



Financial Results for FY2024.4 Q2

December 14, 2023

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Financial Results for FY2024.4 Q2

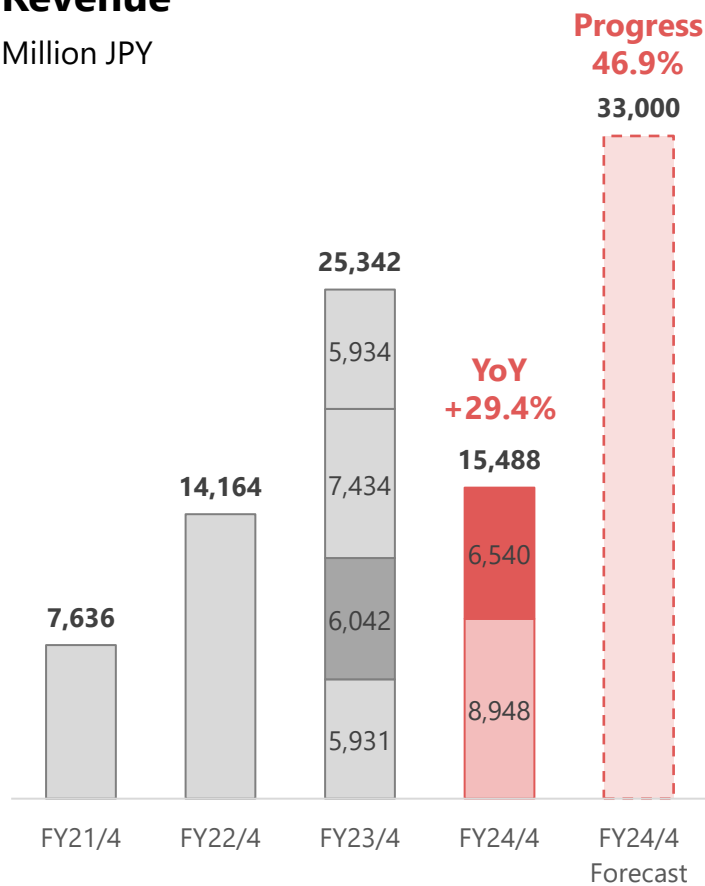
Financial Summary



While financial results outperformed its annual plan, we are on track to achieve FY2024.4 forecast and continue our efforts to maximize revenue and profit.

