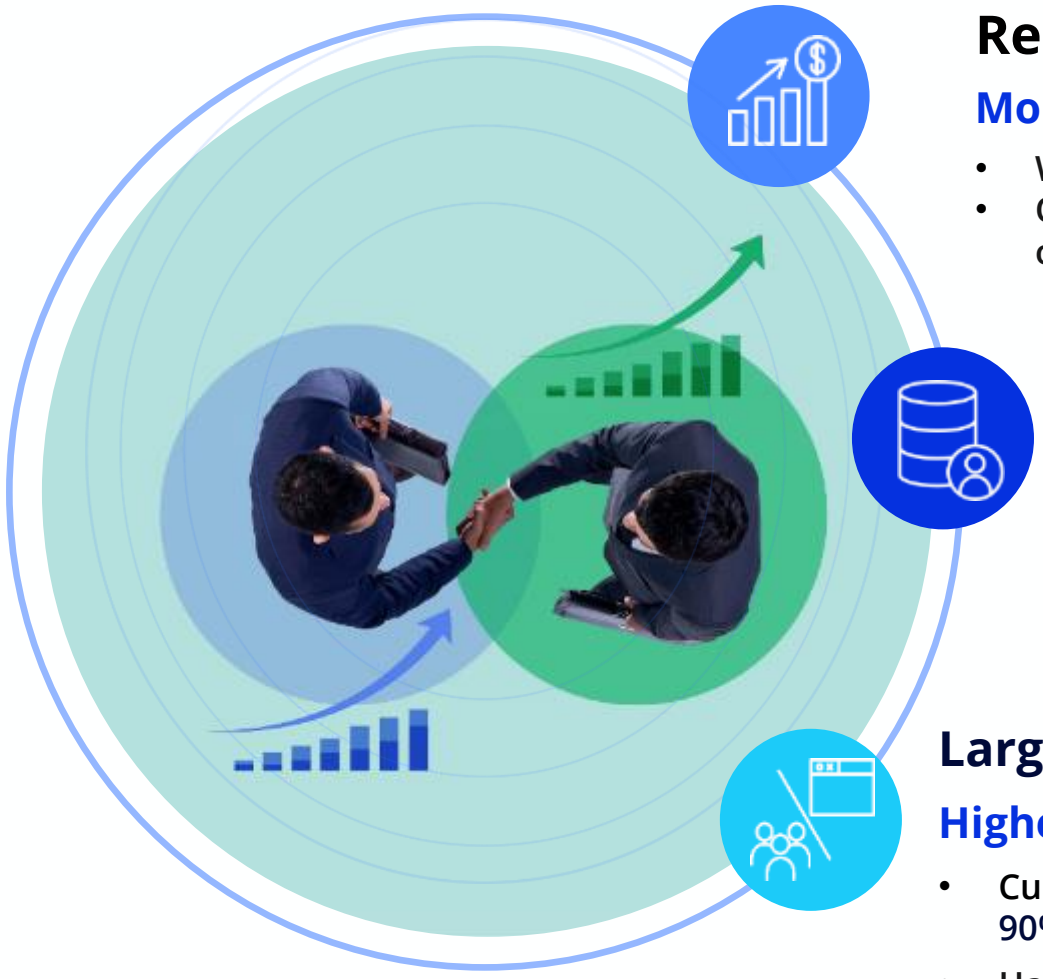
Business Growth Outlook: Robust Customer Base



Return-Driven Solution

More recession-proof

- We provide predictable returns on customers' marketing spending.
- Our solutions provide direct revenue or profit impact in over 80% of our customers.

1st Party Data Trend & Higher AI Awareness

Continuous business expansion

- 1st party data is the key to cope with increased privacy restrictions that accelerates our business expansion, especially in US & EMEA
- Increased awareness of AI underscores our product value and drives our business growth

Large Enterprise Customers & Diversified Verticals

Higher business resilience

- Customers with more than ¥10B annual revenue have contributed to over 90% of our revenue.
- Having two strong vertical growth engines in E-commerce and Digital Content, with a large TAM for each, allows us to cope with dynamic and uncertain macro environments

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We drive business improvement beyond productivity enhancement through our proprietary AI technology

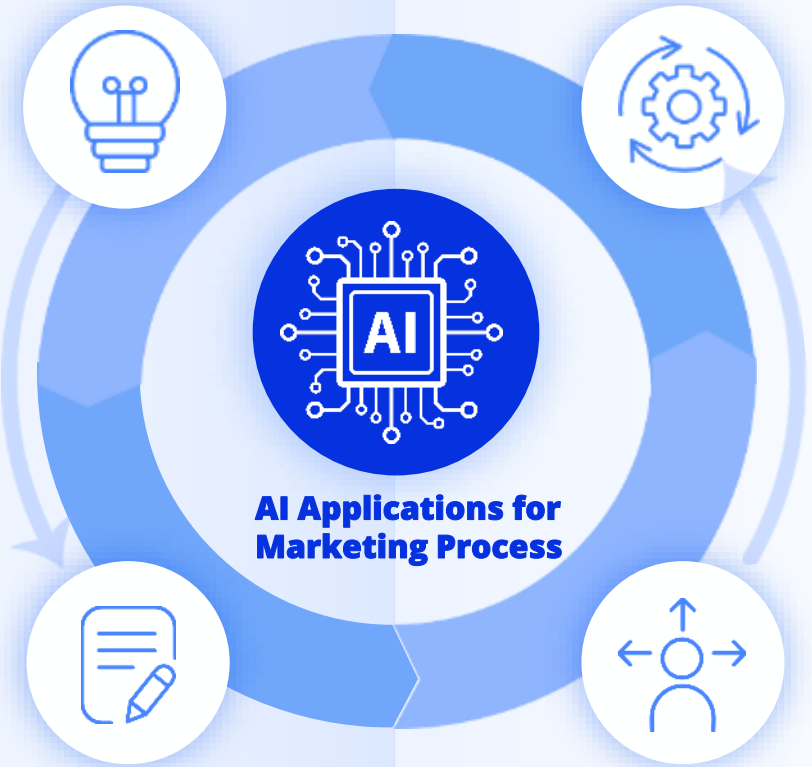
Productivity Improvement | **Business Improvement**

Idea generation

- Marketing plan/ idea generation
- Unique selling point positioning

Content creation

- Marketing script
- Image/Video creatives
- Auto-idea testing



Execution/Decision Making

- User segmentation
- User prediction
- Advertisement optimization

Decision making

- Prediction
- Personalization
- Recommendation

Emerging Opportunities | **Our Existing TAM**

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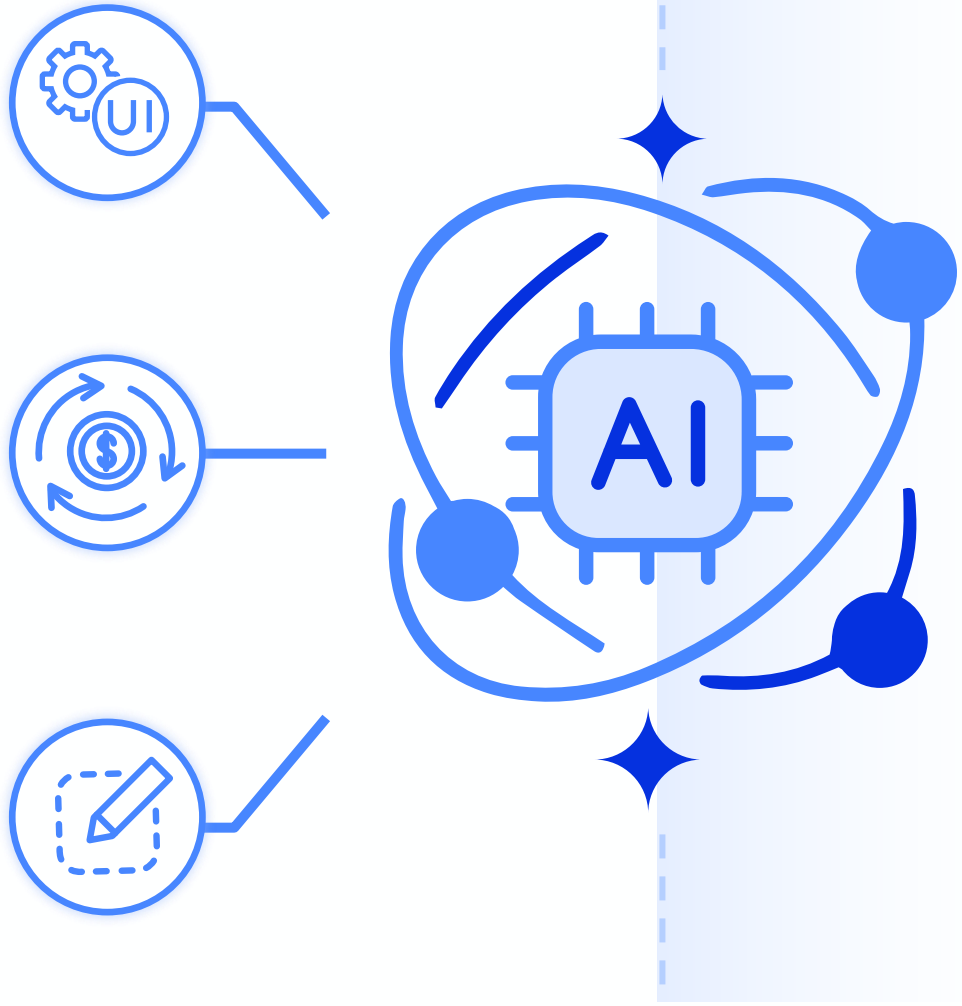
How AI transforms our business operation

Differentiating Products with GenAI

ROI driver
Personalized content and predictive ROI at large scale (Advertising cloud)

AI is the new UI
Enhance ease of use via natural language interfaces (Copilot mode across products)

Productivity enhancement
Improve efficiency with no-code, AI-enabled programming (Personalization Cloud)



A True AI Organization

Product development AI
to strengthen innovation and time-to-market

Customer management
provides customers consistent and high-quality services in a timely manner

Workflow standardization
to ensure the consistent operation and service standard through AI-enabled training

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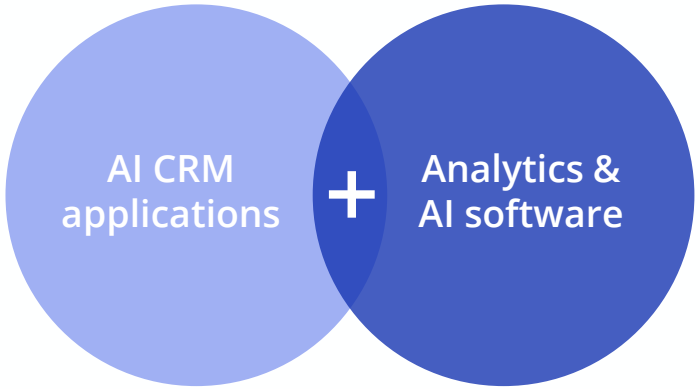
Massive Market Opportunity

Top-Down View 2024

IDC [1]



US$ **92 B**

(estimated)

Bottom-Up View 2024



(1) Source: IDC Semiannual Artificial Intelligence Tracker, 2H 2020 (July 2021)
(2) Annualized revenue= FY23 revenue in JPY / exchange rate 140.95
(3) Calculation is based on internal estimation. In terms of APAC marketing investment, we have around 3% market share in EC, 2.7% in digital content and 1% in others. EC accounts for 30% of marketing investment and digital content providers accounts for 20%. Thus, we roughly have 1.9% market share of APAC marketing investment. APAC marketing investment accounts for around one third of global marketing investment.

