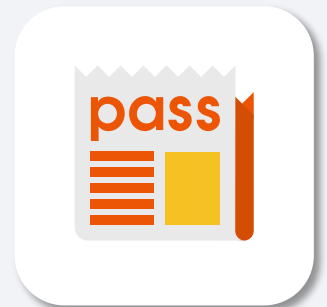
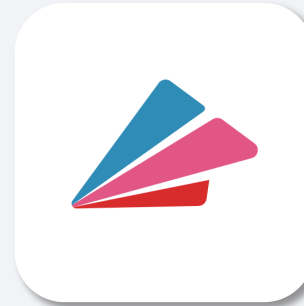


Q3

Gunosy

FY2023/5 Financial Results for Q3



Gunosy Inc.
TSE Prime (6047)
April 14, 2023

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1

Executive Summary



Q3 summary

Net sales **2,116** million yen

QonQ **105.7%** YonY **95.5%**

Operating profit **6** million yen

QonQ - YonY **22.3%**

- 1 KPIs for the Gunosy app remained stable, so **advertising investment was carried out as planned.**
- 2 As a result of the advertising investment, **Gunosy app sales increased for the second consecutive quarter since Q2.**
- 3 **Game8 recorded a significant QoQ increase in sales and profit** due to strong PV growth as a result of major title releases.

Media business

- While overall sales of Gunosy Ads decreased QoQ, sales of the Gunosy app increased for two consecutive quarters since Q2, which led to a steady increase in gross profit.
- au Service Today saw a QoQ decline in MAUs due to the absence of a campaign.

Game8

- New major game titles were released in November and the number of PVs on the game walkthrough media remained strong. As a result, Game8 sales increased QoQ, hitting a new record for a single quarter.

Investment

- "slice" released a new product in December and AUM turned to growth in January 2023.
- We invested in Blume Ventures Fund IV as a limited partner.

Factors behind Sales Increase / Decrease

In Game8, the number of page views increased due to major titles released in November, and **sales increased both QoQ and YoY**. While overall sales of Gunosy Ads decreased YoY and QoQ, **sales of Gunosy app increased QoQ**.

Sales increase / decrease by Segment

(Million yen)

	FY2023/5 Q3 result	Difference	
		YoY	QoQ
Gunosy Ads ^{*1}	1,209	-142	-38
ADNW	140	-107	-28
Game8	470	49	89
Others	295	101	92
Total	2,116	-99	114

Factors behind increase/decrease

Gunosy Ads

- The YoY sales decrease is mainly attributed to the **decrease in DAUs in Gunosy app, NewsPass and au Service Today from the previous FY which is attributed mainly to curbing advertising expenses in the same year.**
- Overall sales of Gunosy Ads decreased QoQ, mainly due to lower-than-expected DAUs in au service Today. **After resumption of advertising investment in the Gunosy app,** however, profitability improved as a result of an increase in new users, resulting in **sales growth of 5.2% QoQ.**

ADNW

Factors behind the YoY and QoQ sales decline were lower CPMs and number of impressions. We will continue to pursue business that yields the advertising effectiveness expected by advertisers and strengthen cross-selling with Gunosy Ads.

Game8

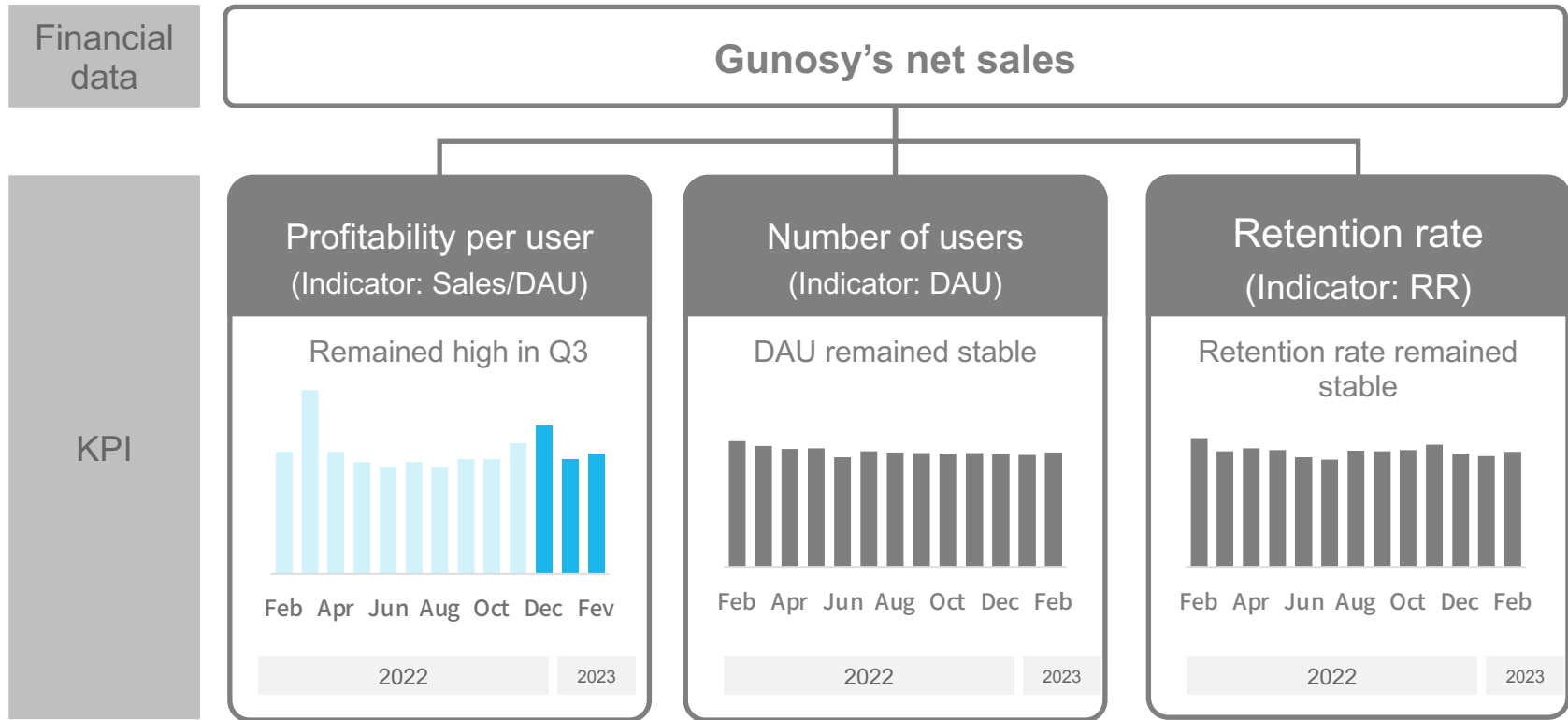
New major game titles were released in November and the number of PVs on the game walkthrough media remained strong. Sales increased both QoQ and YoY.

Others

Sales increased both YoY and QoQ due to strong performance of Smarprise.

