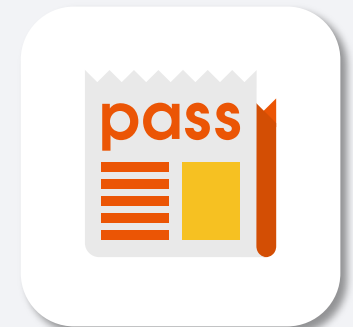
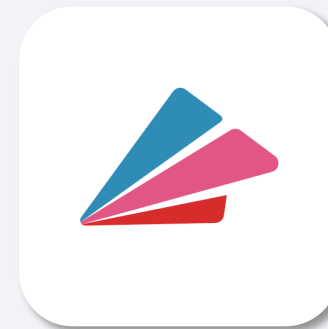


Gunosy

Q1

FY2023/5 Financial Results for Q1



Gunosy Inc.
TSE Prime (6047)
October 14, 2022

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1

Executive Summary



Summary

Net sales **1,927** million yen Operating profit **-83** million yen
 YoY **84.6%** YoY **-**

DAUs declined YoY due to restrained advertising investment and other factors, resulting in the decline of sales and profit. However, long-term retention rate for the “Gunosy” app improved, creating an environment in which DAUs can easily accumulate.

*DAUs : Daily Active Users

Media Business

- DAUs remained stable, despite the curbing of advertising investment supported by improvement of the long-term retention rate.
- In Q2 and beyond, we plan to use a portion of advertising expenses for 2H ahead of schedule. If DAUs accumulate and profitability improves in line with our forecast, we will consider increasing advertising expenses for the full year.
- On the other hand, profitability decline is an issue at the moment, which we are currently addressing.

Game8

- Despite YoY and QoQ declines in sales and profit, results were in line with the plan.
- The number of customers in the solutions business showed a steady increase.

Investment

- The overall business conditions of our investments are favorable, and there are no changes in our portfolio.
- We made two investments in Japan, including a follow-on investment deal.

Factors behind YonY and QonQ Sales Decline, and Countermeasures

Due to individual factors in each business, YonY and QonQ **sales declines were recorded in all businesses.**

Sales by Segment

(Million yen)

	FY2023/5 Q1 result	Difference	
		YonY	QonQ
Gunosy Ads	1,214	-189	-278
ADNW	201	-53	-56
Game8	369	-82	-88
Others	142	-25	-49
Total	1,927	-350	-472

Factors and Countermeasures

Gunosy Ads

- The main factor behind the YonY decline was **a decrease in DAUs for the Gunosy and NewsPass apps due to curbs on advertising expenses and other factors.**
- The factors behind the QonQ decline were: (1) **the previous quarter covered March in which advertising demand increases due to seasonal factors,** (2) suspension of ad placement due to stock-outs on the part of a major advertiser, and (3) profitability declined due to a decrease in new users as a result of reduced advertising expenses.
- To improve profitability, **the ad serving logic was tuned** to fit the current user base, leading to **an improvement in Gunosy's current profitability.** We intend to expand similar measures to other media as well.

ADNW

- Both YonY and QonQ sales declines were due to lower CPM. Since we were able to expand ad inventory through media acquisitions, we will focus on customer acquisition to improve CPM.





Game8

- The financial results were in line with our forecasts. Sales declined YonY and QonQ as a result of lower demand for walkthroughs for game titles newly released or posted on Game8.
- We are preparing to expand our solutions business for game publishers and secure our share of page views for major titles.

Basic KPI of the “Gunosy” App

User levels are being maintained even with curbed advertising investment, and DAUs remain above plan.^(*) Sales/DAU did not reach the plan, but other indicators remained strong.

*S/D: Sales/DAU

Basic KPI of “Gunosy”				
	DAU	Retention rate	% of new users	S/D(*)
FY2023 Q1 Compared to our plan	 <ul style="list-style-type: none"> DAUs have been trending higher than planned since July, in which the long-term retention rate showed a significant improvement. DAUs remain stable QonQ despite the curbing of advertising expenses. <p>DAUs performing well compared to plan</p>	 <ul style="list-style-type: none"> The retention rate remained unchanged QonQ, in line with the plan. Long-term retention rate improved due to various efforts, and conditions have been set up for DAUs to accumulate. 	 <ul style="list-style-type: none"> Despite curbing advertising expenses, the percentage of new users increased 4 points from 33% at the end of the previous quarter to 37%, which is in line with the plan. 	 <ul style="list-style-type: none"> S/D(*) decreased QonQ and did not reach the planned level as the previous quarter was an advertising demand season. The previous quarter was an advertising demand season <p>Currently improving supported by successful measures</p>

Factors behind strong DAUs (compared to plan)

Algorithm and push notifications were improved. **As a result of an improved long-term retention rate and a larger-than-expected user buildup**, DAUs have been exceeding the plan.



Hypothesis

We believe an environment has been set up that will allow us to expand the scale of our user base.

Future Investment Policy Considering the Current Status of the Media Business

Long-term retention rate for the “Gunosy” app improved, and marketing efficiency increased. In order to verify the growth potential of the media business, we plan to use a portion of Gunosy’s advertising expenses in 2Q and beyond ahead of schedule. At the same time, we will improve profitability by acquiring new users.

Page 28 of FY2022/5 Financial Results (Released on July 15, 2022)

Near-term Investment Policy in Light of Changes in the Business Environment

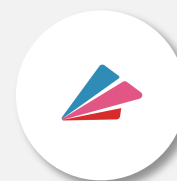
At present, we will execute growth investments with an eye to achieving consolidated/non-consolidated operating surplus. We will consider switching to bolder growth investments once we have confirmed improved growth and profitability in the media business and have created investment opportunities that could become growth drivers for the group.

	Media business	Game8 group	Investment	New business
Guideline	Aim to achieve a market capitalization of ¥100 billion over the mid- to long-term			
Room for growth	<p>Improve growth and profitability by establishing our unique value and improving UI and marketing efficiencies.</p> <p>At present, focus on product improvement based on investment within the scope of achieving operating profitability on a non-consolidated basis as a general guideline.</p> <p>Consider increasing investment at a time when growth potential and improvement in investment efficiency are confirmed.</p>	<p>Acquire new growth drivers</p> <p>At present, promote investment within the scope of consolidated operating surplus as a guideline.</p> <p>Consider expanding investment at a time when promising new businesses begin to grow in terms of growth potential and return on investment.</p>	<p>Discover promising investments (especially the next "slice") and potential growth drivers for the Gunosy Group</p> <p>Move from concentration in slice to diversified investment</p> <p>Continue to invest in India to capture growth in the Indian market</p> <p>Continue to invest selectively in Japanese startups</p>	<p>Create businesses that will become new growth drivers with a group-wide perspective</p> <p>At present, promote business creation by leveraging our strengths such as our high technical expertise within the scope of maintaining operating surplus on a non-consolidated and consolidated basis.</p>
Portfolio status	<p>Raised by improving business structure</p> <p>Present: Low-mid, Future: Mid-high</p>	<p>Growth potential raised through new business development</p> <p>Present: Low-mid, Future: Mid-high</p>	<p>Continue to invest in promising stocks in Japan/India</p> <p>Mid-high</p>	<p>Shifted upward by creating new businesses</p> <p>Present: Low-mid, Future: Mid-high</p>
Capital return	Low-mid to Mid-high	Mid-high	Mid-high	Mid-high
Investment	Advertising expenses currently under control, but plan to increase gradually	Invest to stabilize existing businesses and develop new businesses	Invest up to 1.5 billion yen by FY2024/5	Invest when a promising business emerges that deserves an investment phase

Re-examine room for growth

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Current status of media business and investment policy



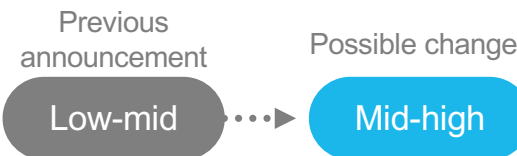
- It is likely that the long-term retention rate improved and investment efficiency increased.



- We plan to use a portion of advertising expenses in Gunosy ahead of schedule to verify growth potential before NewsPass and au Service Today.

- We are focusing on creating unique value so that we can increase the value of our apps for KDDI users and deepen our relationship with them.

