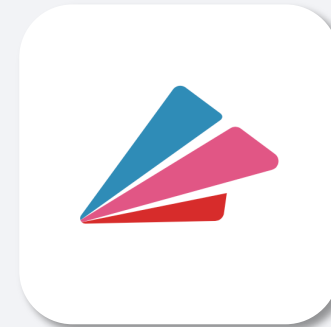


Gunosy

Q2

# FY2023/5 Financial Results for Q2



Gunosy Inc.  
TSE Prime (6047)  
January 13, 2023

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# 1

## Executive Summary





# Factors behind Sales Increase / Decrease

Gunosy Ads net sales increased QonQ due to steady progress in improving profitability and increased investment in advertising. Game8 and Others also posted sales increases.

Sales increase / decrease by Segment

(Million yen)

	FY2023/5 Q2 result	Difference	
		YonY	QonQ
Gunosy Ads	1,248	-86	34
ADNW	168	-58	-32
Game8	381	-9	11
Others	203	50	60
<b>Total</b>	<b>2,001</b>	<b>-103</b>	<b>74</b>

## Factors behind increase/decrease

### Gunosy Ads

- YonY sales decline is mainly attributed to **the YonY decrease in DAUs of Gunosy and NewsPass, due to the curbing of advertising expenses in the same term last year.**
- **Sales increased QonQ mainly due to improved profitability of the Gunosy app.** In addition to ad logic adjustments, the increase in new users resulting from increased advertising investments since November also contributed to improvements. performance.

### ADNW

Both YonY and QonQ decline in sales was due to lower CPM. We will continue to pursue business that yields the advertising effectiveness (CPA) expected by advertisers, strengthen cross-selling with Gunosy Ads, and improve operational processes.

### Game8

Sales increased QonQ despite lower demand for walkthroughs of game titles published on Game8, supported by strong performance in the solutions business for game publishers.

### Others

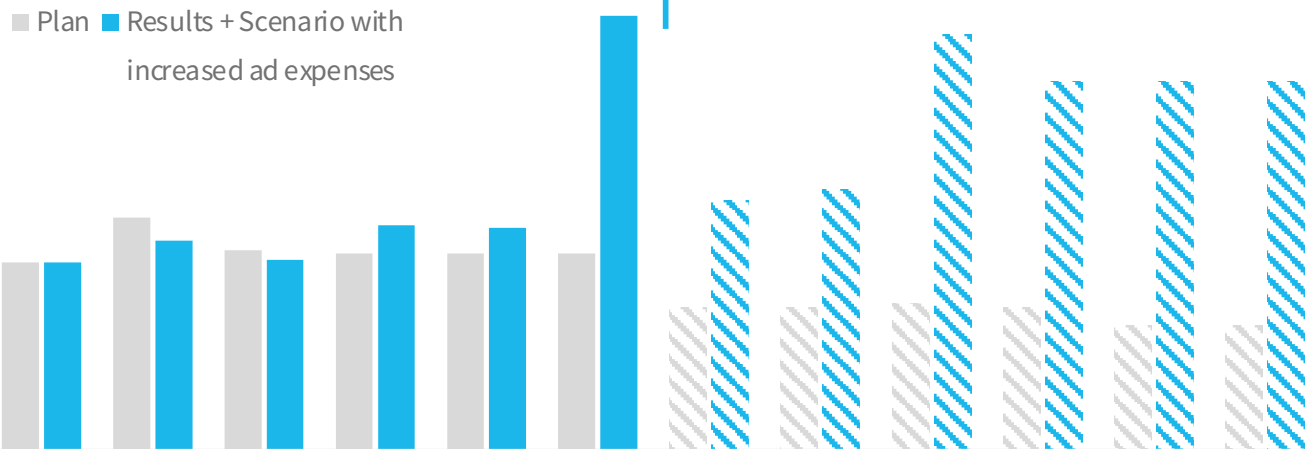
Sales increased both YonY and QonQ due to stronger-than-expected performance of Smarprise.

# Policy Regarding Advertising Investment in Gunosy

In November, as planned, we used our advertising budget ahead of schedule to verify the return on investment. As a result, user acquisition was stronger than expected and **exceeded our return-on-investment criteria**, so we made the decision to increase advertising investment for the second half of the year.

Advertising expenses (Plan and Results + Forecast scenario)

In FY2023/5 2H, based on the strength of KPIs, we will increase advertising expenses to about 100 million yen/month, while keeping in mind the uncertain macro environment.



Plan to examine flexibly investment amount while monitoring return on investment

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Next FY and beyond
<b>FY2023</b>	Q1			Q2			Q3			Q4			
<b>Status of media</b>	It was believed that various KPIs had been improved and that it was possible to expand the scale of users.						The ad logic adjustments and advertising investments resulting in a high return on investment and creating an environment for users to build up.						<b>Policy</b> Expansion of user scale through advertising investment
<b>Measures</b>	<b>Examined accelerated use</b> Examined the use of 2H advertising budget ahead of schedule.			<b>Implemented accelerated use</b> 2H advertising budget spent ahead of schedule			<b>Decision made to increase advertising investment</b> Increase of approx. 410 million yen for the full year (including budget used ahead of schedule)						



# Background Leading to Decision to Increase Advertising Expenses

During the 1H, we carefully evaluated the status of KPI improvement at Gunosy app and actually verified the increase in advertising investment. As a result, we determined that the investment level could be raised while fully satisfying the IRR criteria we set.

## FY23 Q1

Gunosy's basic KPIs turned to an improving trend as a result of **product improvements** made since the beginning of the period, and it was confirmed that advertising investment at the level of Q1 would **consistently meet IRR criteria** above our investment criteria. Accordingly, **we began to re-evaluate growth opportunities for Gunosy through increased investment.**

## FY23 Q2

Since the estimated IRR remained strong, we almost doubled advertising investment in November to **120 million yen/month** and **verified the effect thereof.** **It was confirmed that the return on investment would meet our IRR criteria,** including an improvement in profitability due to the inflow of new users.

