

Q4

Gunosy

FY2023/5 Financial Results

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



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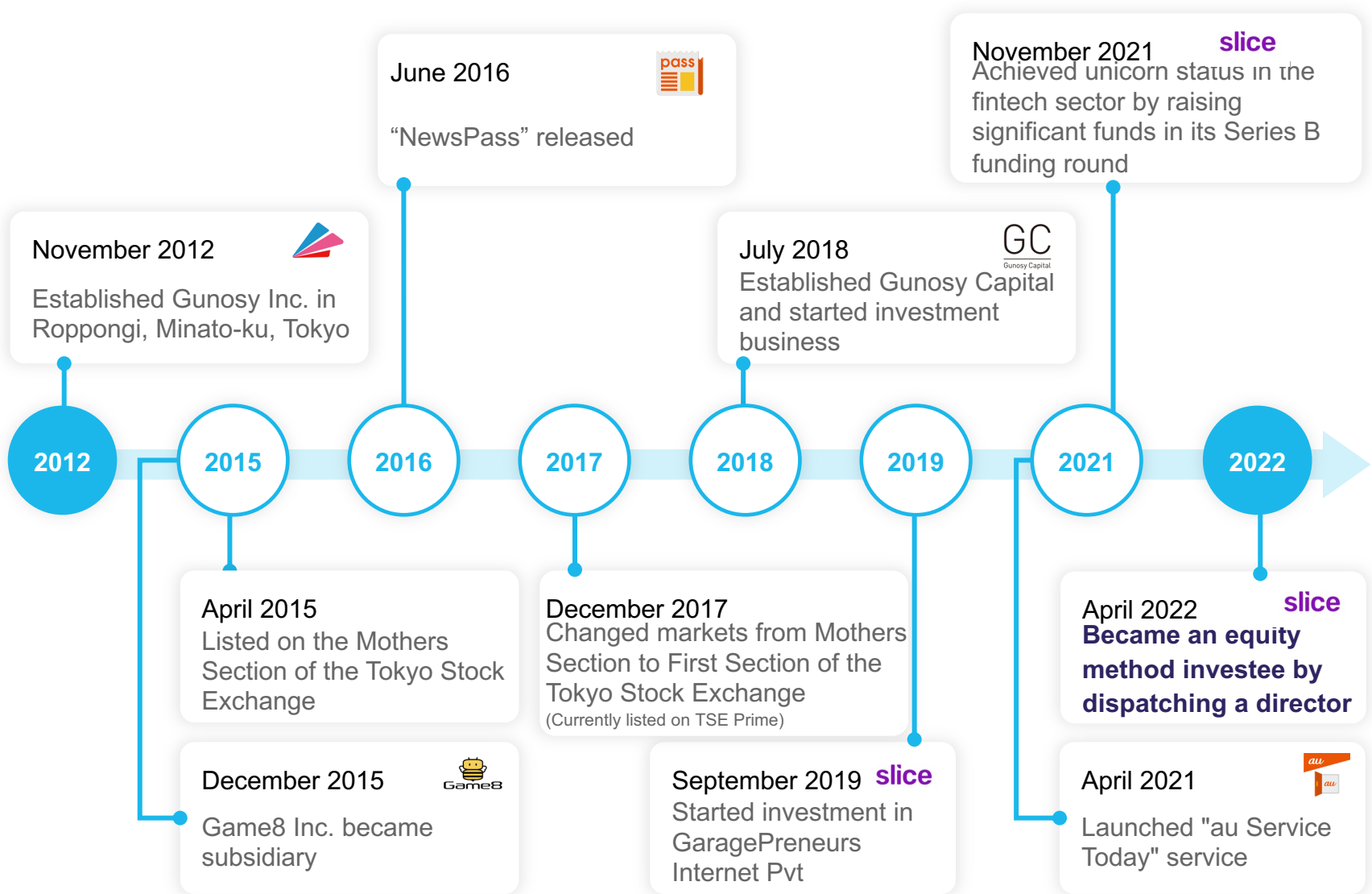
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Company Profile



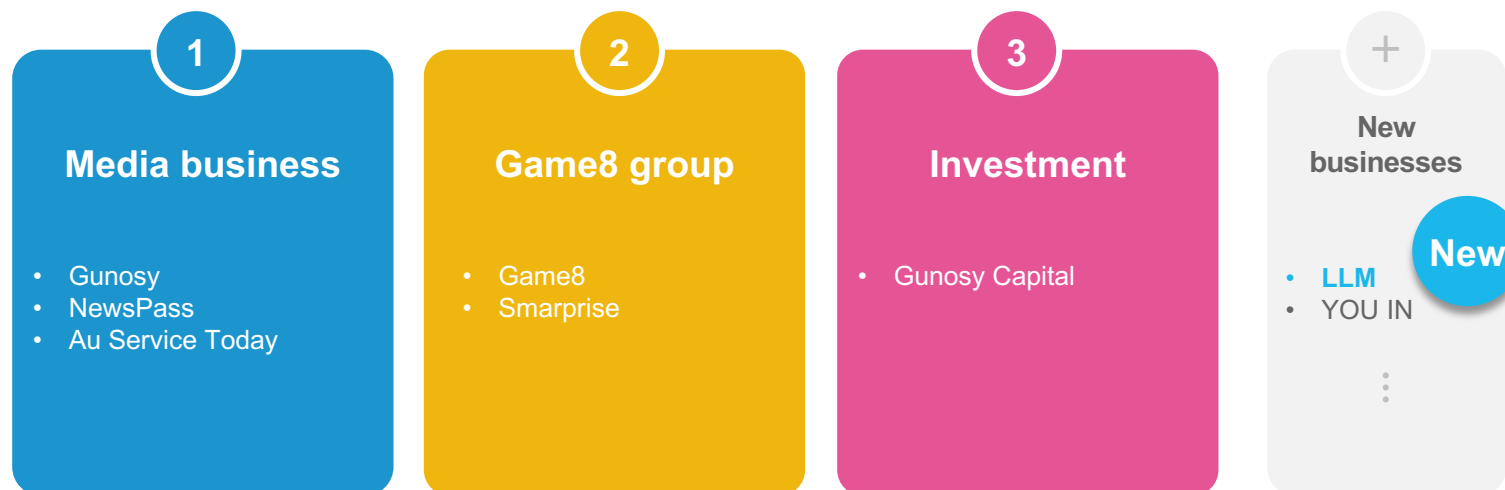



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**Optimally deliver
information to people
around the world**



Gunosy

Medium- to long-term growth driven by three businesses



 **DATA**

- Data accumulated since the inception of the company
- Knowledge of algorithms
- Media and advertising expertise, etc.

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

Aim for group-wide growth with a **market capitalization of 100 billion yen** as a medium- to long-term target



2

Executive Summary

**FY2023/5
Financial
Highlights
(Full Year & Q4)**

Gunosy

Game8

slice

FY2023/5
(full-year)

By company

Summary

Net sales **8,052** million yen vs. forecast **97.6%** YoY **89.5%**

Operating profit **-268** million yen vs. forecast - YoY -

	Gunosy	Game8	Others
Net sales	5,633 million yen	1,666 million yen	751 million yen
Operating profit	-376 million yen	287 million yen	-178 million yen

Investment in Gunosy was implemented as planned and operating profit was **in line with the consolidated financial forecast**.

Product KPIs in Gunosy remained strong throughout the year, with DAUs increasing from the beginning of the year, but net sales fell short of the consolidated forecast, mainly due to weakness in eCPM in Q4.

“slice” is **back on growth track** with new products that comply with RBI guidelines.

Media
business

DAUs increased to 107% QoQ as retention rate of Gunosy app improved

Game8

Business remained strong despite a slowdown in the positive impact of major titles.

Investment

“slice” back on growth track

(Q4) Sales Increase / Decrease

Gunosy app DAUs increased due to product improvement and investment in advertising. On the other hand, S/D for Gunosy Ads as a whole remained weak, resulting in lower sales due to slower than expected eCPM for programmatic advertising and the difficulty in capturing demand for direct media buying.

Details of sales increase/decrease

(Million yen)

	FY2023/5 Q4 result	Difference	
		YoY	QoQ
Gunosy Ads ^{*1}	1,197	-295	-12
ADNW	119	-138	-21
Game8	445	-11	-24
Others	244	51	-51
Total	2,006	-393	-109

Factors behind increase/decrease

Gunosy Ads

- The YoY drop in sales was primarily due to **weaker-than-usual demand for direct media buying during the March advertising demand period**, as well as a **YoY decline in DAUs in NewsPass and au Service Today**.
- Overall Gunosy Ads sales also declined on a quarterly basis, due to weakness in the eCPM of programmatic advertising. However, **investment in advertising for Gunosy is progressing steadily** and DAUs are on an upward trend due to the acquisition of new users and improvement in the retention rate.

ADNW

Despite cross-selling with Gunosy Ads, sales declined both YoY and QoQ due to lower CPM and impressions.

Game8

Business remained strong despite a slowdown in the positive impact of major titles.

Others

Sales continued to grow YoY, driven by strong performance at Smarprise. Sales declined QoQ due to the exclusion of Grill from the scope of consolidation.

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

2

Executive Summary

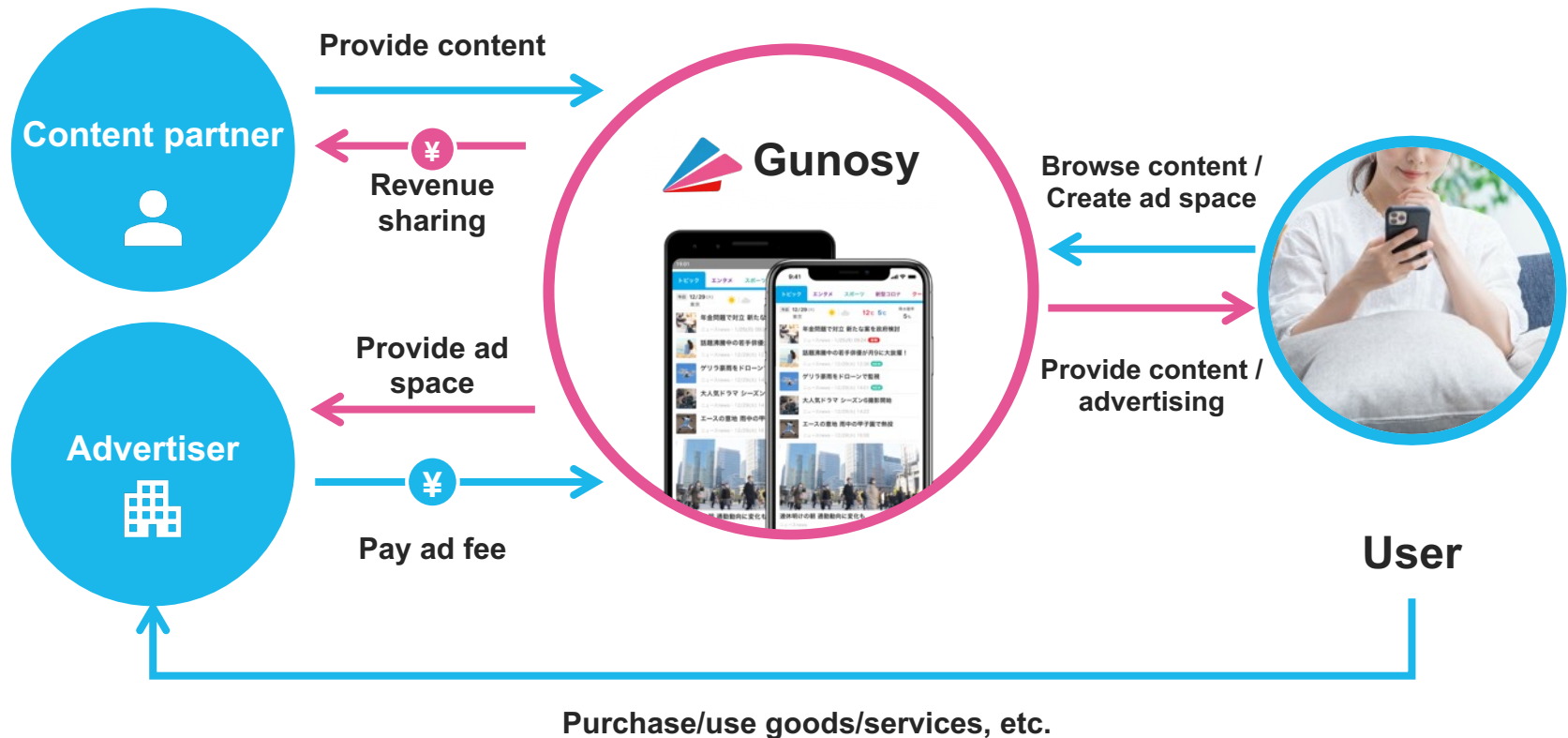
FY2023/5
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Gunosy

