

Gunosy

FY2019/5 Financial Results



Gunosy Inc.
First Section of The Tokyo Stock Exchange
(Stock Code: 6047)
July 12, 2019

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1

Financial Results for FY2019

FY2019/5 Consolidated Results (On a YoY comparison)

Gunosy

Although operating income declined YoY due to active injection of advertising expenses, increases in **both sales and profit achieved on a full year basis**. Sales and gross profit marked solid growth by user acquisition through **coupon program, enhancement of new content (video, etc.) and improvement of algorithm**.

(Million yen)

	Q4			Full year		
	FY2018/5 Q4	FY2019/5 Q4	YoY	FY2018/5	FY2019/5	YoY
Net sales	3,322	3,835	115.4%	11,201	15,017	134.1%
Gross profit	1,628	1,763	108.3%	5,874	7,138	121.5%
Operating income	568	446	78.5%	1,938	2,302	118.8%
Operating margin	17.1%	11.6%	-	17.3%	15.3%	-
Ordinary income	568	445	78.4%	1,939	2,289	118.1%
Net income attributable to owners of parent	-379	292	-	501	2,009	401.0%

FY2019/5 Consolidated Results [Compared to the Plan]

Gunosy

When Q3 financial results were announced on April 12, 2019, the full-year plan was revised incorporating the increased advertising expenses.

Q4 sales and operating income exceeded the revised plan by approx. 250 million yen and 200 million yen, respectively.

(Million yen)

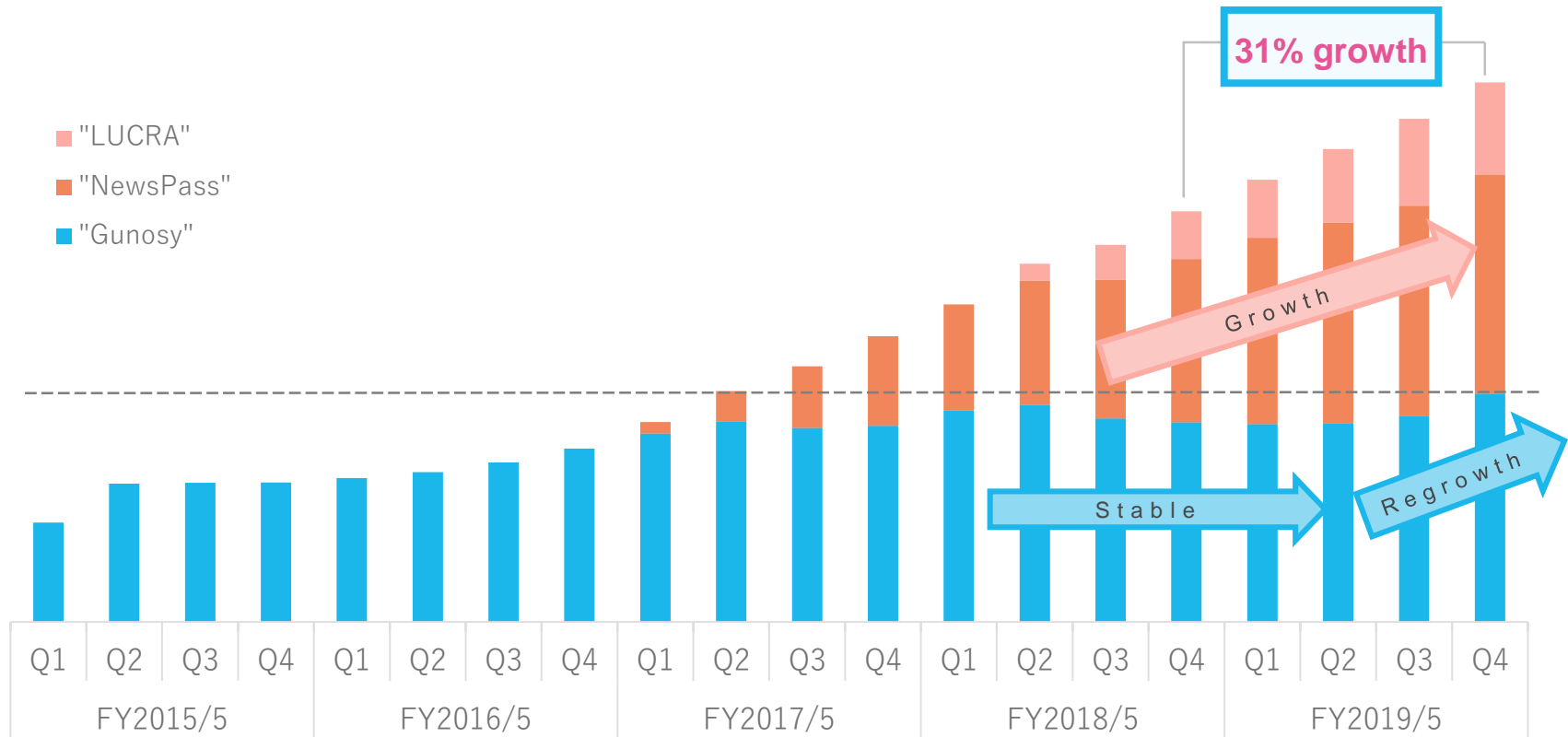
	Compared to the plan (Q4)			Compared to the plan (Full year)		
	FY2019/5 Q4 (plan)	FY2019/5 Q4 (result)	Compared to the plan	FY2019/5 Q4 (plan)	FY2019/5 Q4 (result)	Compared to the plan
Net sales	3,588	3,835	106.9%	14,770	15,017	101.7%
Operating income	245	446	181.7%	2,101	2,302	109.6%
Operating margin	6.8%	11.6%	-	14.2%	15.3%	-
Ordinary income	237	445	187.4%	2,081	2,289	110.0%
Net income attributable to owners of parent	152	292	191.3%	1,870	2,009	107.5%

Total Number of Active Users (MAU)^{*1}

Gunosy

Total MAU in Q4 increased by 31% YonY ("Gunosy" increased by 14%).

