

Gunosy

FY2019/5 Financial Results for Q2



Gunosy Inc.

First Section of The Tokyo Stock Exchange
(Stock Code: 6047)

January 15, 2019

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1

FY2019/5 Financial Results for Q2



Highlights of Financial Results

Outline of P/L for Q2 of the fiscal year ending in May 2019

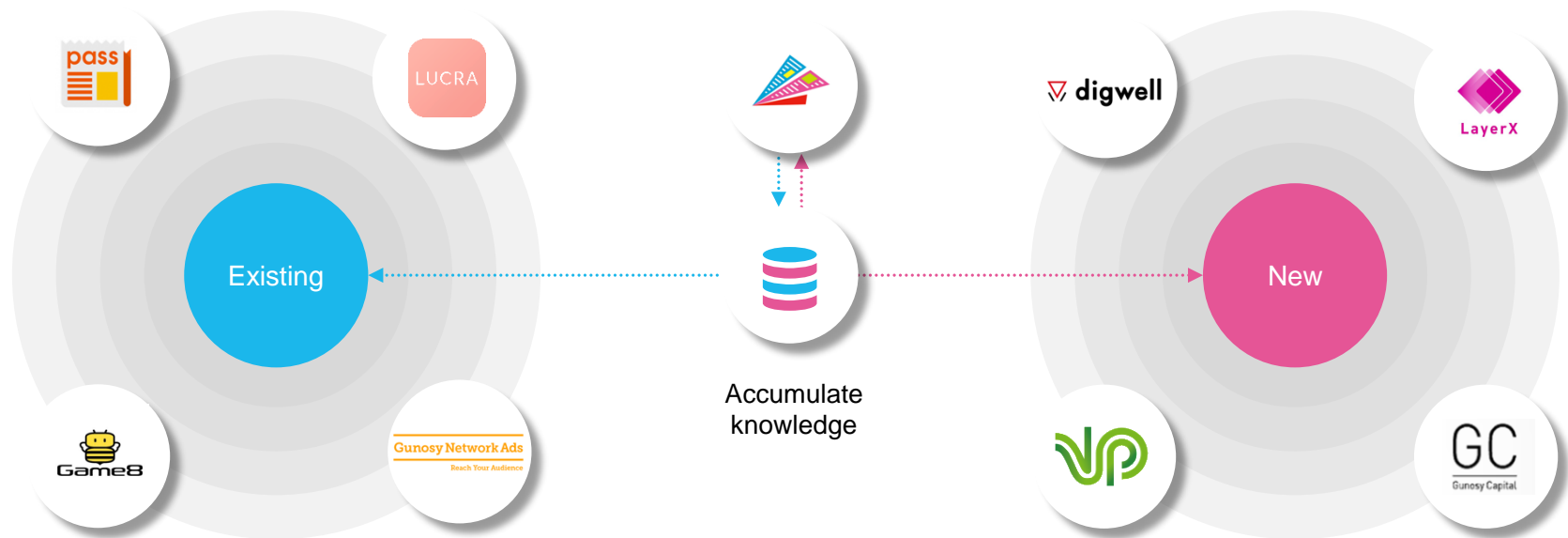
		YoY	
Net sales	3.84 billion yen	— +1.13 billion yen (141.9%)	
Operating profit	0.73 billion yen	— +0.22 billion yen (143.8%)	
Current profit	0.72 billion yen	— +0.21 billion yen (143.1%)	
Net profit	0.97 billion yen	— +0.64 billion yen (299.5%)	 

As in the previous quarter,
NewsPass, LUCRA, ADNW and all subsidiaries have grown more than expected.

Gunosy (App)	NewsPass	LUCRA	ADNW	Subsidiaries
 Steady MAU: Slight increase Advertising expenses: Increase due to good acquisition	 Significant increase in revenue MAU: Increase	 Significant increase in revenue MAU: Increase	 Significant increase in revenue	 Significant increase in revenue

Topics

- In light of the good user acquisition on the new approach in Gunosy App, **we further increased advertising expenses by slightly less than 100 million yen.**
- As a result, the MAU (Monthly Active Users) of Gunosy increased QoQ. We are preparing more effective user acquisition programs to achieve regrowth.
- We will bolster the presence of LayerX through a range of initiatives including **a business tie-up with Microsoft Japan.**



FY2019/5 Consolidated Results for Q2

Gunosy

Net sales increased by 41%. As a result, operating profit rose 43%, showing a good result.

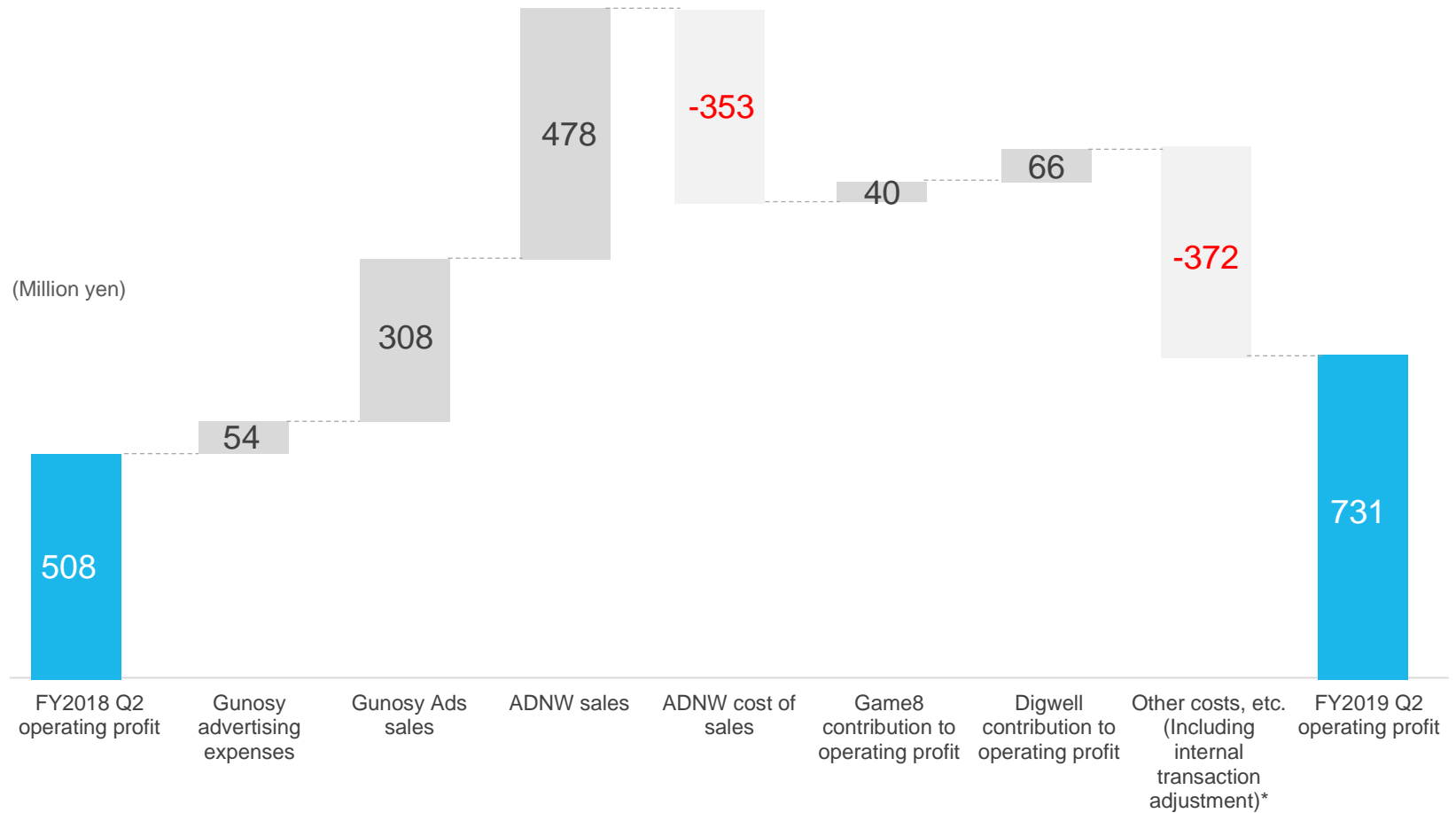
(Million yen)

	Quarter			First half		
	FY2018/5 Q2	FY2019/5 Q2	Change	Forecast for H1 at Oct.12,'18	FY2019/5 H1	Change
Net sales	2,707	3,840	141.9%	7,026	7,541	107.3%
Operating profit	508	731	143.8%	1,341	1,524	113.6%
Operating margin	18.8%	19.1%	-	19.1%	20.2%	-
Current profit	508	728	143.1%	1,341	1,520	113.4%
Net profit attributable to owners of parent	324	972	299.5%	1,261	1,517	120.2%

