

Gunosy

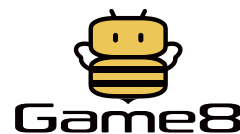
Q2

## FY2022/5 Financial Results for Q2

Gunosy Inc.

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

January 14, 2022



# INDEX

1.	About “slice”, Our Investment in India .....	P 3
2.	Financial Results for FY2022/5 Q2 .....	P 18
3.	Business Overview by Division .....	P 26
4.	Medium-Term Management Plan .....	P 35
5.	Reference Materials: Overview of Gunosy Inc.---	P 41

1

# About “slice” Our Investment in India



"slice" is performing extremely well currently. **As a strategic investment, it is expected to drive discontinuous growth for the Gunosy Group.**

## Valuation/Equity Ratio

**Over about \$ 1 billion<sup>\*1</sup>**

**Stockholding ratio: 17%+**  
(As of the end of the current Q2)

## Cumulative investment



\*1: Valuation in the Series B funding round executed in 2021/12

## Investment Purpose

### Strategic Investment

Expected to contribute as a pillar of the Gunosy Group's growth

At the moment, we plan to be involved in the management of "slice" as its largest external shareholder, including dispatching directors.

# The Most Recent Funding / Additional Investment

In December 2021, “slice” completed funding from Tiger Global, Insight Partners, and others and **reached unicorn status with a valuation of over \$1bn**. Gunosy has already decided to make a follow-on investment of up to \$10mn.

## TIGER GLOBAL



A NYC-based global investment firm founded in 2001. Has invested in a total of 176 unicorns. <sup>\*1</sup>



AUM (Assets Under Management) <sup>\*2</sup>

**\$ 65 billion**

Portfolio

Peloton

ByteDance

Clubhouse

Nubank

## INSIGHT PARTNERS



A NYC-based venture capital/private equity firm founded in 1995. Has invested in a total of 83 unicorns. <sup>\*1</sup>



Capital commitments <sup>\*3</sup>

**\$ 30 billion**

Portfolio

Shutterstock

Twitter

Shopify

Tumblr

<sup>\*1</sup> Source: How Tiger Global, SoftBank Vision Fund And Insight Partners Changed The Venture Landscape In 2021 (2021/12/23 crunchbase news)

<sup>\*2</sup> Source: Tiger Global overtakes Sequoia as the top investor in Indian unicorns in 2021, cracks 15 deals this year so far(2021/1/28 BUSINESS INSIDER INDIA)

<sup>\*3</sup> Source: The company's website

## (Reference) Basic information on GaragePreneurs

A start-up established in India in 2015. It started with providing BNPL services for college students and now offers "slice", Credit card challenger mainly for young people.

### Basic information of the company.

Company name	GaragePreneurs Internet Pvt. Ltd.
Representative	Rajan Bajaj (founder)
Establishment	2015/6/12
Capital	2,582,269 Indian rupees (as of September 30, 2021)
Number of employees	548 (as of December 31, 2021)
Address	747, Pooja Building, 80ft Road, 4th Block, Koramangala, Bangalore – 560034, India
Business Description	Credit card challenger

Market

**Market environment surrounding "slice"**

Business

**Product, strengths, and management team**

KPI

**KPIs that continue to grow**

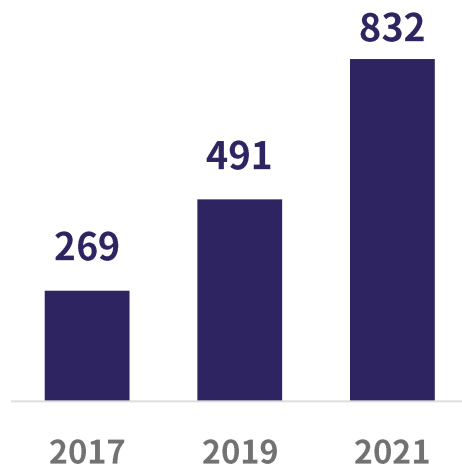
Growth  
potential

**Growth potential to step out of the Unicorn**

There are more than 800 unicorns in the world, and most of them are in FinTech and Internet Software & Services sectors.

## Number of unicorns

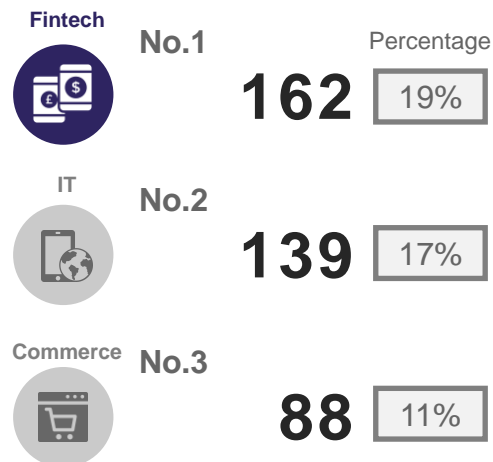
There are around 830 unicorns in the world



Source: CB Insights (US)

## Business domain

Fintech domain accounts for the largest number with 162 companies



Source: CB Insights (US)

## Examples

Companies that have recently reached unicorn status



**Paidy**

In September 2021, PayPal, a major U.S. payment service provider, announced its acquisition of the Paidy for 300 billion yen.



**slice**

NEW

Valuation exceeded \$1 billion in funding round led by Tiger Global and Insight Partners



Some fintech companies, such as Nubank and Affirm, achieved huge market capitalization by going public.

## Nubank



Nubank is a digital bank in Brazil that started offering credit cards with no annual fee in 2014. It now offers checking/savings accounts, as well as personal loans, investment services, and life insurance.

Market capitalization at the time of listing

**Approx. \$ 48 billion \***

Listed on NYSE



Berkshire Hathaway, the U.S. investment and insurance company led by Warren Buffett, and other companies invested in Nubank. It is the largest financial institution in Latin America by market capitalization.

Source: \*Based on press articles and other information publicly available.

## Affirm



Affirm is a U.S. fintech company that primarily provides post-payment services for online and mobile e-commerce.

Market capitalization at the time of listing

**Approx. \$ 22 billion \***

Listed on NASDAQ



Affirm provides a service that allows customers to pay in installments or post-payments when purchasing products. The use of post-payment services is increasing, especially among young people.

As of 10/13/2021, there are 68 unicorns in India, 30 of which reached unicorn status in 2021, making India a market to watch.



**Number of unicorns  
in India**

68 companies \*

**Companies that reached  
unicorn valuation during 2021**

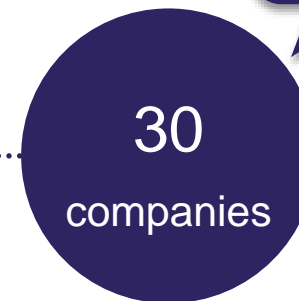
30 companies \*

**Number of global  
unicorns by country**

3<sup>rd</sup> place \*



**Unicorns in India**



**Companies that reached unicorn  
valuation during 2021**

Companies that  
reached unicorn  
valuation during 2021

\* Source: JETRO (October 13, 2021) "30 companies reaching unicorn valuations in 2021"

In India, **attractive growth opportunities exist because most people do not have access to credit cards** due to difficulties in obtaining credit and complicated acquisition procedures.

### Credit card issuance rate in India

The number of credit cards issued is equivalent to  
only **about 4.9%<sup>\*2</sup> of the population.**

Total population of India<sup>\*1</sup>

About **1.38** billion

Number of credit cards issued/total population<sup>\*2</sup>

About **4.9%**

#### Social background

Younger people are less likely to pass the screening process due to lower credit scores.

Complicated process of registering and obtaining a credit card

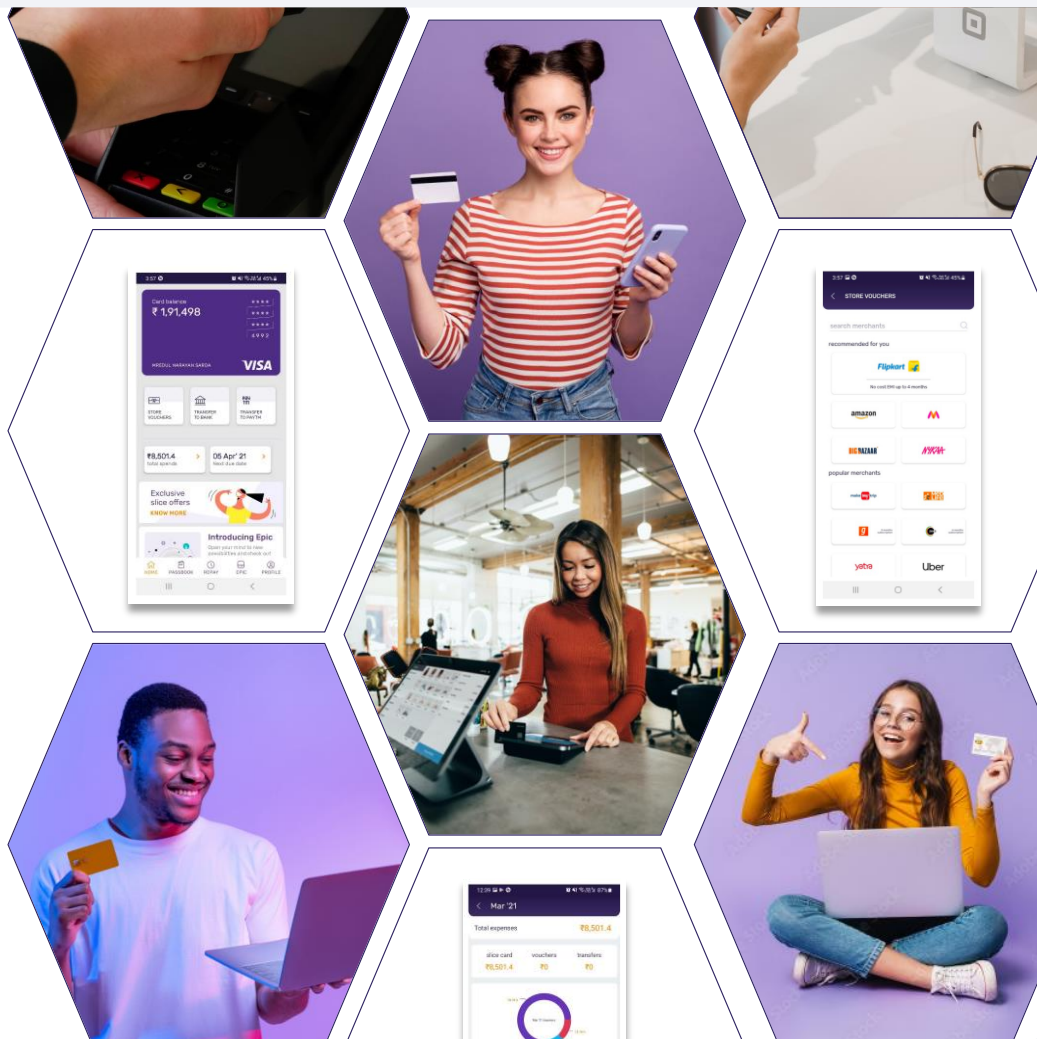
<sup>\*1</sup> Source: Data released by the Ministry of Foreign Affairs

