

Gunosy

FY2020/5 Financial Results for Q2



Gunosy Inc.

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

January 14, 2020

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1

Financial Results for FY2020/5 Q2

1

Consolidated net sales and operating income for the first half were 7,580 million yen and 156 million yen, respectively, which were in line with earnings forecast.

(Revised forecast announced in October 2019.)

2

Advertising expenses in the first half were 1.74 billion yen, **again reached the highest investment level ever**. (1.03 billion yen in the same term last year.)

3

In our three major media, the number of MAU marked stable growth and the **quarterly ADNW sales achieved new highs**.

4

Our overriding priority is to solidify the revenue base in line with MAU growth.

5

Gunosy Tech Lab : Joint projects launched with leading industry platformers.

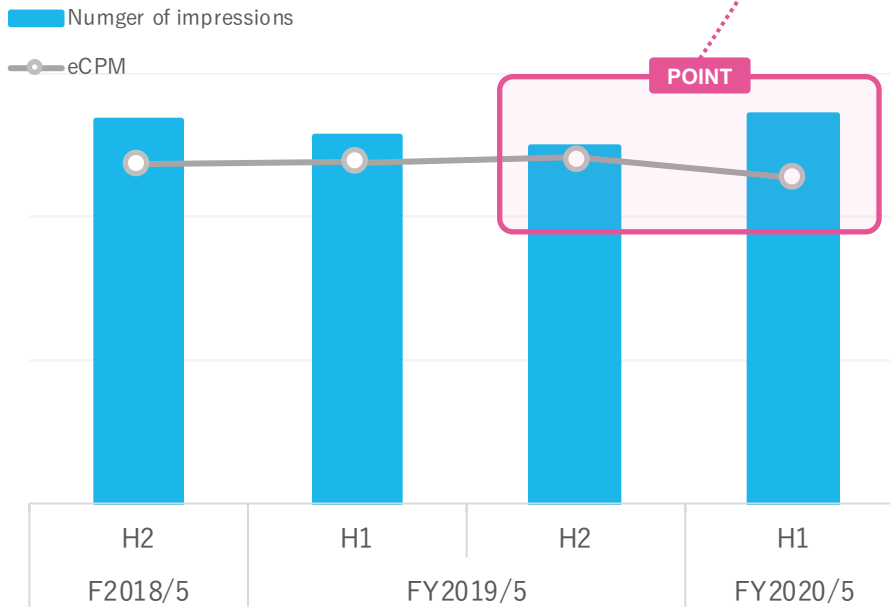
Strategic Investment Results and Challenges in the Second Half

As a result of strategic investments, **the user base showed re-growth**. In the second half of FY2020/5, focusing on “recovery of ad unit price (eCPM*)”, **we aim to achieve top-line growth by solidifying the revenue base through expanding advertisers.**

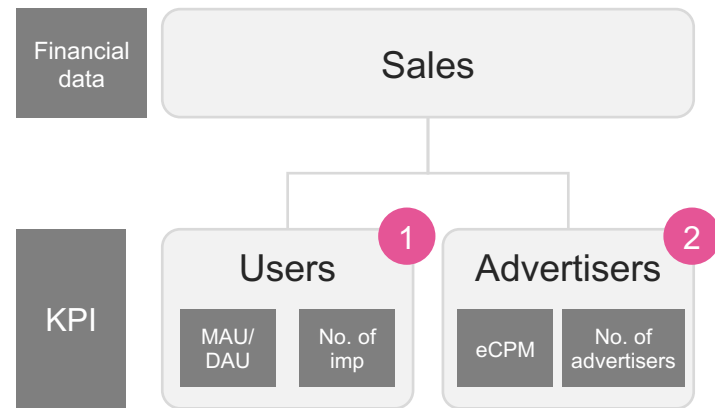
Number of Impressions and eCPM of Gunosy

As a result of aggressive investment, **the number of impressions achieved greater regrowth than expected**. As a result, eCPM* temporarily dropped.

Explanation



Key indicators in our earnings structure



1 Result: Good

2 Result: Lower than expected

Through aggressive investment, MAU, DAU and the number of impressions marked substantial growth.

Efforts required to solidify the revenue base through expanding advertisers

* eCPM (effective cost per mille): the CPM value calculated by converting CPC (cost per click) into CPM.

Basic policy for recovering eCPM

At the current level of MAU, **conventional measures (further cultivation of existing customers with a focus on operating efficiency) are not enough.**

By activating the bidding environment through acquisition of new and dormant customers, we will achieve a recovery in eCPM (ad unit prices).

Past and future strategy

Past strategy

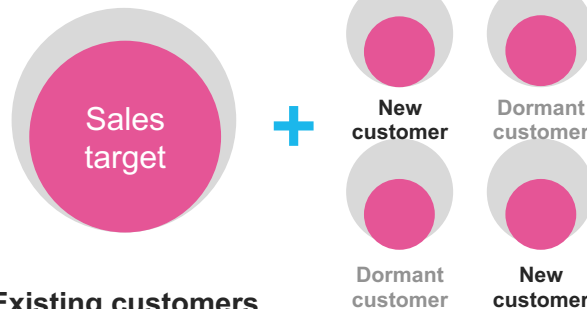
Prioritize **improving sales achievement rate** of advertisers who bring about high operational effects on Gunosy media



Advertisers with high operational effects on Gunosy media

Future strategy

While achieving the sales targets of existing customers, **focus on acquiring new (dormant) advertisers** and activate the bidding environment



Existing customers

Measures to take

1 Strengthen customer development by MA (Marketing Automation)

Invest in creating a system that does not miss promising customers.

2 Enhance advertising technology

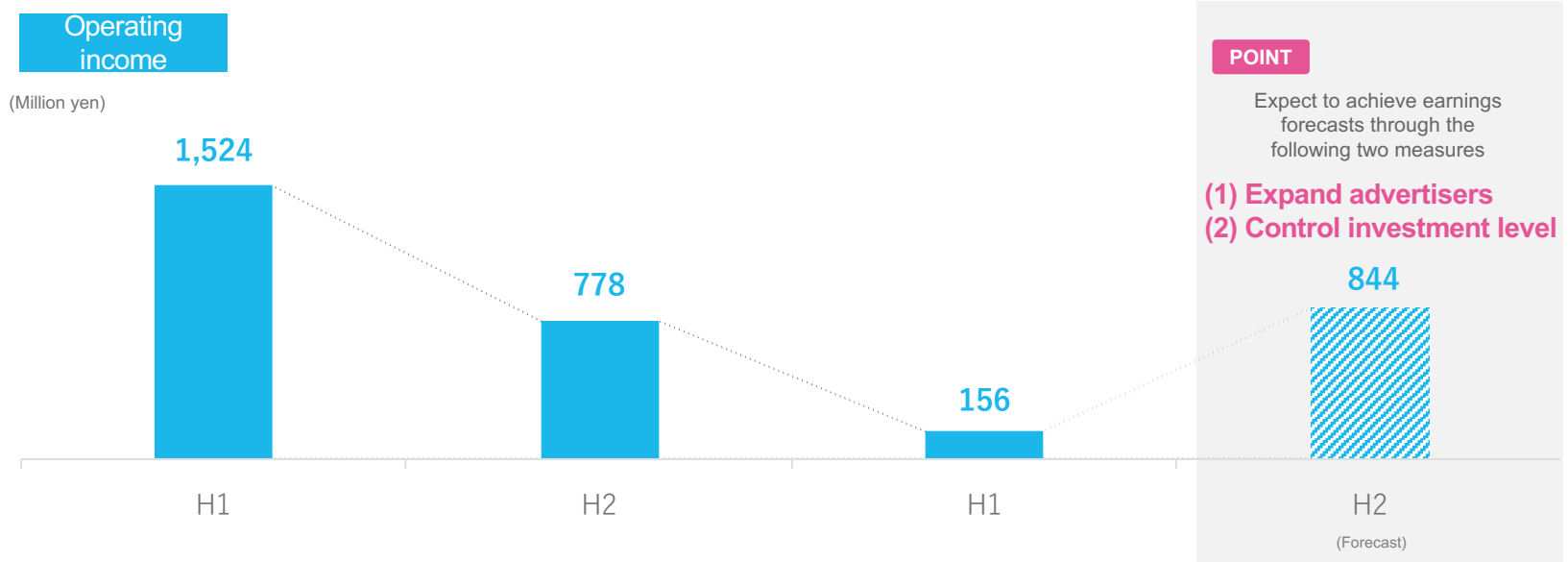
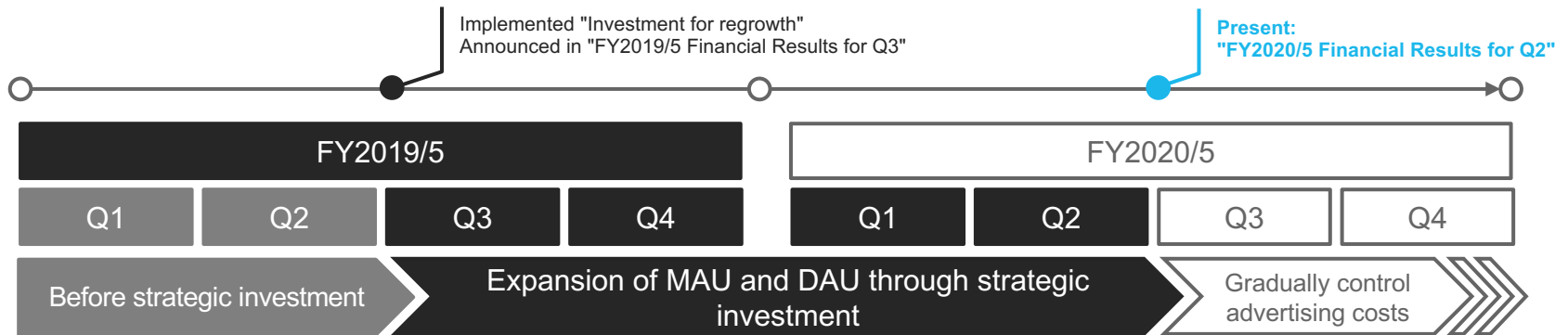
Full application of an automatic bidding function "UOP" developed by Gunosy. Started working on upgrading functions to improve the operational effectiveness of new (dormant) customers.