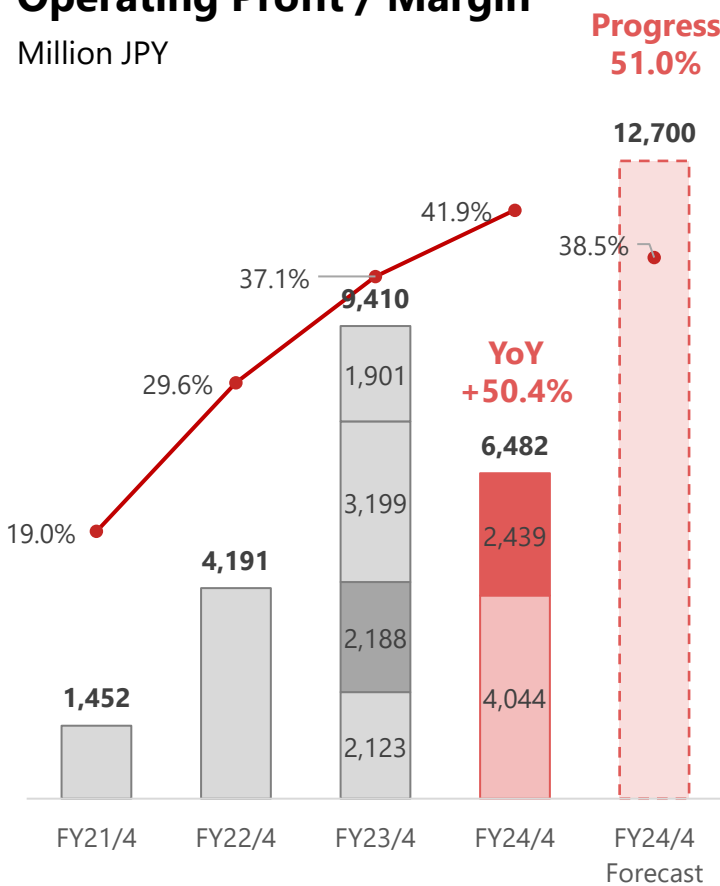
Revenue

Million JPY



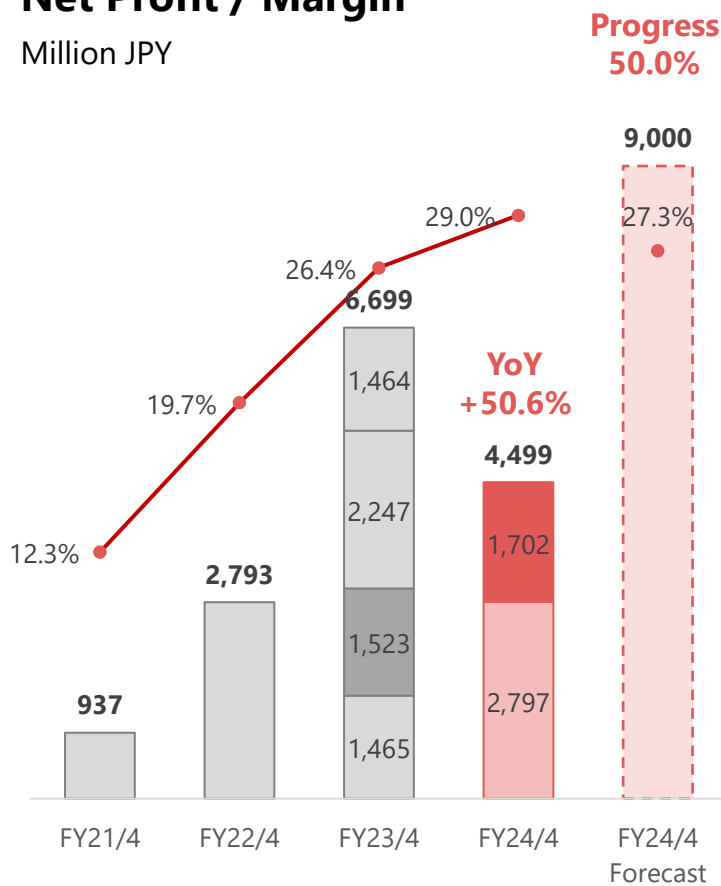
Operating Profit / Margin

Million JPY



Net Profit / Margin

Million JPY



Financial Results for FY2024.4 Q2



Million JPY	FY24/4	FY23/4		FY24/4	FY23/4	
	6 months	6 months	YoY	Q2	Q2	YoY
Revenue	15,488	11,973	+29.4%	6,540	6,042	+8.2%
NIJISANJI (JP) ⁽¹⁾	12,647	8,605	+47.0%	5,200	4,483	+16.0%
NIJISANJI EN ⁽²⁾	2,626	3,079	△14.7%	1,263	1,449	△12.8%
Other ⁽³⁾	214	289	△25.9%	78	110	△29.7%
Cost of sales	7,759	6,715		3,475	3,372	
Direct variable costs ⁽⁴⁾	6,914	6,040		3,035	3,020	
% of revenue	44.6%	50.4%	△5.8pt	46.4%	50.0%	△3.6pt
Other cost of sales ⁽⁵⁾	846	675		440	352	
Gross Profit	7,729	5,258	+47.0%	3,065	2,670	+14.8%
Margin	49.9%	43.9%	+6.0pt	46.9%	44.2%	+2.7pt
SG&A	1,246	948		626	482	
Employee related	641	475		344	248	
Office related	266	231		141	124	
Outsourcing etc.	177	114		70	36	
Other	162	128		71	76	
Operating Profit	6,482	4,311	+50.4%	2,439	2,188	+11.5%
Margin	41.9%	36.0%	+5.9pt	37.3%	36.2%	+1.1pt