<sup>\*2</sup> Number of credit cards issued in India 67,582,583 / Total population of India 1.38 billion (The number of credit cards issued is based on Reserve Bank of India's statistics of 2021/11)

As a Pay Later card for young people in India, **it provides an easy post-payment experience regardless of the usage situation.**



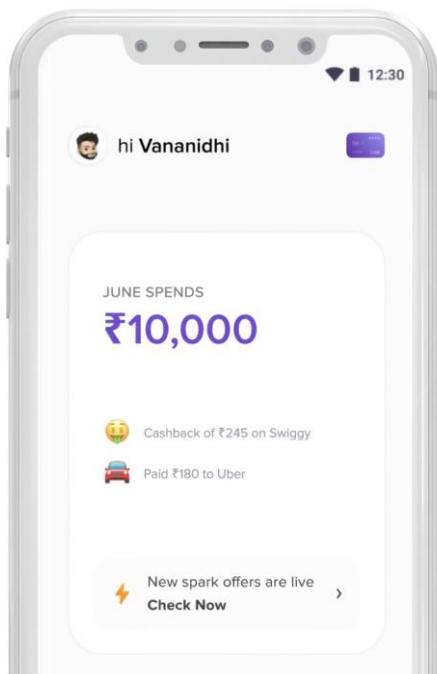
As a pay-later card, provides an easy post-payment experience regardless of the usage scenario



Together with physical cards, we provide (1) value that is closely connected to users' lives and (2) a financial experience that goes beyond mere payment **through intuitive and simple digital credit card payments.**

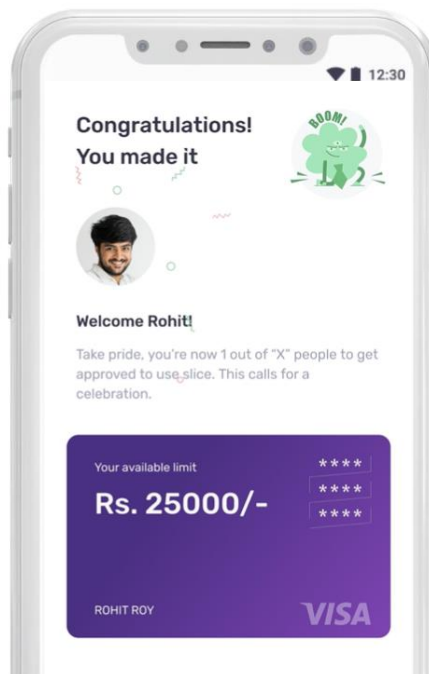
## Intuitive UI/UX

Experience simplicity, like never before.



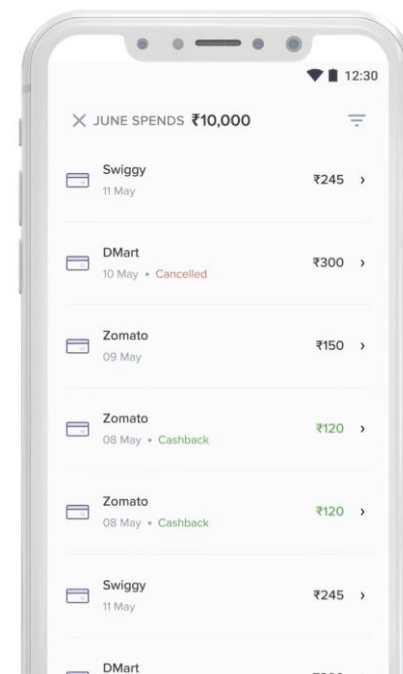
## Issue cards through a quick and easy process

NO annual fees. NO joining fees.  
NO hidden charges.



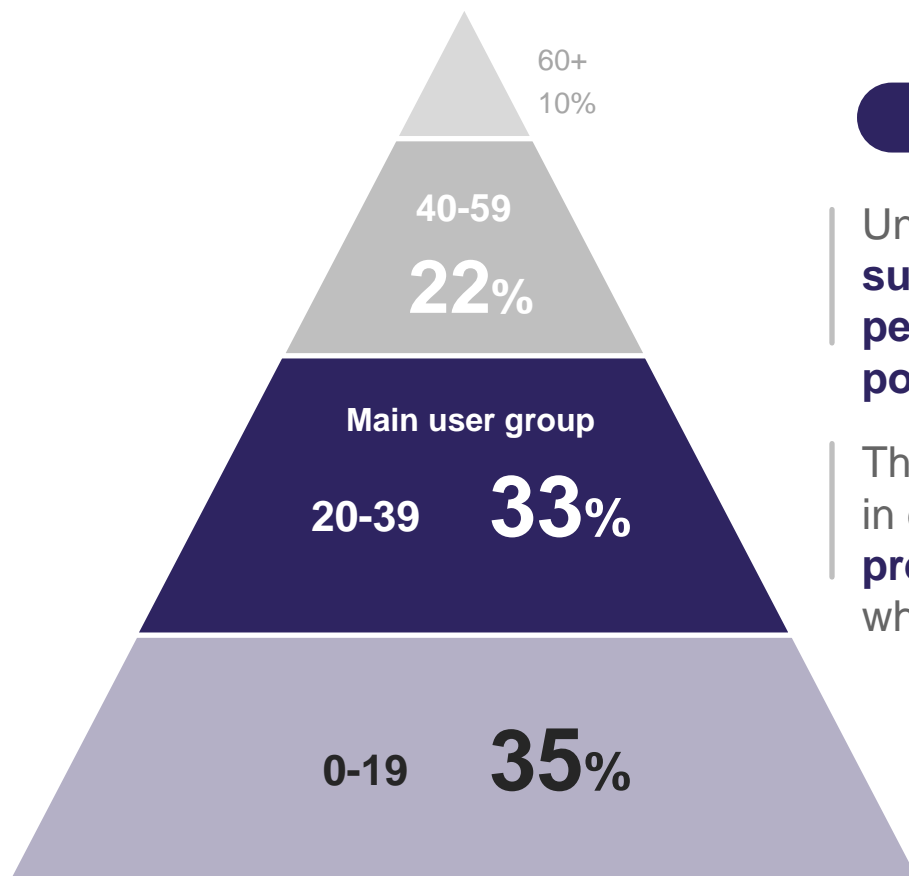
## Manage expenses in a simple manner

Managing expenses just got more beautiful with Passbook.



"slice" has gained a **strong support from millennials and Gen Z**, the volume zone of India's population. It has also achieved a low default rate through its unique credit know-how.

#### Age distribution of the Indian population



#### Background of rapid growth

Unique and exceptional products **highly supported by BNPL needs of young people, the volume zone of the population**

Their unique credit know-how succeeded in extending credit to **those who were previously unable to get credit cards** while maintaining a low default rate.

\*Source: Prepared by us based on the data published by United Nations, Department of Economic and Social Affairs,

A highly talented management team, mostly millennials, has revolutionized the financial experience for young people as a Credit Card Challenger.



Founder  
& CEO

**Rajan Bajaj**

ex- Flipkart Product Manager



COO

**Yudan Wang**

ex- Independent commodity trader



CTO

**Siva Kumar Tangudu**

ex- Myntra Engineering Director



CFO

**Sudhesh Chandrasekar**

ex- Spandana Sphoorty Finance CFO



Chief Data  
Scientist

**Nitin Basant**

ex-FICO Principal Scientist

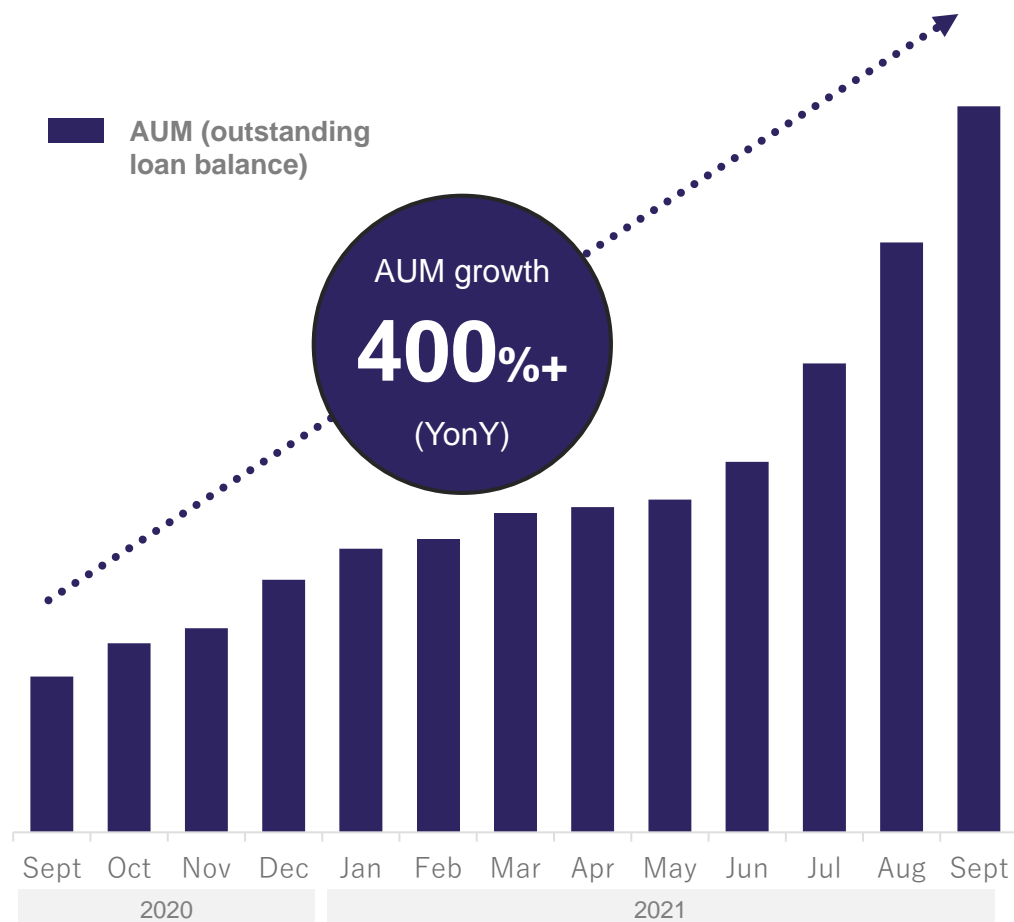


CRO

**Mahima Garg**

ex- Capital one Senior Manager

**AUM achieved significant growth YonY.** In particular, growth accelerated after the follow-on investment by Gunosy in 2021/6. The number of cards issued per month is one of the highest in India.