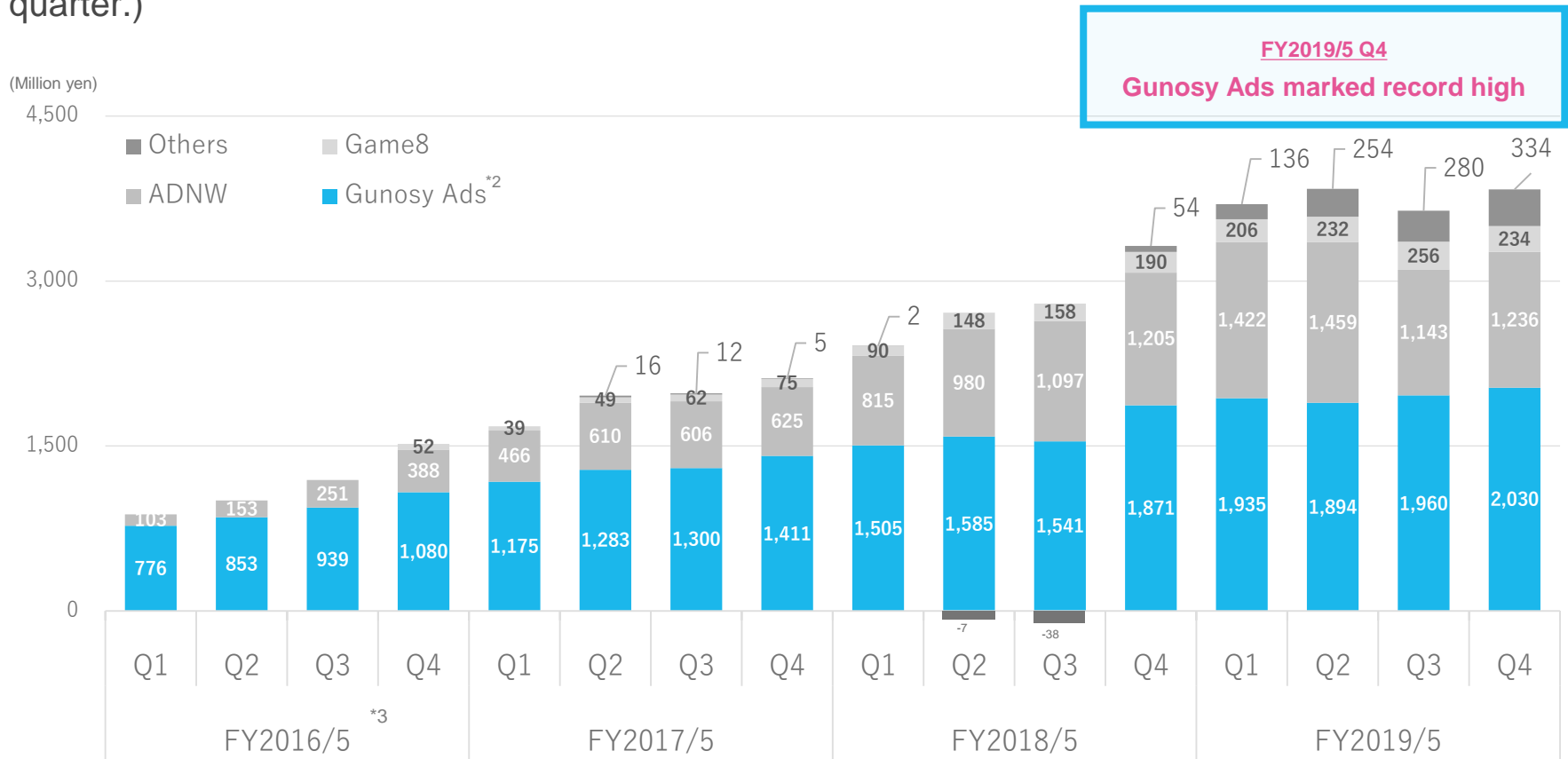
Supported by improved algorithm, enhancement of new content and coupon program, MAU of "Gunosy" turned to re-growth, achieving a record high. "NewsPass" and "LUCRA" also showed solid growth.



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

Breakdown of Net Sales^{*1}

ADNW recovered from the sales decline recorded in Q3. (Increased by 8% over the previous quarter)
 Sales of Gunosy Ads increased due to improvements in algorithms, enhancement of new content such as videos and user acquisition through coupon programs. (Increased by 4% over the previous quarter.)



*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", "NewsPass" and "LUCRA".

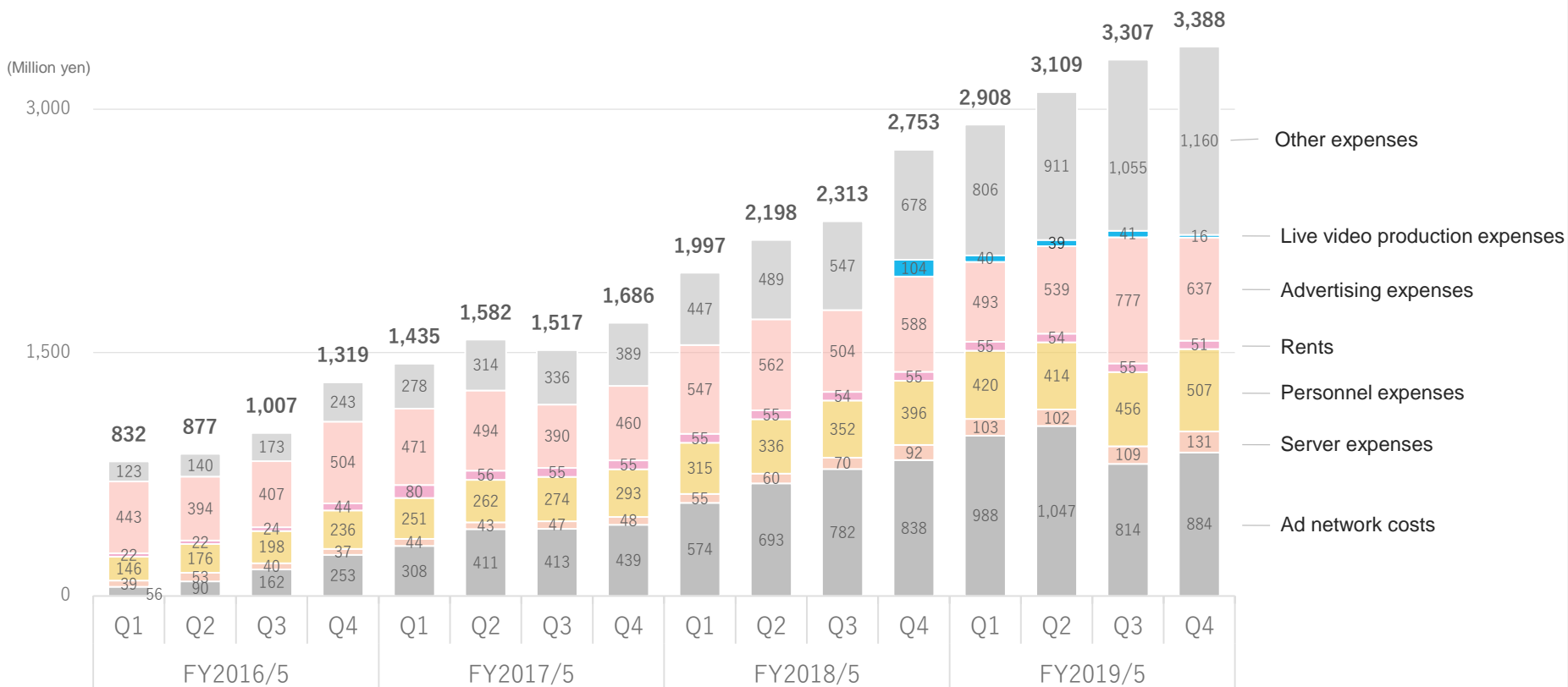
*3 For the quarters up to FY2016 Q2, the figures are from the non-consolidated results.

Cost Structure

Along with ADNW sales growth, “Ad network costs” also increased over the previous quarter.

Continued injection of “advertising expenses” to promote coupon program.

“Other expenses”, which increased over the previous quarter, is mainly associated with the costs for revenue sharing with KDDI.



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

2

Medium- and Long-Term Growth Strategy

(1) Outline

See p.11 for more detail

Establish “an investment phase to accelerate growth”, which aims to achieve medium- and long-term growth.

