

Gunosy

FY2024/5 Financial Results for Q3

Gunosy Inc.
TSE Prime (6047)



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1

Financial Highlights



Consolidated operating profit improved significantly QoQ due to the recovery of programmatic advertising profitability in the Media business as well as revenue growth at Game8. As a result, **we achieved profitability in Q3 (Dec. 2023 - Feb. 2024)**.

Upward revision

The full-year forecast has been revised upwards as the Game8 business has performed better than originally expected.

Share buyback

Using the proceeds from the sale of Smarprise, **we repurchased 100 million yen worth of shares** as a measure to return profits to shareholders.

Q3 (Dec 2023 – Feb 2024)

Net sales **1,920** million yen YoY **90.7%**

Operating profit **93** million yen YoY **---**%

(Million yen)

	Net sales	Operating profit
Gunosy	1,115	-74
Game8	572	190
Others	232	-22

Q1-Q3 (Jun 2023 – Feb 2024)

Net sales **5,649** million yen YoY **93.5%**

Operating profit **-112** million yen YoY **---**%

(Million yen)

	Net sales	Operating profit
Gunosy	3,414	-455
Game8	1,530	394
Others	705	-50

2

Upward Revision of Full-Year Forecasts and Returns to Stockholders



Revision of FY2024/5 Results Forecast (Consolidated)

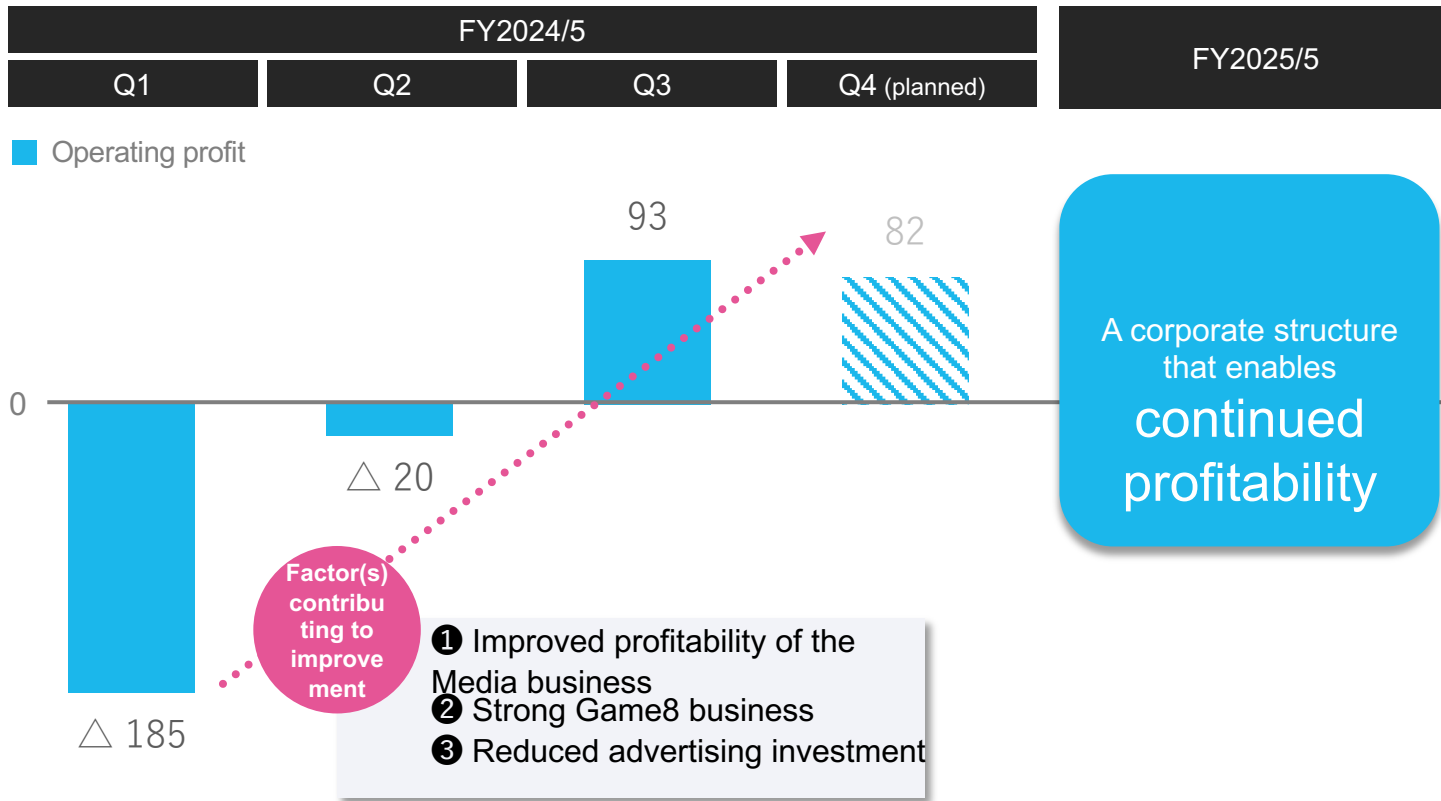
Regarding the forecast for consolidated results for the full year, **operating profit was revised upward from the revised Q2 forecast of -260 million yen to -30 million yen**, taking into account the consolidated results for the third quarter. The amount of loss for the current period was also reduced from the revised Q2 forecast due to the sale of Smarprise.

(Million yen)

	FY2024/5 Q1-Q3 (Jun 2023 – Feb 2024)	Initial forecast (full-year)	Revised forecast (full-year)	Increase / decrease	Progression rate
Net sales	5,649	7,200	7,290	1.3%	77.5%
Operating profit	-112	-260	-30	-	-
Operating margin	-	-	-	-	-
Ordinary profit	-859	-1,304	-1,044	-	-
Profit attributable to owners of parent	-913	-1,648	-1,170	-	-

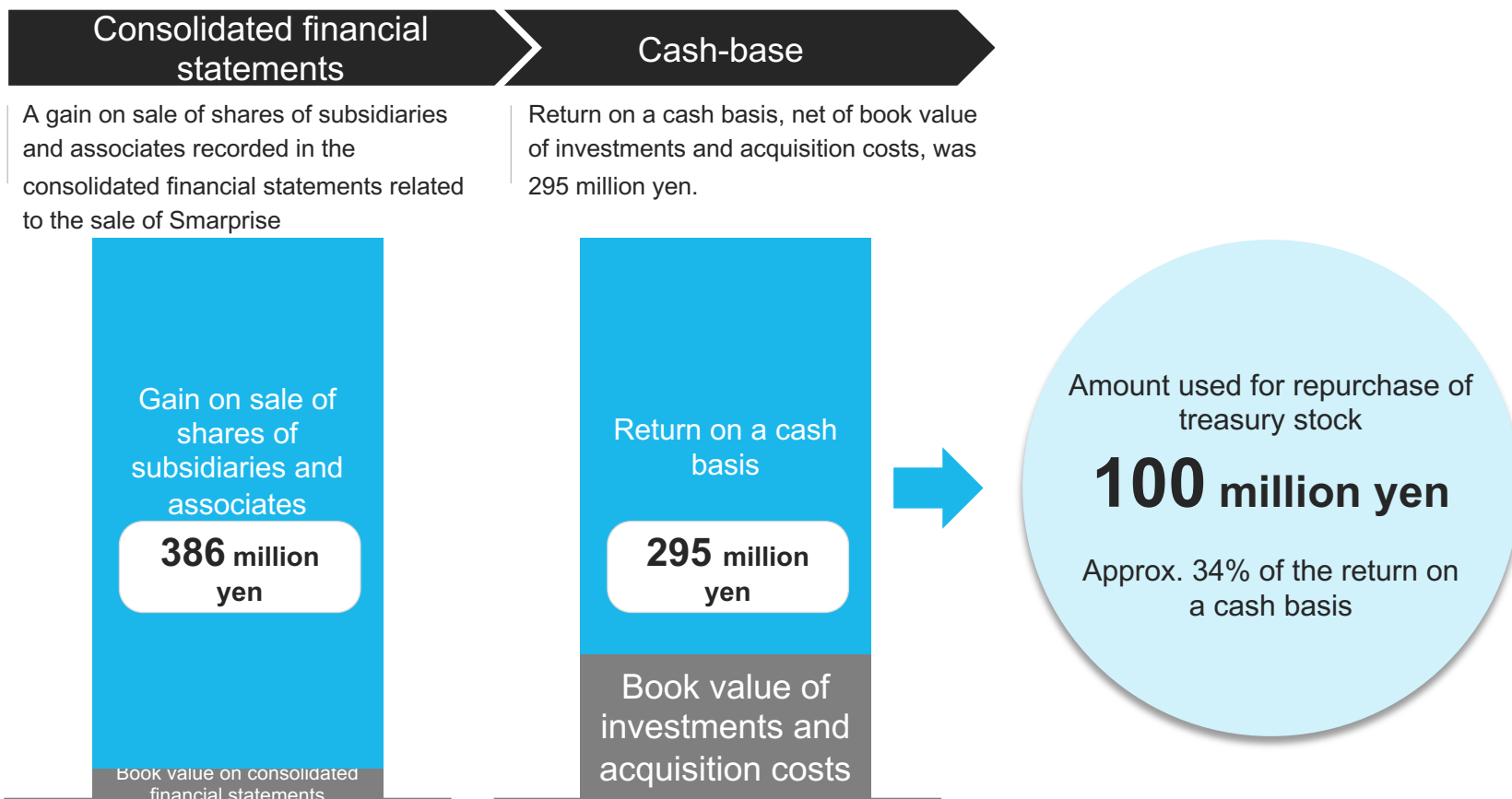
Consolidated Operating Profit

In Q1, an operating loss was recorded on a consolidated basis due to increased advertising investments. However, from Q2 onwards, advertising investments were reduced, the profitability of the Media business recovered and the Game8 business remained strong, resulting in a return to profitability in Q3. We also expect to be profitable in Q4 and believe that **we can continue to generate operating profits in the future.**