FY2019/5 Factors for Increase in Profit in Q2

Gunosy

Steady growth in Gunosy Ads and ADNW sales **made a significant contribution to the increase in profit.**



* Mainly increase in costs for revenue sharing and advertising expenses for LUCRA

Financial Results (Quarterly)

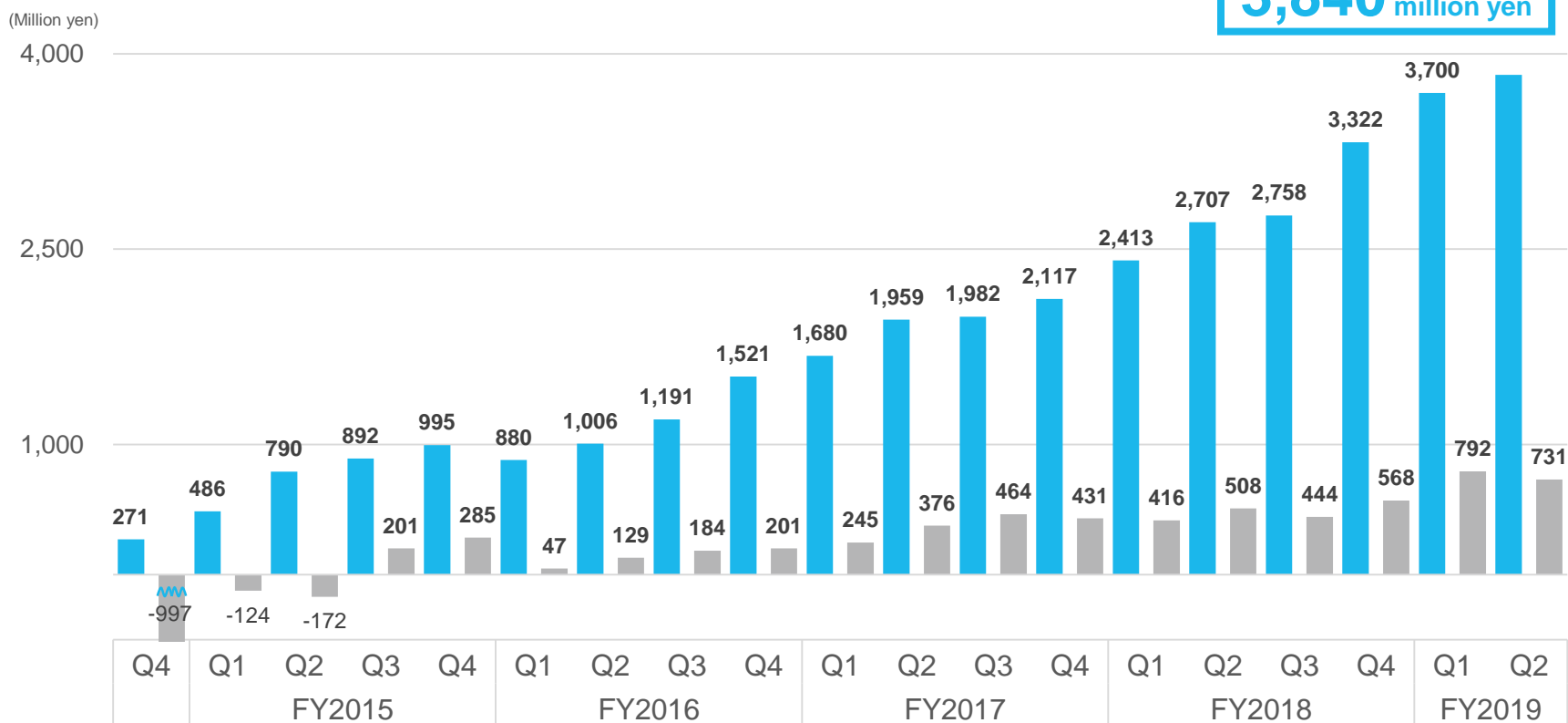
Gunosy

Net sales **set a record high for 13 consecutive quarters**, at 3.84 billion yen.

Operating profit, despite a quarter-on-quarter decline due to the increase in advertising expenses by slightly less than 100 million yen, hit its second highest level after the level reached in the previous quarter.

Net Sales and Operating Profit

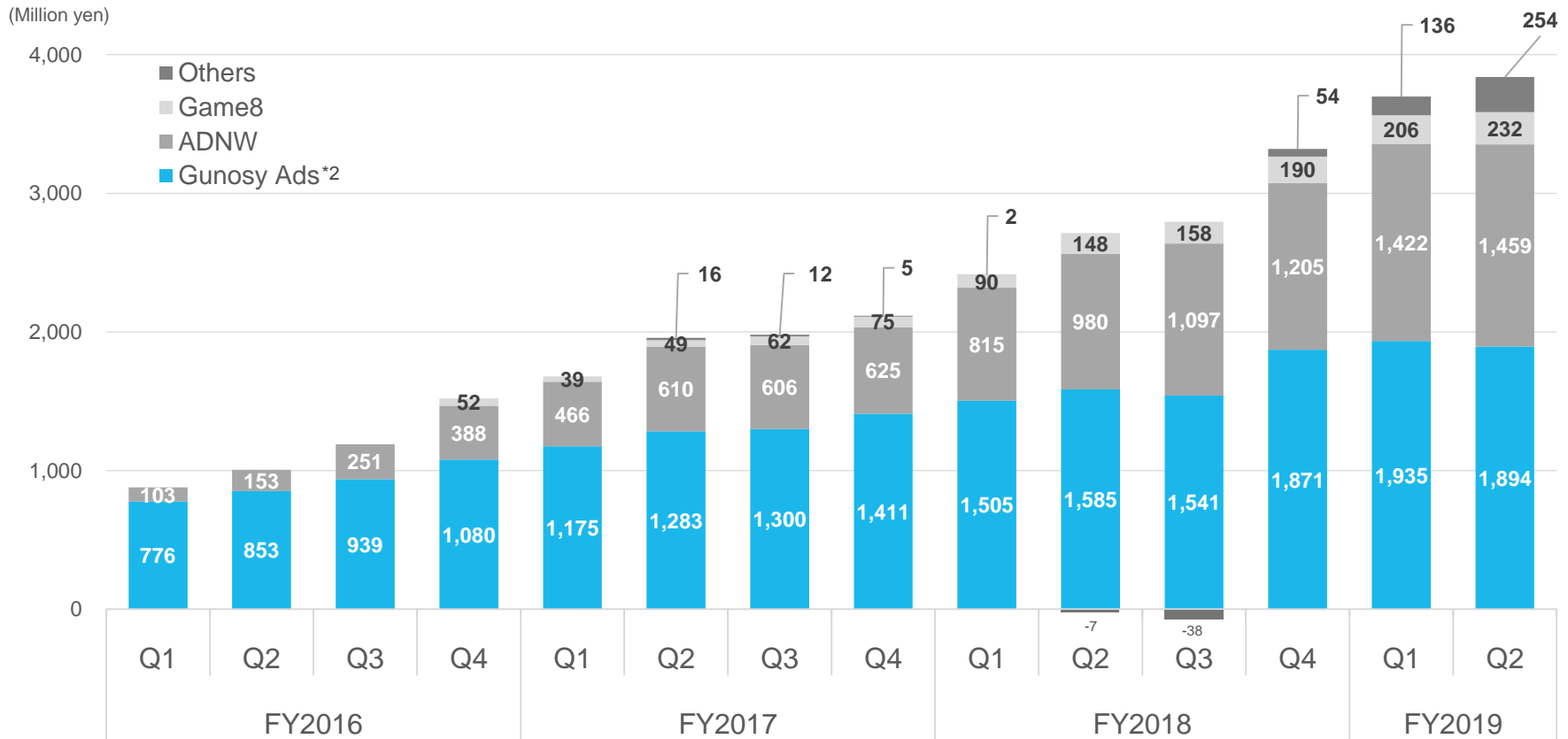
FY2019 Q2
3,840 million yen



* For the quarters up to FY2016 Q2, the figures are from the non-consolidated results.

Breakdown of Net Sales*1

ADNW sales exceeded the previous record high. Gunosy Ads*2 and Game8 continued to record solid sales.



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

*2 Sales of Gunosy Ads are the total of Gunosy App, NewsPass App and LUCRA App.