Game8

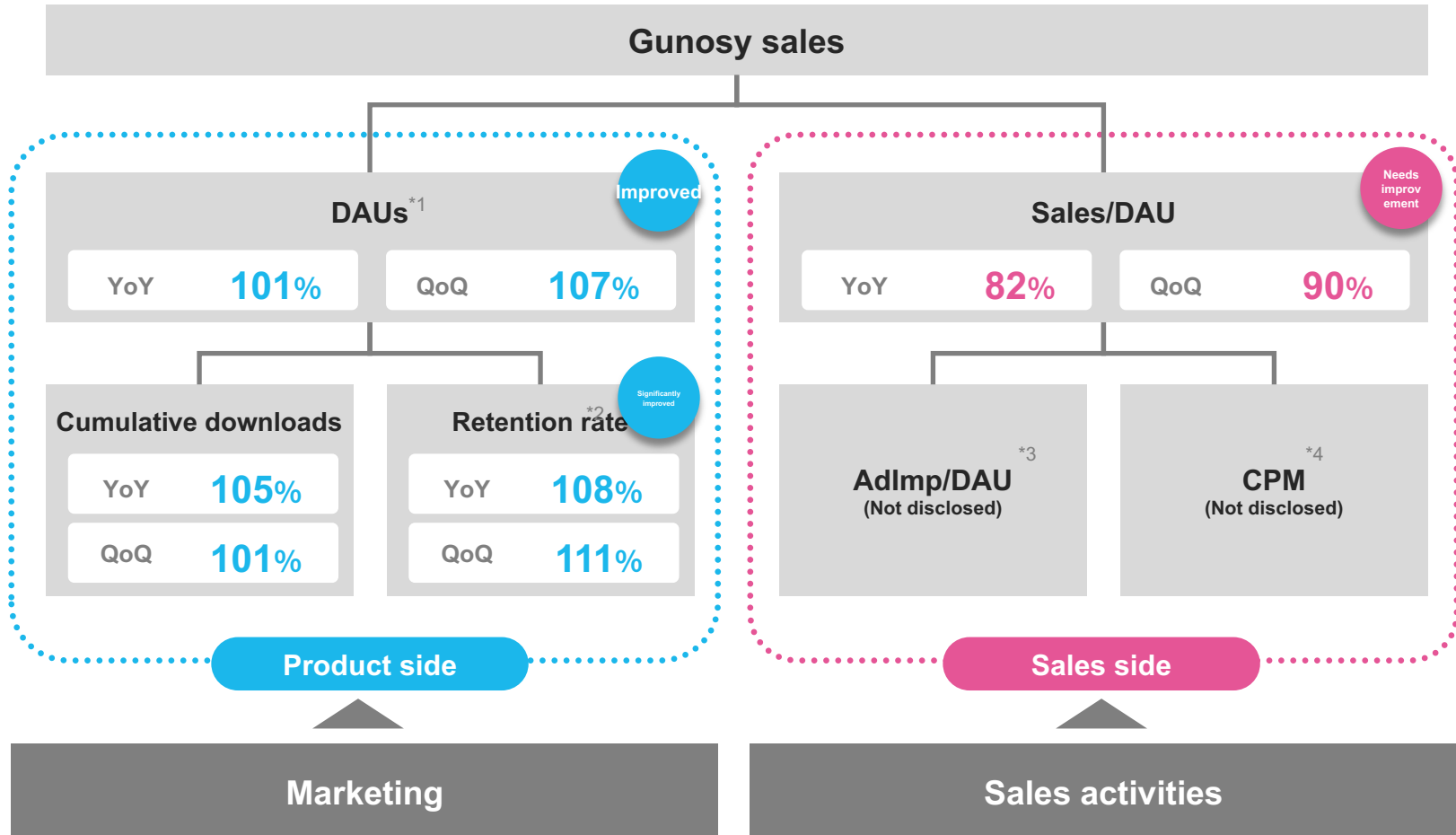
slice

In the Gunosy app, we obtain content from external media (“content partners”) and offer the service to users free of charge. We provide advertising space to advertisers to serve ads to users, and we receive revenue from advertisers.



Progress Summary of Gunosy's Key KPIs

In FY2023/5, we have made **significant progress in improving retention rates**, which we have been working on throughout the year. Advertising investments were executed as planned and **DAUs increased both on a QoQ and YoY basis**. On the other hand, both direct media buying and programmatic advertising struggled and S/D declined YoY and QoQ.



*1: Daily Active Users

*2: The app retention rate refers to the percentage of new users who activate the app after a certain period of time.

*3: Number of ads served per daily active user

*4: Cost Per Mille

DAUs increased QoQ and YoY due to an improved retention rate and the resumption of full advertising investment from Q3. Sales/DAU declined QoQ and YoY, reflecting weak sales activity during the March advertising season and lower eCPM from April

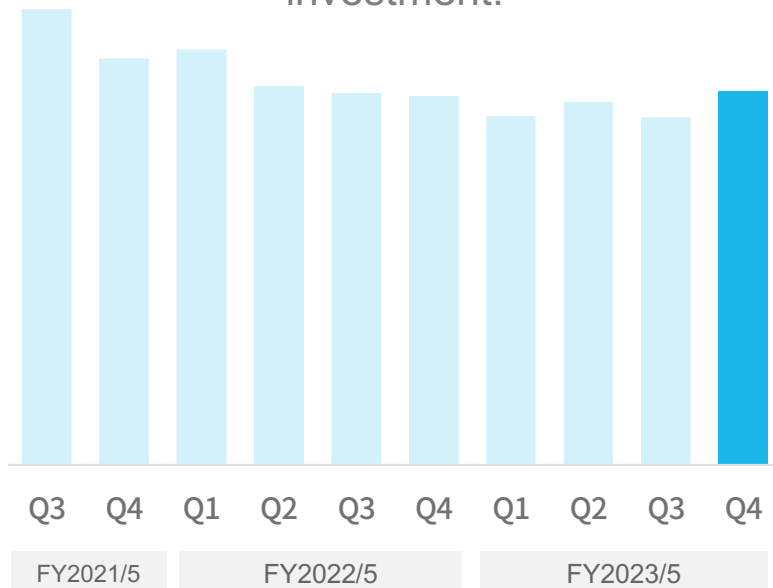
DAU

Product side

YoY **101%**

QoQ **107%**

DAUs increased QoQ due to KPI improvements and increased advertising investment.



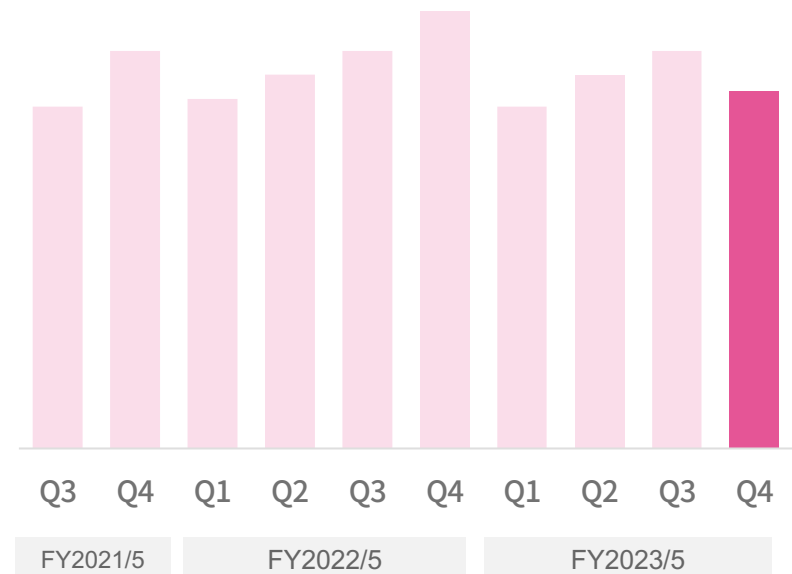
Sales/DAU (profitability per user)

Sales side

YoY **82%**

QoQ **90%**

S/D down due to weaker-than-usual direct media buying sales in March and eCPM weakness since April



Retention rate is improving due to product improvements such as push notifications and article algorithms. **On the product side, we expect to see an improved return on investment in new user acquisition.**