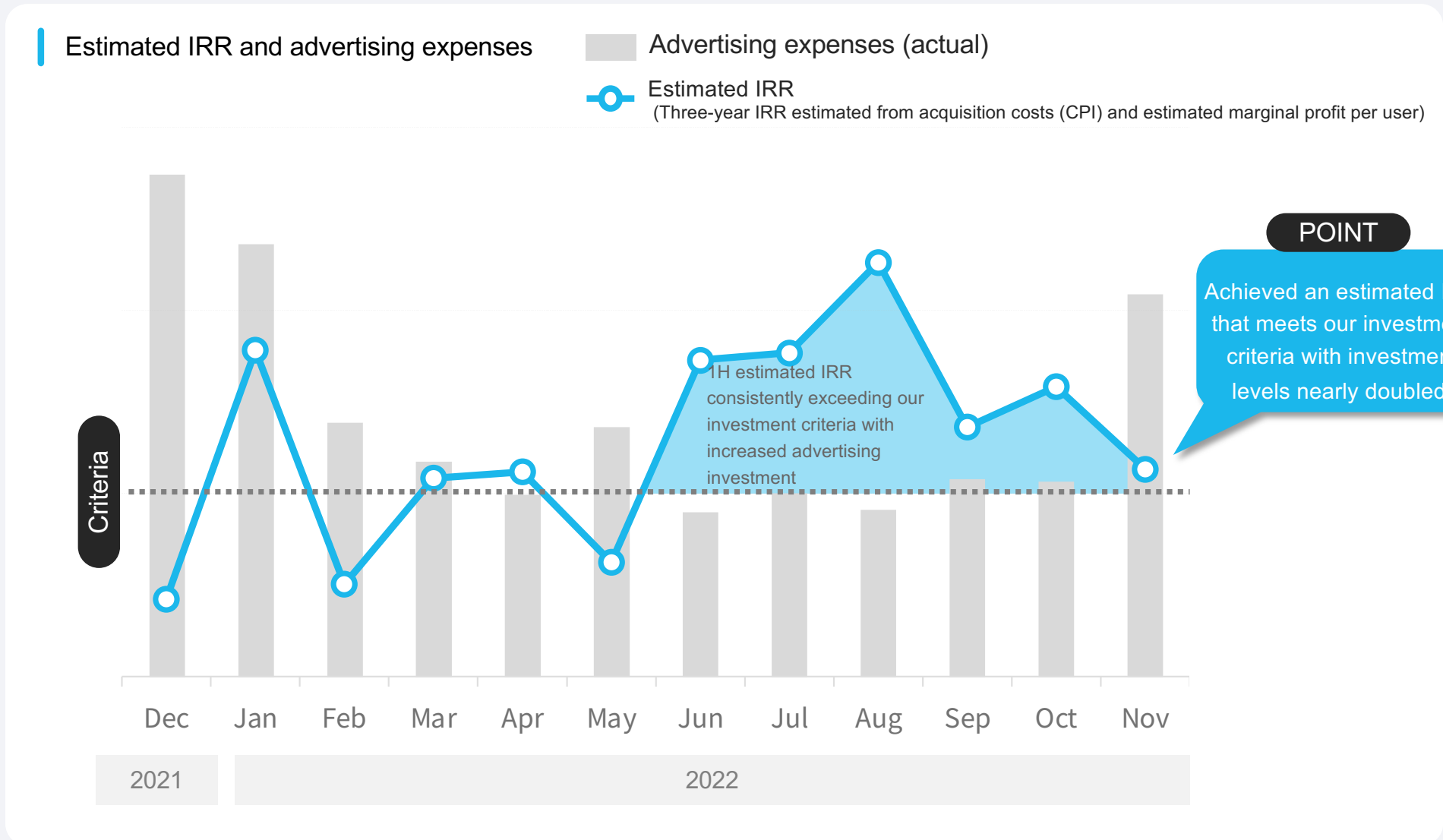
## FY23 Q3~

We re-evaluated the medium- to long-term growth potential of Gunosy and **raised the level of our advertising investment level to 100 million yen/month,** while taking into account the uncertainty of the macro environment. Since this is an upfront expenditure, we expect it to have a negative impact on operating profit/loss in the short term, but we are focusing on medium- to long-term growth.

We will determine flexibly the level of investment for the next period and beyond, based on the performance trends in the 2H and the macro environment, while remaining conscious of the mid-term numerical targets (sales and gross profit growth of 10% YoY).

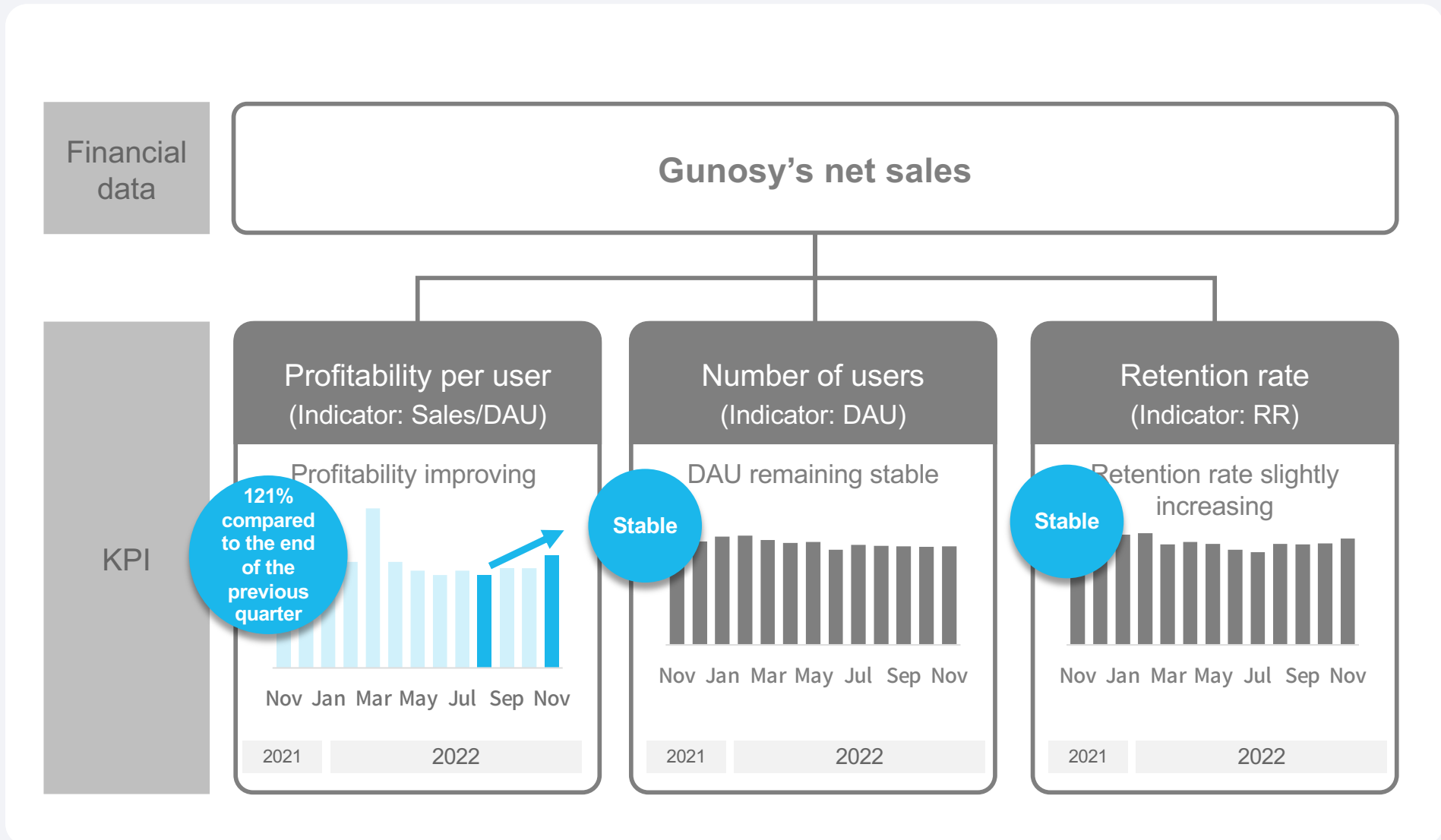
# Advertising Expenses and Estimated IRR

Through the improvement of Gunosy's products, the estimated IRR for 1H has consistently exceeded our investment criteria. We doubled our advertising investment in November (at the ¥120 million/month level), and the results it yielded also exceeded our criteria.





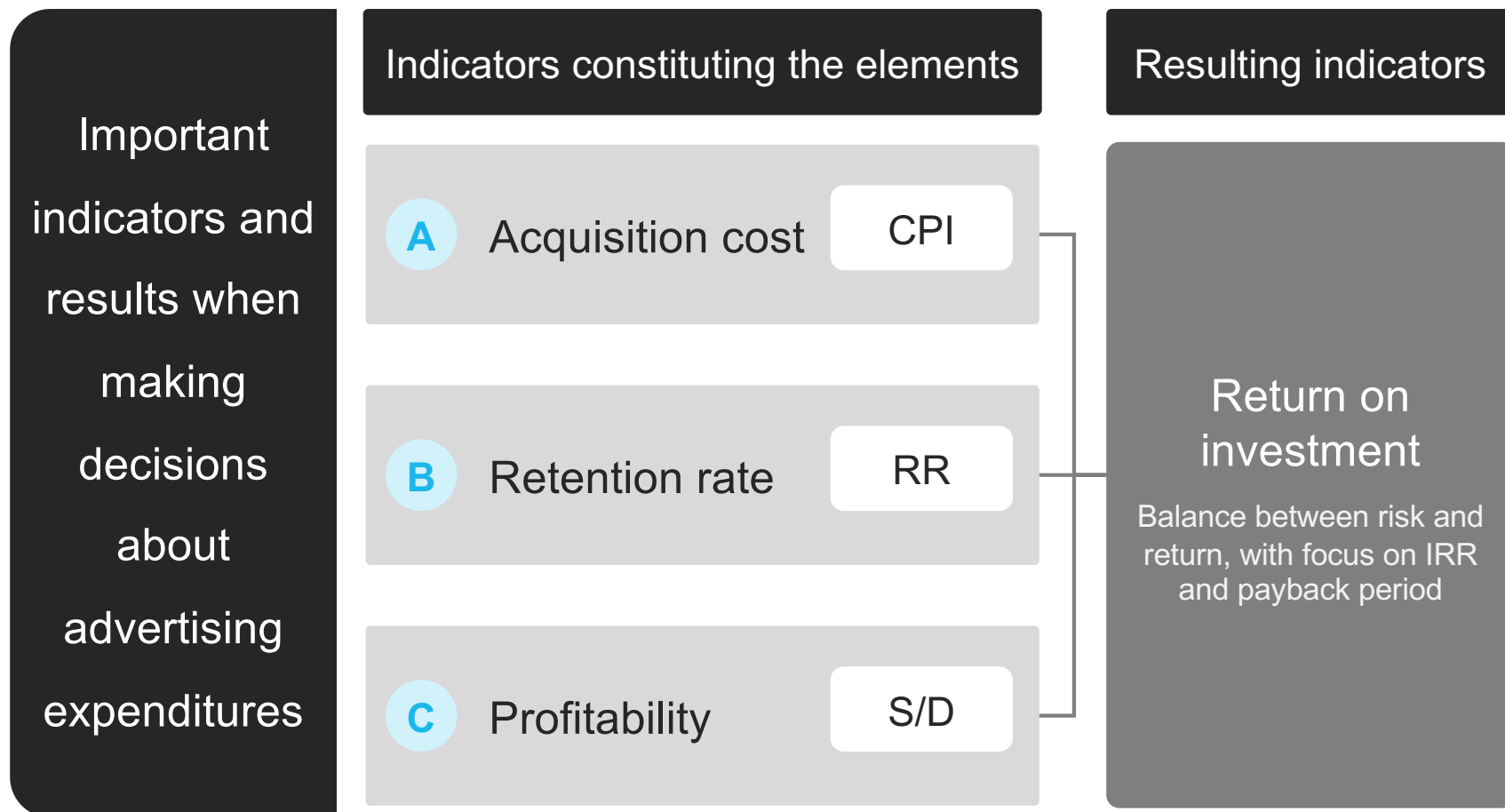
Profitability of Gunosy app per user has been on **an upward trend since September through the improvement of ad logic**. It has been further improved by **increased advertising investment** since November.