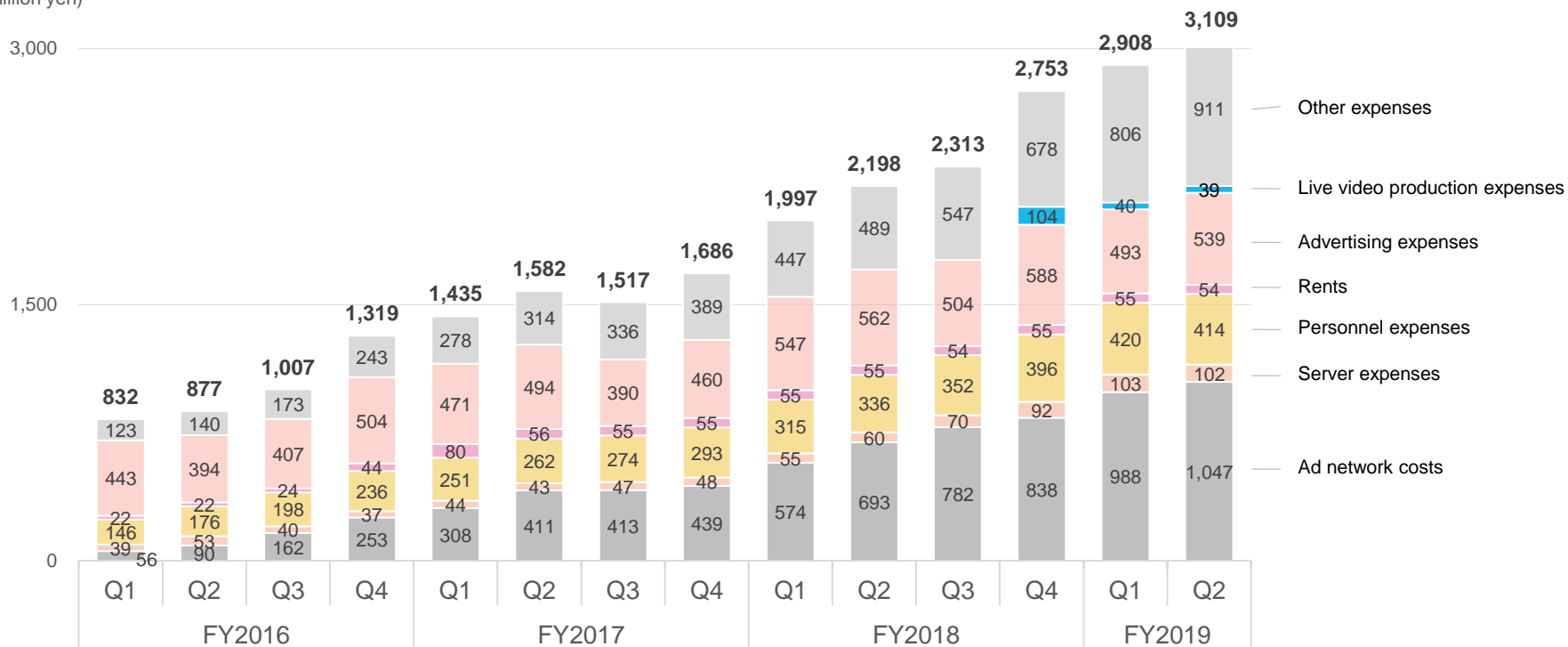
*3 For the quarters up to FY2016 Q2, the figures are from the non-consolidated results.

Cost Structure

Variable costs (ADNW costs, costs for revenue sharing with KDDI that are included in “Other expenses”) increased, mainly associated with the rise in net sales. **The cost structure remained stable.**

Cost Structure

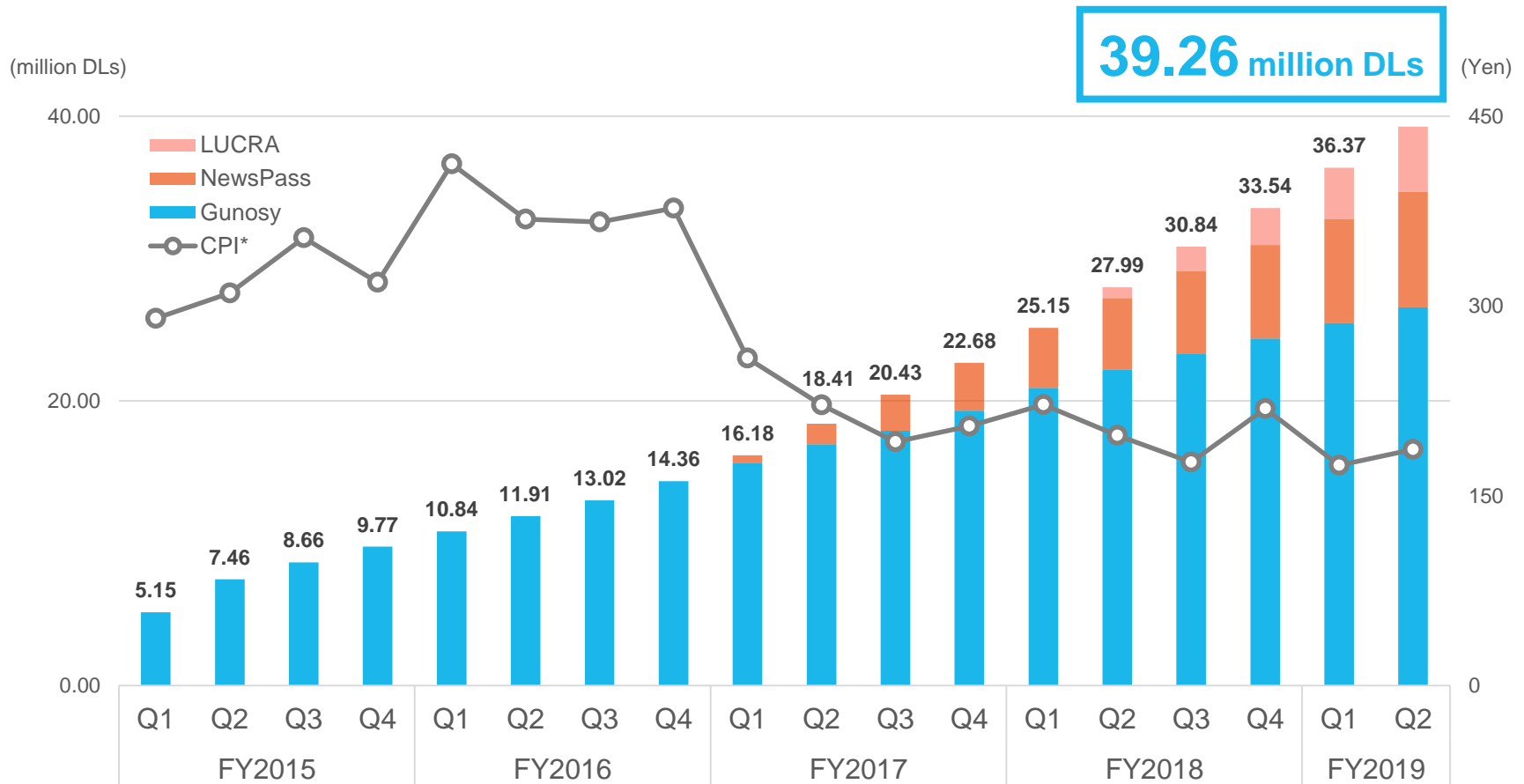
(Million yen)



* For the quarters up to FY2016 Q2, the figures are from the non-consolidated results.

