



## **FY2021/5 Financial Results for Q3**



Gunosy Inc.  
First Section of The Tokyo Stock Exchange

April 14, 2021

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1

## Executive Summary

1

## **Phase to build the foundations of Gunosy completed** **Move to the reinvestment phase from Q4 as planned**

Plan to return to MAU regrowth trajectory by resuming advertising investment

For details, refer to  
page 5-

2

## **Started operation of "au Service Today", an all-in-one application** **that combines a variety of useful functions serving** **as a portal to various au services** (April 4<sup>th</sup>)

Acquire a huge user base and a growth driver in the medium to long term

For details, refer to  
page 10-

3

## **Decided to make a follow-on investment in "slice", a digital lending** **platform in India** (April 14<sup>th</sup>)

The role of the service as a social infrastructure and its high growth potential were highly evaluated  
Considering the possibility of future collaboration, we decided to invest in the company to convert it to our affiliated company

For details, refer to  
page 13-

\* slice is the name of the service provided by GaragePreneurs Internet Pvt. Ltd. (hereinafter referred to as GaragePreneurs)

# FY2021/5 Q3 Financial Summary (2/2)

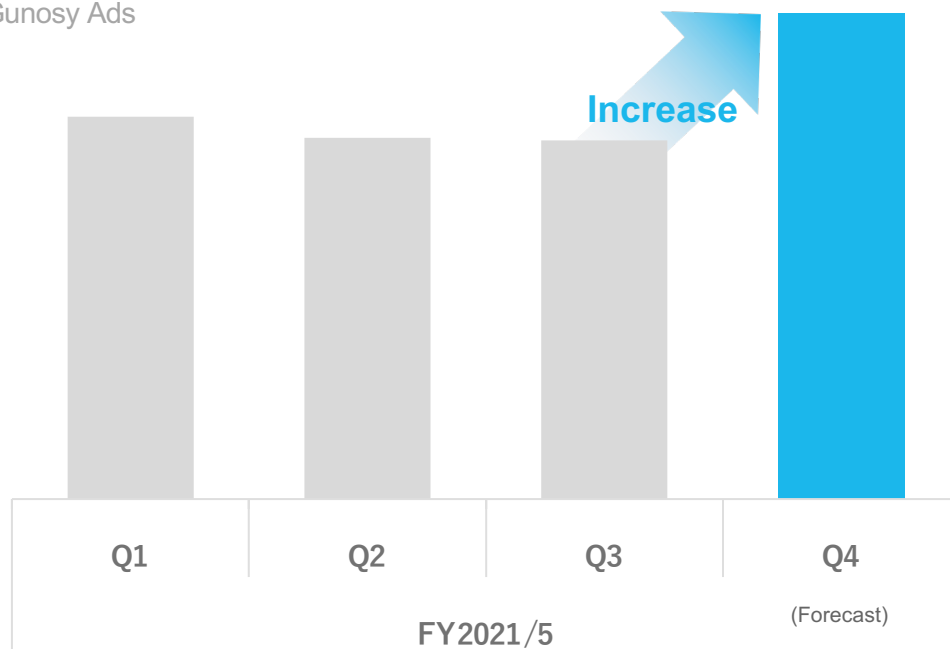
Gunosy

While the trend for Gunosy Ads was not reversed in Q3, we expect revenue to **turn into an increase** in **Q4 as advertising investment in Gunosy resumes** and the new collaborative app with KDDI (**au Service Today**) begins to contribute to revenue.

## Gunosy Ads: Sales

### Turning into an increase in Q4

The effects of various measures reflected in  
Gunosy Ads



## Two factors contributing to the increase

1

### Full-scale resumption of advertising investment by Gunosy in Q4

Decision made to resume advertising investment as we were able to confirm the improvement in media value and the recovery of profitability per user through algorithm improvement.

2

### “au Service Today” starts to contribute to revenue in Q4

Both DAU and sales have been growing steadily since its release. It won first place in the Google Play store rankings in Japan on April 5<sup>th</sup>.

# Status of Media Value Improvement

Gunosy's article quality, advertising quality, and usability fundamentally transformed

by improvement of media and advertising reliability and user interface (UI) innovations promoted since the beginning of the period.



Improve media  
reliability

Improve  
advertising  
reliability

Revamped UI



Revamp

To make the  
media more  
acceptable to  
the world

## Focus on user click-through rates

(resulting in a bias towards entertainment articles)

## Examination quality at industry average level

An advertising experience that is not optimized to suit the user's perspective

## Information cannot be obtained without clicking the article

(Stress generated before getting the information needed)

Article quality

Advertising quality

Useability

## Focus on social/individual values

Article experience that focuses on timeliness and personalized interests on a deeper level

## Top-class examination quality in the industry

(Providing a secure advertising experience)

## Grasp the news at a glance

(Get the information needed without the stress)