# (Reference) Indicators Referred to When Making Advertising Investment Decisions

We make our decisions based on the improvement of KPIs and the final return on investment.

The advertising investments made since November were examined with KPIs set to criteria that would provide a satisfactory return on investment.



For "slice," the product experience was changed to adhere to the Digital Lending Guidelines issued by the Reserve Bank of India (RBI), and the new product release was completed on time. The transition to the new product is well underway with no major issues.

**September 2, 2022**

Digital Lending Guidelines issued



**November 30, 2022**

Deadline for updates to adhere to the Guidelines

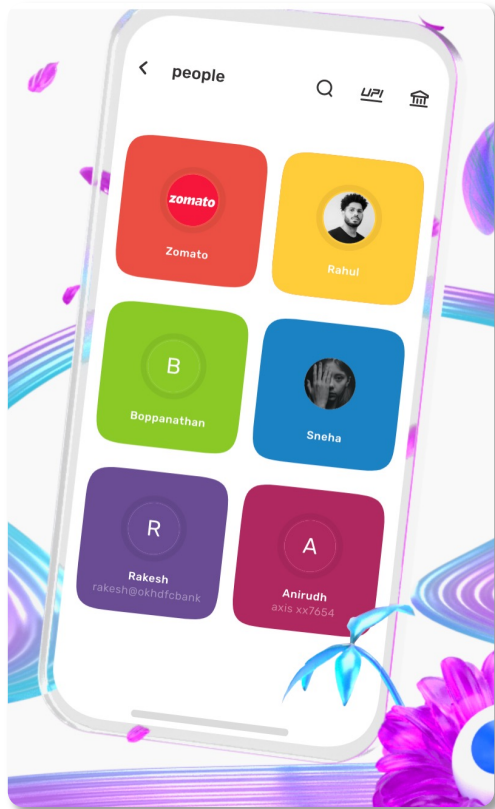


**From December 1,  
2022**

New product experience launched that complies with the Digital Lending Guidelines

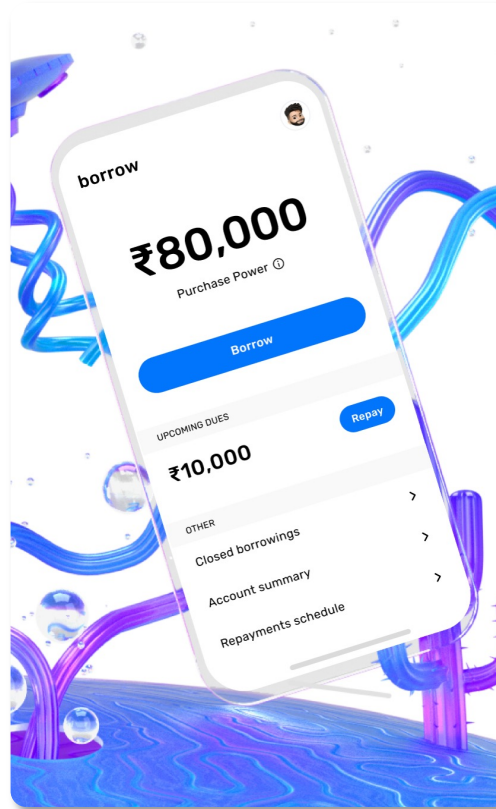
The new products, released on December 1 and adhering to the Digital Lending Guidelines, provide a flexible and seamless payment experience.