Cumulative Total of Downloads

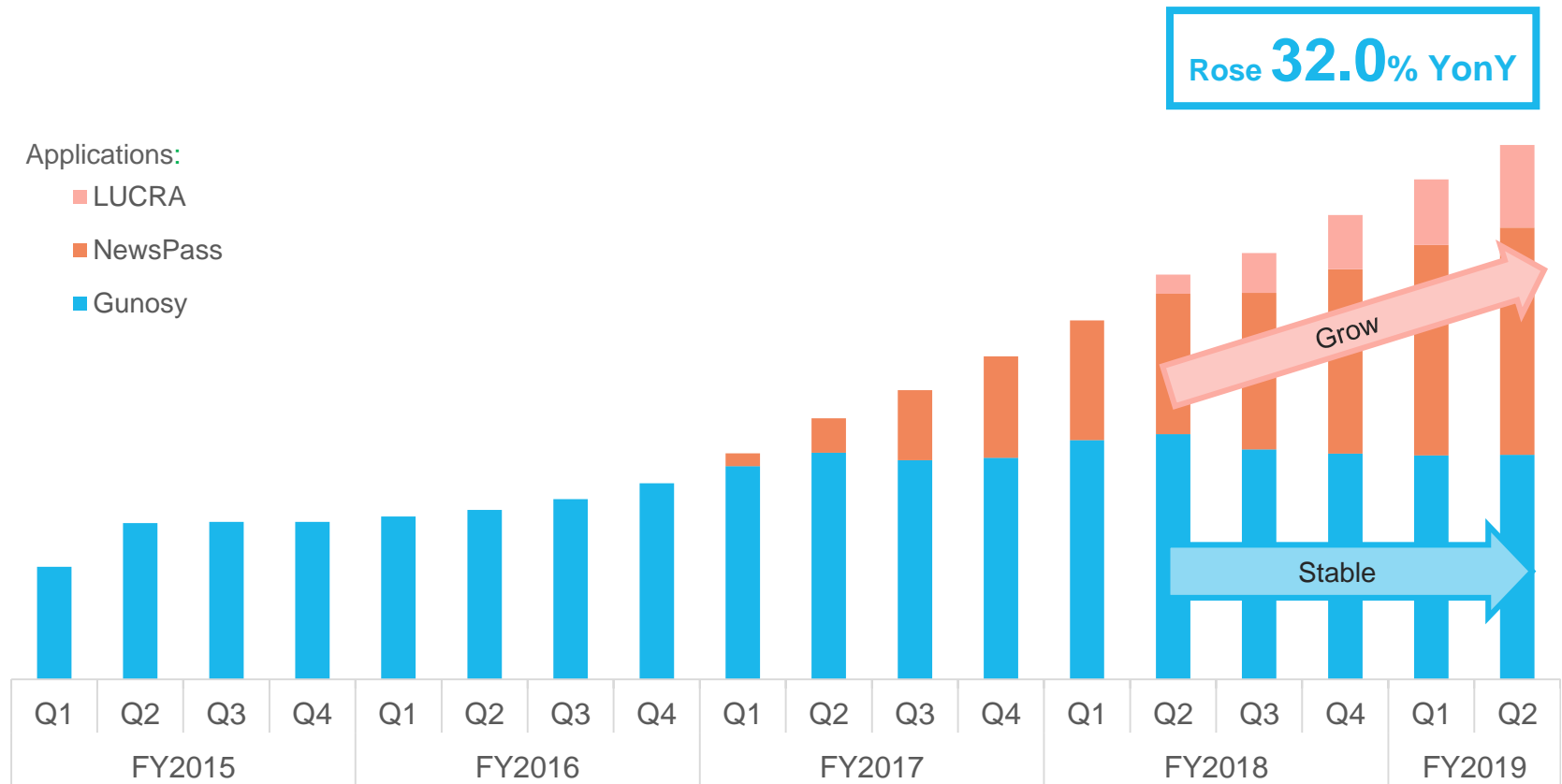
The performance of acquisitions are good for Gunosy App due to an addition to advertising expenses, and CPI* is maintained to low levels.



* CPI: Cost Per Install: Unit cost to acquire one user

Total Number of Active Users*1

Diversification is making progress due to the growth of NewsPass and LUCRA. In addition, the MAU of Gunosy App, which had remained stable, turned slightly upward in Q2.



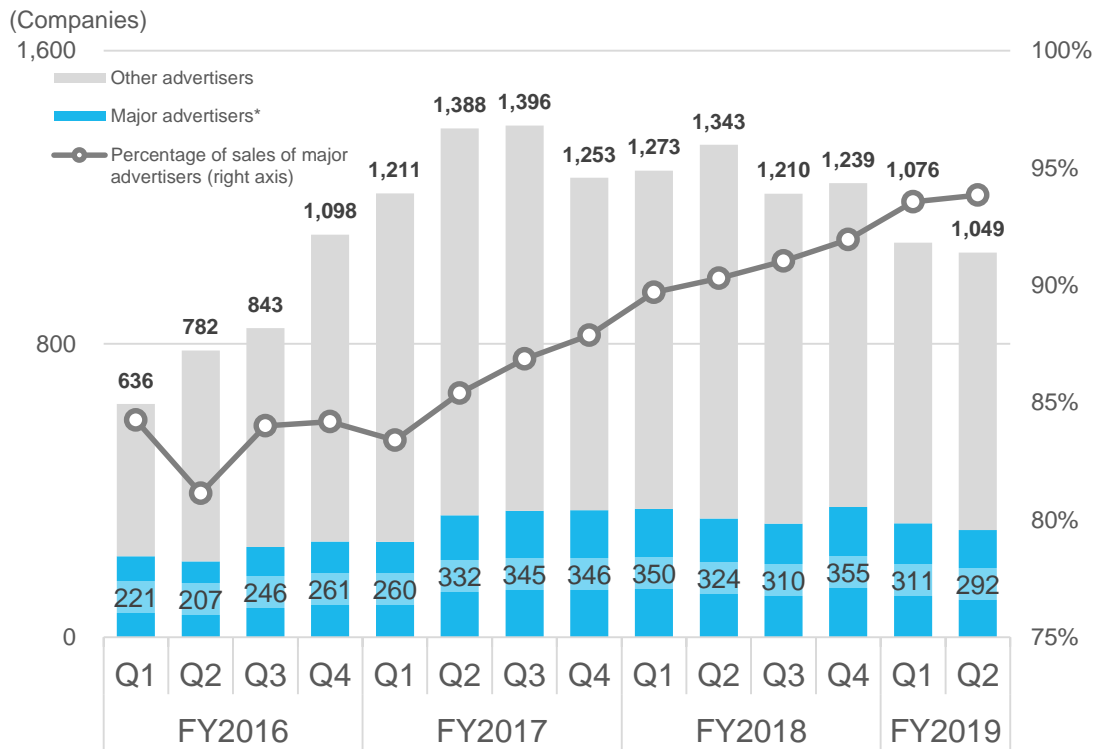
*1 Average for each quarter of MAUs (monthly active users) of Gunosy, NewsPass and LUCRA.

*2 The percentage of overlapped MAUs (monthly active users) of both Gunosy and NewsPass is within 10%. Source: Estimates of Gunosy Inc.

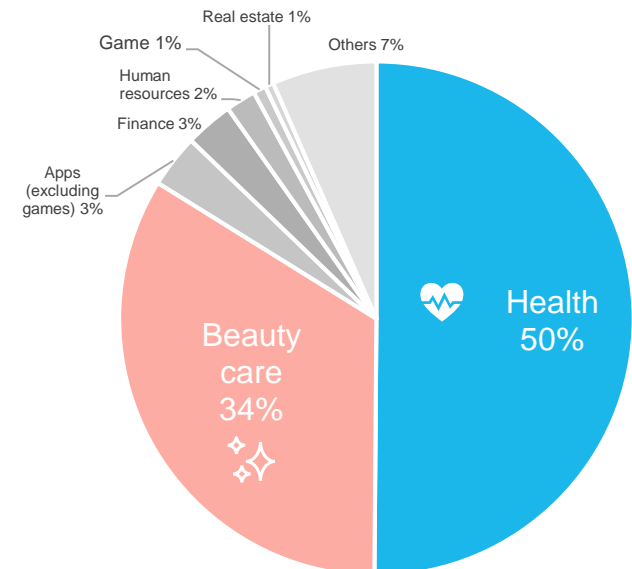
Advertisers

The ratio of major advertisers increased because we focused on sales activities for the existing major advertisers* with the purpose of cutting unit costs for customers. Along with the growth of LUCRA, the share of the Health and Beauty care segments continued to increase.