- Notes :
- 1. Includes both domestic and overseas sales generated from the activities of VTubers who belong to NIJISANJI and are active in Japan
 - 2. Includes both domestic and overseas sales generated from the activities of VTubers belonging to NIJISANJI EN
 - 3. Includes China business (including NIJISANJI and NIJISANJI EN's Bilibili distribution etc.), and sales generated from the activities of VTubers who belong to NIJISANJI and are active in South Korea and Indonesia
 - 4. Includes fees paid to VTuber, various platform fee, and cost of merchandise and event related sales
 - 5. Includes employee related, office related, outsourcing and other costs allocated to cost of sales

Financial Highlights for FY2024.4 Q2

- ✓ While we had expected the second quarter results to be subdued considering the balance of annual initiatives and seasonality, the results were in line with our plan, and the first half results exceed our forecast.
- ✓ NIJISANJI continued to grow strongly with a YoY increase of 47.0% in cumulative Q2. While "NIJISANJI Festival" was held in October last year, generating revenue in the event and commerce areas in Q2 for FY2023.4, the event is scheduled to be held in December 2024 this year, resulting in a +16.0% YoY growth in Q2 due to the timing difference of the event.
- ✓ Tough situation continues with a YoY decrease of 14.7% for NIJISANJI EN due to the Slow down of consumption from Japanese fans as preference of Japanese fans of NIJISANJI EN moved to Japan VTubers. Focus to expand overseas fan base through continuous new debuts and enhancement of existing VTuber support, etc.
- ✓ Despite the sales of some products with lower margin, and the advance recognition of expenses related to "NIJISANJI Festival" to be held in Q3, the direct variable cost ratio continues to decline, and the operating income ratio is improving.

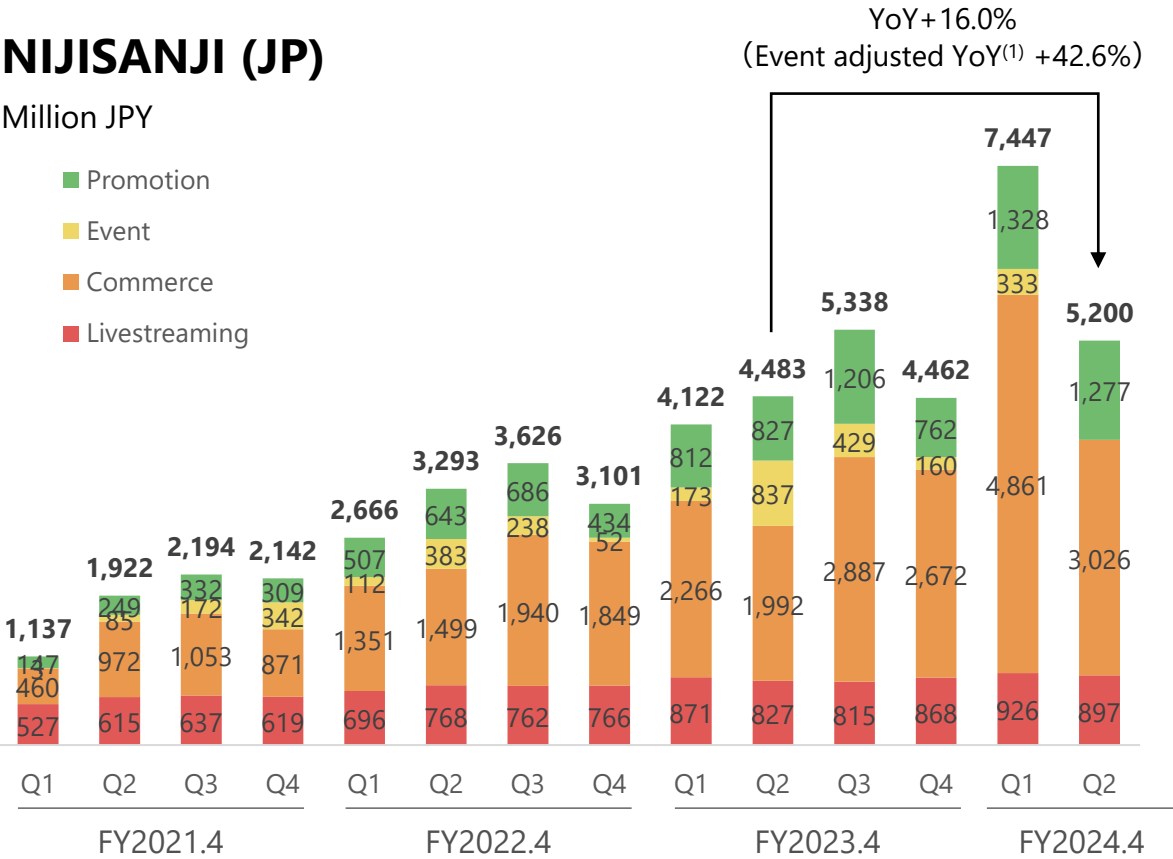
Revenue (Quarter)