## slice UPI



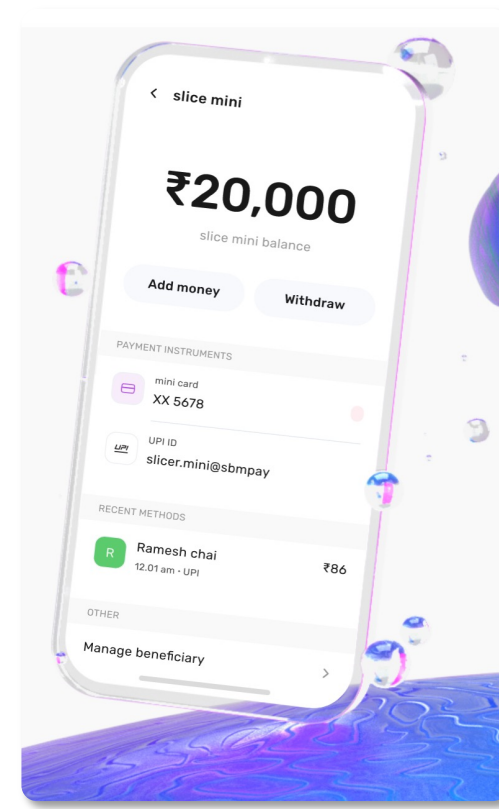
Most seamless UPI  
experience

## slice borrow



Most flexible way to borrow

## slice mini



Your account for everyday  
payments

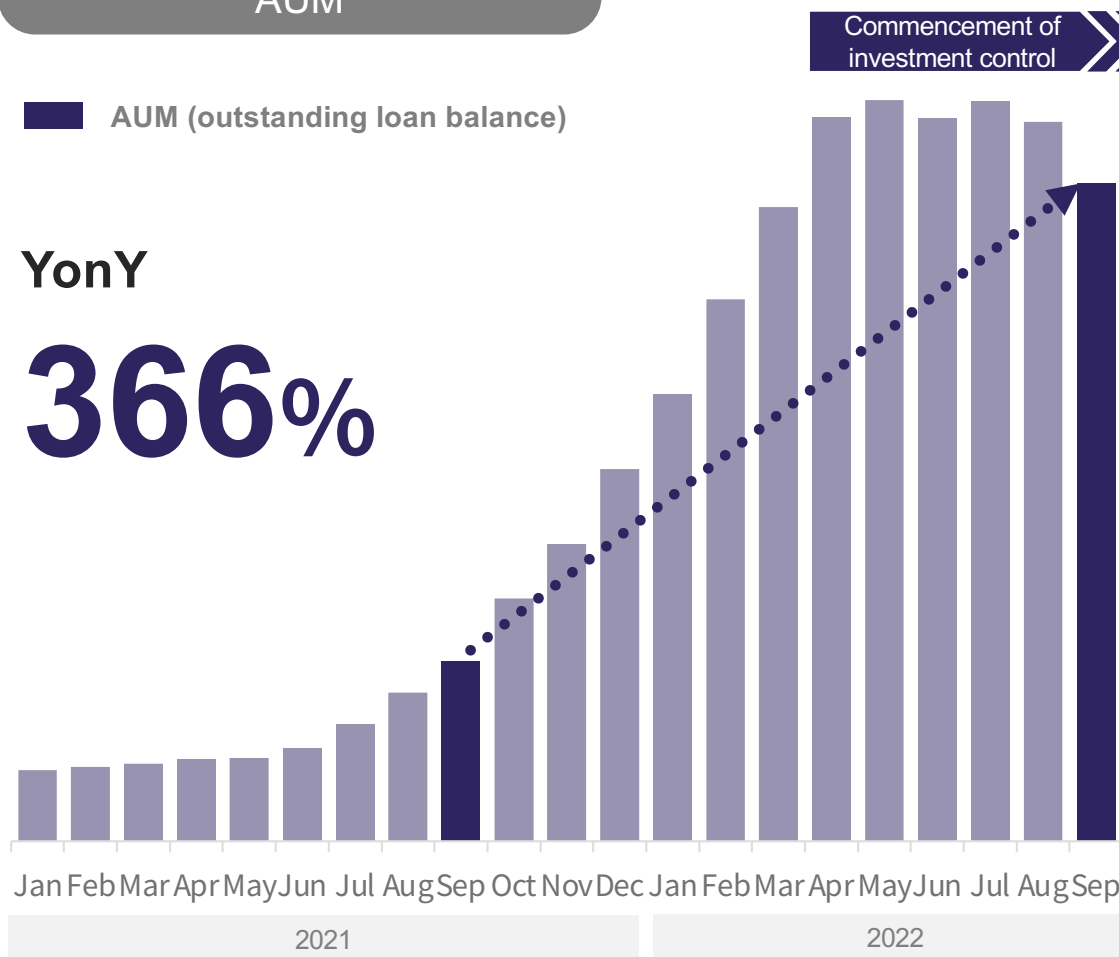
Business at "slice" is operating under controlled marketing expenses. Furthermore, the transition to new products has been underway since September, and temporary declines in AUM are continuing.

## AUM

AUM (outstanding loan balance)

YoY

**366%**



Commencement of investment control

Sep: RBI Guidelines issued  
Update completed in accordance with the Guidelines (as of Dec. 22).

## Number of registered users

**12million+**  
users

# 2

Financial Results for FY2022 Q2

## Financial Results for FY2023/5 Q2



## FY2023/5 Consolidated Results for Q2

In Q2, net sales **increased QonQ** as a result of improved profitability of Gunosy Ads and a recovery of Game8's performance. Ordinary profit improved QonQ due to a steady decrease in the loss at "slice".

(Million yen)

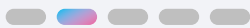
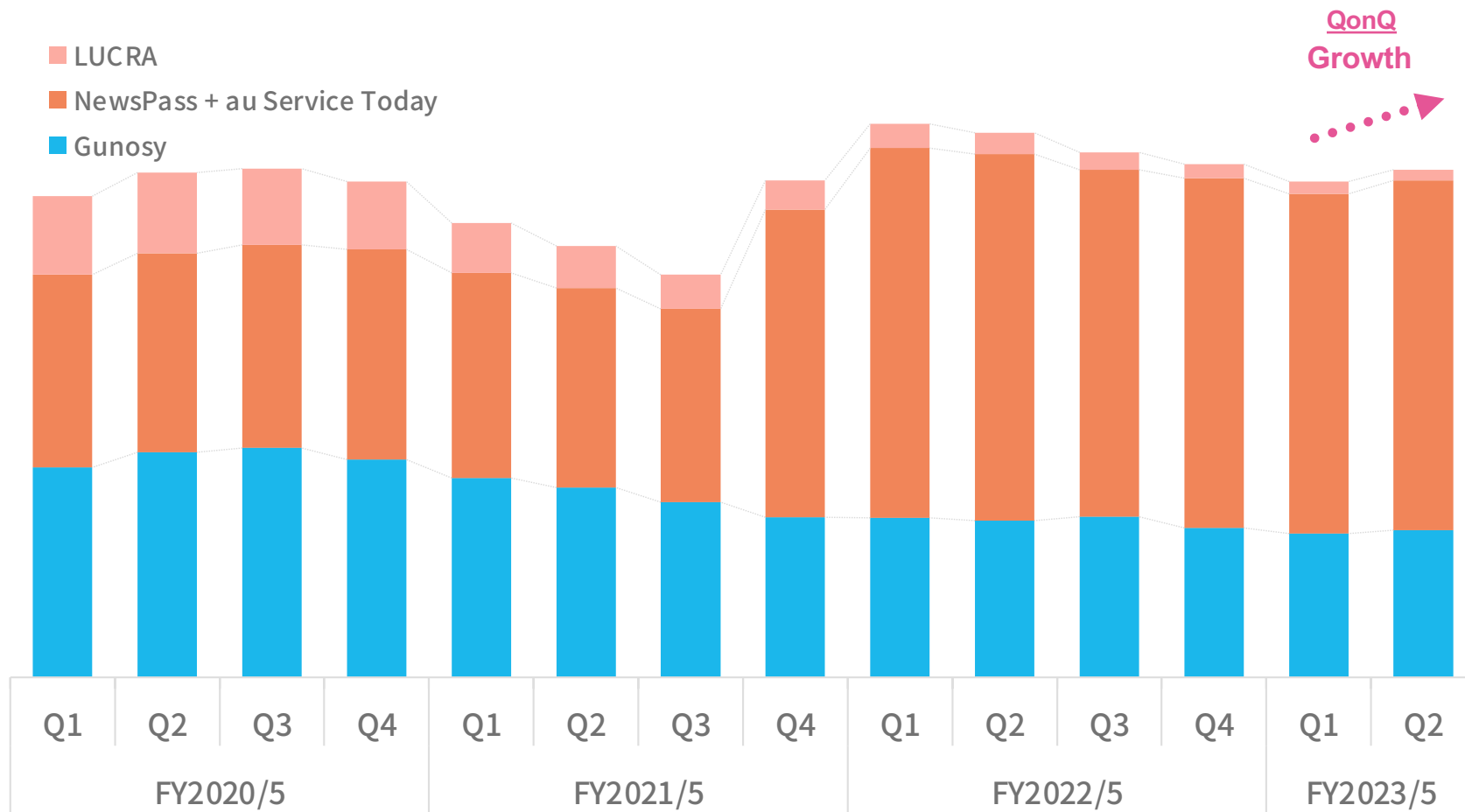
	QonQ			YonY		
	FY2023/5 Q2	FY2023/5 Q1	QonQ	FY2023/5 1H	FY2022/5 1H	YonY
Net sales	<b>2,001</b>	1,927	103.9%	<b>3,928</b>	4,383	89.6%
Operating profit	<b>-79</b>	-83	-	<b>-162</b>	161	-
Operating margin	-	-	-	-	3.7%	-
Ordinary profit	<b>-300</b>	-628	-	<b>-929</b>	-40	-
Profit attributable to owners of parent	<b>-544</b>	384	-	<b>-160</b>	-27	-

1

The difference between ordinary profit and profit attributable to owners of parent in FY2023/5 Q2 was mainly due to the reversal of deferred tax assets. For details, please refer to "Notice Regarding Revisions to the Full-Year Forecasts for the FY2023/5 and Reversal of Deferred Tax Assets" released on January 13, 2023.

# Total Number of Active Users (MAU)\*

MAU of Gunosy app continued to increase due to an improvement in retention rates and increased advertising investment since November. MAU of au Service Today increased supported by the campaign.