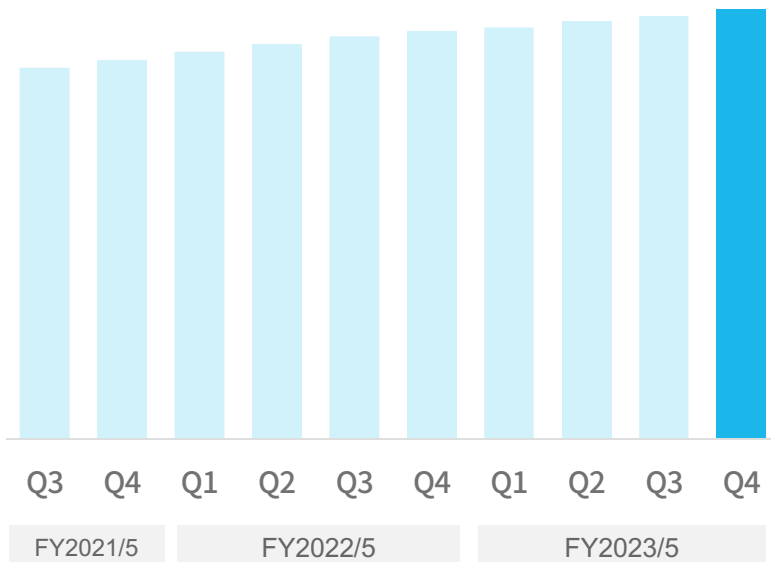
Cumulative downloads

Product side

YoY **105%**

QoQ **101%**

User acquisition costs are on track and we are steadily adding users



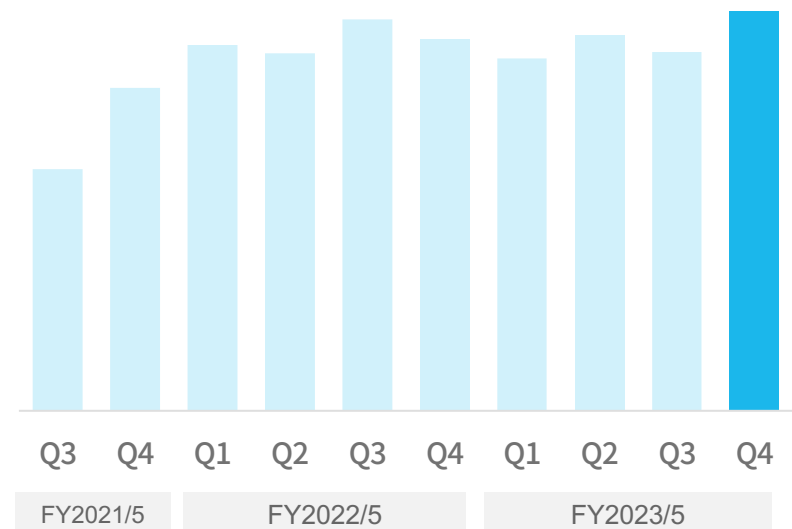
Retention rate

Product side

YoY **108%**

QoQ **111%**

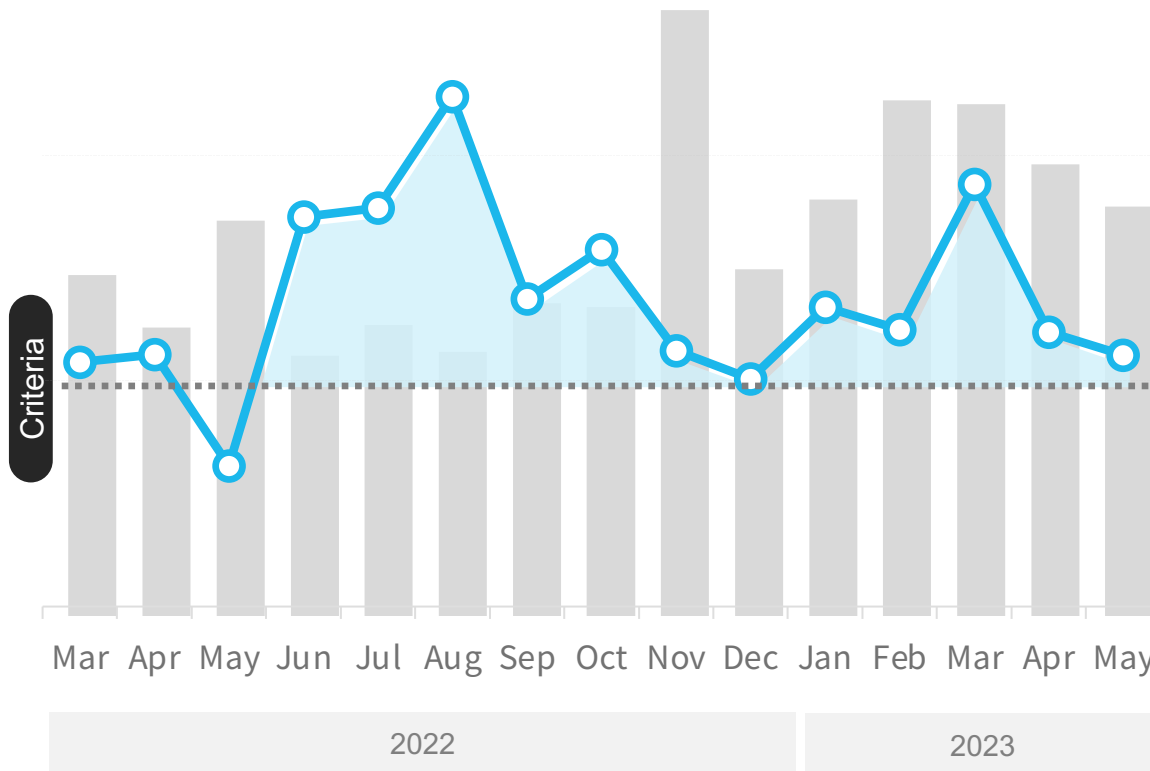
Retention rate improving QoQ and YoY due to product enhancements such as push notifications and article algorithms.



Due to the improved retention rate and strong user acquisition efficiency, **estimated IRR remained above the investment criteria** in Q4, despite S/D decline.

Estimated IRR and advertising expenses

- Advertising expenses (actual)
- Estimated IRR (Three-year IRR estimated from acquisition costs (CPI) and estimated marginal profit per user)



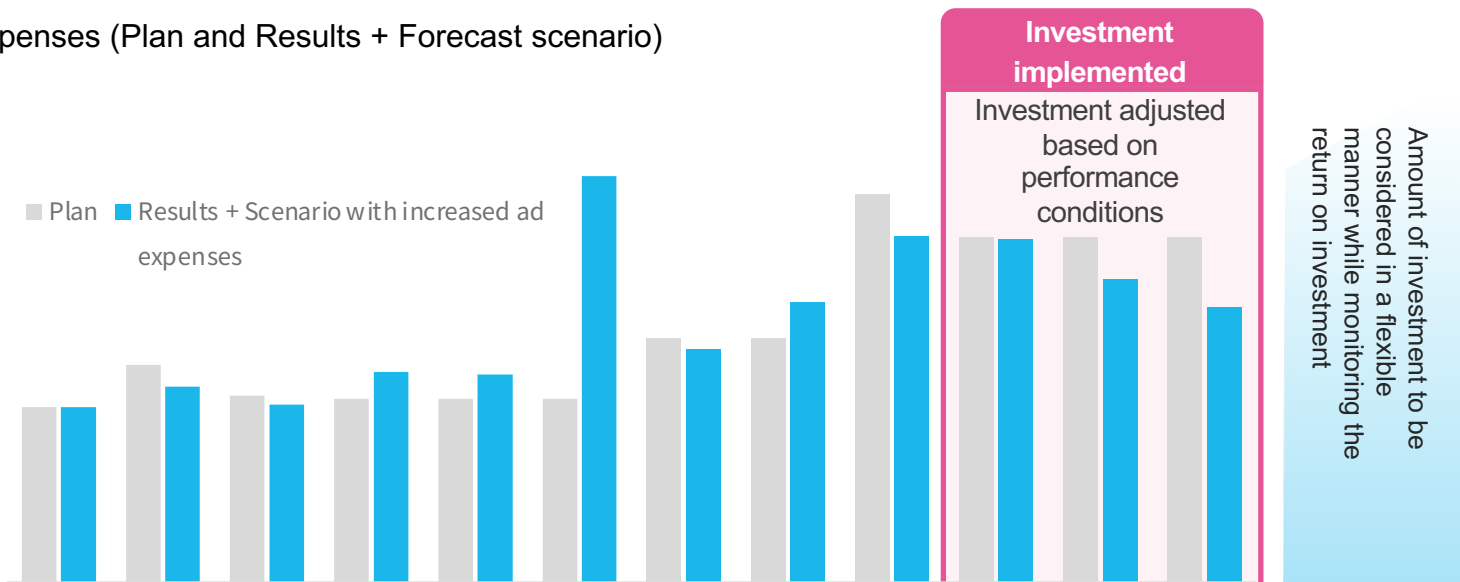
POINT

Despite a decline in S/D, the estimated IRR remained above the investment criteria, supported by the strong performance of the product KPIs.



In Q4, we invested in advertising, taking into account return on investment and other factors. **Although the amount of investment was less than planned, the number of users increased as planned due to a strong retention rate.**

Advertising expenses (Plan and Results + Forecast scenario)



Amount of investment to be considered in a flexible manner while monitoring the 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.						Improved retention rates and successful advertising investments increased ROI and created an environment for user growth.						
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. 370 million yen for the full year (including budget used ahead of schedule)						Policy Continued expansion of user base through advertising investment

Hypothesis of S/D Decline and Status of Improvement Gunosy

The system for monitoring sales-related KPIs was inadequate, resulting in delays in detecting a decline in the number of new contracts acquired. As a result, the number of advertising contracts declined, leading to a drop in S/D. We will focus on acquiring new deals after reorganizing monitoring system for sales-related KPIs. Following the reorganization of the KPI monitoring system in sales, we will focus on winning new contracts. We expect the number of advertising contracts to recover by the end of July and S/D to return to pre-decline levels from August.

Number of ad serving deals

Inadequate sales KPI monitoring system resulted in delayed detection of declining new business acquisition volume and product ID declines.

By increasing our sales efforts to acquire new contracts, we have been able to secure a backlog of orders that will be executed prior to the expected upturn in S/D. The assumed level required for S/D recovery is expected to be achieved by the end of July, with sequential ad deliveries by the end of July.

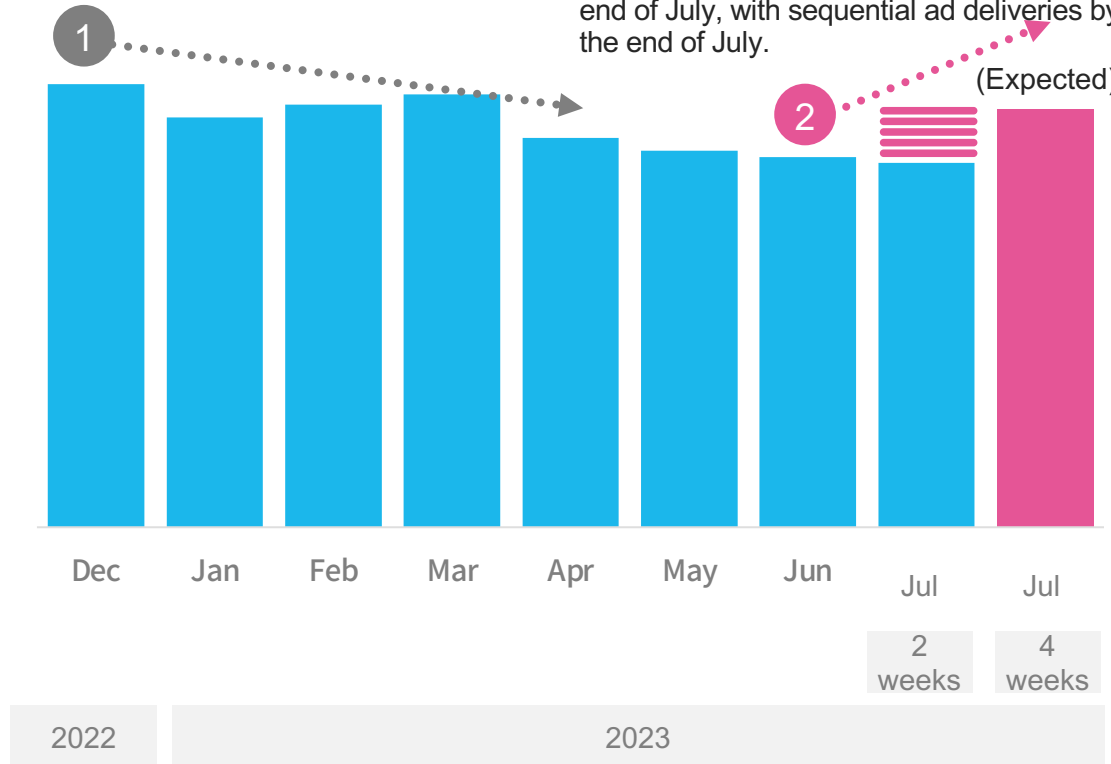
Causes of S/D decline

Inadequacies in the sales KPI monitoring system caused delays in detecting a decline in new contracts. As a result, the number of ad serving projects decreased and S/D fell short of expectations.

