

Gunosy

FY2022/5

Financial Results for Q1

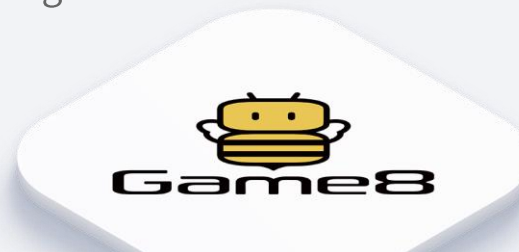
Q1

Gunosy Inc.

First Section of The Tokyo Stock Exchange

(Stock Code: 6047)

October 13, 2021



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Executive Summary



While profit declined due to the resumption of investment in Gunosy, **the acquisition of new quality users remained on track.**

The Game8 Group continued to perform well, with ADNW also showing signs of recovery.

Media Business

- Continue to make aggressive investments for further growth in Q2 and beyond
- Improved profitability per user

Game8 Group

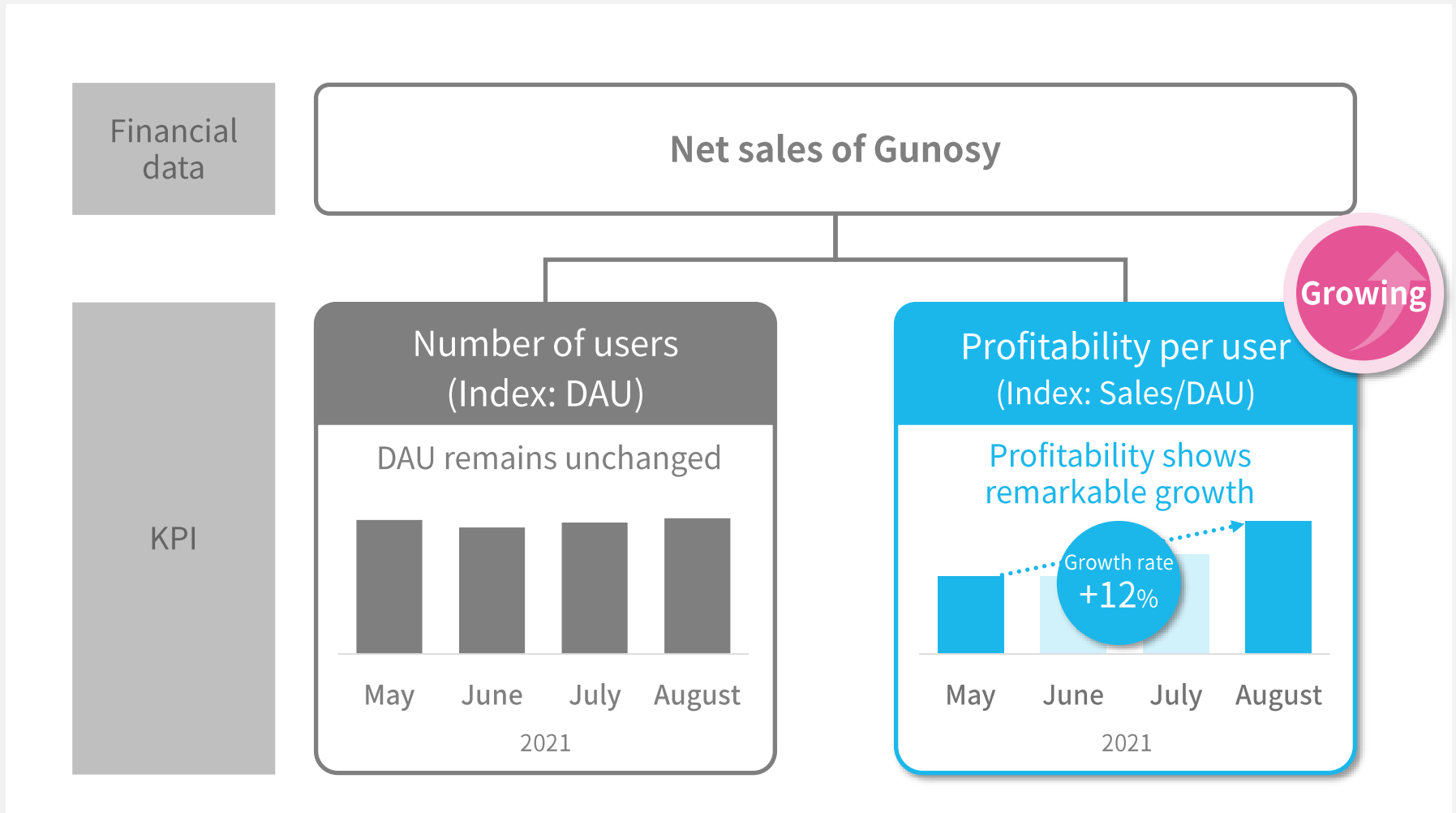
- Business continued to be strong
- Net sales achieved a new record high

Investment

- Overall business performance of portfolio companies remained solid
- We gained a non-operating income of 80 million yen by exiting from a **portfolio company**. (Non-operating income is scheduled to be recorded on the income statement in Q2 due to a gap in the accounting period with our corporate venture capital.)

Status of Investment for the Re-growth of Gunosy (1/4)

Profitability per user showed steady growth through the acquisition of new users upon resumption of investment. The number of users stopped declining while the retention rate of existing users declined under the influence of COVID-19.