Number of Active Advertisers



Segment of Advertisers (FY2019 Q2)

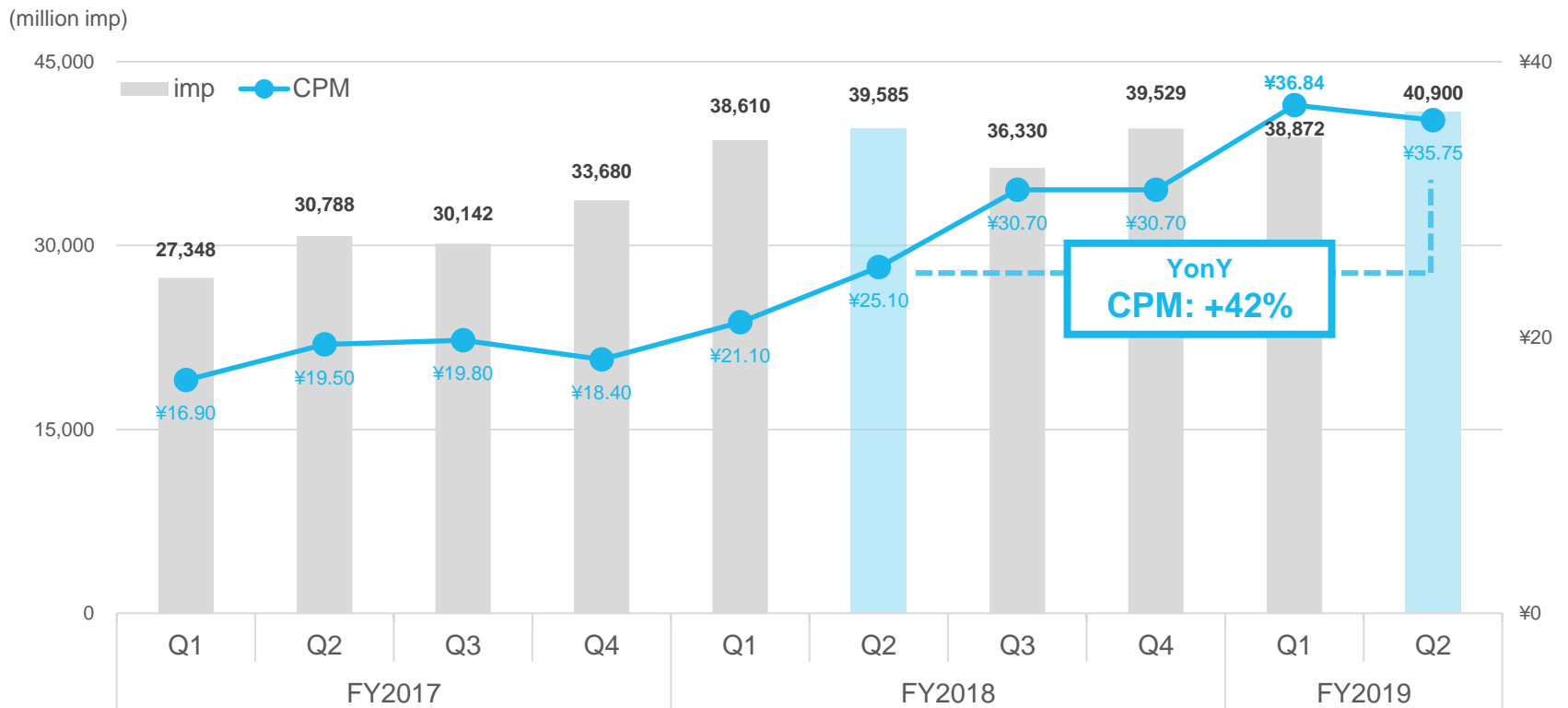


* The number of advertisers whose advertising budget is 1 million yen or more.

Ad Network (ADNW)

We continued to acquire good advertising inventories and **maintained a high CPM***.

Number of Impressions and CPM



* CPM: Cost Per Mille; unit price per 1,000 views of advertisements

2

FY2019/5 Results Forecast

Progress in FY2019/5 Financial Forecast

Gunosy

The first half forecast of operating profit was achieved with the progression rate of 113.6%.

The results forecast remains unchanged because advertising expenses are expected to be further increased, mainly for Gunosy whose acquisition is good, and new media as well (additional increase subject to the results of monitoring of CPI trends).

(Million yen)

	First Half			Full-year	
	Corrected forecast for H1 at Oct.12,'18	Actual result	Change	Corrected forecast for H1 at Oct.12,'18	Progression rate
Net sales	7,026	7,541	107.3%	14,462	52.1%
Operating profit	1,341	1,524	113.6%	2,722	56.0%
Operating margin	19.1%	20.2%	-	18.8%	-
Net profit attributable to owners of parent	1,261	1,517	120.2%	2,159	70.2%

3

Business Overview



Media

- User acquisition on the back of the new approach remained good in Gunosy App. Advertising expenses were further increased by slightly less than 100 million yen.
- Progress was made in the enhancement of video content and a shift to video from text based media.
- We released Gunosy Sports as the first application in the current fiscal year.

Advertising

- We released programmatic advertising and automatic bidding functions. We will expand the customer base.
- Sales of digwell, our subsidiary, grew. The growth made a significant contribution to the Group's profitability.

BC (blockchain)

- LayerX increased its presence in Japan through a business tie-up with Microsoft, among other initiatives.

Investment

- We invested in Zoomcar, the largest online car rental company in India, as the first project.



Advertising expenses were further increased due to good user acquisition, resulting from the ongoing efforts to enhance the coupon program.

Production of the second TV commercial for the coupon program is in process. We are working on a plan to further strengthen promotions.

Content

Promotion

Article ○

As of August 31, 2018

Number of brands

7

Types of coupons

22

Coupon ●

As of November 30, 2018

Number of brands

12

Types of coupons

59

Official video
(Efforts are being made to enhance the program) ○

Digital



TV

- Improvements in the level of acquisition efficiency from previous levels contributed to increases in DAU and MAU.
- We further increased advertising expenses by slightly less than 100 million yen while maintaining the current level of acquisition efficiency.
- We started to air the first commercial in December. The second one will be aired in February.

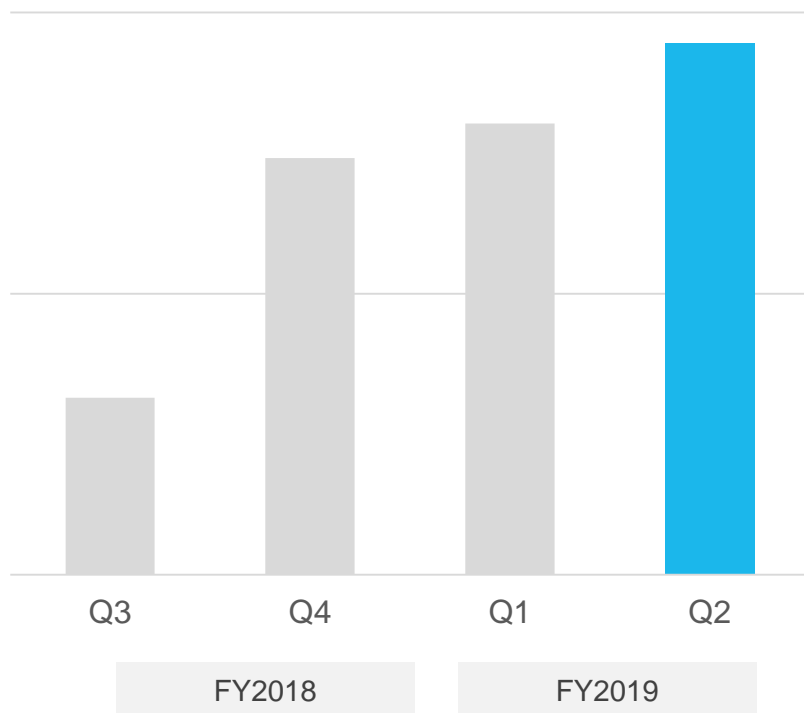


使えるお店
増えてます!



The enhancement of video content is progressing. **A shift to video content is underway.**

Changes in the scale of users who have finished viewing video



Main video content broadcast in Q2

In-house production

Gunosy Q

A live interactive quiz program featuring user participation (held on a regular basis)

Tie-up programs

Live programs hosted by celebrities or singers (held on an irregular basis)

Alliance with external partners

Eclipse LIVE

A tie-up program with one of Japan's largest weather information media

Live broadcasting of sports

Live broadcasting of major sports such as soccer, baseball and basketball as well as their highlights



We released **Gunosy Sports** as a cut-out application.

We will validate the application in the current fiscal year from the perspective of unit economics for growth in the next fiscal year and beyond.

Background

- Interest in sports is growing as shown by the launch of channels dedicated to sports and special corners allocated in articles, with a view toward the Tokyo Olympics.
- We released Gunosy Sports to provide sports-focused information.

Plan for the current fiscal year

- We will validate the persistency of users in the first place.
- In addition, we will conduct a marketing test of the service for low budget and make preparations for growth in the next fiscal year and beyond.





We are seeking to **improve user experience** through **the enhancement of “likes” and video content**. We are moving forward with efforts to strengthen communities through the development of commenting functions.

Content

- We plan to provide more daily life-based information by utilizing “likes” and comments according to algorithms.
- We are in the process of enhancing video content. By doing so, we will improve user experience.