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

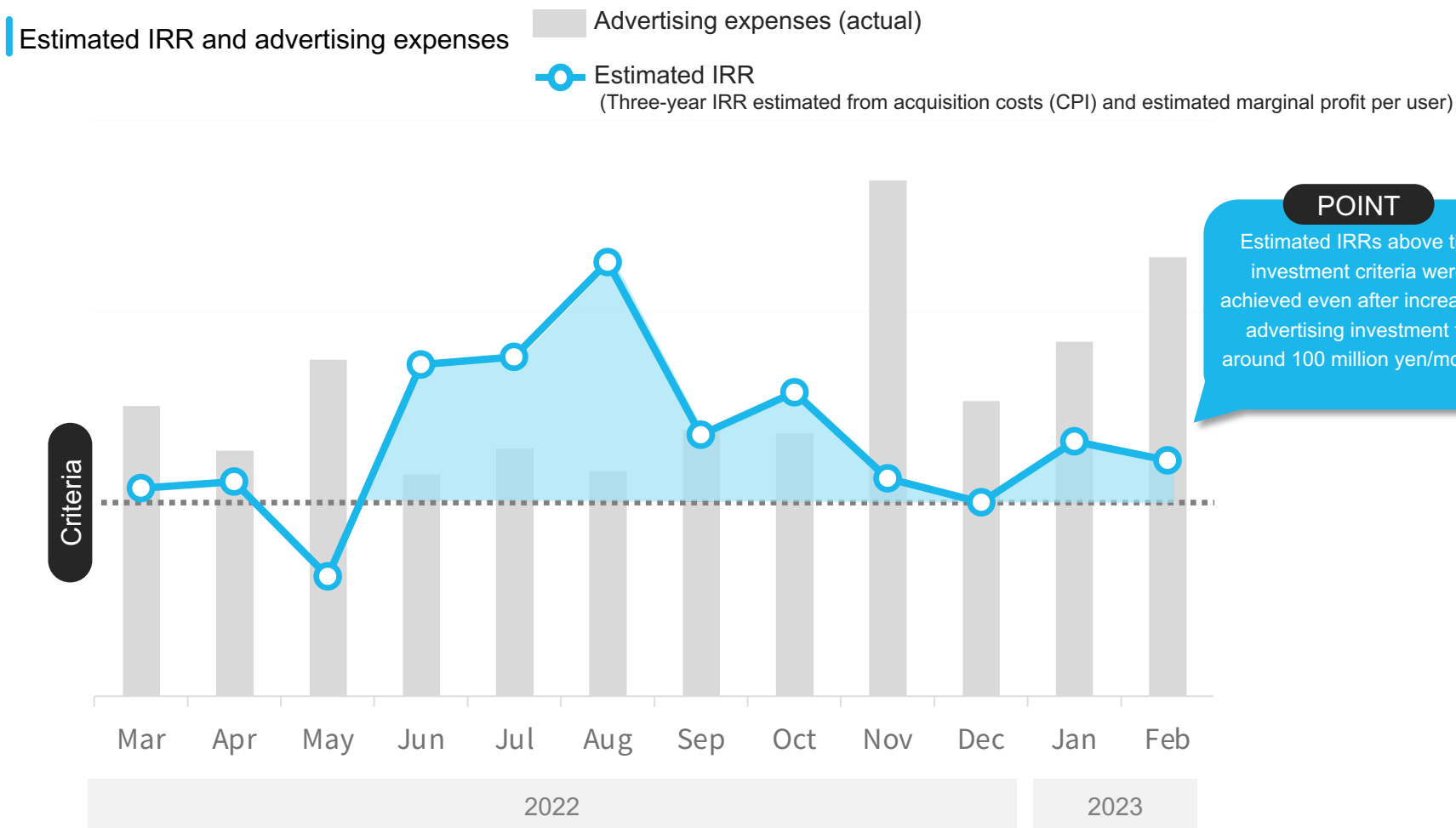
Profitability per user **remained high throughout Q3, including in December when advertising demand increased due to seasonal factors, resulting in QoQ sales growth.** The retention rate remained steady and the number of users remained as planned.



In Q4, retention rate rose due to news factors, etc., and the **number of users showed a slight upward trend**

Advertising Expenses and Estimated IRR

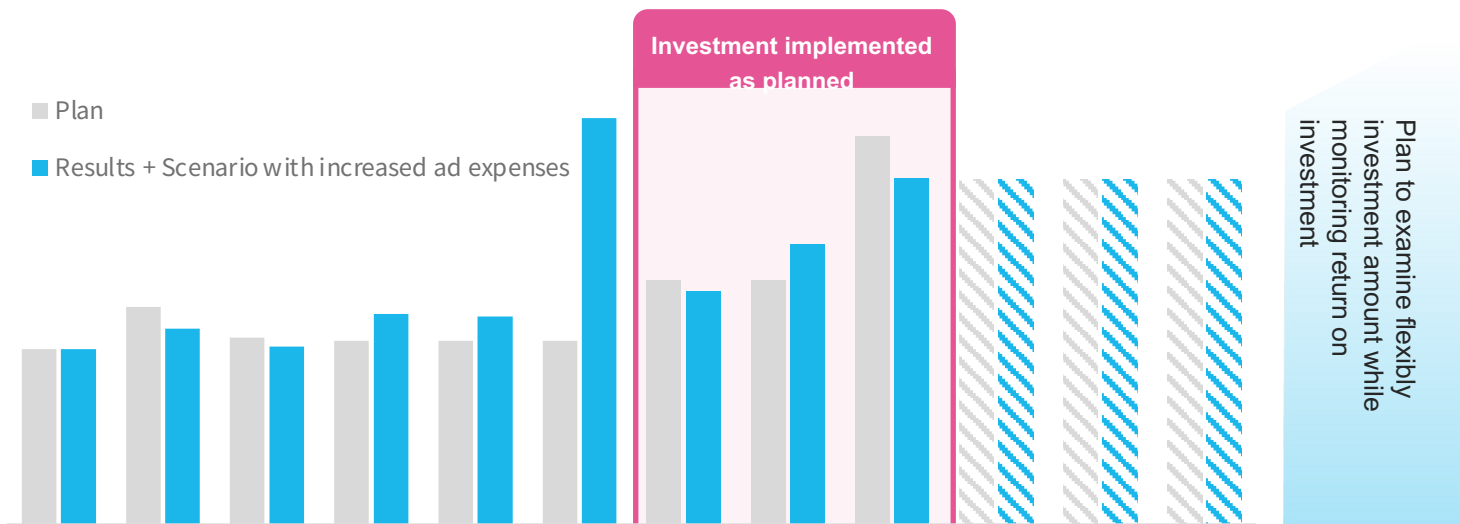
Although cost per acquisition temporarily deteriorated in December, which is the advertising demand season, **user acquisition progressed efficiently in Q3 as a whole. The estimated IRR remained above the investment criteria** due to a stable retention rate and improved profitability.