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Products

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Why Appier Wins

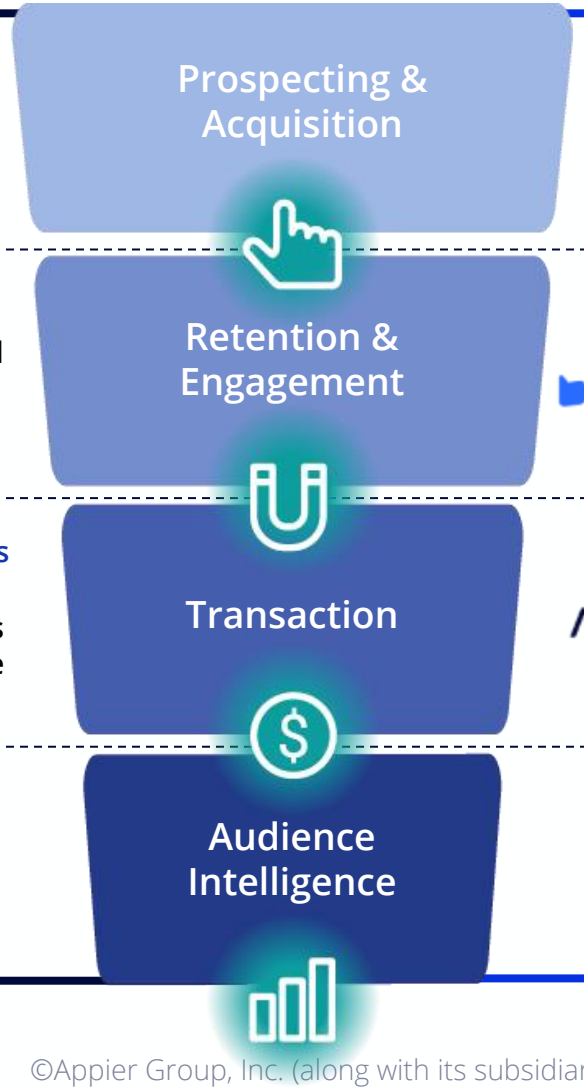
Existing Solutions

Manual A/B testing
- Leading to waste of budget and unlikely to outperform machines

Marketing Cloud solutions
- Mostly based on a reactive approach based on past behaviors

Broadcasting or Segmenting users into groups and providing different incentives
- Waste of coupon subsidies, which damages profitability, and is unable to fully drive the top-line growth

AI vendors or building an inhouse data scientist team
- Potentially hard to scale and more costly



Why Customers Choose Appier

CrossX / AIXPERT
- ML modules predict high life-time value end users
- Acquire the most valuable users at scale with predictable return on investment

AIQUA / BotBonnie
- Predict end users' potential behaviors and proactively engage them effectively
- Fully automated solutions with tightly integrated AI on all messaging channels
- BotBonnie: Interactive conversational marketing chatbot solution

AIDEAL
- AI detects hesitant buyers by identifying end user patterns and distributing incentives only to those hesitant buyers
- Increase sales while reducing coupon subsidies and costs

AIXON / AIRIS
- Automated ML to build differentiated best-in-class AI prediction models through SaaS
- Business users able to leverage AI capabilities without scientists / engineers
- Fast time-to-insight with superior analytics and intuitive data visualization

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CrossX



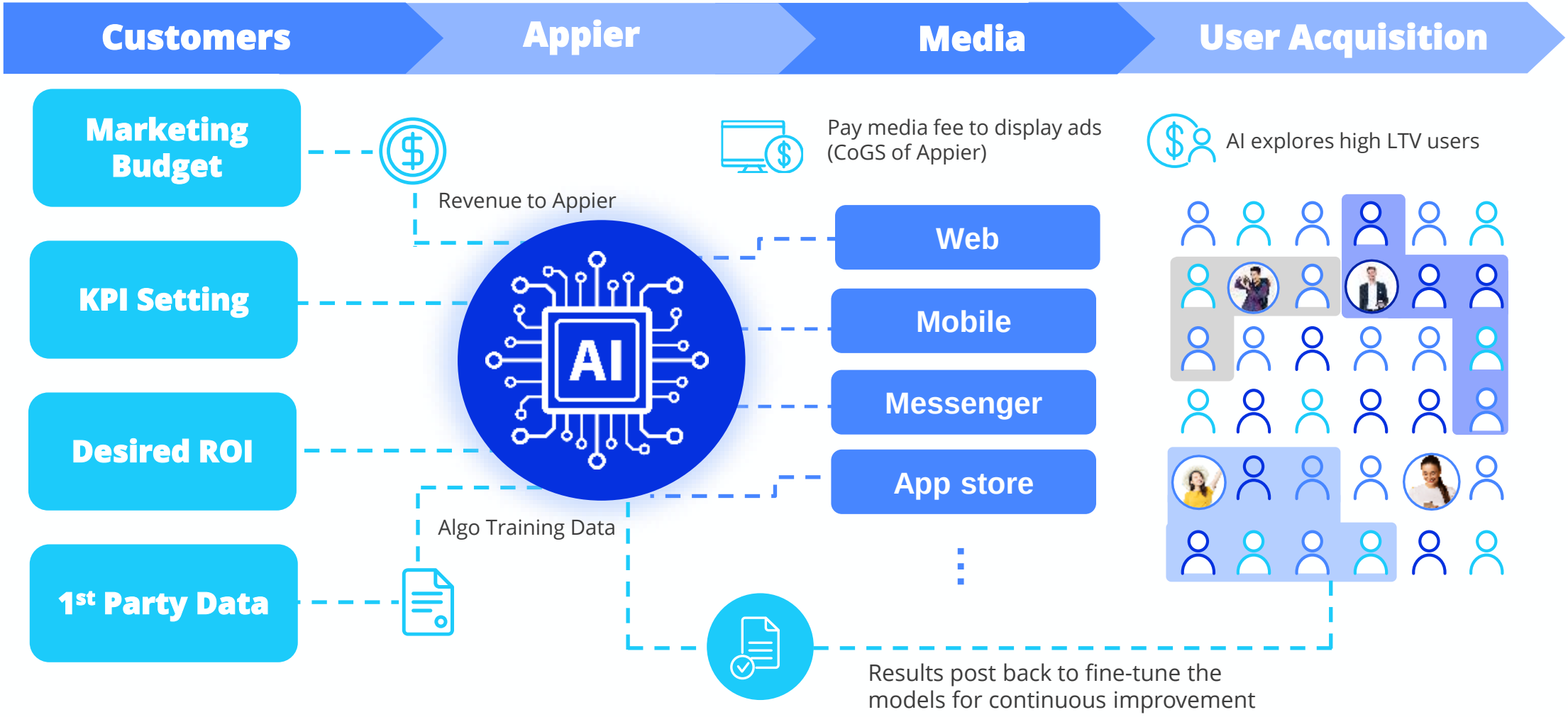
CrossX enables businesses to use Machine Learning and Deep Learning to predict users' lifetime value and acquire the most valuable end users at scale, allowing businesses to turn marketing spending into predictable returns.

Machine Learning and Deep Learning to Predict High Lifetime Value End Users

Acquire The Most Valuable End Users at Scale

Provide Predictable Returns

How CrossX Works- Full AI Automation for Better ROI



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CrossX

AI Strength: Bring Predictivity & Accuracy to Digital Ads

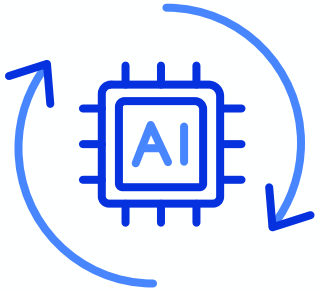


Better Visibility & Return

Let customers know their return before spending and simultaneously increase overall return

Upsell Opportunity

Predicable ROI brings more usage of CrossX

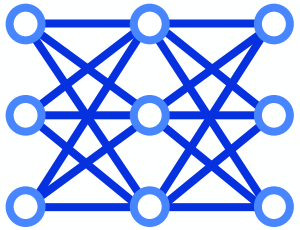


Technology Moat

Our AI has been trained for more than 10 years with marketing data across regions and industries

Barriers to Entry

Higher AI accuracy with accumulated data learning



Auto Algo Exploration

Continuous experiments to improve prediction accuracy and maintain our leading edge

Win-Win with Customer

Better ROI for customers and revenue growth for Appier

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Boost growth with a consistent stream of high-quality users with high ROAS

Successful case – a leading global game publisher

Goals

- Boost installs in the acquire high value users who are interested in the game title during the initial game launch to boost installs
- Ensure the ROAS and retention rate

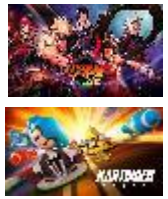
Solution

- Leverage Appier's proprietary AI audience model that analyzes users' in-app behavior as well as the game's app contextual data and marketing graphics to identify high-quality users
- Analyzes gamer's behavior, including in-app purchases, completion level of the game and the pattern of opening the game app, for re-targeting

Appier's AI audience model for new users

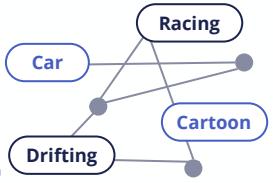
In-app user behavior

Graphics Style



- Cartoonish
- 3D visual
- Fantasy

App contextual data



Acquire users with high interests to the app & ROAS

Day 1 — Secure the day 1 retention

Day 2 — Level 20 completion **+6.9%**

Day 7 — In-app purchase **+1.4x**

Re-target TOP future CVR & ROAS users

Uplift user's LTV(1)

Day 45 — CVR(2) **+55%**

Day X — Purchase event **+16%**

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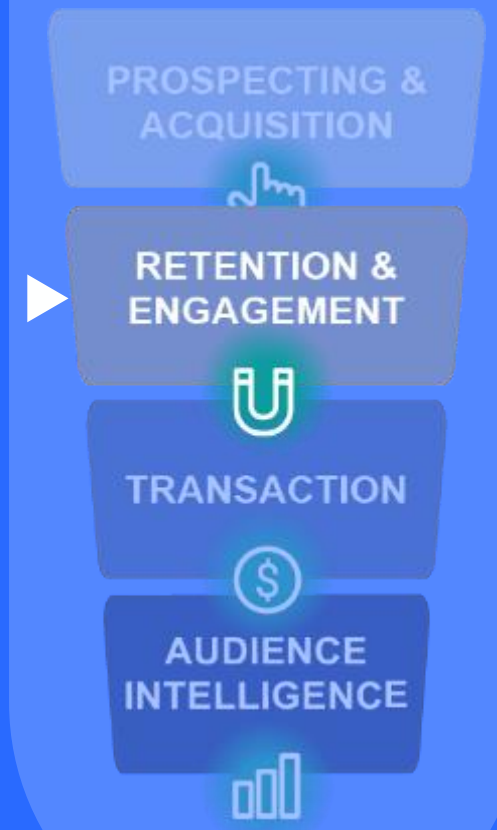
(1) LTV= Lifetime value
(2) CVR= Conversion Rate



AIQUA



AIQUA enables businesses to increase quality engagement with end users through AI-personalized messages proactively and effectively across all their own communication channels with the optimal timing.