Special offer

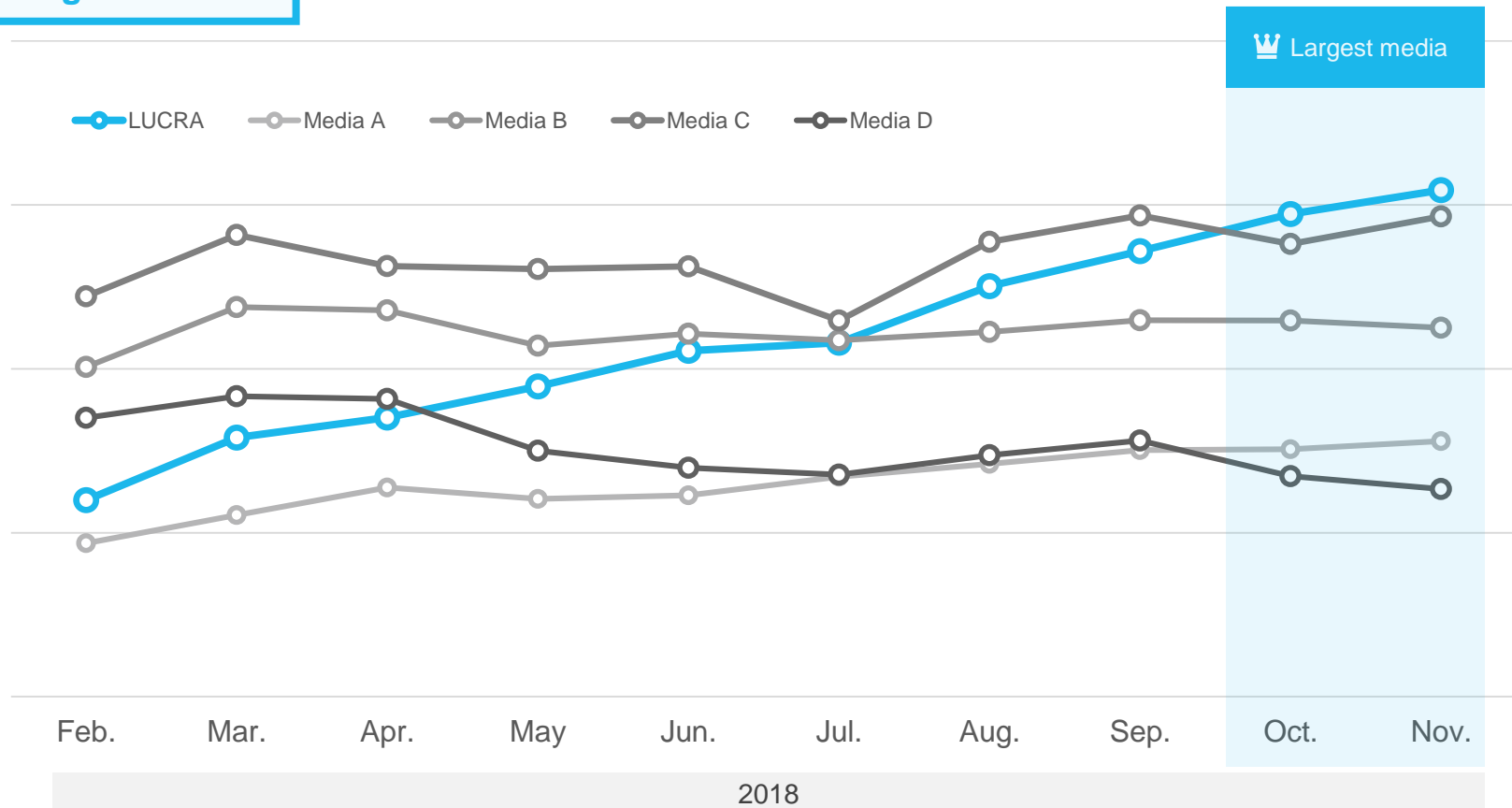
- We conducted the wallet point present campaign.

Community

- The “like” function is already incorporated. We are in the process of developing commenting functions.

The DAU and MAU grew significantly due to improvements in user acquisition efficiency and persistency. In terms of the MAU, the service became **the largest media outlet oriented to women in the Japanese market.**

Changes in MAU



* Based on a survey by the Company (we referred to AppAnnie)



We are **improving algorithms** for services in Gunosy, NewsPass and Lucra and conducting **research and development on leading-edge algorithms**.



- Full-scale introduction of personalization for Gunosy
⇒ **Improvement in article click rates by more than 10%.**
 - Renewal of algorithms for related articles in NewsPass
⇒ **Improvement in click rates by approximately 30%.**
 - Started the implementation and trial introduction of an algorithm that reduces the number of articles displayed that are judged to be click-bait articles.
- Conducted a joint study with Yoshida Lab at Toyohashi University of Technology and made announcements at international conferences.
 - Development of an algorithm to specify click-bait articles. (Announced and posted a paper at the conferences of DEIM, YANS and WI)
 - Analysis of user activities with respect to the filter bubble and eco chamber. (Announced and posted a paper at the conferences of JSAI, IEEE and Bigdata)

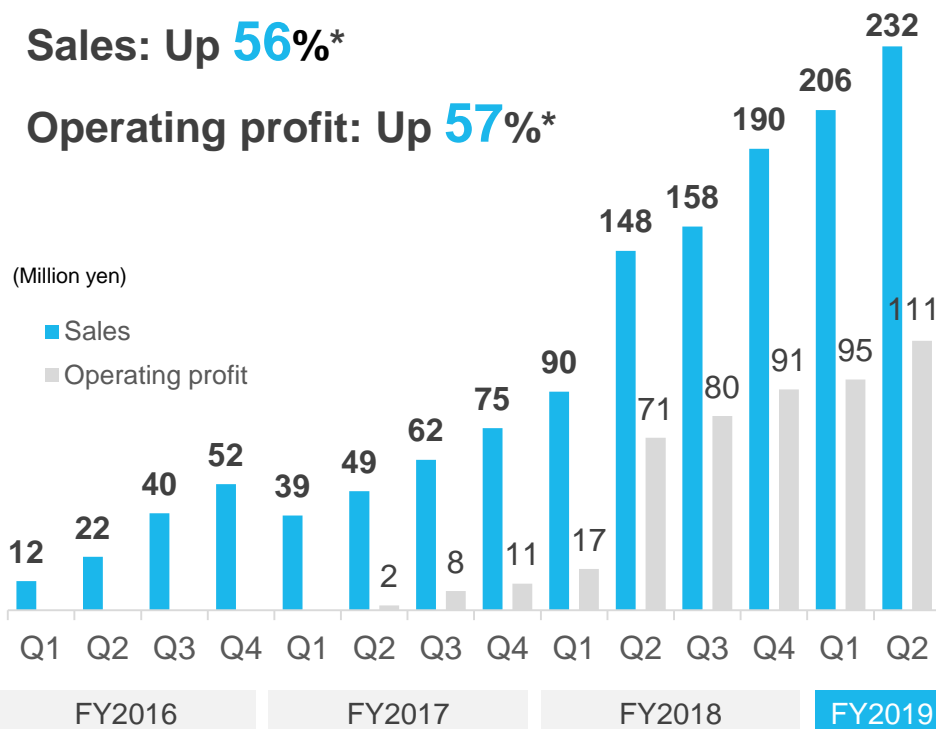


Both sales and operating profit continued to set record highs, with **operating sales** reaching **110 million yen**. Good progress was made in the promotion of functions other than game walkthrough/strategy articles.

Sales and Operating profit

Sales: Up **56%***

Operating profit: Up **57%***



*1 Non-consolidated results (before consolidated adjustment)

*2 The sales and operating profit increase rates are the year-on-year values.

New Driver for Growth



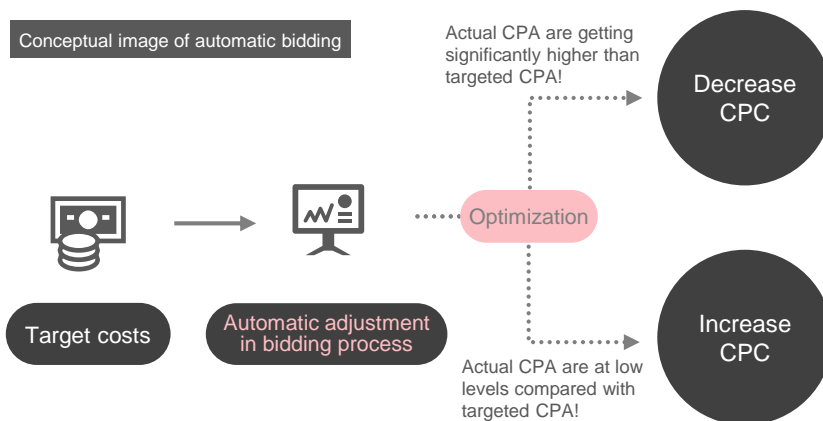
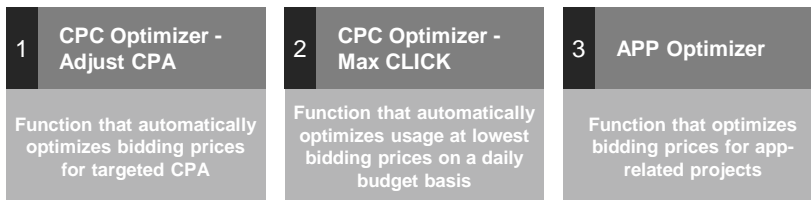
Actively expand content other than game strategies.