Actions for improvement

- Re-establish sales KPIs and monitoring system
- Maximize activities to win new business
- Improve the quality of customer success from order to delivery

S/D is expected to return to pre-decline levels beginning in August as the number of contracts recovers.



Gunosy's retention rate has improved and **its product potential has expanded**. Although S/D is currently below plan, we expect this to be a short-term issue that can be resolved by strengthening the sales operations. We continue to view Gunosy as an important growth driver and will **continue to invest in advertising in the next fiscal year, aiming to achieve both consolidated and non-consolidated operating profits in FY2025/5**.

Excellent

Needs
improvement

Product

KPIs such as DAUs and retention rates remain strong

Sales

Sales/DAU are currently weaker than planned.

Opportunity

Product-related KPIs are strong, and growth is expected to come from a steady increase in the user base due to advertising investment.

Risk

S/D are currently slow, but are expected to improve as the sales force is strengthened.

- While there are some short-term challenges to S/D, profitability among new users is high and the estimated IRR of new investments remains above the investment criteria. Accordingly, we continue to view Gunosy app as an important growth driver.
- In FY2024/5, we plan to resolve short-term operational issues and continue to invest in advertising to the extent that our estimated IRR exceeds our investment criteria. **We will grow sales to a level that will allow us to achieve consolidated and non-consolidated operating profitability in FY2025/5.**

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Executive Summary

FY2023/5
Financial
Highlights
(Full Year & Q4)

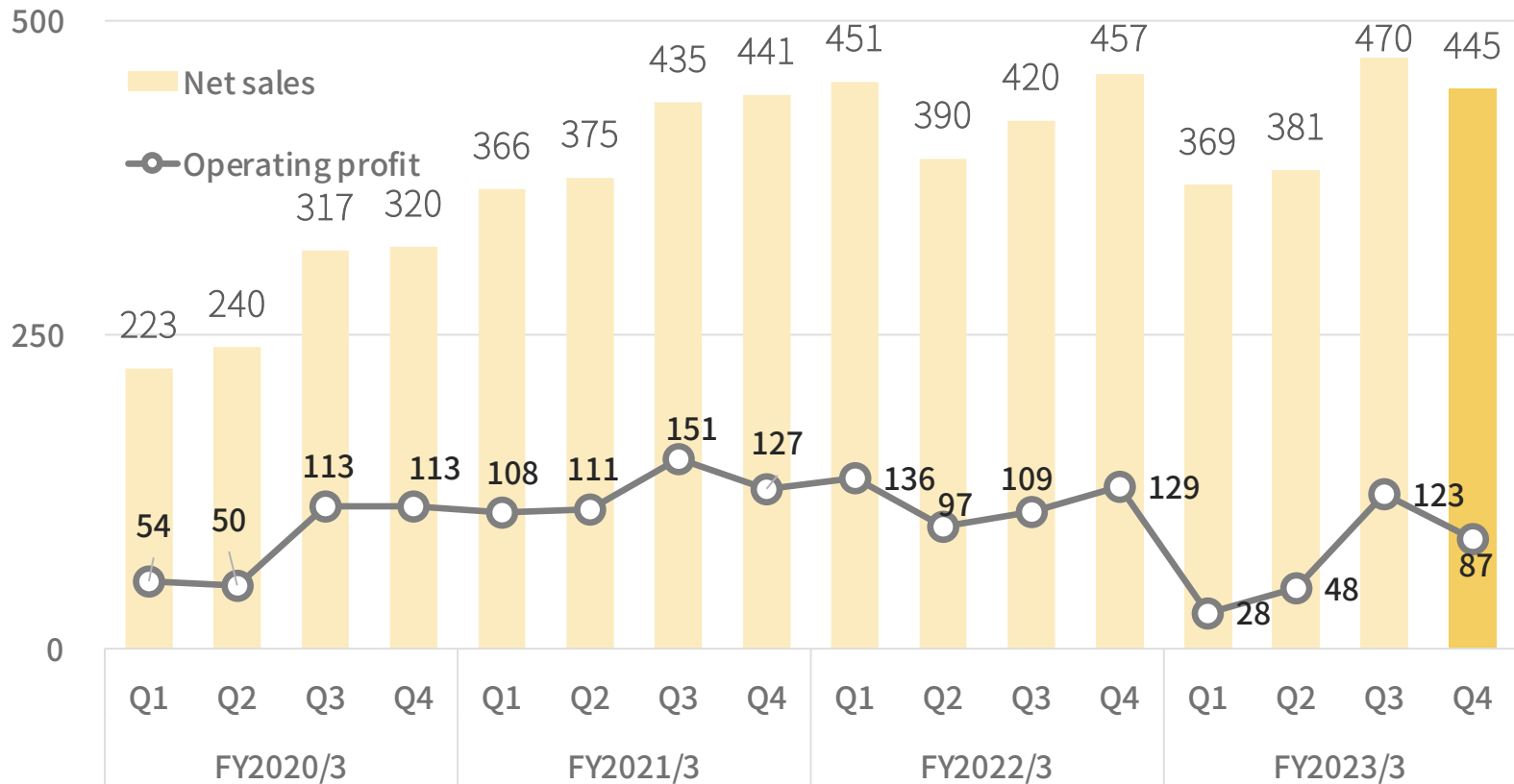
Gunosy

Game8

slice

As expected, the positive impact of the major titles launched in 3Q subsided to some extent, but profits remained at a high level and **made a significant contribution as a pillar to the Group's overall profit** for the full year. We will continue to **operate existing businesses in a stable manner while investing to create new business pillars.**

(Million yen)



* Nonconsolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included.
 FY2023 Q4 results are for the period from January to March 2023 due to a gap with the parent company's consolidated accounting period.

2

Executive Summary

FY2023/5
Financial
Highlights
(Full Year & Q4)

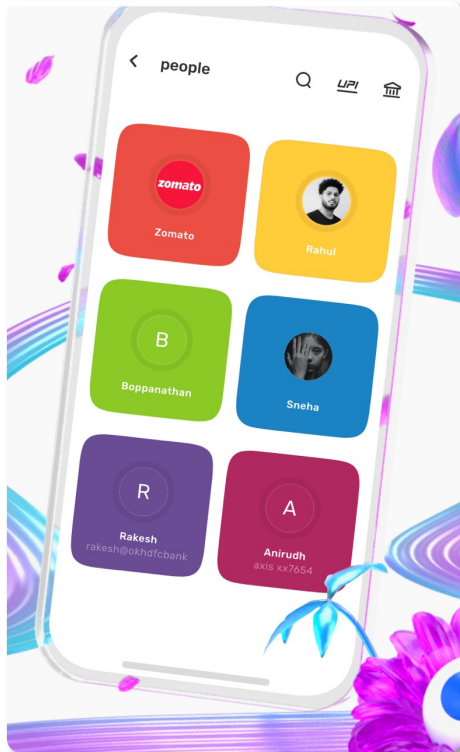
Gunosy

Game8

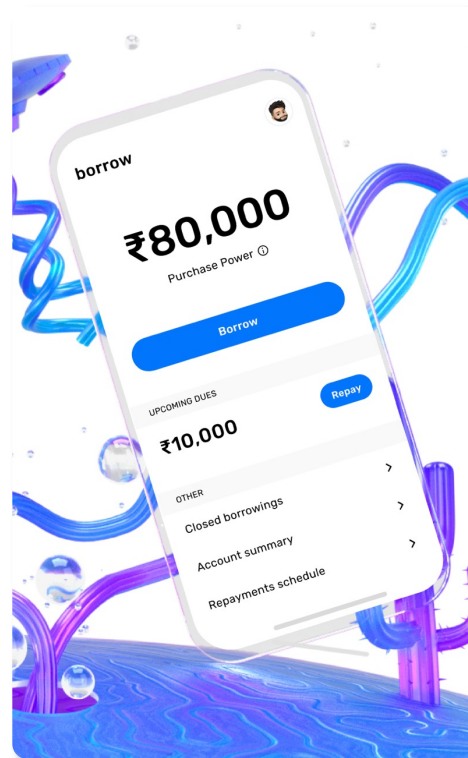
slice

"slice" provides a financial platform that allows easy borrowing and flexible repayment for the Indian market.

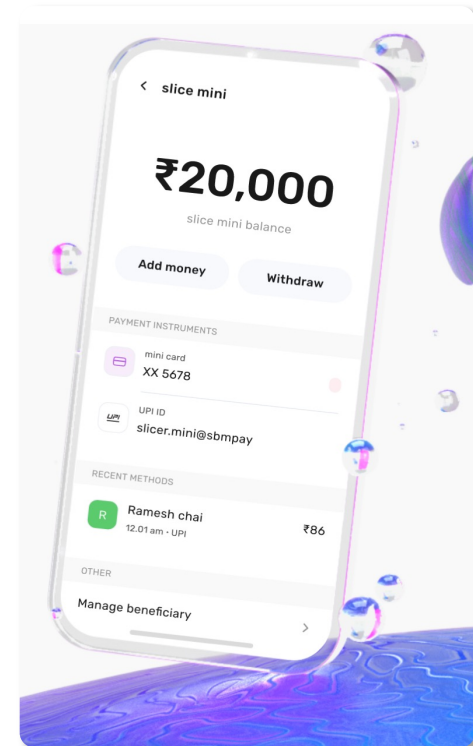
slice UPI



slice borrow



slice mini



Since our initial investment in September 2019, we have made multiple investments to provide maximum support for slice's business expansion.

- **2015** Jun GaragePreneurs Internet Pvt Ltd., which operates "slice" established
- **2019** Sept Initial investment
- **2020** Jun Second investment
- **2021** Jun Third investment (approx. 15 million USD)
- **2021** Nov "slice" achieved unicorn status by raising significant funds in its Series B funding round
- **2022** Feb **4th investment (approx. 10 million USD)**
- **2022** Apr **Became an equity method investee of Gunosy by dispatching a director**
- **2022** Jun "slice" raised approx. \$50 million in its Series B1 round
- **2022** Sep Digital Lending Guidelines issued by RBI ^{*1}
- **2022** Dec New products released in compliance with Digital Lending Guidelines (December 1-)

Percentage of ownership by the Gunosy Group

approx. **17%**

Enterprise value exceeds **\$1.5 billion** in Series B1 round

Became our affiliate
Our CIO was dispatched as
a director.



Director and Chief
Investment Officer (CIO)

Yuki Maniwa

Strengthening the collaboration between the two companies, "slice" became an equity-method investee of the Gunosy Group.

*1: For more information on regulations governing personal credit, see:

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/GUIDELINESDIGITALLENDINGD5C35A71D8124A0E92AEB940A7D25BB3.PDF>

Status of Compliance with Digital Lending Guidelines Gunosy^{*1}

To comply with the Digital Lending Guidelines issued by the Reserve Bank of India (RBI), changes to the product experience were required by the end of November 2022, and the new product release was completed within the deadline.

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

^{*1}: For more information on regulations governing personal credit, see:
<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/GUIDELINESDIGITALLENDINGD5C35A71D8124A0E92AEB940A7D25BB3.PDF>

"slice" entered a period of re-growth after the completion of the product release that complied with the Digital Lending Guidelines. Since the product relaunch, "slice" has been cautiously extending credit to creditworthy users and has achieved organic growth with very low marketing costs.