Revamp  
algorithm

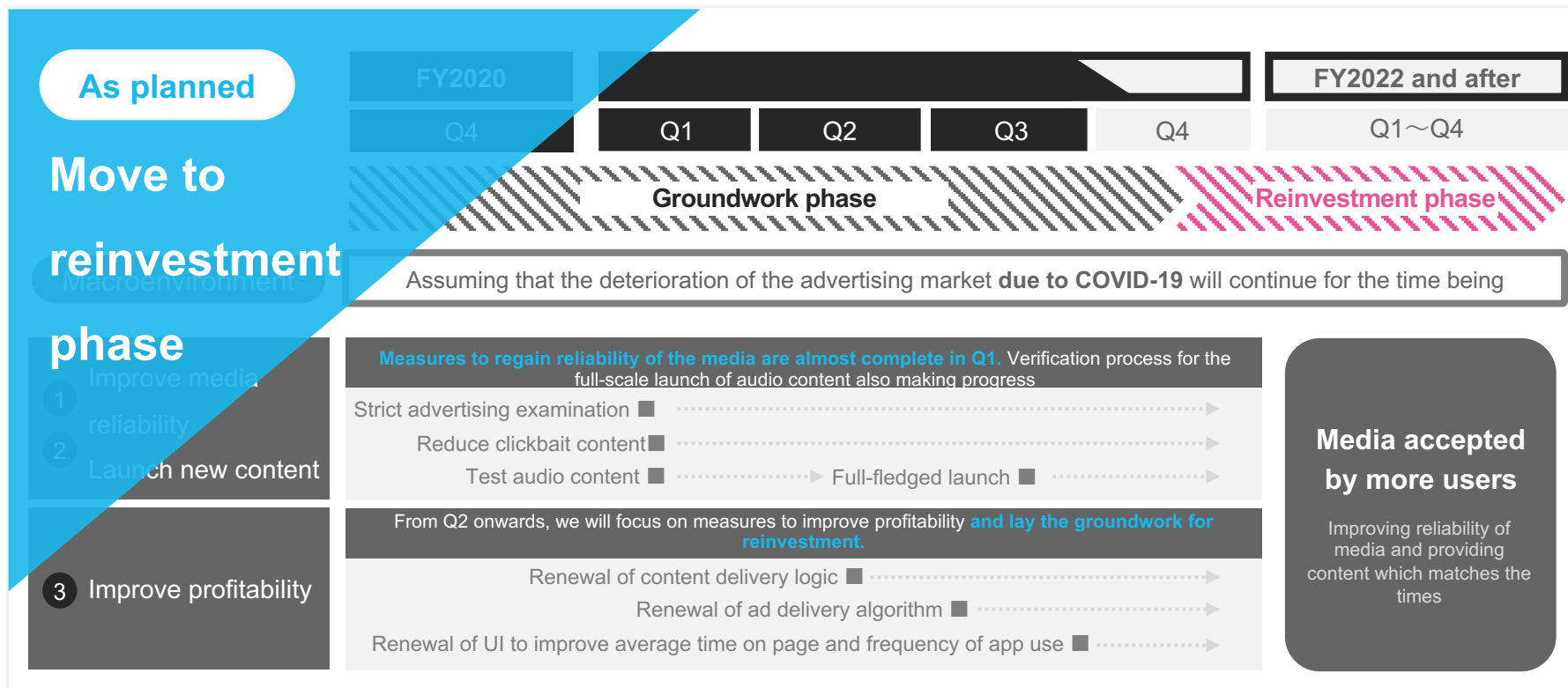
Strict advertising  
examination

Revamp UI and  
UX

# Milestones toward the Re-growth of Gunosy (Reposted) Gunosy

## Progress on milestones

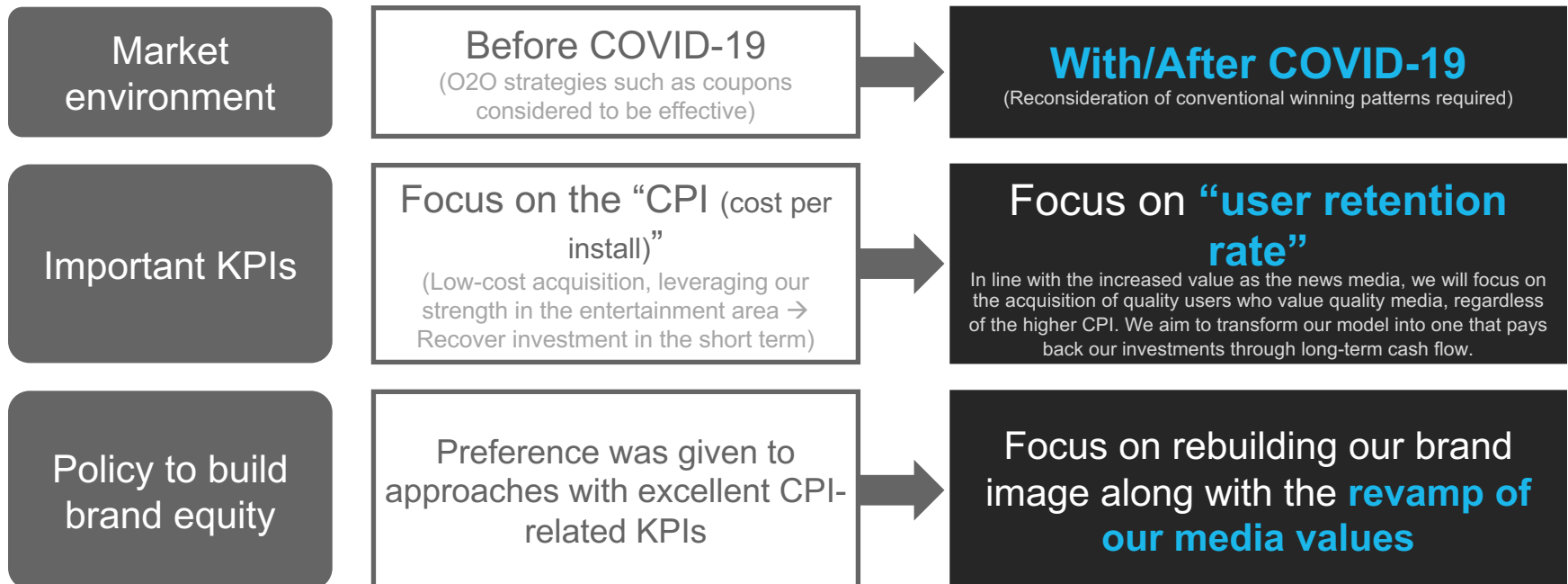
The milestones up to Q3 disclosed in FY2021/5 Q1 were mostly completed as planned. As the **growth potential expanded by increased media value and profitability improved, advertising investment was resumed in Q4** in order to return to the regrowth trajectory.



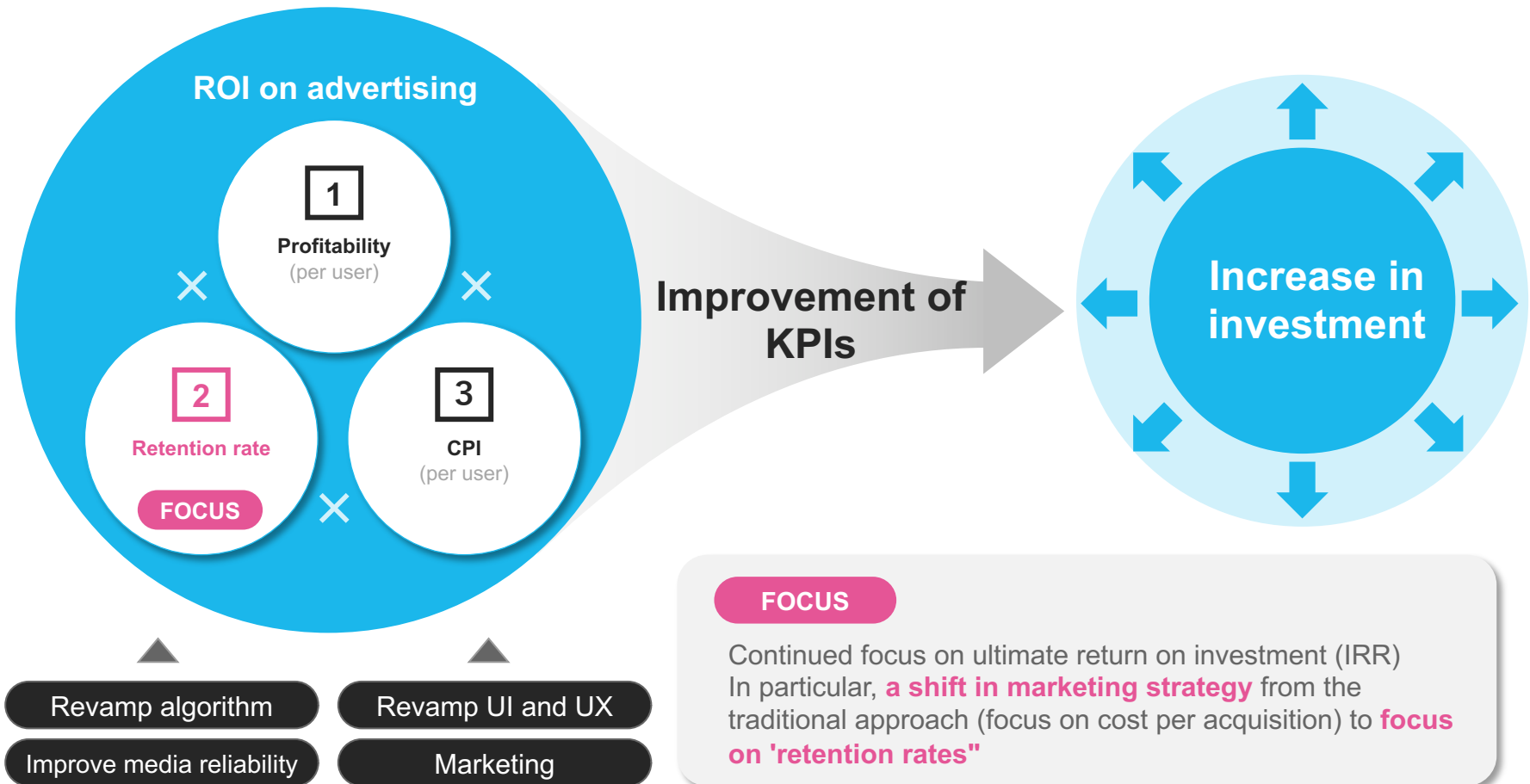
\* As to details on milestones, refer to "FY2021/5 Financial Results for Q1" (p.7).

## Future marketing strategy

In line with the improvement of media value, we will review the conventional strategy emphasizing the CPI (cost per install) (coupon strategy, etc.). We aim to acquire **users with a high retention rate** who prefer quality media and to establish a marketing approach focusing on the **rebuilding of our brand image**.



In the future, we plan to **increase the size of our advertising investment as KPIs related to return on investment improve** through algorithm improvements, user-interface revamps and the discovery of winning marketing patterns.



# New Business Alliance with KDDI: “au Service Today” Released

“au Service Today” was released on April 1<sup>st</sup>, 2021 as the new collaborative app, which is a redesigned version of the au portal site, "au Service TOP".



## au Service Today



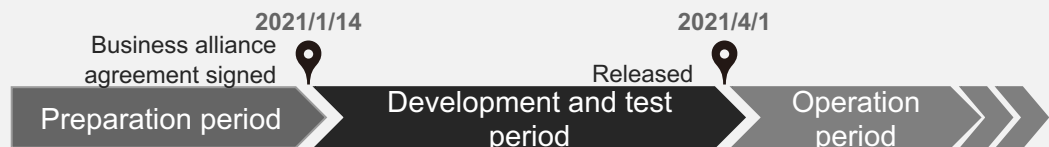
### Special features of the “au Service Today”

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



### Progress in collaboration

The service was released successfully, as originally planned.



# Impact on Performance

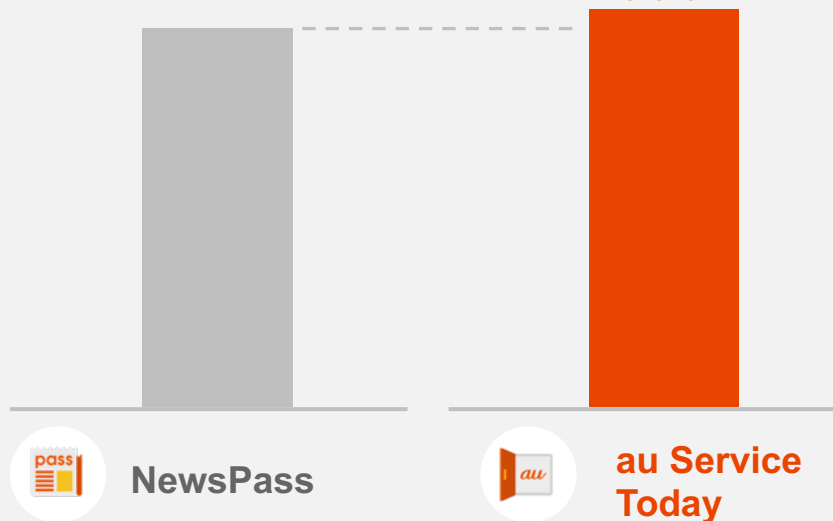
Taking over the user base of its predecessor "au Service TOP", **the same level of DAU as NewsPass was achieved within a week of its renewal and release. Monetization began in April** through revenue sharing.