Number of credit cards issued per month



Approx.  
**200,000 +**  
/month

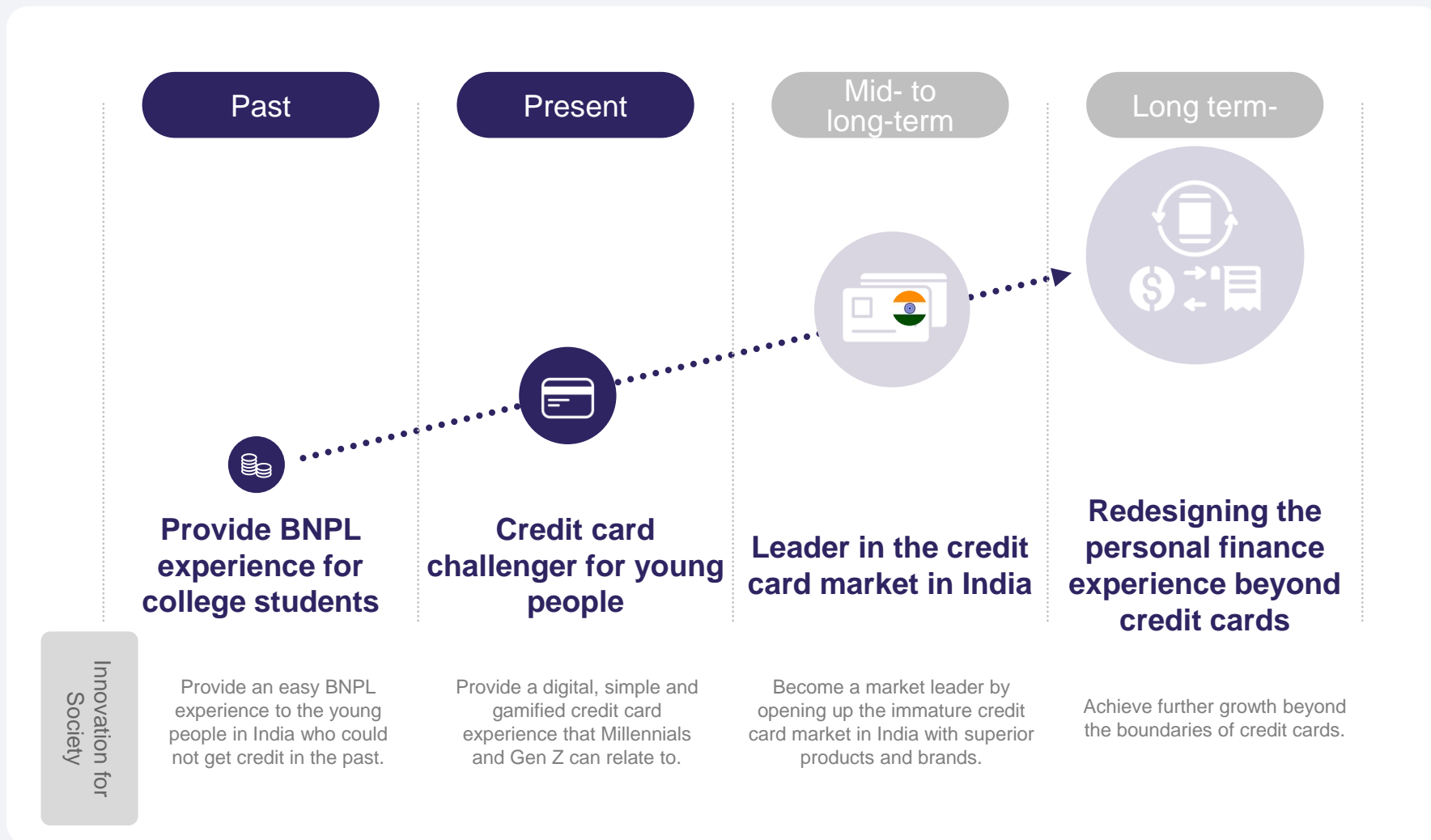
Number of registered users



**5 million +**  
users



It is expected to go beyond the realm of unicorns and **grow significantly to become India's leading fintech company.**



# 2

## Financial Results for FY2022/5 Q2



Compared to the 1H forecast, both sales and profit exceeded the plan. **Steady progress is being made in the preparations to achieve medium- to long-term growth.**

### Media Business

- Although MAU remains weak in the aftermath of the Olympics and other factors, the profitability of Gunosy is improving as a result of the acquisition of new quality users.

### Game8 Group

- Despite factors causing a decline in revenue in the creator business domain, revenue increased YonY. Overseas business performed well.

### Investment Business

- Our portfolio company "slice" reached unicorn status in its Series B funding round (see pages 3-17 for details).

## FY2022/5 Consolidated Results for Q2 (vs. forecast)

Gunosy

**Business results exceeded 1H forecast**, which was due to improved profitability per user of Gunosy, strong performance of ADNW, and solid sales growth even during the expansion phase of COVID-19.

(Million yen)

	FY2022/5 1H results	FY2022/5 1H forecast	Progression rate
Net sales	4,383	4,301	101.9%
Operating profit	161	-324	-
Operating margin	3.7%	-7.6%	-
Ordinary profit	-40	-525	-
Profit attributable to owners of parent	-27	-575	-

# FY2022/5 Consolidated Results for Q2 (vs. results)

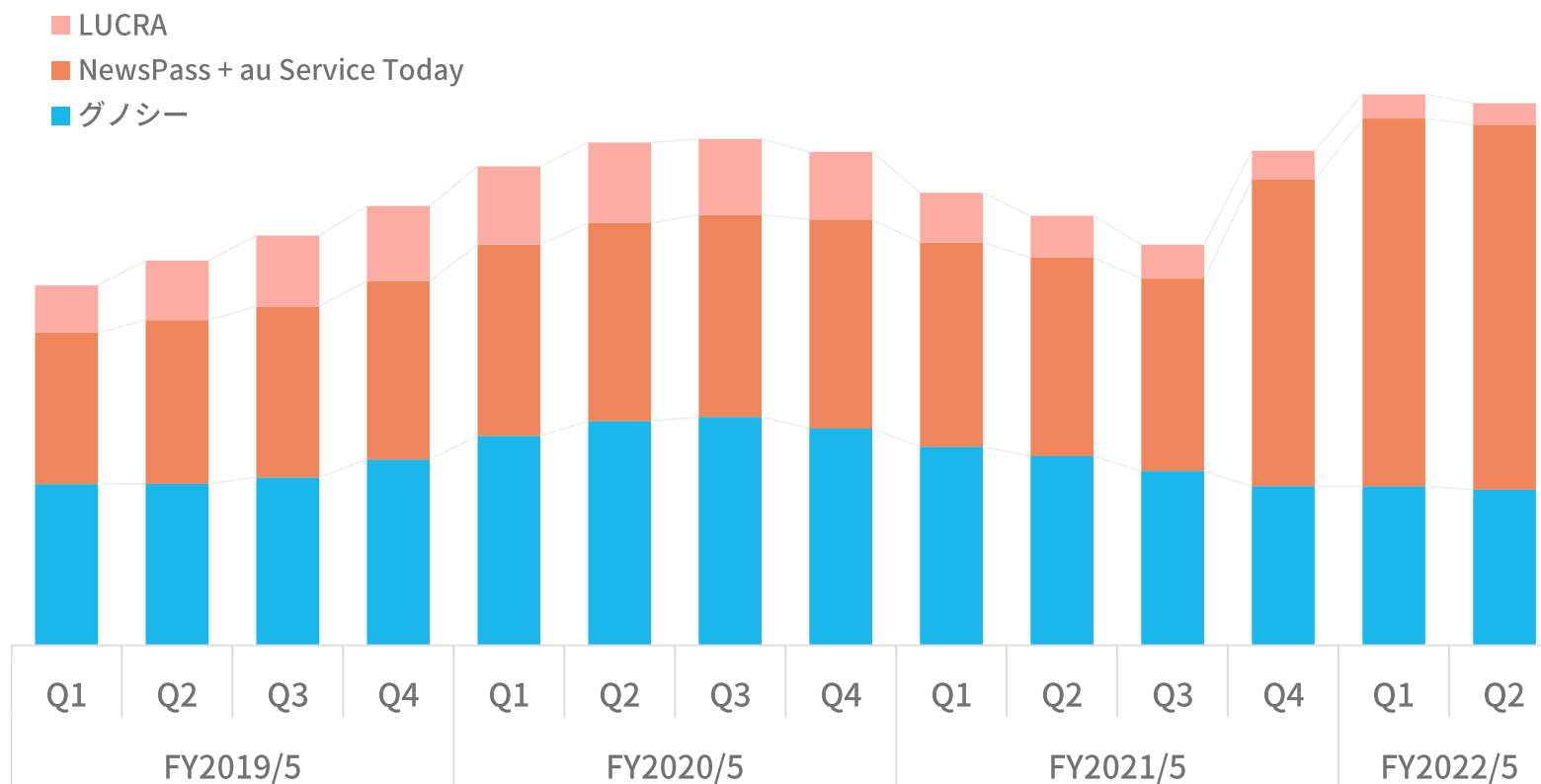
Although sales declined QonQ due to weak MAUs in some services, 1H sales increased YonY driven by the contribution from au Service Today. The YonY decline in 1H profits is due to YonY increase in advertising expenses by approximately 440 million yen.