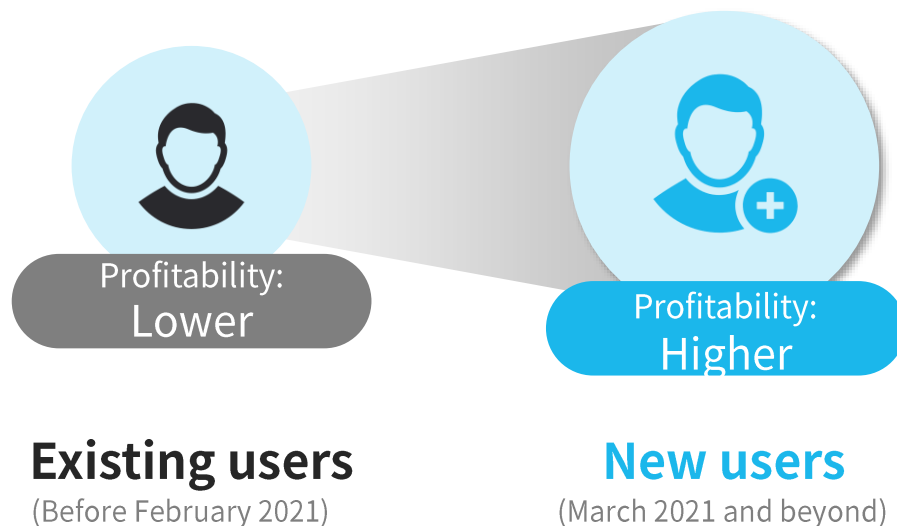


Profitability of New Users (2/4)

The profitability of new users acquired after the resumption of investment tends to be higher than that of existing users. As a result of our efforts in product relaunch throughout the previous fiscal year, we succeeded in attracting users with a high retention rate through improved media quality and promotion strategies adjusted accordingly.

High profitability

Profitability per user is higher for newly acquired users



Factors that led to high profitability

1

Increased product value

2

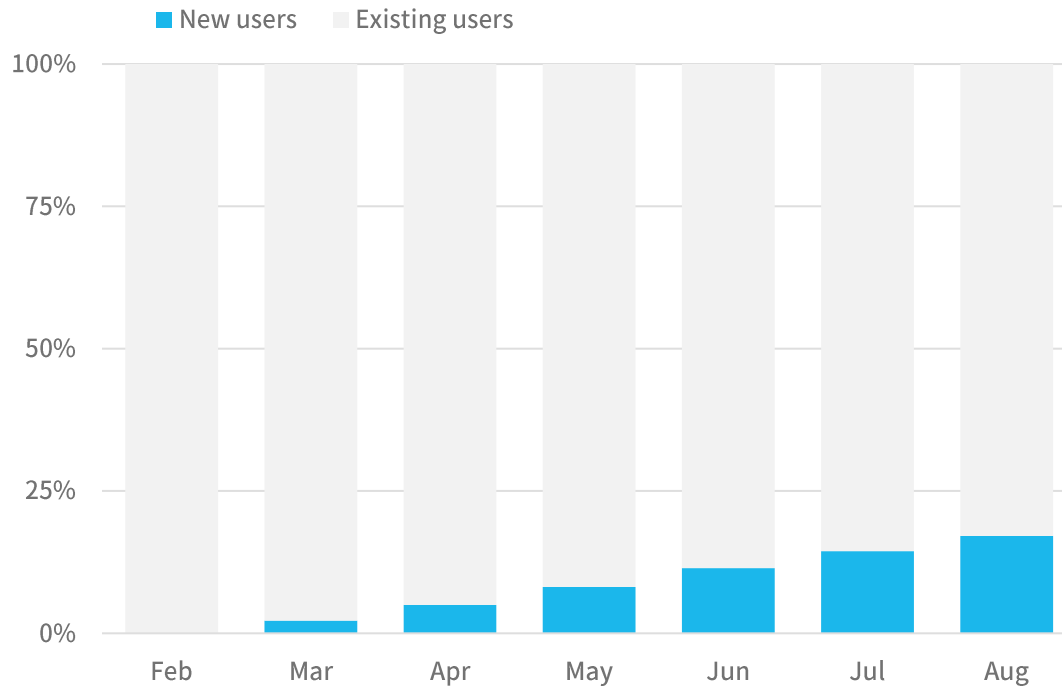
Revised promotion strategy

Through messages and advertisements focused on the improved quality and value as media, we acquired quality users with a high retention rate and a high number of sessions.

Acquisition of New Users after Resumption of Investment (3/4)

Since the resumption of investment, the number of new users acquired has been strong, which **accounted for 17% of the total user mix** as of August 2021.

New users as % of DAU



POINT

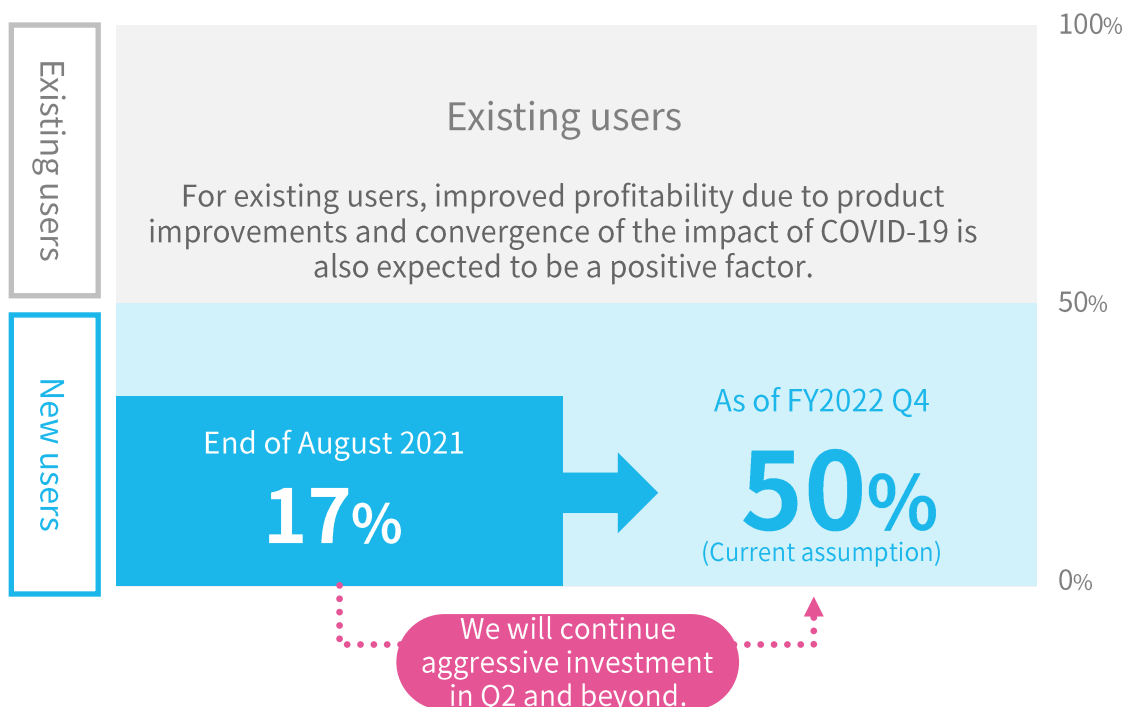
The percentage of new users with higher profitability **increased to approx. 17%** of the total