3 Focus on expanding sales of new products

Present proposals to new (dormant) customers making use of new products such as video ads and research tool

Changes in Operating Income Since Strategic Investment

In the second half of FY2020/5, we will enhance monetization by expanding advertisers and control the level of investment in advertising and **expect operating income to meet our earnings forecasts**.



FY2020/5 Consolidated Results for Q2

Gunosy

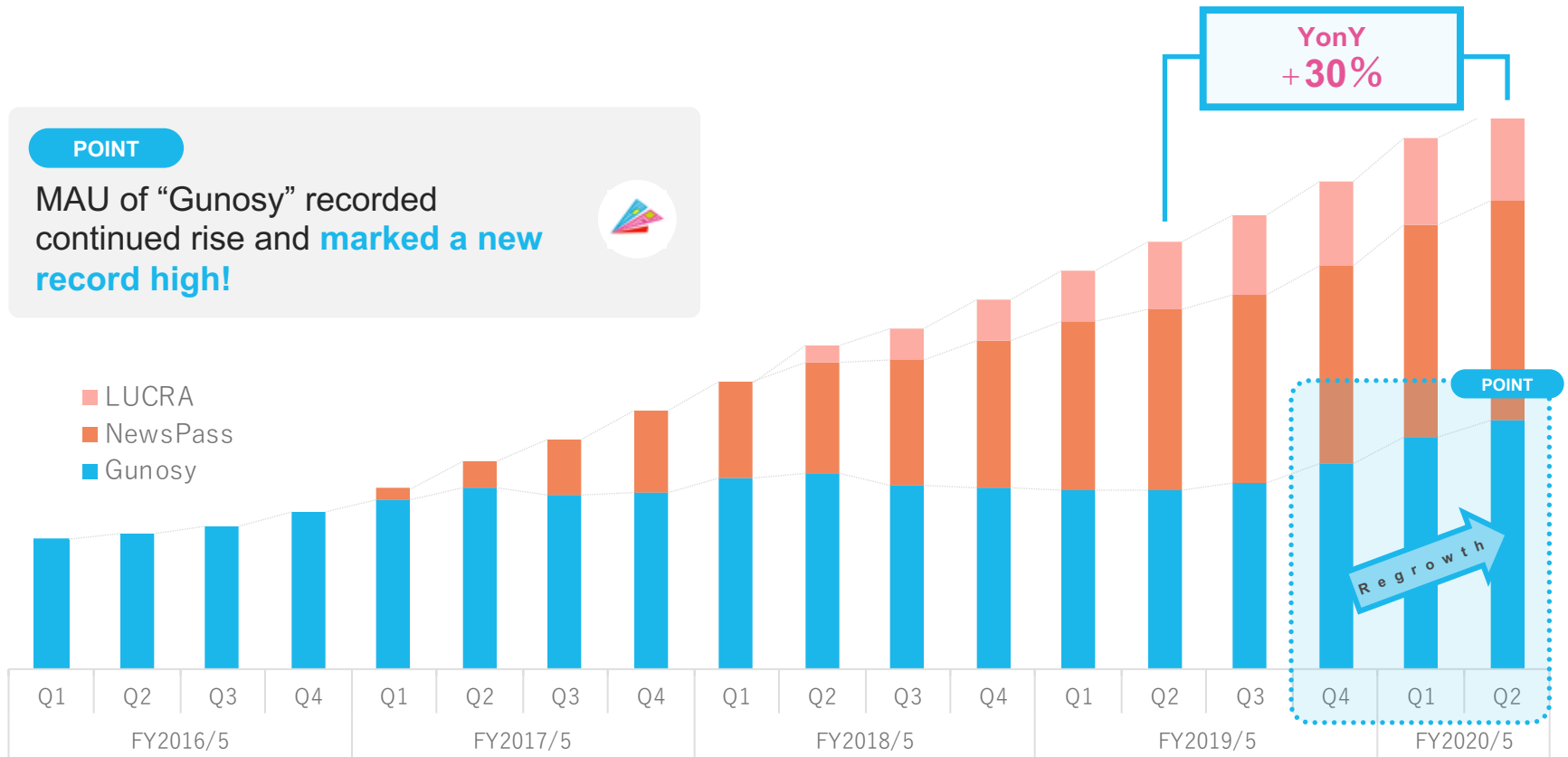
Results in the first half were in line with earnings forecasts announced in October 2019. Despite weakness of our subsidiaries, non-consolidated business performance exceeded expectations resulting in YonY sales growth.

(Million yen)

	Quarter			First half			
	FY2019/5 Q2	FY2020/5 Q2	Change YonY	FY2019/5 H1	FY2020/5 H1 (forecast)	FY2020/5 H1 (result)	Comparison with the forecast
Net sales	3,840	3,705	96.5%	7,541	7,579	7,585	100.1%
Operating income	731	-75	-	1,524	160	156	98.0%
Operating margin	19.1%	-2.0%	-	20.2%	2.1%	2.1%	-
Ordinary income	728	-86	-	1,520	117	131	112.8%
Net income attributable to owners of parent	972	-67	-	1,517	110	127	116.3%