(Million yen)

	QonQ			YonY		
	FY2022/5 Q2	FY2022/5 Q1	QonQ	FY2022/5 1H	FY2021/5 1H	YonY
Net sales	2,105	2,277	92.5%	4,383	4,291	102.1%
Operating profit	19	141	13.9%	161	376	43.0%
Operating margin	0.9%	6.2%	-	3.7%	8.8%	-
Ordinary profit	-79	39	-	-40	369	-
Profit attributable to owners of parent	-61	33	-	-27	233	-

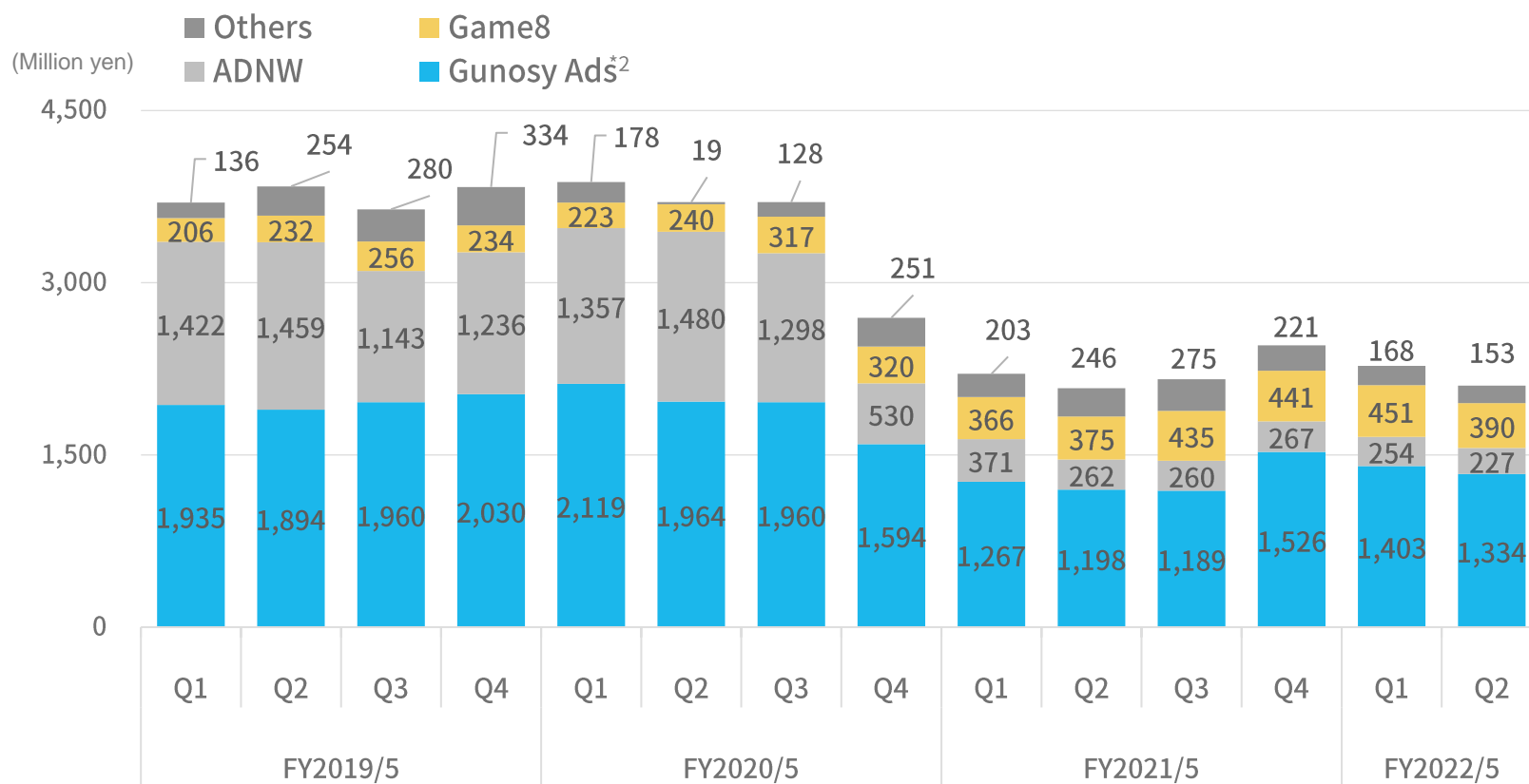
# Total Number of Active Users\* (MAU)

**MAU increased 26.2% YoY** driven by the contribution of au Service Today, although it decreased QonQ in the aftermath of the Olympics. Gunosy's users are being replaced by quality users while maintaining the scale of MAU.



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

**Net sales increased YoY with the contribution of au Service Today.** The QonQ decline was largely due to temporary factors such as the post-Olympics pullback, seasonal factors (Gunosy Ads), and changes in business terms in the creator area (Game8), and we are aiming for a reversal from the next quarter onward.

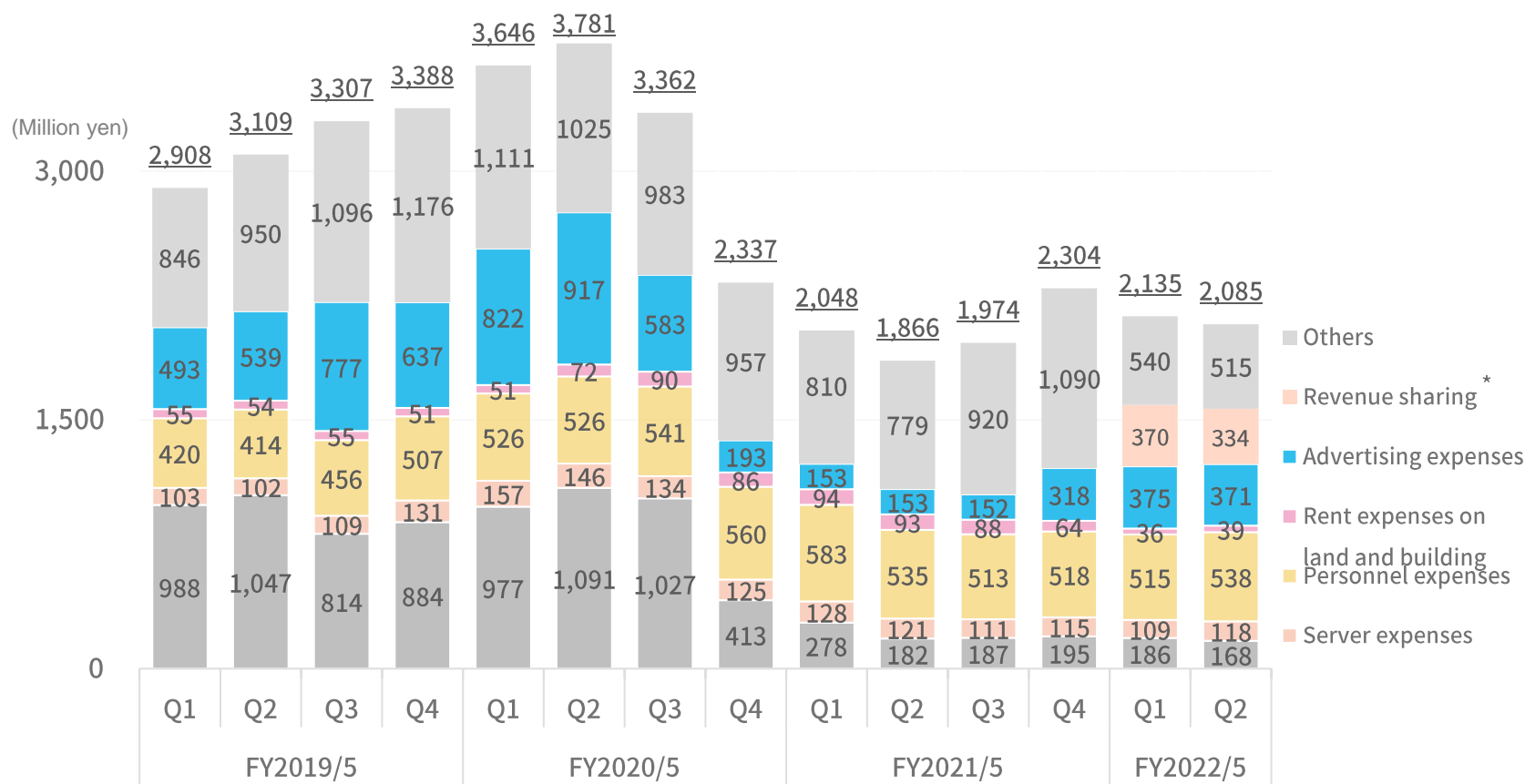


<sup>\*1</sup>. Sales of Gunosy Ads, ADNW and Game8 are presented on a non-consolidated basis. Internal trade adjustments are included in Others

<sup>\*2</sup>. Sales of Gunosy Ads are the total of "Gunosy", "NewsPass", "au Service Today" and "LUCRA"

# Cost Structure

Advertising investment in Gunosy was at the same level as Q1. **We resumed investment in recruitment as part of our efforts to build an organization for medium- to long-term growth**, but other costs remain strictly controlled.