Advertising Investment in Gunosy

In Q3, increased amount of advertising investments were executed as had been planned. In Q4, we plan to invest at the planned level, considering return on investment and other factors.

Advertising expenses (Plan and Results + Forecast scenario)



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
FY2023	Q1			Q2			Q3			Q4			
Status of media	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.						
Measures	Examined accelerated use Examined the use of 2H advertising budget ahead of schedule.		Implemented accelerated use 2H advertising budget spent ahead of schedule				Decision made to increase advertising investment Increase of approx. 410 million yen for the full year (including budget used ahead of schedule)						Policy Expansion of user scale through advertising investment

Status of product improvement in Q4 and policy for the future

FY23 Q1

Gunosy's basic KPIs turning to an improving trend

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

Confirmed that return on investment (IRR) maintained on an ongoing basis.

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

IRR remaining stable after raising the investment level

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

FY23 Q4以降

Focusing on improving the retention rate while implementing advertising investments of 100 million yen/month

In Q4, focusing on improving the retention rate in order to improve return on investment, while implementing advertising investment of around 100 million yen/month on a stable basis and maintaining the estimated IRR.

Major improvements

As a result of improving retention rates and profitability, IRR to be sustainable even with increased advertising investment of up to 100 million yen/month

Q4~
Refocus

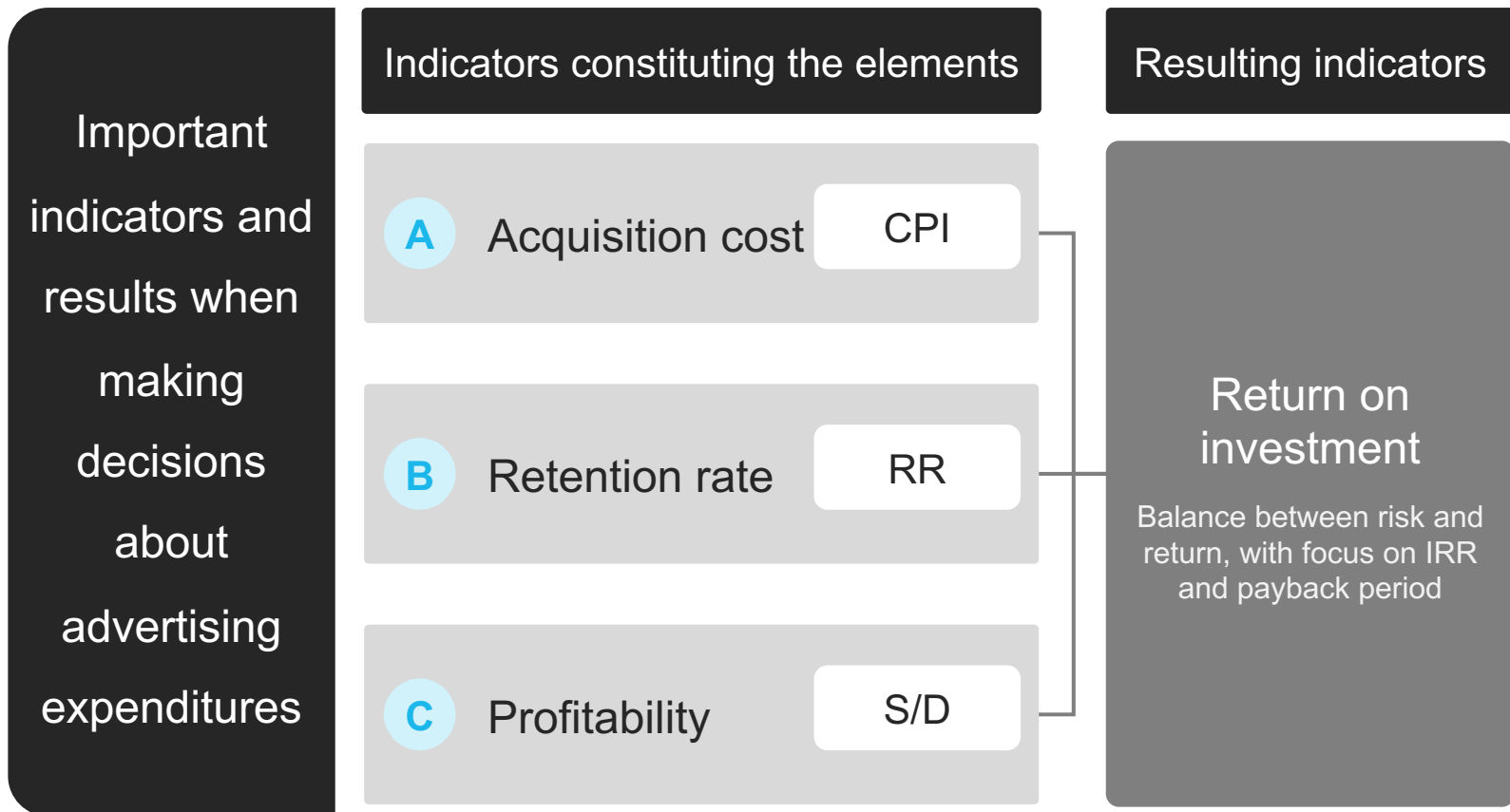
Retention rate

Focus on improving the retention rate from Q4 onwards to achieve "improved IRR" and "shorter payout period" at the current investment level. This way we aim to (i) improve short-term P/L or (ii) maximize medium- to long-term profits through increased investment.

(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.