While we had expected the second quarter results to be subdued considering the balance of annual initiatives and seasonality, the results were in line with our plan

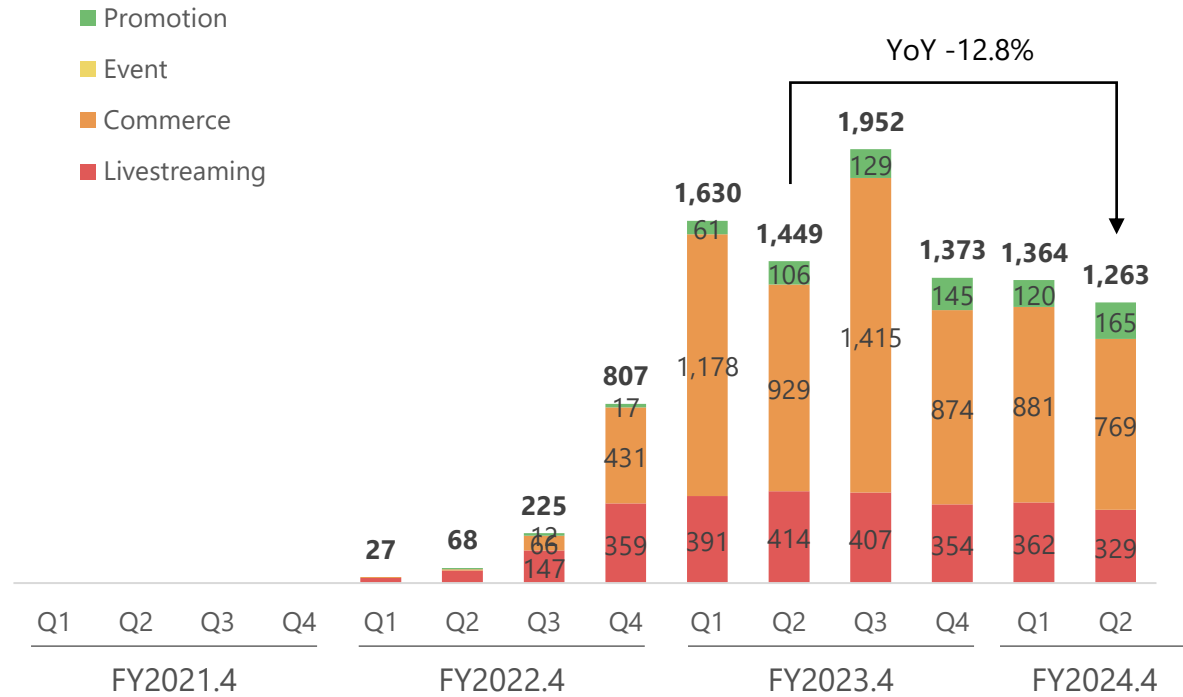
NIJISANJI (JP)