- Content for advance reservations grew steadily.
- We created new business teams to launch other businesses effectively.
- We are considering undertaking M&As, investments, alliances and other initiatives proactively.

We **released new automatic bidding functions** in existing programmatic advertising to expand the customer base.

We also **launched new content-linked ads** such as coupons and live events.

Improvement of existing programmatic advertising



Launch of content-linked ads



Commercialization of content-linked ads such as the combination of article ads, live events and coupons.

Affiliate advertising orders remained good, and **the sales of the subsidiary, digwell, increased**. We launched initiatives including the sale of packages aimed at advertisers of products and services for men to **make VIDPOOL profitable**.

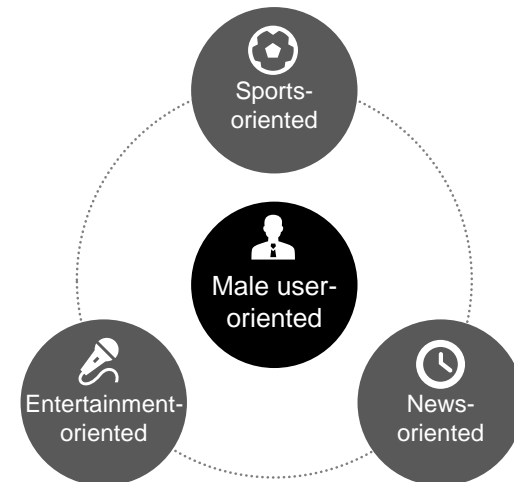
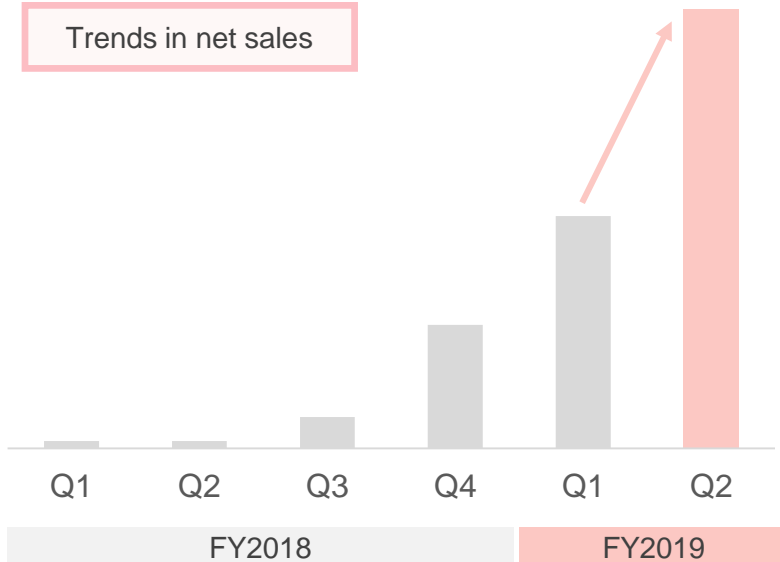


Sales grew steadily following the launch of pay-per-click services for APP advertisers.



Launch of the sale of premium video packages aimed at advertisers of products and services for men

Trends in net sales



Delivery to good male user-oriented media that have **40 million views** per week

We will move forward with the development and expansion of consulting and technical support through **collaboration with Microsoft Japan in BaaS.**

2018年11月30日
株式会社 LayerX
日本マイクロソフト株式会社

報道関係者各位

LayerXと日本マイクロソフトがブロックチェーン分野で協業


株式会社 LayerX（本社：東京都港区 代表取締役 社長：福島良典、以下 LayerX）と日本マイクロソフト株式会社（本社：東京都港区 代表取締役 社長：平野 拓也）は、ブロックチェーン分野において協業を開始します。両社は、企業へのブロックチェーン導入コンサルティング、開発支援等のサポートなどを行います。日本マイクロソフトは、Microsoft Azure ベースのブロックチェーンプラットフォームの提供に加え、エンタープライズ市場におけるブロックチェーン導入企業の開拓を行い、LayerXは、ブロックチェーン技術を導入するためのコンサルティングや設計、開発などの技術的なサポートを行います。さらに、両社でブロックチェーン技術の普及に向けた施策を検討、実施していきます。



近年、ブロックチェーン技術のシステム導入に関心が高まっている中、日本マイクロソフトでは、2016年より、パブリッククラウドプラットフォーム Microsoft Azure 上でブロックチェーンインフラの構築を支援する BaaS (Blockchain as a Service) の提供を開始しており、Nasdaq の Nasdaq Financial Framework (NFF) など、すでに国内外で多くの企業に利用されています。また、LayerXは、ブロックチェーン技術に特化し、ブロックチェーン技術の研究やシステムの開発、コンサルティングを行ってきました。この度、加速する国内のブロックチェーン技術の社会実装に対して、充実したブロックチェー

We carried out the first project, which is an **investment in Zoomcar, the largest online car rental company in India.**

Overview of investee

- Company name: Zoomcar, Inc.
- Head office: Bangalore, Karnataka, India 
- Representative: Greg Moran
- Established: 2012
- URL: <https://www.zoomcar.com/>
- Business: Online car rental and car sharing businesses

First
project

報道関係者各位

2018年10月11日
発行 No. 119

 Press Release

Gunosy

Gunosy Capital、インドのオンラインレンタカー事業を 提供する「Zoomcar」に初投資を実施

株式会社 Gunosy（本社：東京都港区、代表取締役 CEO：竹谷祐哉、以下 Gunosy）は、投資育成事業を行う子会社のコーポレートベンチャーキャピタル Gunosy Capital Pte. Ltd.（所在地：シンガポール共和国、代表取締役：木村新司、以下 Gunosy Capital）が、オンラインレンタカー事業でインド最大手の「Zoomcar」に初投資を行ったことをお知らせいたします。

GC
Gunosy Capital

「Zoomcar」は現在インド内で 25 都市を超える拠点をもち、インドで最大手のオンラインレンタカー事業を行う会社で、急速に成長しています。車の所有率が世界と比べて非常に低いインドでは、オンラインのカーシェアリング事業は新しい解決策として受け入れられています。

インドの経済はここ数年で急成長しており、成長率は今後 3 年間で年率 7%以上にも上昇する（※1）と見込まれており、2025 年までに 5 兆ドルに達する（※2）と予想されています。また、その後も引き続き高い成長率での経済拡大が見込まれており、2050 年には米国を抜いて世界第 2 位になる（※3）とも言われています。こうした背景から「Zoomcar」の事業は今後大きな成長機会が見込まれると判断し、今回の投資に至りました。

（※1）[「世界経済見通し\(GEP\)」2018 年度 1 月版（英語）](#)

（※2）[World Economic Outlook Update, January 2018](#)

（※3）[The World in 2050](#)

Appendix

Reference Materials: Overview of Gunosy Inc.

Overview of Gunosy Inc.

Basic Information

- Company name: Gunosy Inc.
- Representative: Yuya Taketani
- Established: November 14, 2012
- Fiscal year end: May 31
- Capital: 4,011 million yen
(as of the end of November 2018)
- Stock Code: 6047 (First Section of The Tokyo Stock Exchange)
- Audit corporation: Ernst & Young ShinNihon LLC
- Number of employees: 170 (as of the end of November 2018, on a consolidated basis)
- Head office: Roppongi Hills Mori Tower,
6-10-1 Roppongi, Minato-ku,
Tokyo
- Business: Development and operation of information curation service and other media
- Officers: Representative Director and CEO, Yuya Taketani
Director and COO, Tetsuya Nagashima
Director, Yoshinori Fukushima
Director, Shinji Kimura
Director (Outside), Toshifumi Tsukada
Director (Outside), Suguru Tomiduka
Director (Outside), Hiroki Teshima
Director (Outside), Hirokazu Mashita
Corporate Auditor, Masakazu Ishibashi
Corporate Auditor (Outside), Kenji Shimizu
Corporate Auditor (Outside), Noboru Kashiwagi

Directors

Gunosy



Representative Director and CEO
Yuya Taketani

He graduated from the Department of Industrial and Management Systems Engineering, School of Creative Science and Engineering, Waseda University. After working at GREE Inc., he joined our company. After serving as Director & COO from August 2013 and Representative Director & COO from August 2016, he assumed the post of Representative Director & CEO in August 2018.