## DAU status (as of April 8<sup>th</sup>)

### Large DAU base achieved immediately after release

Expected to be reflected on revenue starting in FY2021 Q4

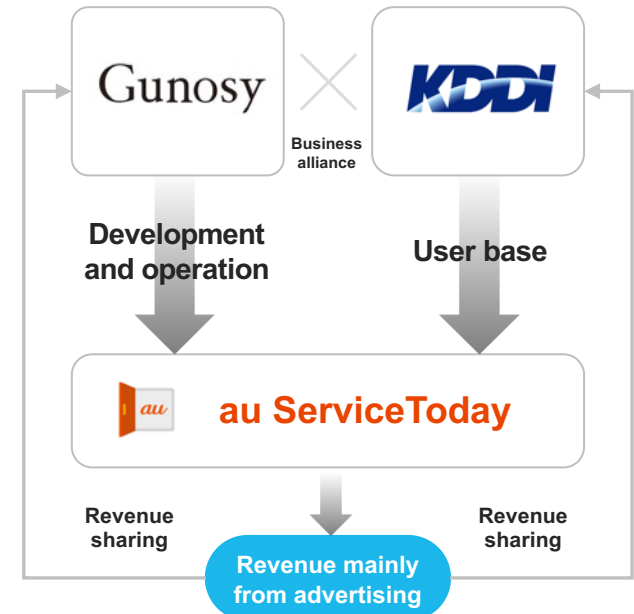
DAU: the same level as NewsPass was achieved within a week of its renewal



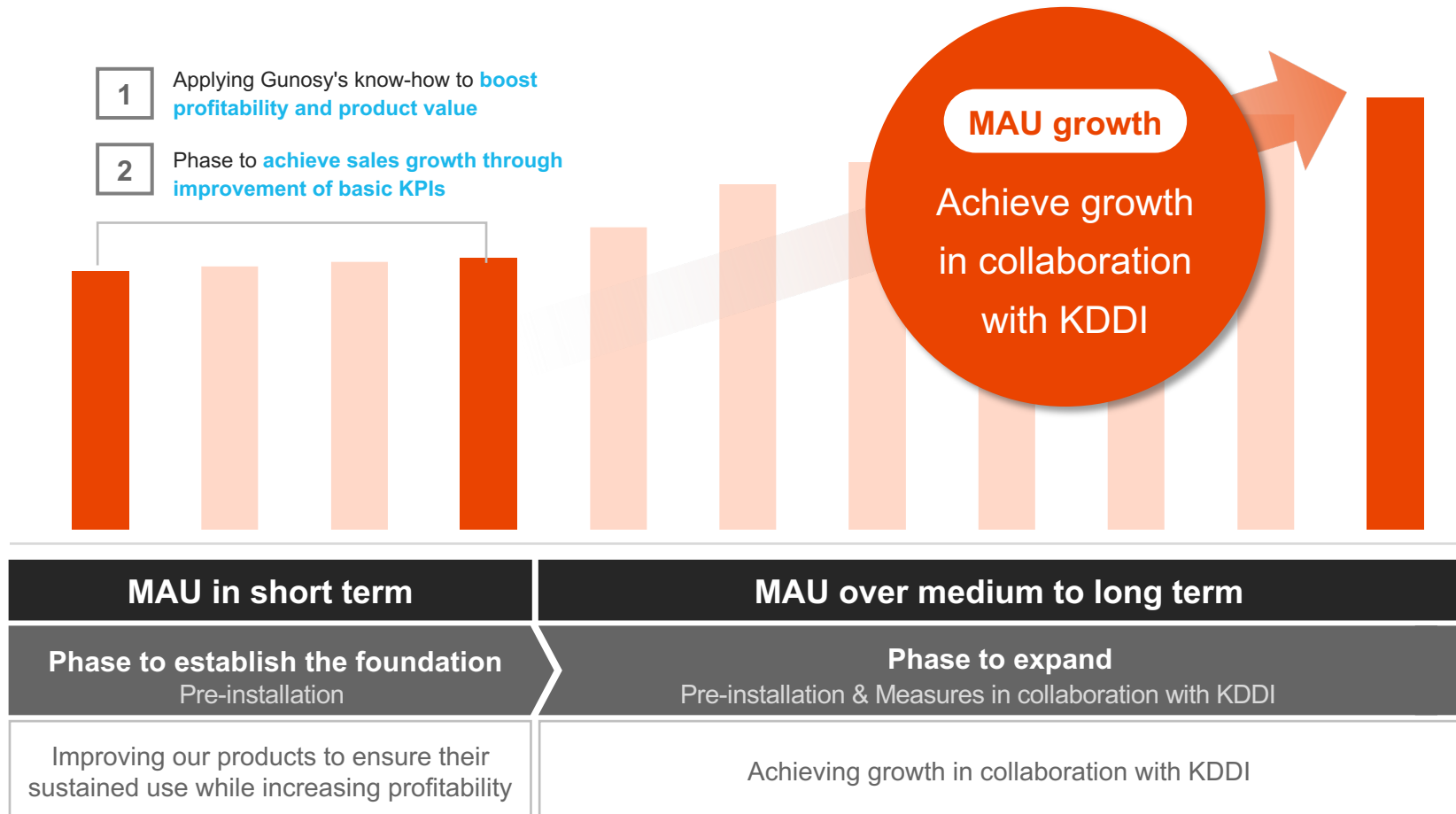
## Business model

### Monetization through revenue sharing

Contributes to revenue through the same scheme as existing collaborative media (NewsPass)



In the short term we aim to **achieve sales growth by focusing on improving profitability** based on Gunosy's expertise. Once the improvement in profitability is confirmed, we will **work with KDDI to achieve further growth**.



We decided to make a follow-on investment worth USD 15 million in GaragePreneurs, which runs “slice”, a digital micro-lending platform for young people / credit card issuing service in India. Cumulatively, more than 20% of potential voting rights have been acquired. **It is expected to become an equity-method affiliate of Gunosy in the future.**

\*All investments (including past investments) have been made through the acquisition of Compulsory Convertible Debentures (CCDs). It is assumed that the said CCDs (including past ones) are converted into shares of the company.

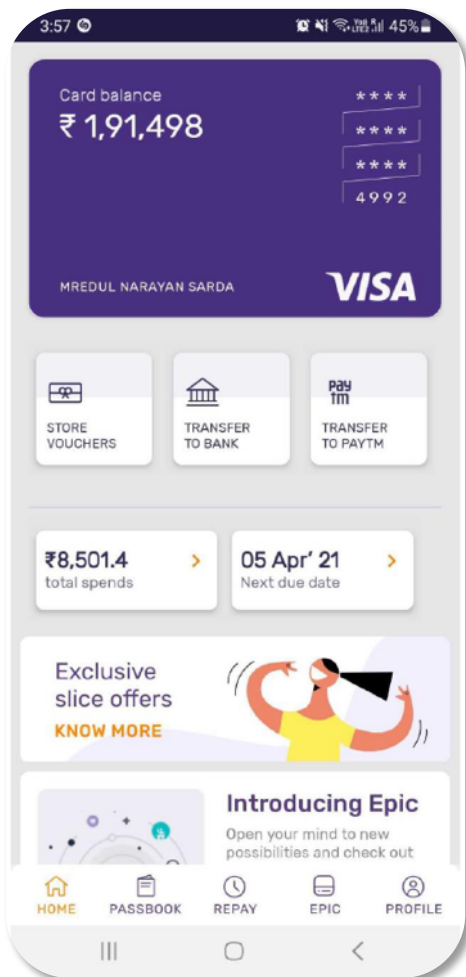
Capturing the rapid growth of India

## Fast-growing Indian start-up company to become our affiliate

Cumulatively, more than 20% of potential voting rights have been acquired. It is expected to become an equity-method affiliate of Gunosy in the future.



“slice” provides services such as micro-lending and credit card issuance through the app to young people in India who would otherwise find it difficult to get credit in the traditional methods. It is a **product that will completely change the personal financial experience**, offering coupons, EC payments etc.



### Details of businesses

#### Digital micro lending, credit settlement and credit card issuing services via smartphone

Based on its exclusive credit model, provides easy access to credit to young people (students and working people) in India who would otherwise find it difficult to access credit.

Fin Tech

Payment

Credit card

### Features

- 1 Micro-lending service provided easily with only a smartphone
- 2 Coupons provided in the app
- 3 Supports EC payments etc.
- 4 Users' credit score provided visually  
(Score changes depending on usage)

Result

Very high  
activation rate

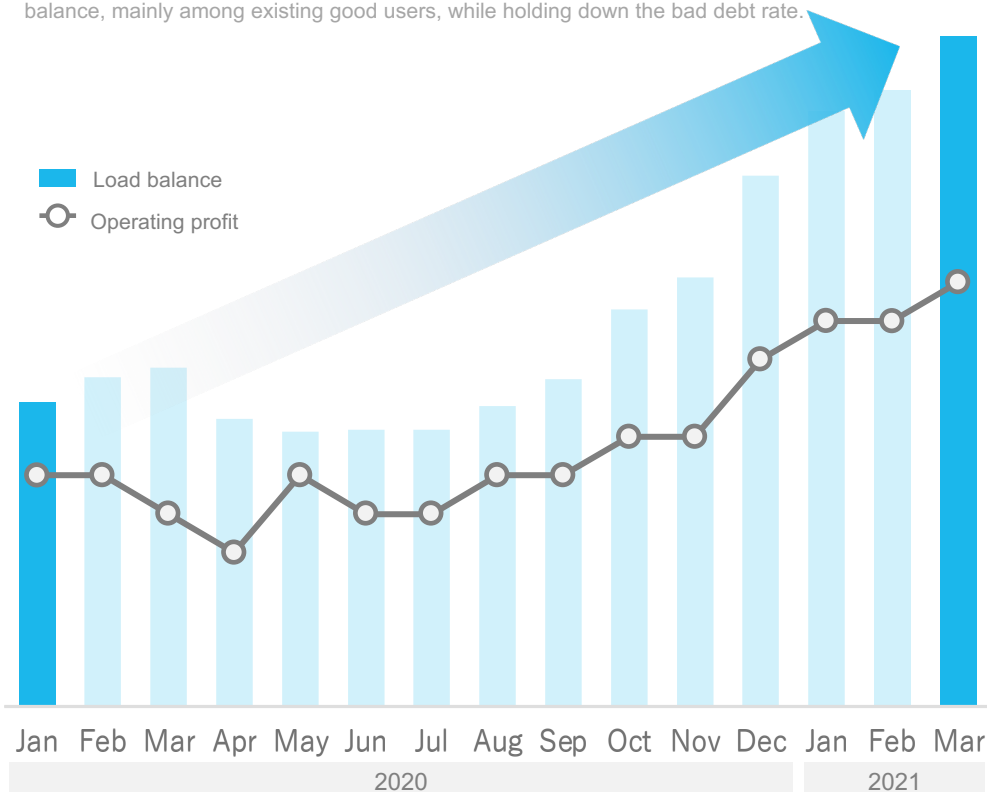
Marked several times that  
of a normal banking app

Despite the impact of the COVID-19 crisis, continued high monthly growth has been recorded. **Based on its excellent positioning in the market and the nature of its services, which highly contribute to social infrastructure**, it is expected to grow steadily over the medium to long term.