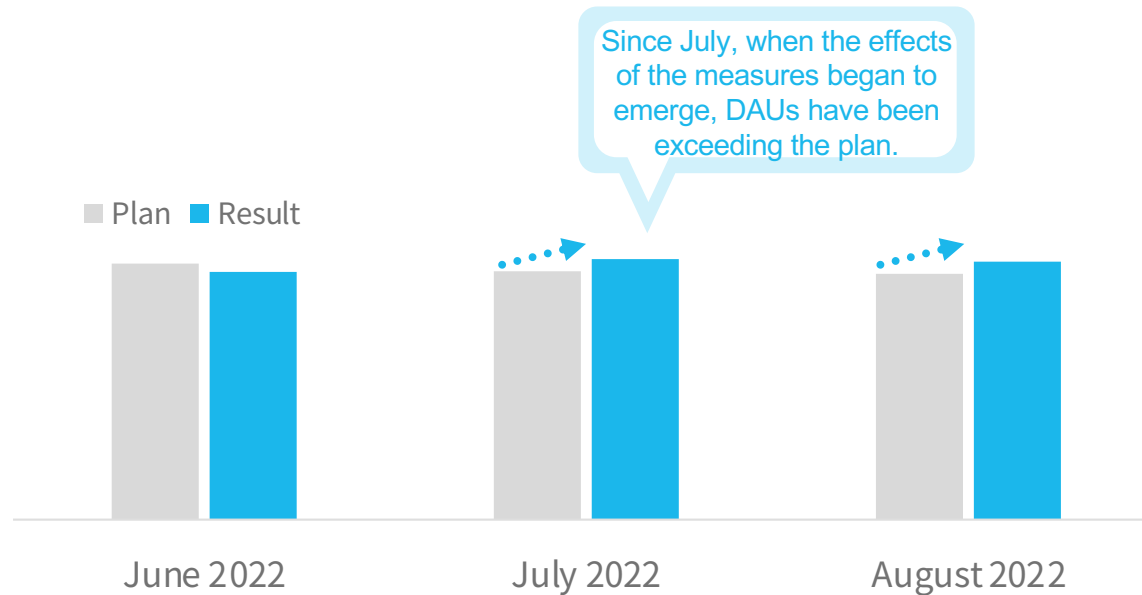
Room for growth



Improvement in the Long-term Retention Rate Contributed to the Buildup of DAUs

In Q1, we started measures to improve the long-term retention rate for the “Gunosy” app. **Since July**, when we began to see the effects of these measures, **DAUs have been exceeding the plan.**

DAUs of Gunosy (compared to plan)



Improvement of long-term retention rate
(Comparison with past trends)

Improvement in the long-term retention rate contributed to the buildup of DAUs.

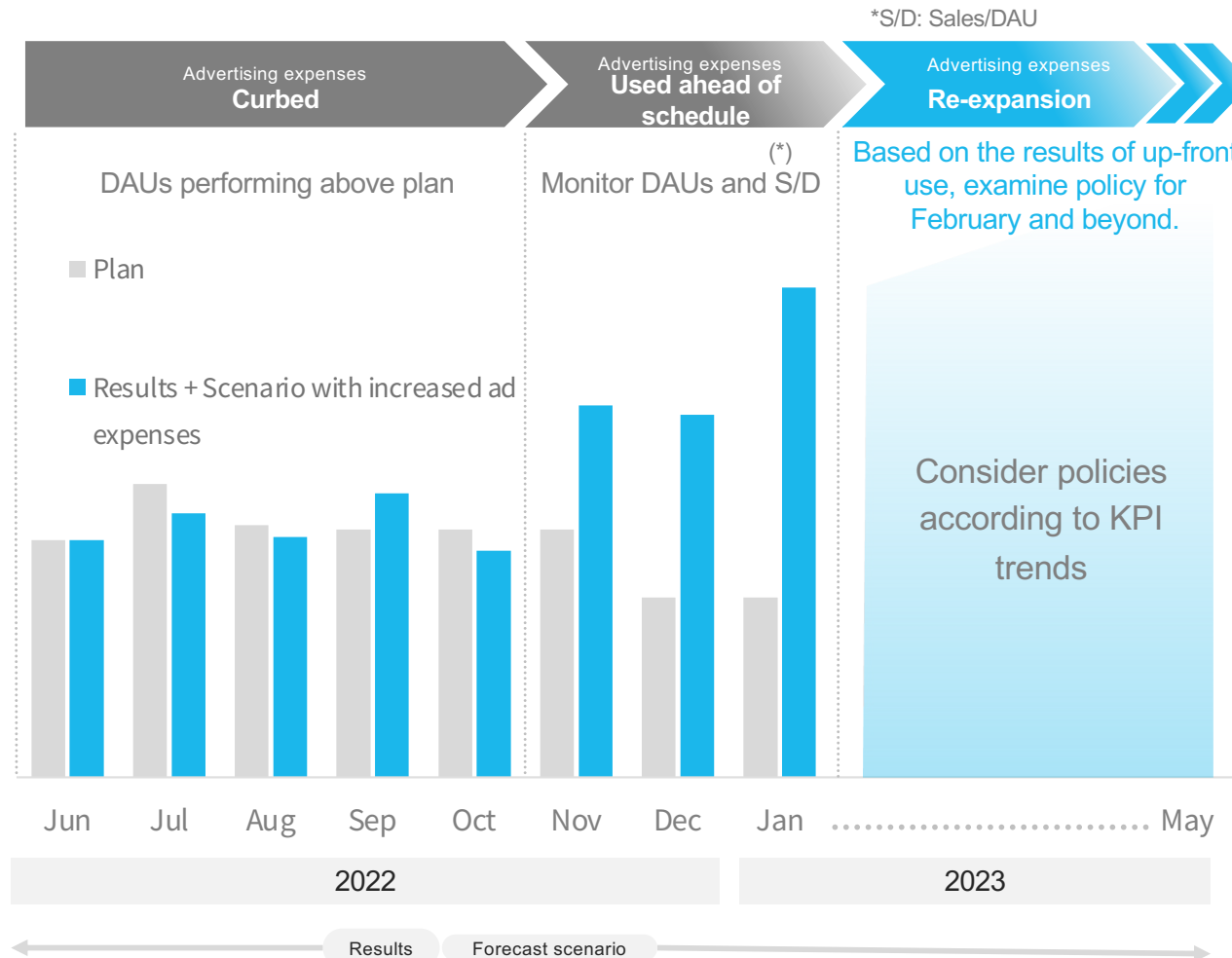
Observations on Improvements

- Improved algorithms and push notifications in order to slow down the decrease rate of long-term users.
- A closer look at the trend of the long-term retention rate shows that DAUs started to improve after the start of the measures.
- The number of long-term users has been building up faster than expected, and DAUs have remained stable, therefore, the improvement is not considered to be a temporary factor at this time.

Policy Regarding Advertising Investment in Gunosy

In Q2 and beyond, **we plan to use a portion of advertising expenses of the “Gunosy” app for 2H ahead of schedule**. Once the user build-up situation and profitability improvement is confirmed, we will consider increasing advertising expenses on a full-year basis.

Advertising expenses (Plan and Results + Forecast scenario)



DAUs building up steadily

Result

Policy (1H)

Advertising expenses for 2H used in Q2 and beyond ahead of schedule

Policy (full-year)

Compared to forecast, if DAUs and Sales/DAU are

above forecast

policy for February and beyond should be discussed

below forecast

should curb expenses to be in line with the level planned at the beginning of FY on a full-year basis

Medium-Term Target (Released in July 2021)

We intend to maintain the goal announced in the Medium-Term Management Plan, which was released in 2021. Through growth of the Gunosy Group as a whole, we aim to achieve a market capitalization of 100 billion yen over the mid- to long-term.