Future Growth Image (4/4)

Going forward, we expect **sales to increase due to a gradual replacement by new users**. In addition, we assume that positive impact will also arise on the retention rate of existing users and other factors when economic activity resumes due to the progress in vaccination rates etc.

Image of expansion of new users (Gunosy)

We are targeting that the rate of newly acquired users will reach **approx. 50%** in Q4.



Our insights

Acquire new users through continuous investment in Q2 and beyond



In the future

Sales growth expected even with MAU and DAU remaining at current levels

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Growth in the number of users with higher retention rates leading to higher retention rates as a whole, which will serve as a positive factor going forward



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Financial Results for FY2022/5 Q1



FY2022/5 Q1 Summary

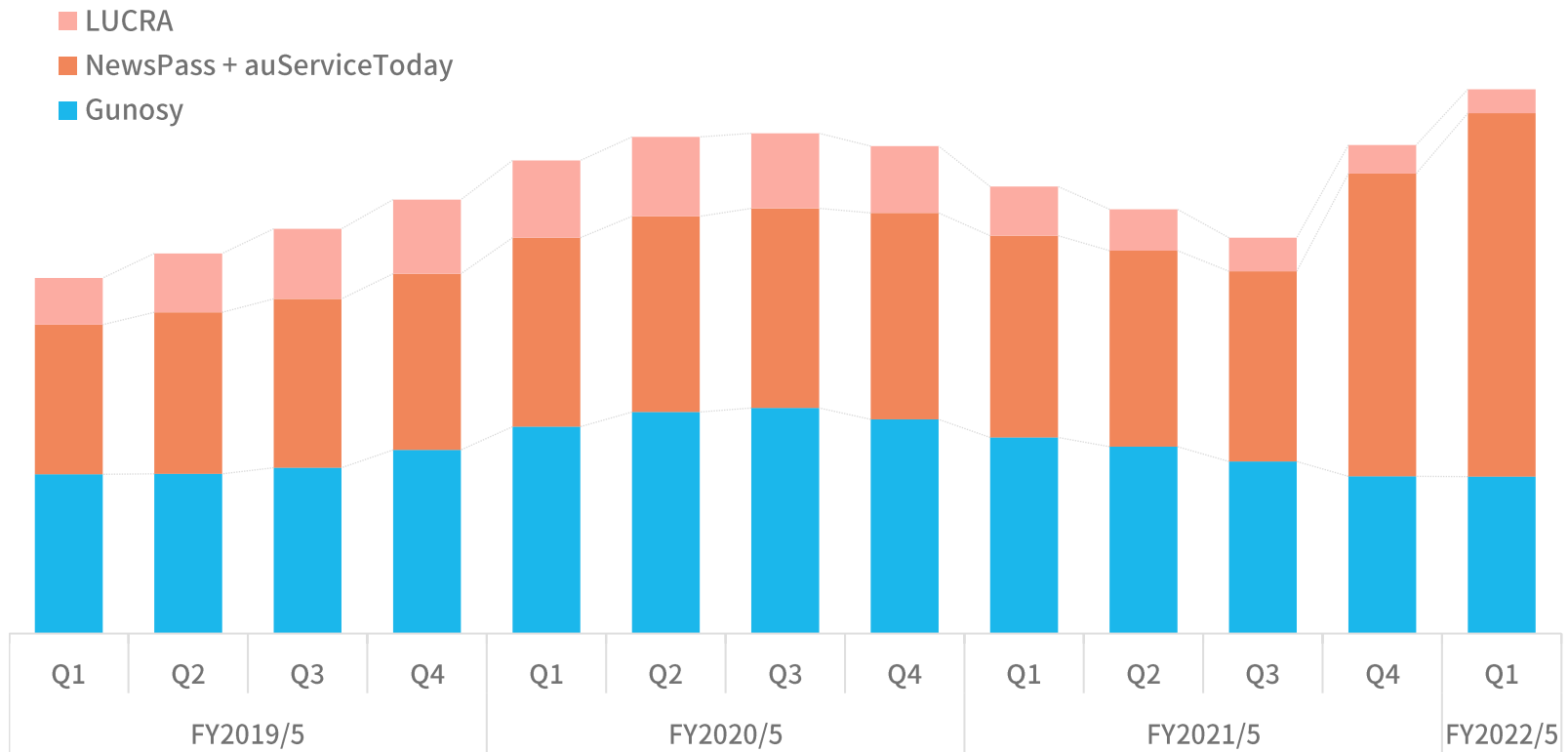
While **YoY sales growth was achieved**, sales declined QoQ after a large sales increase in March when advertising demand was high. However, despite the increased investment in advertising, operating income remained at the same level as in the previous quarter (Q4).