### Changes in key KPIs

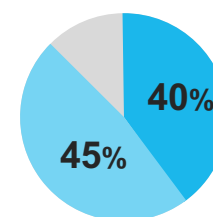
## Recorded **high monthly growth** despite volatile market conditions

In spite of the recent impact of COVID-19, the company has succeeded in growing its loan balance, mainly among existing good users, while holding down the bad debt rate.



### User attributes

**85% of users are under 26 yrs. old**



**40%—18-22 yrs. old**

**45%—23-26 yrs. old**

### Growth driver

#### (1) Excellent positioning in the market

"slice" is a service that combines the convenience of a smartphone with the easy access to a micro-lending platform, and is highly popular among young people (students and working people) which is the largest customer segment in India. (Traditional financial institutions provide credit to customers with a high profile (those employed by large companies, etc.), mainly based on a face-to-face and a stringent paper-based assessment.)

#### (2) High contribution of the service to the social infrastructure

The business of slice (giving credit to young people) is a high-value service that contributes to social infrastructure, through which it can aim for stable growth over the medium to long term.

slice

# Investment Strategy

Gunosy

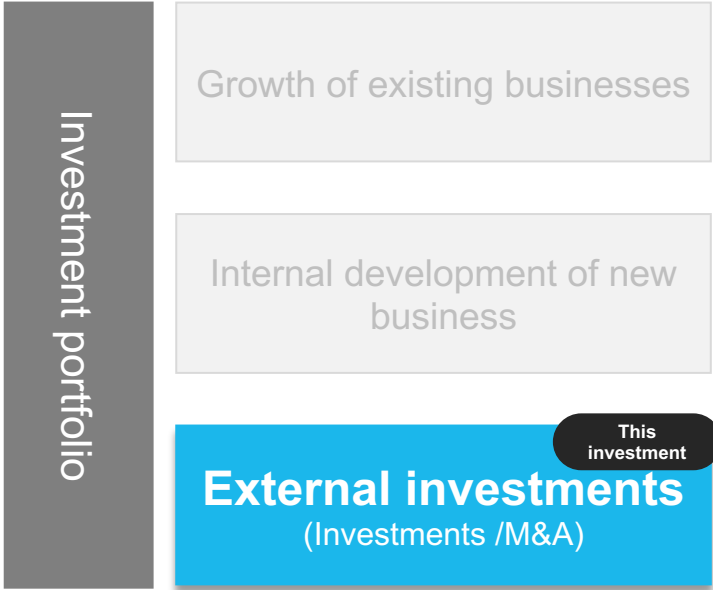
The “slice” business is the top focus in our external investment portfolio, which is expected to grow into a third pillar of our business. Its mission is highly compatible with our business, which implies potential for future collaboration. Given this, we see GaragePreneurs as a potential affiliate and are keen to support its growth.

## The position of this investment

GaragePreneurs is positioned as the top focus in our external investment portfolio

It is expected to grow into a third pillar of our business

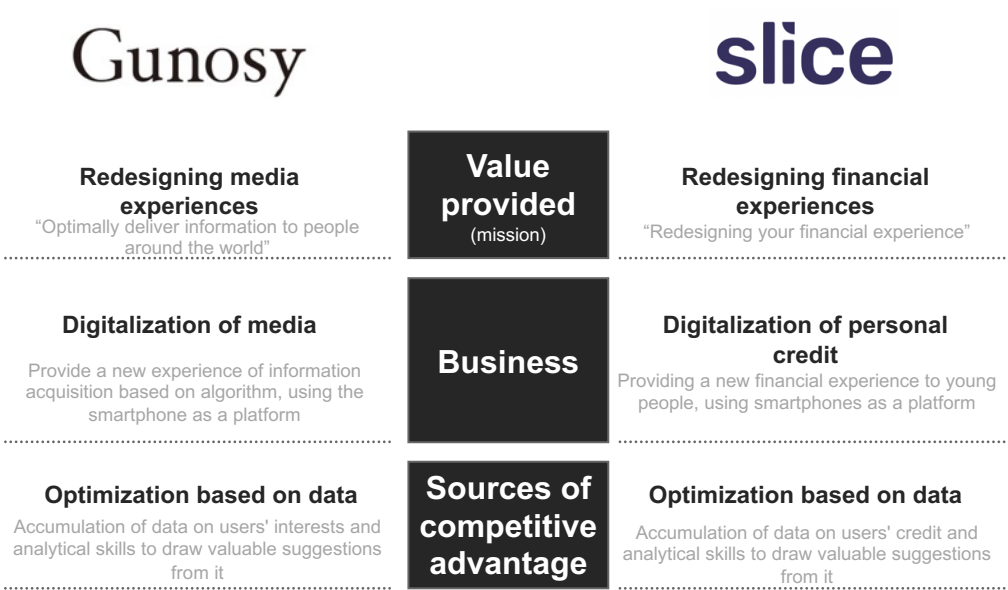
(First pillar = news media Second pillar = Game8)



## Background to potential conversion to an equity-method Affiliate

Although we belong to different industries, we have a strong compatibility in our business models.

There is potential for future collaboration. Therefore we believe it would be in our best interest to support its growth as our an equity-method Affiliate



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## Financial Results for FY2021/5 Q3

# FY2021/5 Consolidated Results for Q3

Gunosy

**QonQ sales increased** driven by the strong performance of the Game8 Group (G8 and Smarprise) business. Note that the decrease in operating profit is attributable to a one-off increase in depreciation expenses (152 million yen) resulting from the office relocation.

(Million yen)

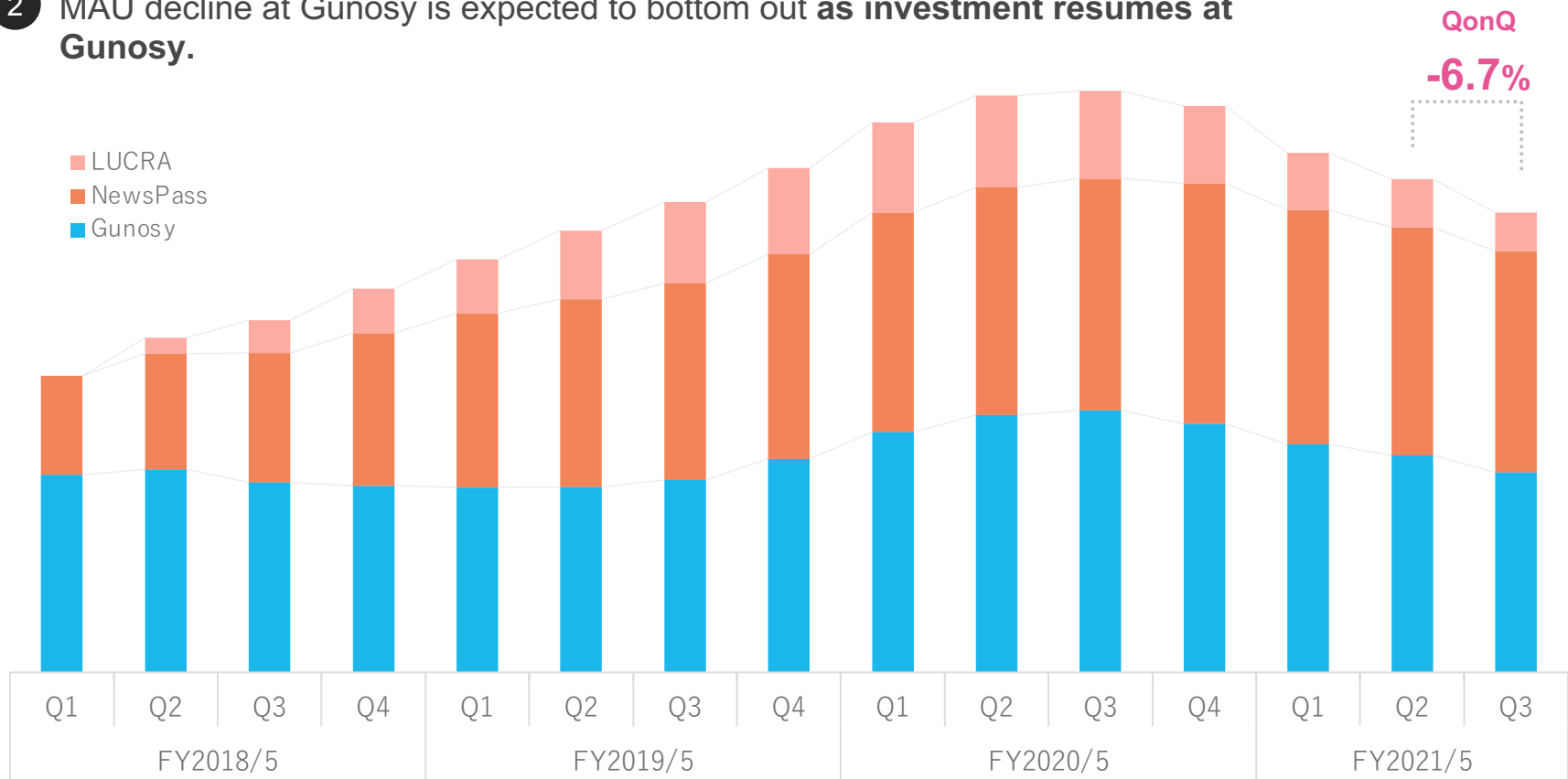
	FY2021/5 Q3	QonQ		YonY	
		FY2021/5 Q2	QonQ	FY2020/5 Q3	YonY
Net sales	2,161	2,082	103.8%	3,705	58.3%
Operating profit	187	216	86.7%	343	54.6%
Operating margin	8.7%	10.4%	-	9.3%	-
Ordinary profit	177	213	83.2%	352	50.3%
Profit attributable to owners of parent	81	154	52.6%	91	88.4%

# Total Number of Active Users (MAU)\*

Number of active users continues to decline due to continued investment restraint.