Multichannel Messaging | **AI-Generated Messages** | **Send Time Optimization** | **Proactive Actions with Predictive Segments**





BotBonnie

A conversational marketing solution built upon the most popular messenger platforms. Harness the full potential of your followers on LINE, FB Messenger, Instagram, WhatsApp, Website and Google Business Messages, etc.

Codeless instant messaging solution for marketers

Gamified prebuilt marketing kits to boost conversion with engaging customer experiences

AIQUA
BotBonnie

Drive High Conversion with Personalized Engagement

Data Collection → **Integrate & analyze** → **Create user profiles** → **Engagement** → **Conversion**

CRM data

Social data

- Chat history
- Push engagements

Onsite behavior

- Browsing history
- Device
- Member registration
- User engagement

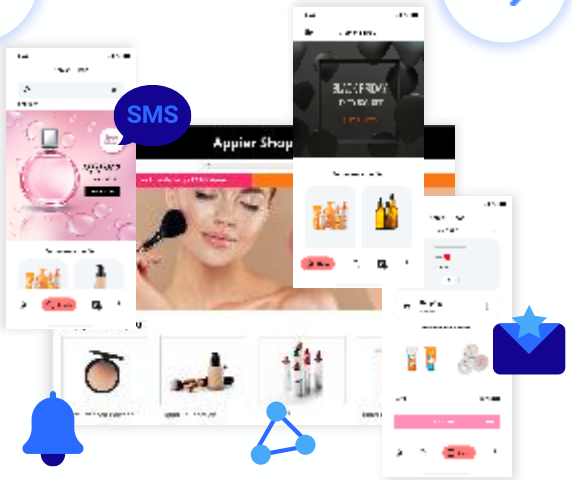
AI



- Interacted on LINE
- Has not returned for 30 days
- Abandoned cart
- Viewed product A
- Gold member

With full suite of
AI recommendation model

- Personalized contents
- Right channel
- Right timing



Higher click-through rate

Maximize user's lifetime value

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AIQUA
BotBonnie

Key Strengths



Optimize ROI with AI Recommendation Models

Provide highly personalized user experience to boost conversions and maximize users' LTV



Maximize customer engagement with AI-driven precision

Predict the optimal timing and deliver personalized content through the right channel for streamlined effectiveness and efficiency



Boost GenAI effectiveness with decision-making AI

Create compelling marketing content with the robust GenAI, evaluated by decision-making AI for superior results

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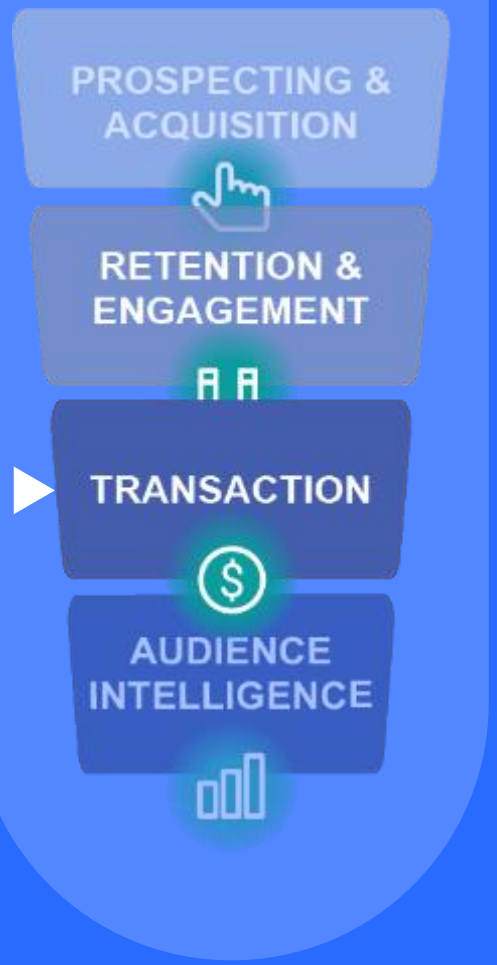




AIDEAL

AiDeal enables businesses to use Machine Learning and Deep Learning to predict hesitant buyers through user patterns and only distribute incentives to hesitant users to drive revenue while maintaining profitability.

Predict Purchase Intent with Machine Learning and Deep Learning | **Optimized Incentives with a Sense of Urgency** | **Real-Time Analytics**

Trigger Purchase Decisions with Optimal Incentive Offering

Predict and only distribute the most effective incentive to hesitant buyers while maintaining profitability

Entering the website → **Detect behaviors** → **Identify user's intent** → **Trigger actions**



Triggered events

- Swipe back
- Back botton
- Scroll down
- Idle time
- Traffic source
- Viewed page

AI uncovers insights of hesitant buyers

Dynamically decided optimal offering to individuals



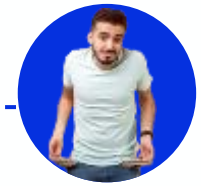
Free Delivery

First time visitor



10% OFF

Hesitating on high-priced items



SAVE $5

Bargain hunter

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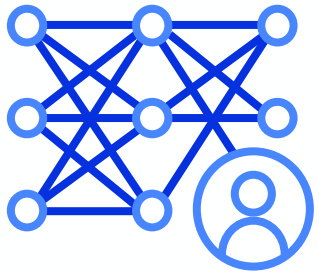
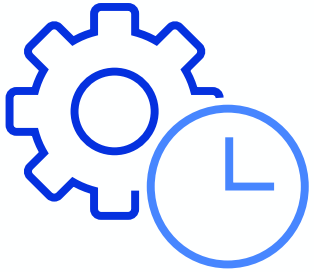
AIDEAL

Key Strengths



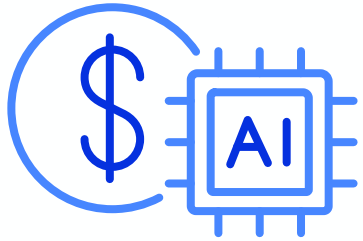
Analysis of Users' Behavior with Advanced Algorithm

Generate accurate and reliable outputs with extensive training data



Improve ROI with Real-time AI Predictions

Predict hesitant buyers in real-time to deliver incentives and drive higher ROI with the same budget amount



Uplift GMV with Tailored Incentives

Push indecisive users to check-out through optimal incentive offering predicted by AI

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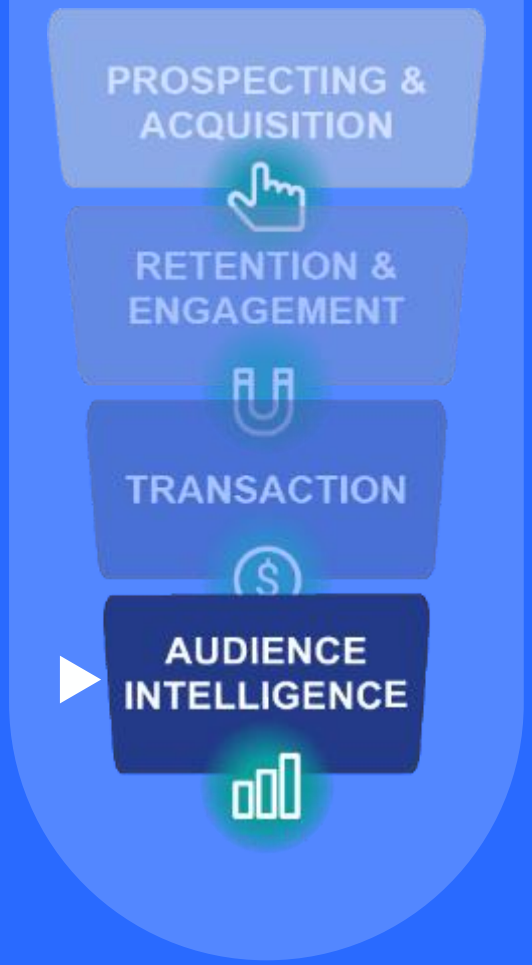


AIXON



AIXON enables businesses to utilize their own end user data from various sources to predict end user behaviors in a holistic view with Automated ML model building and without the hassle of building an entire AI technology stack in-house.

Data Unification and Auto-processing | **Scenario-based Prediction with Automated ML models** | **Explainable AI**





AIRIS

A fast time-to-insight AI CDP with superior analytics and intuitive data visualization. By building a robust 360° view of customers with 1st party data, businesses can easily visualize and measure the impact at every touchpoint, and predict the return before businesses make their investments.

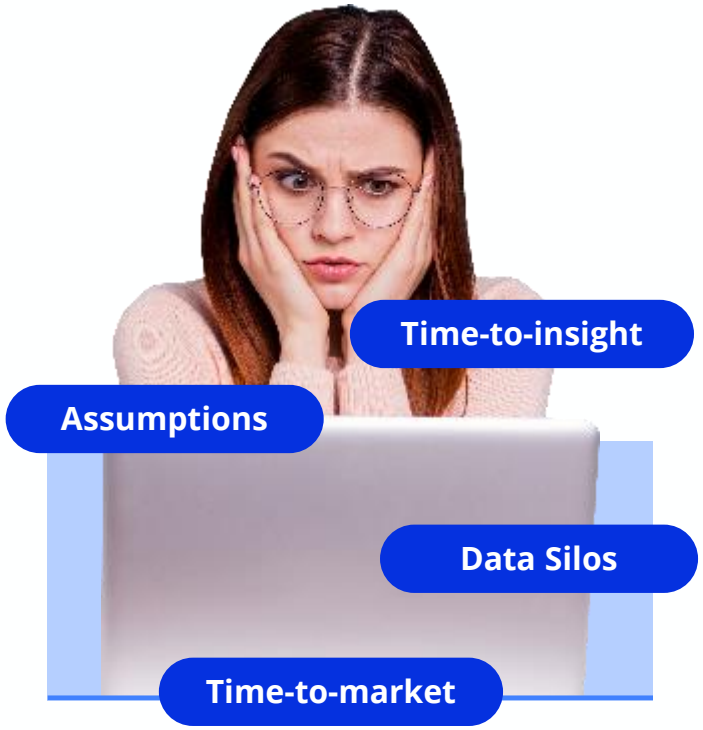
Unify your data seamlessly with Customer 360°