Representative Director and COO
Tetsuya Nagashima

He graduated from the Faculty of Science and Technology, Keio University. After serving as Executive Director of AUN CONSULTING, Inc. and then GREE Inc., he joined our company. He led our advertising business unit as Executive Officer. After serving as Director from August 2016 and Director & CBO from August 2017, he assumed the post of Director & COO in August 2018.



Director
Yoshinori Fukushima

He graduated from the Graduate School of Engineering, The University of Tokyo. During his time at the school, he developed the services of Gunosy, founded the company in November 2012, and assumed the post of Representative Director. Subsequently, in November 2013, he took up the post of Representative Director & CEO. He was selected as Super Creator in IPA's MITOU Program in 2012. In August 2018, he transferred to the subsidiary, LayerX Inc., to concentrate on his work as its representative director.



Director
Shinji Kimura

He graduated from the Department of Physics, Faculty of Science, The University of Tokyo. After joining DREAM INCUBATOR Inc., he founded Atlantis Co., Ltd. (now Glossom, Inc.) in March 2007 and sold it to GREE Inc. in 2011. He assumed the post of Representative Director of our company in 2013 and resigned in 2014. In June 2016, he founded AnyPay Inc. In August 2017, he took up the post of Director of our company.



Director (Outside)
Toshifumi Tsukada

In 1986, he joined DDI Corporation (now KDDI Corporation). After serving as Representative Director of mediba Inc. and Representative Director of WebMoney Corporation, etc., he currently serves as General Manager of Advanced Business Development Division, Life Design Business Sector, KDDI Corporation. In August 2016, he assumed the post of Outside Director of our company.



Director (Outside)
Suguru Tomiduka

After joining **Recruit Company** (now Recruit Holdings Co., Ltd.) in 1988, he served as its Executive Officer as well as Representative Director of an affiliated company of Recruit Holdings Group and was involved in the internet media business and management. In 2018, he founded **Tommy Co., Ltd.** He currently serves as Representative Director of Tommy and Outside Director of eole Inc. In August 2018, he assumed the post of Outside Director of our company.



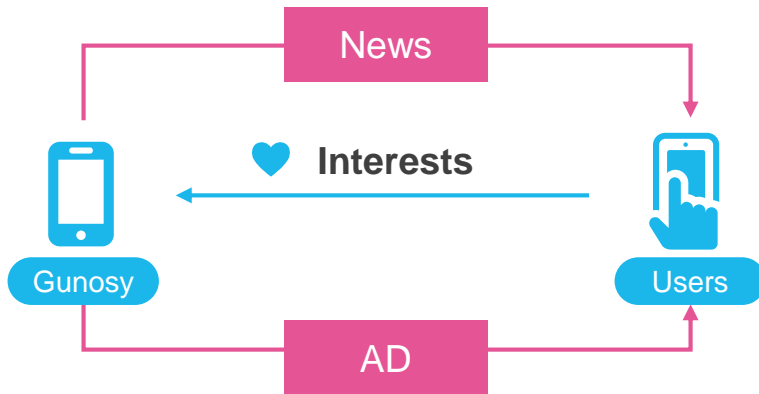
Director (Outside)
Hiroki Teshima

He joined HAKUHODO Inc. in 1999. From 2006, he served as Director when Interspire, Inc. (now UNITED, Inc.) was founded. After two business mergers, he assumed the post of the CEO of UNITED, Inc. at the end of 2012. He also served as Outside Director of Mercari, Inc., in which the company invested, in 2013. He has a wide range of experience in management and internet-related businesses. Since August 2018, he has served as Outside Director of our company. In September 2018, he assumed the post of Joint Founder and General Partner of XTech Ventures.



Director (Outside)
Hirokazu Mashita

In 1991, he joined Nomura Securities Co., Ltd. In 1996, he graduated from the MBA course at Duke University Fuqua School of Business. After serving as Director of Hikari Tsushin, Inc. and Representative Director of e-machitown Co., Ltd., he founded M&S Partners Pte. Ltd. in 2013 and has served as its Director (up until now). He has experience in global management and investments both in Japan and overseas. Since August 2018, he has served as Outside Director of our company.



Ad on list page



Ad in an article

Revenue

Targeted advertisement delivery by interest cluster

Click-guaranteed
(CPC = Cost per Click)

Impression-guaranteed
(CPM = Cost per Mille)

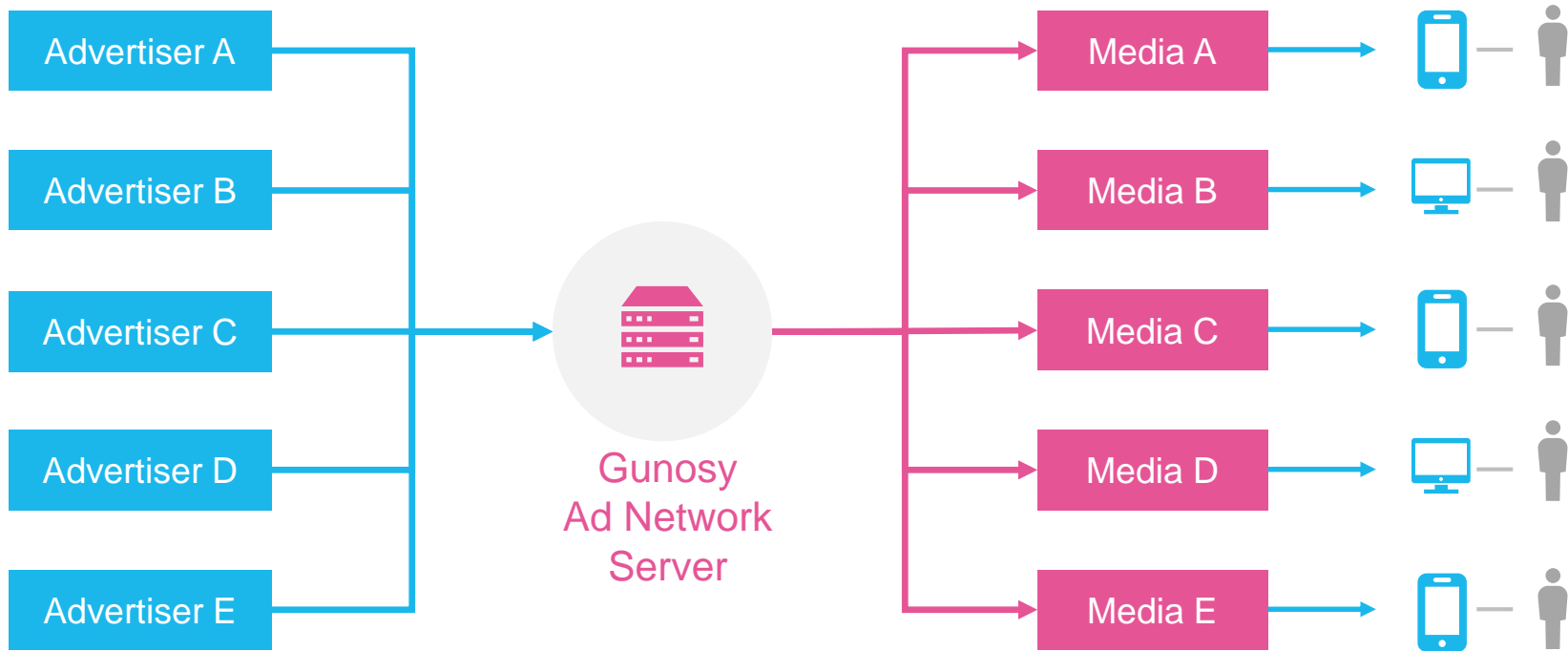
Features

1. In-feed advertisements (ads inserted into articles) enhance visibility
2. Highly frequent contact
3. Ads delivered according to interests

Business Model: Ad Network

In addition to delivering advertisements inside Gunosy (Gunosy Ads), we release Gunosy Ad Network service, which delivers ads to external partner media.

Currently, more than 600 media outlets have introduced this service.



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.

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