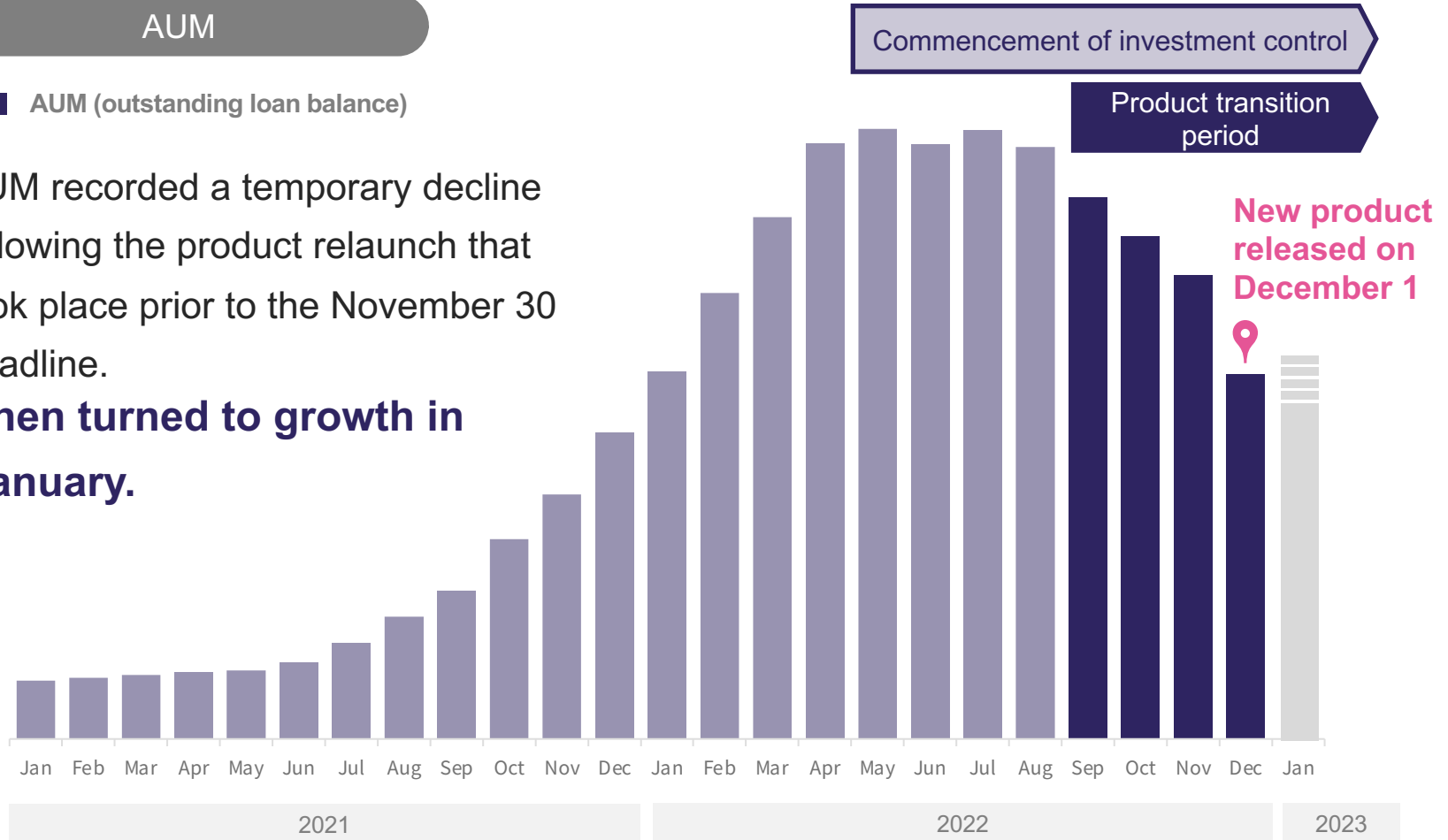
Following the release of new products that comply with RBI guidelines (details: p 12), **the AUM decline bottomed out and turned to growth from January.**

AUM

AUM (outstanding loan balance)

AUM recorded a temporary decline following the product relaunch that took place prior to the November 30 deadline.

Then turned to growth in January.



(Reference) Timeline since the Release of the Guidelines Gunosy

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

2

Financial Results for FY2023/5 Q3



FY2023/5 Consolidated Results for Q3

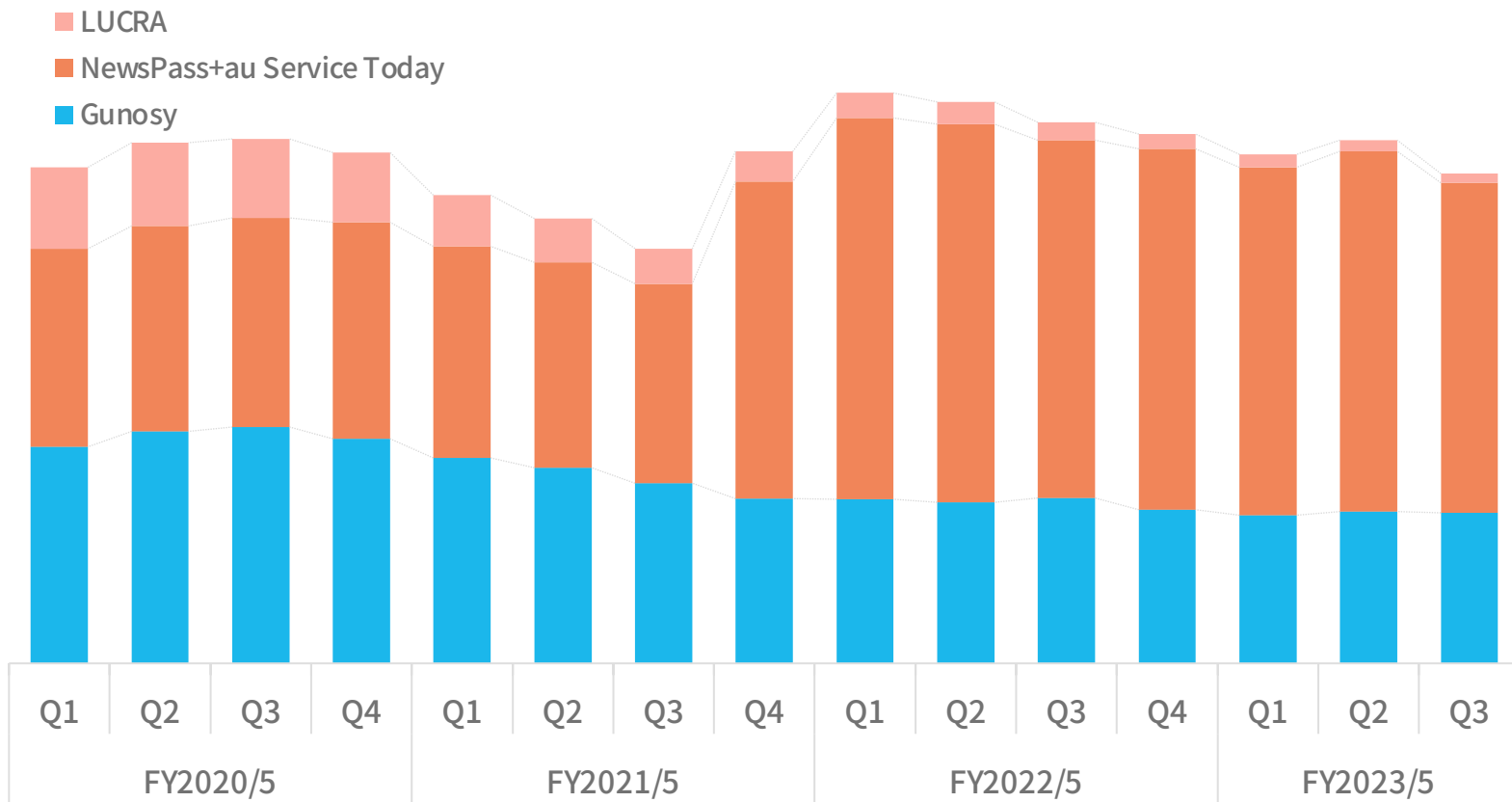
For the nine months ended 28 February 2023, sales and profits were down year-on-year. **Q3 sales and profits, however, increased QoQ** due to the positive impact on Game8 from major titles and improved profitability due to the acquisition of new users in Gunosy app.