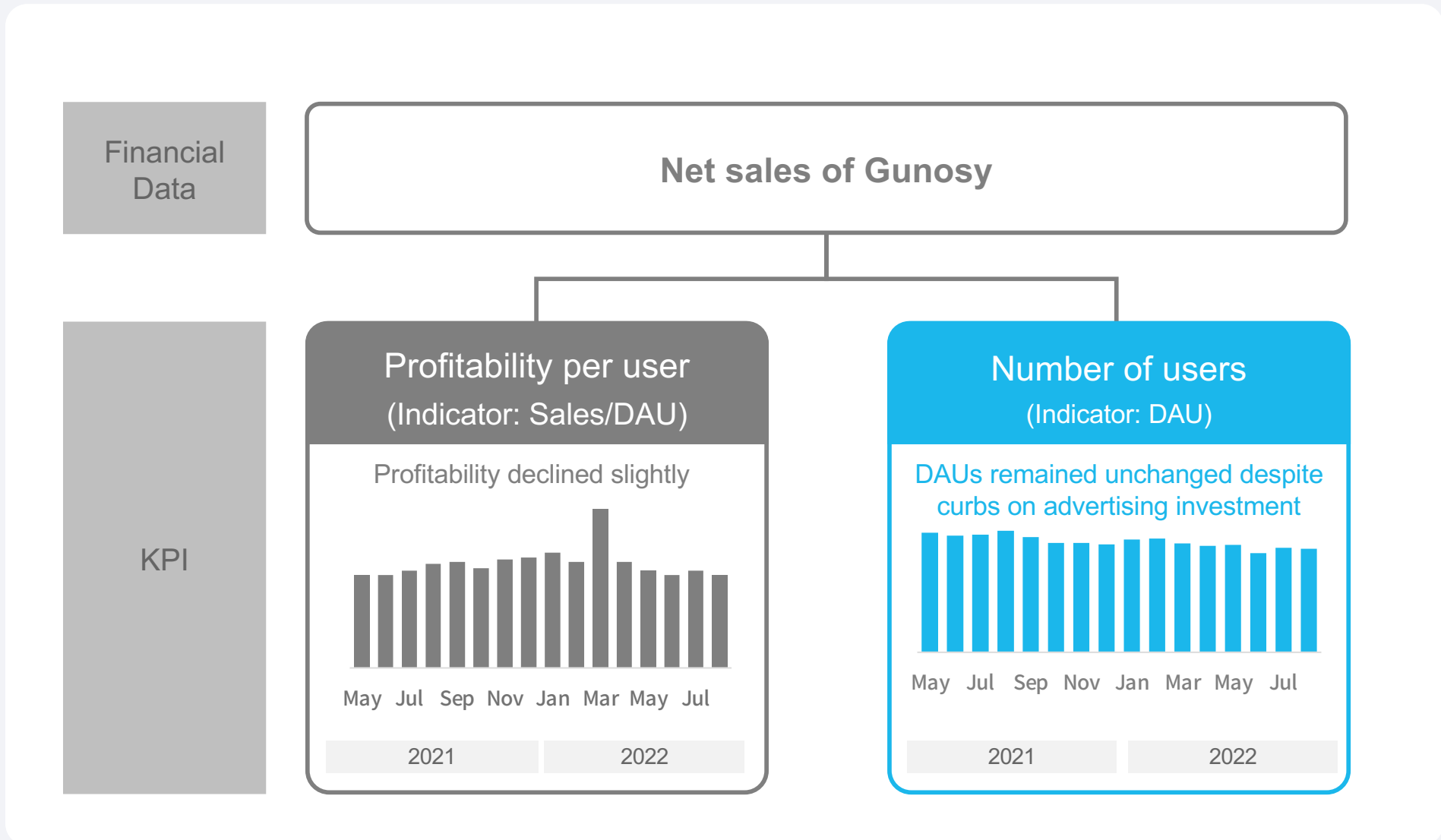
Enhance corporate value through growth of existing businesses and development of new businesses

We aim for group-wide growth with the medium- to long-term goal of achieving **a market capitalization of 100 billion yen.**



(Reference Material) Indicators of Gunosy: Improvement of Profitability per User

DAUs of the “Gunosy” app **remained steady, although advertising expenses were curbed** in accordance with the policy announced in the previous quarter. Meanwhile, profitability per user has been in decline, and measures are currently underway to address this issue.

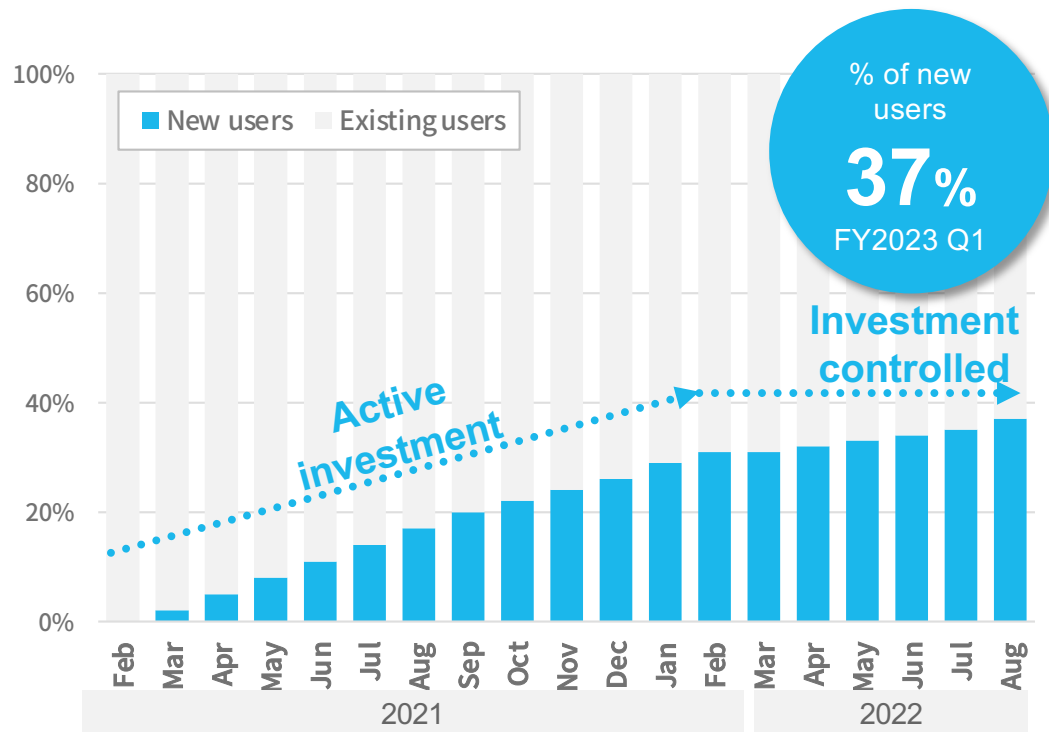


(Reference Material) Indicators of Gunosy: Improvement of Gunosy's Retention Rate

The percentage of new users of the “Gunosy” app has been steadily increasing, **rising to approx. 37%** of the total user mix as of August 2022. Retention rate remains at an improved level.

New users as % of DAU

The percentage of new users with higher profitability **increased to approx. 37%** of the total.



Improvement of retention rate

The retention rate of new users **remains at an improved level** after resumption of advertising investment.



2

Financial Results for FY2023/5 Q1



FY2023/5 Consolidated Results for Q1

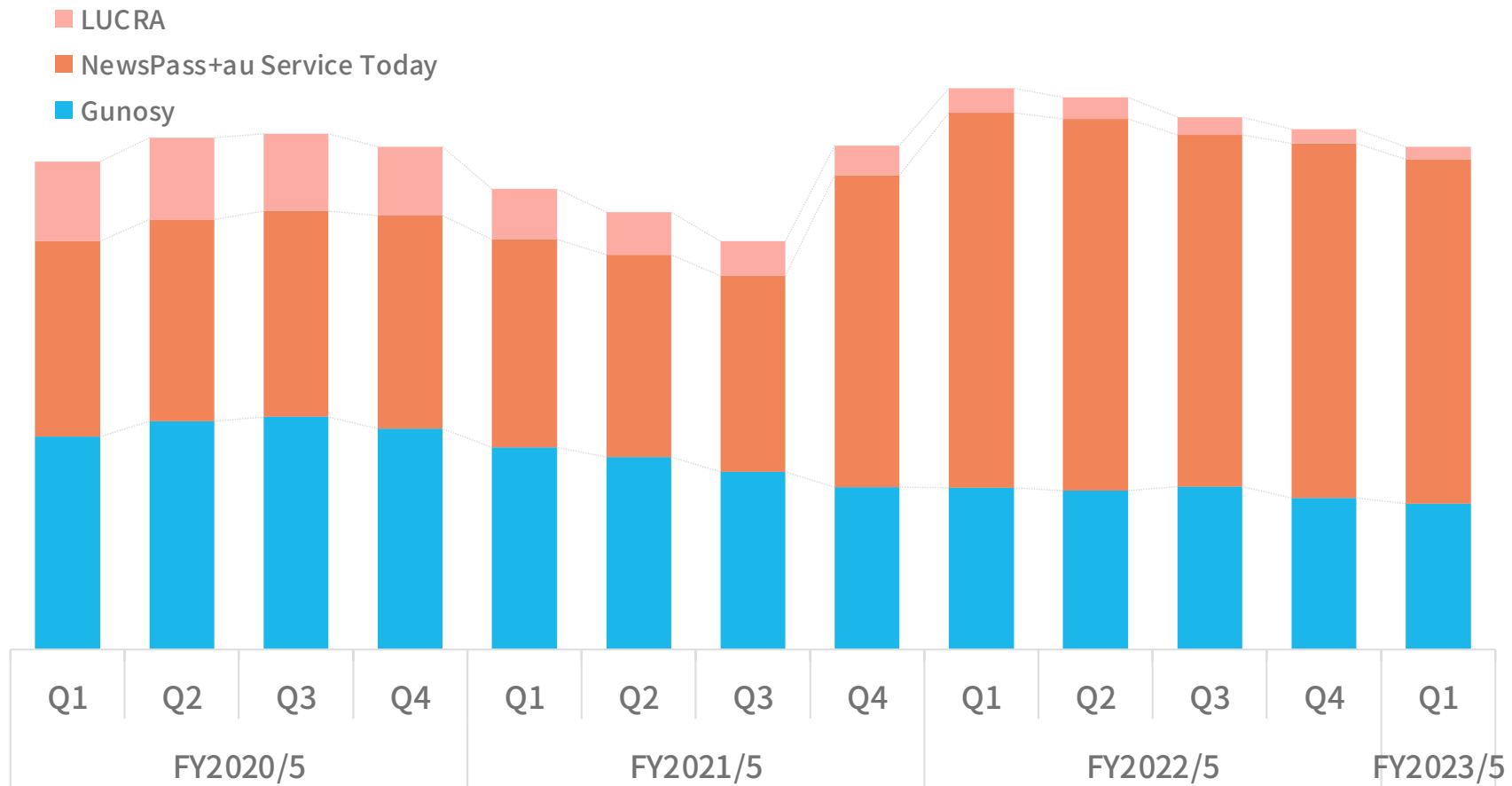
In Q1, net sales declined QonQ and YonY. Ordinary profit decreased significantly QonQ and YonY due to equity in earnings of “slice”, our equity method affiliate. **Profit, however, increased YonY and QonQ due to the gain accompanying the changes in “slice”.**