Estimated MAU for Q4 and beyond

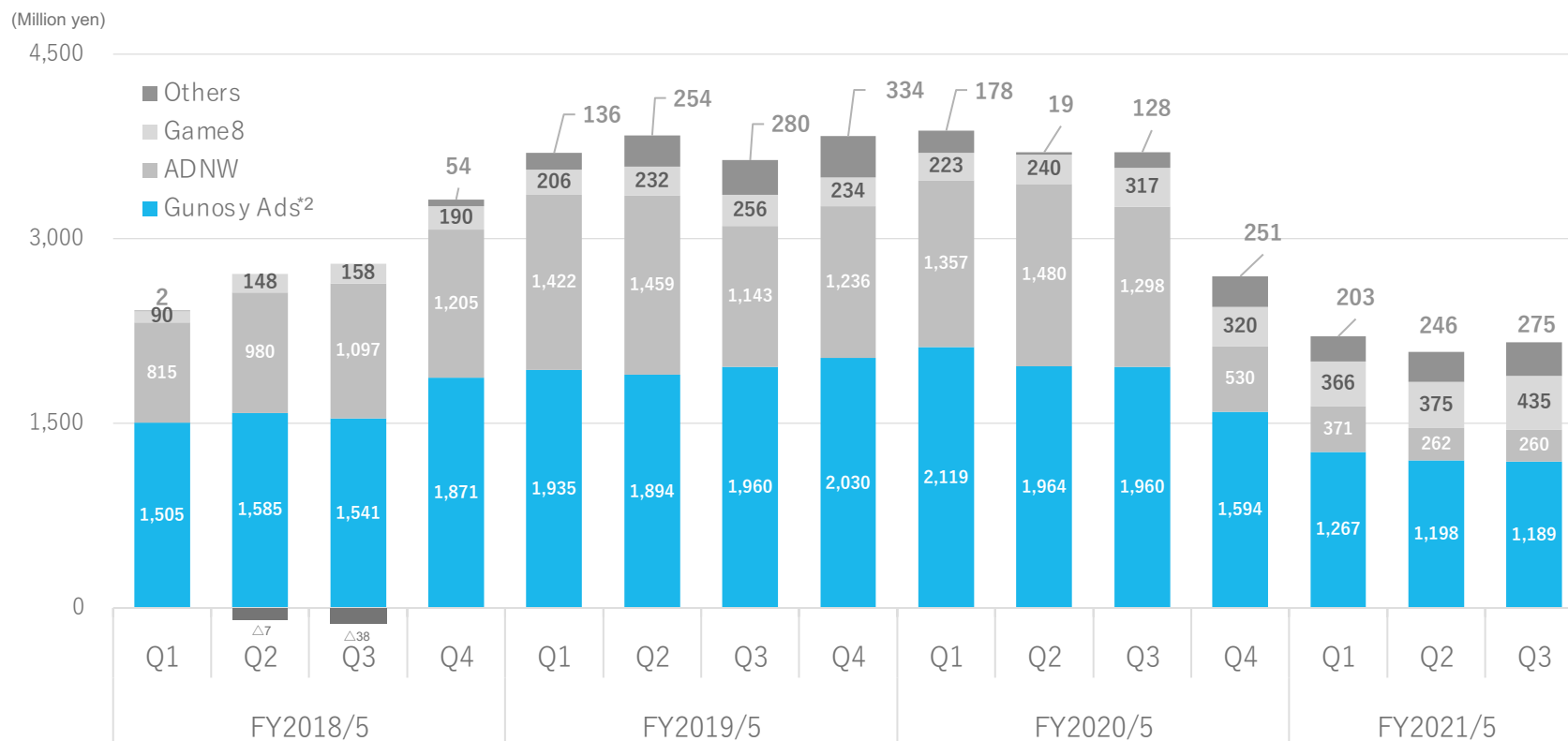
- 1 MAU is expected to increase by capturing the user base of "au Service Today".
- 2 MAU decline at Gunosy is expected to bottom out as investment resumes at Gunosy.



\* Average for each quarter of MAU (monthly active users) of "Gunosy", "NewsPass" and "LUCRA"

# Breakdown of Net Sales <sup>\*1</sup>

Despite a decline in MAUs, sales of Gunosy Ads remained unchanged **backed by improved profitability per user. Game8 posted its record quarterly sales for the fifth consecutive quarter.**

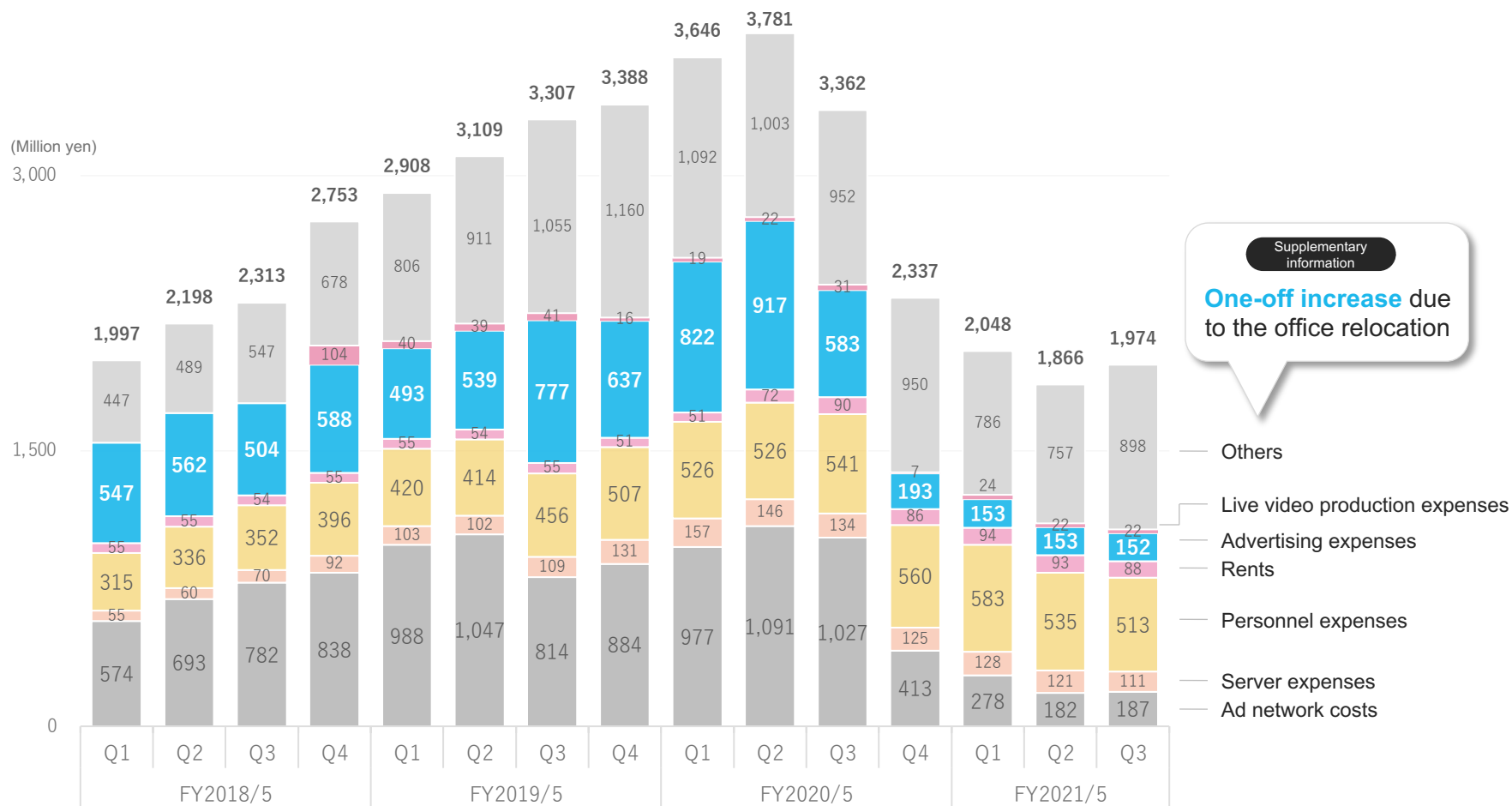


\*1. Sales of Gunosy Ads, ADNW and Game8 are presented on a non-consolidated basis. Internal trade adjustments are included in Others.