Fast Data-to-Visualization

Fast Data-to-Prediction

AIRIS

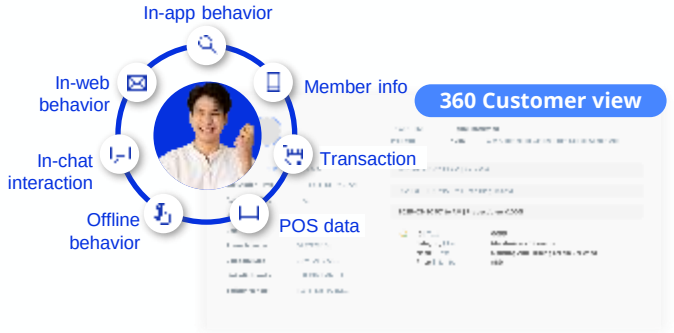
Empower Business Growth with AI CDP



Marketers' pain points

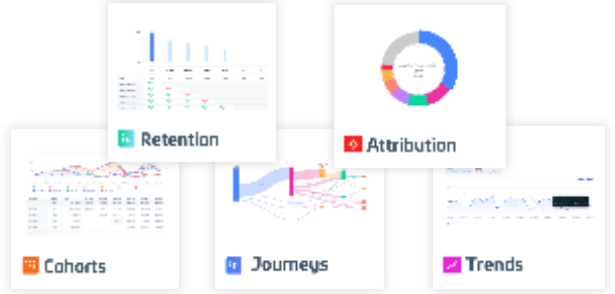
Real-time data ingestion

- Ingest, clean, and align data from multiple sources
- **AI-powered Unified Customer profile and Customer 360**



Fastest code-free visualization analytics

- Quickly build an insight dashboard from templates with **customized visualization to democratize data across organizations**



AI-powered customer prediction

- Allowing marketers to prioritize and target users based on predictions of customer behavior
- Deliver **hyper-personalized engagement** with precise segmentation



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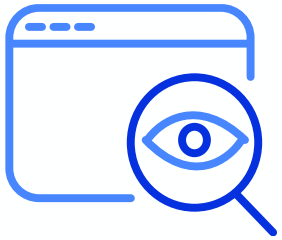
AIRIS

Key Strength



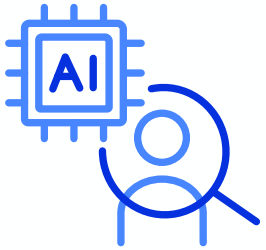
Fastest Time-to-Insight with Seamless Data Ingestion

Real-time data unification to provide 360 view of each user even with anonymous actions



Fastest Time-to-Action with code-free visualization

Visualize insights and measure the impact at every touchpoint to take necessary actions



AI-Powered Insights for Proactive User Engagement

Precise real-time AI prediction of end-user behaviors and tailor effective acquisition/ engagement strategy

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Financial Data

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Selected Financial Data

Consolidated Statements of Profit or Loss

(Millions of JPY)	2023 Q3 9 months	2024 Q3 9 months	YoY	2023 Q3 3 months	2024 Q3 3 months	YoY	2022	2023	YoY
Revenue	**18,802**	**24,574**	**31%**	**7,080**	**9,050**	**28%**	**19,427**	**26,418**	**36%**
Cost of sales	(9,131)	(11,710)		(3,357)	(4,178)		(9,428)	(12,710)	
Gross profit	**9,671**	**12,864**	**33%**	**3,723**	**4,872**	**31%**	**9,998**	**13,708**	**37%**
Gross margin	**51.4%**	**52.3%**		**52.6%**	**53.8%**		**51.5%**	**51.9%**	
Sales and marketing expenses	(5,892)	(7,153)		(2,161)	(2,515)		(6,394)	(8,263)	
% of Revenue	*31%*	*29%*		*31%*	*28%*		*33%*	*31%*	
Research and development expenses	(2,229)	(3,437)		(831)	(1,195)		(2,284)	(3,141)	
% of Revenue	*12%*	*14%*		*12%*	*13%*		*12%*	*12%*	
General and administrative expenses	(1,364)	(1,353)		(484)	(448)		(1,602)	(1,829)	
% of Revenue	*7%*	*6%*		*7%*	*5%*		*8%*	*7%*	
Other income	183	304		73	89		334	334	
Other expenses	(7)	(21)		(6)	(15)		(2)	(9)	
Operating income	**362**	**1,204**		**314**	**788**		**50**	**801**	
Operating margin	**1.9%**	**4.9%**		**4.4%**	**8.7%**		**0.3%**	**3.0%**	
Finance income	405	356		148	109		213	547	
Finance costs	(338)	(260)		(143)	(61)		(153)	(285)	
Profit before tax	**429**	**1,300**		**319**	**836**		**111**	**1,063**	
Income taxes	(46)	(60)		(18)	(22)		(90)	(61)	
Profit for the year	**383**	**1,240**		**301**	**814**		**21**	**1,002**	
Basic earnings per share (JPY)	**3.77**	**12.15**		**2.96**	**7.97**		**0.21**	**9.85**	
Diluted earnings per share (JPY)	**3.73**	**12.02**		**2.94**	**7.88**		**0.21**	**9.75**	

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Selected Financial Data

Consolidated Statements of Financial Position

(Millions of JPY)	2021	2022	2023	2024 Q3
Cash and cash equivalents	6,561	3,804	6,134	5,200
Time deposits	14,939	13,933	8,004	7,372
Other financial assets – current assets (1)	-	3,577	4,940	5,213
Liquidity on hand	**21,500**	**21,313**	**19,078**	**17,785**
Accounts receivables (2)	2,810	3,764	5,355	7,213
Other current assets	174	286	496	755
Total current assets	24,484	25,363	24,929	25,753
Right-of-use assets (Lease assets) (3)	3,046	2,882	2,686	2,312
Goodwill and intangible assets	2,977	6,937	9,347	10,943
Other non-current assets	699	757	890	926
Total non-current assets	6,722	10,576	12,923	14,181
Total assets	**31,206**	**35,939**	**37,852**	**39,934**

(Millions of JPY)	2021	2022	2023	2024 Q3
Trade and other payables (4)	3,065	4,375	5,156	5,711
Lease liabilities (3) (5)	3,051	2,912	2,747	2,400
Borrowings	2,097	2,149	600	1,000
Others	157	301	258	259
Total liabilities	**8,370**	**9,737**	**8,761**	**9,370**
Shareholders' equity (6)	20,364	21,774	22,963	24,275
Other components of equity (7)	2,472	4,427	6,128	6,289
Total equity	**22,836**	**26,201**	**29,091**	**30,564**

(1) Holding short-term low-risk securities for fund management purposes.
(2) Accounts receivables = Trade receivables + Contract assets
(3) Lease assets and liabilities are related to office rents and are recognized simultaneously as assets and liabilities.
(4) Trade and other payables = Trade payables + Contract liabilities + Other liabilities
(5) Total of current and non-current lease liabilities
(6) Shareholders' equity = Share capital + Capital surplus + Treasury shares + Retained earnings
(7) Other components of equity consists mainly of translation differences in financial statements of subsidiaries outside Japan. The amount would increase in case of JPY depreciation to other currencies.

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Selected Financial Data

Consolidated Statements of Cash Flows

(Millions of JPY)		2023 Q3 9 month	2024 Q3 9 month	2022	2023
Cash flows from operating activities	**(A)**	**764**	**1,607**	**996**	**2,224**
Excluding change in working capital		1,842	3,159	1,304	2,950
Change in working capital		-1,078	-1,552	-308	-726
Cash flows from investing activities		**1,379**	**-2,438**	**-3,772**	**1,971**
Payments for intangible assets	(B)	-2,307	-3,084	-2,330	-3,229
Payments for acquisition of Subsidiaries		-42	-	-1,237	-381
Withdrawal and placement of time Deposits		4,666	762	3,317	6,585
Acquisition and disposal of other financial assets – current (2)		-816	-66	-3,411	-817
Others		-122	-50	-111	-186
Cash flows from financing activities		**-1,943**	**-259**	**-520**	**-2,250**
FX impact on cash and cash equivalents		637	156	539	385
Change in cash and cash equivalents		**837**	**-934**	**-2,757**	**2,330**
Ending balance of cash and cash equivalents		4,641	5,200	3,804	6,134
Core free cash flow (1)	**(A)+(B)**	**-1,543**	**-1,477**	**-1,334**	**-1,005**

Change in liquidity on hand

(Millions of JPY)	2023 Q3 9 month	2024 Q3 9 month	2022	2023
Balance of liquidity on hand	**20,216**	**17,785**	**21,313**	**19,078**
Cash and cash equivalents	4,641	5,200	3,804	6,134
Time deposits	10,418	7,372	13,933	8,004
Other financial assets – current (2)	5,156	5,213	3,577	4,940
Change in liquidity on hand (vs. end of last year)	**-1,097**	**-1,293**	**-187**	**-2,235**
Core Free cash flow (1)	-1,543	-1,477	-1,334	-1,005
Cash flows from other investing activities (3)	-164	-50	-1,348	-568
Cash flows from Financing activities (4)	-1,943	-259	-520	-2,250
Fair value assessment on other financial assets – current (2)	178	221	68	253
FX impact	2,375	272	2,947	1,336
FX impact on cash and cash equivalents	637	156	539	385
FX impact on time deposits	1,152	130	2,310	656
FX impact on other financial assets – current (2)	586	-14	98	294

(1) Core free cash flow = Cash flows from operating activities + Payments for intangible assets
(2) Holding short-term low-risk securities for fund management purposes.
(3) Payments for property, plant and equipment, Payments for acquisition of subsidiaries, and Increase in guarantee deposits
(4) Repayment of short-term borrowing of JPY 1.6B in FY23 Q3