(Million yen)

	FY2023/5 Q1	QonQ comparison		YonY comparison	
		FY2022/5 Q4	QonQ	FY2022/5 Q1	YonY
Net sales	1,927	2,399	80.3%	2,277	84.6%
Operating profit	-83	223	-	141	-
Operating margin	-	9.3%	-	6.2%	-
Ordinary profit	-628	222	-	39	-
Profit attributable to owners of parent	384	144	265.2%	33	1,140.0%

Total Number of Active Users* (MAU)

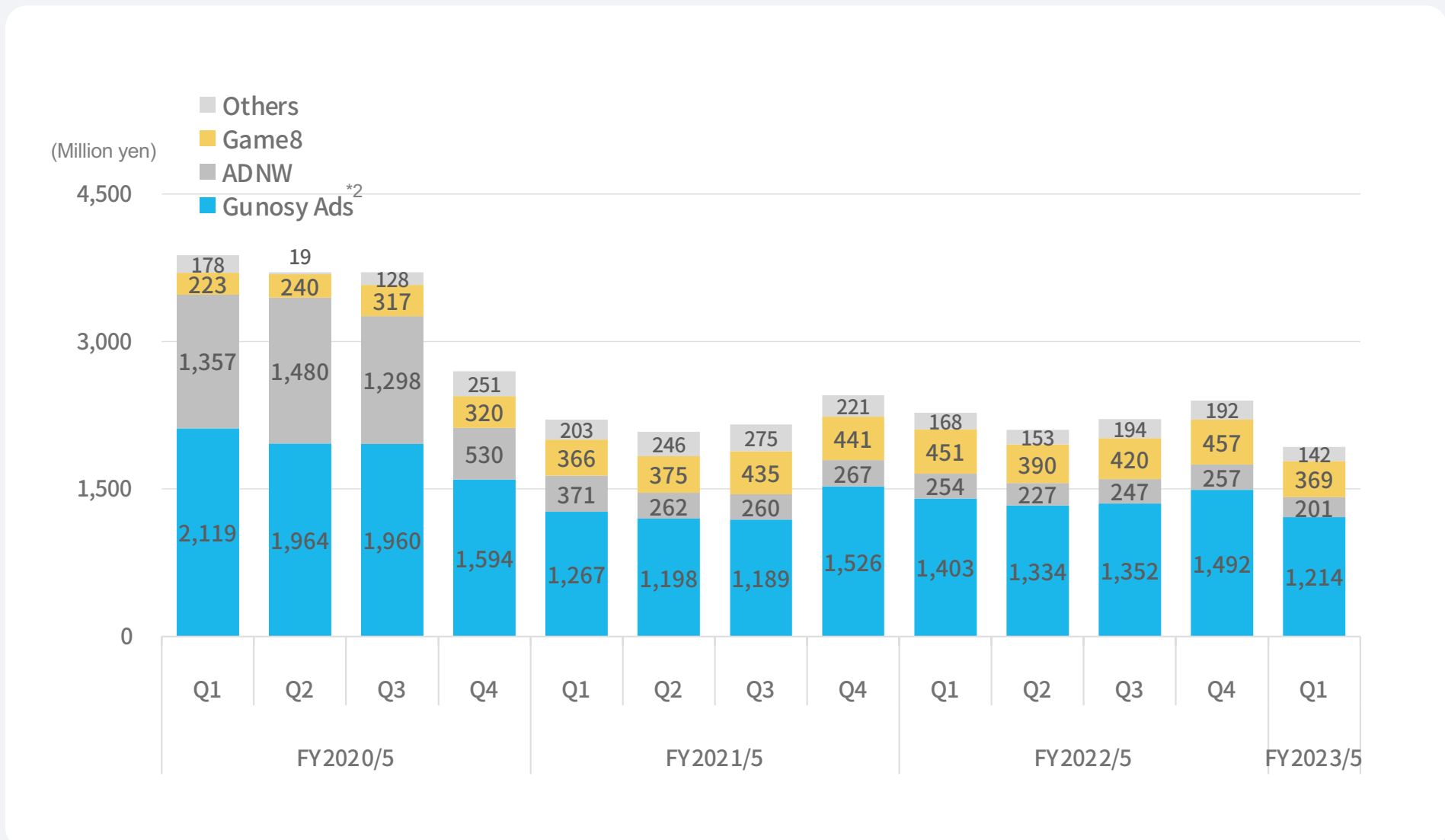
MAUs of Gunosy remained steady despite curbing advertising expenses. Those of NewsPass + au Service Today declined.



* Average for each quarter of MAUs (monthly active users) of "Gunosy", "NewsPass", "au Service Today" and "LUCRA".

Breakdown of Net Sales ^{*1}

Net sales declined QonQ and YonY in all businesses. (See p.5 for details.)

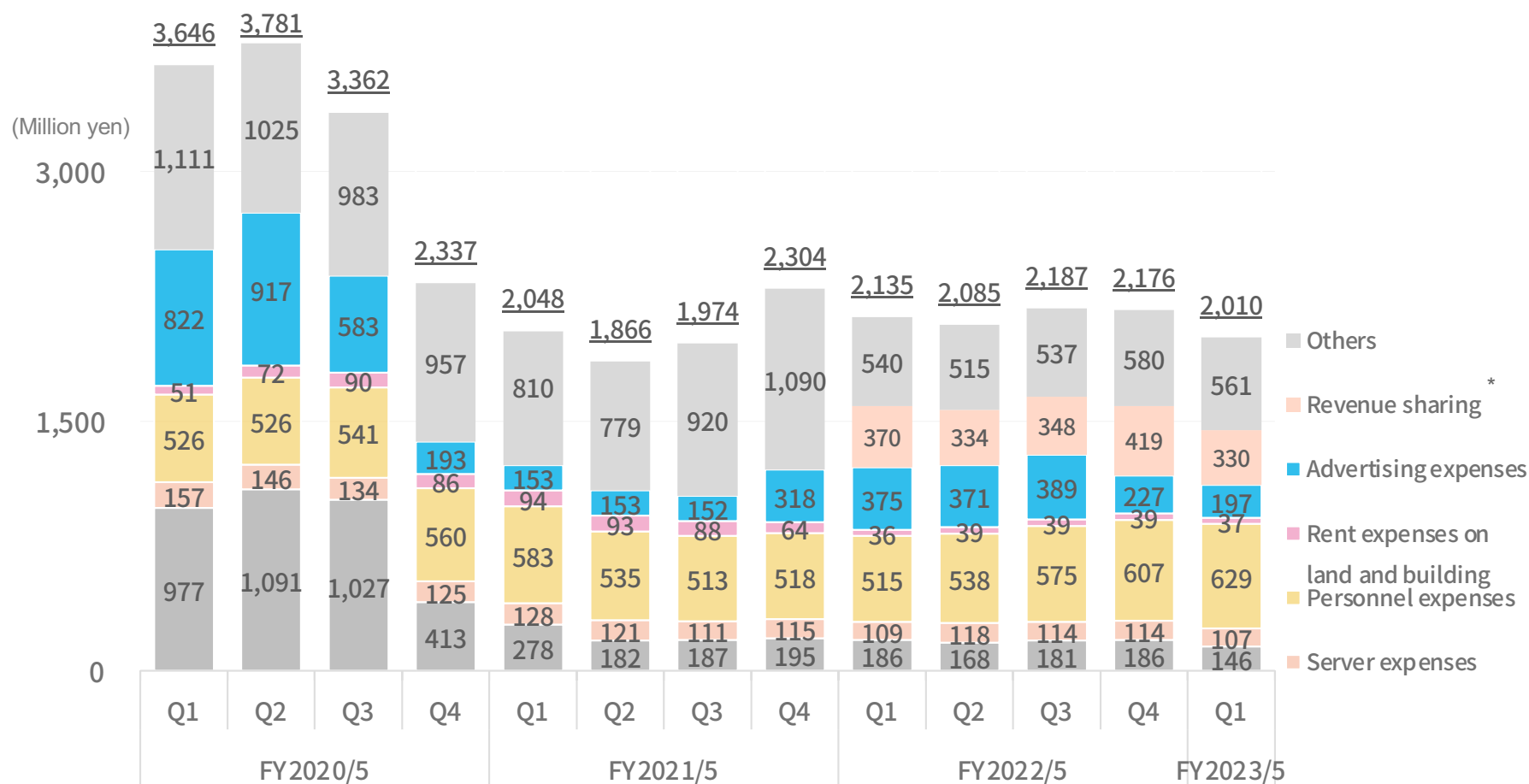


*1: Sales of "Gunosy Ads", "ADNW" and "Game8" are presented on a nonconsolidated basis. Internal trade adjustments are included in "Others".