Total Number of Active Users (MAU)*

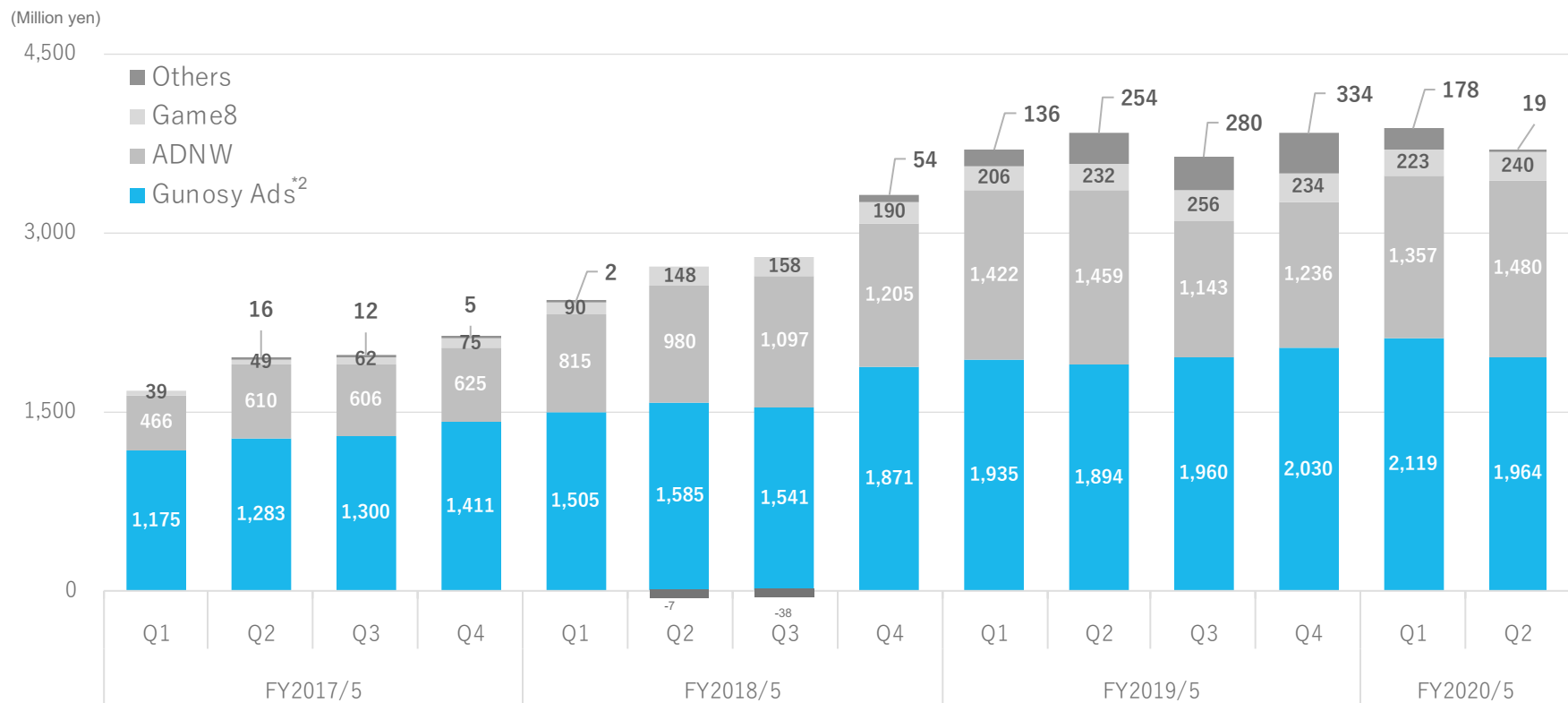
Total MAU in the current quarter **increased by 30% YoY, achieving a record high following the first quarter**. MAU of “Gunosy” continued to grow. The effects of aggressive investment in advertising became apparent.



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

Breakdown of Net Sales^{*1}

Gunosy Ads achieved YonY sales growth. **ADNW quarterly sales recorded a record high** due to a temporary upside caused by topical factors. The YonY decrease in overall sales was due to a decrease in sales at advertising subsidiaries.



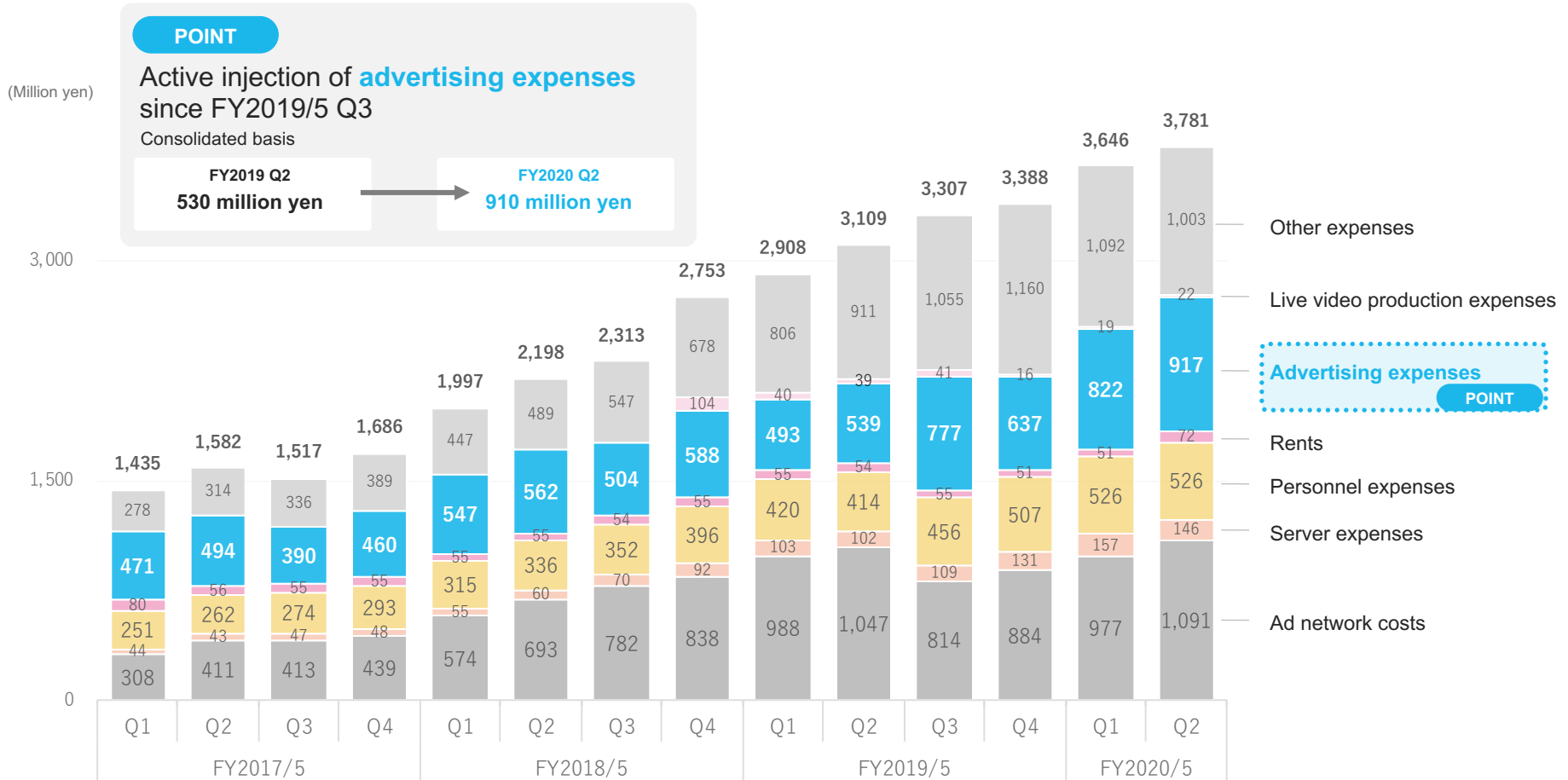
*1 Sales of Gunosy Ads, ADNW and Game8 are presented on a non-consolidated basis. Internal trade adjustments are included in Others.

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

Cost Structure

Active injection of “advertising expenses” to promote coupons since FY2019/5 Q3.

Personnel expenses and server expenses increased YoY, partly due to the preparation of new businesses. The other major change includes the increase in “ad network costs” due to ADNW sales which hit a record-high.



2

FY2020/5 Outlook

FY2020/5 Results Forecast

FY2020/5 full-year forecast remains unchanged.

In the second half, we expect to achieve the predicted results by promoting top-line growth through enhancement of advertisers and controlling the level of investment in advertising.

(Million yen)

	FY2020/5 H1	H1 forecast		Full-year forecast	
		2019/10/15 Revised forecast	Progression rate	FY2020/5 Full-year forecast	Progression rate
Net sales	7,585	7,579	100.1%	17,054	44.5%
Operating income	156	160	98.0%	1,000	15.7%
Operating margin	2.1%	2.1%	-	5.9%	-
Ordinary income	131	117	112.8%	960	13.7%
Net income attributable to owners of parent	127	110	116.3%	565	22.6%

3

Business Overview by Division

Business Overview by Division

Media

P16 - P20

- In the “Gunosy”, “News Pass” and “LUCRA” businesses, MAU continued to build up steadily.
- Aim for further growth by **enhancing programs focused on money-saving** (coupons, etc.) and **entertainment content such as videos**.

Advertising

P21 - P23

- ADNW **quarterly sales reached a record high**.
- Our two existing subsidiaries (digwell and VIDPOOL) remained unchanged. We are considering measures to improve business performance from a medium- to long-term perspective. **Game8 expects business recovery from Q3**.
- Established **Grill, a new subsidiary**, jointly with SUNNY SIDE UP, Inc. Launched research and video marketing business.

Investment

P24

- The investment destination was selected smoothly and the investment was executed.
- Invested in GaragePreneurs Internet, which runs a digital micro-lending platform in India.

In addition to enhancement of new coupon brands, **we offer a unique and money-saving experience** by distributing coupons exclusive to Gunosy users. **Coupon insertion ads started** in the current quarter to **strengthen monetization**.

1 Offer coupons exclusive to Gunosy users



■ Campaign with Kura Zushi

November 16, 2019-December 30, 2019

■ Campaign with Gindako

November 25, 2019-December 12, 2019

2 Start monetization by coupon tab



■ "Coupon insertion"

Started on Sept 3, 2019.