AUM

■ AUM (outstanding loan balance)

Focus on growth while controlling risks

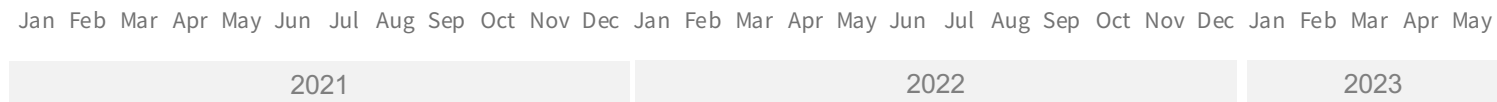
Product transition period

AUM recorded a temporary decline following the product relaunch in December.

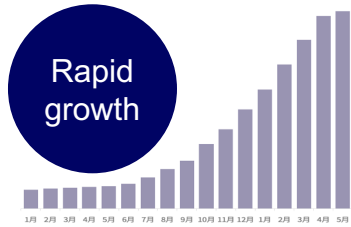
Then turned to growth in January.

Organic growth achieved

Regrowth phase

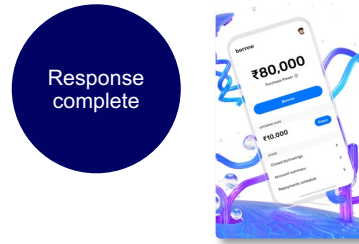


- June 2022 Accelerated growth



“slice” has experienced explosive growth by tapping into the need for deferred payments and credit cards in the Indian market, and is now one of India's leading fintech unicorns.

- Nov 2022 Response to RBI Regulations



Temporary decrease in AUM due to compliance with the Digital Lending Guidelines

- Dec 2022 Regrowth

Following the product relaunch, monthly losses have been significantly reduced and this trend is expected to continue.

Entering a phase of stable value growth through organic growth

Although growth has temporarily slowed in the current period due to the regulatory response, the growth potential remains extremely high.

Assessment of growth potential

- India is expected to continue to experience significant economic growth
- Financial needs such as deferred payments and credit cards remain extremely high
- Strong support from youth, the volume segment of the population

Our stance

We will continue to work closely with “slice” to help them realize their full growth potential as they seek to grow in the new regulatory environment.

3

Financial Results for FY2023/5



FY2023/5 Consolidated Results for Q4

As for net sales in FY2023, Gunosy's DAUs grew steadily from the beginning of the year, but sales declined year-over-year due to the sluggish performance of ADNW as well as the weaker-than-usual performance of direct media buying. In addition to the decline in sales, an operating loss was recorded in advance due to advertising investments for Gunosy's re-growth.

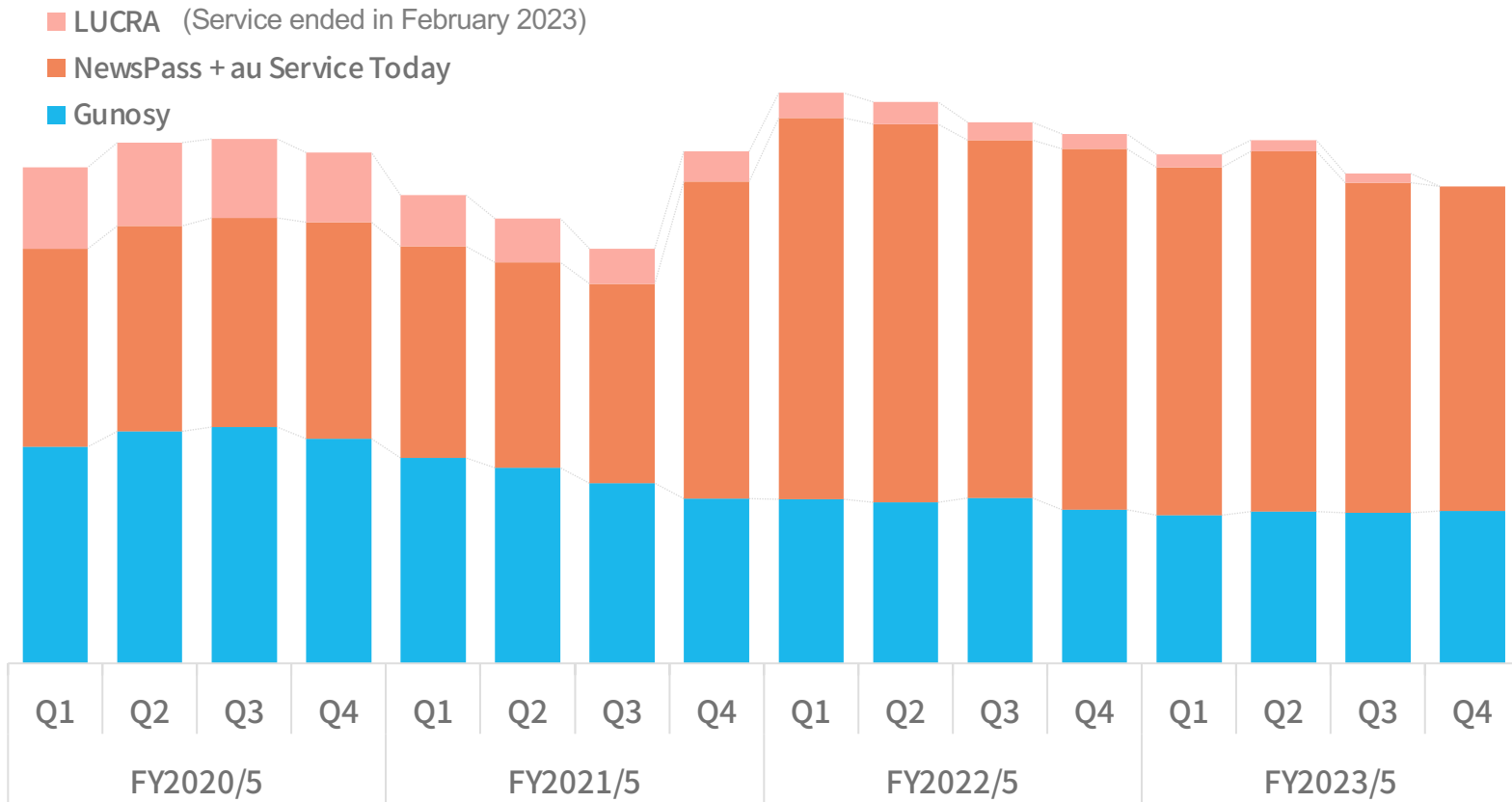
(Million yen)

	FY2023/5 Q4	QoQ comparison		FY2023/5 Full-year	YoY comparison	
		FY2023/5 Q3	QoQ		FY2022/5 Full-year	YoY
Net sales	2,006	2,116	94.8%	8,052	8,998	89.5%
Operating profit	-112	6	-	-268	412	-
Operating margin	-	0.3%	-	-	4.6%	-
Ordinary profit	① -472	-304	-	-1,705	191	-
Profit attributable to owners of parent	② -657	-332	-	-1,150	130	-

- ① Share of loss of entities accounted for using equity method: A loss of 373 million yen was recorded upon finalizing the accounting treatment of the PPA (purchase price allocation) related to "slice", which had been pending, and the recognition of profit/loss. Of this amount, 85 million yen was temporarily recorded upon the finalization of the PPA.
- ②
 - Loss on valuation of investment securities: A loss on valuation of investment securities of 111 million yen was recorded on two issues held solely for investment purposes, taking into account their individual financial conditions.
 - Impairment of non-current assets: Based on the medium- to long-term plan, which takes into account the loss incurred upfront from the advertising investment in Gunosy, and after review in accordance with the "Accounting Standard for Impairment of Non-Current Assets," an impairment loss of 65 million yen was recorded for non-current assets.

Total Number of Active Users* (MAUs)

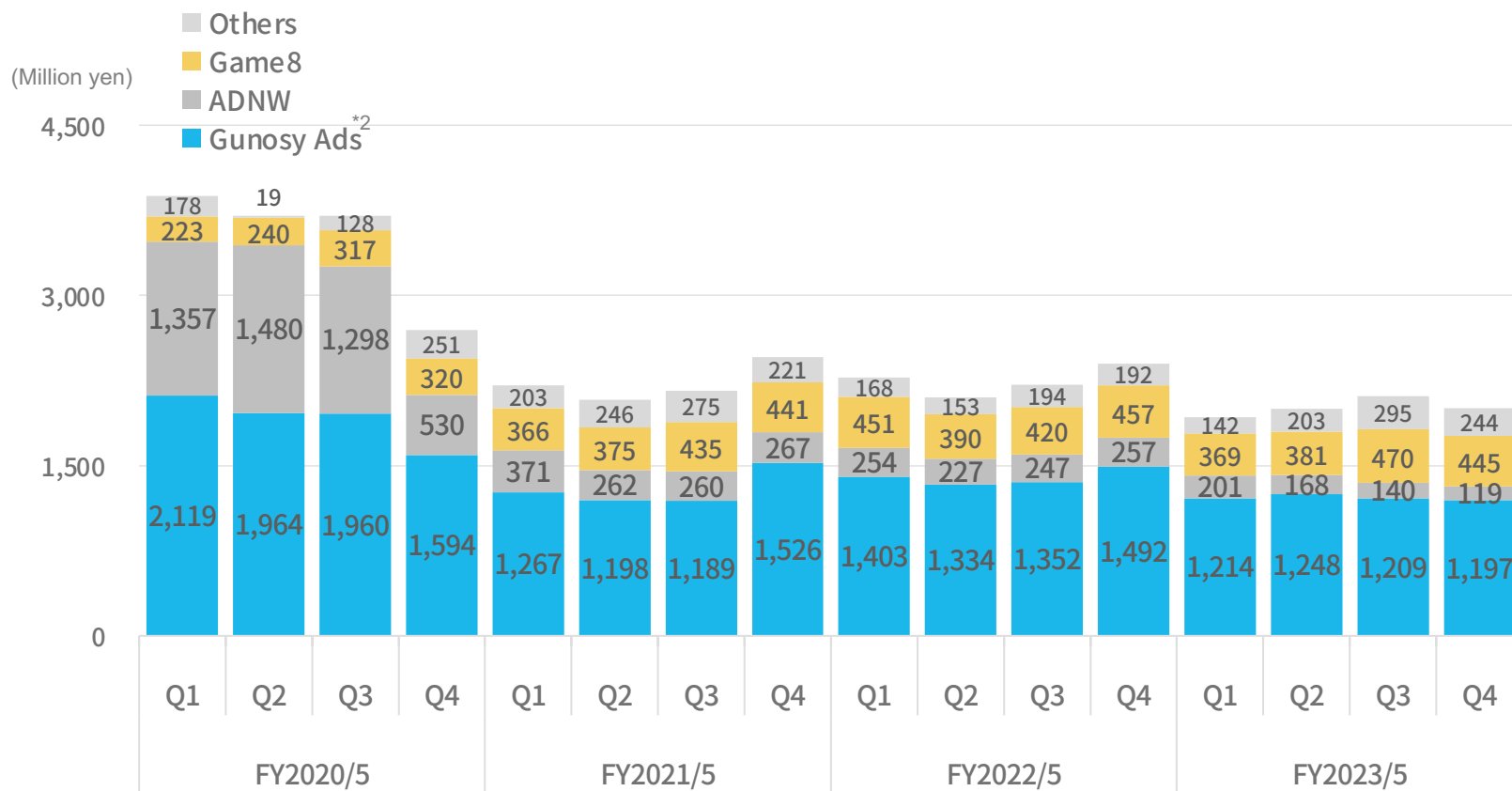
Due to the successful advertising investments in Gunosy, MAUs bottomed out and turned into an expansionary trend throughout the period.