*2: Sales of Gunosy Ads are the total of "Gunosy", "NewsPass", "au Service Today" and "LUCRA".

Cost Structure

Up to the current 1st quarter, we have operated our business under a policy of continued control of advertising investments. The increase in personnel expenses is **attributed to the reinforcement** of the media business and Game8 implemented up to the previous period. We will control these expenses while monitoring the business situation.

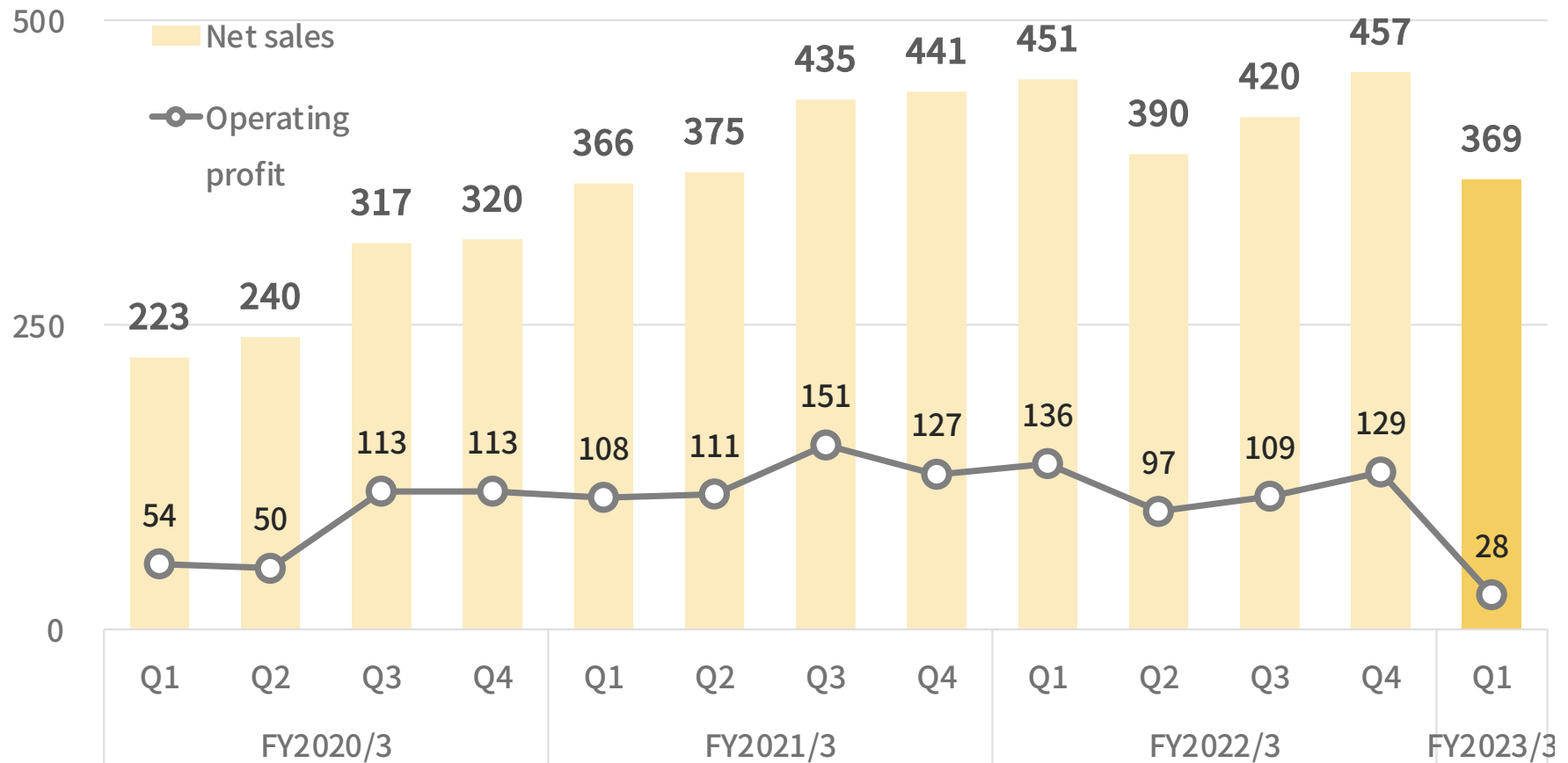


* "Revenue sharing" included in "Others" in FY2021/5 and earlier, but separated from "Others" from FY2022/5 Q1.
 "Live video production expenses" is included in "Others" from FY2022/5 Q1.



The severe impact of lower sales in the media business, which has a high gross margin, was not fully offset by the steady expansion of the solutions business. As a result, **net sales and profit declined YoY and QoQ**. We will maintain a certain level of investment in new businesses.

(Million yen)

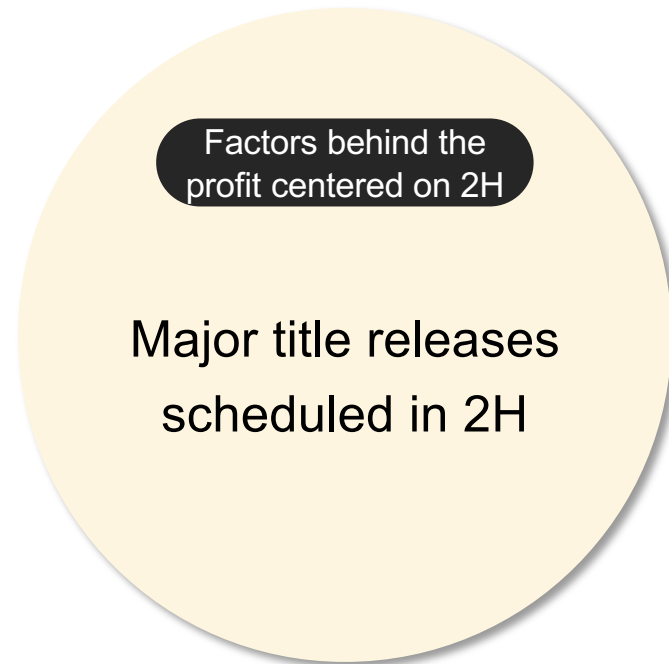
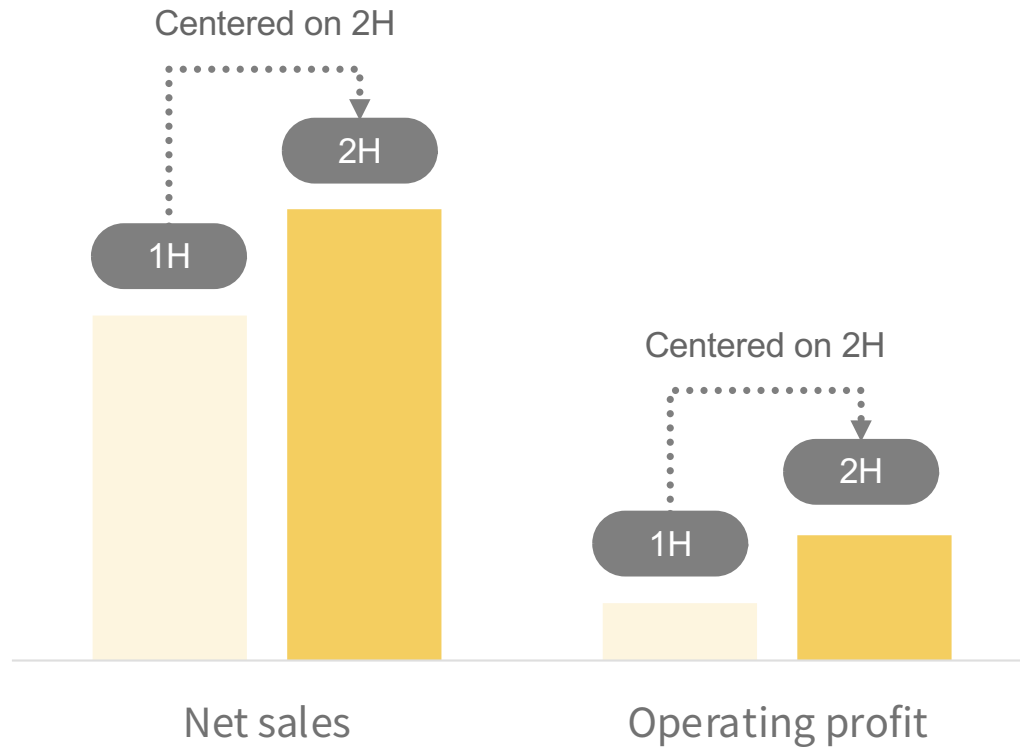


* Nonconsolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included.
 FY2022 Q4 results are for the period from January to March 2022 due to a gap with the parent company's consolidated accounting period.