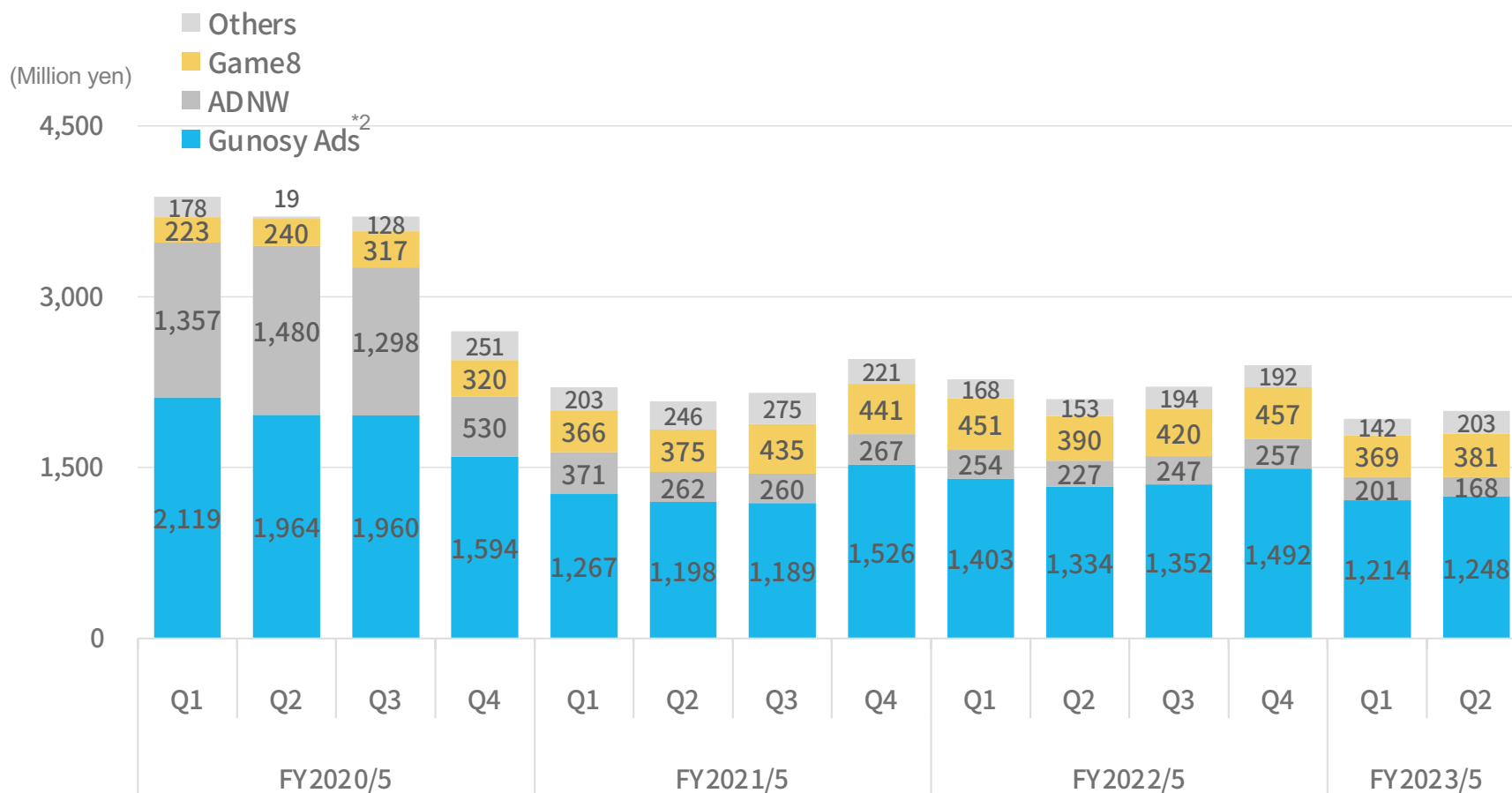


\*Average for each quarter of MAU (monthly active users) of "Gunosy", "NewsPass", "au Service Today" and "LUCRA"



# Breakdown of Net Sales<sup>\*1</sup>

Net sales of Gunosy Ads, Game8, and Others **increased QonQ**. Meanwhile, net sales of ADNW decreased. (See p.5 for details).

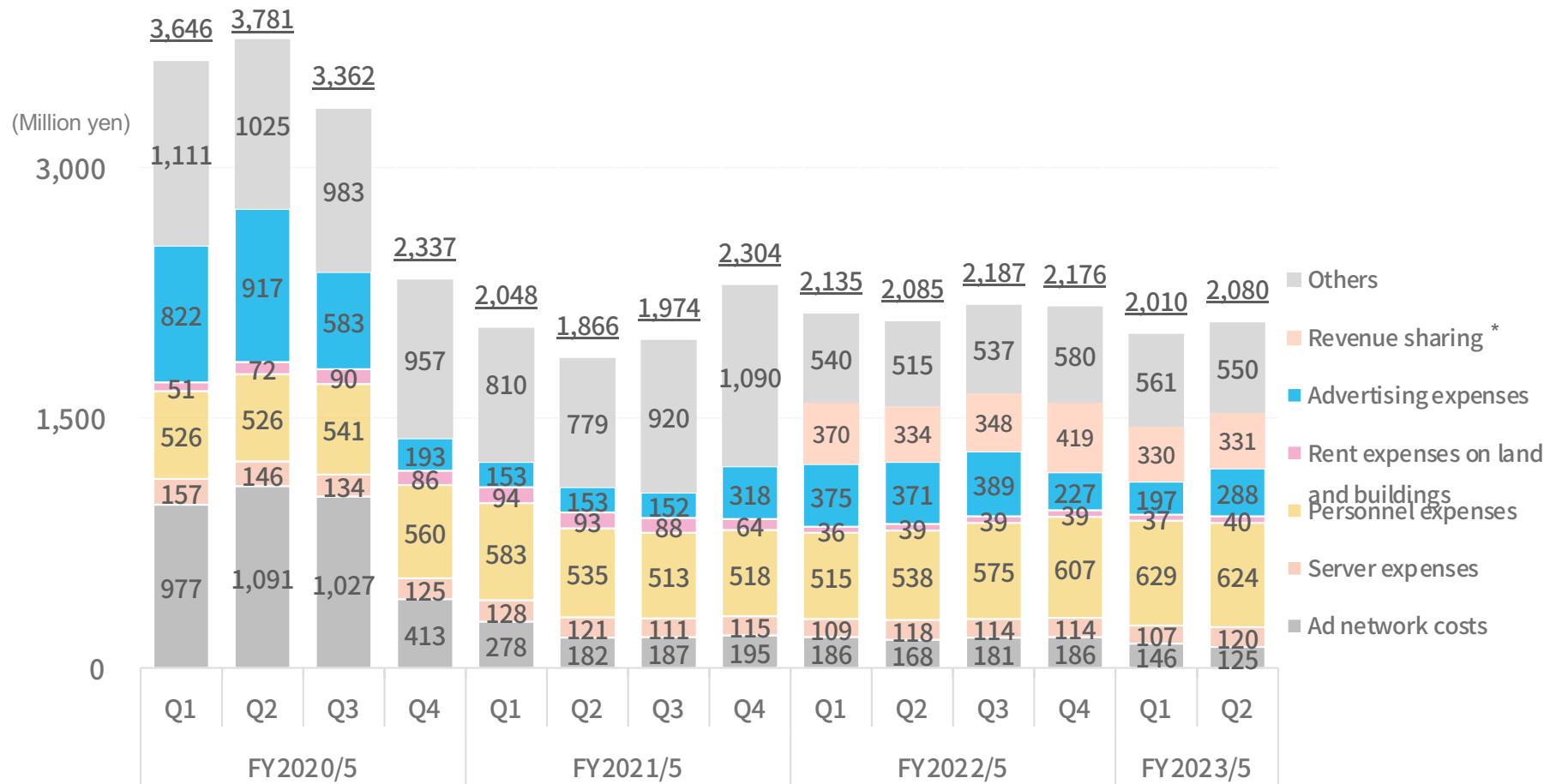


\*1: Sales of Gunosy Ads, ADNW and Game8 are presented on a nonconsolidated basis. Internal trade adjustments are included in Others