Breakdown of Net Sales ^{*1}

Overall, net sales remained stable compared to the previous quarter, supported by strong product KPIs.

On a YoY basis, however, sales declined due to sluggish growth in Gunosy Ads, mainly driven by weak uptake in direct media buying demand, in addition to poor performance in ADNW. Our challenge going forward is to strengthen sales operations and achieve stable sales growth in line with the growth in product KPIs.

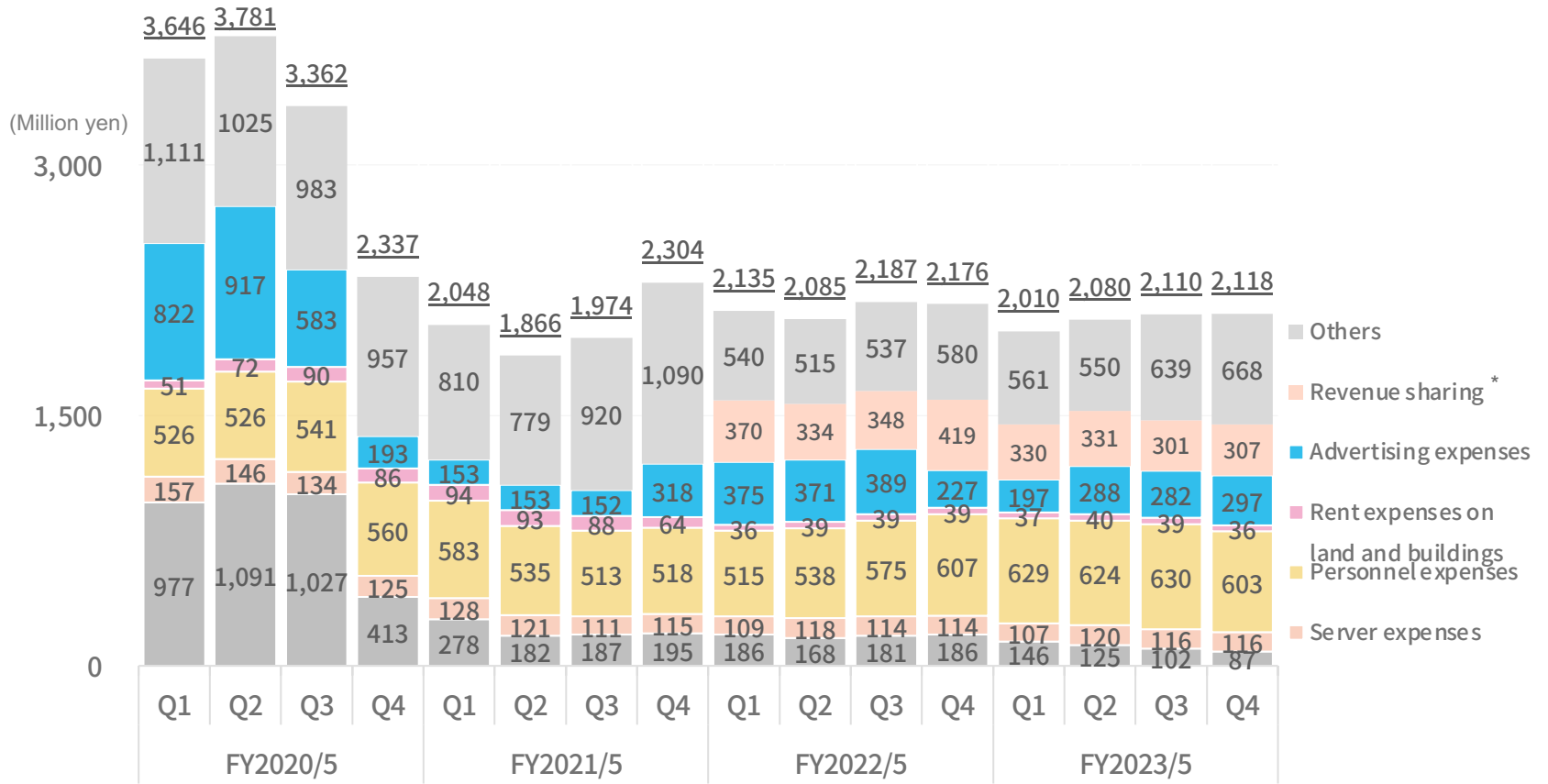


*1: Sales of Gunosy Ads, ADNW and Game8 are presented on a nonconsolidated basis. Internal trade adjustments are included in Others

*2: Sales of Gunosy Ads are the total of "Gunosy", "NewsPass", "au Service Today" and "LUCRA" (Service ended in February 2023).

Cost Structure

Costs continued to be tightly controlled. Personnel costs decreased sequentially. Other costs increased due to one-off expenses such as PPA costs related to slice and recruitment costs.



* "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.

4

FY2024/5 Outlook And Policy



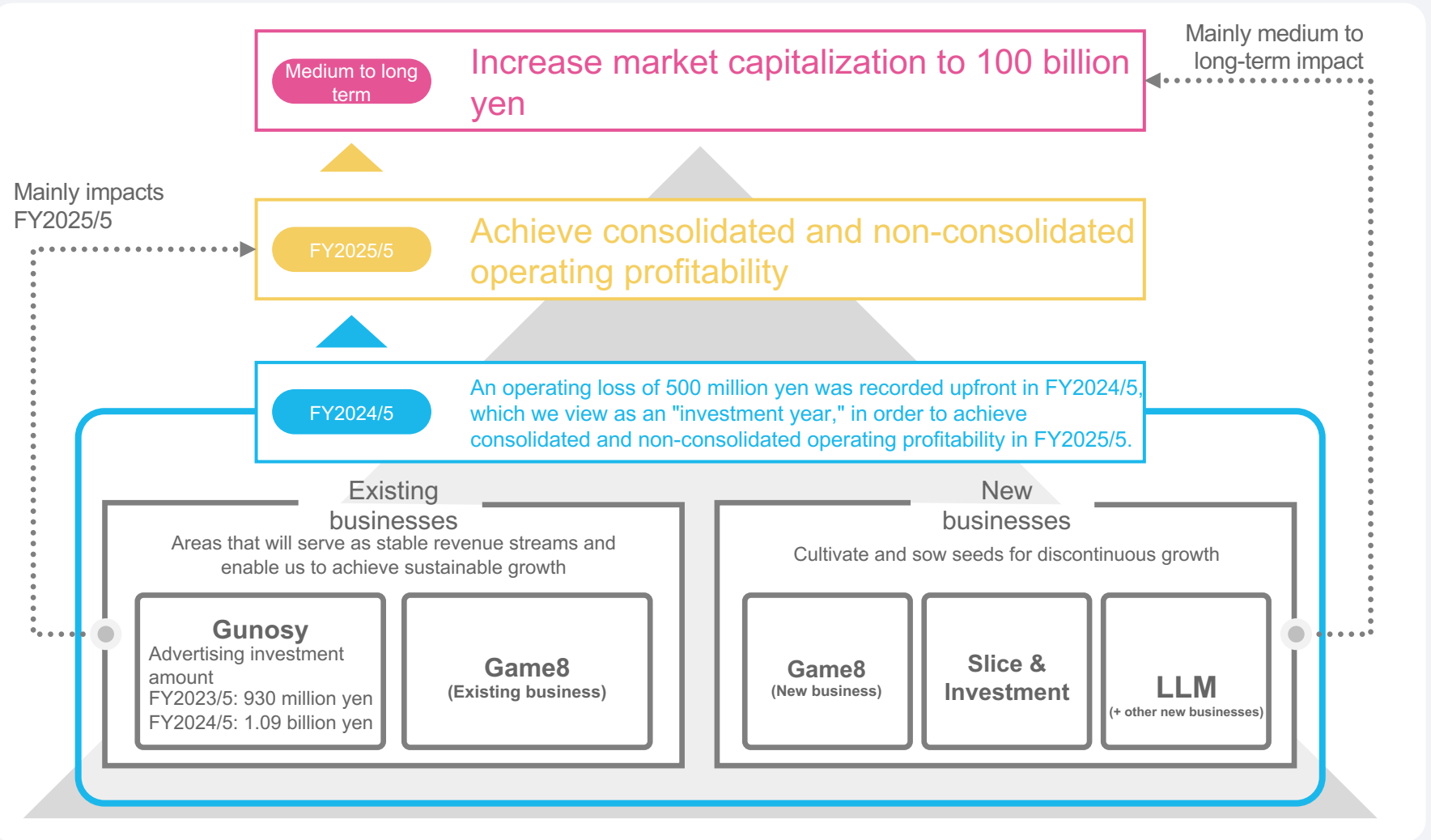
Business / Investment Policy Updates

In the existing businesses, **the growth of the Gunosy app and the Game8 business in particular will be key to strengthening profit generation in the short to medium term. We continue to value "slice" as a medium to long-term growth driver**, while being mindful of risk management in terms of the consolidated balance sheet. On the new business front, new developments from **LLM** and Game8 Group are very promising.

		Growth opportunities	Business issues	Business policy/Investment policy
Existing business	Gunosy	Improved retention rates and high profitability from new users	<ul style="list-style-type: none"> Stabilize revenue-related KPIs with focus on strengthening advertising sales operations Continue to improve product KPIs for dramatic growth 	<ul style="list-style-type: none"> Subject to the strengthening of our operational structure and the increased solidity of our business plan, we will continue advertising investments until we reach a sales scale that allows us to achieve sufficient capital efficiency as Gunosy Inc. (We aim to achieve consolidated and non-consolidated operating profitability in FY2025/5.)
	Game8 (game walkthrough media)	Higher cost per media unit	<ul style="list-style-type: none"> Improve productivity of articles 	<ul style="list-style-type: none"> Invest in areas where existing media strength and customer base can be leveraged and actively consider M&A opportunities, leveraging Game8's own strong financial base.
	NewsPass / au Service Today	Provide more value to au users	<ul style="list-style-type: none"> Achieve stable sales growth even in the face of declining DAUs for NewsPass without new user acquisition 	<ul style="list-style-type: none"> Continue to work with KDDI to invest a certain level in the areas of development and promotion to improve the product.
New business	slice	Strong demand for deferred payments, credit cards and digital payments in the Indian market	<ul style="list-style-type: none"> Concentration of exposure in overall consolidated B/S 	<ul style="list-style-type: none"> Close asset management to support the realization of slice's extremely high growth potential and to implement a strict risk management approach to the concentration of exposures within the consolidated B/S.
	LLM	Social implementation of new solutions based on innovative technologies	<ul style="list-style-type: none"> Commercialize our core technology, Gunosy AI (tentative name) 	<ul style="list-style-type: none"> Establish a framework that enables rapid trial and error for social implementation in order to accumulate knowledge and evaluate business feasibility. Initially, we plan to start with a minimum investment of less than 100 million yen per year.
	Other new businesses	New business development in Game8, new initiatives such as "YOU IN", "colleize", etc.	<ul style="list-style-type: none"> Refine the business to investment grade status where there is a rationale for the investment. 	<ul style="list-style-type: none"> Make individual investment decisions based on future growth potential, capital efficiency, risk, and other factors while monitoring business progress.

Policy for FY2024/5: Overall Summary

Aiming to **achieve consolidated and non-consolidated operating profitability in FY2025/5**, FY2024/5 will be **a year of investment**. We will continue to invest in advertising for Gunosy app, aiming for a revenue scale that will allow the company to be profitable on a non-consolidated basis, while continuing to invest in new businesses such as LLM and Game8, and continuing to manage the assets of "slice" closely in the medium to long term.