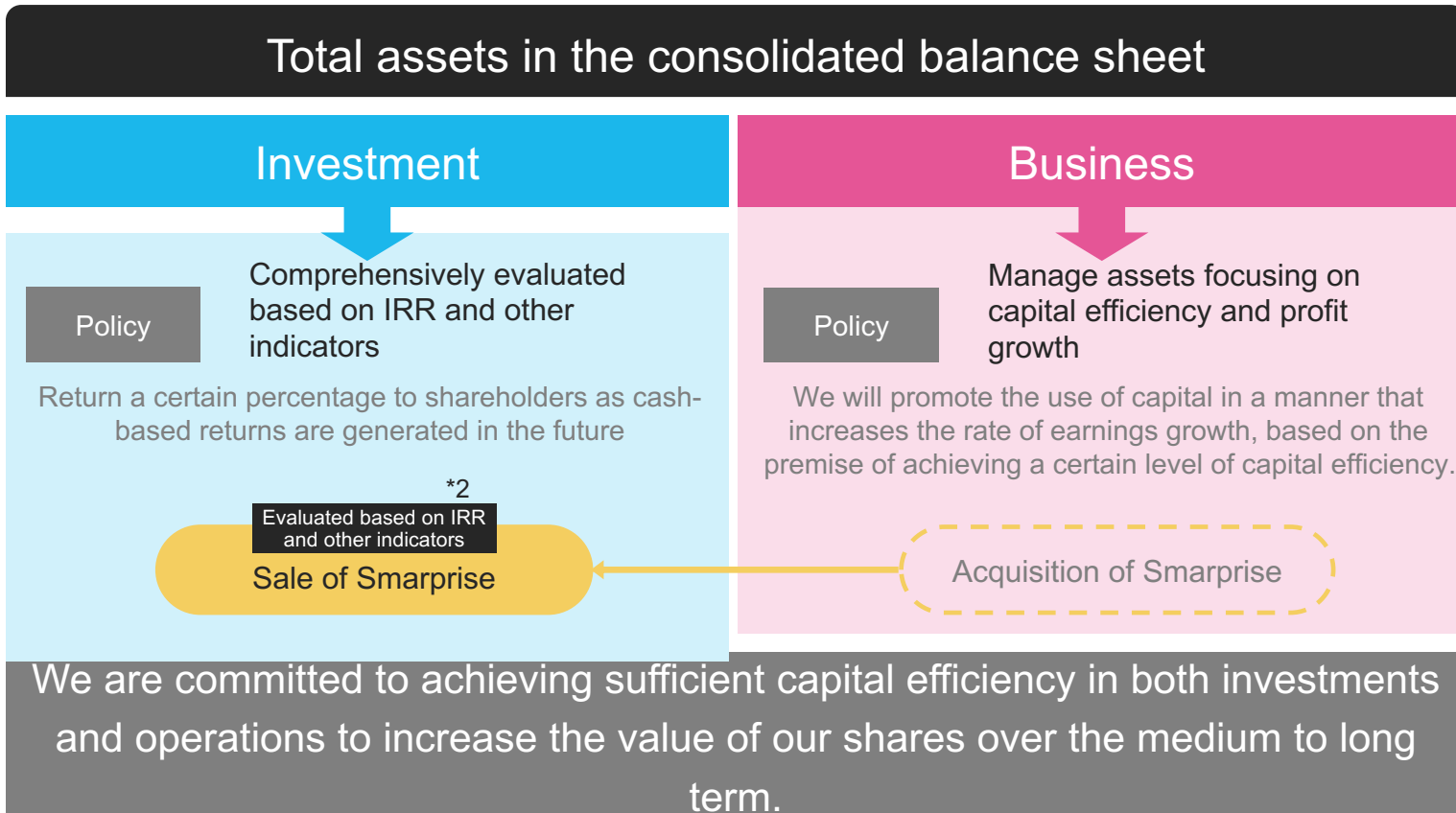
Acquisition of Treasury Stock upon Transfer of Smarprise Shares

In connection with the sale of Smarprise, a gain on sale of shares of subsidiaries and associates of 386 million yen was recorded in the consolidated financial statements, while the cash-based return generated was 295 million yen. It was decided to use approximately 34% of the proceeds, or **100 million yen, to repurchase shares.**



Policy on Future Return to Shareholders

Investment status is comprehensively evaluated based on IRR and other indicators.^{*1} **Our policy is to return a certain percentage to shareholders as cash-based returns are generated in the future.** It is also our policy to manage the capital invested in the business efficiently, focusing on capital efficiency and earnings growth rate.



*1: Provide an overall assessment of the extent to which the expected returns assumed at the time of investment have been exceeded, including measurement using IRR and other indicators.

*2: Our policy for strategic investments in subsidiaries and affiliates is to evaluate them on a comprehensive basis using IRR and other indicators in cases where they are subsequently sold, as was the case with Smarprise. The return to shareholders upon sale of the investment will be determined by reference to the Smarprise case.

Progress towards Achieving Consolidated and Non-consolidated Operating Profitability in FY2025/5

- 1 We will continue our basic policy of **achieving consolidated and non-consolidated operating profitability by FY2025/5.**
- 2 Consolidated operating profit of 93 million yen was achieved in Q3, supported by the growth of Game8. **We expect to achieve consolidated operating profit in Q4 as well**, and believe that we are **well positioned to achieve consolidated operating profit in the next fiscal year as well.**
- 3 We aim to return **Gunosy Inc. to operating profitability** on a non-consolidated basis through continued efforts to **increase productivity** by improving profitability and controlling advertising investment within the IRR threshold.
- 4 The details of the Gunosy Group's overall business policy will be announced at the time of the release of the year-end financial results in July 2024.

3

Financial Results for FY2024/5 Q3



FY2024/5 Consolidated Results for Q3

We achieved a return to profitability in consolidated operating profit in the third quarter (Dec. 2023-Feb. 2024), driven by the continued strong performance of the Game8 business, as well as a recovery in the profitability of the Media business and control of advertising investments.

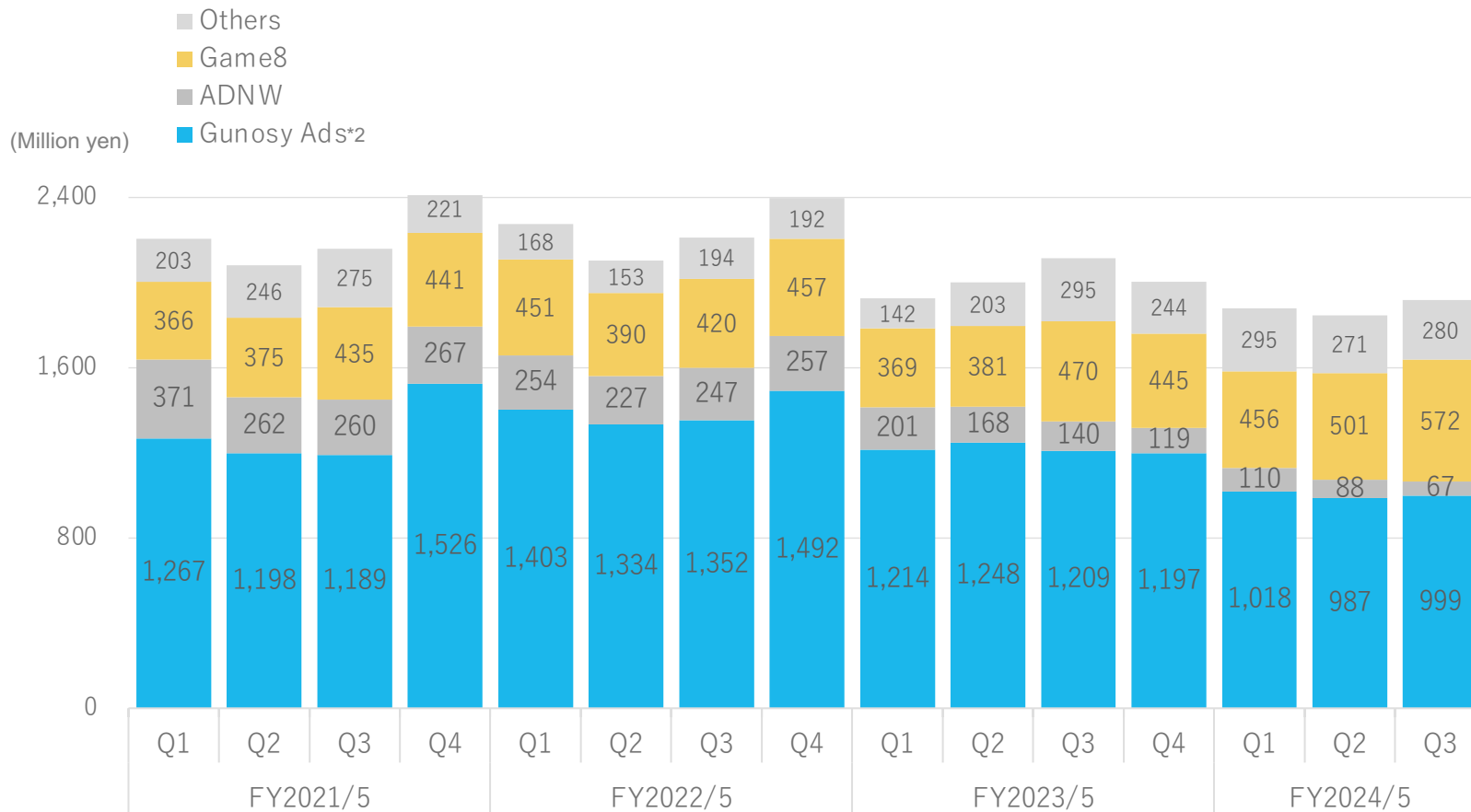
(Million yen)

	FY2024/5 Q3 (Dec 2023 – Feb 2024)	FY2024/5 Q2	QoQ	FY2024/5 Q1-Q3 (Jun 2023 – Feb 2024)	FY2023/5 Q1-Q3	YoY
Net sales	1,920	1,849	103.8%	5,649	6,045	93.5%
Operating profit	93	-20	-	-112	-156	-
Operating margin	4.9%	-	-	-	-	-
Ordinary profit	-107	-226	-	-859	-1,233	-
Profit attributable to owners of parent	104	-304	-	-913	-492	-

Breakdown of Net Sales ^{*1}

Game8 sales **increased both YoY and QoQ**.

In Gunosy Ads, the profitability of programmatic advertising recovered, leading to a QoQ increase in revenues.