(Million yen)

	FY2023/5 Q3	QoQ comparison		FY2023/5 Q1-Q3	YoY comparison	
		FY2023/5 Q2	QoQ		FY2022/5 Q1-Q3	YoY
Net sales	2,116	2,001	105.7%	6,045	6,598	91.6%
Operating profit	6	-79	-	-156	189	-
Operating margin	0.3%	-	-	-	2.9%	-
Ordinary profit	-304	-300	-	-1,233	-31	-
Profit attributable to owners of parent	-332	-544	-	-492	-14	-

Total Number of Active Users (MAU)*

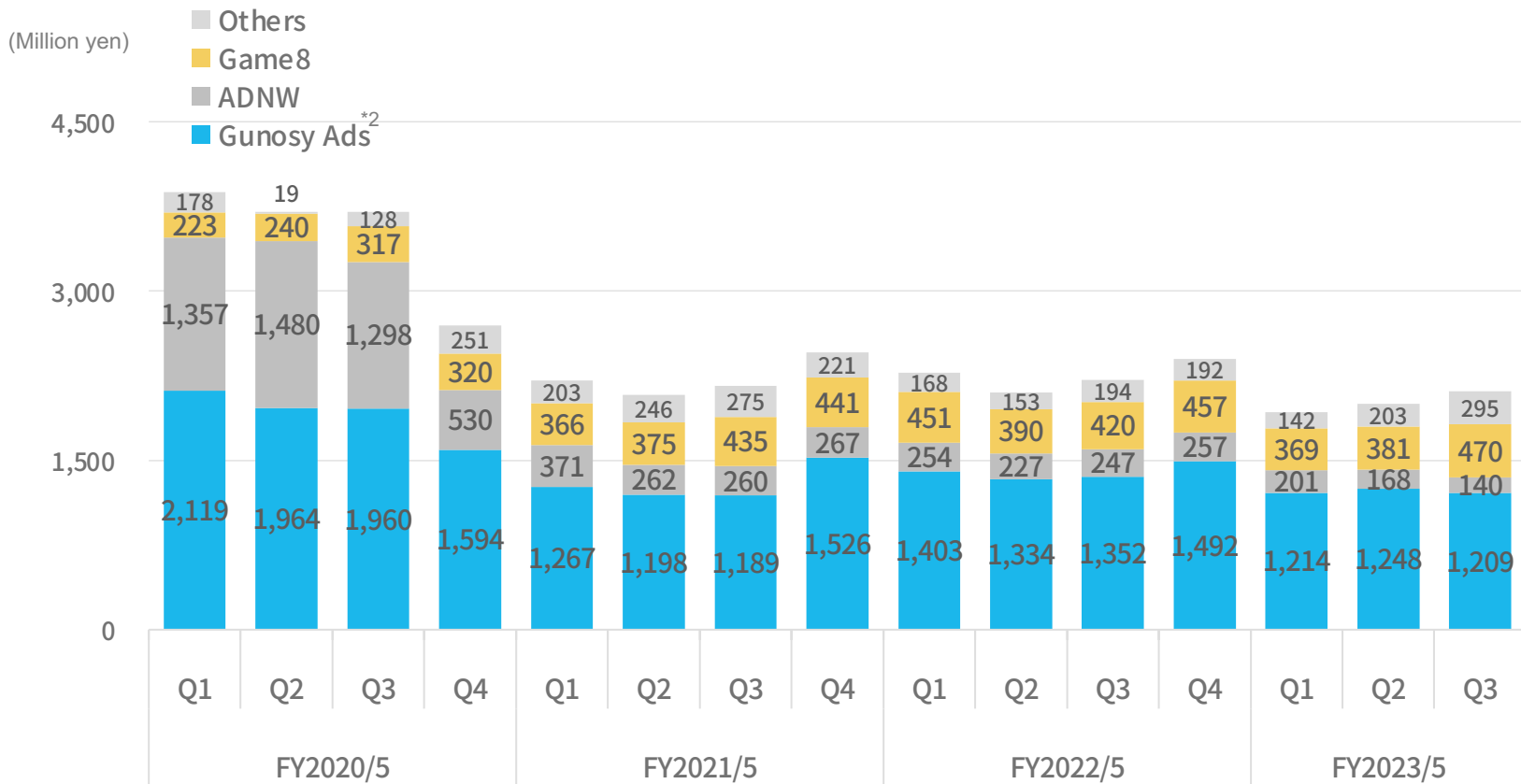
MAU of Gunosy app increased compared to Q1 this year due to an improvement in retention rates and increased advertising investment since November 2022. MAU of au Service Today declined QoQ due to the absence of a campaign implemented in the previous quarter.



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

Breakdown of Net Sales ^{*1}

Game8's sales marked a significant QoQ increase. Gunosy Ads sales declined as a whole, but Gunosy app sales recorded an increase for the second consecutive quarter since Q2.