Operating Profit Trends

In FY2024/5, we will work to improve sales and gross profit by making upfront investments in the Gunosy app, and to improve operating margin by strengthening productivity throughout the organization, in order to achieve consolidated and non-consolidated operating profitability in FY2025/5. Furthermore, we will achieve growth toward a market capitalization of 100 billion yen by using new businesses as growth drivers.



Sales Forecast by Business

The Gunosy app is expected to achieve **sales growth of over 10%** due to upfront investments, and Game8 is also expected to achieve stable growth. Although overall sales will decline due to the underperformance of some businesses, we expect to maintain gross profit levels by improving gross profit margins through an increase in the sales ratio of the Gunosy app and other factors.

(Million yen)

	FY2023/5 (result)	FY2024/5 (plan)	Difference	
			Increase/ Decrease	Percentage change
Gunosy Ads ^{*1}	4,869	4,592	-277	-5.7%
ADNW	629	369	-260	-41.4%
Game8	1,666	1,855	189	11.4%
Others	886	1,063	177	20.5%
Total	8,052	7,880	-172	-2.1%
Gross profit (Gross profit margin)	3,106 (38.6%)	3,098 (39.3%)	-8	-0.3%

Factors behind increase/decrease

Gunosy Ads

Although the Gunosy app is expected to grow both sales and gross profit by more than 10% YoY, sales are expected to decline YoY due to lower News Pass DAUs

ADNW

Switch to operating with a minimum workforce as the business environment is expected to remain challenging.

Game8

Plan to expand primarily through existing game walkthrough media business.

Gross profit

Maintain gross profit level despite YoY sales decline through improved gross profit margins

*1: Sales of Gunosy Ads are the total of "Gunosy", "NewsPass", "au Service Today" and "LUCRA" (Service ended in February 2023).

FY 2024/5 Full-Year Outlook (Consolidated)

As for ordinary profit, we plan to record a non-cash loss due to share of profit/loss of entities accounted for using equity method related to “slice”.

With the re-growth of AUM, the above profit/loss is expected to improve significantly YoY.

(Million yen)

	FY2023/5 full-year (result)	FY2024/5 full-year (plan)	YoY
Net sales	8,052	7,880	97.9%
Operating profit	-268	-500	-
Operating margin	-	-	-
Ordinary profit	-1,705	-999	-
Profit attributable to owners of parent	-1,150	-1,070	-

FY 2024/5 Full-Year Outlook (Consolidated – 1H and 2H)

Net sales and profit/loss in each category are expected to improve in the second half of the fiscal year. **In particular, ordinary profit and profit/loss are expected to improve significantly in the second half** compared with the first half, mainly due to the **continued improvement in slice's loss**.

(Million yen)

	FY2024/5 full-year (forecast for 1H)	FY2024/5 full-year (forecast for 2H)	Difference
Net sales	3,841	4,038	196
Operating profit	-351	-148	203
Operating margin	-	-	-
Ordinary profit	-823	-175	648
Profit attributable to owners of parent	-871	-198	673

Balance Sheet Status

A strong financial foundation is in place and **sufficient cash and deposits are maintained to allow for flexible investment**. Existing investments are **primarily in slice and are expected to generate high returns**. While strengthening the ability to generate short-term cash flow, mainly through growth investments in Gunosy, there is also sufficient capacity for medium to long-term growth investments, including new businesses such as LLM and M&A.

Balance sheet as of the end of FY2023/5

Cash and cash equivalents management policy

- **Non-consolidated loss of 500-600 million yen expected to be recorded upfront in FY2024/5 due to advertising investment in Gunosy**
 → **Sales growth rate of over 10% is planned.**

- The rest will be pooled for stable working capital, investment in new business (LLM, etc.), promotion of investment business, and provision for flexible M&A.

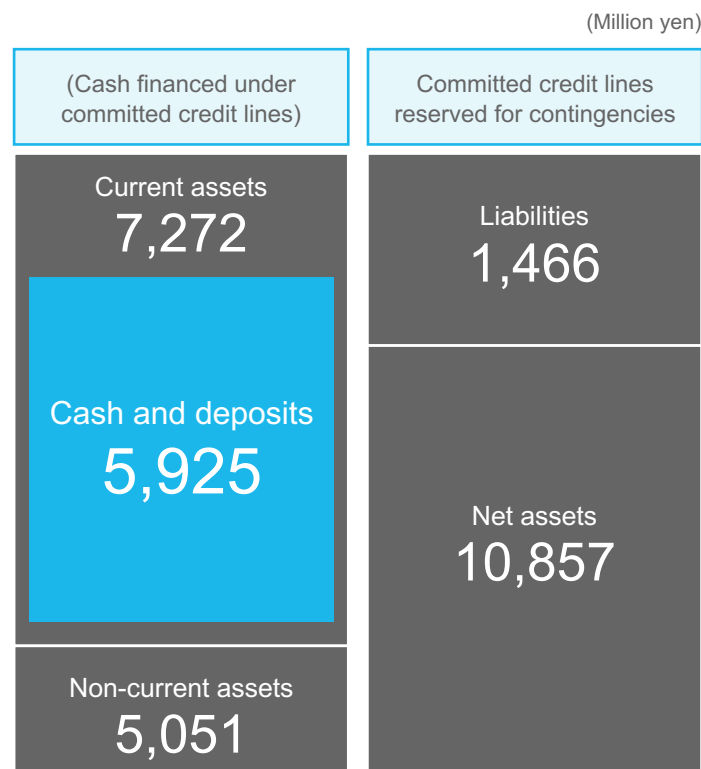
Of this amount, Game8 has 1.3 billion yen in cash and deposits. In addition to existing and new investments, growth through M&A will be actively considered.

Investment securities: 4.9 billion yen

- slice: over 3.0 billion yen

→ Significantly exceeded initial investment amount

Estimated valuation & future growth potential



A working capital facility of 3 billion yen reserved for contingencies

Only business liabilities. Debt-free and in sound financial condition.

Solid financial foundation built on past fundraising and earnings history

Total assets: 12,324

5

Initiatives in LLM



We recognized the emergence of LLM as an innovative technology and started developing LLM-based services early on. After repeated trial and error, we have completed releases for three projects. **We have been actively involved in research and development from the earliest stages.**

Verification of concept and implementation

AI-based video summarization

Automatically summarize video content into a few lines of text and create articles



Aim

- Validate implementation of content summarization
- Validate the need for video summarization content

February 17, 2023

NewsPresso

NewsPresso (beta), a news app that presents international news articles and directs users to international news sites, was launched.



Aim

- Released on a trial basis to validate the possibility of solving social issues in the news domain

May 19, 2023

Resolve implementation issues

Gunosy AI (tentative name)

(tentative name)

Development of Gunosy AI, a new system using GPT-4, was launched.



Aim

- Develop general-purpose systems to enable social implementation
- Respond to future B2B solution opportunities

June 27, 2023

*1: Large Language Models (LLMs) are natural language processing models trained on large amounts of text data.

Hypotheses about the LLM in its Early Years And Insights Gained to Date

While we recognize that LLM poses certain risks to existing businesses, we also see it as a technology that offers significant business opportunities for both existing and new businesses. Among the challenges for social implementation of LLM, we focused on our core competence, where we can leverage the strengths of our technology, and developed a solution, "Gunosy AI (tentative name)".

Opportunities		Risks
Business improvement	Improve productivity by automating tasks, etc.	Certain risks are recognized in existing media businesses <ul style="list-style-type: none"> • Lower barriers to entry into the media business • Decreased profitability of existing content providers due to increased content volume
Media	Deliver new media experiences	
Game8	Enhance productivity and user experience	

Insights

- LLM is expected to play a major role in solving social problems, reforming existing business models, and in many other areas. In many cases the major implementation hurdles are (1) outputting high-quality responses in a natural interactive format, (2) addressing security concerns, and (3) integrating with the service itself.
- Our core competence in effectively addressing these issues will help us manage various risks and capitalize on key growth opportunities.

GunosyAI

Gunosy AI is a system that uses LLM (Large-scale Language Model). It mimics human processes and generates appropriate responses based on data held by companies. It can be deployed directly as a web service or on other platforms through API-compatible tools such as LINE and Slack.

Gunosy AI (tentative name)

Started development of
Gunosy AI, a new system
(tentative name)
utilizing GPT-4



Aim

- Develop general-purpose systems to enable social implementation
- Respond to future B2B solution opportunities

June 27, 2023

Gunosy AI (tentative name)

1 Resolves the issue of legitimacy of answers, which is considered a concern for ChatGPT.

By properly passing the basic data of the service in which Gunosy AI is implemented to GPT, it is possible to return the correct answer while maintaining a natural conversation.

2 Protect input information

Gunosy AI, accessed through the GPT-4 API, is designed so that input information is not used for learning and improvement.

We aim to commercialize the product as a B2B solution in the future.

Kentaro Nishio, Director of Gunosy and founder of Game8, has been appointed Director in charge of the commercialization of Gunosy AI (tentative name). After establishing a new department, we plan to increase the number of development trials and accumulate knowledge for internal use and as a B2B solution.

Business Promotion Structure

**Kentaro Nishio, Director of Gunosy,
appointed Director in charge**



Director

Kentaro Nishio

Co-founded Labit Inc. while a student at Tokyo Metropolitan University and became Representative Director in 2013. After transferring the business to a subsidiary of Recruit Holdings, founded Game8 and currently serves as Representative Director and Chairman. Joined Gunosy in 2015 after Game8 became a subsidiary of Gunosy. Became Director of Gunosy in August 2020, after having served as Corporate Officer and General Manager, Media Business Division of Gunosy since September 2018.

Current policy

1. Build a system that allows us to do trial and error for social implementation at high speed to accumulate knowledge and evaluate business feasibility.
2. Increase opportunities to take on new business challenges by actively using AI internally and improving the productivity of existing businesses.
3. We envision our position in this area as a provider of software that acts as an intermediary between users and LLMs.
4. We will use Gunosy AI (tentative name) to formulate our own businesses and start businesses with collaborative partners.

6

Business Overview by Division



A special tab was made available for the WBC (World Baseball Classic), which attracted a lot of attention. Proactively addressing users' needs for "information they want to know" also contributed to the increase in active users.

Special tab was made available for the WBC (March 6 – 23)



Gunosy's original content published in collaboration with partner media companies.

Articles produced in collaboration with partner media



Our original articles



Contribute to an increase in active users through the provision of "information they want to know".

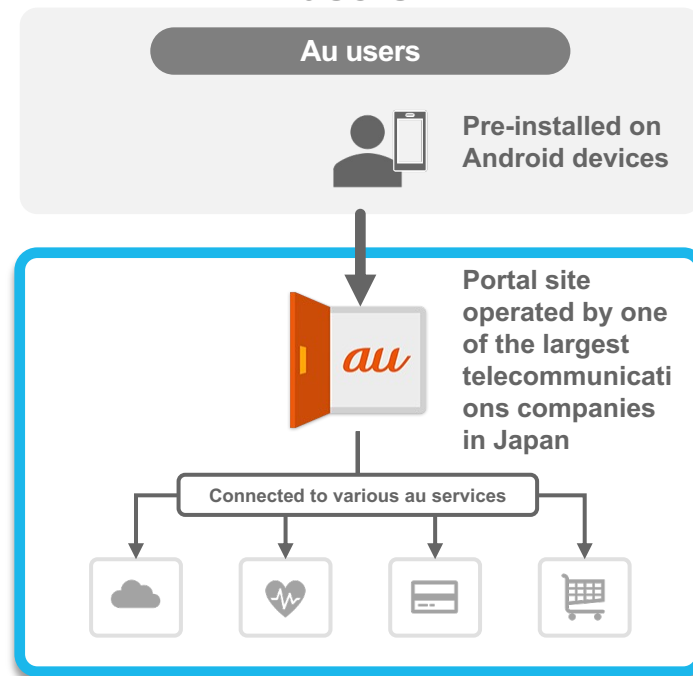
Measures are being taken to **further expand user contact points** on au Service Today, a portal site for au users. Continuous efforts are being made to improve the user experience in obtaining information and to enhance the user interface.