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

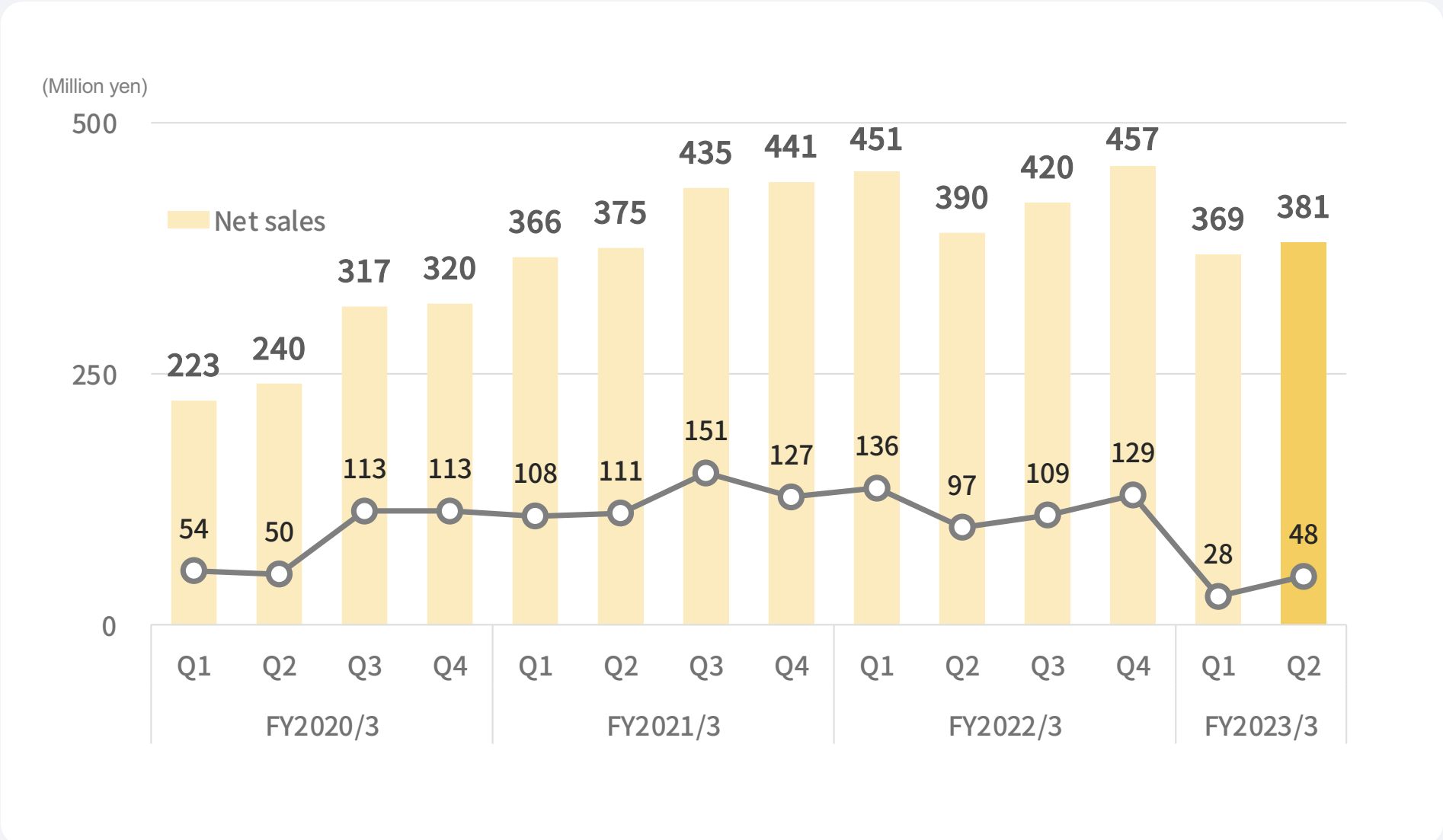
# Cost Structure

In November, we began to increase advertising expenses for the Gunosy app business. While communication expenses increased in line with the growth in the number of active users, costs are strictly controlled. There has been no significant change QonQ.



\* "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.

Although operating profit declined YonY following Q1 due to lower sales in the media business, which has a high gross margin, the solutions business remained strong resulting in operating profit on a **recovery track QonQ**. In Q3, we expect to see a positive impact from major game titles.



\* 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



## Revision of FY2023/5 Results Forecast (Consolidated)

Gunosy

The sales forecast was revised downward, mainly due to the weak performance of ADNW. We decided to increase our advertising investment in the Gunosy app based on the strength of the current KPIs, keeping in mind the uncertainty of the macro environment. While operating profit is expected to decline in the short term, we remain focused on optimizing mid- to long-term growth.

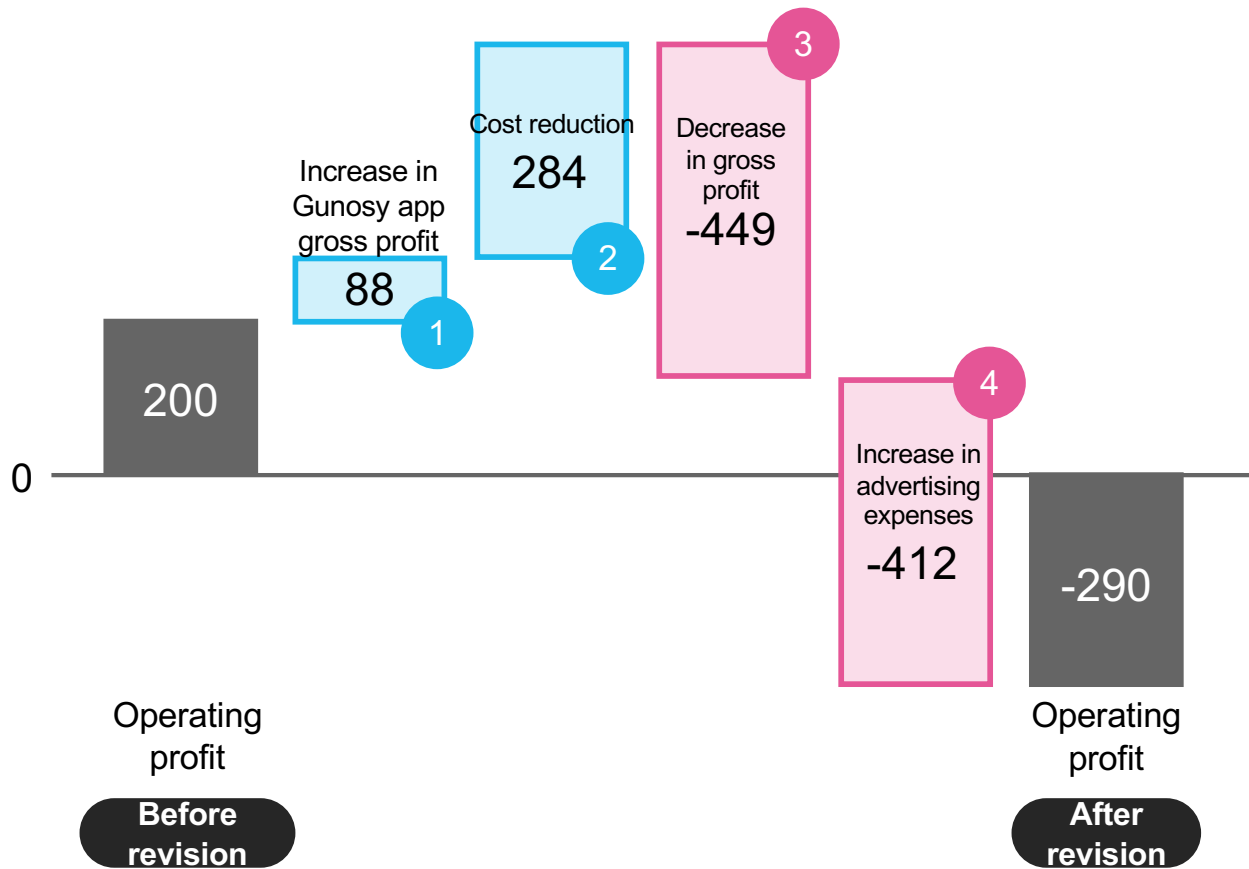
(Million yen)

	FY2023/5 1Q-2Q	Initial forecast (full-year)	Revised forecast (full- year)	Increase / decrease	Progression rate
Net sales	3,928	9,000	8,250	-8.3%	47.6%
Operating profit	-162	200	-290	-	-
Operating margin	-	2.2%	-	-	-
Ordinary profit	-929	-312	Not disclosed		
Profit attributable to owners of parent	-160	547			

"slice" launched new products in December, 2022 that adhere to the Digital Lending Guidelines issued by the RBI (Reserve Bank of India) and the transition to the new product is well underway with no major issues. It is difficult, however, to reasonably calculate the share of loss (profit) of entities accounted for using the equity method for "slice" based on user trends since the new products have only been released for a short time. Ordinary profit and profit attributable to owners of the parent in the full-year consolidated results for FY2023/5 are not disclosed.