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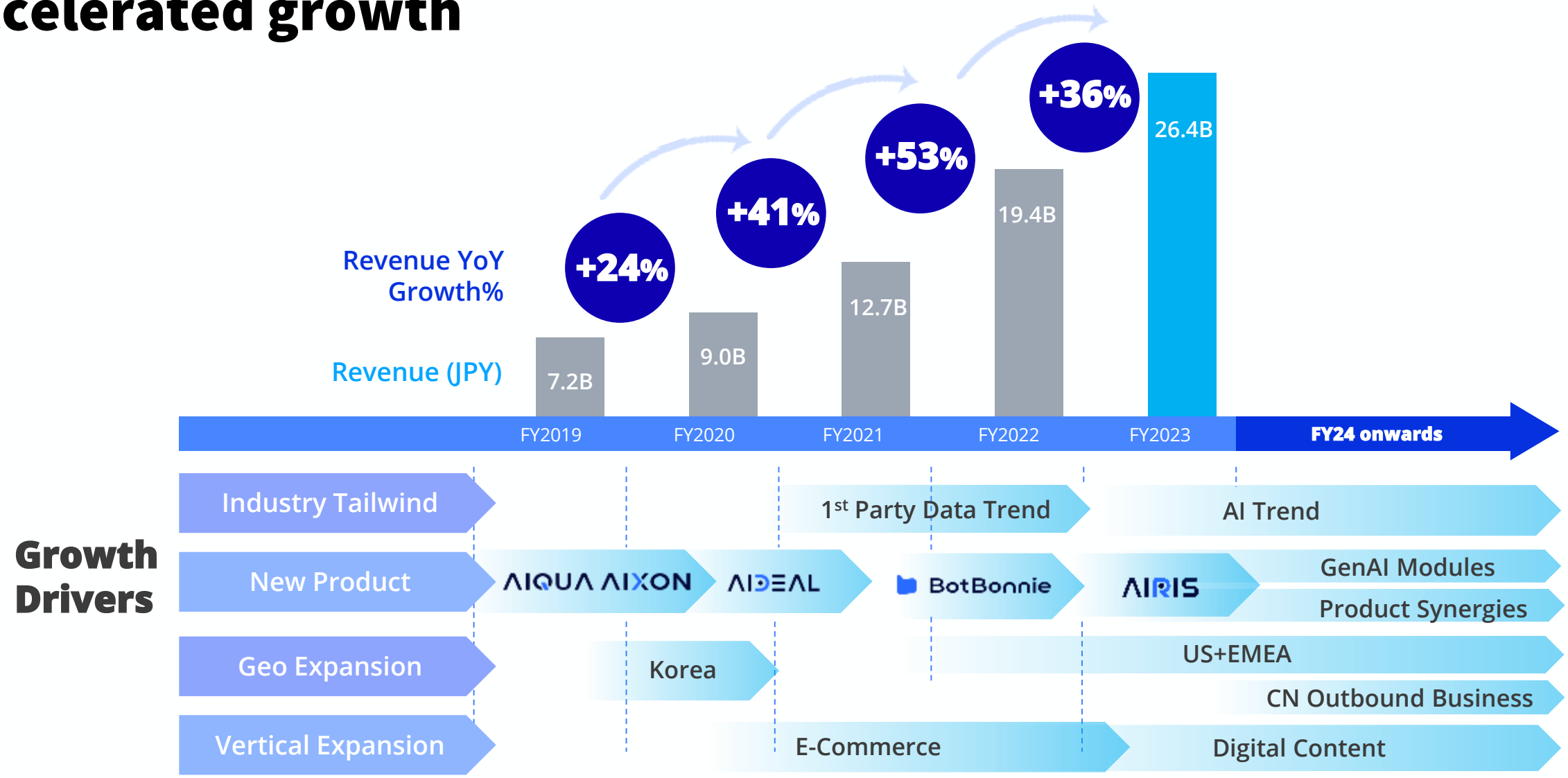
Adding additional growth drivers each year is the key for our accelerated growth



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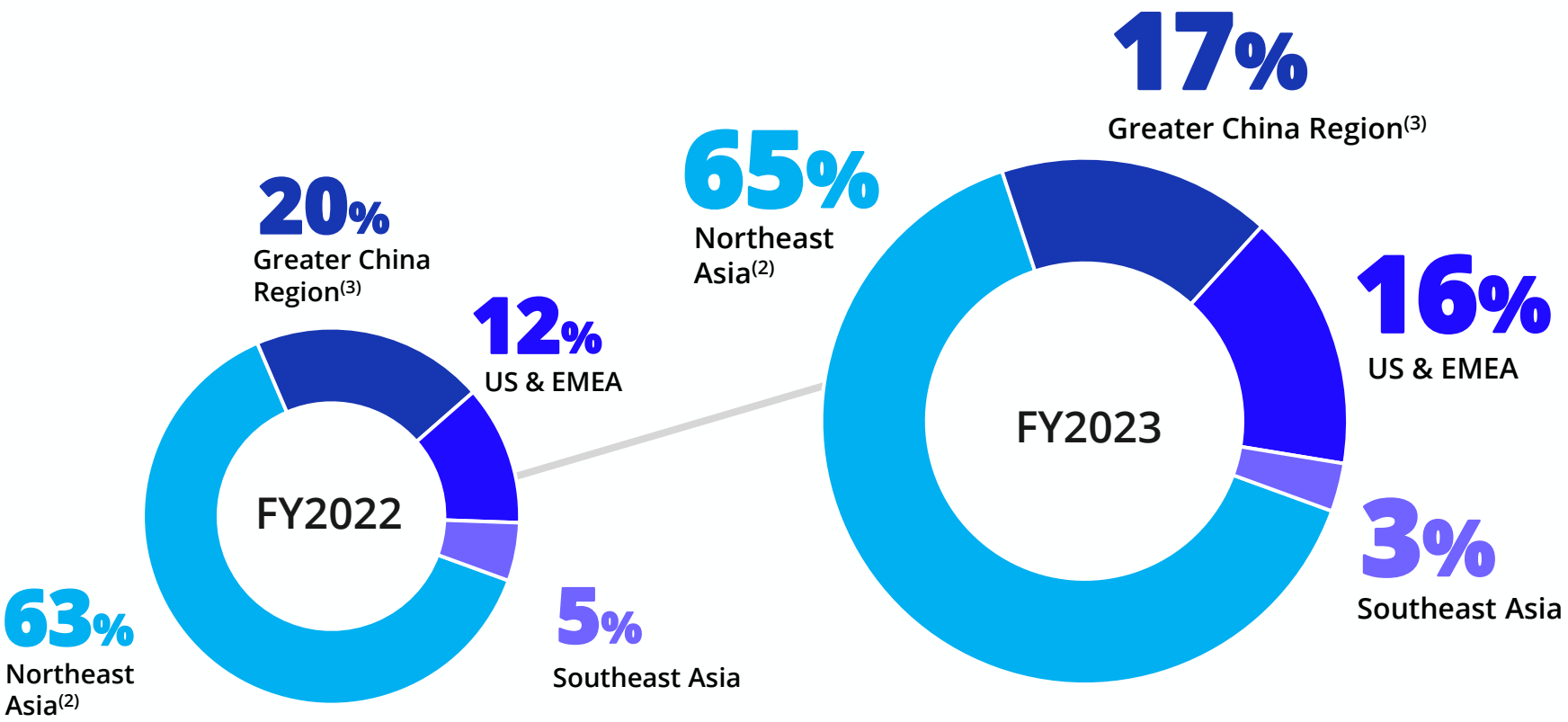
Diverse revenue base from diverse growth drivers of multiple regions

FY22 & FY23 Revenue % by Region(1)



(1) Percentages may not total 100 due to rounding
(2) Northeast Asia includes Japan & South Korea
(3) Greater China Region includes Taiwan, Hong Kong & China

NEA

Around 40% YoY revenue growth with vertical penetration and strong existing customer expansion

GCR

Further solidification of business foundation and emerging expansion of CN outbound business

US & EMEA

Revenue YoY growth reached 84% YoY and our new market entrance enlarged our TAM significantly

SEA

Continue to focus on key accounts until the market is more mature

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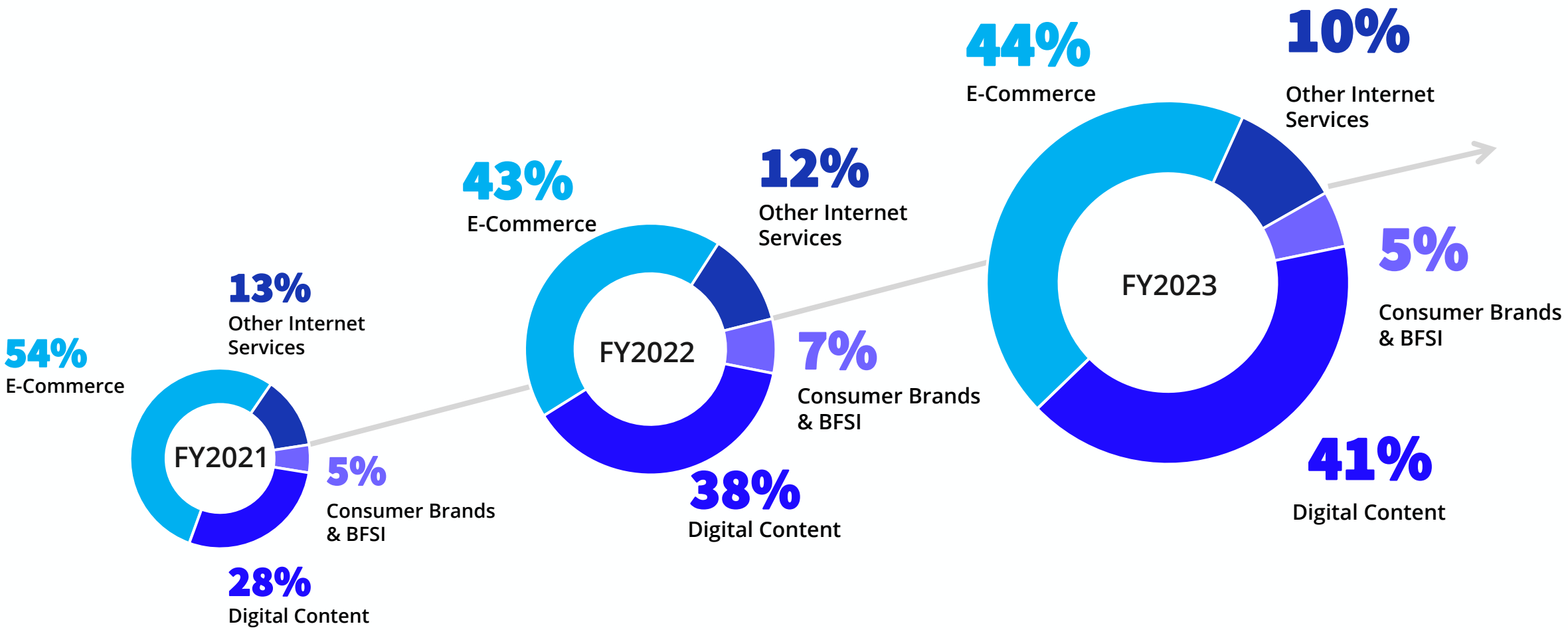
Continuous growth momentum through vertical expansion along with diverse verticals & geo to moderate business seasonality



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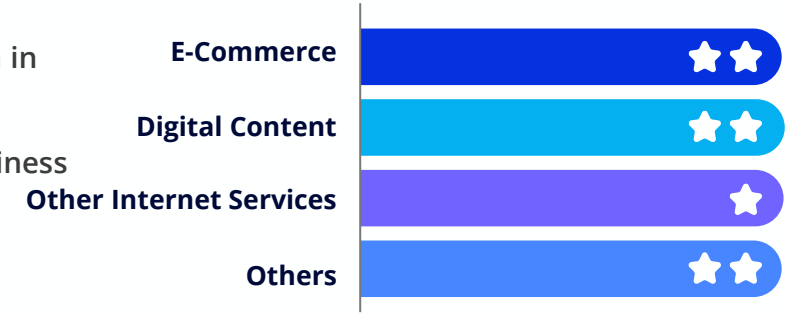
(1) "Digital Content" includes digital contents gaming, entertainment, e-book and online streaming

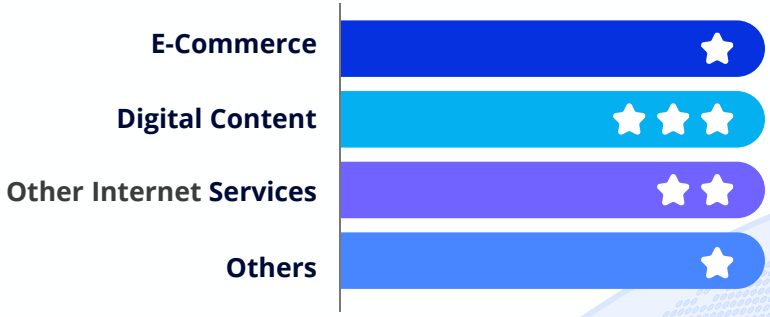
Business Growth Outlook: Key Focus Regions & Verticals