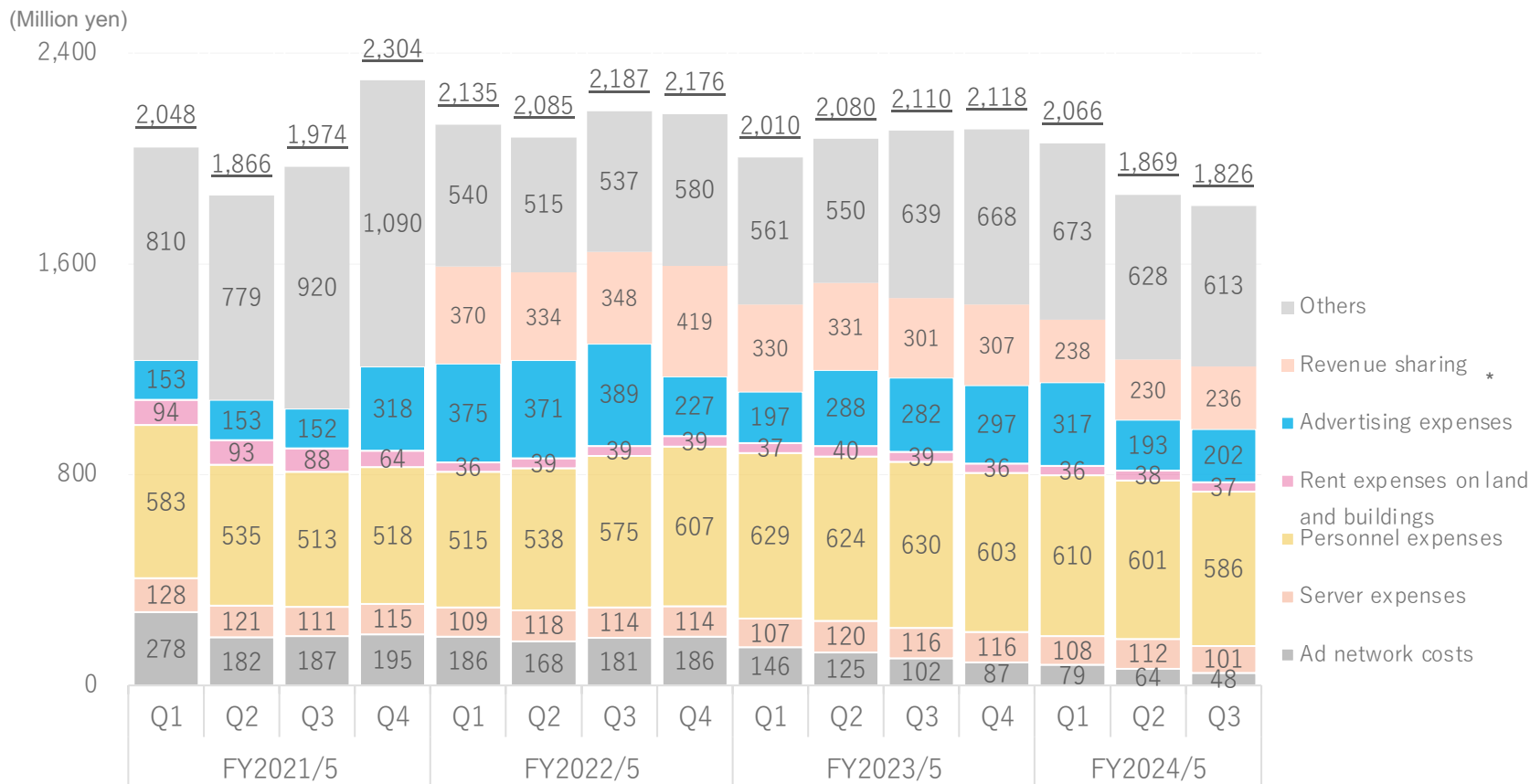


*1: Sales of Gunosy Ads, ADNW and Game8 are presented on a nonconsolidated basis. Internal trade adjustments are included in Others

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

Cost Structure

Advertising expenses were unchanged QoQ, reflecting continued restraint in line with previous policy. Other costs were tightly controlled and did not change significantly.

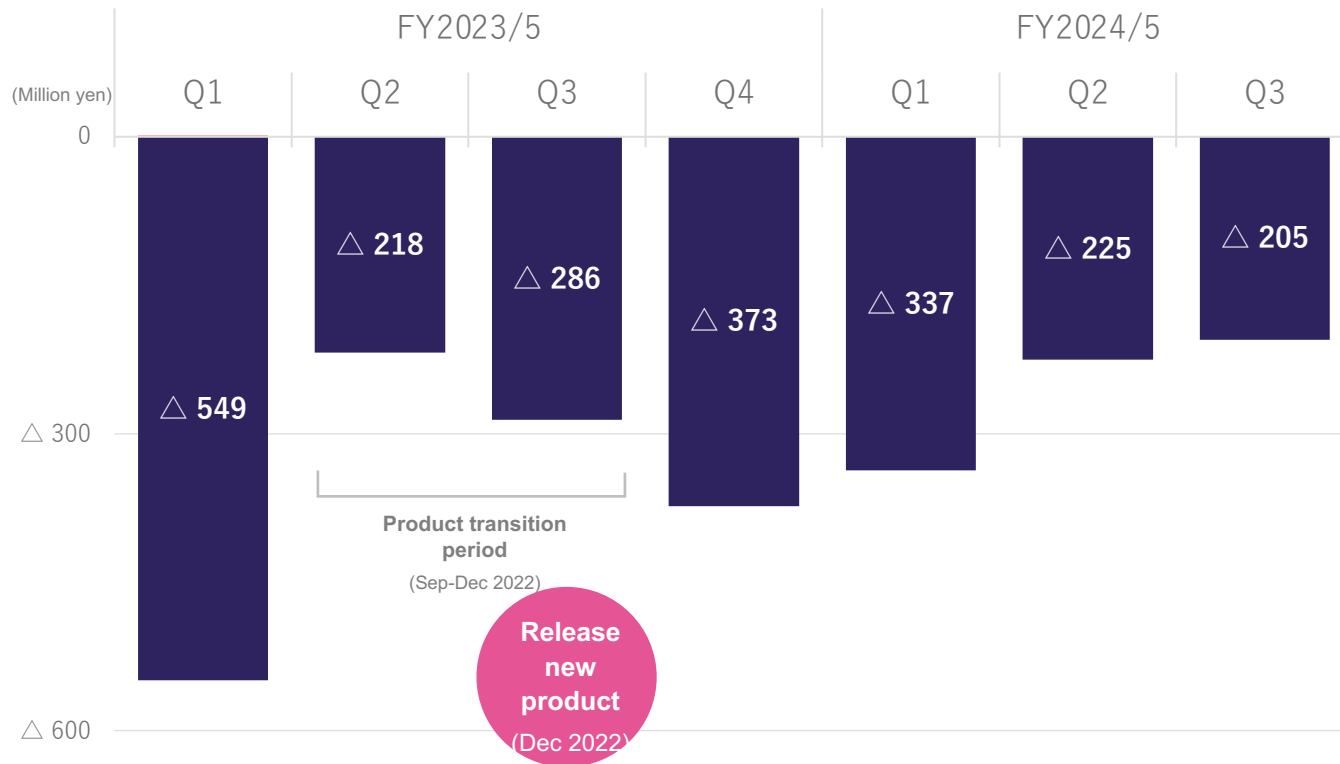


* "Revenue sharing" included in "Others" in FY2021/5 and earlier, but separated from "Others" from FY2022/5 Q1.
 "Live video production expenses" is included in "Others" from FY2022/5 Q1.

Equity Method Investment Gains/Losses of slice

The stable organic growth of the business continues with appropriately controlled marketing investments, resulting in a decrease in the amount of losses. Equity method investment losses are also on a declining trend.

Equity method investment gains/losses of slice *



* The share of gains (losses) of entities accounted for using the equity method includes various expenses including amortization of goodwill, in addition to the incorporation of the gains/losses from the respective entities.

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Business Overview by Division