# Background of Revision of Results Forecasts: Operating Profit (Consolidated)

Operating profit (initial forecast and revised forecast) (Million yen)



## POINT

- 1 Increase due to Gunosy app**

  - Sales of Gunosy app increased driven by higher profitability and increased advertising expenses.
- 2 Increase due to cost reduction**

  - SG&A expenses decreased due to cost reductions, including personnel expenses.
- 3 Decrease in gross profit**

  - Impact of ADNW significantly missing targets
  - Impact of lower demand for walkthroughs of existing game titles at Game8
- 4 Decrease due to increase in advertising expenses**

  - Increase in expenses due to higher advertising expenses for Gunosy app.

# Investment Policy Updates

In the media business, the return on investment showed progress due to the improvement of KPIs in Gunosy app. Therefore, we reassessed the growth potential of the Gunosy business and updated our investment policy, focusing on increasing investment as a medium- to long-term growth driver.

		Media business	Game8 group	Investment	New business
Guideline	Aim to achieve a market capitalization of ¥100 billion over the mid- to long-term				
Issues	Improve growth and profitability by establishing our unique value and improving UI and marketing efficiencies	Acquire new growth drivers	Discover promising investments that could serve as growth drivers for the entire group	Create businesses that will become new growth drivers with a group-wide perspective	
Investment policy for growth	<p><b>Update</b></p> <ul style="list-style-type: none"> <li>Currently, profitability and retention rates have improved, confirming an improved return on investment.</li> <li>While monitoring KPI trends, aggressively invest in advertising on Gunosy app, aiming to expand the business to a certain scale.</li> </ul>	<ul style="list-style-type: none"> <li>In existing businesses, a certain level of investment in content made in order to gain a stable share of the market.</li> <li>Consider expanding investment at a time when promising new businesses begin to grow in terms of growth potential and return on investment.</li> </ul>	<ul style="list-style-type: none"> <li>Move from concentration in slice to diversified investment.</li> <li>Continue to invest in India to capture growth in the Indian market.</li> <li>Continue to invest selectively in Japanese startups</li> </ul>	<ul style="list-style-type: none"> <li>Invest flexibly in new businesses and M&amp;A while monitoring the resource allocation of the entire group.</li> <li>Promote the creation of new businesses by leveraging our strengths, such as Gunosy's advanced technology and marketing.</li> </ul>	
Portfolio status	Room for growth	Growth potential raised by improving business structure <b>Mid-high</b>	Raise growth potential through new business development Present: Low-mid → Future: Mid-high	Continue to invest in promising stocks in Japan/India <b>Mid-high</b>	Shift upward by creating new businesses Present: Under development → Future: Mid-high
	Capital return	<b>Mid-high</b>	<b>Mid-high</b>	<b>Mid-high</b>	Under development → Create Mid-high
	Investment	<b>Aggressive investment in advertising</b> while paying attention to the macro environment	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

- Following the revision of the full-year forecast for FY23/5, we will **review the target values in the Medium-Term Management Plan** announced on January 14, 2022.
- While there are significant delays in the ADNW business, improvements in the media business through Q2 provide greater growth potential, particularly for Gunosy. We aim to achieve further growth by aggressively investing in advertising to expand the scale of our business, while paying attention to the uncertainties in the macro environment.
- We will disclose the target values upon the release of the FY23/5 full-year results after reviewing the impact of advertising investments in 2H.
- There is no change in the policy of aiming for growth focusing on the media business, Game8, and the investment business.



# 4

## Business Overview by Division



**Original characters** were released on December 26, 2022.

They will be featured in tutorials etc. within the Gunosy app to make it more fun and exciting.

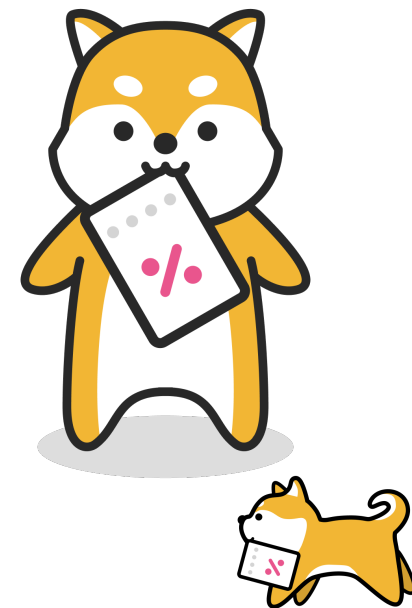
Original characters



Kuwasy



Gunopen



Tokumaro

A point campaign was launched for au users with the aim of encouraging them to **establish the habit of reading news articles**.

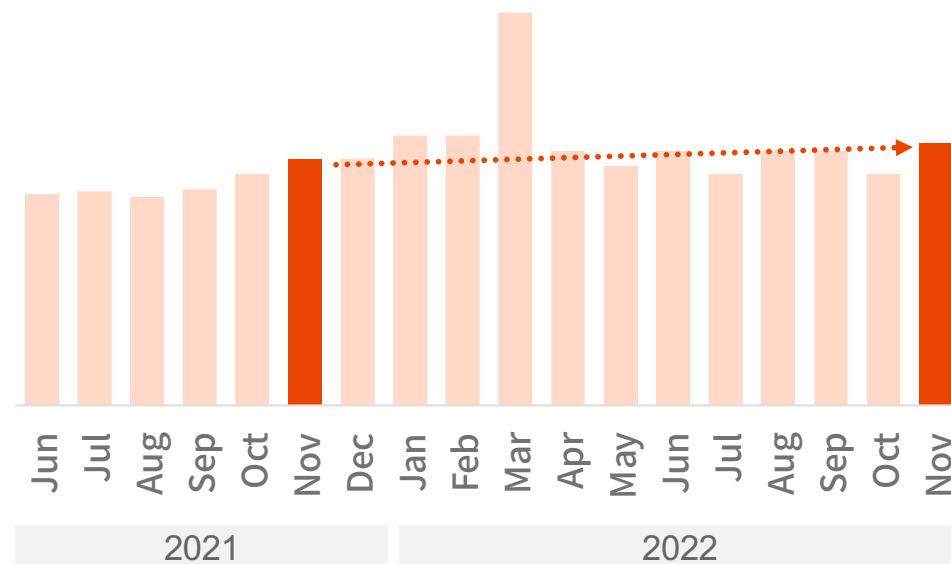
Profitability per user remained stable.