Aiming to realize optimal ad delivery to coupon users.

Entered into a partnership with AbemaTV. Strengthen entertainment program by enhancing video content. Also developed “Gunosy Research”, a new menu that promotes clarification of advertising effects.

3

Partnership with AbemaTV

Commenced comprehensive efforts such as cooperation in distribution of breaking news, simultaneous distribution of AbemaPrime, distribution of AbemaTIMES articles, provision of Gunosy Q content, etc. We plan to deliver useful content to users as soon as it becomes available.



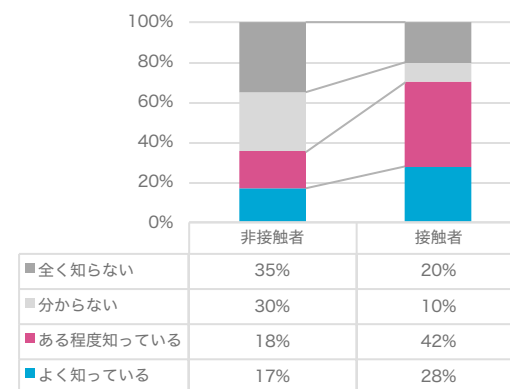
4

Develop brand lift survey by "Gunosy Research"

Developed brand lift surveys for elements that could not be measured using conventional online ad effectiveness indicators, such as recognition, message recall, favorableness, purchase intention, etc. As there are many cases that elevation of the numerical value (favorableness etc.) was confirmed, we plan to work on this project in conjunction with promoting the use of branding advertising.



[Recognition survey]



* Numerical data is a sample.



Even after **exceeding 10 million downloads** in FY2020/5 Q1, the number of downloads and MAU continued to mark steady growth. For further growth, we focused our efforts on enhancing video content including TBS NEWS and running a gift campaign.

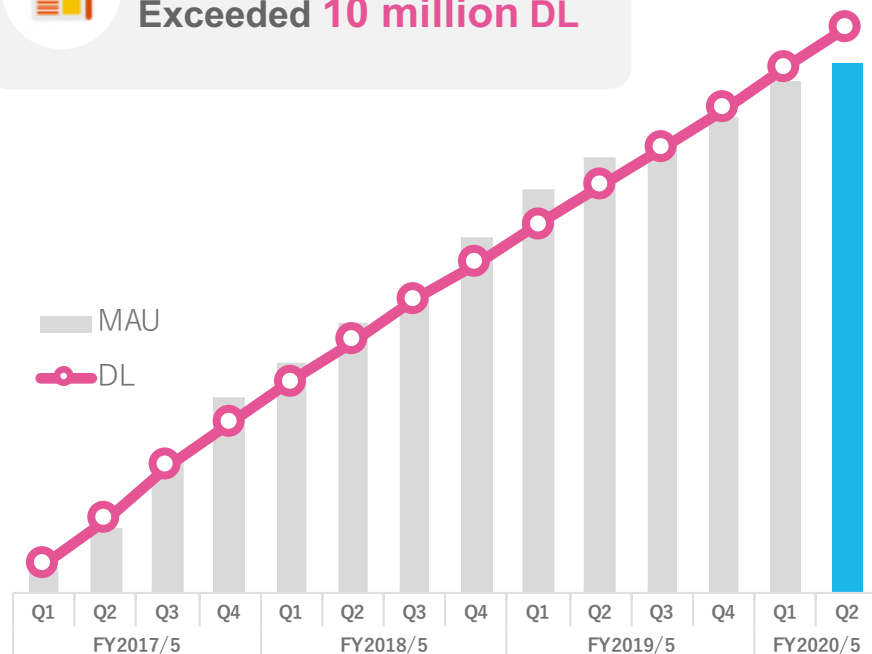
MAU and DL

Started 24-hour streaming for the first time



Number of downloads of NewsPass

Exceeded **10 million DL**



Cooperation with 24-hour Internet news channel "TBS NEWS"

Conducted gift campaign (Q3)



A year-end and new year campaign was conducted in which **luxurious gifts (50,000 yen coupon, etc.)** could be won by lottery.

Although we continue to restrain investment for user acquisition, **MAU and the number of downloads remained strong.**

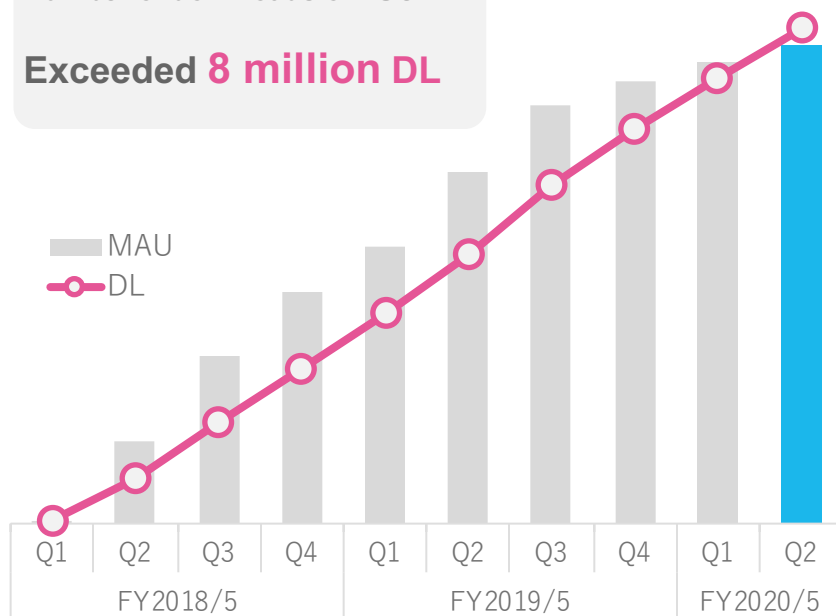
At present, we are strengthening the distribution of money-saving information, such as the implementation of gift campaigns.

MAU and DL

“3LDK” exceeded 50 million views

Number of downloads of LUCRA

Exceeded **8 million DL**



3LDK
— ラブ♥or♥マネー —

“Love & romance reality show” X “Money game”
New variety show “3LDK”

Conducted gift campaign (Q3)



Rich
experience
every day

Money
saving
information
every day

For the Christmas season, **a campaign was implemented in which various prizes could be won** including cosmetics and convenience stores sweets etc.

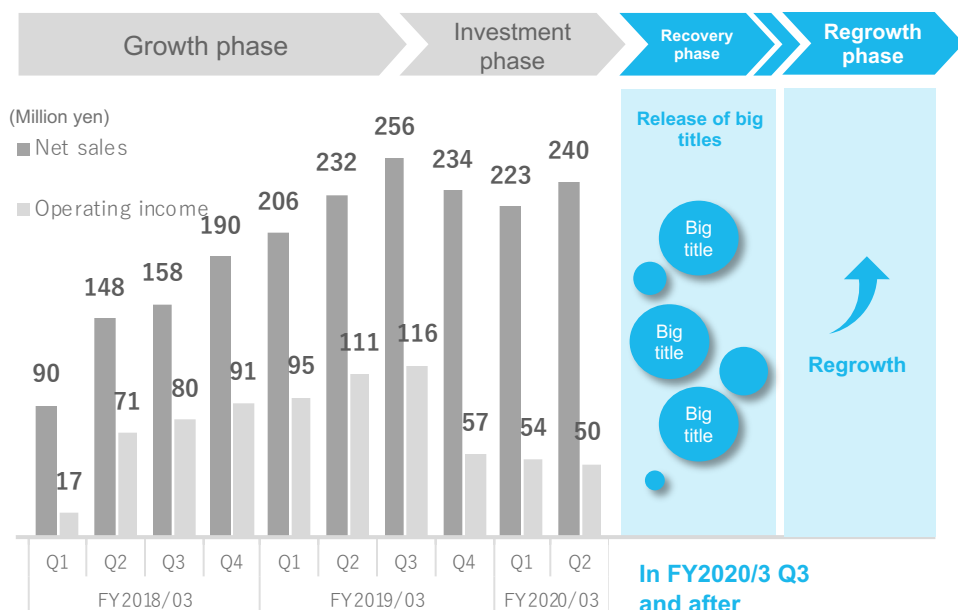
Following FY2020/5 Q1, Q2 set as a period to prepare for business recovery. In Q3, **earnings are expected to improve along with the release of big game titles**. Preparing for the re-growth period, we are currently proceeding with M & A as well as seeking the possibility of overseas growth.