(Million yen)

	FY2022/5 Q1	QoQ comparison		YoY comparison	
		FY2021/5 Q4	QoQ	FY2021/5 Q1	YoY
Net sales	2,277	2,457	92.7%	2,208	103.1%
Operating profit	141	153	92.6%	160	88.7%
Operating margin	6.2%	6.2%	-	7.3%	-
Ordinary profit	39	95	41.0%	156	25.0%
Profit attributable to owners of parent	33	68	48.9%	79	42.3%

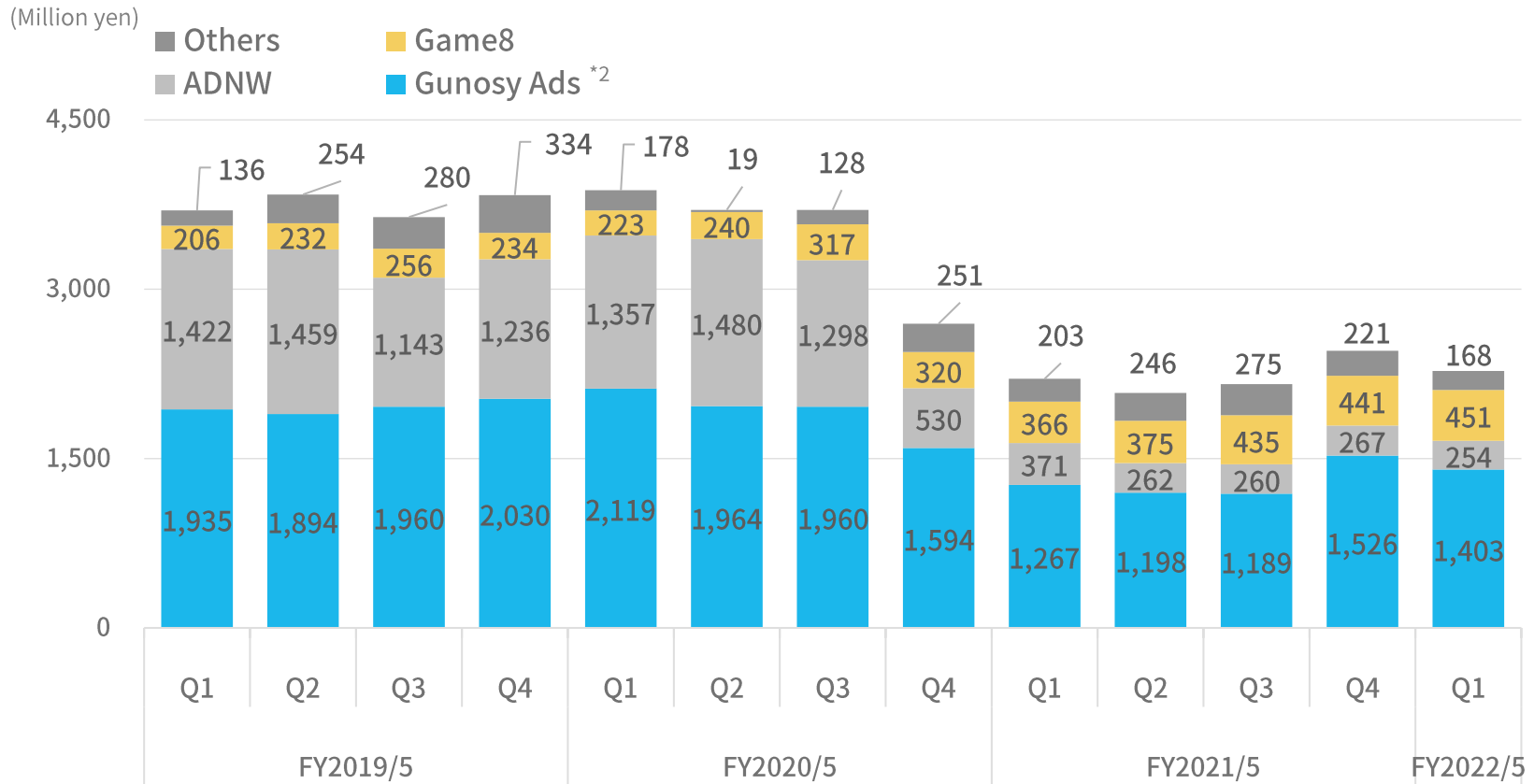
Total Number of Active Users (MAU)*

MAU grew 11.4% QoQ due to the contribution of au Service Today.
The MAU of Gunosy also ceased to decline due to the resumption of investment.



Breakdown of Net Sales^{*1}

While sales of Gunosy Ads declined QoQ after a large growth in March when advertising demand was high, YoY sales growth of 10.7% was achieved by the contribution of au Service Today.