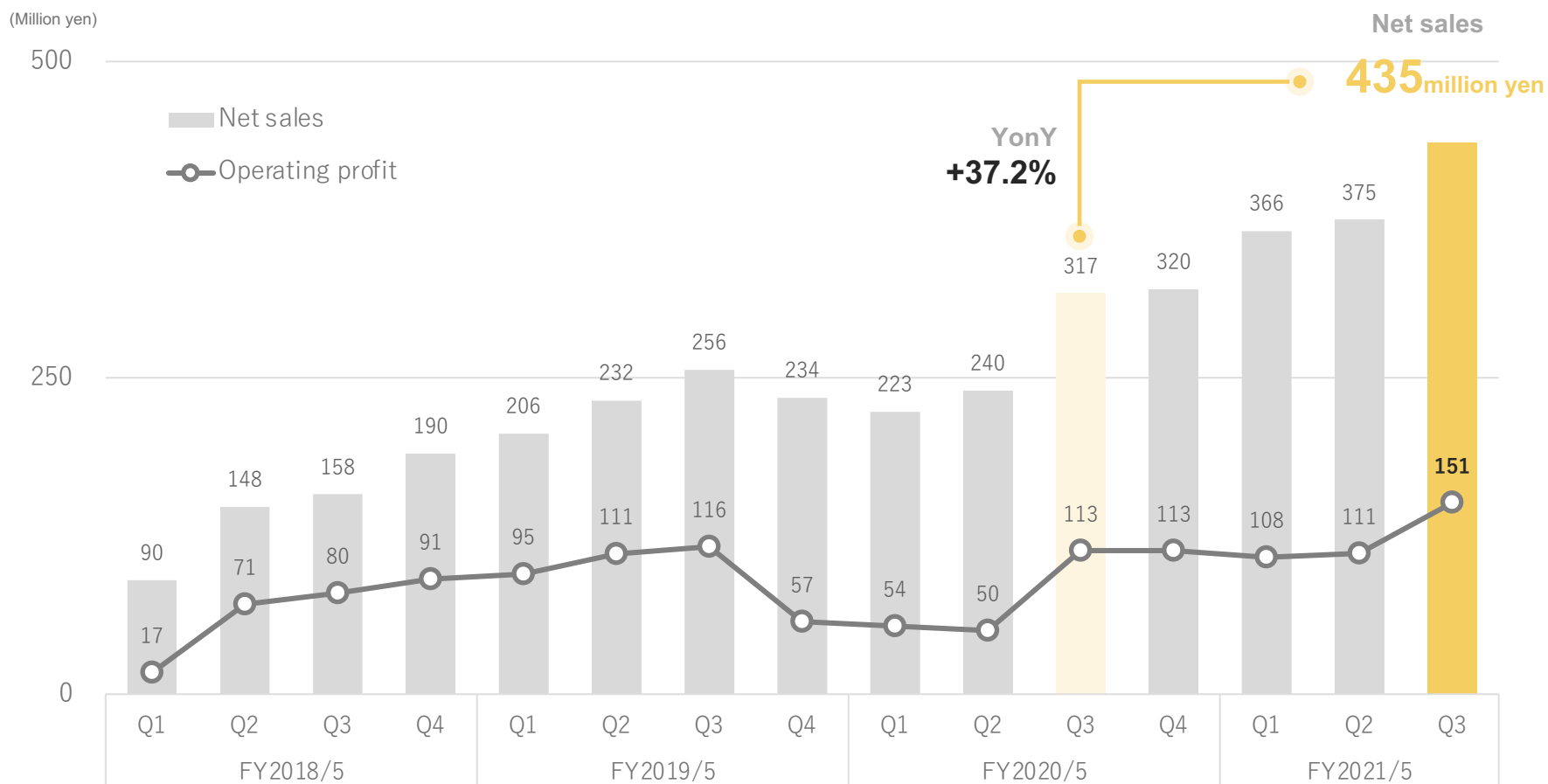
\*2. Sales of Gunosy Ads are the total of "Gunosy", "NewsPass" and "LUCRA"

# Cost Structure

Personnel expenses and server expenses continued to decline QonQ. The QonQ increase in other expenses was **due to a one-off increase of depreciation and other costs of 152 million yen related to the office relocation.**



Game8 posted its highest quarterly sales/operating profit, **achieving the highest sales for the fifth consecutive quarter.**



\* Non-consolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included. FY2021 Q3 results are for the period from October to December 2020 due to a gap with the parent company's consolidated accounting period.

3

## FY2021/5 Outlook

# FY2021/5 Results Forecast (Consolidated)

Gunosy

The full-year forecast for operating profit was already achieved in Q3. As advertising investment resumes in Q4, we anticipate a temporary drop in profits. Accordingly, the full-year forecast remains unchanged.

	(Million yen)		
	FY2021/5 Q1-Q3	FY2021/5 Full-year forecast	Progression rate
Net sales	6,453	8,897	72.5%
Operating profit	563	500	112.6%
Operating margin	8.7%	5.6%	-
Ordinary profit	546	482	113.2%
Profit attributable to owners of parent	314	253	124.2%










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## Business Overview by Division

# Summary of Media Business in FY2021/5 Q3

Gunosy

In each of our media businesses, **algorithm improvements to increase profitability is progressing**. In Gunosy and NewsPass, **the media value is steadily increasing through the user interface innovation**.

		 Gunosy	 NewsPass	 LUCRA
Q3	Summary	<b>Focus</b> Focus on innovating user interface to improve retention rate		Continued focus on improving profitability
	Investment	<b>Restrain</b> Given the uncertainty in the advertising market, we will continue to significantly curb advertising expenses.		
	MAU			
	Profitability			

# Status of User Interface Innovation

Gunosy

In Q3, the topic tabs which are shown when launching the apps were redesigned for both Gunosy and NewsPass. **It allowed a stress-free information acquisition experience so that users can grasp important news at a glance.**



Gunosy



Gunosy new UI



NewsPass



NewsPass new UI

## Key features introduced in Q3

1

The specification changed to **display the most popular articles in a fixed position.**

2

**Highly visible borders added** to topic tabs to improve the article/ad experience

3

**Optimized text and image sizes** based on the needs of the main user group

In Q3, we produced original content to enhance the audio experience on Gunosy. **During Q4, we plan to launch a series of original programs featuring popular YouTubers, idol groups, etc.**

Expand original content **available only on Gunosy.**

### 1 QuizKnock (3/22~)



YouTubeチャンネル登録者数160万人を超える人気クイズメディアQuizKnockのメンバーとのコラボ番組のシーズン2が決定

### 2 あの (3/26~)



若い世代を中心に絶大な人気を誇る「あの」

音楽活動のみに留まらず女優・モデルとマルチに活動

### 3 ふぉ～ゆ～ (4/1~)



ジャニーズ事務所所属の4人組男性アイドルグループ

ステージを中心に確実にファンを拡大し続けている注目ユニット

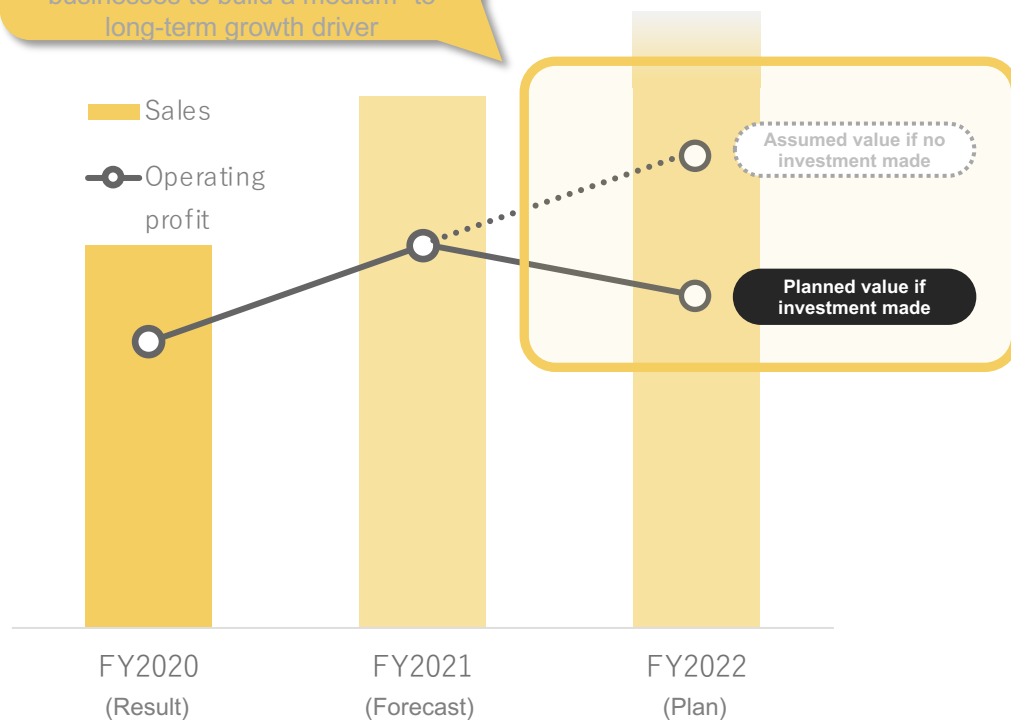
# Growth Strategy (Game8)

Next year, we plan to make upfront investments in order to achieve sustained high growth over the medium to long term. While ensuring the solidity of the existing businesses, we will **focus on developing new growth drivers, particularly overseas.**

Estimated sales/operating profit for the next fiscal year  
(Game8 non-consolidated)

## Investment for medium to long-term growth

Reinvest profits from existing businesses to build a medium- to long-term growth driver



## Investment details

### New Business

#### Investment in overseas businesses

Continued investment in overseas business (game walkthrough wiki), which is steadily increasing its PV, as a new growth driver