- TW & HK - Deepen our penetration in each vertical
- CN - Further penetration in Digital Content vertical for outbound business



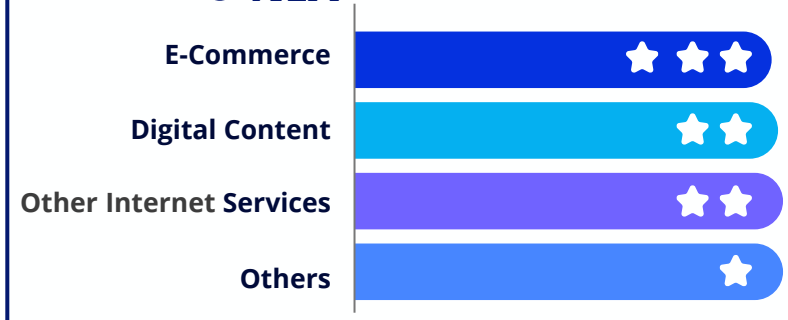
GCR

US & EMEA



- Expand into non-Digital Content verticals
- Deepen penetration in Digital Content vertical

NEA



- JP - Deepen our penetration in each vertical
- KR - Expand into the Digital Content vertical & deepen penetration in E-Commerce vertical

Current Revenue Contributor Classification:

★★★ High revenue contribution ★★ Mid revenue contribution ★ Low revenue contribution

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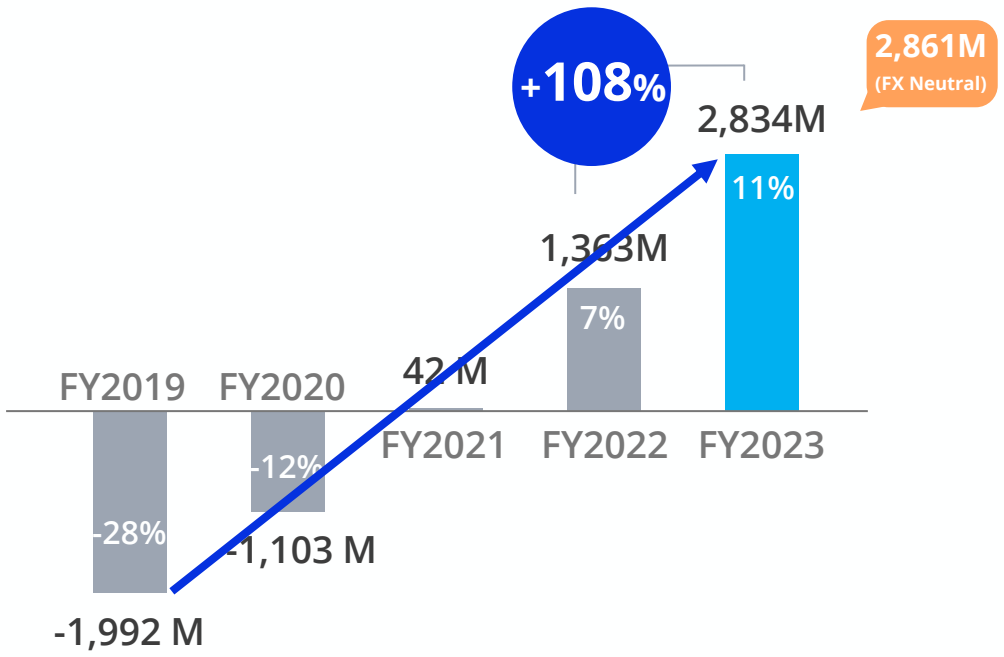
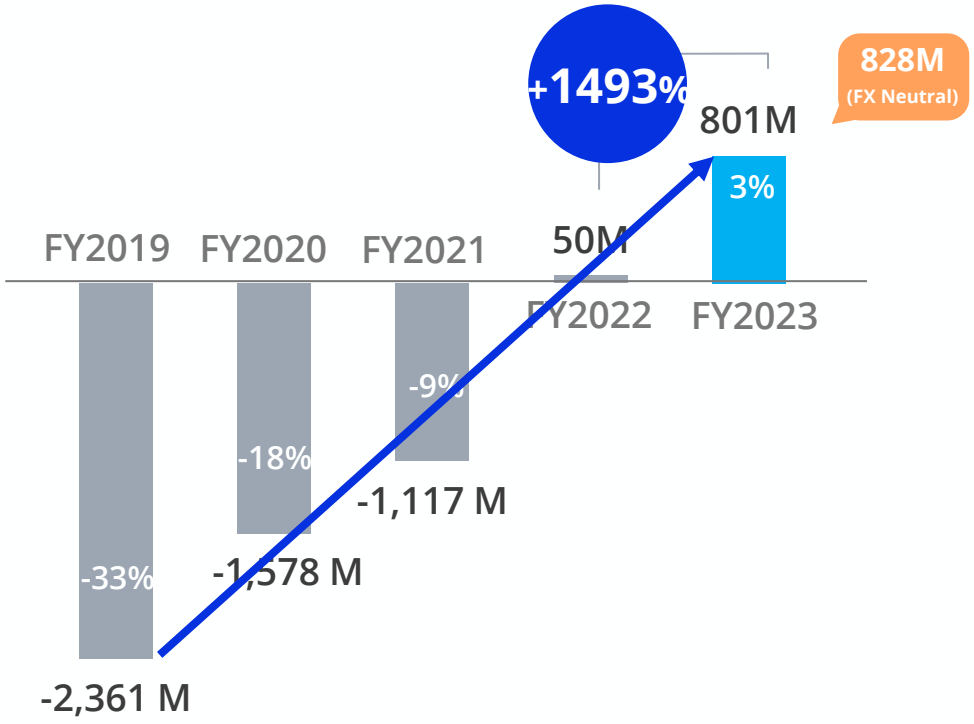
Execution consistency leads to continuous profit improvement

- We achieved a substantial improvement in profitability, with operating income expanding around 16X YoY in FY23, driven by increased gross margin and strong operating leverage. We expect further profitability improvement going forward.

EBITDA(1) & Margin (JPY)



Operating Income & Margin (JPY)



(1) EBITDA = operating income + depreciation and amortization + tax expenses included in operating expenses + IPO-related expenses

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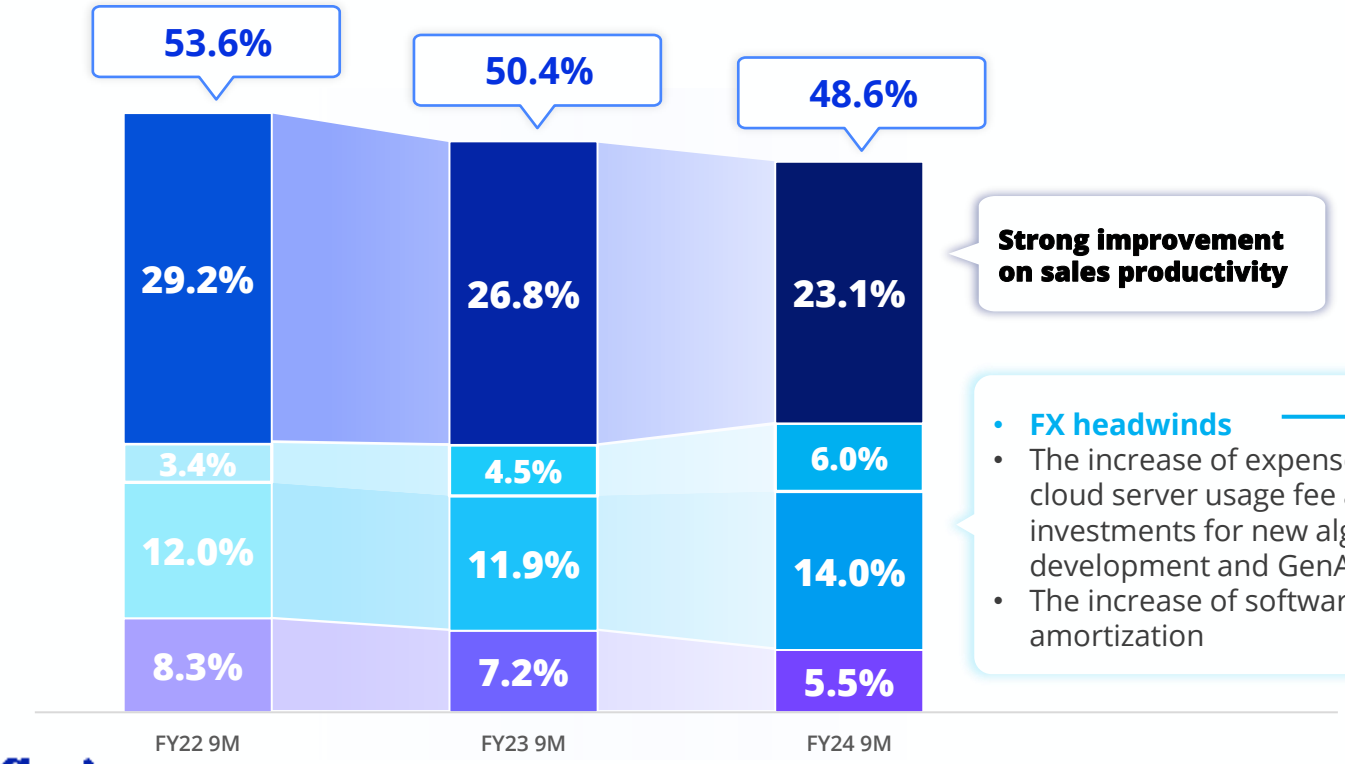
OPEX Structure of 9M

- We continue demonstrating strong operating leverage. Our OPEX- to-revenue ratio has improved 1.8 p.p. YoY despite FX headwinds (3.7 p.p. on an FX-neutral basis). With revenue momentum increasing as the higher season approaches, we expect this ratio to continue improving throughout the year.
- S&M and G&A-to-revenue ratio improvements were driven by higher productivity and operational efficiency. Meanwhile, the R&D-to-revenue ratio increased due to higher investment in AI to enhance our ROI-oriented products, which supports sustainable and profitable growth over time with improved sales productivity. This positive cycle enables us to progress towards achieving our FY25 target.
- We expect the R&D-to-revenue ratio to decrease towards the end of year, following the growth of business scale as in previous years while maintaining a healthy OPEX-to-revenue ratio aligned with our FY25 target.