(2) Strategy

See p.12 for more detail

Inject advertising costs strategically making effective use of media such as online ads and TV commercials.

(3) Recent results

See p.13 for more detail

As a result of investment in the second half of FY2019/5, MAU and DAU of “Gunosy” marked steady growth.

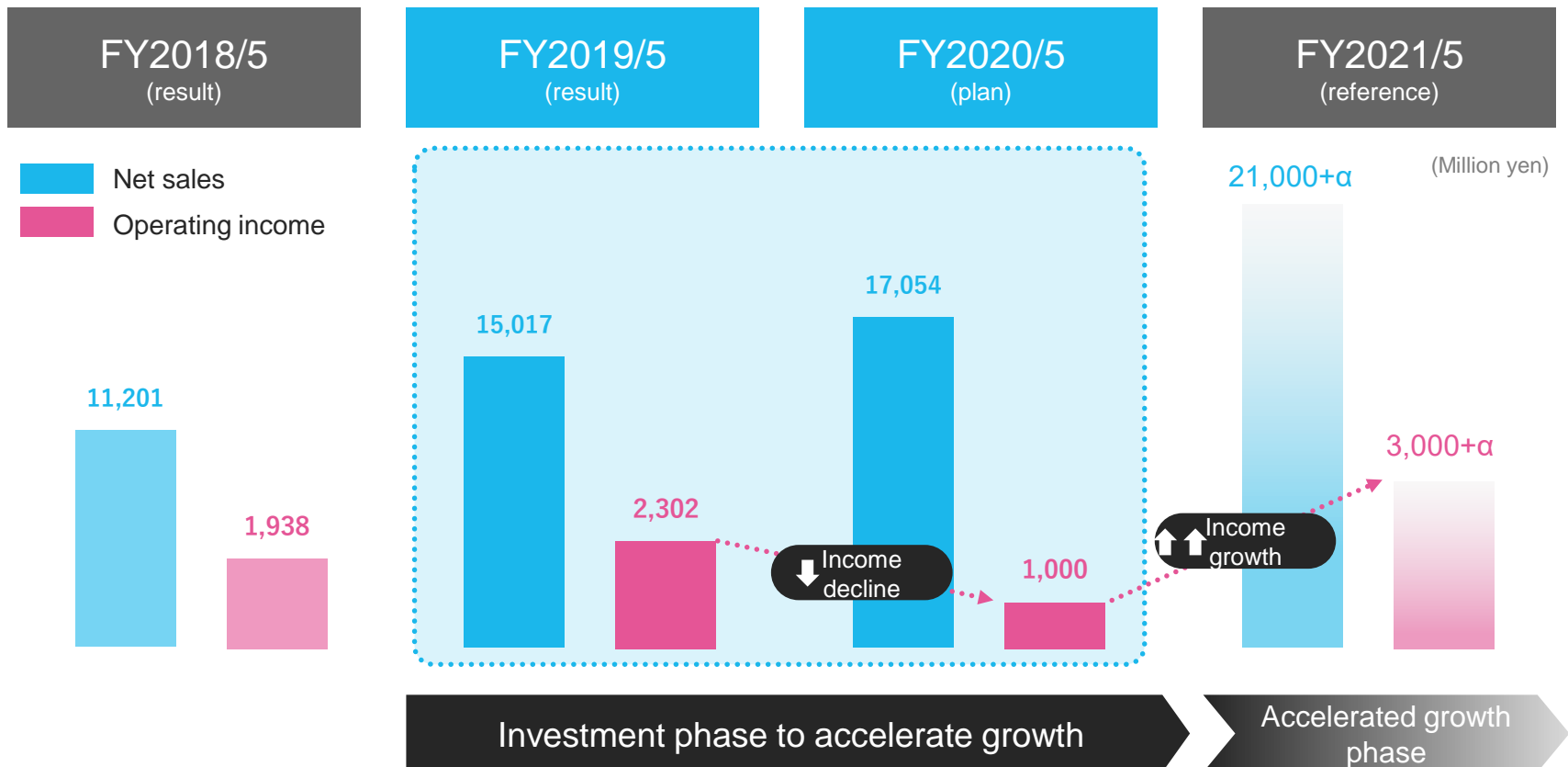
(4) Future outlook

See p.14 for more detail

Increase “Gunosy” sales in line with the DAU growth.

Aiming for a large growth in profits in FY2021/5, we will continue to consider FY2020/5 as “an investment phase for accelerated growth”, in which aggressive investment is made to "Gunosy" to realize medium- and long-term growth and profits.

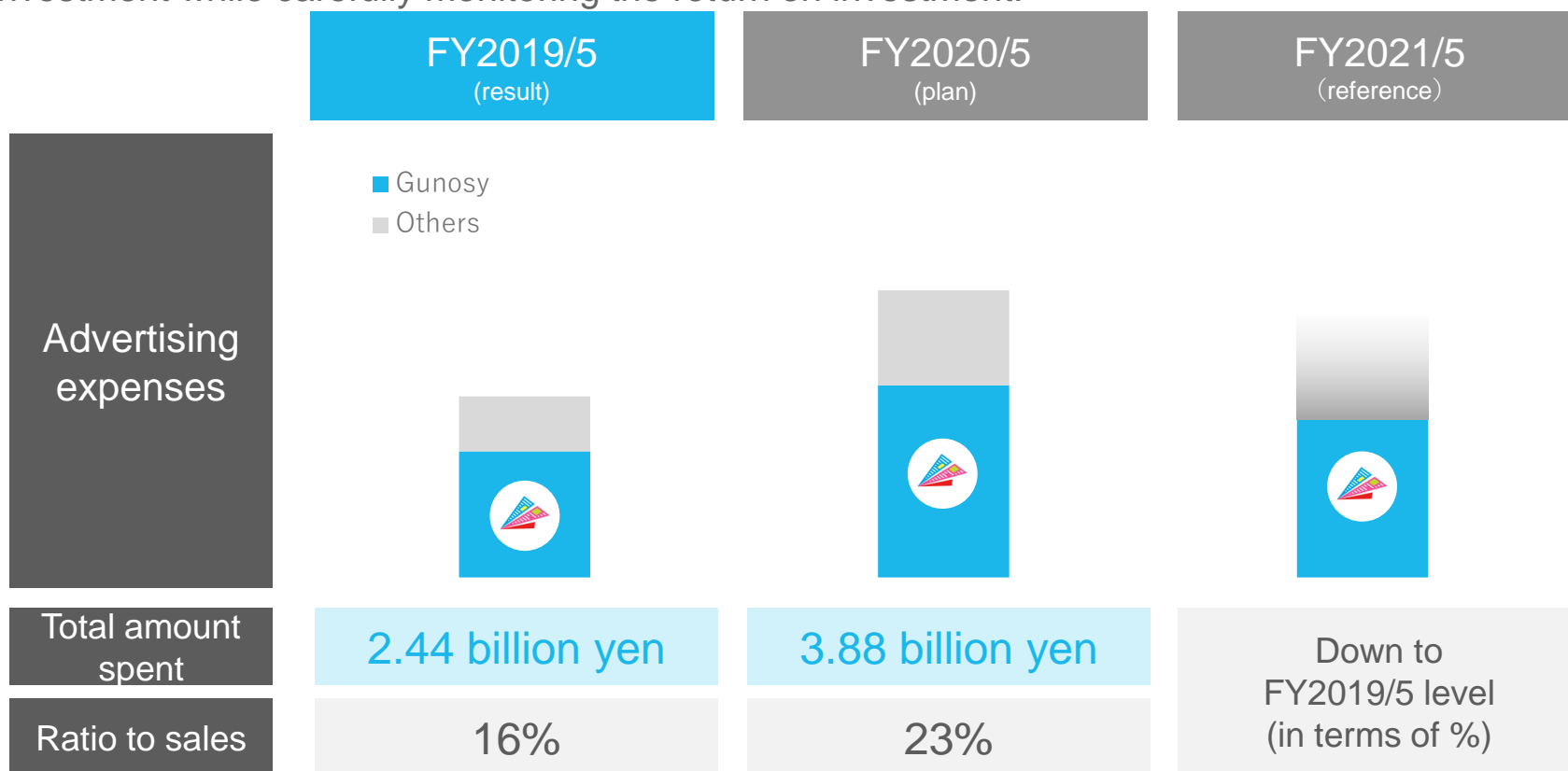
Furthermore, while emphasizing investment to accelerate growth, we will improve capital efficiency and consider measures to increase return to shareholders to enhance shareholder value.