Game8: Supplementary Information

We developed the plan taking into account that a certain degree of volatility will occur depending on the situation of game title launches. **Profits are expected to be skewed toward 2H** as major titles are scheduled to be released in 2H.

Game8's net sales and operating profit plan for the current fiscal year



* Nonconsolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included. FY2022 Q4 results are for the period from January to March 2022 due to a gap with the parent company's consolidated accounting period.

3

FY2023/5 Outlook



FY2023/5 Results Forecast (Consolidated)

Progression rate of sales for Q1 marked 21.4%. We aim to achieve our full-year forecast through **higher DAUs** by using advertising expenses ahead of schedule and **improved profitability by refining advertising logic**, etc.

(Million yen)

	FY2023/5 Q1	FY2023/5 full-year forecast	Progression rate
Net sales	1,927	9,000	21.4%
Operating profit	-83	200	-
Operating margin	-	2.2%	-
Ordinary profit	-628	-312	-
Profit attributable to owners of parent	384	547	70.2%

4

Business Overview by Division



We are **currently conducting tests with a selected group of the “Gunosy” app users to verify a change in the method of transition to the coupon tab** to meet the needs of both news and coupon users.

The “Gunosy” app: Under testing with selected users



Background of Verification

Provide optimal UI and UX for both news-oriented and coupon-oriented users.



News-oriented users

Ensure that news-oriented users not disturbed by the coupon tab



Coupon-oriented users

Improve usability for those who use the app for coupon purposes

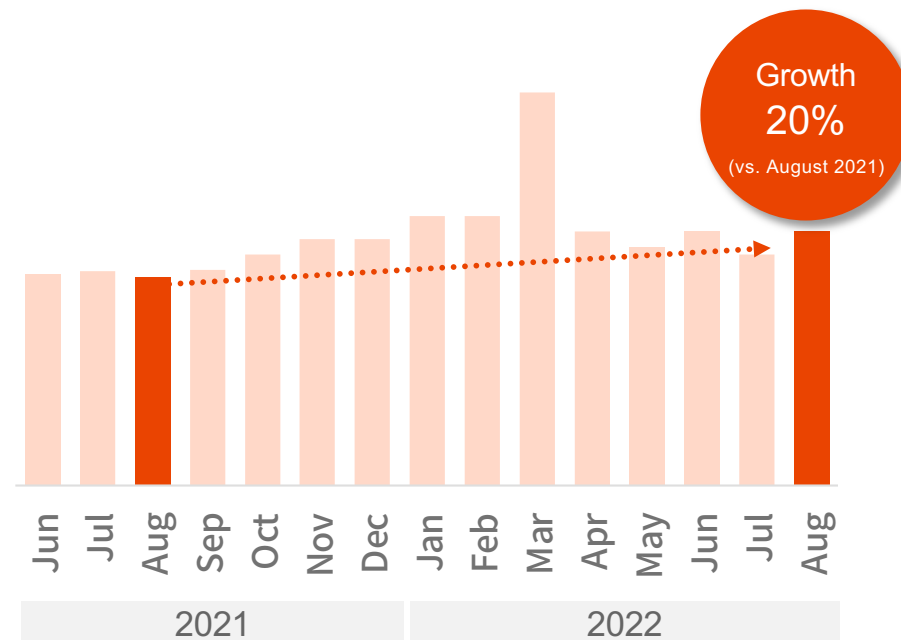
Aiming to become the most used application for au users as an information tool, au Service Today offers a variety of content. As a result of our efforts, **profitability per user remained strong** following the previous fiscal year.

Baseball score widget provided



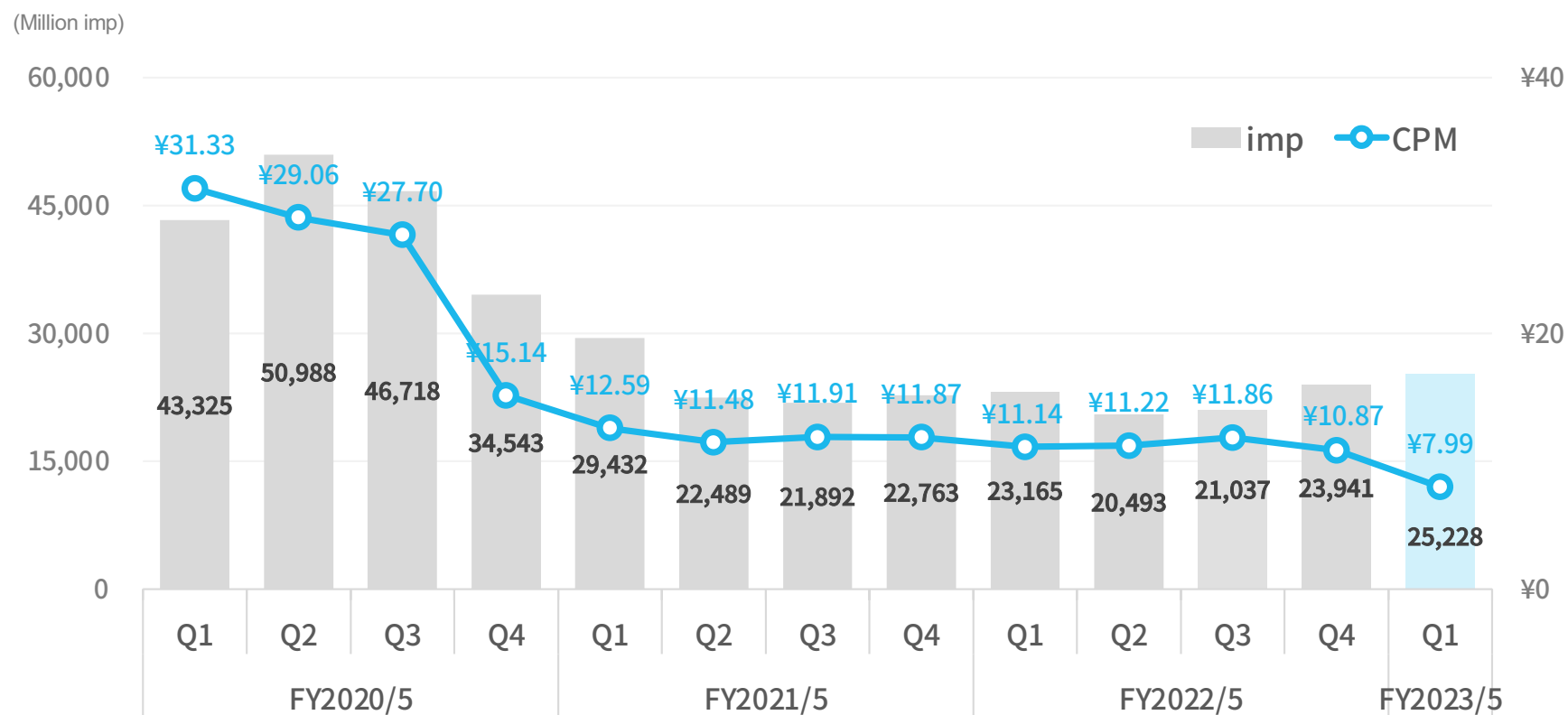
Status of profitability

Profitability per user remained strong



Number of Impressions **increased YoY and QoQ** due to successful media development. CPM, however, remained weak. We will strengthen collaboration with Gunosy Ads and seek to increase the number of customers to improve CPM.