YTD OPEX Structure (% Revenue)



Strong improvement on sales productivity

- **FX headwinds**
- The increase of expense including cloud server usage fee and investments for new algorithm development and GenAI
- The increase of software amortization

FX-neutral R&D-to-revenue Ratio **19.3%**

FX-neutral OPEX ratio **46.7%**

- S&M (excl. software amortization(1))
- Software amortization(1)
- R&D
- G&A (excl. Capital size tax)

(1) Our Sales and Marketing Expenses included amortization of software. We started software capitalization in FY2020. Please refer to Appendix for details.
(2) Percentages may not equal to the sum due to rounding

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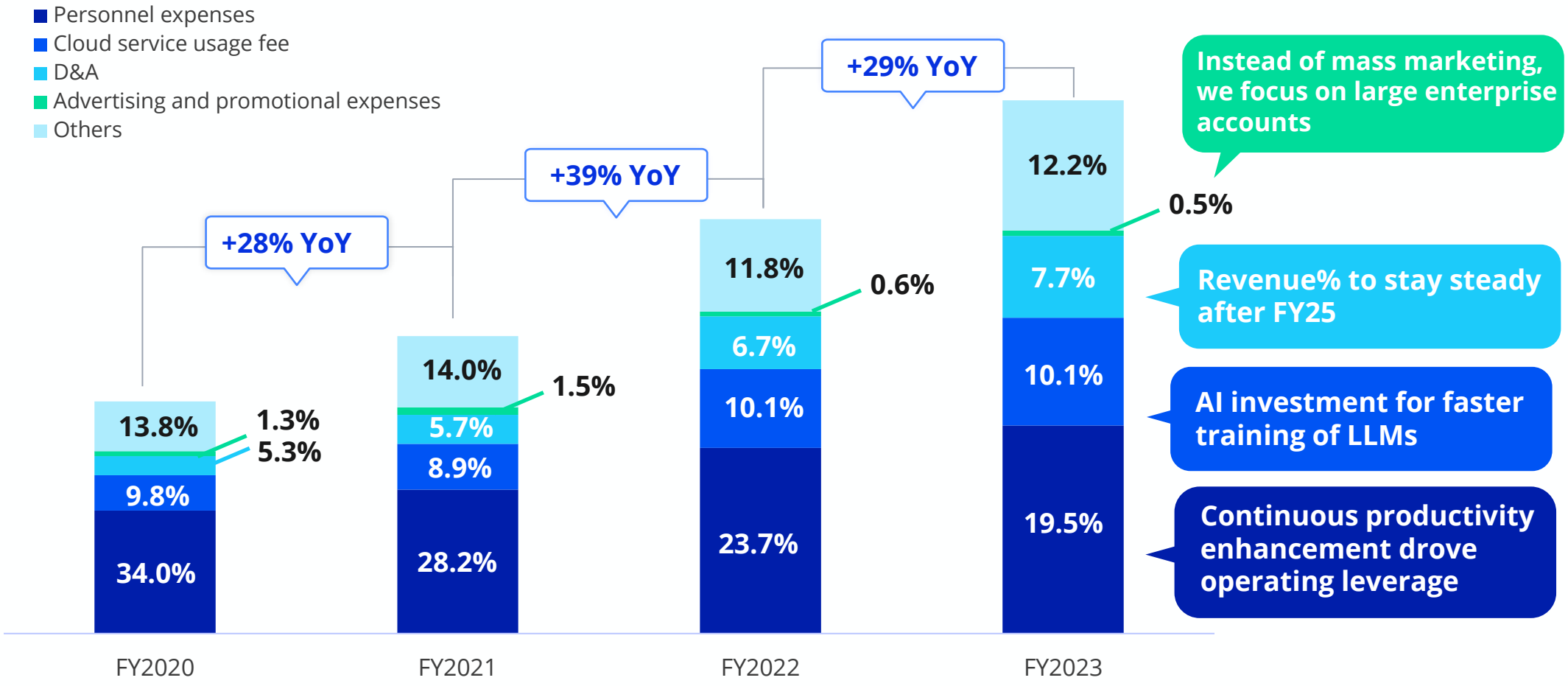
Main Components of OPEX

OPEX (JPY M) & Revenue%



(1) "Others" includes commission fee, professional service fee, T&E and others.

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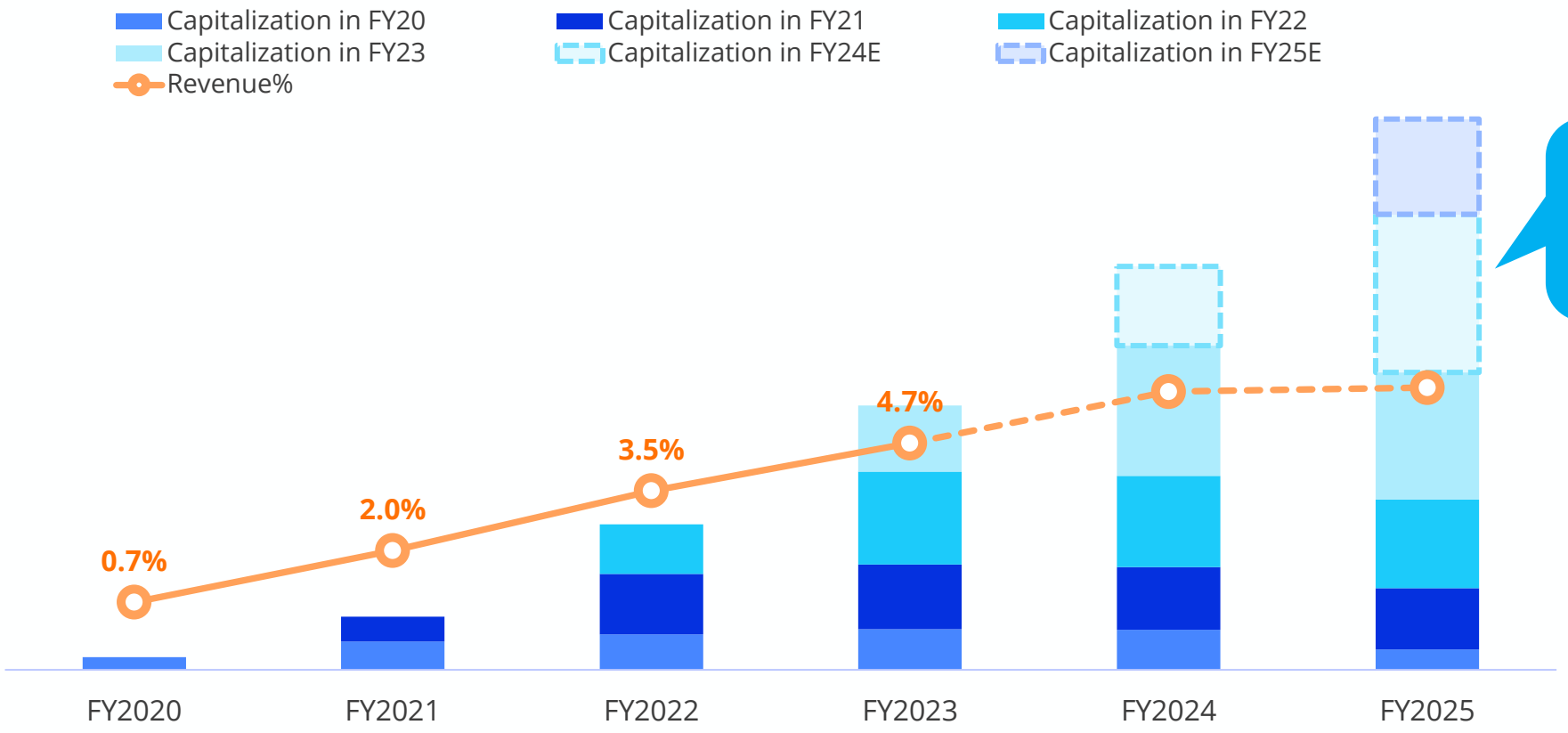
Software Amortization

- We started software capitalization in FY2020 and amortized the capitalization for 5 years.

Software Amortization (JPY M) & Revenue Ratio



We expect the software amortization-to-revenue ratio to stay steady after FY25

(1) The calculation of software-amortization-to-revenue ratio from FY24 to FY25 includes the software capitalization amount from FY24 to FY25.

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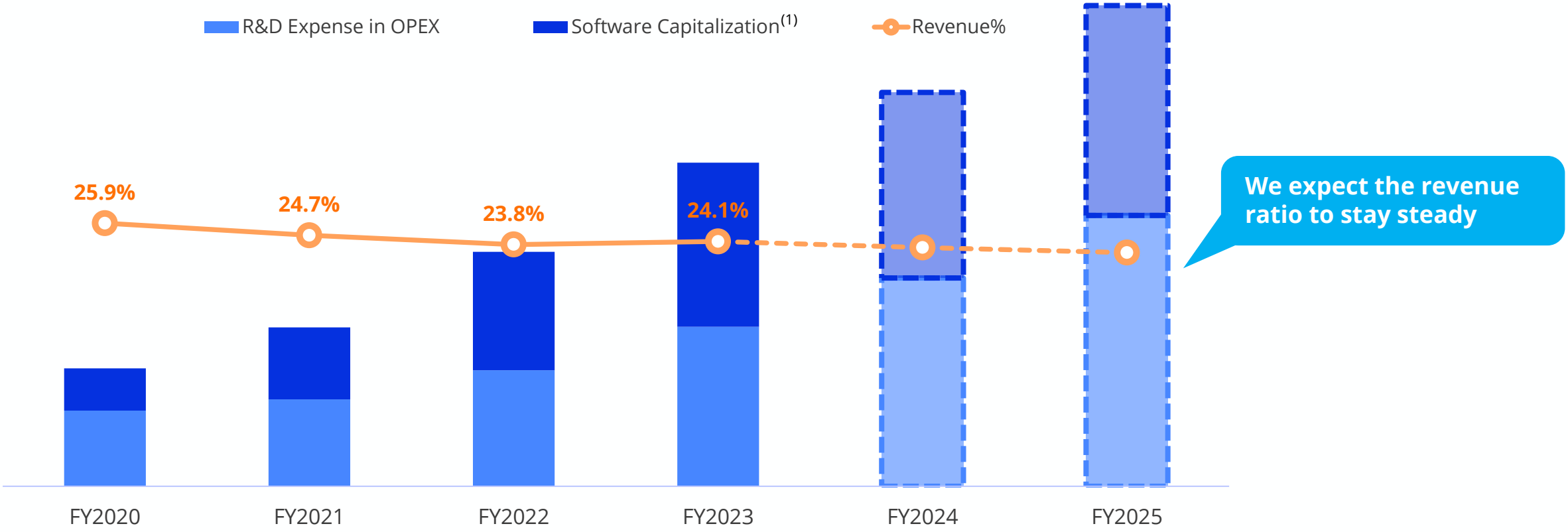
R&D Investment

- Total R&D investment-to-revenue ratio remained stable in past years due to our disciplined project management, despite increased demand of R&D investment while expanding business opportunities in Generative AI.

Total R&D Investment (JPY M) & Revenue Ratio



(1) The software capitalization amount refers to the payment for intangible assets in the cash flow.