#### Investment in human resources for new business development

Investment in human resources for the development of new solutions

#### External investment

External investment and business partnerships in the areas peripheral to games

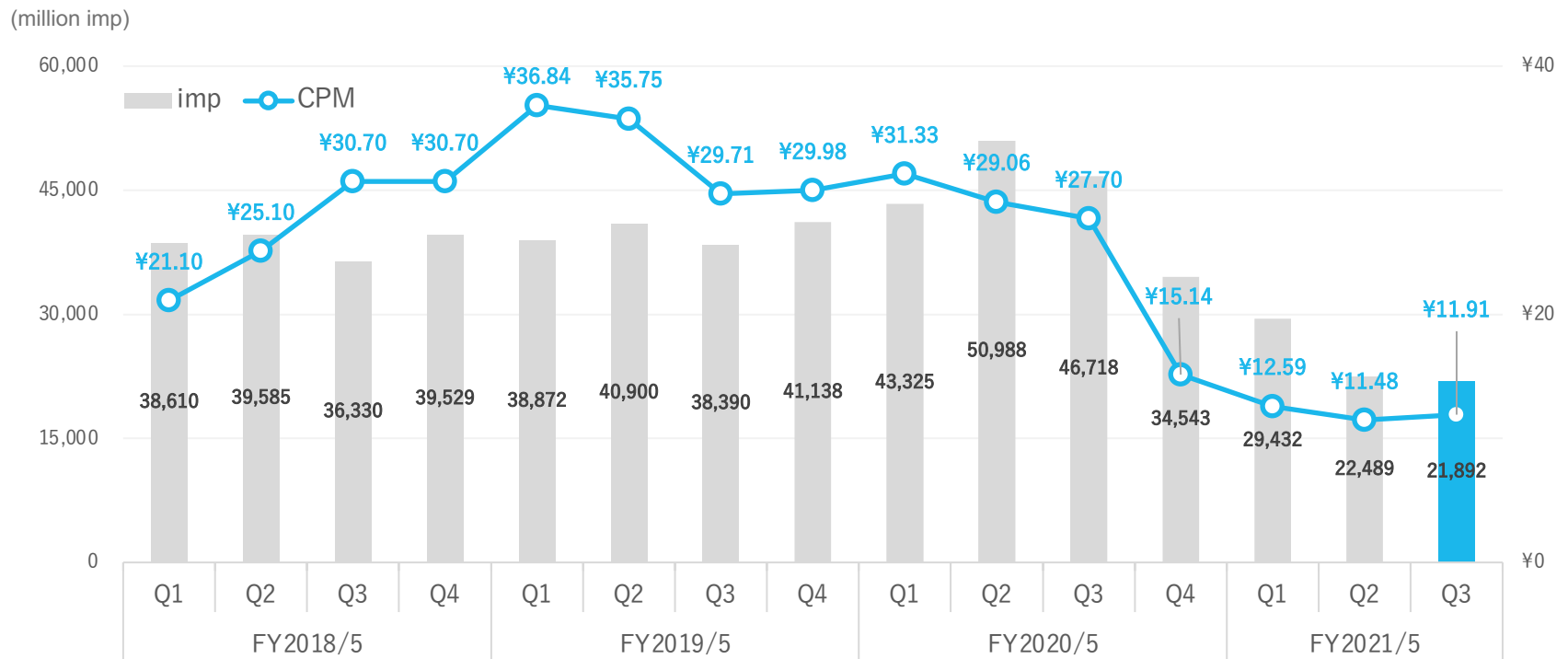
### Existing business

Solidify the business through investment in human resources, including increased recruitment of executives and engineers

# Ad Network (ADNW)

Sales are showing signs of bottoming out, but the impact of the revised advertising guidelines is expected to continue for the time being. Given the difficulties in establishing medium- to long-term growth prospects, we will **promote the optimization of our operating structure** (see next page).

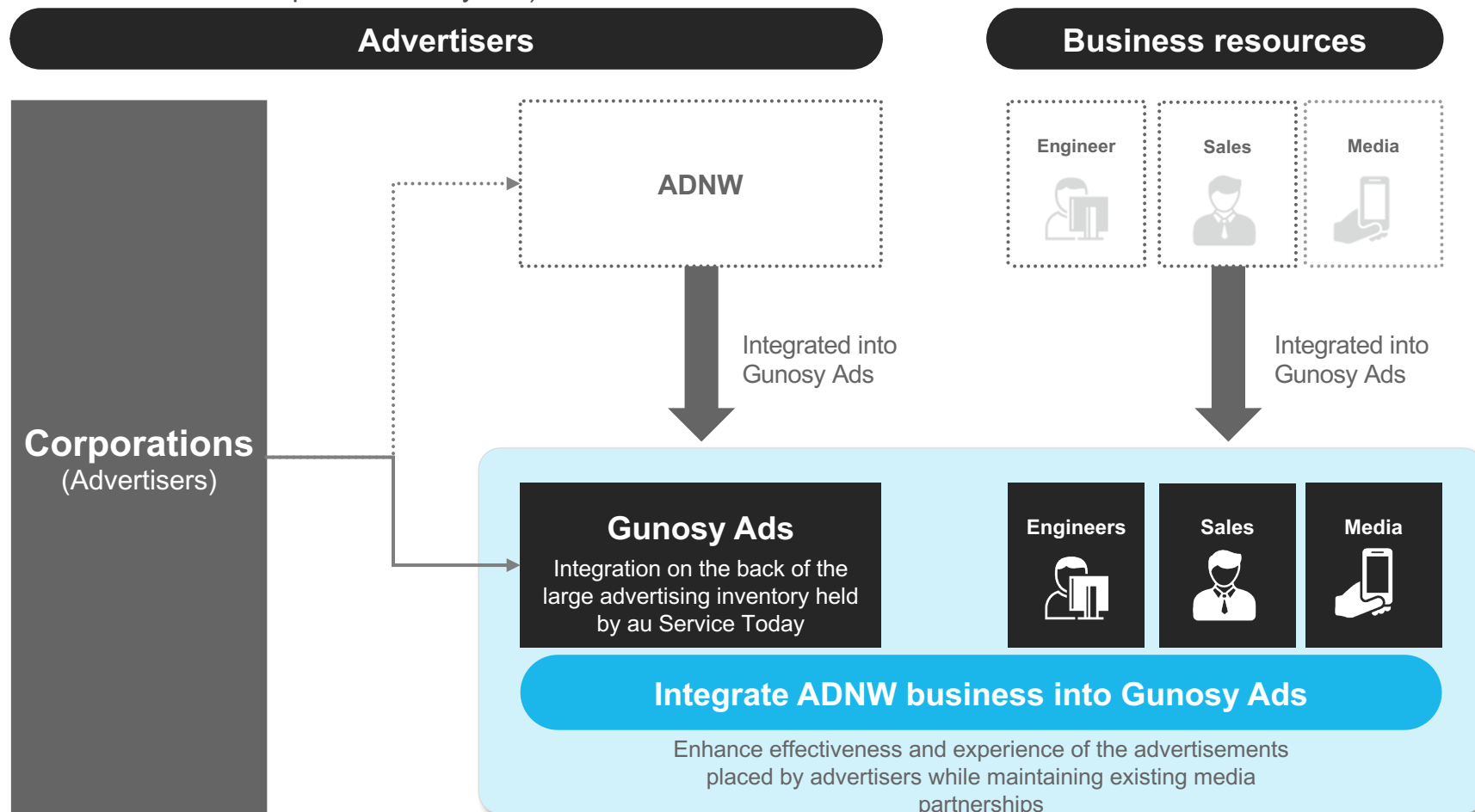
## Number of Impressions and CPM



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

# Integration of the Ad Network Business.

We decided to integrate resources previously invested in the ADNW business into Gunosy Ads. **We aim to optimize profit growth over the medium to long term by integrating resources into Gunosy Ads.** (Sales of ADNW and Gunosy Ads will continue to be disclosed separately in the "Breakdown of Net Sales" information in the next quarter and beyond.)



We are promoting "YOU IN", our D2C brand. Crowdfunding has been conducted as part of the PMF\* validation process. As a positive feedback has been obtained, **we will continue to explore the possibilities of full-scale commercialization.**



## YOU IN

A wellness brand that offers a lifestyle that matches the changing moods of the user at any moment.

### First release: Mood Pairing Tea

Our tea blends (carefully selected from over 300 different raw materials) that embody the concept of YOU IN product are designed to enhance the nine moods of everyday life.

## The status of crowdfunding

The target amount reached within 1 hour and 19 minutes of the start of the sale, thanks to the support of 100 people.

The feasibility study is well underway.



\* Product Market Fit

We invested in **XTech 2 Investment Limited Partnership** (announced in February 2021).



Name	XTech 2 Investment Limited Partnership
Investment stage	Mainly seed and early stage (including pre-IPO)
Total value of fund	Up to 10 billion yen

## Investment Background

- 1 **Contribute to the start-up industry** using Gunosy's technology
- 2 Approach startups selected from XTech's extensive network that are active in areas highly compatible with Gunosy, and **seek opportunities for investment and future business partnerships.**

The existing fund, XTech 1 Investment Limited Partnership, raised a total of 5.2 billion yen which has been invested in around 40 startups.

# Office relocation to WeWork Shibuya Scramble Square on May 1<sup>st</sup>, 2021

**wework**

"Gunosy Workstyle (Gunosuta)" launched to respond to working styles in the new normal and to transform the organization into a place where people can work productively even after the pandemic has settled.



**Promote working from home.**

Even after COVID-19 has come under control, we will continue to handle tasks remotely where it is more efficient to do so.



**Combine  
remote and  
onsite work**

We will provide optimal office location / environment for creative issues such as generating ideas, sharing know-how, etc.

\* For the time being, work schedule will be adjusted appropriately according to the status of COVID 19 infection.



**Diverse working styles**

While encouraging working from home, we aim to create an organization that allows flexible work styles, including core hours and flexible working hours.

# Image of “Gunosy Workstyle”

Gunosy

Working style in the new normal **allows you to decide whether to work from home or work from office depending on the task or situation. We provide proactive support for both work-from-home and work-from-office to maximize the performance of our employees.**

## Work from Office (WeWork)



### Tasks

- Generate ideas through discussions
- Share know-how and knowledge that is difficult to be conveyed remotely
- Motivate members through interaction with each other

Support from  
the company

**To help staff to feel comfortable coming to work, we secured high quality, commuter friendly, state of the art shared offices.**

## Work from Home



### Tasks

- Perform tasks that require focused attention
- Routine tasks that do not require commuting to the office

Support from  
the company

**Provide a range of support for working from home**

(e.g. investment in tools, allowance for working from home, allowance for facilitating online communication)

Working style in  
the new normal

5

## Reference Materials: Overview of Gunosy Inc.

# Overview of Gunosy Inc.

Gunosy

## Basic Information

Company name: Gunosy Inc.