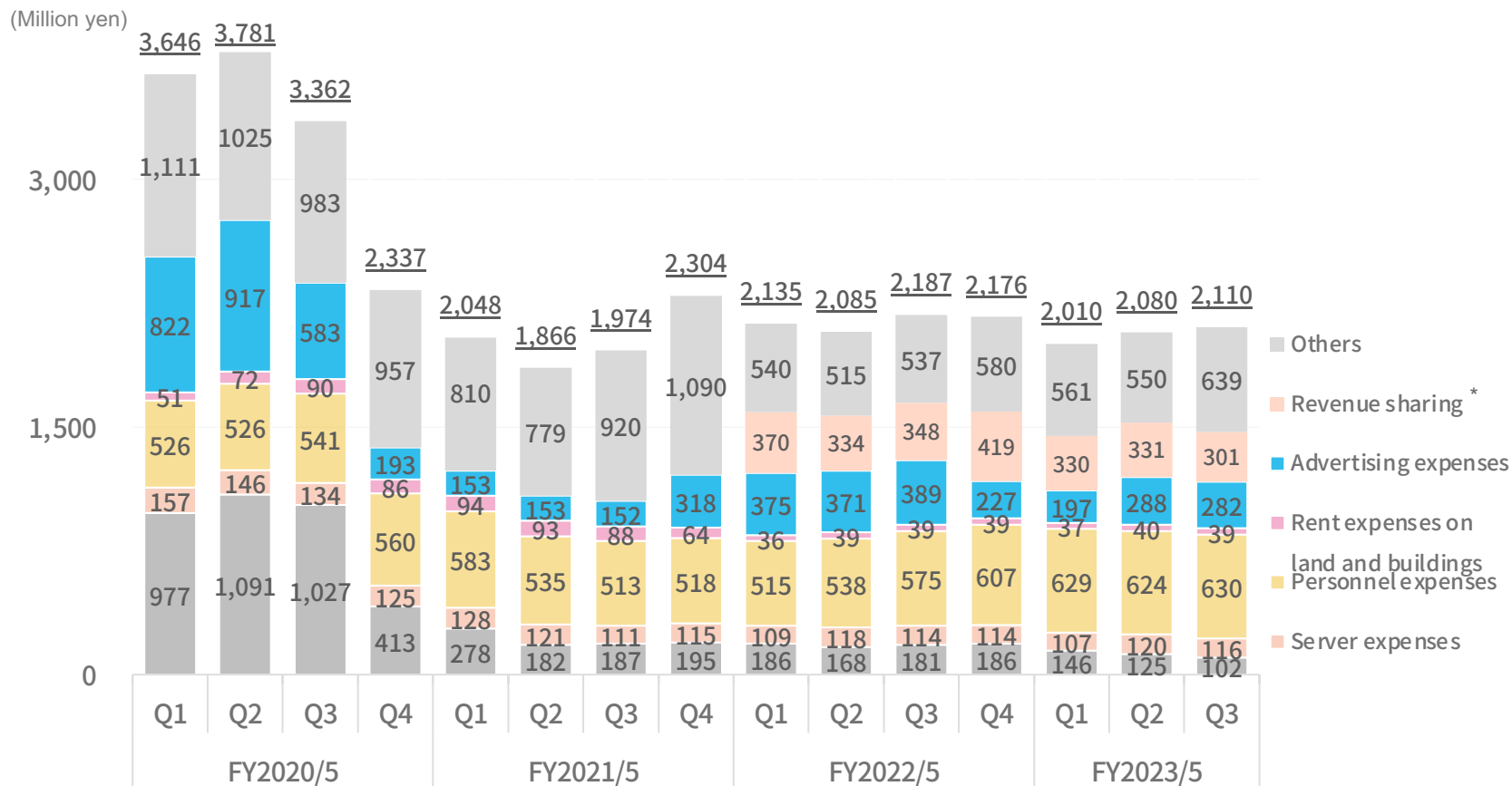


*1: Sales of Gunosy Ads, ADNW and Game8 are presented on a nonconsolidated basis. Internal trade adjustments are included in Others

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

Cost Structure

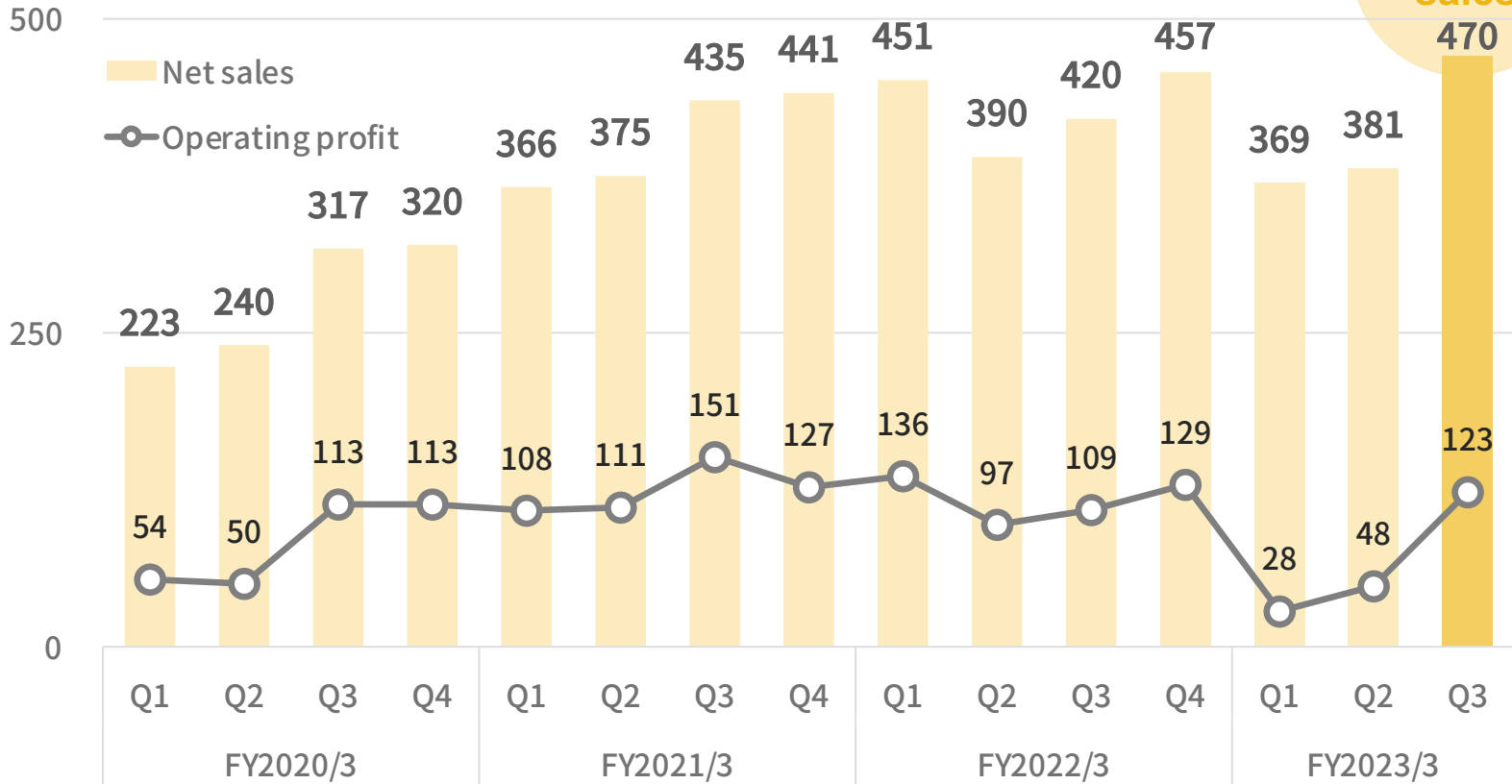
'Others' increased due to sales growth at subsidiaries. Otherwise, there was no significant QoQ change. We will continue to operate our business with strict cost control.



* "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.

As announced in the previous quarter, the positive impact of the release of major game titles was fully reflected throughout Q3, **resulting in record sales**. On the other hand, these positive impacts are expected to settle down from Q4 onwards.

(Million yen)



* Nonconsolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included.
 FY2023 Q3 results are for the period from October to December 2022 due to a gap with the parent company's consolidated accounting period.

3

FY2023/5 Outlook



FY2023/5 Results Forecast (Consolidated)

The Results Forecast remains unchanged from the previous disclosure. In “slice”, AUM showed a recovery trend in the January-March period following the release of new products, but ordinary profit and profit attributable to owners of parent remain undisclosed as discussions^{*1} are still underway with the auditors regarding the application of some of the accounting treatments related to the application of the equity method.

(Million yen)

	FY2023/5 1Q-3Q	FY2023/5 Full-year forecast	Progression rate
Net sales	6,045	8,250	73.3%
Operating profit	-156	-290	-
Operating margin	-	-	-
Ordinary profit	-1,233	Not disclosed	
Profit attributable to owners of parent	-492		

*1: Regarding the accounting treatment of PPA (Procedure for Purchase Price Allocation) for “slice”, discussions are underway with the auditors to recognize the part that is currently amortized as goodwill as intangible assets with a shorter amortization period. As a result, amortization may increase in FY2023/5.