Advertising Plan to Achieve Growth

With a focus on our core business "Gunosy", we will **actively invest in advertising** through effective use of TV commercials and online ads.

We plan to raise the investment amount to 3.88 billion yen in FY2020/5, which is planned to be lowered to FY2019/5 levels the following year (FY2021/5). We will control the amount of investment while carefully monitoring the return on investment.

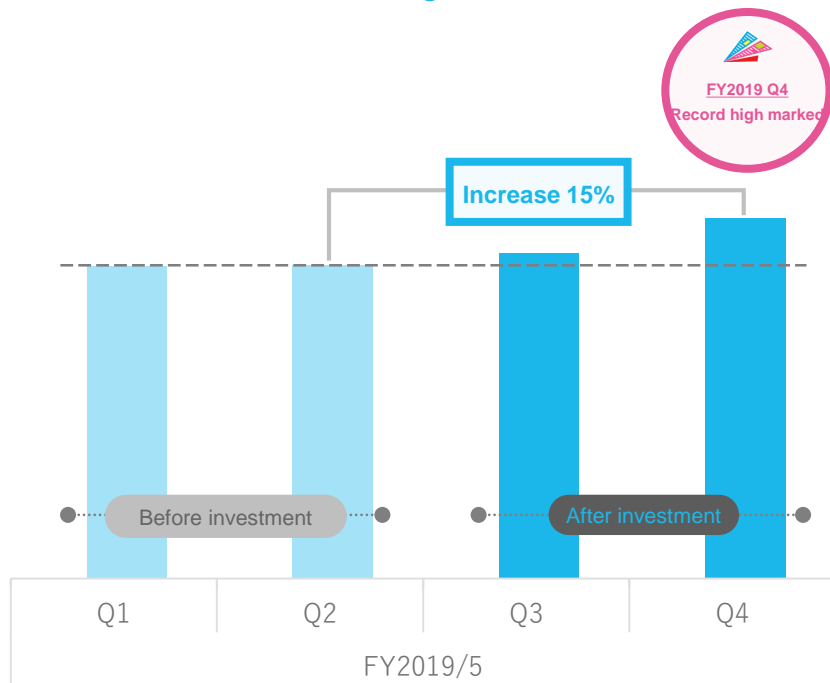


MAU and DAU of “Gunosy”

Both MAU and DAU of “Gunosy” recorded growth by aggressive investment in advertisement started in FY2019/5 Q3. Not only did MAU reach a record high, DAU increased by more than 10% compared to before investment, which suggests the users, who are not limited to coupon usage only, increased.

MAU of “Gunosy”

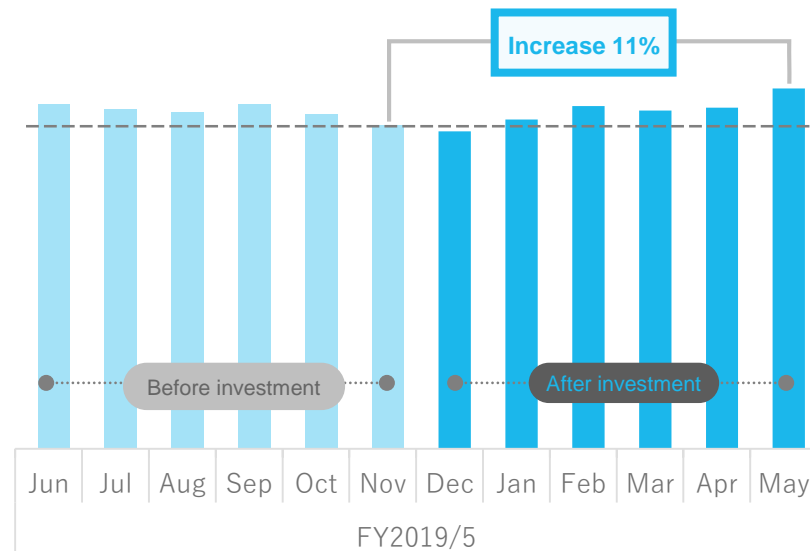
MAU reached a record high in FY2019 Q4



* MAU is the number of users who used the service more than once in a month.

Monthly average DAU of “Gunosy”

As a result of the coupon program, DAU marked conspicuous increase compared to before investment.