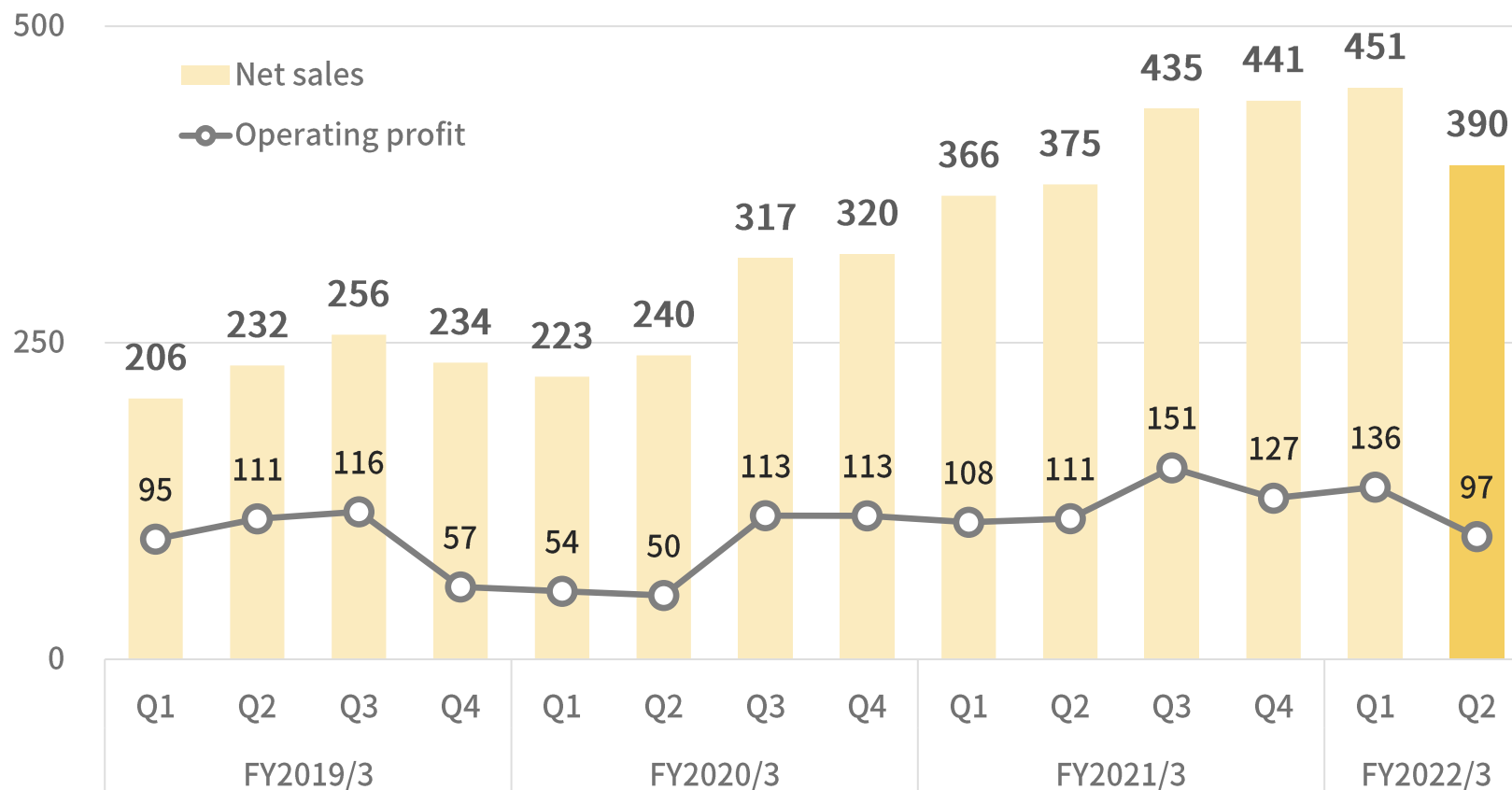


\*\*"Revenue sharing" included in "Others" in FY2021/5 and earlier, but separated from "Others" from FY2022/5 Q1.  
 "Live video production expenses" is included in "Others" from FY2022/5 Q1.



In Q2, despite factors causing a decline in sales, such as a change in the contract terms with our affiliated partners in the creator domain, **sales increased on a year-on-year basis**. We will **continue to focus on acquiring medium- to long-term growth drivers** such as overseas development.

(Million yen)



\* Non-consolidated results (before consolidated adjustment). Results of Smarprise, our subsidiary is not included.  
FY2022 Q2 results are for the period from July to September 2022 due to a gap with the parent company's consolidated accounting period.

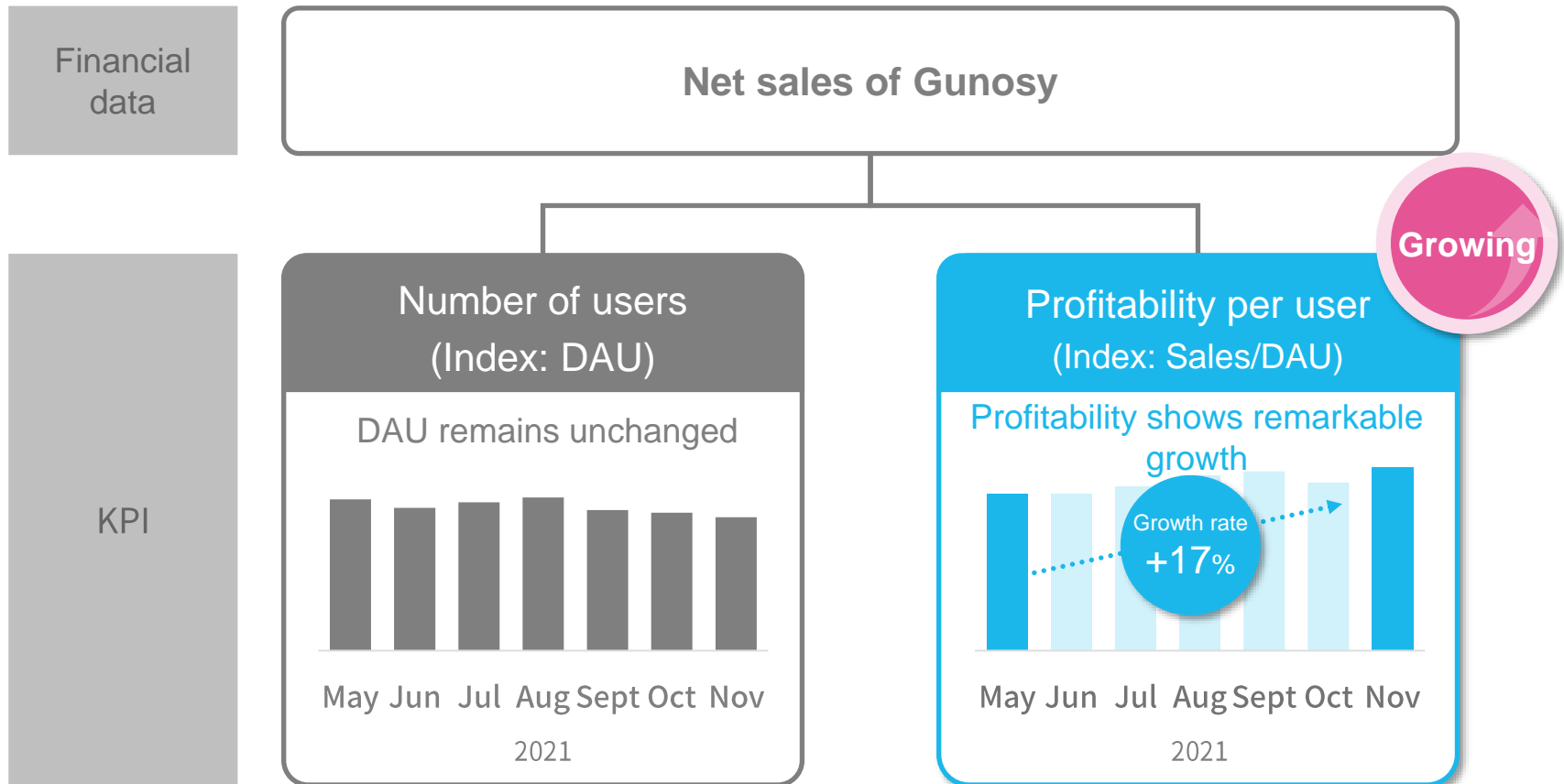
# 3

## Business Overview by Division



# Status of Investment for the Re-growth of Gunosy (1/3)

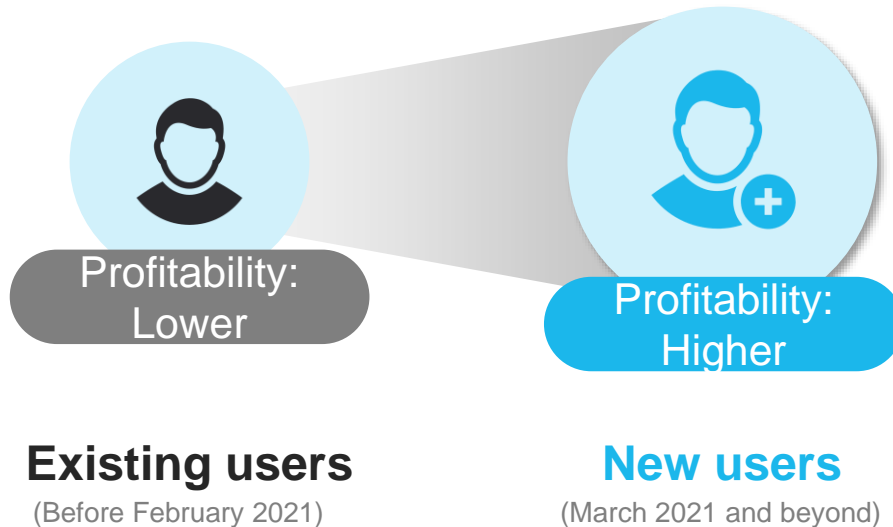
**Profitability per user showed steady growth** following Q1 through the acquisition of new users upon resumption of investment.