Results ^{*}

FY2020/3 Q2 results

Net sales 240 million yen

Operating income 50 million yen



* Non-consolidated results (before consolidated adjustment)

Measures for sustainable growth

Status of business recovery



Currently, PV of big titles remains strong.

To achieve regrowth



Acquired shares of Smarprise, which develops business in an adjacent area (refer to press release on December 16, 2019). We aim for further growth by integrating the know-how and customer contact points of both companies.

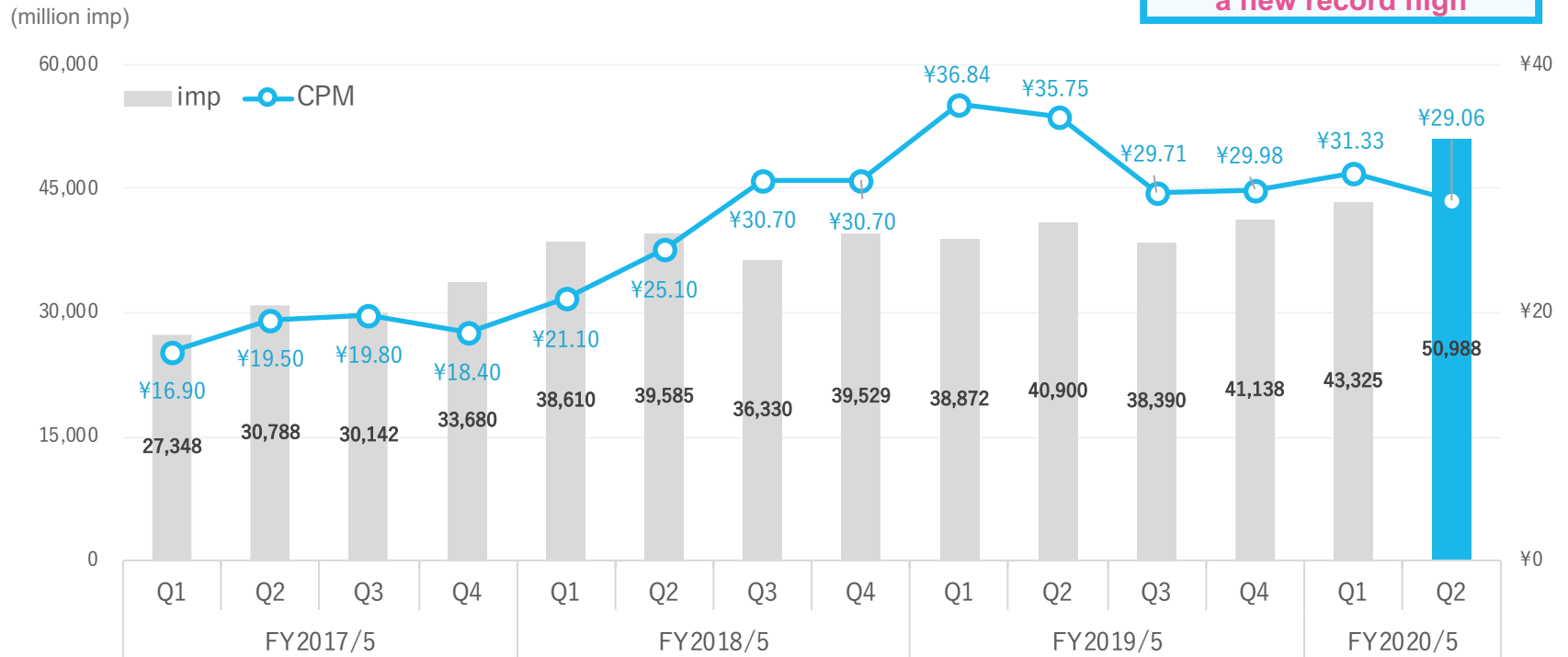


Started trial operation of English website. Considering the possibility of overseas expansion.

Both imp and CPM were strong and sales reached new highs. Cost Per Mille (CPM*) remained at a high level. Advertising inventory (impressions) achieved a significant increase from FY2020/5 Q1 due to temporary effects caused by topical factors.

Number of Impressions and CPM

FY2020 Q2
No. of Impressions marked a new record high



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

Subsidiaries (digwell and VIDPOOL)

- **digwell's** business marked sales and profits declines following FY2020/3 Q1, caused by the sudden changes in the market environment. Currently focusing on the advertising business for apps expecting medium- to long-term recovery

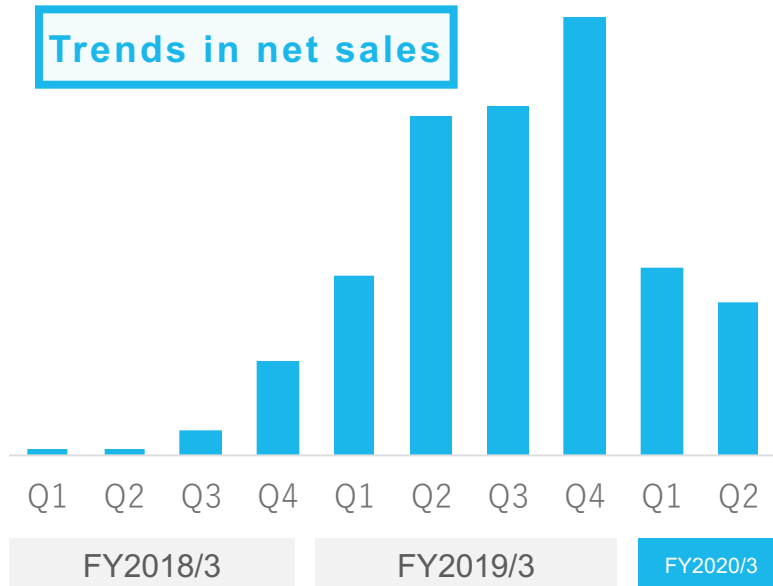
- **VIDPOOL** is focusing on the media rep business for CyberAgent.

Aiming to generate a surplus on a single month basis, we will prepare for the launch of the video ad network market.



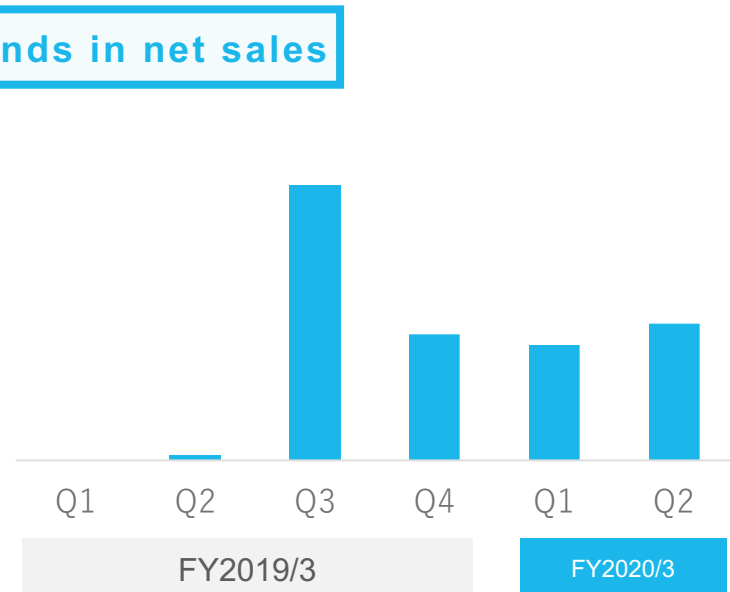
Pay-for-performance advertising service

Trends in net sales



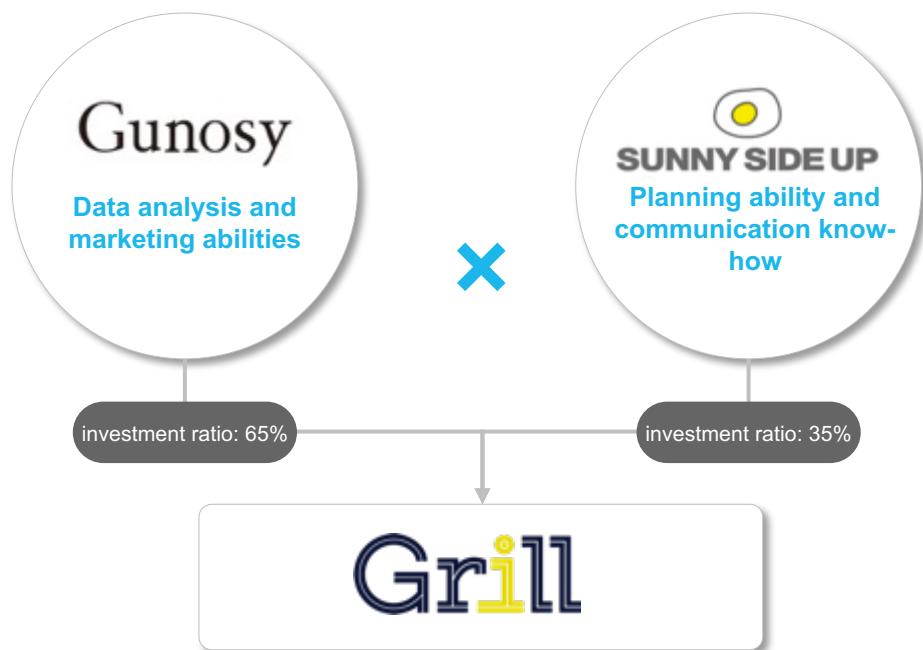
Video ad network service

Trends in net sales



New Subsidiary "Grill" Established

Established a joint venture (JV) with **SUNNY SIDE UP, Inc. (SSU)** in October 2019. By combining SSU's planning ability with Gunosy's data analysis ability, we aim to spread and expand research and video marketing business with added value.