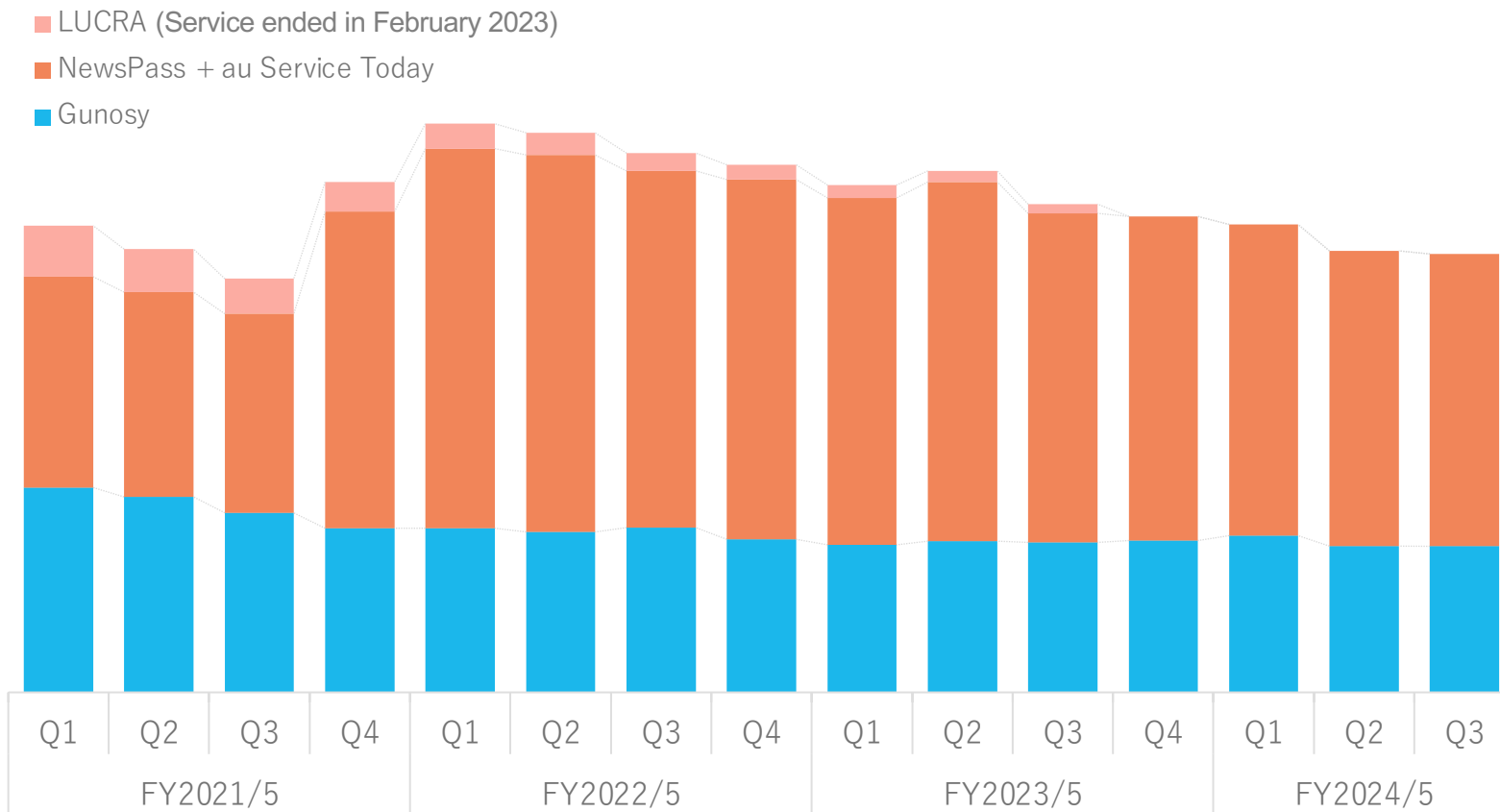
Media Business

Game8

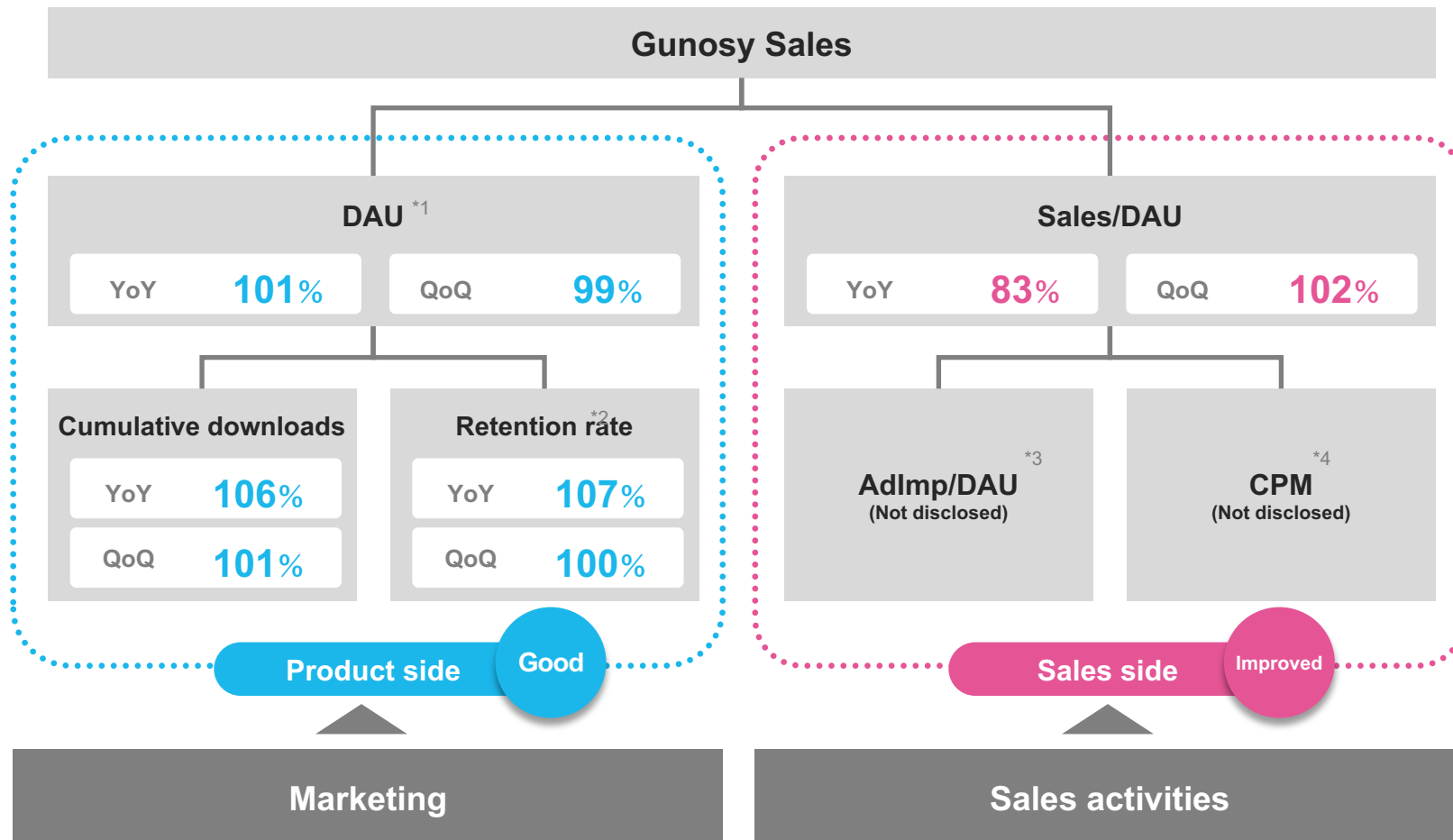
**Investment
(slice)**

Total Number of Active Users (MAUs)

In Q3, the size of the media was maintained QoQ, while advertising investment was kept under control.



Profitability continued to recover on the back of algorithmic improvements implemented in Q2, with **S/D following an upward trend QoQ**. While DAUs increased YoY driven by a favorable retention rate, DAUs declined slightly QoQ due to continued control of advertising expenses.



*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.

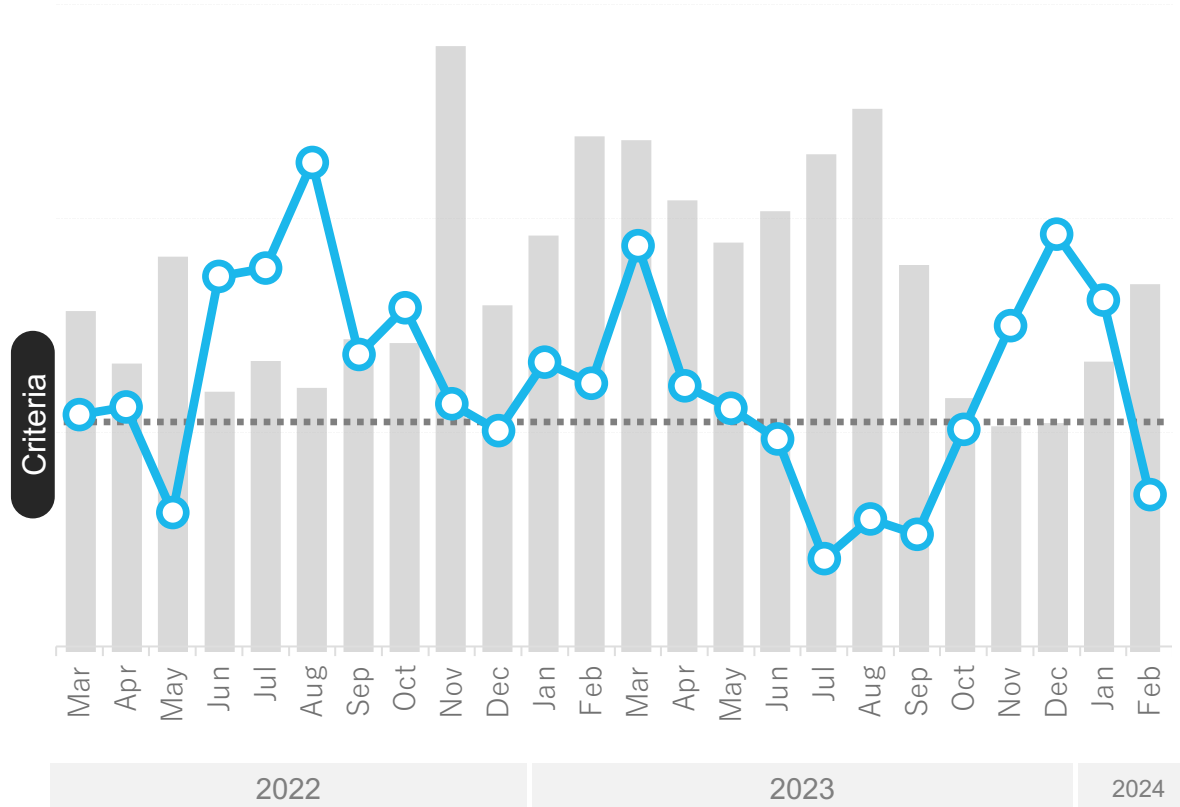
*3: Number of ads served per daily active user

*4: Cost Per Mille

Since November 2023, the **IRR has remained well above the criteria** due to the control of advertising investment and improved profitability. We will continue to control the level of advertising investment from March 2024. The IRR for February was below the criteria because the budget was brought forward in anticipation of higher acquisition costs in the following March, when advertising demand is seasonally high.

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

Product KPIs maintained post-improvement levels. The estimated IRR exceeded the criteria in November to January due to the recovery of S/D.



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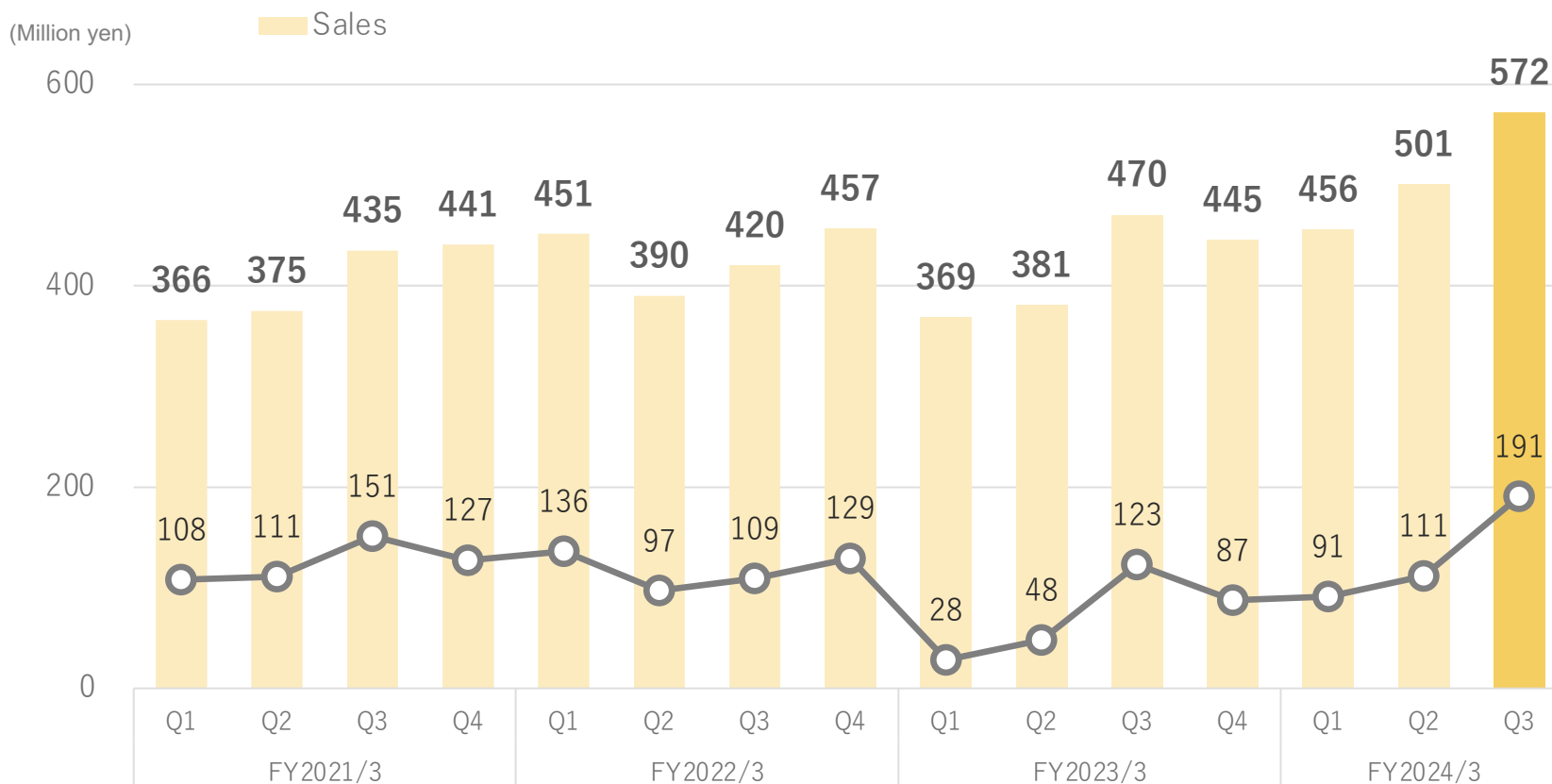
Business Overview by Division