Million JPY



NIJISANJI EN

Million JPY



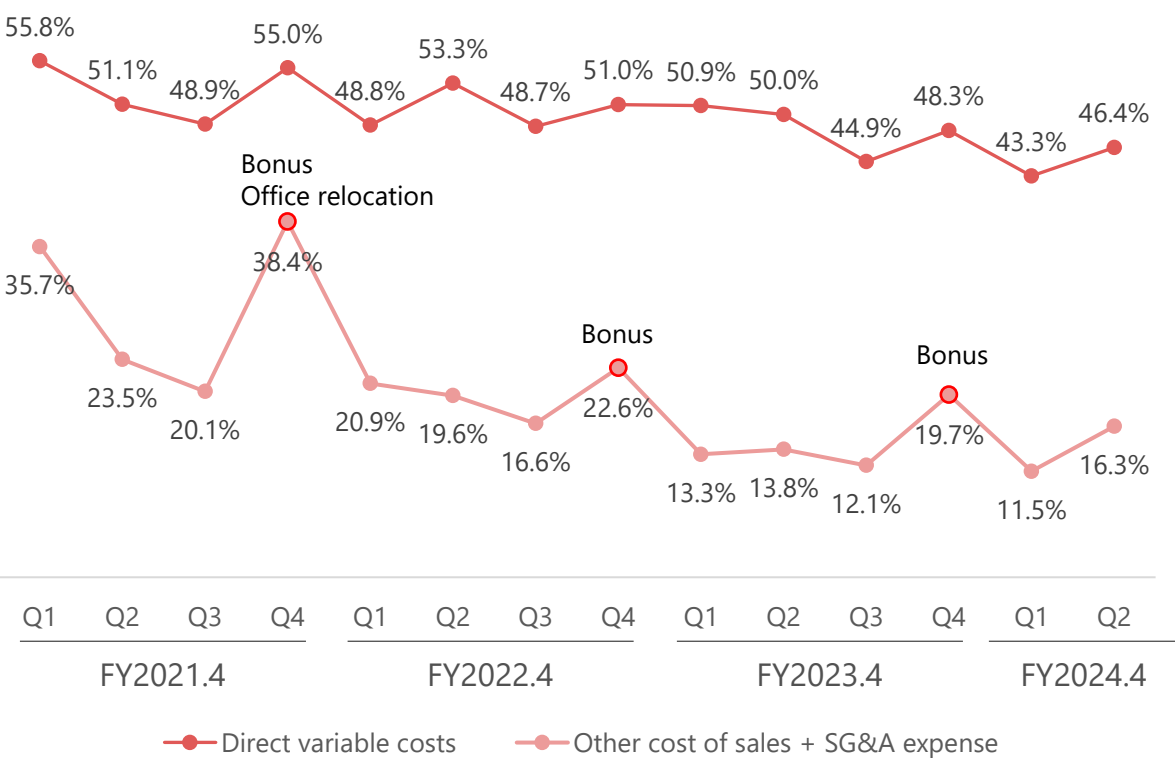
Notes:
1. The growth rate compared to FY2023.4 revenue adjusted only for event revenue, since NIJISANJI Festival 2023 was held in October and the related revenue were recorded in the event and commerce areas in Q2, while in FY2024.4 the same event is scheduled to be held in December, resulting in a difference in the timing of the event

Operating Margin (Quarter)