Measures to further expand user contact points



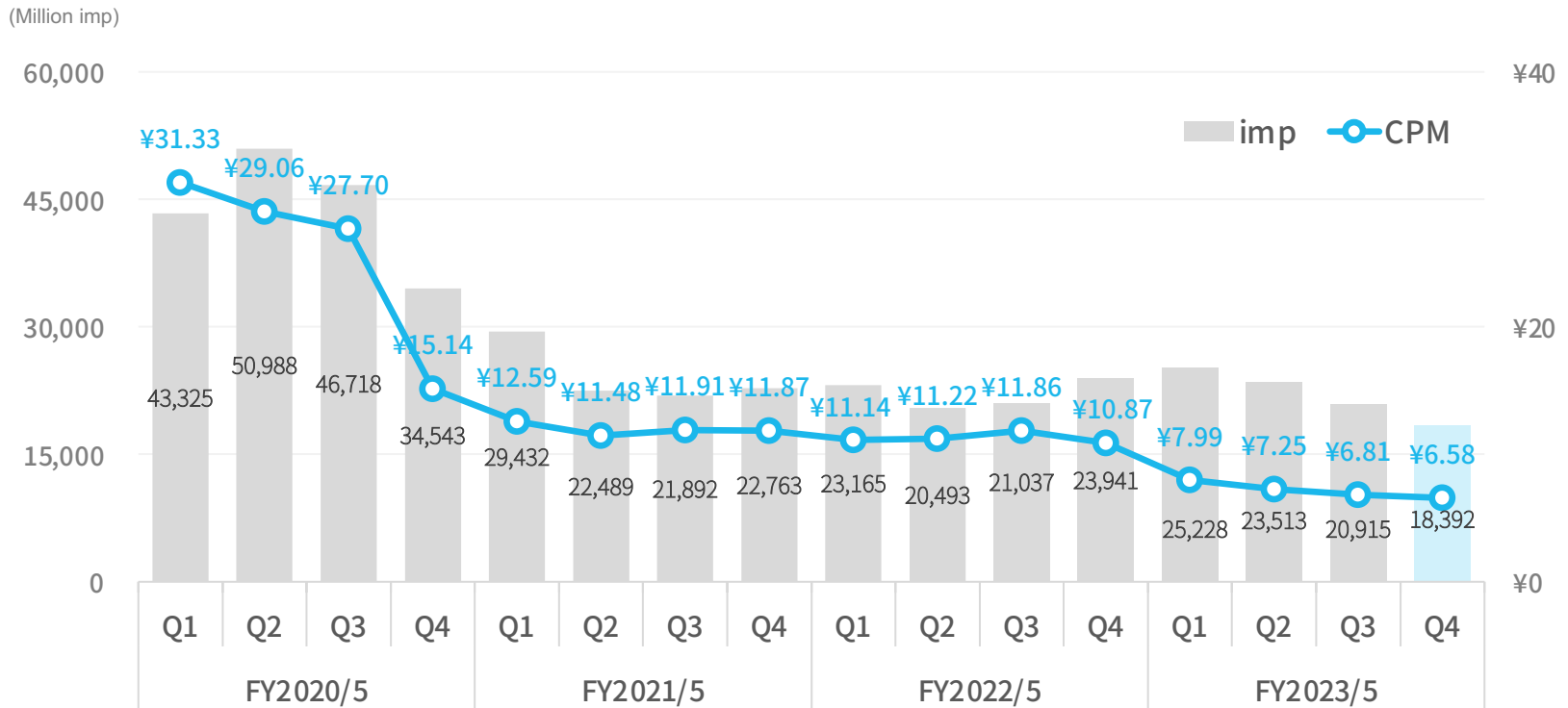
Special features of the “au Service Today”

An all-in-one application that serves as a gateway for au users





















Despite efforts to increase cross-selling with Gunosy Ads, both impressions and CPMs remained sluggish due to changing market conditions.

Number of Impressions and CPM



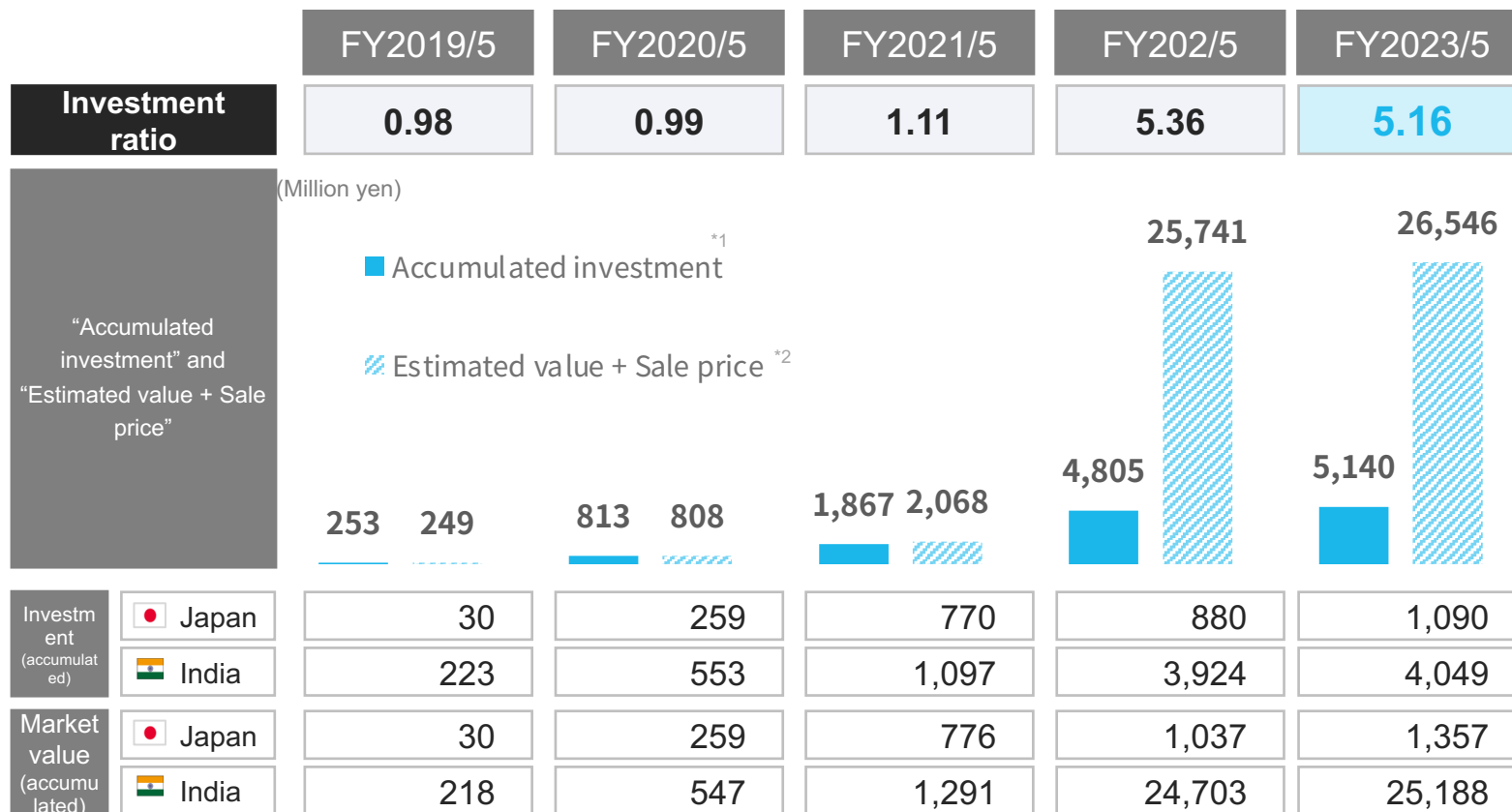
The overall cumulative investment remains in the range of approximately 5 billion yen. There was no major change in the overall portfolio.^{*1}

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

		Share	Main investee companies			
India	Early	 <p>Approx 75%</p>	 Fintech	 Education Exit executed	 Future of Healthcare Delivery	
	Mid-to-late		 Commerce	 MaaS	 Fintech	 Fintech
	Investment as a limited partner					
Japan	Early	 <p>Approx 25%</p>	 Real estate tech	 Commerce Exit executed	 Audio delivery	 Fintech
	Mid-to-late		 Organic EL	 HR tech		
	Investment as a limited partner					

*1: Includes balances committed to investments, such as investments as a limited partner.

Status of the Estimated Value of the Investment Portfolio



*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.

Gift demand remained strong and **purchases by foreign tourists were solid** in store in May, suggesting that demand in the inbound market is also strong. Sales continue to grow.

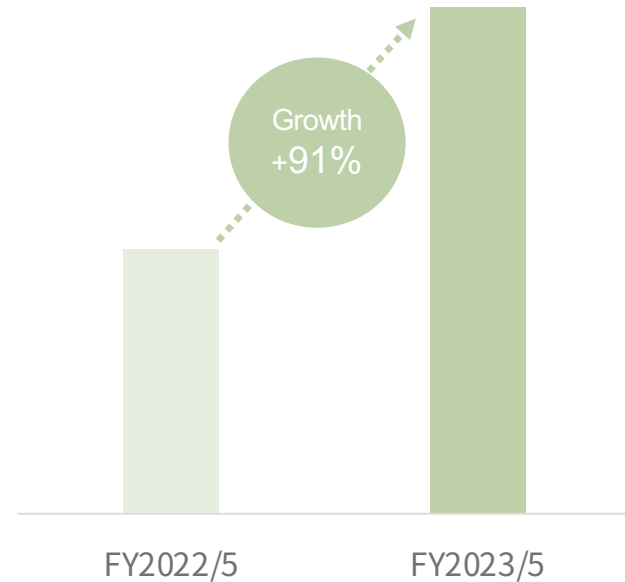
Offline sales

@all day place shibuya
(May 20-21, 2023)



Sales

Sales continue to grow



7

Reference Materials: Overview of Gunosy Inc.



Basic Information

Company name: Gunosy Inc.

Representative: Shinji Kimura
Yuya Taketani

Established: November 14, 2012

Fiscal year end: May

Capital: 4,099 million yen
(as of the end of May 2023)

Stock Code: 6047 (TSE Prime)

Audit corporation: Ernst & Young ShinNihon LLC

Number of employees: 252
(as of the end of May 2023, on a consolidated basis)

Head office: 2-24-12 Shibuya, Shibuya-ku, Tokyo

Business: Development and operation of information curation service and other media

Representative Director and Chairman,
Officers: 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

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.

(*) N&C



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**



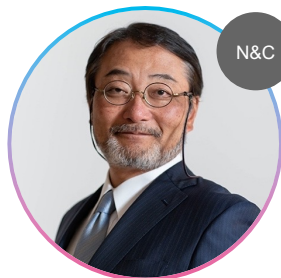
Director

**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.

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