Media Business

Game8

Investment
(slice)

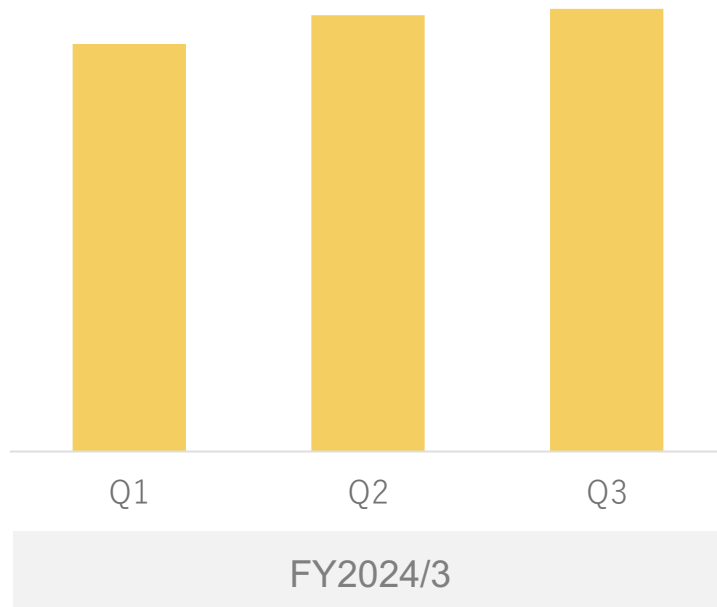
As was the case in the second quarter, sales in the Media business grew significantly, both domestically and internationally, driven by strong PVs and a significant improvement in profitability. As a result, **sales and operating profit reached record levels.**



PVs, one of the most important KPIs, **remained strong**. RPM has **improved significantly**^{*}, in part due to improvements in overseas eCPM.

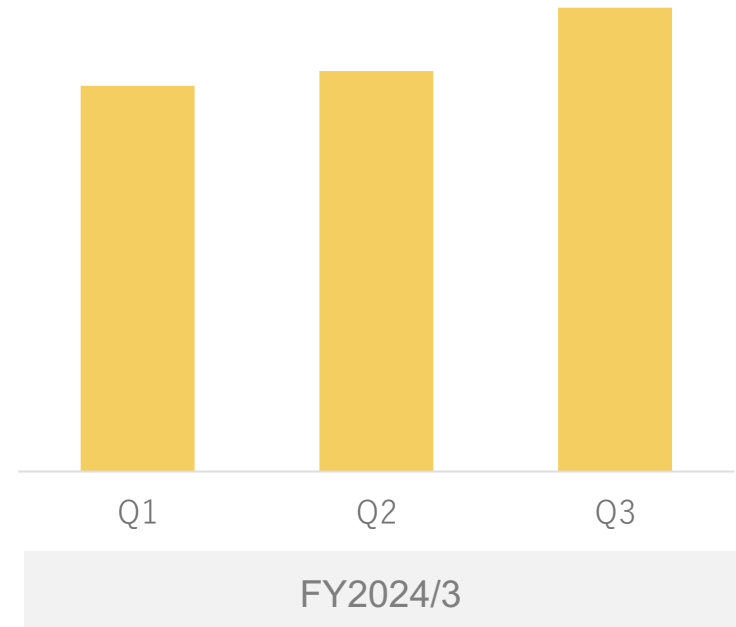
PVs

Although there was some volatility depending on game title sales, page views remained strong.



RPM

RPM remained strong, partly due to improved profitability in overseas media business.



4

Business Overview by Division

Media Business

Game8

**Investment
(slice)**

On March 12, 2024, Competition Commission of India (CCI) approved the merger of GaragePreneurs Internet, which operates "slice", with NESFB (the "Merger").



12.03.2024

PRESS RELEASE No. 72/2023-24

Competition Commission of India (CCI) approves the merger of a financial technology company, Garagepreneurs Internet Private Limited with the North East Small Finance Bank

The proposed transaction comprises the merger of a financial technology company, Garagepreneurs Internet Private Limited (**GIPL**) (including Quadrillion Finance Private Limited (**QFPL**) (an NBFC-SI-ICC) and Intergalactory Foundry Private Limited (**IFPL**) with North-East Small Finance Bank Limited (**NESFB**) (including RGVN (North-East Microfinance Limited (**RGVN**)), pursuant to the composite scheme of amalgamation to be filed before the jurisdictional National Company Law Tribunal and certain related transactions.

GIPL operates under the brand name "slice" and focuses on facilitating payments and credit products through digital means in India. GIPL primarily focuses on enabling access to financial services for underbanked customers through affordable and transparent cost solutions and structures.

NESFB is a private sector small finance bank (**SFB**). It is headquartered in Guwahati, Assam and has branches in the North Eastern states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim), and West Bengal.

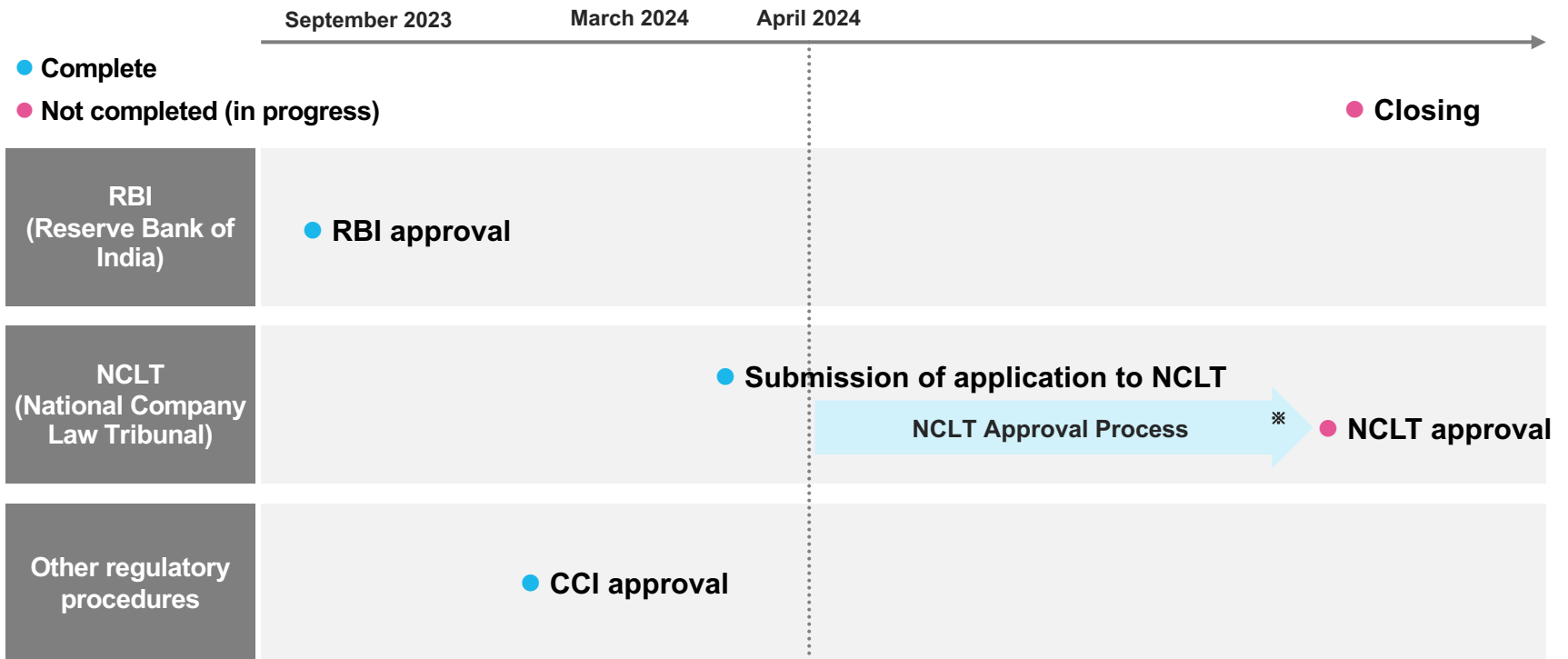
Detailed order of the Commission will follow.

Application to CCI

- In India, prior approval from the CCI is required for mergers and acquisitions exceeding certain thresholds.
- As the Merger exceeded the above thresholds and was a transaction requiring CCI approval, an application was filed.
- On March 12, 2024, a public announcement was made on the website of the CCI regarding the approval of the Merger.