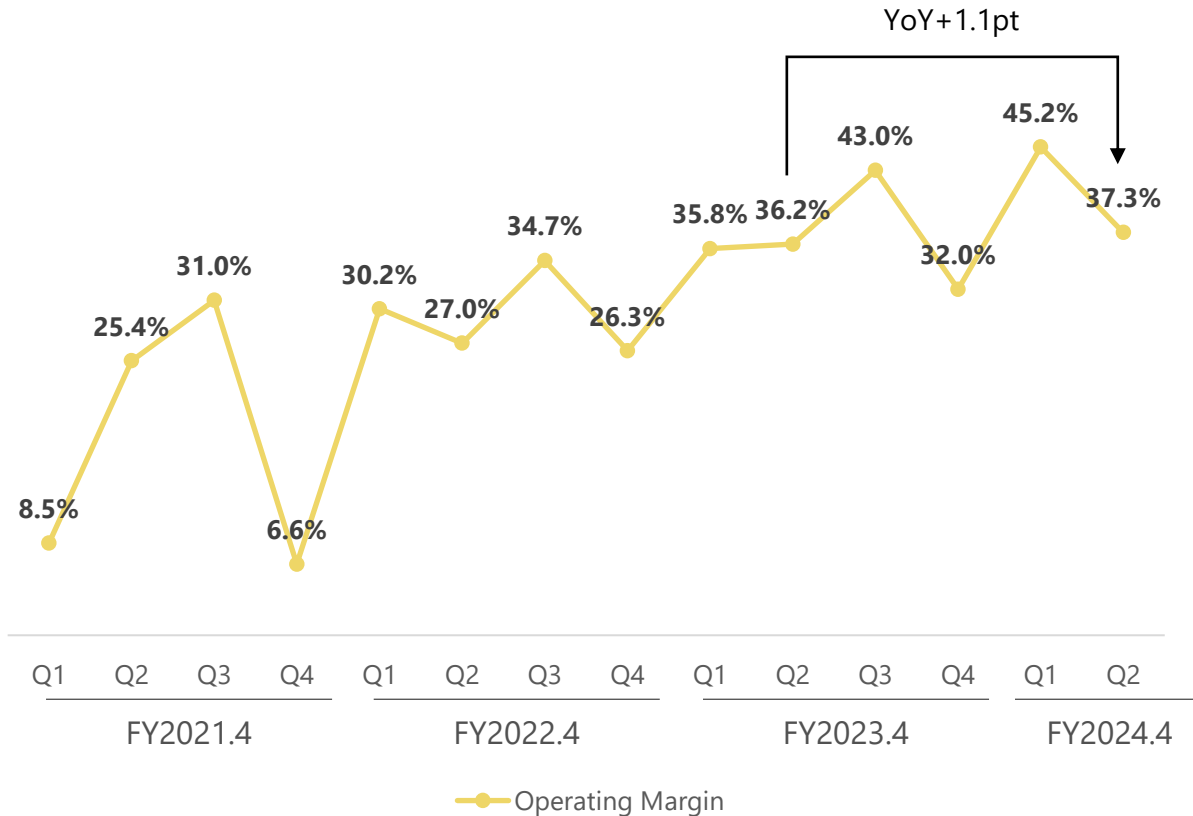


The ratio of direct variable costs increased due to the sales of products with higher cost and the expenses for “NIJISANJI Festival” recorded in advance. The ratio of other costs + SG&A expense increased as well since we continued to actively recruit personnel