**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**

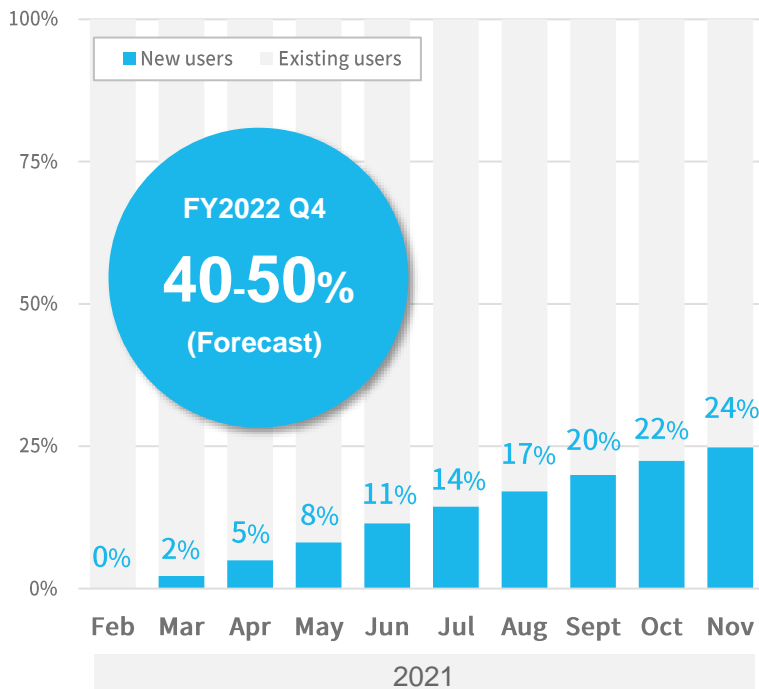
Through messages and advertisements focused on the improved quality and value as media, we acquired quality users with a high retention rate and a high number of sessions.

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

The percentage of new users acquired since the resumption of investment in March 2021 has been steady, **reaching 24% of the total users as of November 2021**. We expect further improvement in profitability through user turnover.

## New users as % of DAU

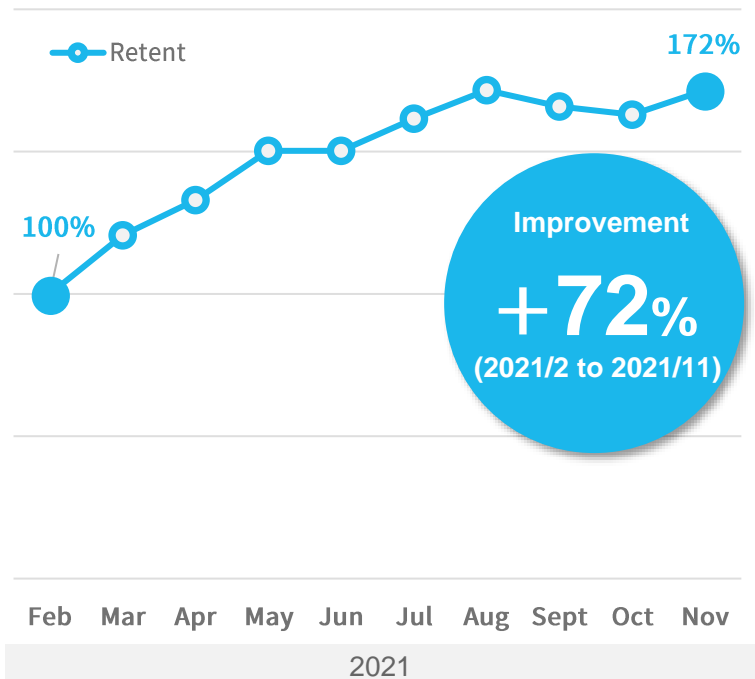
The percentage of new users with higher profitability **increased to approx. 24%** of the total



## Improvement of retention rate (Retention rate for 2021/2 set at 100%)

Steady improvement in retention rate has been achieved since the resumption of advertising investment.

**We continue to aim for further improvement.**



We are continuing to update the app UI and UX, including the introduction of dark mode and carousel ads, as well as enhance monetization. Profitability per user is steadily improving.

Update app UX and enhance monetization

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



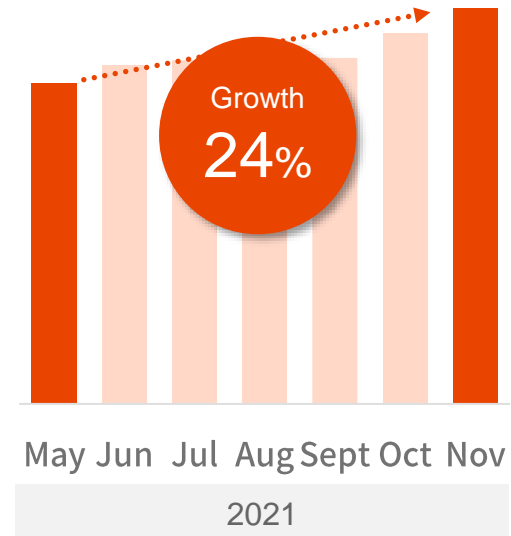
Dark mode



Carousel ads

### Status of profitability

Profitability per user (Sales/DAU) is improving.

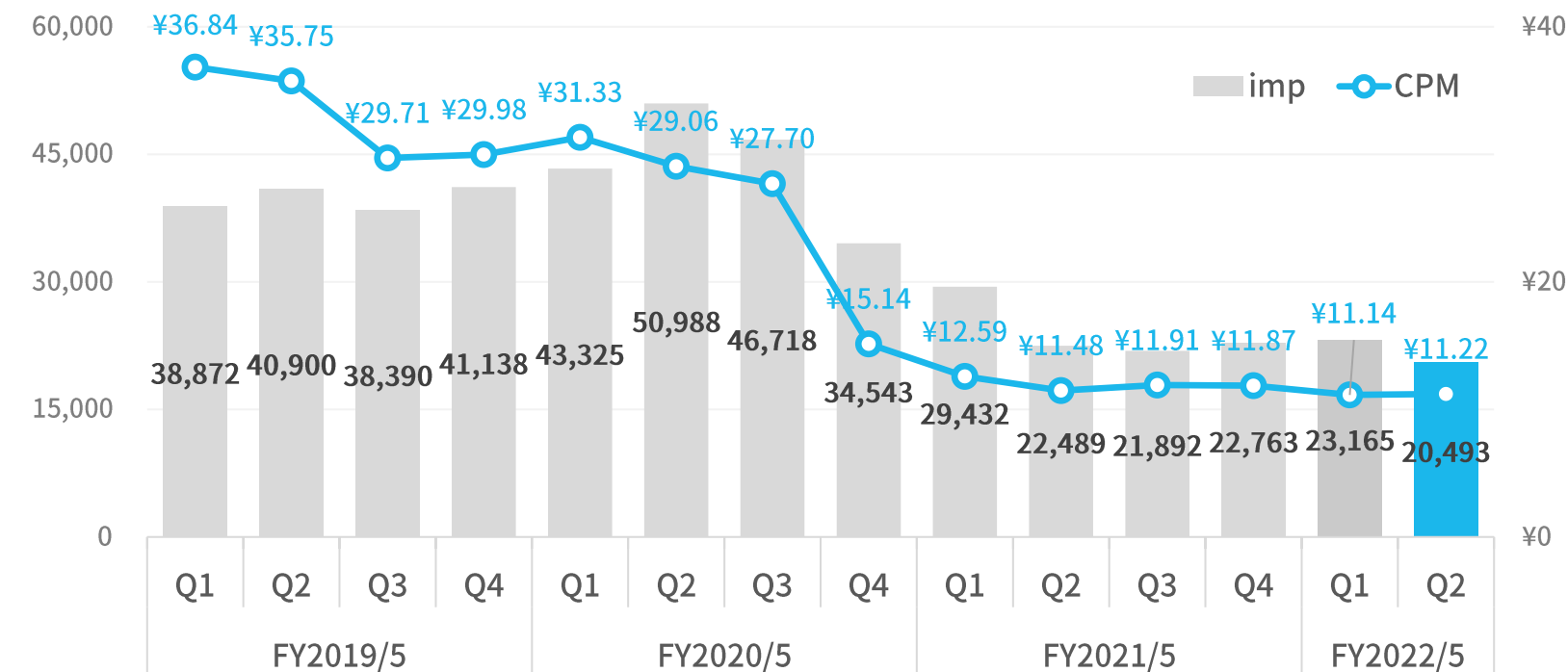


Although sales declined in Q2, CPM is currently on a recovery trend.

**From Q3 onward, further growth is expected through customer expansion by strengthening the sales network.**

### Number of Impressions and CPM

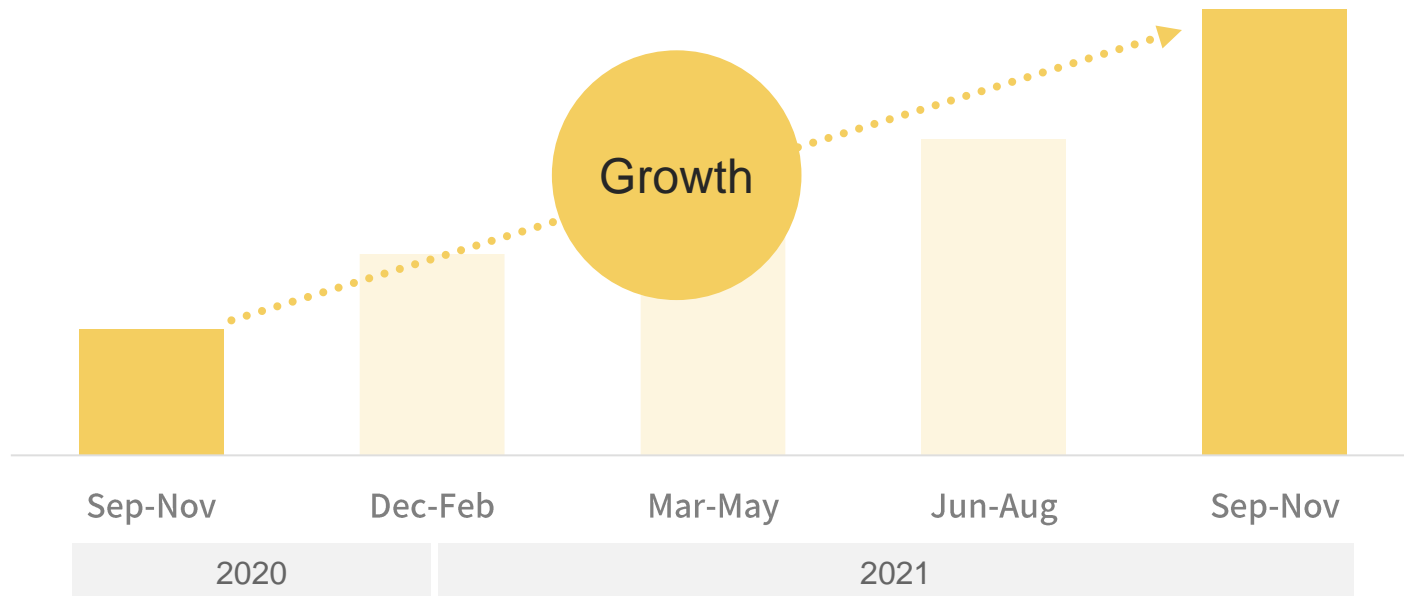
(Million imp)



The number of PVs of game walkthrough content for North America **increased** due to successful localization and is **starting to contribute to sales**. We will continue to focus on overseas business in Q3 and beyond.