4

Business Overview by Division



“AI-powered Video Summarization Service” (Beta Version) Launched

As part of creating our unique value, we launched a beta version of "AI-powered video summarization service" utilizing GPT-3.¹ We will continue to provide new value to both users and media partners while leveraging new technologies. Besides this, LLM-based experiments and preparations, including internal digital transformation,² are underway on an ongoing basis.

Outline of “AI-powered video summarization service”

Articles of video content summarized automatically by AI into a few lines of text

To view the original video based on the summary text, click on the link in the article



Development Background

Text-based summarization of long video was not available

Text-based summarization of short video content of a few minutes was available, but that for many lengthy video content, including YouTube videos, was not covered.



Development breakthroughs enabled by the technological development of AI

Technological developments such as LLM (Large-scale Language Models) dramatically shortened the time from conception to development of automatically generated content and functions, and expanded the range of content that can be handled including long videos.

Future LLM Initiatives

Promote internal digital transformation

Develop services utilizing LLM

*1: "GPT-3" is a large-scale language model developed by OpenAI, that has been trained on a massive amount of text data, and is capable of generating human-like text.

*2: Large Language Models (LLM) are natural language processing models trained on a massive amount of text data.

In Q3, **we improved the user interface to enhance the user experience and profitability** of the main screen of the application. We are working on joint campaigns with KDDI. Profitability remained stable.

Various measures under way

Measures to improve user experience

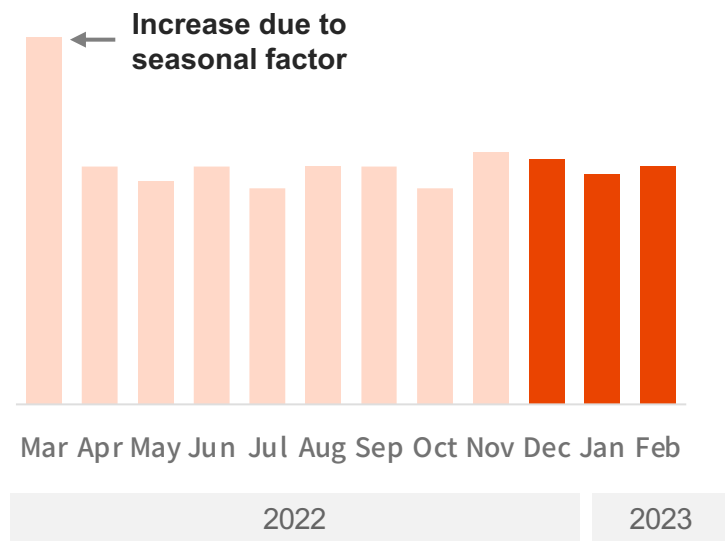


Joint campaigns with KDDI (Implemented in Q4 (March))



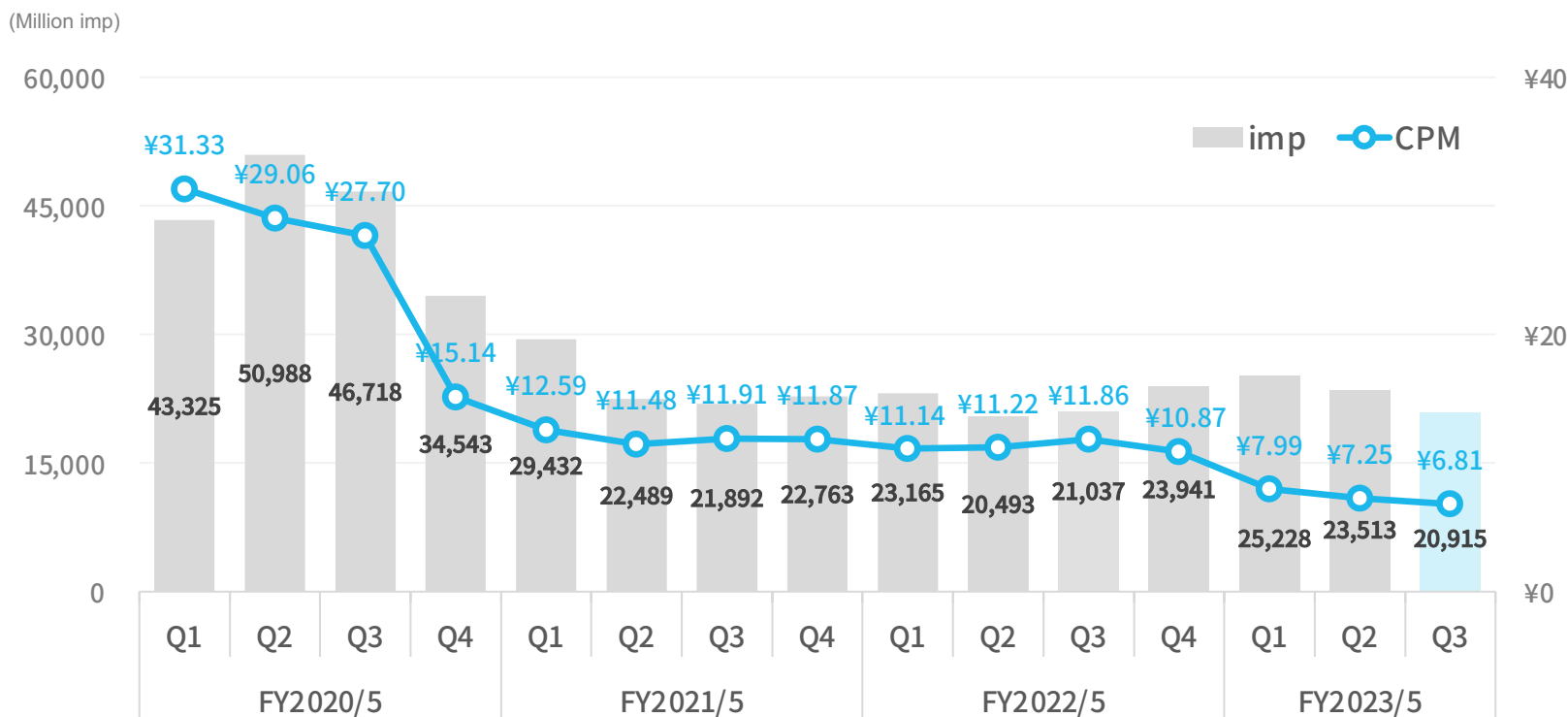
Status of profitability

Profitability per user remained stable



CPMs and number of impressions remained lower. We will continue to pursue business that yields the advertising effectiveness expected by advertisers and strengthen cross-selling with Gunosy Ads.

Number of Impressions and CPM



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

(C) Gunosy Inc. All Rights Reserved.

We expanded our sales channels to retail stores with high gift demand, including Tsutaya, which has 11 stores nationwide. **Increased awareness in offline stores leads to purchases through online sales**, contributing to sales growth.