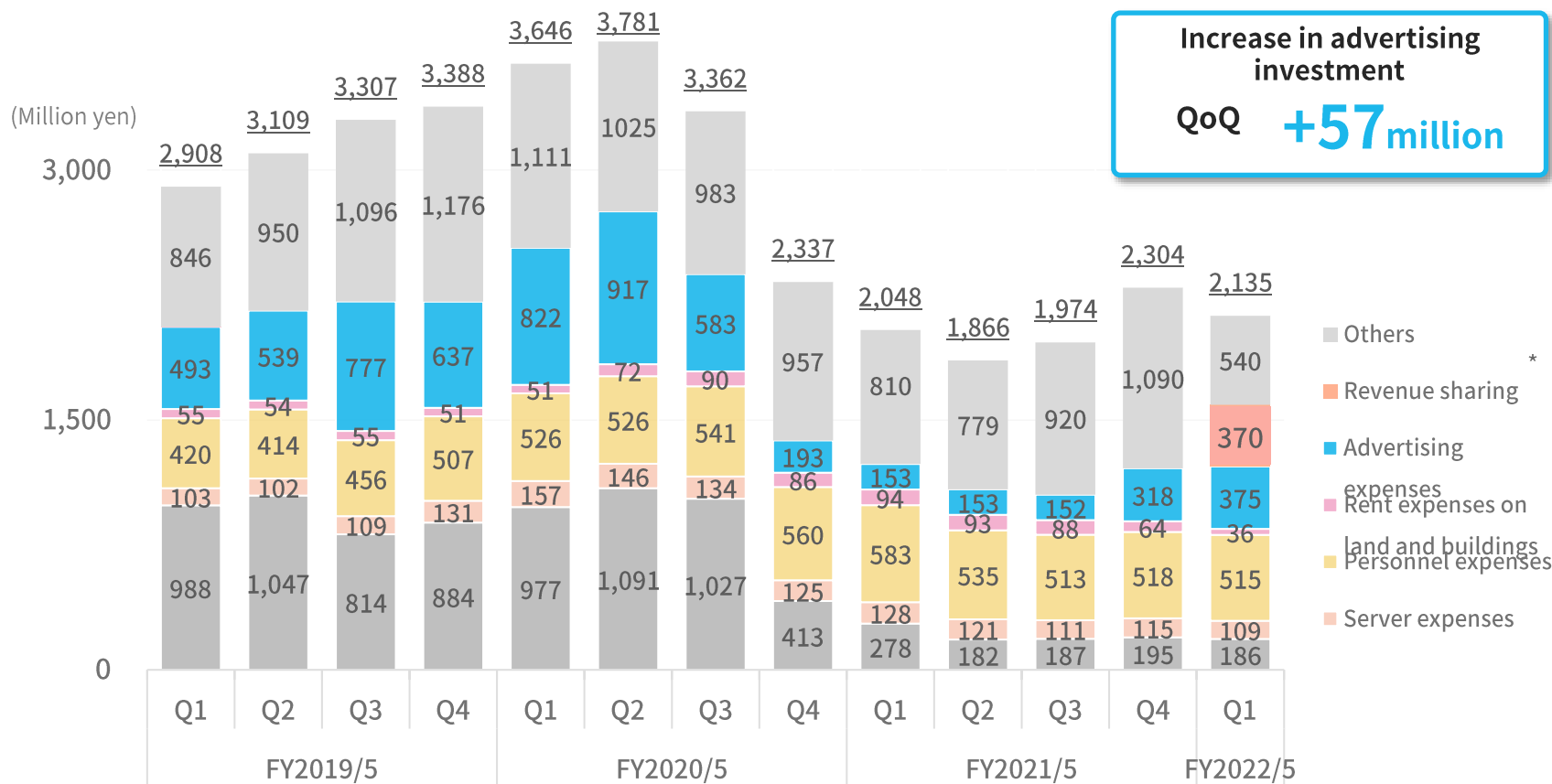


*1. Sales of Gunosy Ads, ADNW and Game8 are presented on a non-consolidated basis. Internal trade adjustments are included in Others

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

Cost Structure

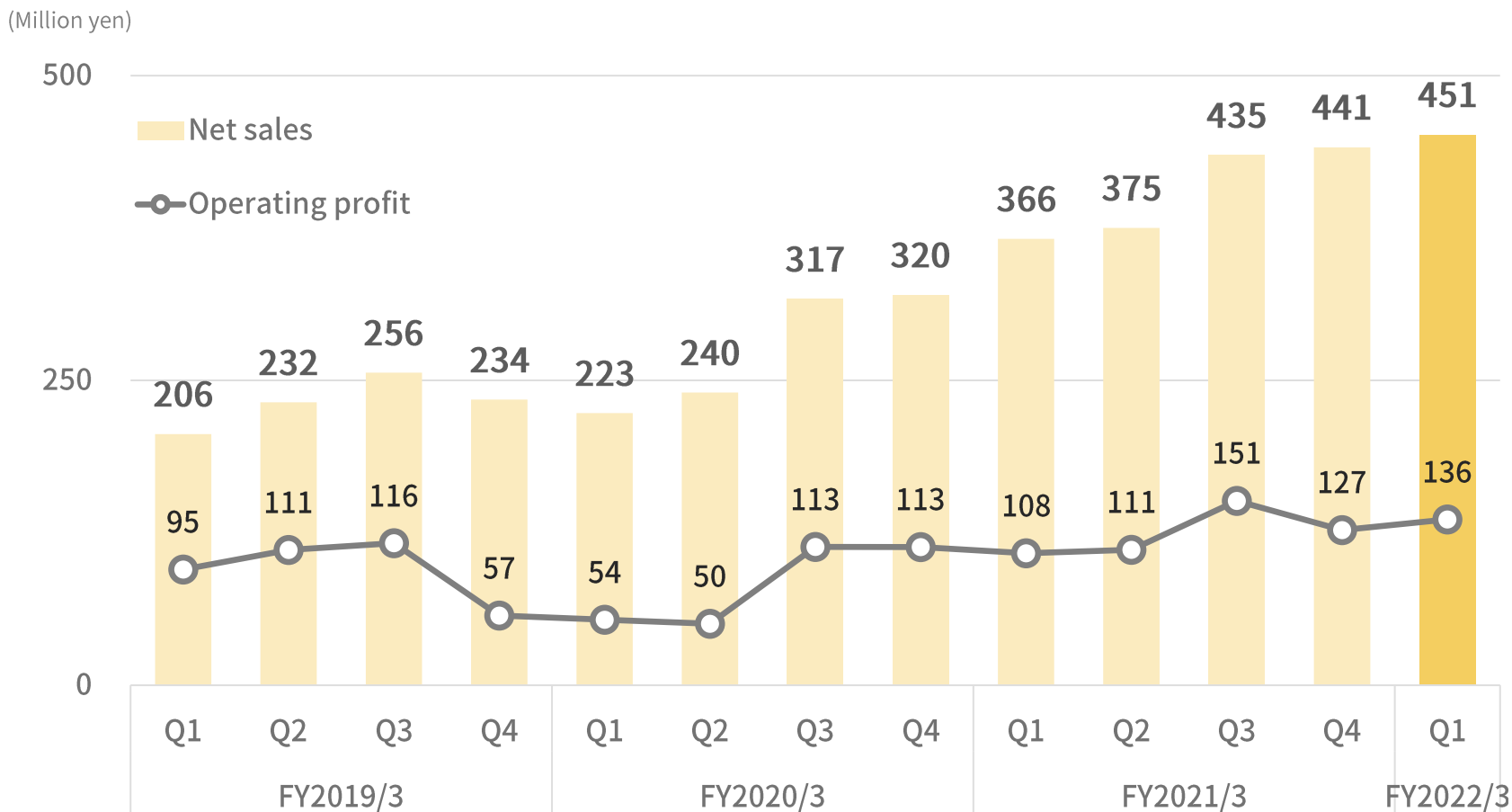
Advertising expenses increased QoQ due to the expansion of investment in Gunosy. "Others" decreased upon the termination of depreciation related to the previous office due to relocation and switching of rent, etc. to be recorded as non-operating income/expenses category.