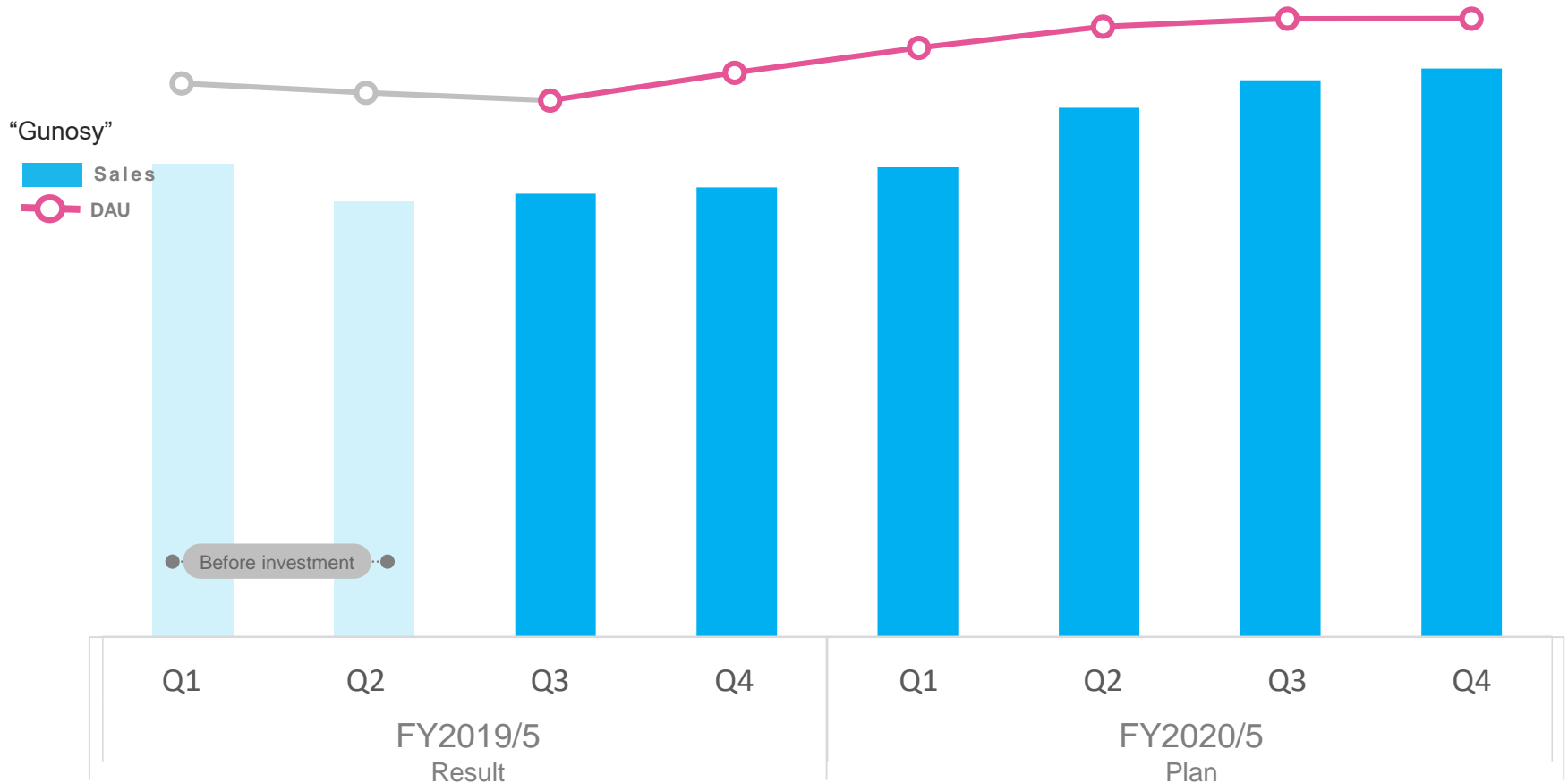
* DAU is the number of users who used the service more than once in a day.

Image of “Gunosy” Regrowth



Continue active investment in advertising to accelerate user growth.

Meanwhile, strictly monitor the return on investment and **expect sales growth** in line with the increase in users. Through these measures, in FY 2020/5 Q4, we aim to achieve double-digit growth of monthly average DAU YonY, along with strong sales growth expected.



3

FY2020/5 Outlook

FY2020/5 Forecast [On a YoY comparison]

Gunosy

Through aggressive investment in advertising, we plan to raise both net sales and gross profit by **at least 10%** YoY. On the other hand, while operating income is expected to record a temporary decline, we will control spending on advertising, closely monitoring the return on investment at the same time. As a result, we anticipate that the investment harvest period will come in FY2021/5 with a large increase in profits expected.

(Million yen)

	FY2019/5 (result)	FY2020/5 (full-year plan)	YoY
Net sales	15,017	17,054	113.6%
Operating income	2,302	1,000	43.4%
Operating margin	15.3%	5.9%	-
Ordinary income	2,289	960	42.0%
Net income attributable to owners of parent	2,009	565	28.1%

FY2020/5 Forecast [H1 and H2]

Gunosy

In particular, as investment costs in 1st half for advertising are regarded as upfront investment, operating income is expected to show significant decline. It is, however, expected to recover in 2nd half along with an increase in service users.

(Million yen)

	FY2020/5 H1	FY2020/5 H2	FY2020/5 Full year
Net sales	7,579	9,475	17,054
Operating income	60	939	1,000
Operating margin	0.8%	9.9%	5.9%
Ordinary income	39	921	960
Net income attributable to owners of parent	-12	577	565

4

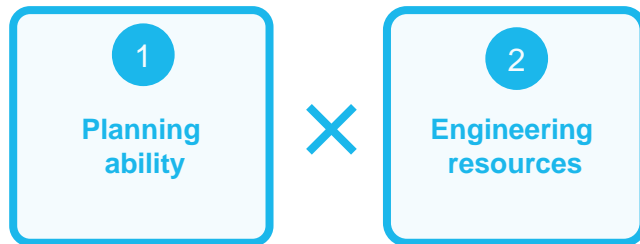
Business Overview by Division



Utilizing our ①planning ability and ②engineering resources to implement the plan in a short time, we carried out a variety of campaign programs (including lotteries and time sale coupons) many times in a short time, which received favorable support by users. As a result, MAU marked steady growth, reaching a record high.

Factors leading to MAU growth

Carried out a variety of campaign programs making effective use of internal resources ① and ②

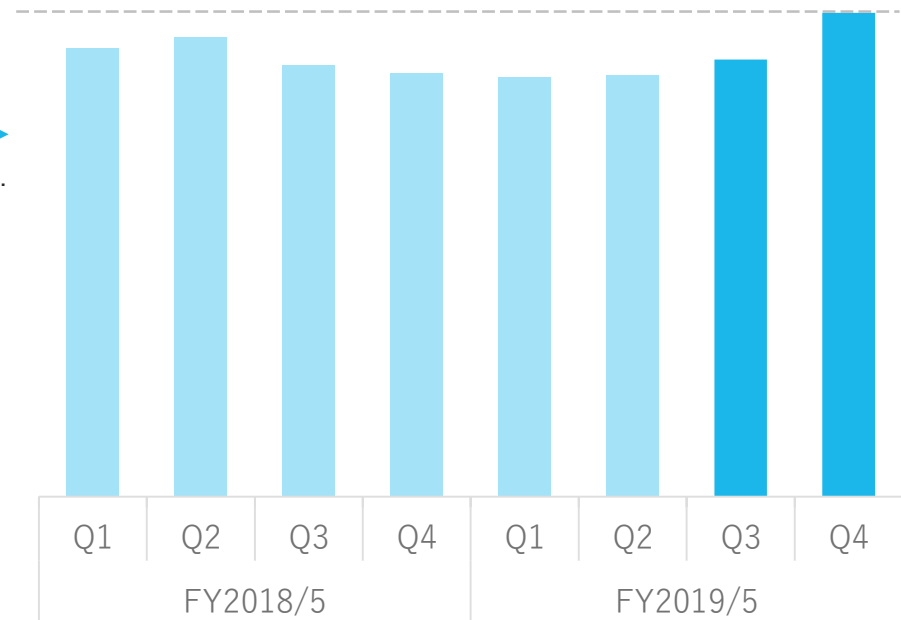


Many campaign programs carried out in a short time.

Growth of MAU



As a result...