Representative: Shinji Kimura  
Yuya Taketani

Established: November 14, 2012

Fiscal year end: May

Capital: 4,094 million yen (as of the end of February 2021)

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

Audit corporation: Ernst & Young ShinNihon LLC

Number of employees: 219  
(as of the end of February 2021, 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 Chairman, Group Chief Executive Officer (CEO), Shinji Kimura

Representative Director and President, Yuya Taketani

Director and CFO, Hiroki Maniwa

Director, Kentaro Nishio

Director, Kazuhiro Gonsoho

Director (Outside), Suguru Tomizuka

Director (Outside), Junichi Shiroshita

Director (Outside), Hirokazu Mashita

Corporate Auditor, Masakazu Ishibashi

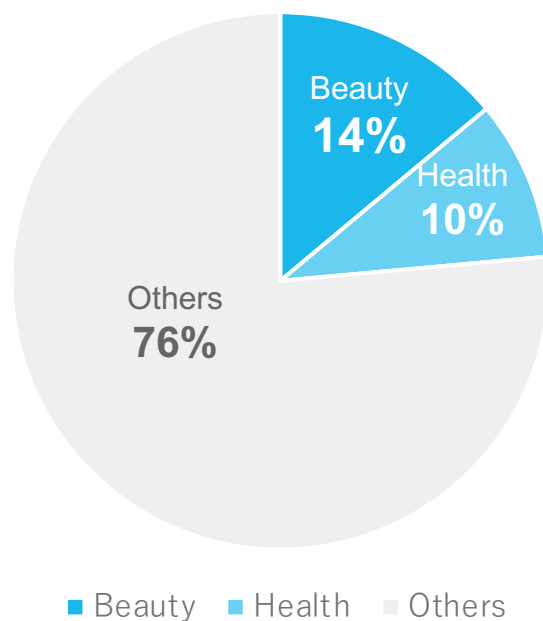
Corporate Auditor (Outside), Kenji Shimizu

Corporate Auditor (Outside), Noboru Kashiwagi

The percentages for "beauty" and "health" categories continue to decline.

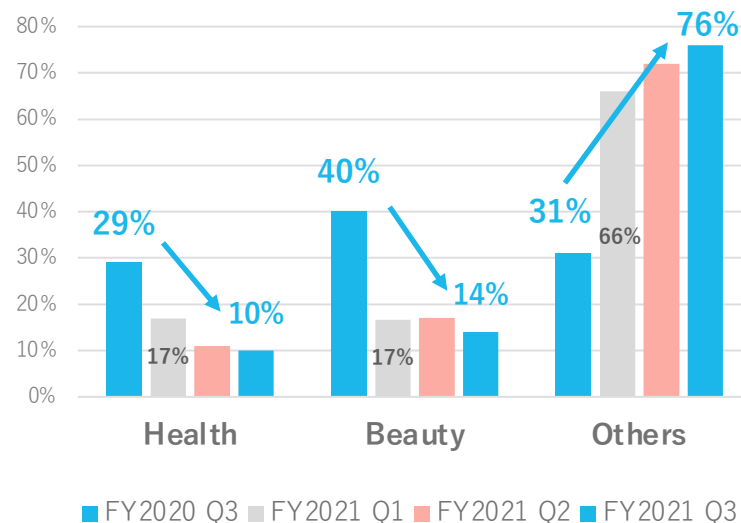
Aiming to serve a wider range of advertisers, we will continue to revamp our algorithms.

FY2021/5 Q3



Percentage change of major categories (YoY)

The percentages for "beauty" and "health" categories marked **substantial decline YoY**.



**Aim for medium- to long-term growth** by promoting internal and external investments for the re-growth of existing businesses and for the establishment of new earnings drivers.

Resources:



Human



Capital

Investment Objectives	Portfolio	Expected results	Key investment items	Q2 highlights
<b>Growth of existing businesses</b>	<ul style="list-style-type: none"> <li>Gunosy</li> <li>NewsPass</li> <li>LUCRA</li> <li>G8 (domestic)</li> <li>ADNW</li> </ul>	<b>Generate solid cash as a pillar of business</b>	<ul style="list-style-type: none"> <li>Investment for the re-growth of Gunosy</li> <li>New business alliance with KDDI</li> <li>Capture the growth of the game market</li> </ul>	<ol style="list-style-type: none"> <li>Reinvestment in Gunosy due to improved profitability</li> <li>A new business alliance agreement signed with KDDI</li> <li>Contribution by Game8 as the second pillar of revenue</li> </ol>
<b>Develop new businesses internally</b>	<ul style="list-style-type: none"> <li>G8 (overseas)</li> <li>D2C</li> <li>Otokul</li> <li>GTL</li> </ul>	<b>Establish a new pillar to generate revenue</b>	<ul style="list-style-type: none"> <li>Game8's business overseas</li> <li>Challenge growth opportunities that match the current trends especially in the DX area</li> </ul>	<ol style="list-style-type: none"> <li>Steady growth of G8's business overseas</li> <li>D2C business launched for test marketing</li> </ol>
<b>External investment* (Investment / M&amp;A)</b>	<ul style="list-style-type: none"> <li>Startups in India and in Japan</li> <li>Investment VC as a limited partner</li> </ul>	<b>Discontinuous growth by capturing high growth areas</b>	<ul style="list-style-type: none"> <li>Minority investment in tech startups in India and in Japan</li> <li>Capital alliance and M&amp;A with growing companies</li> </ul>	<ol style="list-style-type: none"> <li>Follow-on investment in promising partners and investment in domestic startups and major VCs</li> </ol>
<b>Return to stockholders</b>	Based on the investment status and stock price, etc., we are considering share buybacks as an option at the appropriate time.			

\* Plan to invest approx. ¥4.5 billion in cash on hand over two years from the current fiscal year.

# Milestones in the re-growth of media

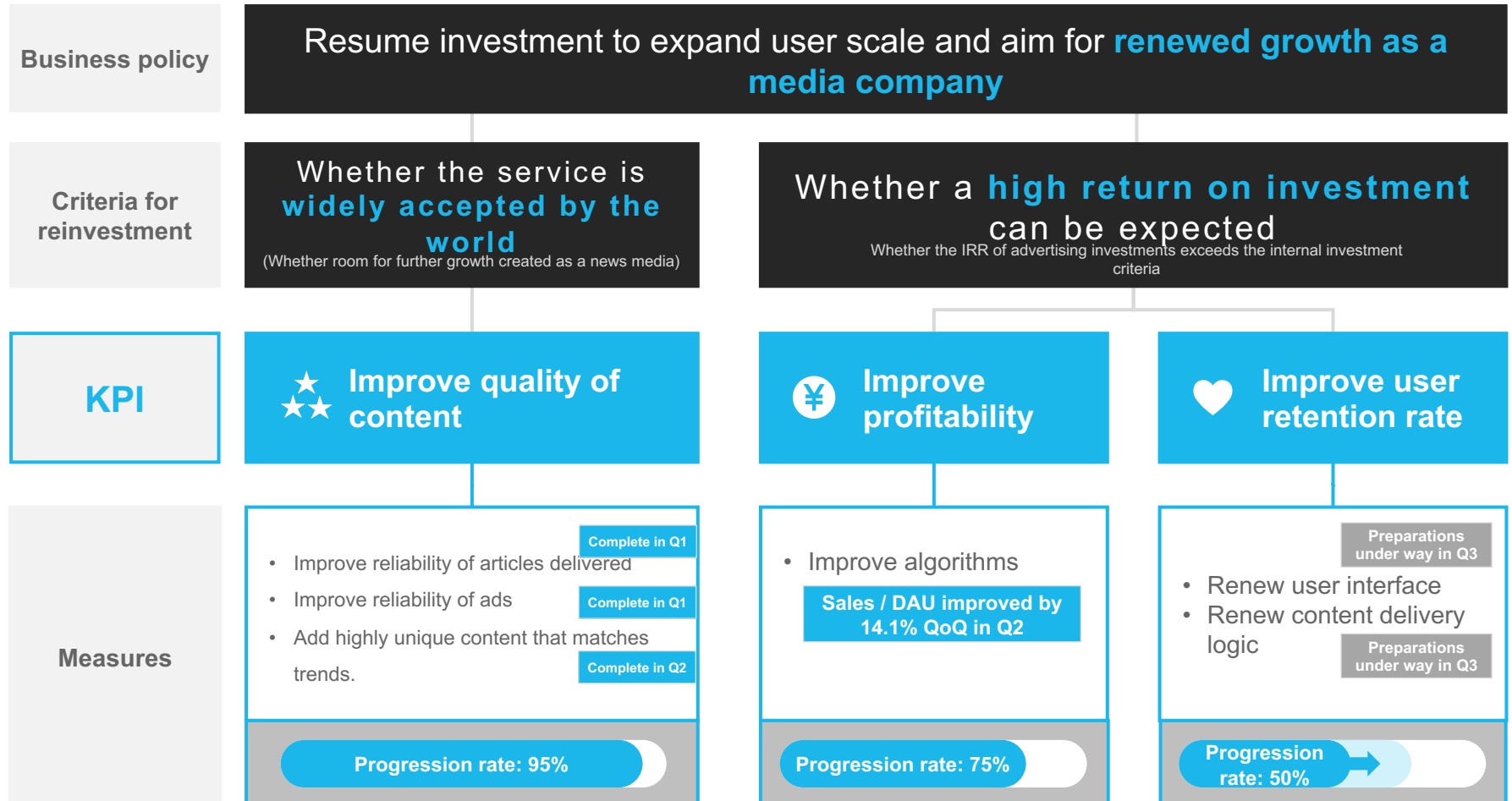
In Q1, **we have nearly completed the groundwork for greater user acceptance of our media** by and reliability. From Q2 onwards we intend to strengthen the improvement of profitability.

**Once we have achieved certain improvement in profitability, we plan to make growth investments for re-expansion.**



# Background to the Resumption of Advertising Investment in Gunosy

The key measures for successful reinvestment being completed, improvements in profitability were confirmed. We decided to resume investment based on the judgment that sufficient return on investment could be expected even before the improvement in user retention rates was realized.



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