Established with the aim of accurately delivering higher-value information to consumers making use of the "data abilities" of Gunosy, a provider of information curation services, and the "planning abilities" of SSU, a marketing communications company.

Our businesses

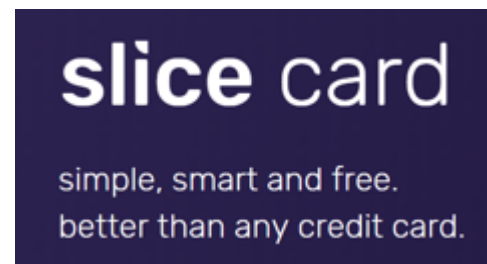
1 Marketing research business

Supports corporate marketing activities by conducting research using the user base and consumer data owned by Gunosy

2 Video marketing business

Produce and distribute videos for Gunosy and various SNS to support corporate marketing activities

Invested in GaragePreneurs Internet, which runs "slice", a digital micro-lending platform for young people in India (announced in October 2019).



Company name GaragePreneurs Internet Pvt Ltd.

Head office Bangalore, Karnataka, India

Representative Rajan Bajaj

Established June 2015

Business Digital micro-lending, credit settlement and credit card issuing service

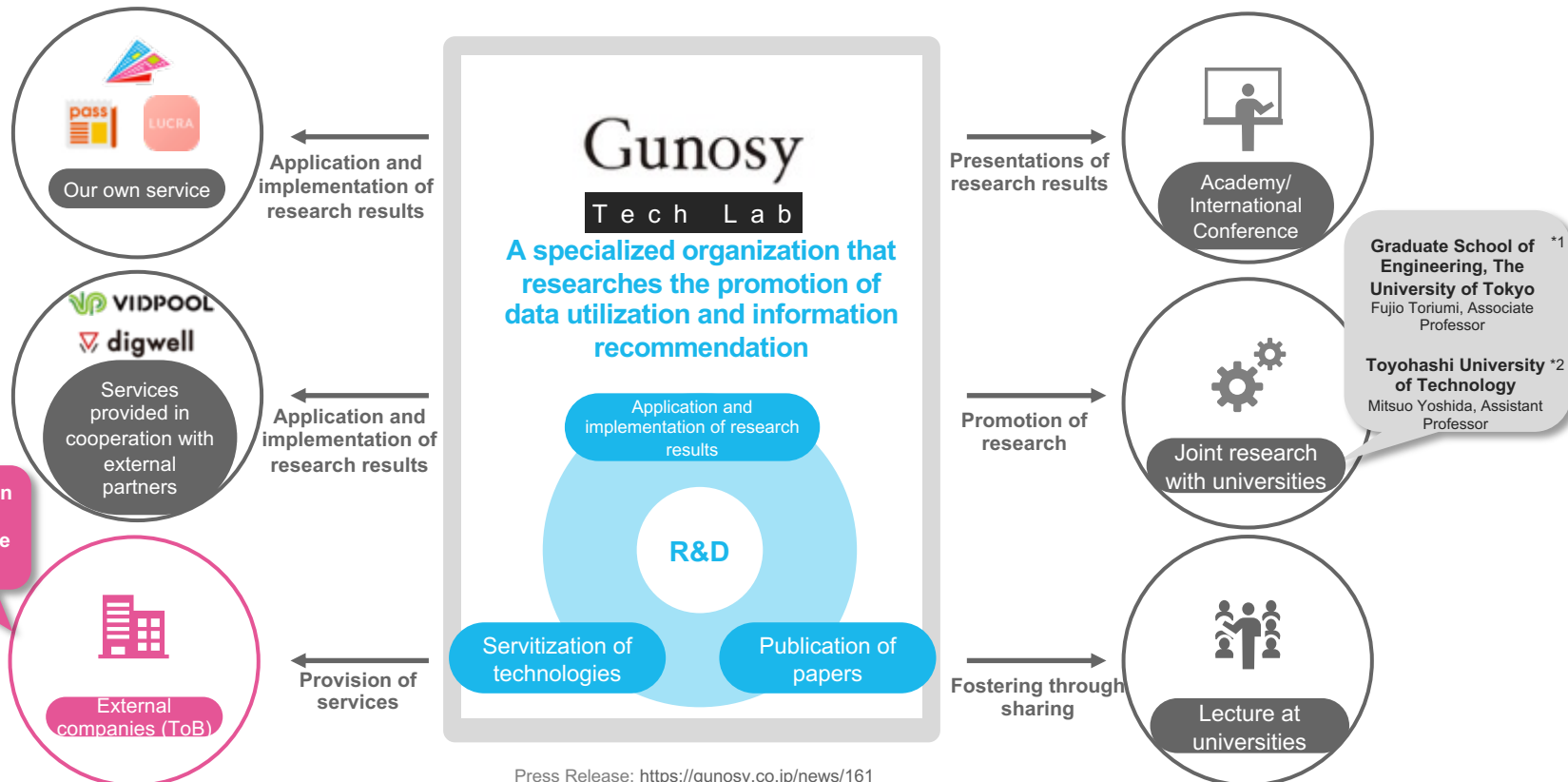
プレスリリース： <https://gunosy.co.jp/news/192>

4

Growth strategy of Gunosy Tech Lab

Outline of Gunosy Tech Lab

Gunosy Tech Lab was established as a **specialized organization to study further data utilization and information recommendation** in accordance with the mid- and long-term vision presented in January 2019. Through its establishment, we aim to break away from the framework of being merely a smartphone media company, to focus on the near future where IoT and 5G will be the center of development. We output research results in the form of **our apps provided to users, provision to external companies, and publication of papers.**