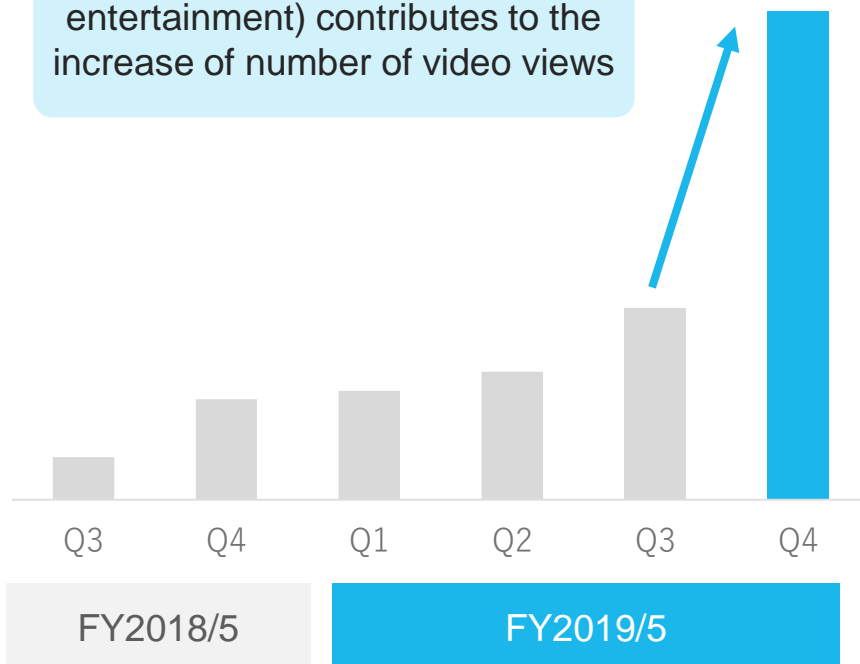




Following enhancement of official videos such as professional sports and Korean drama, we strengthened tie-up with external partners, which **contributed to the accumulation of active users**.

Changes in the scale of users who have completed viewing video

Each content (sports, news, entertainment) contributes to the increase of number of video views



Main video content broadcast

In-house production

12h Gunosy Q

A live interactive quiz program featuring user participation (held on a regular basis). We broadcast a 12-hour endurance quiz program on March 24, 2019.

Alliance with external partners

Enhancement of new content by cooperation with radio stations etc. (Vtuber etc.)

Press conference for singers and bands, etc.

Simultaneous broadcast of news content, etc. (Simultaneous streaming)




Enhancement of the delivery system [improved the open rate of push notifications](#).

With the start of coupon delivery in March 2019, we are aiming for continuous growth in the future.

Enhancement of push delivery system



- (1) Speed of news flash delivery improved
- (2) Push design changed
- (3) Personalized push

 Push notification open rate improved by 5% or more

Screen image of the improved delivery system

Start of coupon delivery



Screen image of coupon

The number of active users steadily expanded due to successful introduction of new content and more. **Largest media outlet oriented to women in the Japanese market.** *1



Introducing new content

- Weather forecast
- Horoscope
- Coupon

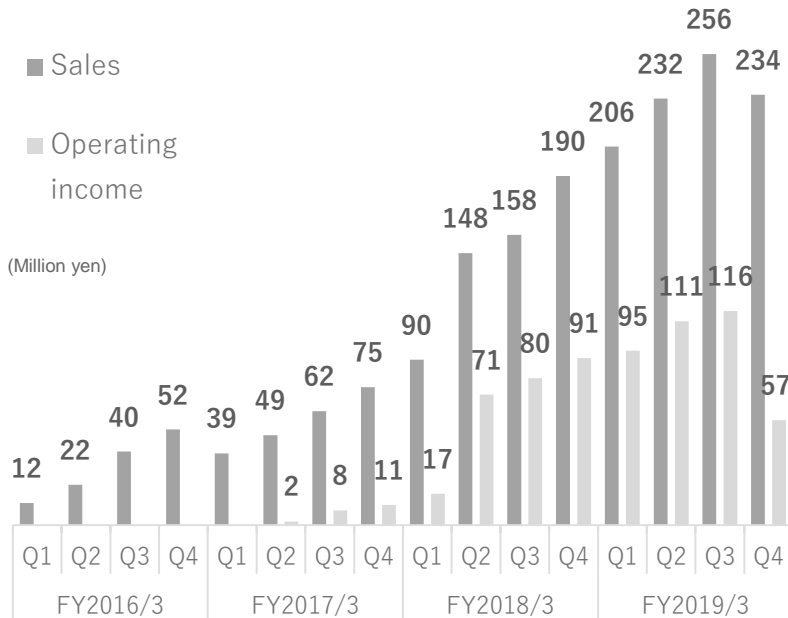
Advertising strategy change

Regarding the revenue sharing model with KDDI Corporation, the scheme was changed to allow us to make decisions for the advertising strategy quickly and independently.

* Based on the number of data users in November 2018 (reference: Nielsen Mobile NetView), we have independently selected "Apps for women" from apps with a female user ratio of 80% or more.

Q4 sales affected by sluggish growth in PV and CPM due to market conditions. Operating income decreased over the previous quarter as strategic investments made to enter into new businesses. FY2020/3 positioned as a period of preparation for sustained growth. **In order to achieve medium- and long-term growth, we will actively expand content other than game walkthrough.**

Sales and Operating Income



*1 Non-consolidated results (before consolidated adjustment)

Measures for Continued Growth



Content for advance reservations grew steadily.



Create new business teams and invest in recruiting, temporary bonus and office expansion.



Consider undertaking overseas business, M&As, investments, alliances and other initiatives proactively.



New media "CLABEL" released as beta version

Game8, which runs the game walkthrough website, entered into a new business other than gaming. Released "CLABEL" beta version, a new media that supports users when making important decisions in life, such as going to school or finding a job.

Media image of beta version

The screenshot shows the CLABEL website interface. At the top, there is a search bar and navigation tabs for '仕事の攻略' (Job Strategy), '学校の攻略' (School Strategy), and '人生の攻略' (Life Strategy). Below the navigation is a large banner image of a family with the text '人生の攻略サイト' (Life Strategy Site) and 'お金で紐解くリアルな人生選び' (Real life choices unraveled with money). The main content area is divided into three columns: 'カテゴリ' (Categories) on the left, '仕事の攻略' (Job Strategy) in the center, and a detailed article on the right. The '仕事の攻略' section features a '企業別年収ランキング' (Company Annual Salary Ranking) table.


順位	企業	年収
1	サービス業	2478万円
2	製造業	2088万円
3	サービス業	2063万円
4	サービス業	1777万円
5	不動産業	1636万円
6	運輸・通信	1532万円
7	運輸・通信	1515万円
8	運輸・通信	1478万円
9	運輸・通信	1461万円

<https://clabel.me/>

Categories

 Job information

 School information

 Living information

Outline of the media

Provides information to users based on data that is publicly available (including “Financial Securities Report” submitted by listed companies and the “Comprehensive Survey of Living Conditions” issued by Ministry of Health, Labor and Welfare), in a form that is easily understandable.

The impact of the environmental change in the advertising market has calmed down, and CPM (Cost Per Mile) has bottomed out. Advertising inventory (impressions) recovered from seasonal decline in Q3 and **marked a new record high**.