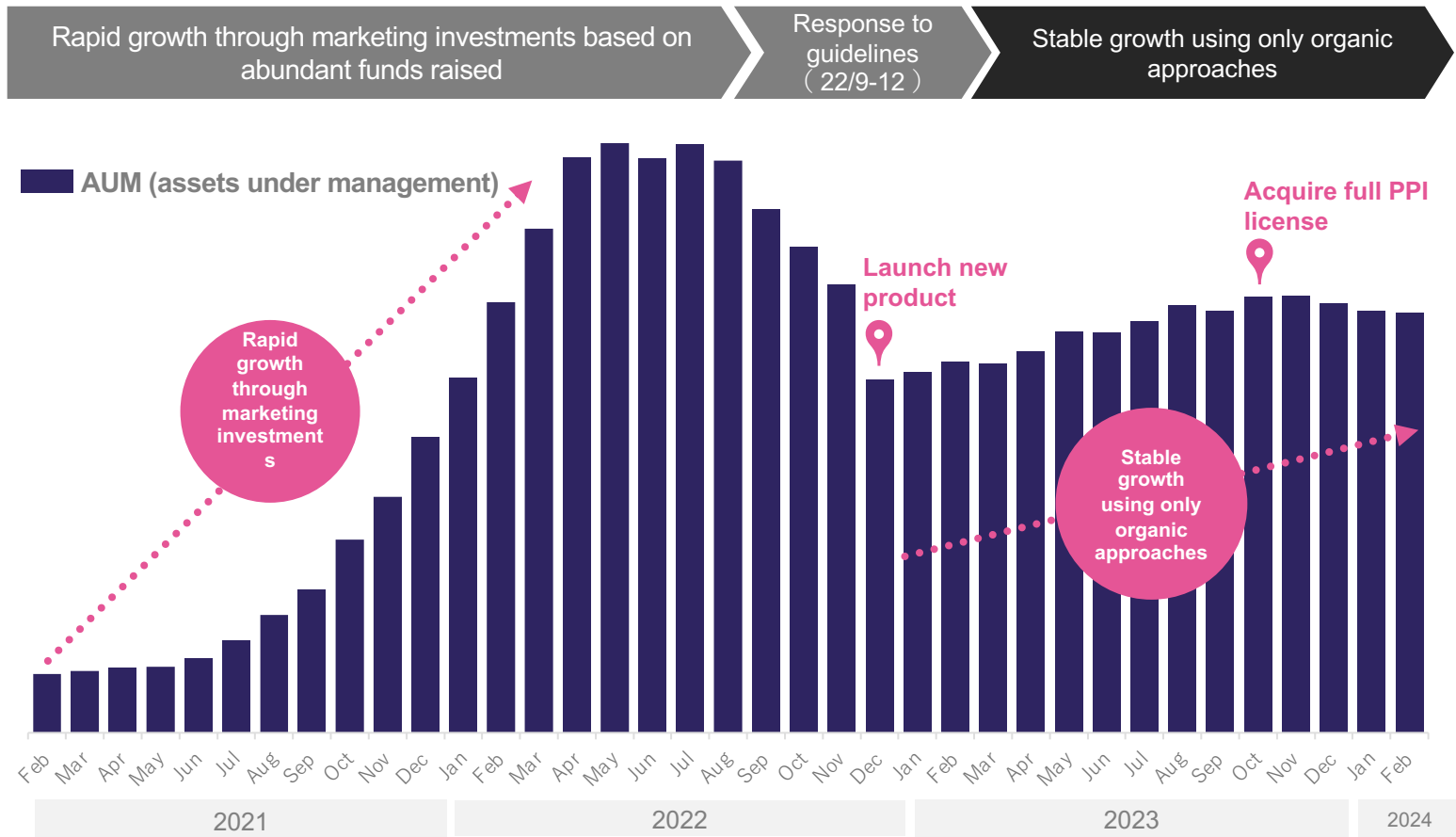
Source: <https://www.cci.gov.in/combination/press-release/details/371/0>

The merger process is progressing well with the filing of the application with the NCLT (National Company Law Tribunal) completed. The only major process remaining for the merger is the approval of the NCLT.



The NCLT approval process generally takes 6-12 months from application to approval, although the timeline may vary and exceed this range depending on the individual case.

The customer base was significantly expanded through marketing investments until the first half of 2022. Since the launch of a product compliant with the Digital Lending Guidelines in December 2023, "slice" has expanded its business scale while appropriately managing its burn rate by acquiring customers through organic growth.



Our goal is to become profitable in “slice” business and maintain a healthy financial position, while continuing to steadily increase AUM through organic growth. After the merger with NESFB, we aim to further accelerate growth by providing customers with a comprehensive digital financial experience.

Prior to merger

As in the past, we aim to make the business profitable by maintaining stable growth through an exclusively organic approach, while at the same time reducing costs. We will also maintain a **sound financial position*** by continuously controlling risks such as bad debts.



After merger

The merger with NESFB will allow us to operate "slice" under a banking license.

We aim to further accelerate our growth by offering a wide range of financial products.

* The financial position is solid, with an equity ratio of over 50% as of March 31, 2023. See page 48 for details.

5

Other Topics



"Udekiki," our generative AI service, supports all organizations looking to leverage internal IT and drive digital transformation. A new feature has been added to the service, which answers questions and summarizes the results based on uploaded PDF documents.



Topics in Q3

New features added to support business operations

1

PDF Summaries

Summarize PDF content and extract key points and gist

2

PDF Research Assistant

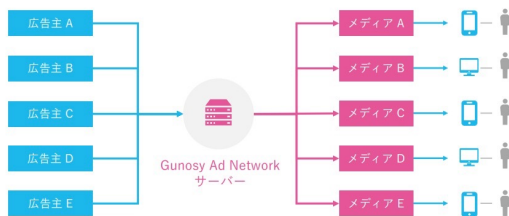
Analyze PDF files and provide appropriate answers when you enter questions about the file's content

In order to reorganize the business portfolio, it was decided to discontinue the ad network business and the YOU IN service.

Reorganization of the Business Portfolio

Ad network business

Deliver ads that can be targeted directly to users using Gunosy's proprietary user data.



Starting a business: June 2014

End of business: June 2024

YOU IN

"YOU IN" is a D2C brand that provides an experience of acceptance, sharing and affirmation of your current mood and state through "mood pairing".



Starting a business: June 2021

Business end: April 2024

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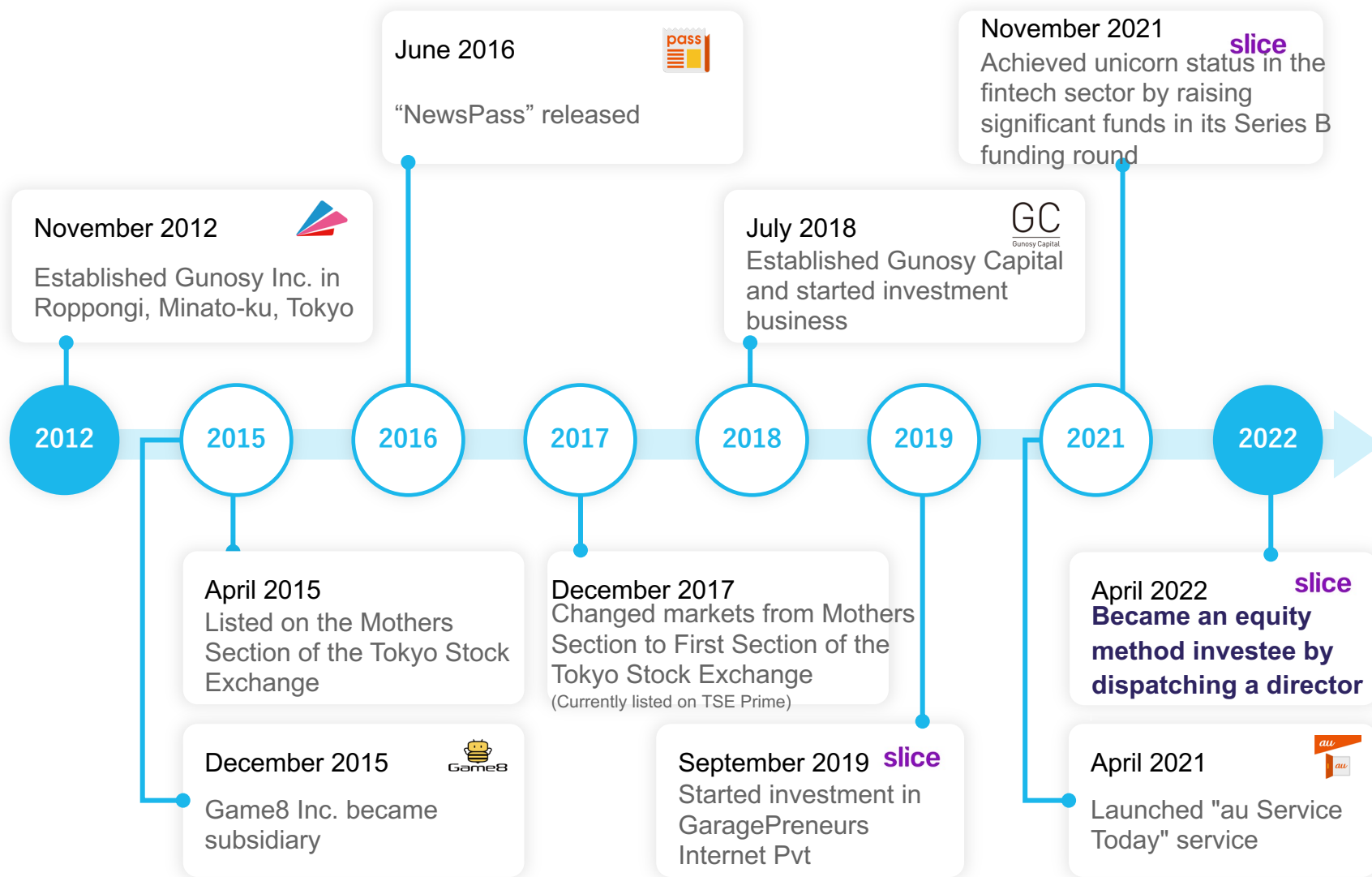
Reference Materials