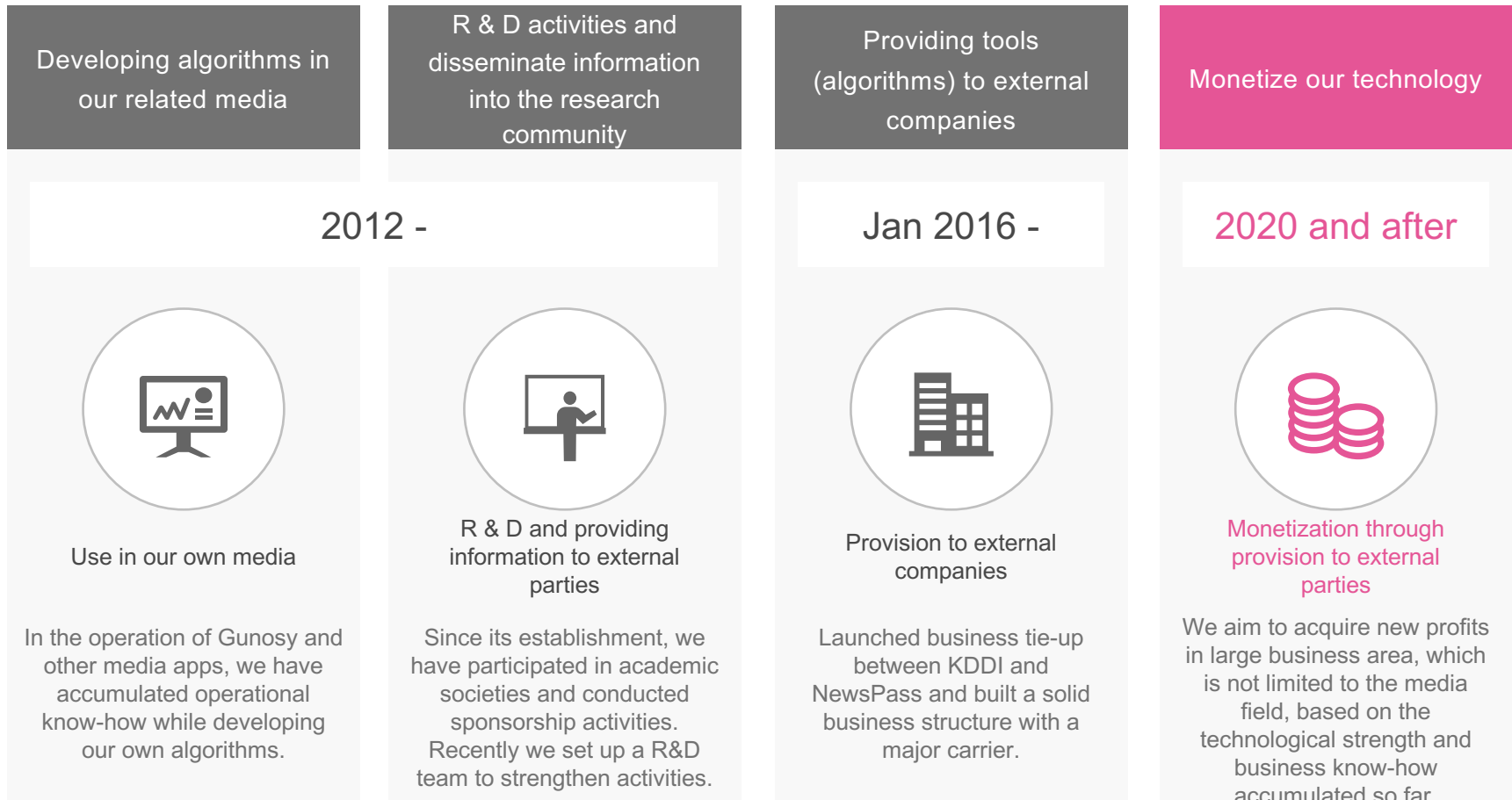


Press Release: <https://gunosy.co.jp/news/161>

*1: Dr. Fuji Toriumi, Associate Professor
Graduate School of Engineering, The University of Tokyo
*2: Mitsuo Yoshida, Assistant Professor
Toyohashi University of Technology

History of Gunosy Tech Lab and Future Policy Gunosy

Based on the algorithms cultivated in our media, we provide technology using SaaS models, etc. **We expand opportunities to monetize not only in the media field, but also in technologies, which are our strengths.**



Features of “Gunosy Tech Lab”

We aim to **develop services with a high probability of success by effectively utilizing our acquired technologies and business know-how** that we cultivated while operating media apps and ad networks.

1

Construction of algorithm and improvement based on data measurement

Universal technical know-how acquired through the pursuit of optimal content distribution (news recommendation using action log in app) and **effective user acquisition** (selection of advertising materials optimized by use of data, etc.) **that goes beyond the media field.**

2

Ability to develop and operate large services / platforms

Business management know-how such as solving various issues that arise while operating large-scale services / platforms and monetizing services, etc.

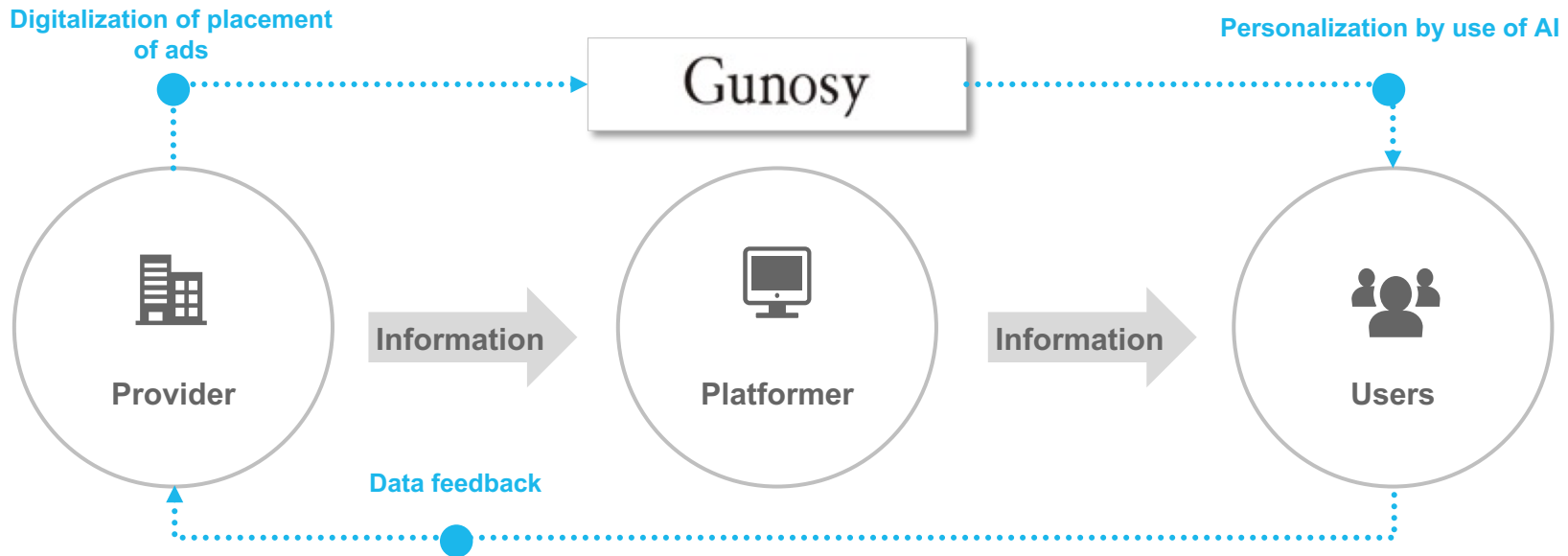
3

Wide experience of value creation through collaboration with large companies

Know-how of collaboration between major companies and venture companies accumulated through the operation of “NewsPass” and “LUCRA”

Business Model

Based on the experience working as a platformer and advertiser, **we aim to solve the issues in the information field faced by providers and platformers** around the world with the technology provided by Gunosy Tech Lab.



	Providers	Platformers
Issues	<ul style="list-style-type: none"> The value of the content not correctly recognized Delay in digitization and automation of placing ads 	<ul style="list-style-type: none"> Want to distribute content efficiently Want to promote adoption of APPs
Target	<ul style="list-style-type: none"> Media, advertisers, manufacturers, etc. who want to promote automation, digitalization and creation of appropriate systems 	<ul style="list-style-type: none"> Business deals already launched with media and advertising platformers. In the future, planning to cover areas other than the media field.

Companies Currently Collaborating with

Currently, we are collaborating with the following "major platformers".

Projects concerning solutions for "providers" are also in progress.



KDDI Corporation

Platformer

NewsPass, jointly developed with KDDI Corporation, is the first project to provide technology to external companies.



Hakuhodo DY
media partners

Hakuhodo DY
Media Partners Inc.

Platformer

Visualize and streamline advertising transaction inefficiencies with the power of digital technology to activate latent demand in the advertising industry.

New

Announced on December 19, 2019

Coming soon

Currently we are informally proceeding with collaboration with several companies.

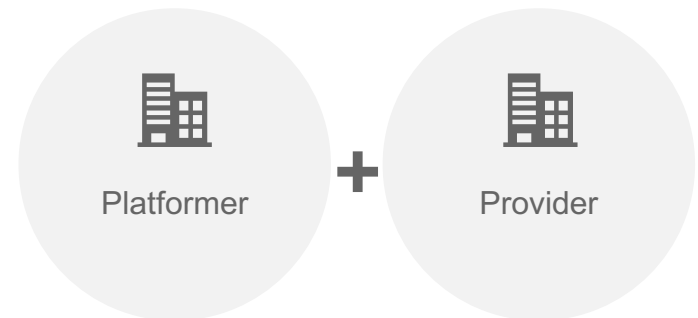


Image of Growth

We will initially **build a business base mainly on providing solutions to providers and platformers** in the media / advertising area. And then, we aim to expand our business by entering other industries.