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

Results of Game8

Both PV and RPM remained strong, resulting in strong performance. On the other hand, sales are expected to decline in Q2 due to changes in contract terms (mainly in the creator area) with alliance partners.



* Non-consolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included. FY2022 Q1 results are for the period from April to June 2022 due to a gap with the parent company's consolidated accounting period.

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FY2022/5 Outlook



FY2022/5 Results Forecast (Consolidated)

Q1 results showed steady progress in relation to the 1H forecast.

We expect to make additional investments in advertising in a flexible manner while monitoring changes in economic conditions and user trends as vaccination progresses. **Accordingly, the H1 forecast has been left unchanged.**

(Million yen)

	FY2022/5 Q1	FY2022/5 H1 forecast	Progression rate
Net sales	2,277	4,301	53.0%
Operating profit	141	-324	-
Operating margin	6.2%	-7.6%	-
Ordinary profit	39	-525	-
Profit attributable to owners of parent	33	-575	-

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Business Overview by Division



Tutorials were redesigned to better target the new users acquired with the resumption of investment, which will enhance users' path from downloading the app to daily use.



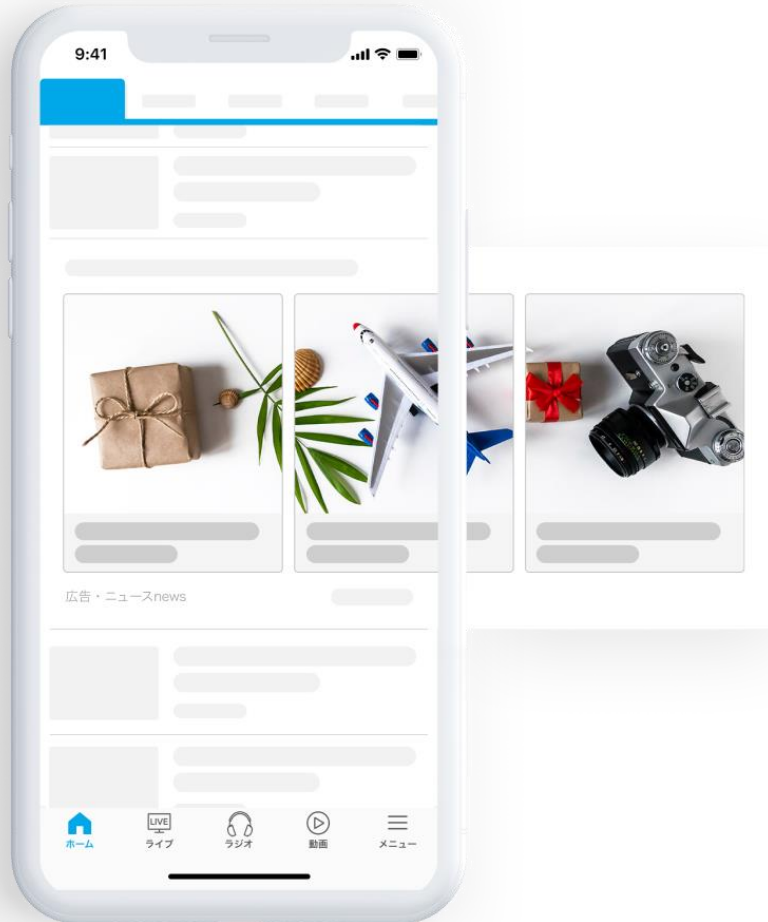
Renewal (1)

Tutorials redesigned

Gunosy is aiming to provide our users an “optimal style” that makes it easier to acquire information. The tutorials were redesigned to communicate to users how to use the app and the value of the content, and to help them start using the app smoothly. This way, we hope to deliver the value of the new Gunosy to as many users as possible.

As a new advertising product, **we launched carousel ads**.

Advertising performance has been improved in game apps, human resources, and beauty ads.



Renewal (2)

Carousel ads

Substantial improvement of CVR

CVRs were significantly improved, mainly in the areas of game apps and human resources, which work well with carousel ads. We will continue to deliver optimal ads to users through daily implementation and improvement.

CVR improvement (%) after switching to carousel ads (compared to regular ads)

Game app

+96%

(Compared to regular ads)

Human resources

+85%

(Compared to regular ads)

Beauty

+70%

(Compared to regular ads)

* CVR (conversion rate) is the percentage of user clicks in the ads that are converted.

We are **continuously updating the UI/UX of the app** based on the know-how acquired through Gunosy. We are focusing on enhancing the functionality of this app to make it more useful and enjoyable for users.