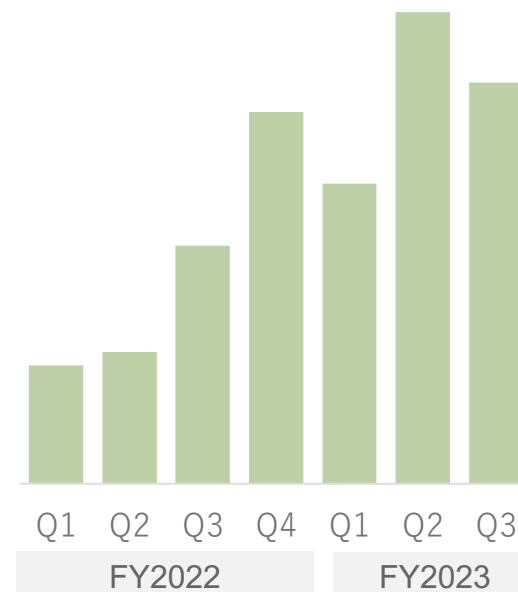
Offline sales

@Tsutaya Bookstore
(January 16th -)



Quarterly sales

Sales are growing



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 February 2023)		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 February 2023, 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 (N&C)** 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**



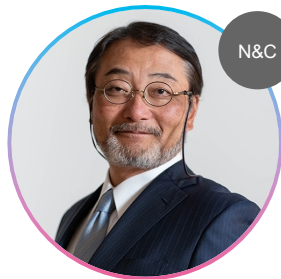
Director

**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

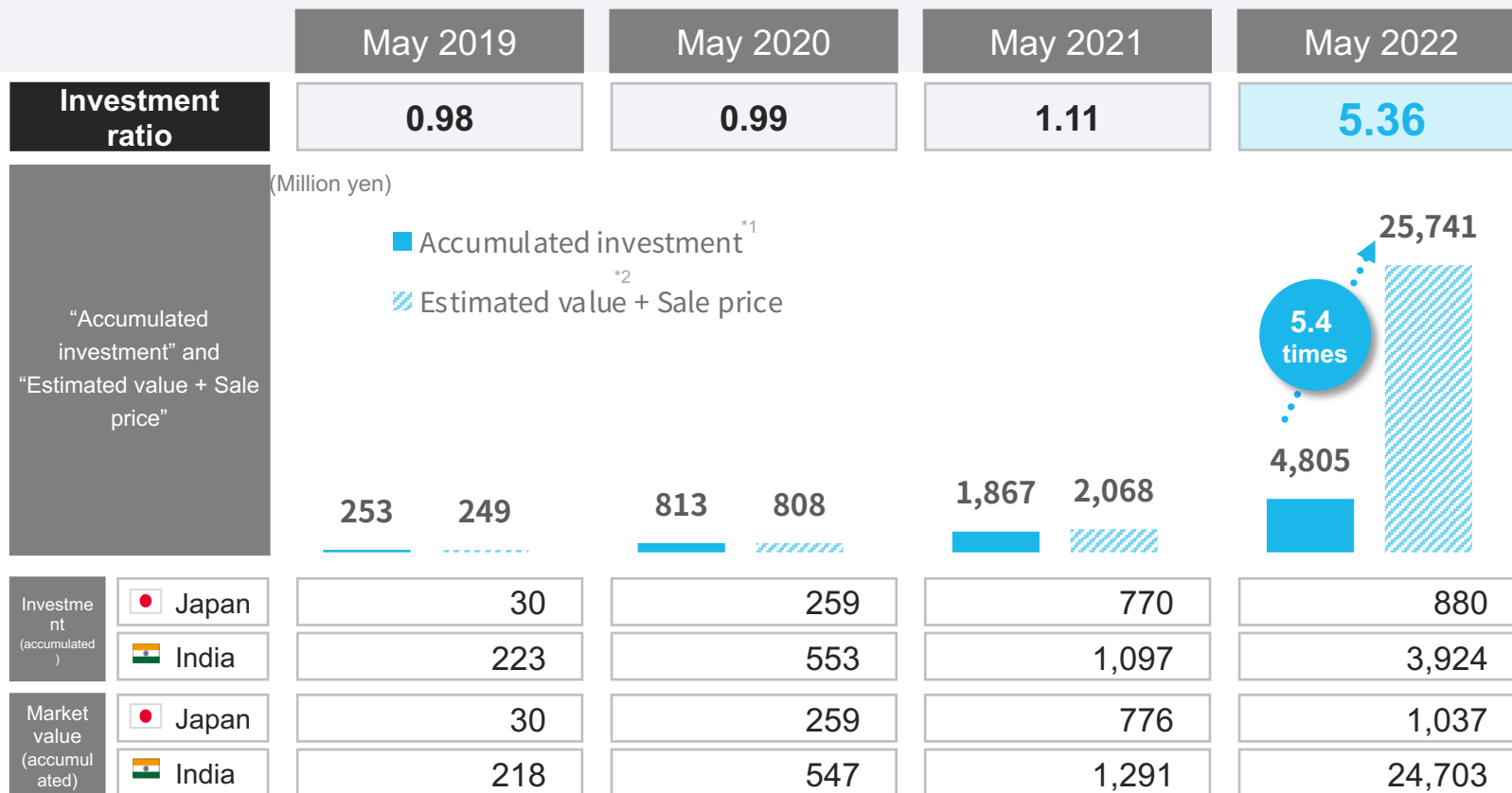
There are as many adversities as there are challenges. However, we believe that it is the adversity that brings us the opportunity for growth. We will not run away from the obstacles in front of us, but rather we will aggressively pursue our business in adversity.

Investment Policy Updates (Reposted from FY2023/5 Financial Results for Q2)

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>Update</p> <ul style="list-style-type: none"> Currently, profitability and retention rates have improved, confirming an improved return on investment. While monitoring KPI trends, aggressively invest in advertising on Gunosy app, aiming to expand the business to a certain scale. 	<ul style="list-style-type: none"> In existing businesses, a certain level of investment in content made in order to gain a stable share of the market. Consider expanding investment at a time when promising new businesses begin to grow in terms of growth potential and return on investment. 	<ul style="list-style-type: none"> Move from concentration in slice to diversified investment. Continue to invest in India to capture growth in the Indian market. Continue to invest selectively in Japanese startups 	<ul style="list-style-type: none"> Invest flexibly in new businesses and M&A while monitoring the resource allocation of the entire group. Promote the creation of new businesses by leveraging our strengths, such as Gunosy's advanced technology and marketing.
Portfolio status	Room for growth	Growth potential raised by improving business structure Mid-high	Raise growth potential through new business development Present: Low-mid → up → Mid-high (Future)	Continue to invest in promising stocks in Japan/India Mid-high	Shift upward by creating new businesses Present: Under development → Create → Mid-high (Future)
	Capital return	Mid-high	Mid-high	Mid-high	Under development → Create → Mid-high
	Investment	Aggressive investment in advertising 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

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