Entry into areas other than media / advertising

Number of projects: Companies outside the media field
Scale: Estimated as needed



For platformers

Number of projects: Several companies (KDDI and Hakuholdo DY Media Partners, etc.)
Scale: Individual large-scale solutions including business tie-ups



For providers

Number of projects: Dozens of companies
Scale: Providing standardized solutions

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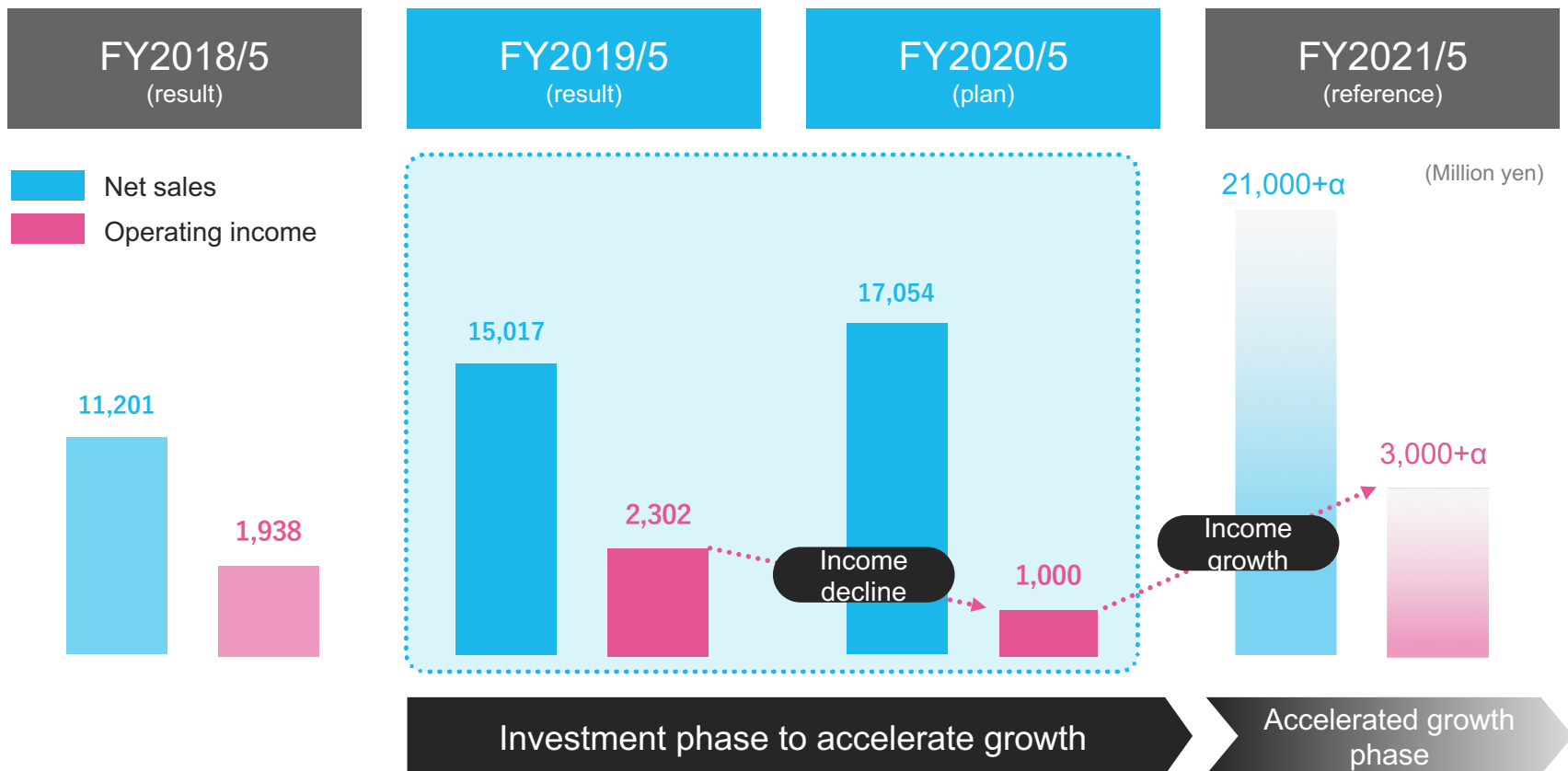
Appendix

Reference Materials: Overview of Gunosy Inc.

Investment Phase to Accelerate 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.

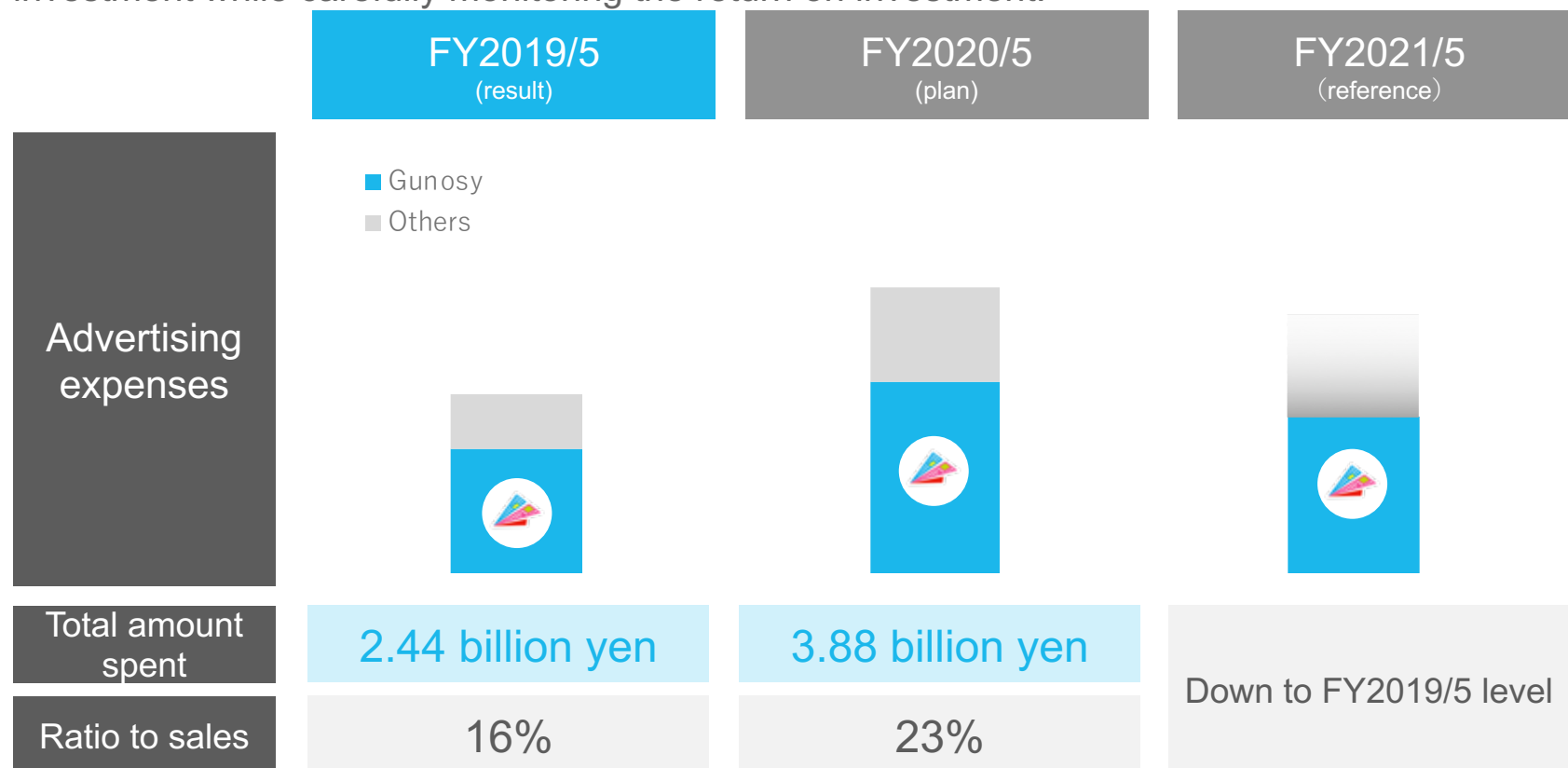
Furthermore, while emphasizing investment to accelerate growth, we will improve capital efficiency and consider measures to increase return to shareholders to enhance shareholder value.



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.



Basic Information

- Company name: Gunosy Inc.
 - Representative: Yuya Taketani
 - Established: November 14, 2012
 - Fiscal year end: May 31
 - Capital: 4,068 million yen
(as of the end of Nov 2019)
 - Stock Code: 6047 (First Section of The Tokyo Stock Exchange)
 - Audit corporation: Ernst & Young ShinNihon LLC
 - Number of employees: 223 (as of the end of Nov, 2019, on a consolidated basis)
 - Head office: Ark Mori Building, 1-12-32 Akasaka, 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 and CFO, Hiroki Maniwa
Director and CDO, Keisuke Osone
Director, Shinji Kimura
Director (Outside), Takashi Kamiyama
Director (Outside), Suguru Tomizuka
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