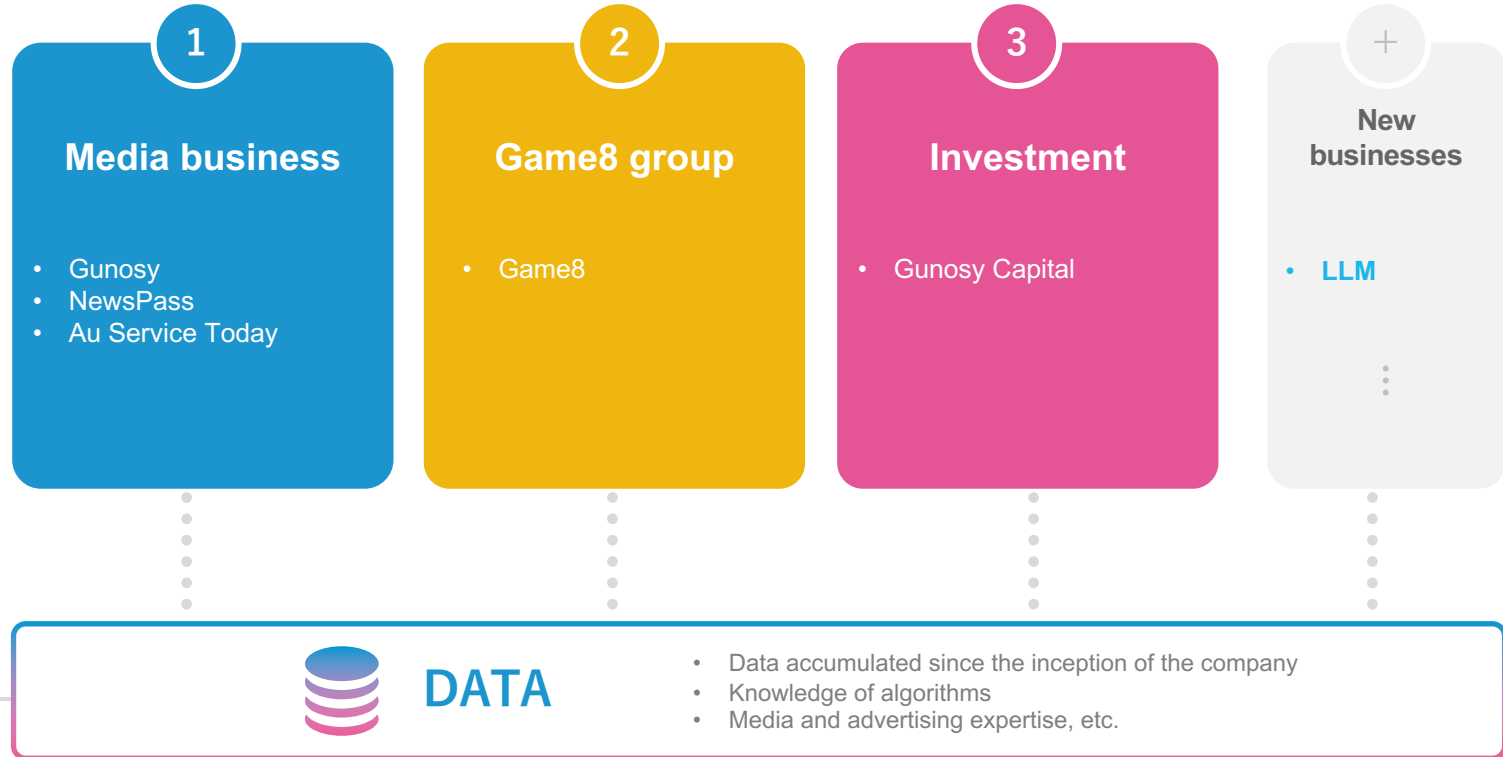
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Optimally **deliver**
information **to** **people**
around **the** **world**



Gunosy

Medium- to long-term growth driven by three businesses



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



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 February 2024)
Stock Code:	6047 (TSE Prime)
Audit corporation:	Ernst & Young ShinNihon LLC
Number of employees:	221 (as of the end of February 2024, on a consolidated basis)
Head office:	2-24-12 Shibuya, Shibuya-ku, Tokyo
Business:	Development and operation of information curation service and other media

Officers:	Representative Director and Chairman, Group Chief Executive Officer (CEO), Shinji Kimura
	Representative Director and President, Kentaro Nishio
	Director and Chief Investment Officer (CIO), Yuki Maniwa
	Director, Yuya Taketani
	Director, Masaaki Nose
	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), Kengo Wada

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.

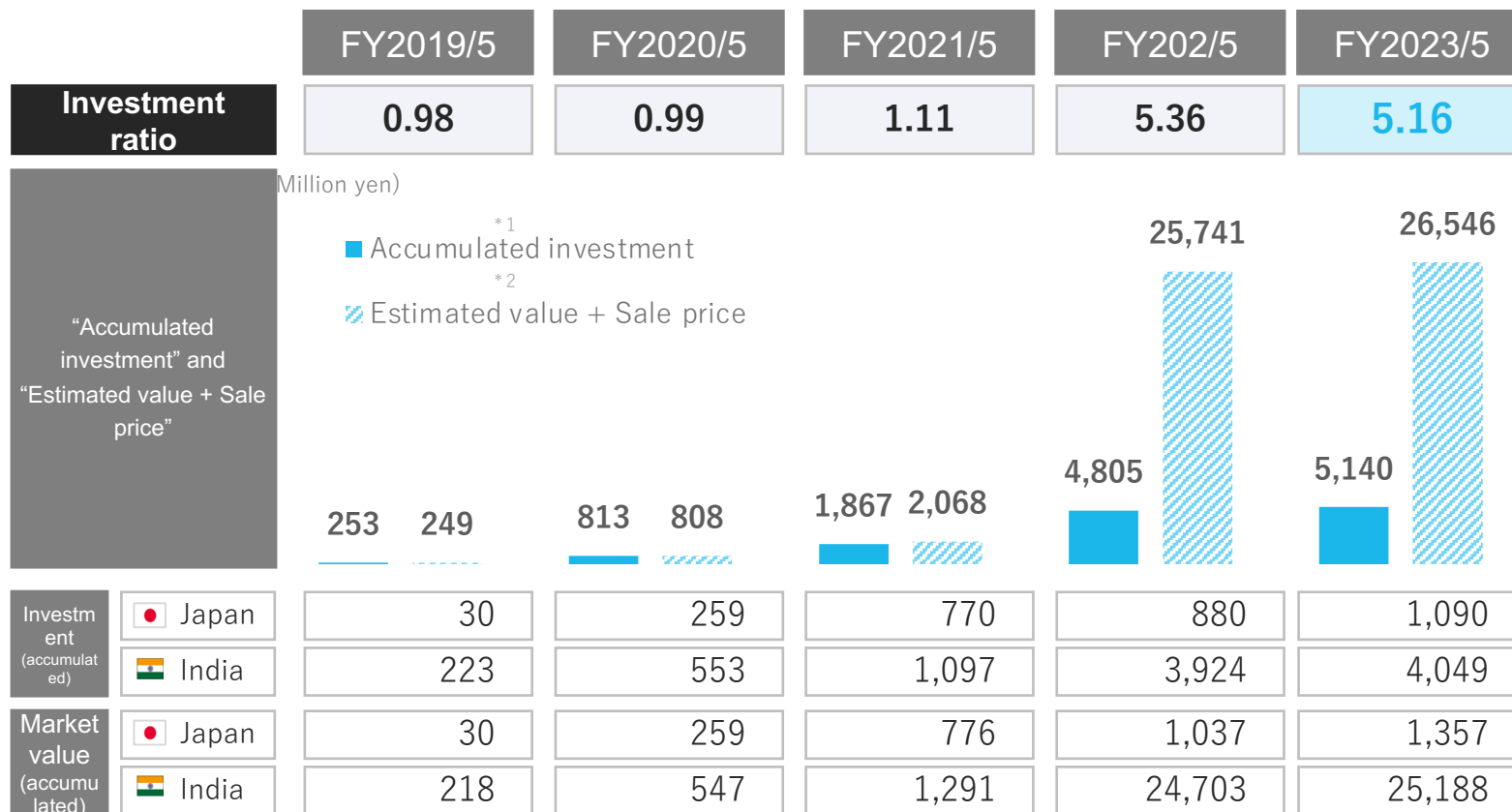
3 Centennial quality

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.

Status of the Estimated Value of the Investment Portfolio (Disclosed on July 14, 2023)



*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.

6

Reference Materials (slice)



Since 2019, we have invested a cumulative total of over 3 billion yen in slice. In April 2022, we dispatched a director, making it an equity-method affiliate.



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

To strengthening the collaboration between the two companies, "slice" became an equity-method affiliate of the Gunosy Group.

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

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

Foundation

2015

Most recent financial statements
(P/L and B/S) (FY2023/3)

Sales

**15.2 billion
yen**
(YoY 296%)

Profit (loss)
before income
taxes

**-7.1 billion
yen**

Total assets **33.9 billion yen**

Amount raised to date

Approx. **\$290 million**
(Cumulative amount)

Major shareholders



Gunosy



**TIGER
GLOBAL**



**INSIGHT
PARTNERS**

Number of employees

Over 1,500

Founded in 2015, “slice” expanded its digital payments business by focusing on BNPL (Buy Now Pay Later), which was not widely used in India at the time. Since then, slice has grown dramatically and finally became a unicorn in December 2021.



CEO

Rajan Bajaj

Transforming the financial experience for billions of Indians

Before founding slice, Rajan launched Mesh, a furniture startup that allowed customers to rent items for a small monthly fee and buy them whenever they wished. Later, he joined the product team at Flipkart, the Indian e-commerce giant now owned by Walmart, where he helped launch the Marketplace, the company's fastest-growing major business at the time. Through these experiences, Rajan came to understand the importance of credit cards as a financial tool, which led him to found "slice" to help highly motivated young people like himself.

An alumnus of IIT Kharagpur, Rajan was named to the Forbes Asia 30 under 30 list for 2021 and the Forbes India 30 under 30 list for 2022. In his personal life, he is a basketball enthusiast and a passionate fan of the NBA's Los Angeles Lakers.

Founding phase

Started rental business of gaming consoles, cameras and bicycles, etc.

Pivot phase

Integrate buy-now-pay-later (BNPL) into existing rental services to give customers BNPL experience.

Expansion phase

Company's valuation exceeded \$1 billion and became a unicorn.

Current state

In December 2022, new product was released in compliance with RBI's Digital Lending Guidelines. In October 2023, RBI approval was obtained to merge with a local bank.