## Overseas Business

The number of PVs of the overseas business in game walkthrough wiki guides is **growing steadily**.

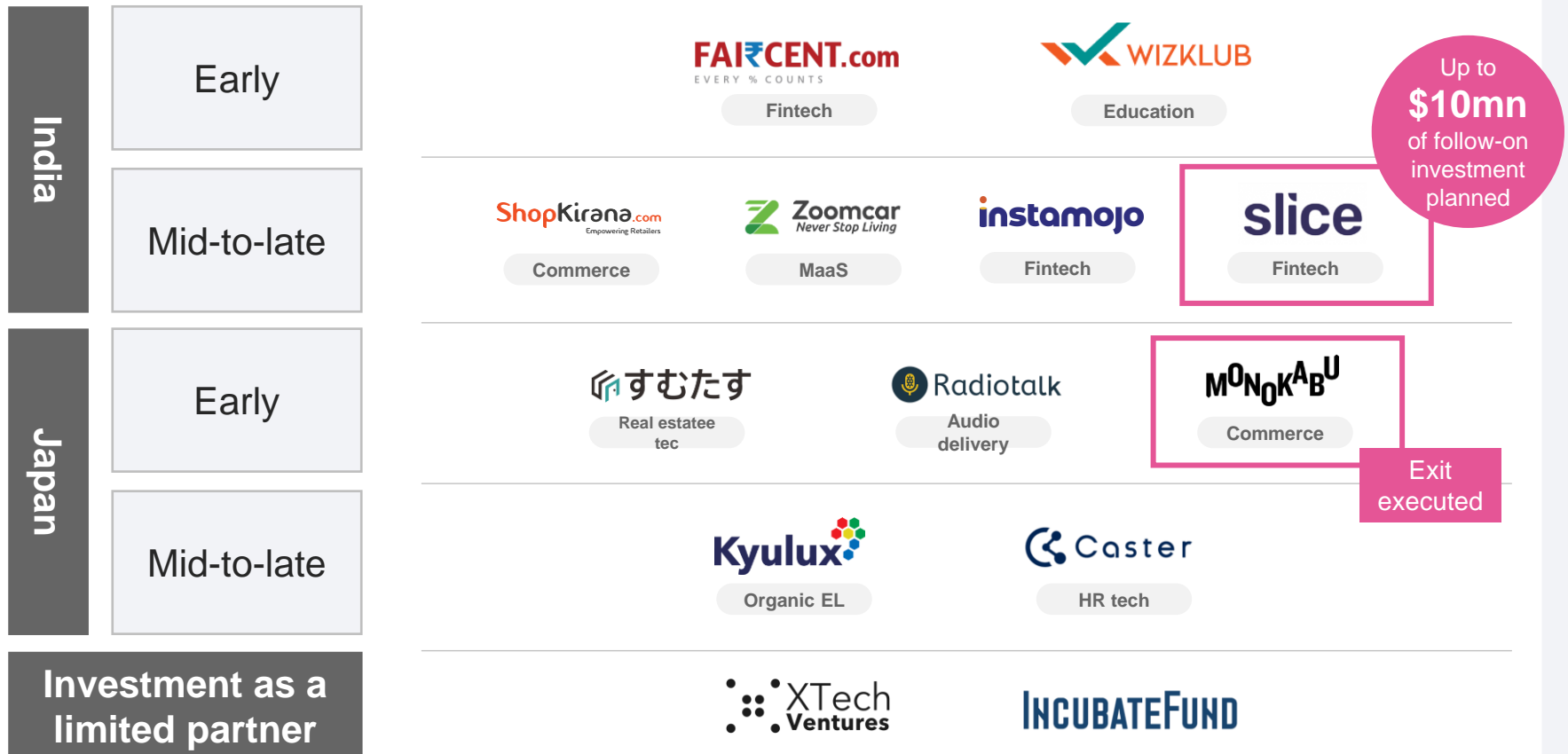




We have invested over 4 billion yen\* to date, both overseas and in Japan, and as a limited partner, considering risk and return. “slice”, in which we are making strategic investments, surpassed a valuation of \$1 billion in its most recent funding round and became a unicorn status company.

\*Size of investment balance, including investment commitments as a Limited Partner

## Main investee companies



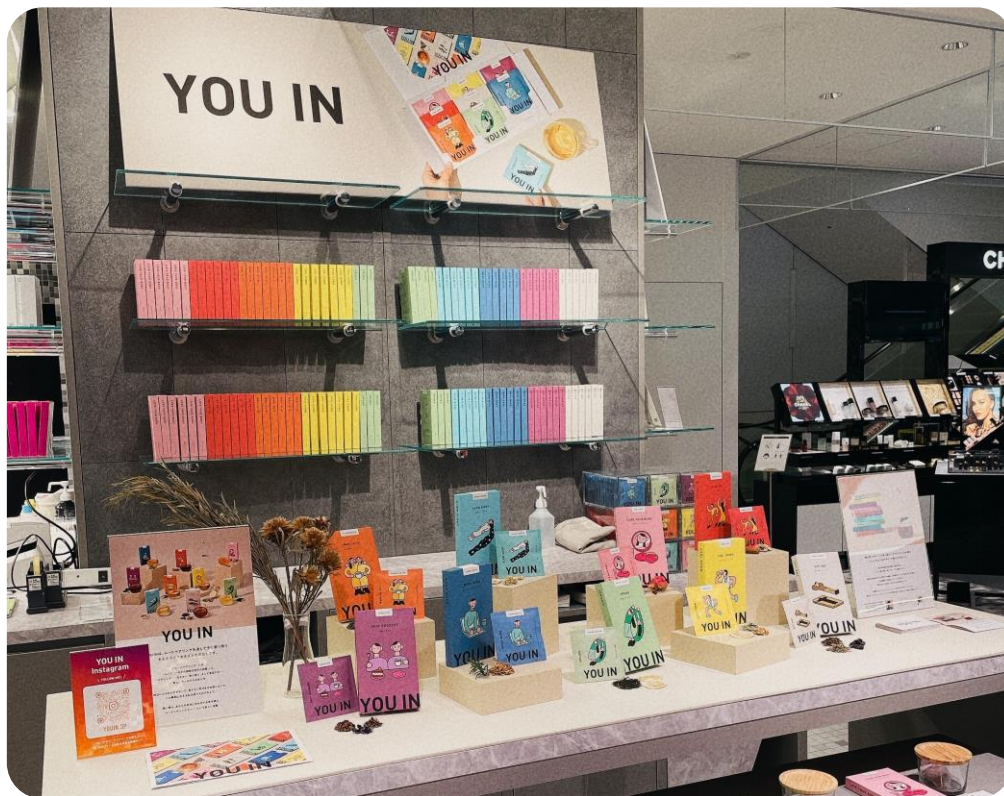
Shows investments made since October 2018, when we started our investment business.

YOU IN was launched in June 2021 with the concept of "mood pairing tea". In order to expand the scale of the business, we are focusing on **developing personalized gifts**, such as LINE gifts and the Hometown Tax Donation Program (Furusato Nozei), and **developing sales channels for corporate clients**. As an offline base, a **pop-up store was opened** in Shibuya Scramble Square.

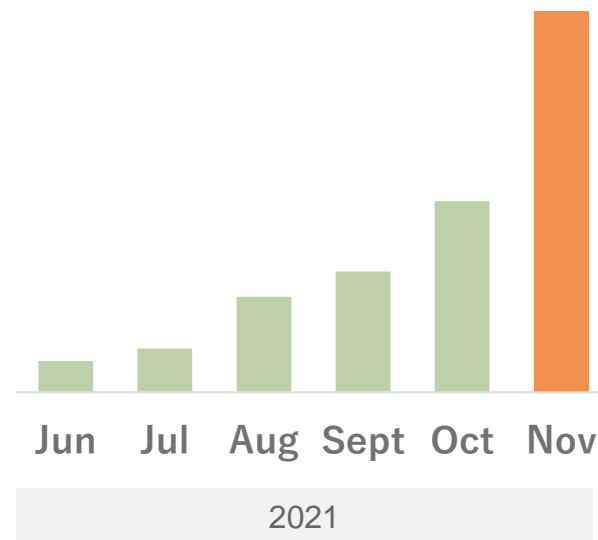
Pop-up store

@ Shibuya Scramble Square  
(Jan 6-12, 2022)

Monthly sale



Solid sales growth through the development of various sales channels such as LINE gifts