Number of Impressions and CPM

Number of Impressions marked record high

(million imp)

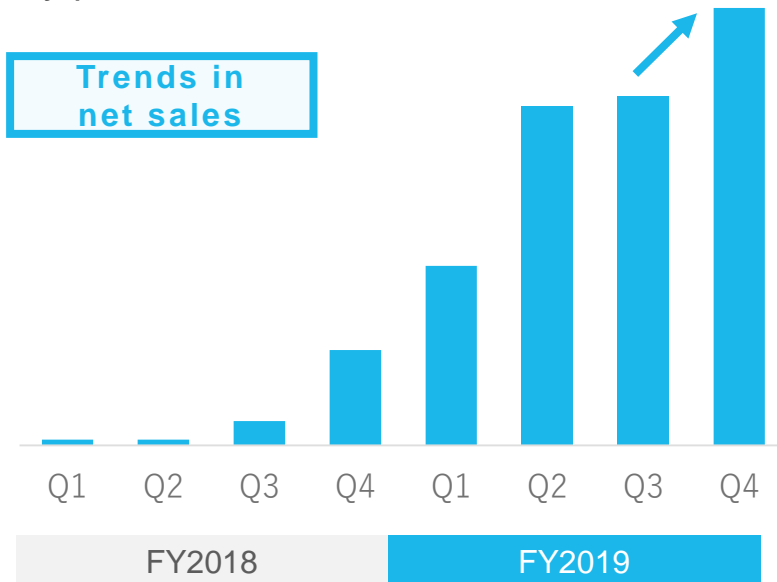


* CPM: Cost Per Mile; unit price per 1,000 views of advertisements

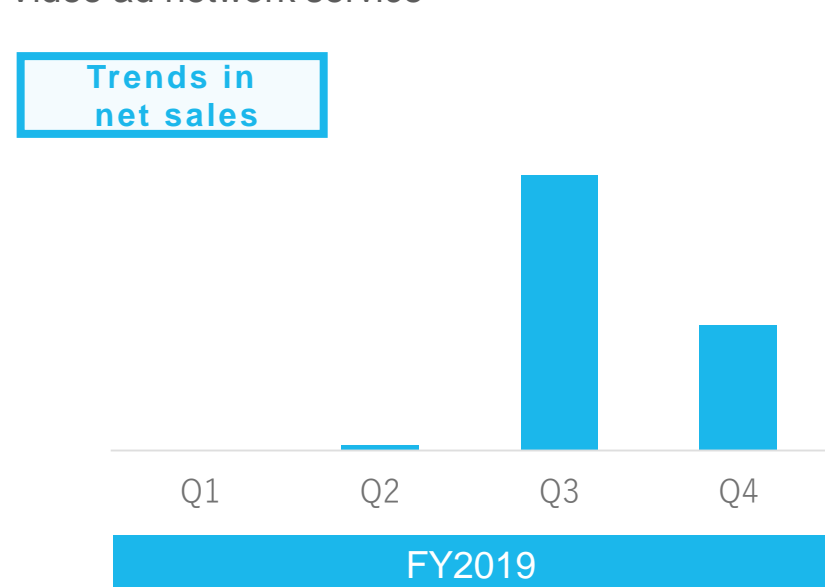
- digwell's business remained strong until Q4. However, rapid market changes have made it difficult to achieve growth in existing businesses. As a result, sales and profits are expected to decline in the current quarter. We will focus on developing new services other than affiliate advertising **in order to achieve recovery**.
- Although the business performance of VIDPOOL was somewhat unstable right after the launch, business carried out as planned. As the number of orders received is on the rise, **business growth expected in the 2nd year**, along with the expansion of video market.



Pay-per-click services for APP advertisers.



Video ad network service



As the third project, we invested in Caster Corporation that provides support for better working style.
Since its establishment in July 2018, Gunosy Capital has invested in three companies.

1st project



Company name	Zoomcar, Inc.
Head office	Bangalore, Karnataka, India
Representative	Greg Moran
Established	2012
Business	Online car rental and car sharing businesses

2nd project



Company name	Instamojo, Inc.
Head office	Bangalore, Karnataka, India
Representative	Sampad Swain
Established	2012
Business	Online payment service for small businesses

3rd project



Investment executed in May 2019

Company name	Caster Corporation
Head office	Shibuya, Tokyo, Japan
Representative	Shota Nakagawa
Established	2014
Business	Online assistant service, etc.

5

Recent Actions

(1) “OTOKUL”, a Coupon App, Released

Gunosy

“OTOKUL”, a coupon app, released on March 4, 2019.

The growth in the number of coupons available exceeds expectations and user acquisition efficiency is better than existing products, leading to steady growth.

「オトクル」リリース後74日で

100ブランド突破!!



(2) Establishment of Gunosy Tech Lab

Gunosy

報道関係者各位

2019年3月15日
発行 No. 129

Press Release

Gunosy

Gunosy、データ利活用を促進し、情報の推薦を加速させる 「Gunosy Tech Lab」を設立

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、2019年3月15日（金）付にて、Gunosy 内に「Gunosy Tech Lab（読み：グノシー テック ラボ、以下、同ラボ）」を設立したことをお知らせいたします。

Gunosy

【設立の背景と趣旨】

Gunosy では「情報を世界中の人に最適に届ける」というビジョンのもと、機械学習・自然言語処理の技術を用いたアルゴリズムにより、各ニュースコンテンツパートナー様からお預かりした記事の評価を行い、当社が提供する各サービスを通じてユーザーの皆様へ最適な記事の配信を行っています。また最近では、動画やクーポン等のテキスト記事以外のコンテンツ評価も行っており、技術の応用範囲を拡大してきました。2019年1月の中長期ビジョンで開示させていただきました通り、スマホメディア企業ではなく、IoT や 5G が発展する近未来に向けて、さらなるデータ活用の促進と情報推薦を研究する専門組織として、

「Gunosy Tech Lab」を設置することとなりました。

同ラボでは、機械学習を主軸とした技術を活用し、O2O 施策へのデータ活用や、これまで培ってきたターゲット層の異なるアプリ群のデータを活用し、IoT×AI などスマホ領域以外の分野で活かせる研究と課題解決を目指していきます。

Image of the press release announced
on March 15, 2019

We established "Gunosy Tech Lab"
as an organization specialized in
research in further data utilization
and information recommendation.

[Recent research theme]

1

Enhancement of recommendation algorithm using deep learning / machine learning technology in various content formats

2

Research and development on data utilization for O2O business

3

Research and development of comfortable user experience on devices other than smartphones

4

Providing algorithms to external companies

5


Effective data linkage method between multiple companies

(3) Our Paper Accepted at International Conference "KDD2019"

Gunosy

報道関係者各位

2019年5月29日
発行 No. 134

 Press Release

Gunosy

**Gunosyの研究論文がデータマイニングの
国際会議「KDD2019」にて採択**

～ 広告クリエイティブ作成支援のためのマルチタスク学習と
Conditional Attention による CV 予測 ～

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、Gunosy 内の「[Gunosy Tech Lab](#)（読み：グノシー テック ラボ、以下、同ラボ）」にて、「[広告クリエイティブ作成支援のためのマルチタスク学習と Conditional Attention による CV 予測](#)」（原題：[Conversion Prediction Using Multi-task Conditional Attention Networks to Support the Creation of Effective Ad Creatives](#)）の研究結果を発表した論文が、データマイニングに関する国際会議 ACM SIGKDD Conference on Knowledge Discovery and Data Mining 2019 ([KDD 2019](#)) の Applied Data Science Track に採択されたことをお知らせいたします。

Gunosy

KDD は、データマイニングに関する国際会議の 1 つであり、データマイニング領域では世界一の注目度、難易度を誇る会議とされています。第 25 回目となる 2019 年の会議はアラスカ州アンカレッジにて 8 月 4 日から 8 日まで開催される予定です。

Image of the press release announced
on May 29, 2019

Gunosy's research paper accepted by international conference on data mining "KDD2019" (Applied Data Science Track)

KDD is...