"slice" is India's leading fintech company providing payment services. It offers intuitive and easy digital payments and is highly supported by Millennials and Gen Z, the largest segment of the population. With more than 15 million users, slice is the market leader and growing its business.

slice

slice account

An interoperable account for all payment



Service overview

slice account

- Add money to your slice account and pay by card or UPI
- Get instant and valuable rewards on all transactions
- Pay bills, set up subscriptions and view details of your spending

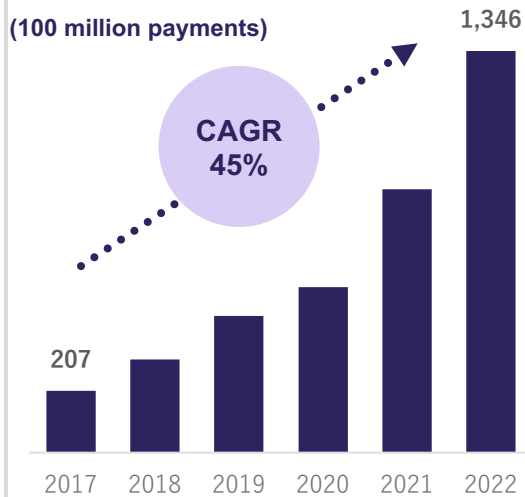
slice borrow

- Complete the application process online and the loan will be processed
- No interest if repaid within one month
- Borrow up to 1 million rupees (approximately 1.8 million yen), repayable in 36 months
- Flexible repayment options. Repay early, which can help you save interest

In India, **credit card penetration is low compared to other countries, leaving significant room for market growth.**

Digital payment transactions volume in India

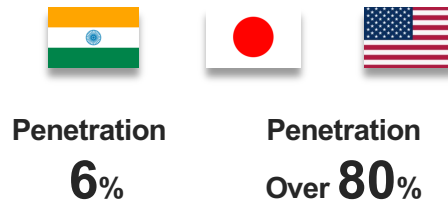
Number of digital payments **growing rapidly**



Source: The Press Information Bureau of India

Credit card penetration

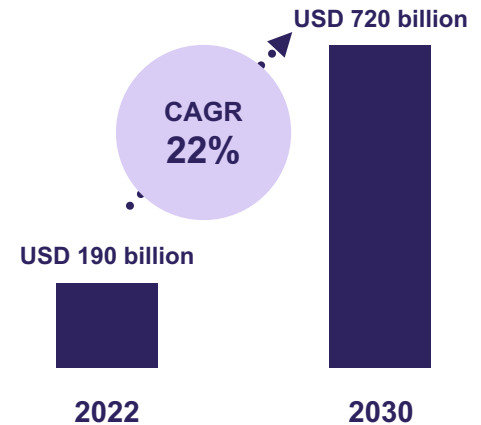
Credit card penetration is **only around 6% of the population**^{*1}



Source: Mynavi and GAO

Digital consumer lending

Total digital consumer lending **expected to triple by 2030**



Source: nc42

*1 : Total Population of India in 2022: Ministry of Foreign Affairs
 Number of credit cards issued: Statistical figures released by Reserve Bank of India in December
 Number of credit cards issued (81,186,874) / Total population of India (1,417.17 million)

"slice" boasts a strong brand image that is **highly supported by the Millennial Generation Z**, the volume segment of the population. Low default rate is achieved through **its unique credit expertise**.

1

Appeal to the younger generation, the volume segment of the population, with the **strength of its brand** through its unique and superior products.

2

Extend credit with low default rates to those who have been unable to obtain credit cards in the past **through its unique credit underwriting expertise**.

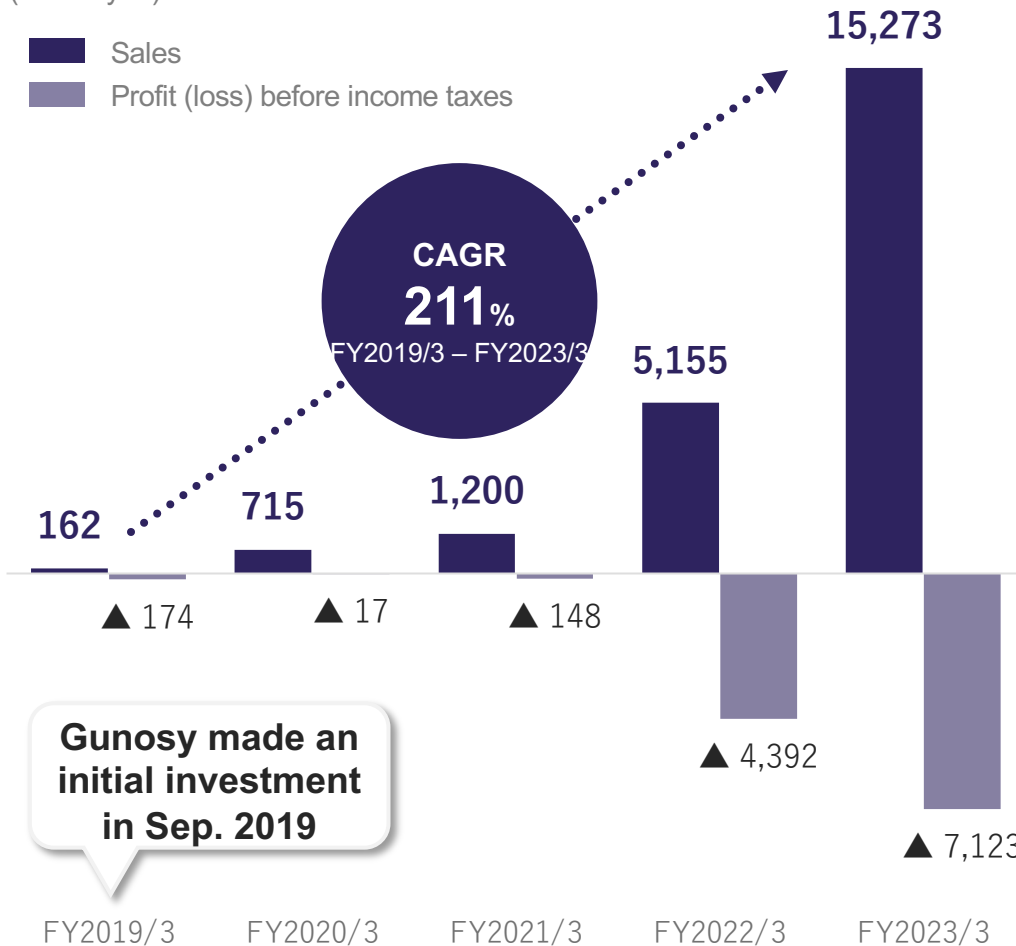
3

A **management team** that includes professionals who have held key positions at major global companies and are **capable of delivering high performance on both offense and defense**.

slice P&L: Sales and Profit /Loss before Income Taxes Gunosy

(Million yen)

- Sales
- Profit (loss) before income taxes



FY2023/3 highlights

Sales

15,273 Million yen
YoY **296%**

Profit (loss) before income taxes

-7,123 Million yen
YoY **— %**

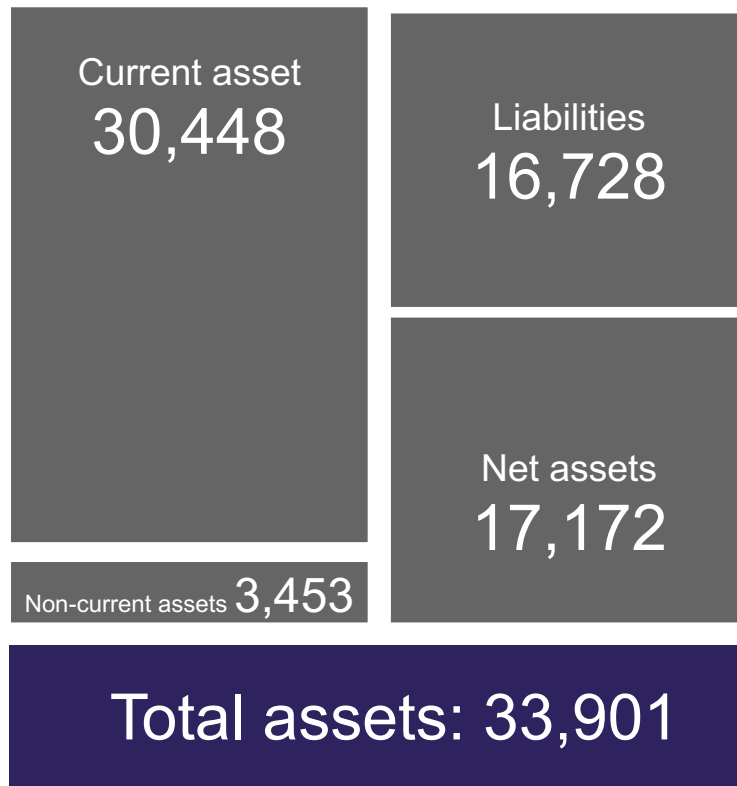
CAGR (FY2019/3 – FY2023/3)

211%

For simplicity, exchange rates as of November 30, 2023 are applied across the board.
Source: <https://www.mca.gov.in/mcafoportal/getCertifiedCopies.do> <https://www.sliceit.com/corporate-governance/>

Total assets as of March 31, 2023 were 33.9 billion yen. The company is in sound financial condition, with an equity ratio of more than 50%.

As of March 31, 2023
(Million yen)



Total assets: 33.9 billion yen
Equity ratio: Over 50%

For simplicity, exchange rates as of November 30, 2023 are applied across the board.

Source: <https://www.mca.gov.in/mcafoportal/getCertifiedCopies.do> <https://www.sliceit.com/corporate-governance/>

This merger is an extremely important step in **increasing slice's growth potential**. Gunosy will continue to support slice as a corporate shareholder after the merger.

NESFB

Small finance bank operating primarily in northeastern India

Company name	North East Small Finance Bank Ltd.
Head office	1st & 3rd Floor, Fortune Central , Basisthapur, Bye lane 3, Beltola Guwahati, Assam 781028,India
Representative	Rupali Kalita (Managing Director & CEO)
Business	Banking service
Capital	3,468 million Indian rupees (as of June 26, 2023)

- Founded in July 2016, with revenues of INR 3,352 million and total assets of INR 27,104 million in FY2023/3.
- Small Finance Banks are a specific type of financial institution created by the RBI in 2014 with the objective of providing financial services to small businesses and others in the underserved and unbanked areas of India in an inclusive manner.



Comment

Director and Chief Investment Officer (CIO)

Yuki Maniwa

The digitization of the business will enable the delivery of a high level of "user experience" services to users across India. It will also enable advanced risk management using data science technology. As a result, we expect to be able to leverage the strengths of both companies **to create an unparalleled position in India**.

Overview of the merger

Merger will deliver a more comprehensive digital financial experience

1. Prior to this RBI approval, we had acquired a 10% stake in NESFB to strengthen our relationship.
2. RBI approval acquired for the merger.
3. The merger will become effective only after obtaining the approval of the National Company Law Tribunal (NCLT) and the shareholders as required under the Indian Companies Act. Upon completion of these processes, the merger will be consummated.
4. The merger will enable "slice" to operate under a banking license, which is expected to significantly enhance its growth potential in the medium to long term. **(e.g. issuance of credit cards under its own brand, management of deposit accounts, etc. will become possible).**
5. Gunosy will also acquire shares in the post-merger company. Dilution of shares as a result of the merger is expected to be limited.

Changes were made to ensure that the product experience was compliant with the Reserve Bank of India's (RBI) Digital Lending Guidelines, and the new product was released on time. The transition to the went smoothly 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