Improve UI

Improved user interface to give users more straightforward access to useful information for their daily lives

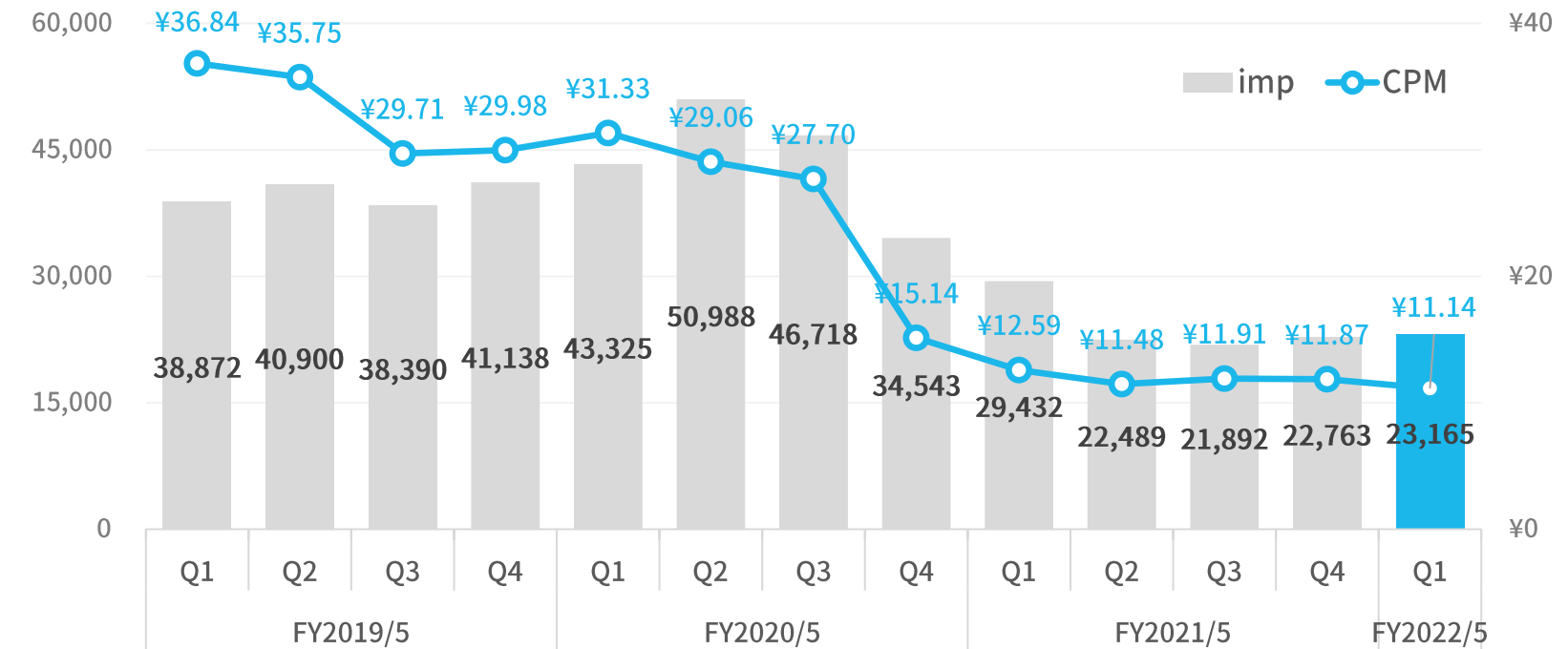
(Main measures)

- Large image and video cells introduced on the screen which shows latest news
- Display of weather by local areas on above the fold area
- Display of the linkage status of au PAY status, including point balance

Despite continuous implementation of strict ad examination, the number of impressions has stopped decreasing. **The number of inquiries is currently on the rise** due to the enactment of the revised Pharmaceutical and Medical Device Act in August 2021.

Number of Impressions and CPM

(million imp)

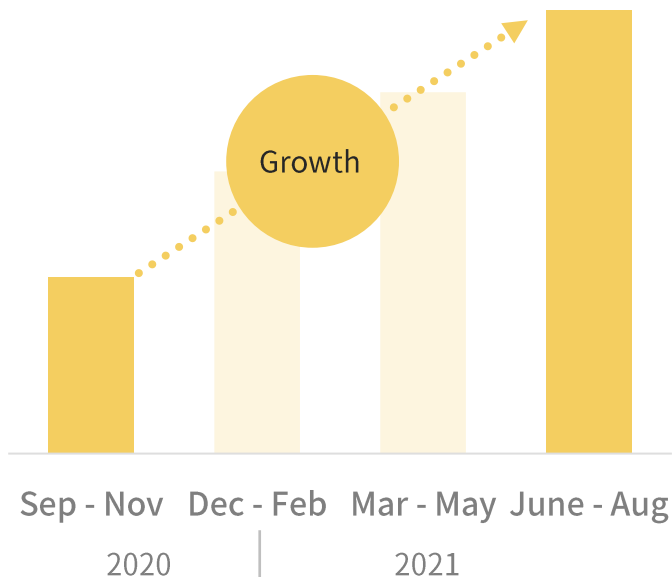


Progress in Overseas Business and Subsidiary Business

The number of PVs showed steady growth as **we continued to focus on not only domestic but also overseas business**. Our subsidiary, Smarprise, is developing new businesses such as the production and sale of goods in collaboration with major IPs (popular characters, etc.).

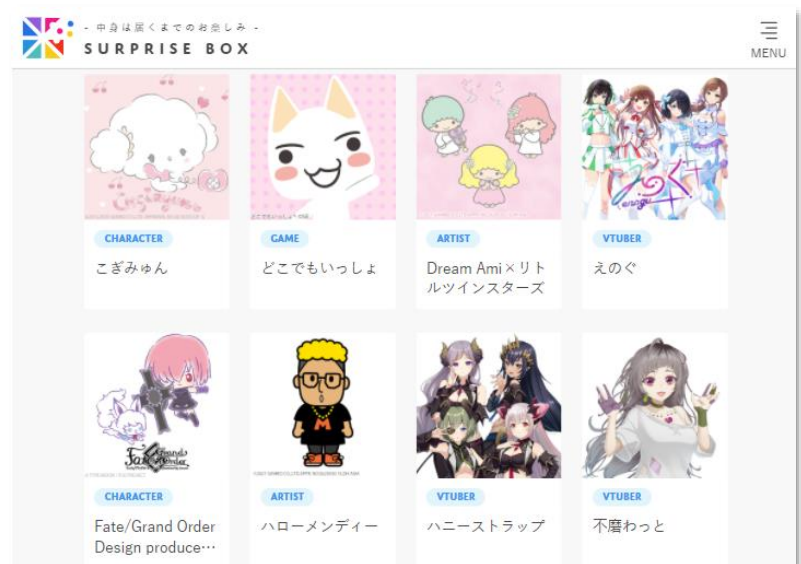
Overseas business

Steady growth of the number of PVs in overseas business



Subsidiary (Smarprise)