### Ponta point present campaign



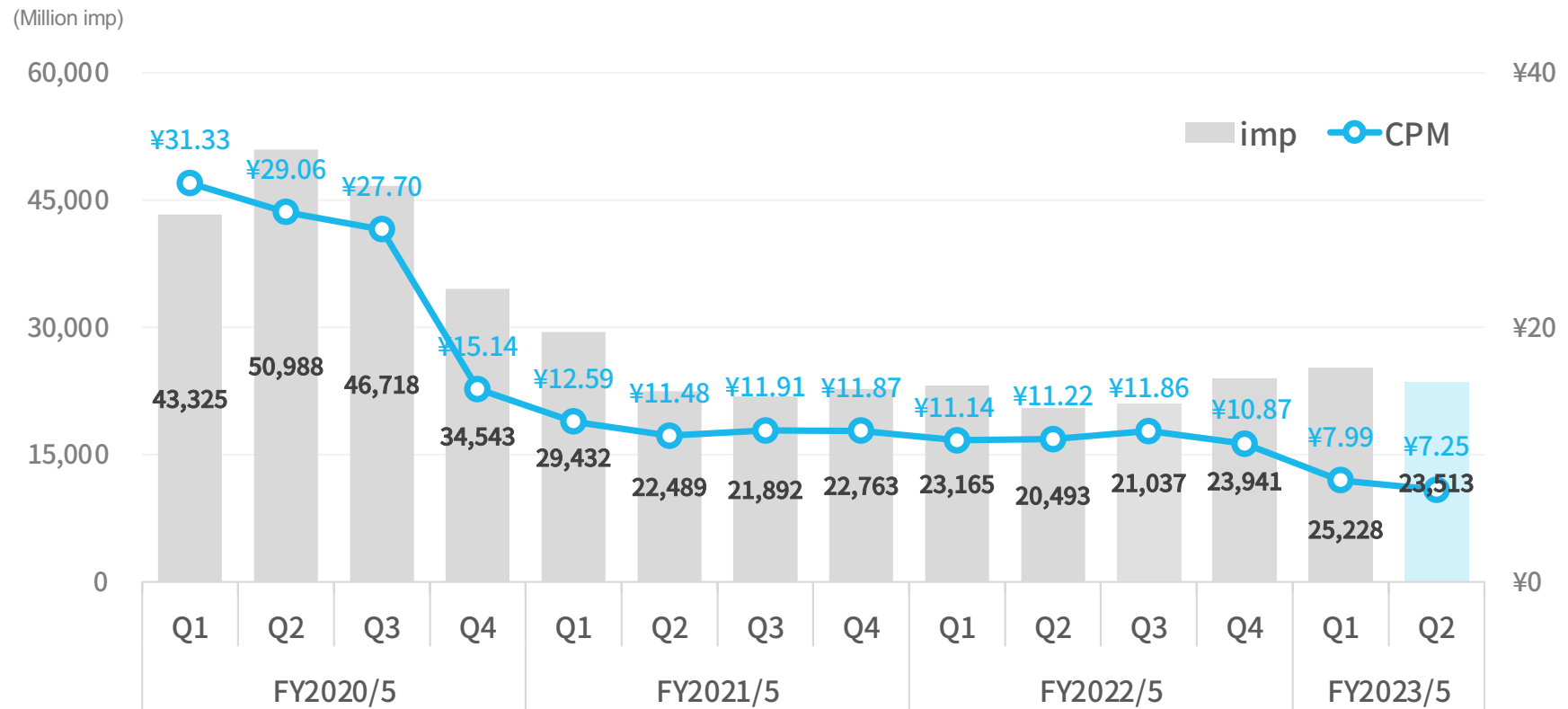
### Status of profitability

Profitability per user remained stable



CPM has been weak since Q1. From Q3 onward, we will strive to increase the number of customers by strengthening our organizational capabilities through **cross-selling with Gunosy Ads**.

### Number of Impressions and CPM



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



As a part of new market exploration, **new products deriving from tea were developed and released.** Inquiries increased as a result of media coverage, and the number of business partners increased.

Develop new products



Sparkling tea  
**CHEERS-MOOD**

- The perfect new sparkling tea for a toasting mood.

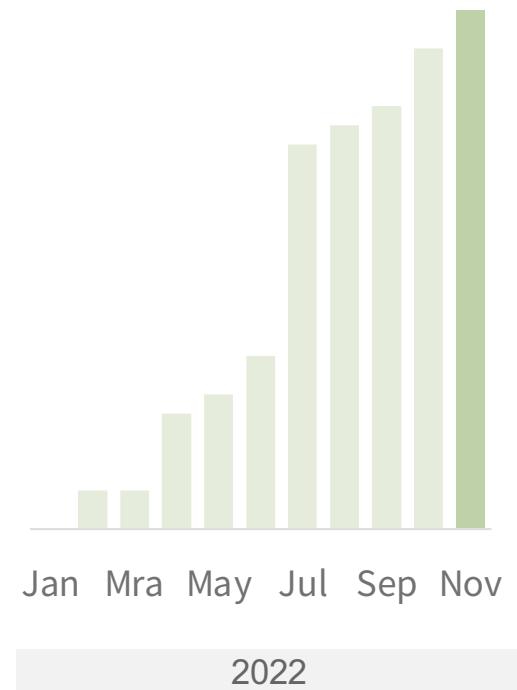


Sencha green tea truffle chocolate  
**GOHOUBI MOOD**

- Products in collaboration with CRAFT CHOCOLATE WORKS
- Earl Grey-scented sencha green tea chocolates

Sales by business operators

Partnership business expanding including overseas market



# 5

## Reference Materials: Overview of Gunosy Inc.



## Basic Information

Company name:	Gunosy Inc.	Representative Director and Chairman, Officers: 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 November 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:	260 (as of the end of November 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**



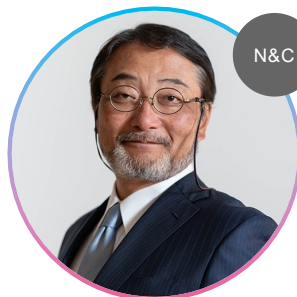
Director

**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.

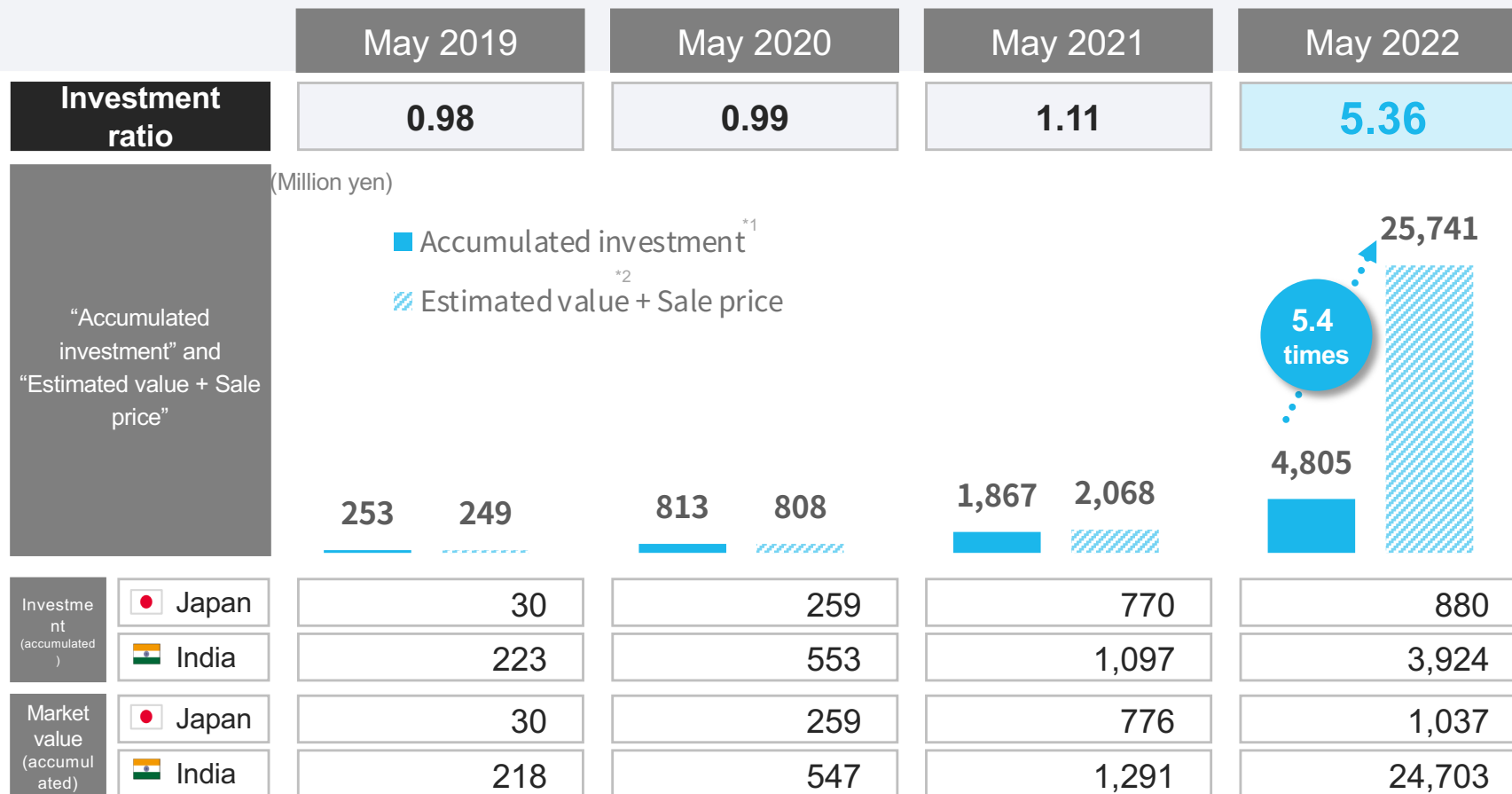
## 3 Centennial quality

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 released on July 15, 2022) Gunosy



\*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