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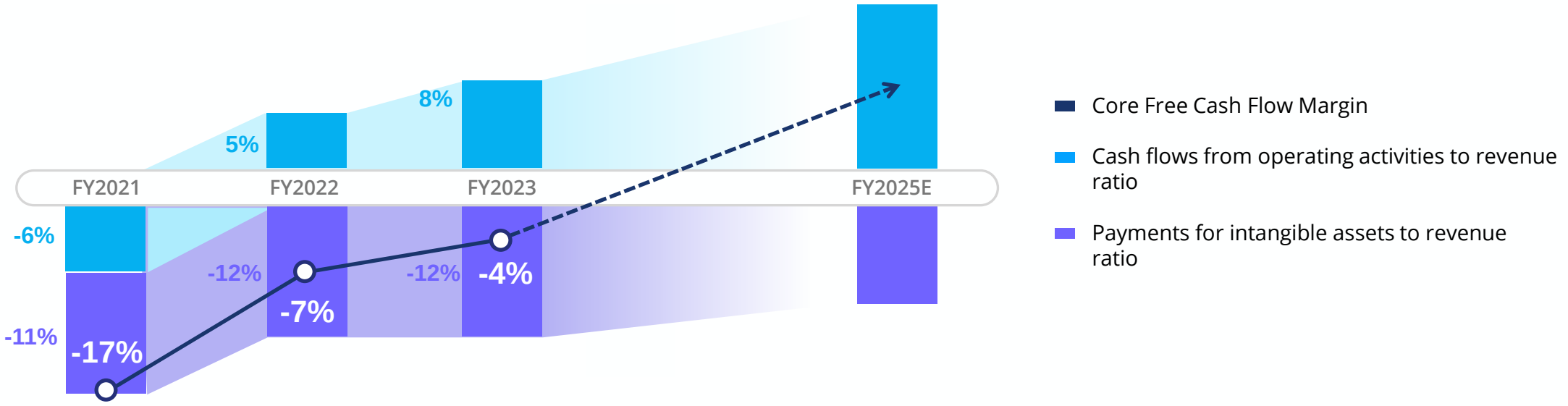
Free Cash Flow Structure

- Core Free Cash Flow has improved steadily over time due to continuous profitability enhancements, scalable operations, and efficient R&D investment aligned with business growth.
- We expect to achieve a close-to-breakeven level core free cash flow margin in FY24 and improve further in FY25.

Core Free Cash Flow Margin[1] (% Revenue)



(1) Core Free Cash Flow Margin = Cash flows from operating activities to revenue ratio + Payments for intangible assets assets to revenue ratio

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ESG Initiatives

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Our Commitment

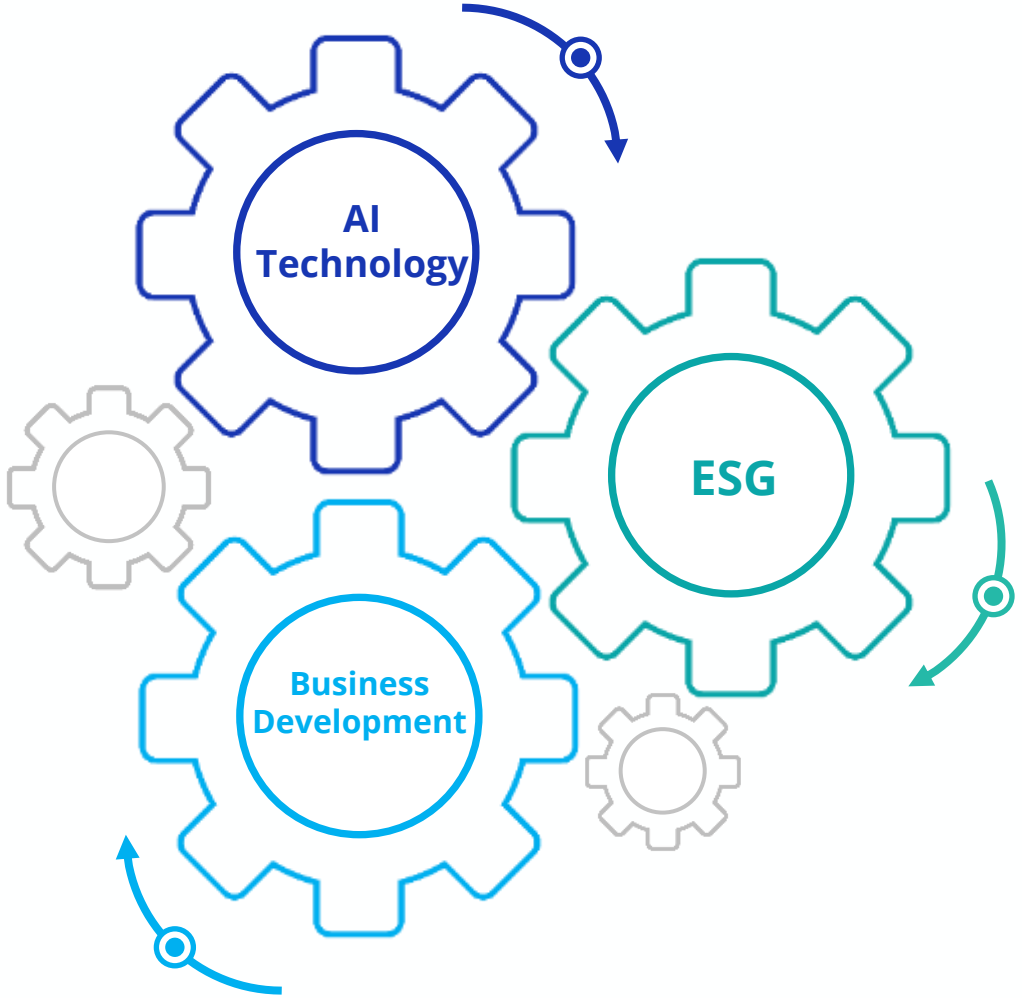
MSCI ESG RATINGS A
CCC | B | BB | BBB | A | AA | AAA

Embed ESG into Our Business

Appier envisions a future where precise, automated, and proactive decision-making is made possible through enterprise software powered by AI.

We believe ESG should be placed at the center of our focus on building a sustainable business and are determined to make commitments and to proactively engage our stakeholders in Appier's journey towards ESG excellence, as this is part of our vision for the future of our business.

We were awarded an "A" rating by MSCI ESG Research(1) and we will continue to improve towards ESG excellence.



(1) MSCI ESG Research provides MSCI ESG Ratings on more than 8,500 global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. MSCI ESG research is today known as one of the leading ESG rating agencies.

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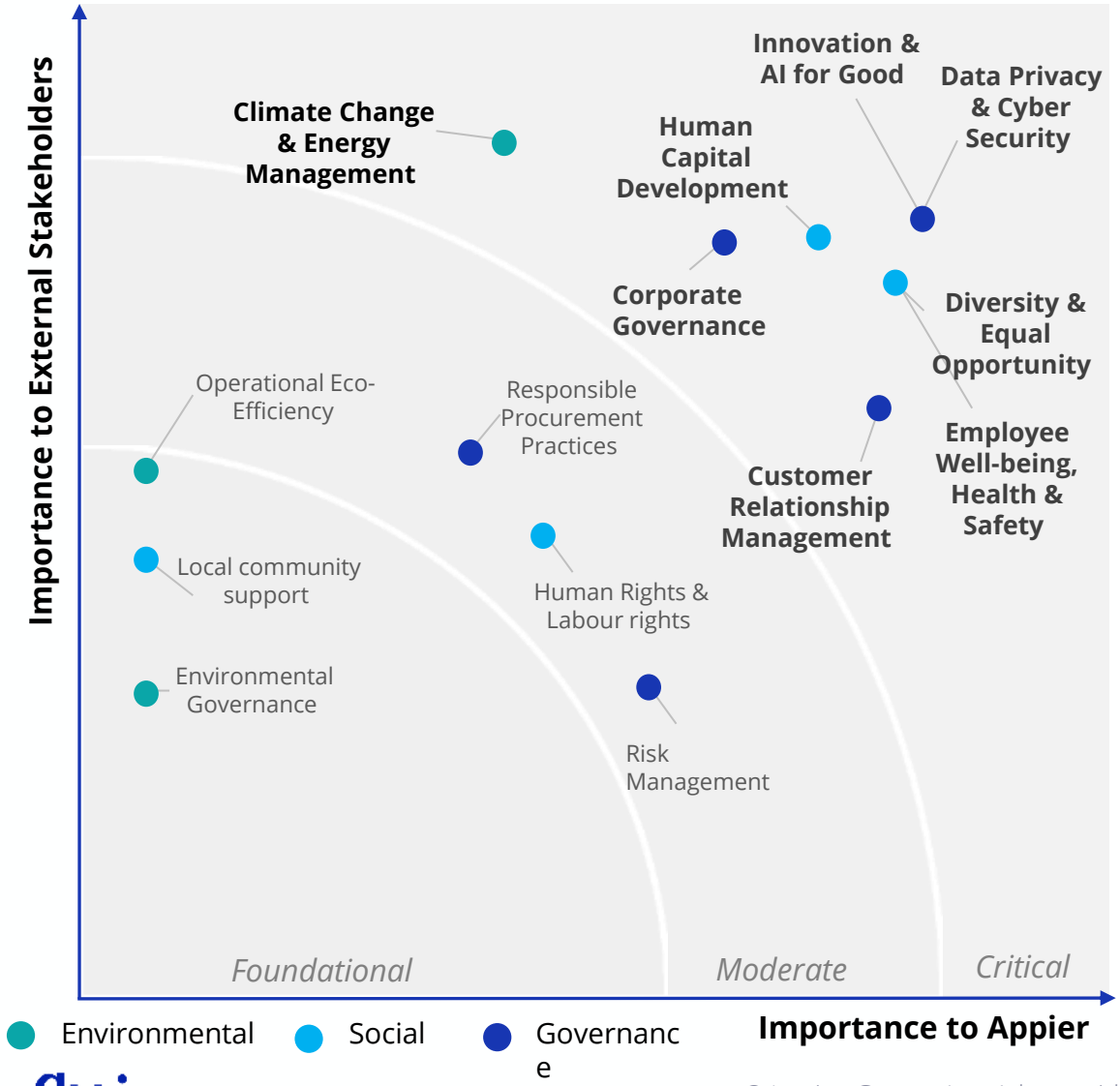
Defining ESG Priorities: Materiality Assessment



Our Methodology

We worked with a third party to identify priority sustainability issues based on external trends and stakeholder engagements including interviews with internal and external stakeholders.

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Our Environmental, Social & Governance Framework



Environment
Greener Operation

- Minimizing the impact of our operations: Green & sustainable office
- Our AI solutions support smart working and contribute to our customers GHG reduction.



Social
Happier Crew

- Building a culture within our community that values long-term growth and sustainability
- Diversity, Equity and Inclusion (DE&I) as a core value
- Building a skilled labor force to add value to the tech / AI industry



Governance
Security & Privacy Protection

- Policies in place to ensure good governance with involvement from top management.
- Certified under the ISO/IEC 27001:2013 standard to ensure digital security

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TCFD Report Initiation

Embracing Environmental Responsibility

Introducing our TCFD report(1), a testament to our unwavering commitment to environmental responsibility. Aligned with global climate efforts, this comprehensive disclosure transparently addresses both risks and opportunities.

As we move forward, sustainability remains a driving force, propelling innovation towards a greener future.



(1) Report link: https://www.appier.com/en/greener-operation-appier

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