Development of merchandise production business in cooperation with **major characters**



YOU IN, which produces and delivers “mood pairing tea”, was **officially launched on June 14**. It plans to promote corporate sales business and personal gift sales in Q2 and beyond.



D2C product

YOU IN mood pairing tea
sales officially started

Q1: TOPICS

**Sales launched
on a
subscription
basis**

Q2 and beyond:
TOPICS

- **Gifts for individual customers**
- **Business for corporate customers.**

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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: 4,099 million yen
(as of the end of August 2021)

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 August 2021, on a
consolidated basis)

Head office: 2-24-12 Shibuya, Shibuya-ku, Tokyo

Business: Development and operation of
information curation service and other
media

Officers: Representative Director and Chairman, Group
Chief Executive Officer (CEO), Shinji Kimura

Representative Director and President, Yuya
Taketani

Director and CFO, Hiroki Maniwa

Director, Kentaro Nishio

Director, Takuya Sawada

Director (Outside), Suguru Tomizuka

Director (Outside), Junichi Shiroshita

Director (Outside), Hirokazu Mashita

Director (Outside), Lei-Isabelle Nakao

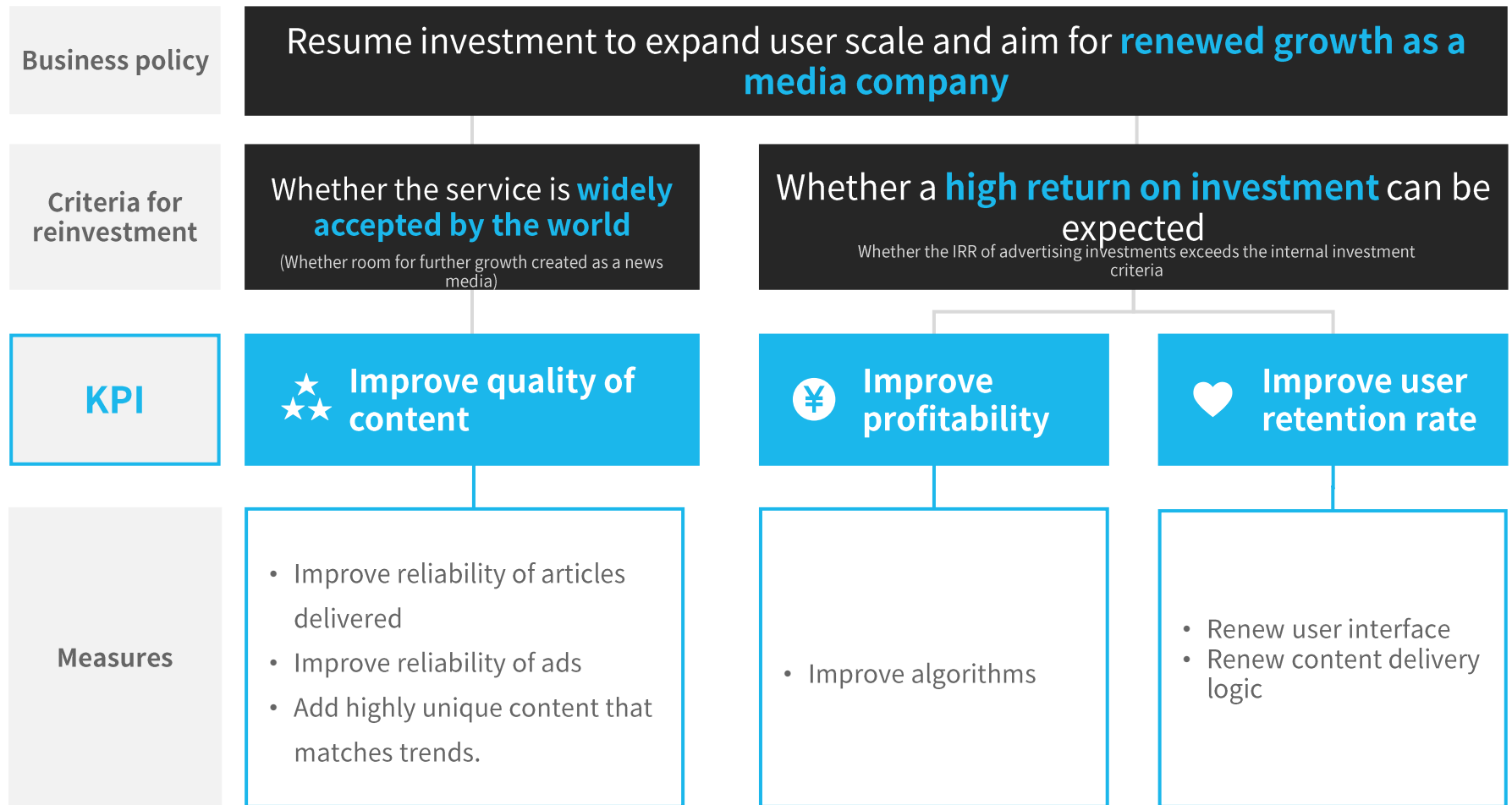
Corporate Auditor, Masakazu Ishibashi

Corporate Auditor (Outside), Kenji Shimizu

Corporate Auditor (Outside), Noboru Kashiwagi

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