# 4

## Medium-Term Management Plan

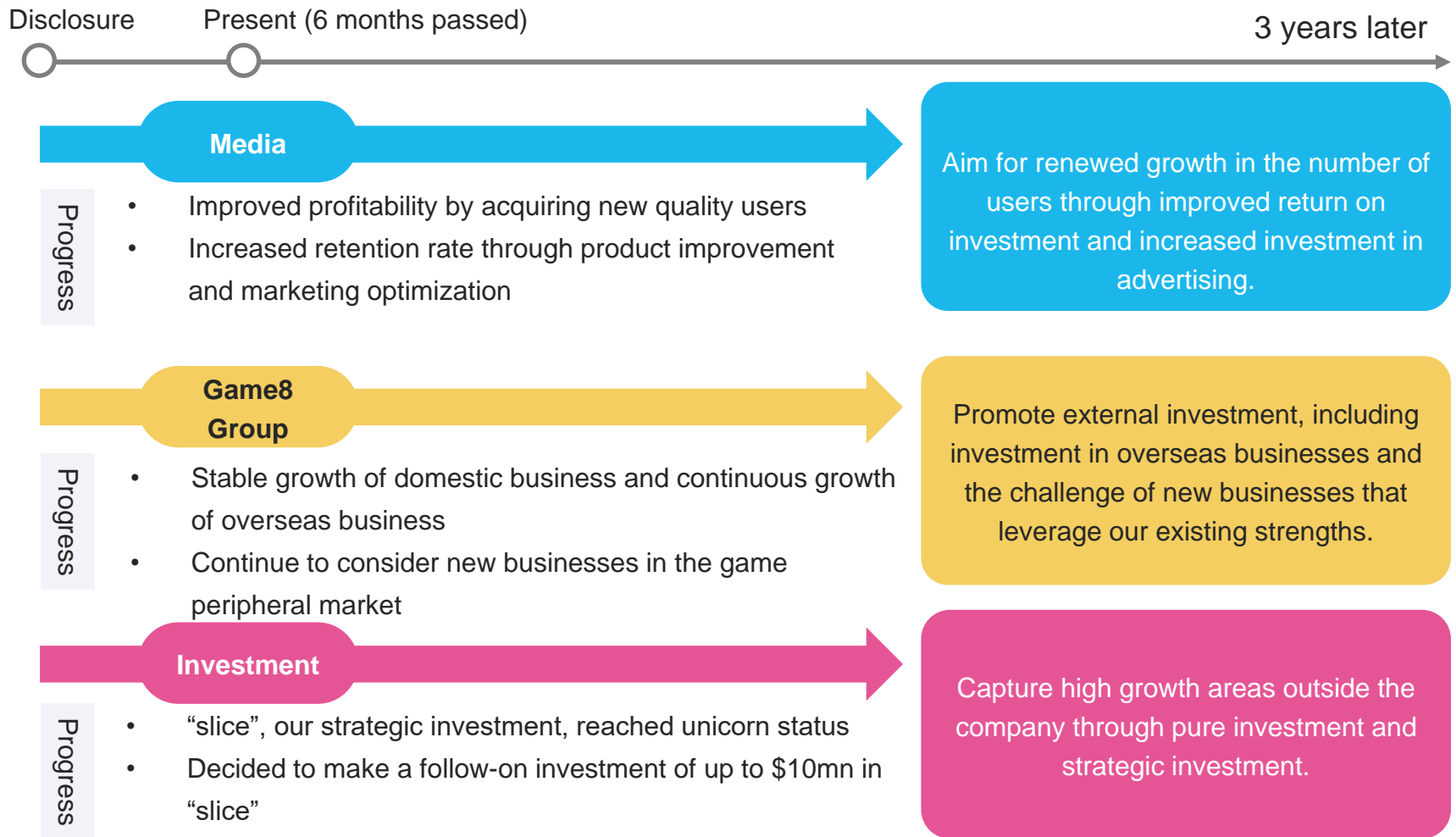


## Assumptions in developing the plan

- In the Medium-Term Management Plan announced on July 13, 2021, we mainly released a qualitative strategy. Although the situation is still unpredictable, we are disclosing numerical information to the extent that we can estimate at present, given that the changes in the market environment due to COVID-19 are converging to a certain degree.
- The impact of “slice” business on consolidated business results is not included in this disclosure, as it is currently under close examination.

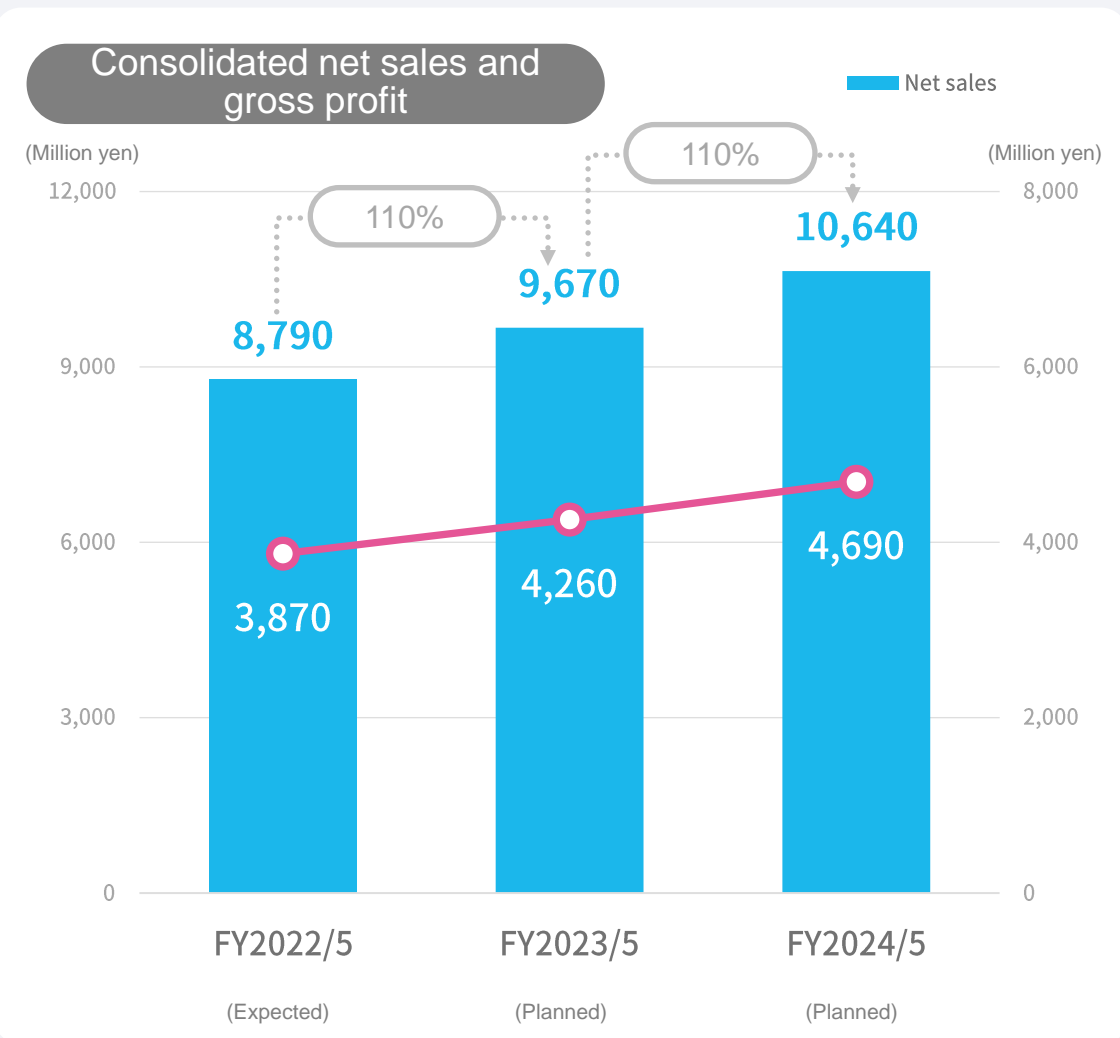
# Progress Since the Release of the Previous Medium-Term Management Plan

In FY2022/5 1H, steady progress was made in each of the three business pillars that are expected to drive medium- to long-term growth. Among them, **the investment business achieved significant results earlier than expected.**



# Target Values in the Medium-Term Management Plan

In existing businesses, we plan to achieve **10% growth YonY in both sales and gross profit** on a consolidated basis. In the investment business, we will continue to seek out strategic investments and aim for discontinuous growth.



## Policy on P/L management

**From next fiscal year onward, pursue operations with a view to achieving a consolidated profit on a full-year basis**

Aiming for solid sales growth by improving S/D through the increase of new users and steadily increasing users through appropriate control of advertising investment.

However, in the event of a significant improvement in KPIs or the launch of an attractive new business, we will increase investment and be flexible in allowing temporary losses.

# FY2022/5 Results Forecast (Consolidated)

We are planning for zero operating profit as we pursue further growth in the next fiscal year and beyond, focusing on investments in human resources to strengthen the organization. Compared to 1H, we added 110 million yen in personnel expenses and 60 million yen in one-time recruitment expenses. We will not disclose ordinary profit and profit as we are still examining the impact of slice on the performance of the current fiscal year.

(Million yen)

	FY2022/5 1H results	FY2022/5 full-year forecast	1H progression rate
Net sales	4,383	8,790	49.9%
Operating profit	161	0	-
Operating margin	3.7%	-	-

## Points

1. Our voting interest in "slice" is in the range of 15%-20% as defined in "Accounting Standard for Equity Method of Accounting for Investments". We are currently discussing with our auditing firm about our intention to start applying the equity method at the timing of certain events (such as the completion of the dispatch of executives) that are deemed to have a material impact on the financial, operating or business policy decisions of slice.
2. The equity method of accounting is assumed to be applied during the fiscal year ending May 31, 2022.
3. Significant items affecting the profit and loss to be incorporated in the income statement for the current fiscal year that have not yet been determined are as follows:
  - Deemed acquisition date, which is the start date of application of the equity method  
(Since the company's fiscal year ends at the end of March, the results of operations are expected to be incorporated with a time lag, as is the case with other subsidiaries.)
  - Determination of the amount of goodwill, etc. through PPA (Purchase Price Allocation) procedure and its amortization period
  - Performance of "slice" in the period in which the profit or loss is incorporated.
4. Since "slice" is growing rapidly, depending on future marketing measures etc., it is assumed that losses may be recorded in relation to the application of the equity method in the short to medium term.



# 5

## Reference Materials: **Overview of Gunosy Inc.**



## 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 November 2021)

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

Audit corporation: Ernst & Young ShinNihon LLC

Number of employees: 229  
(as of the end of November 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, Yuki 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

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