Number of Impressions and CPM

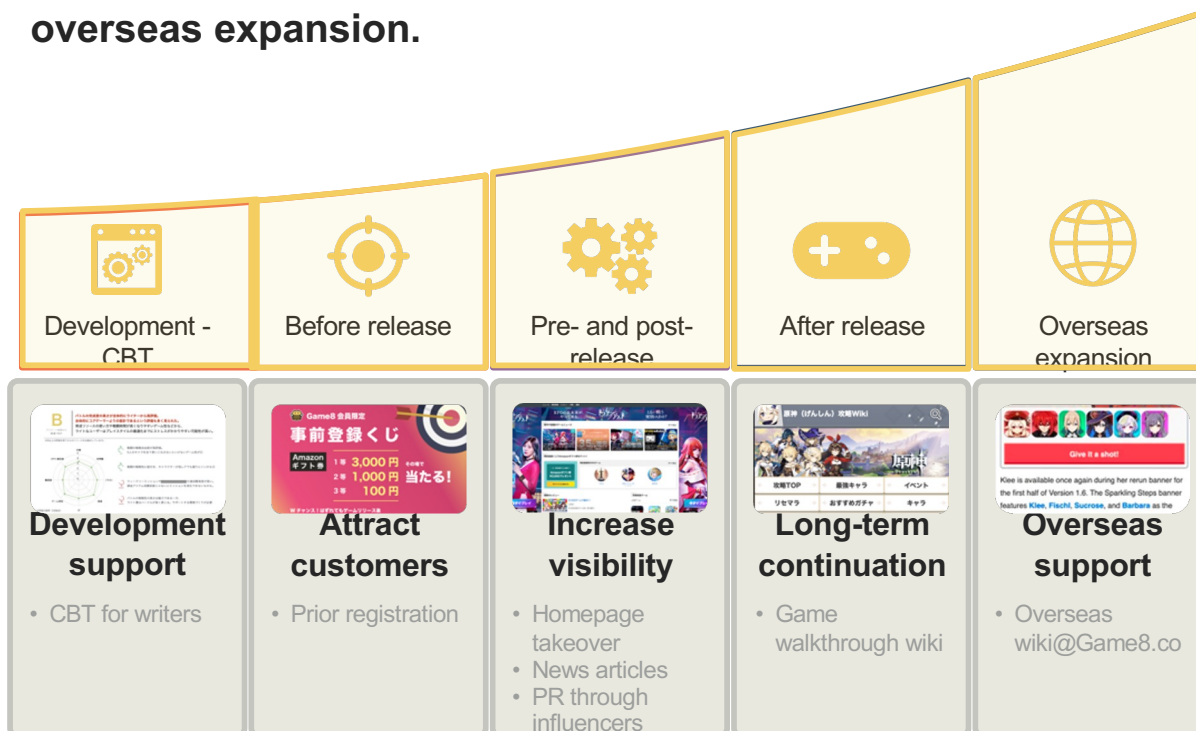


* CPM (cost per mille): Price per 1,000 impressions of advertisement

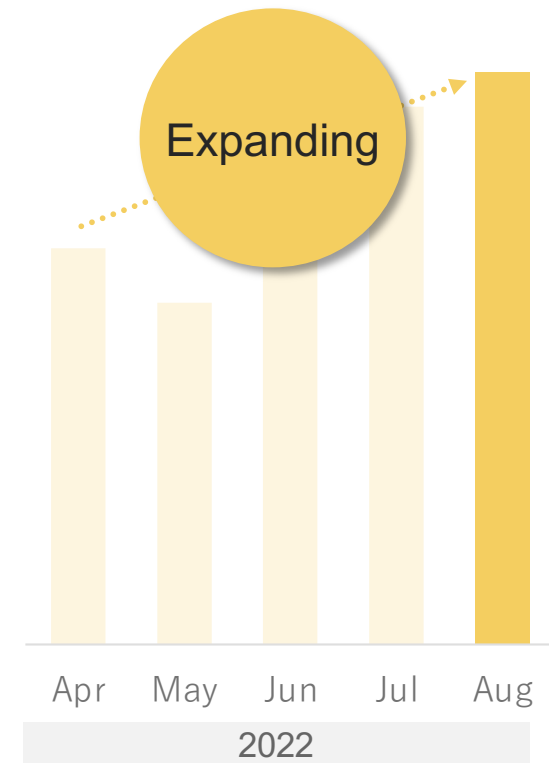
Support for game publishers by providing solutions, one of our new business pillars, is steadily expanding, which contributed to business results.

Solution Development Business

Support for resolving various issues in the game life cycle ranging from game development, pre/post-release to overseas expansion.



Solution Support Sales

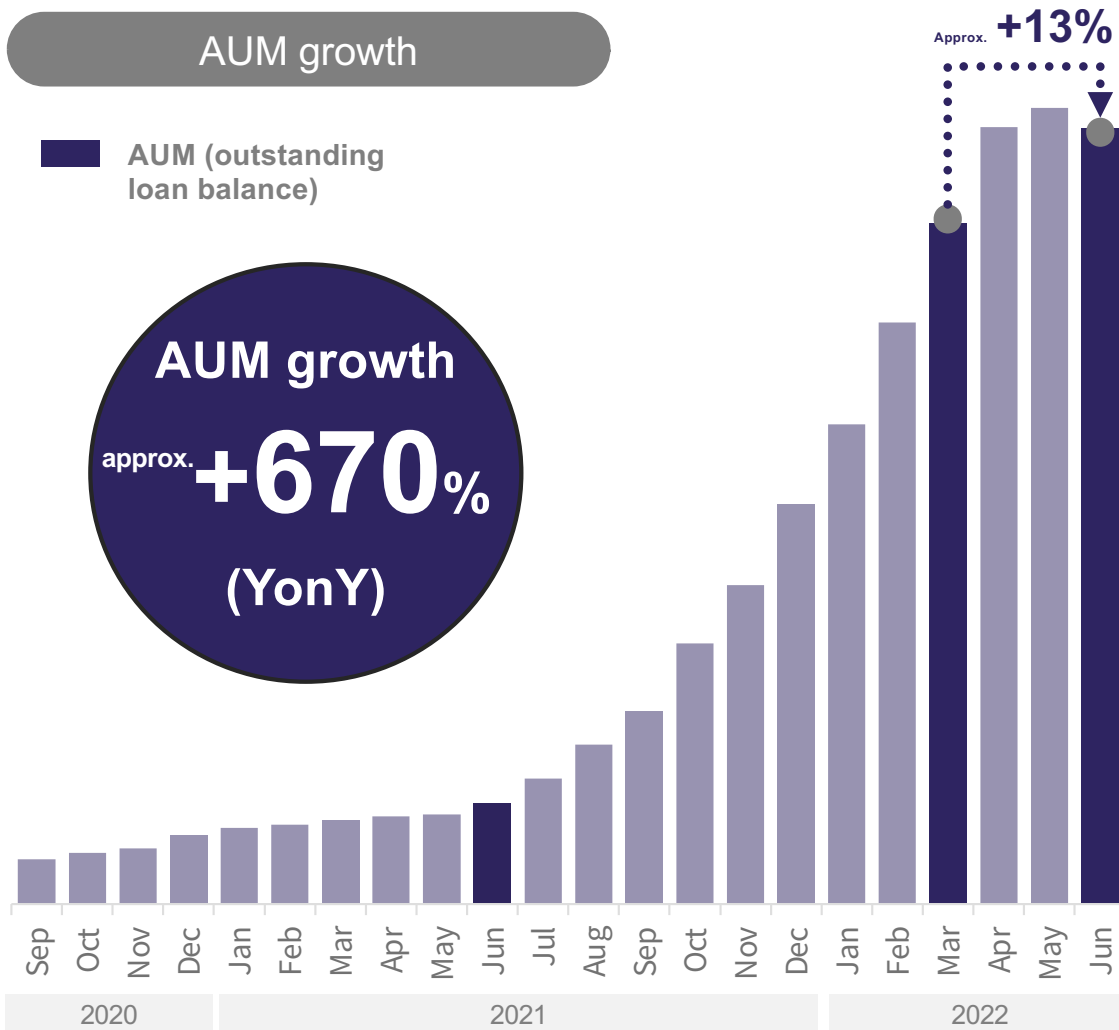


Most recently, in line with our business plan, we have been operating our business while restraining marketing activities. As a result, AUM grew only 13% QonQ, but grew as high as **670% YonY**.

AUM growth

■ AUM (outstanding loan balance)

AUM growth
approx. **+670%**
(YonY)



















Number of registered users

12 million+
users



The overall cumulative investment remains in the range of approximately 5 billion yen. Although exits were executed, there was no major change in the overall portfolio.