KDD (The ACM SIGKDD Conference on Knowledge Discovery and Data Mining) is one of the international conferences on data mining, and is regarded as the world's most notable and challenging conference in the data mining field. The 25th meeting will be held in Anchorage, Alaska from August 4 to 8, 2019.

Flash news

Our paper accepted as Short Paper at [RecSys 2019](#) (The ACM Conference Series on Recommender Systems), which is considered the most prestigious international conference in the recommender system field.
Details will be officially released soon.

(4) "SDGs" Tab Added in 3 Apps Provided by Gunosy

Advocating the efforts of "SDGs" as a member of the international community, [SDGs tab was added in 3 apps provided by Gunosy](#). It aims to contribute to the realization of a better international community.

SDGs tab added in 3apps



What are the SDGs?

Sustainable Development Goals (SDGs) are a set of international development goals from 2016 to 2030 described in the 2030 Agenda for Sustainable Development (the 2030 Agenda), which was adopted by the UN Sustainable Development Summit held in September 2015 building on the success of Millennium Development Goals (MDGs) established in 2001. SDGs consist of 17 goals and 169 targets in order to realize a sustainable world and pledge "No One is Left Behind" through the implementation process. (*1)
In Japan, while the government promotes "SDGs" based on "SDGs Action Plan 2019", companies are also actively working on it and efforts are currently being made to establish Japan's "SDGs model". (*2)

*1 JAPAN SDGs Action Platform released by Ministry of Foreign Affairs of Japan

*2 About SDGs (Sustainable Development Goals)

Appendix

Reference Materials: Overview of Gunosy Inc.

Our Mission

Gunosy

• • • • •
Optimally deliver

information to people

around the world



Figures in Mid-term Vision

In the rapidly changing market environment, we set the following indicators as a 3-year goal and will expand our business to achieve further development.

MAU

20% growth / year

Raise MAU to increase the amount of acquired data

Total duration of all sessions

25% growth / year

Raise "Total duration of all sessions" to increase data acquisition for higher profitability

Total sales

30% growth / year

Consider profit growth in the potential business fields including media business

Overseas business

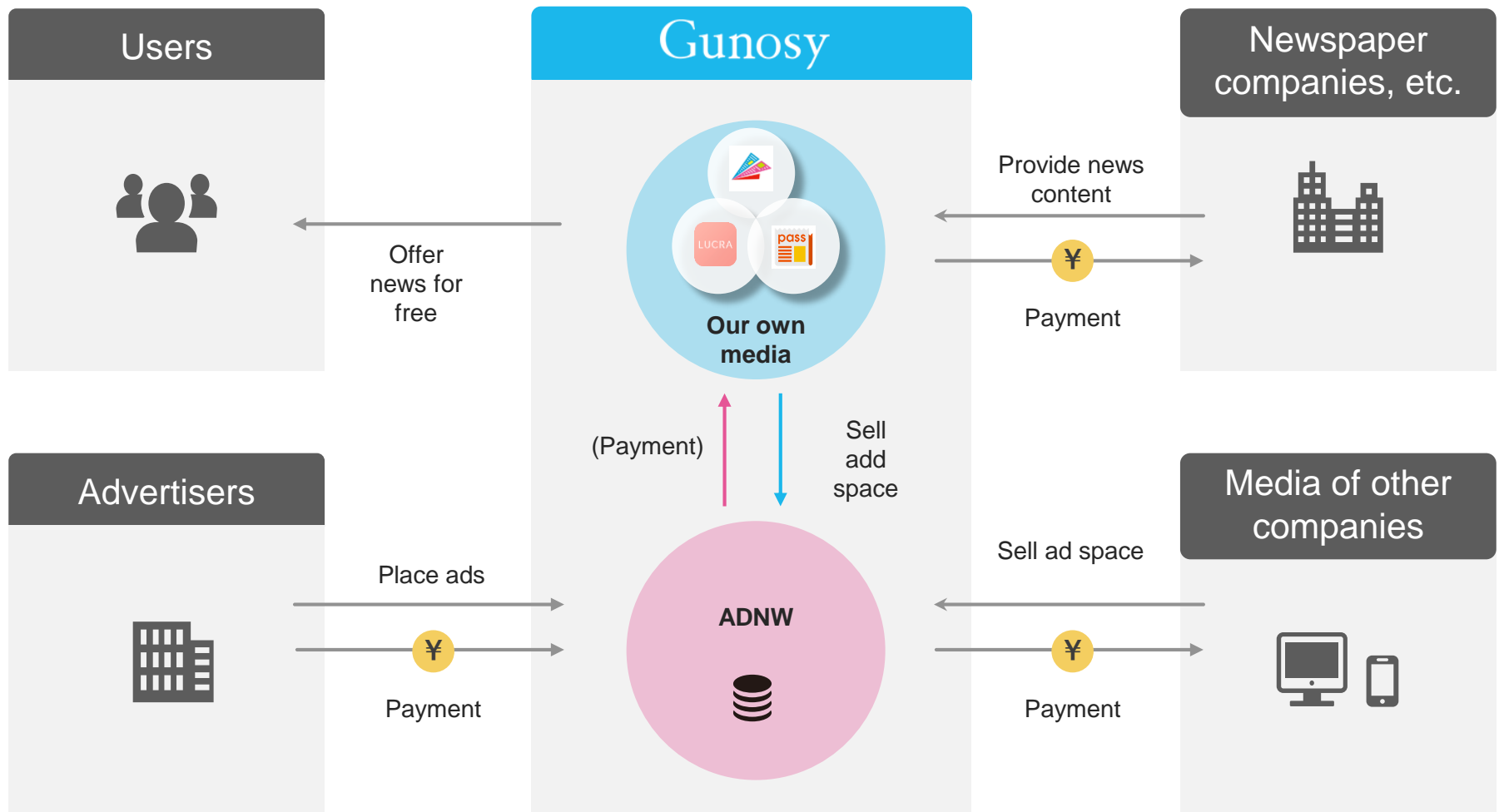
Increase profits overseas through business tie-up, etc.

Acquisition of new data

Strengthen DMP and promote collaboration with external data

Model of Our Main Business

We aim to coexist with various stakeholders based on making use of our strengths in the Internet advertising business with our own media.



Directors (as of July 12, 2019)

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., Representative Director of WebMoney Corporation and General Manager of Advanced Business Development Division of KDDI Corporation, he currently serves as Chairman of au Commerce & Life, Inc. In August 2016, he assumed the post of Outside Director of our company.



Director (Outside)

Suguru Tomizuka

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 emachitown 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.

Basic Information

- Company name: Gunosy Inc.
- Representative: Yuya Taketani
- Established: November 14, 2012
- Fiscal year end: May 31
- Capital: 4,046 million yen
(as of the end of May 2019)
- Stock Code: 6047 (First Section of The Tokyo Stock Exchange)
- Audit corporation: Ernst & Young ShinNihon LLC
- Number of employees: 215 (as of the end of May, 2019, 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

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