* Investments made since October 2018, when the investment project was launched, are included in the following:

		Share	Main investee companies			
India	Early	 Approx. 75%	 Fintech	 Education Exit executed		
	Mid-to-late		 Commerce	 MaaS	 Fintech	 Fintech
Japan	Early	 Approx. 25%	 Real estate tech	 Commerce Exit executed	 Audio delivery	 Fintech NEW
	Mid-to-late		 Organic EL	 HR tech		
	Investment as a limited partner					

We are currently focusing on our business through "amenity and accommodation plans" deployed at several hotels and Japanese inns, **resulting in the use of YOU IN to expand for special occasions at travel locations**. Sales channels also expanded steadily, and the percentage of **sales accounted for by business operators** (wholesale and consignment distributors etc.) **grew steadily**.

Products offered at hotels

Mitsui Garden Hotel Jingugaien Tokyo Premier
(July 18, 2022-)



Sales by business operators

Growing number of transactions with a wide variety of industries



5

Reference Materials: Overview of Gunosy Inc.



Basic Information

Company name:	Gunosy Inc.	Officers:	Representative Director and Chairman, Group Chief Executive Officer (CEO), Shinji Kimura
Representative:	Shinji Kimura Yuya Taketani		Representative Director and President, Yuya Taketani
Established:	November 14, 2012		Director and Chief Investment Officer (CIO), Yuki Maniwa
Fiscal year end:	May		Director, Kentaro Nishio
Capital:	4,099 million yen (as of the end of August 2022)		Director, Takuya Sawada
Stock Code:	6047 (TSE Prime)		Director (Outside), Suguru Tomizuka
Audit corporation:	Ernst & Young ShinNihon LLC		Director (Outside), Junichi Shiroshita
Number of employees:	271 (as of the end of August 2022, on a consolidated basis)		Director (Outside), Hirokazu Mashita
Head office:	2-24-12 Shibuya, Shibuya-ku, Tokyo		Director (Outside), Lei-Isabelle Nakao
Business:	Development and operation of information curation service and other media		Corporate Auditor, Masakazu Ishibashi
			Corporate Auditor (Outside), Kenji Shimizu
			Corporate Auditor (Outside), Noboru Kashiwagi

Our Management Team

The management structure for FY2023/5 is as follows. We are continuing to strengthen our governance, including the **transition** from a non-statutory Compensation Committee to a non-statutory **Nomination and Compensation Committee** (*) in December 2021.



Representative Chief Director and Chairman, Group Chief Executive Officer (CEO)

**Shinji
Kimura**



Representative Director and President

**Yuya
Taketani**



Director and Chief Investment Officer (CIO)

**Yuki
Maniwa**



Director

**Kentaro
Nishio**



Director

**Takuya
Sawada**



Director (Outside)

**Suguru
Tomizuka**



Director (Outside)

**Junichi
Shiroshita**



Director (Outside)

**Hirokazu
Mashita**



Director (Outside)

**Lei-Isabelle
Nakao**

From “Gunosy Way” to “Gunosy Pride”

The concept of "Gunosy Way", which had been defined as a milestone for Gunosy to follow, was **redesigned as "Gunosy Pride"**, which inherits the original thoughts and concepts.

Gunosy

1

“Triple win” philosophy

Benefit the customer, the user, and the world. Benefit yourself, others, and your fellow employees. We will continue to create a cycle of goodness not only outside the company and society, but within our company as well.

2

Creating opportunities with science

We will use data and technology to accelerate innovation with facts. We will also use science to solve social issues.

3

Centennial quality

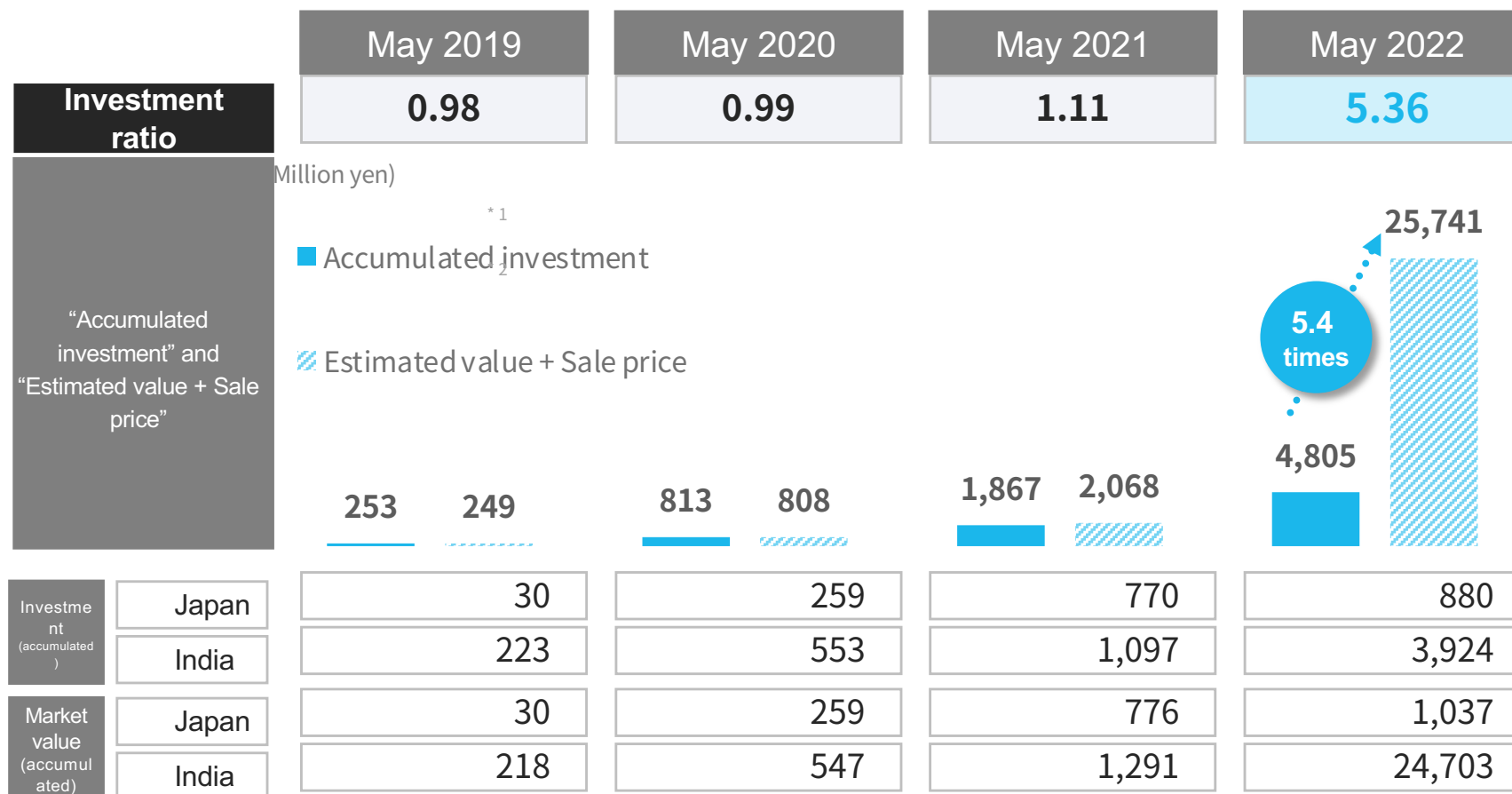
We do not stop working until we feel that this is the best we can do, rather than thinking that this is good enough. We will face the work in front of us with sincerity and honesty, seeking quality that will endure for a hundred years.

4

Respond to adversity in a positive way

There are as many adversities as there are challenges. However, we believe that it is the adversity that brings us the opportunity for growth. We will not run away from the obstacles in front of us, but rather we will aggressively pursue our business in adversity.

Investment Portfolio (Reposted from FY2022/5 Financial Results)



*1. Accumulated investment: Calculated in yen at the exchange rate at the time of investment. Includes investments in issues already sold.

*2. Estimated value: Value that we estimated as the price at which shares, etc. would be transferred in an arm's-length transaction, based on the following method. Note that such estimated value is generally not based on the results of a valuation report by an external third party or an audit by an accounting auditor, but is calculated by us at our own discretion.

- (1) Issues that raised funds in a recent funding round: The estimated valuation is the valuation at the time of the relevant round, with a 20.7% illiquidity discount applied.
- (2) Issues for which an external third-party valuation was previously obtained: The estimated valuation is based on such valuation.
- (3) Other issues: Valued at book value at the time of investment. For those acquired in foreign currency, the value is converted at the most recent exchange rate.

The estimated value of GaragePreneurs Internet Pvt. Ltd. (slice) is based on the valuation in the most recent funding round in June 2022 (with an illiquidity discount of 20.7% applied).

Forward-looking statements contained in these materials are prepared from judgments and assumptions based on information available at the time of preparing the materials, and do not guarantee their accuracy. These materials contain financial data that have not been audited by an independent certified public accountant or an auditing firm.

Please note that actual results may differ materially from the forecasts due to various uncertainties included in these judgments and assumptions and changes in risk factors and the economic environment.

Gunosy

Optimally deliver information to people around the world