Ratio of direct variable costs and other cost of sales + SG&A expenses



Operating Margin

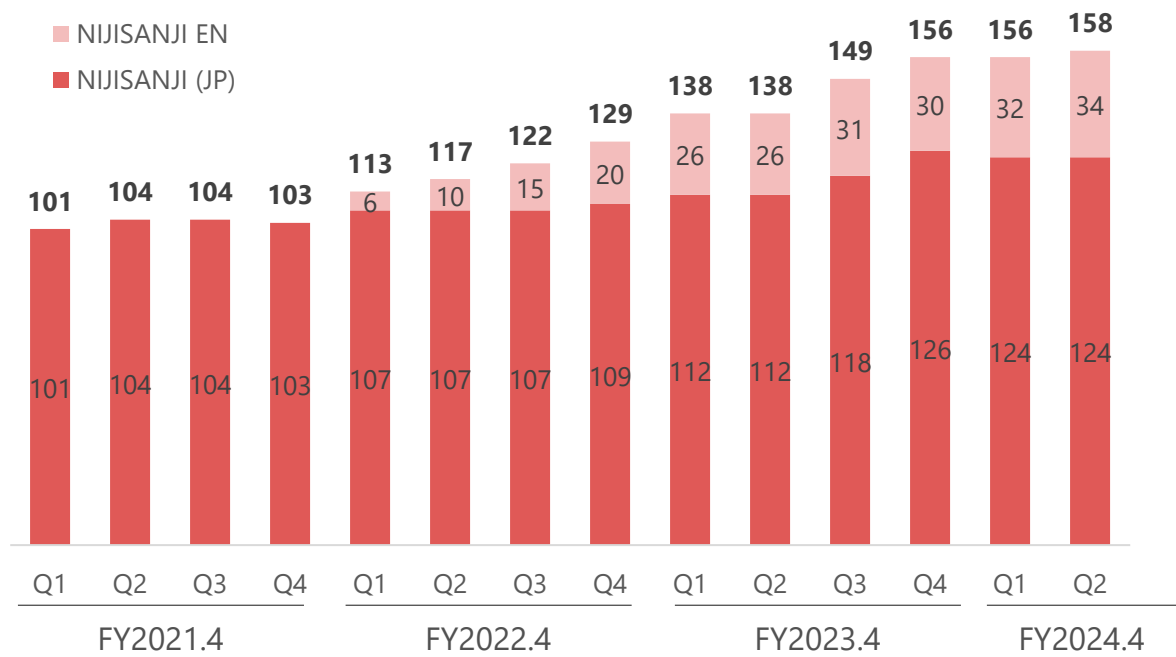


Number of VTuber and ANYCOLOR ID



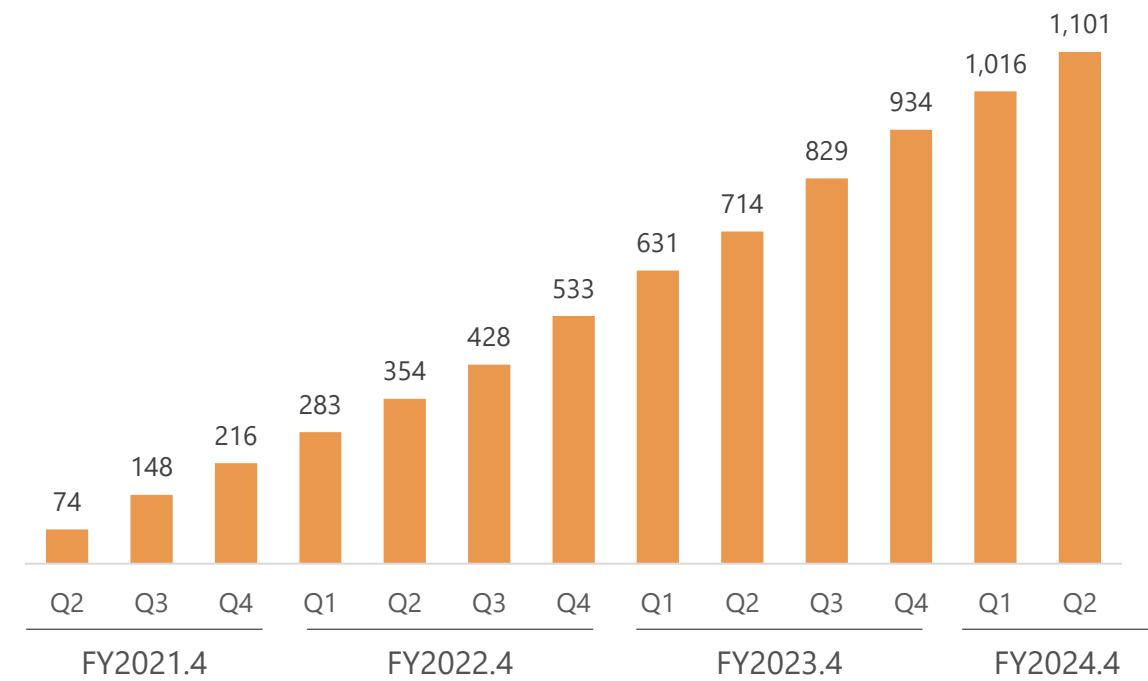
During Q2, there were no new debuts from NIJISANJI due to a review of the VTA structure, etc. and 3 new debuts and 1 graduation from NIJISANJI EN

Number of VTubers (1)



ANYCOLOR ID (2)

Thousand Accounts

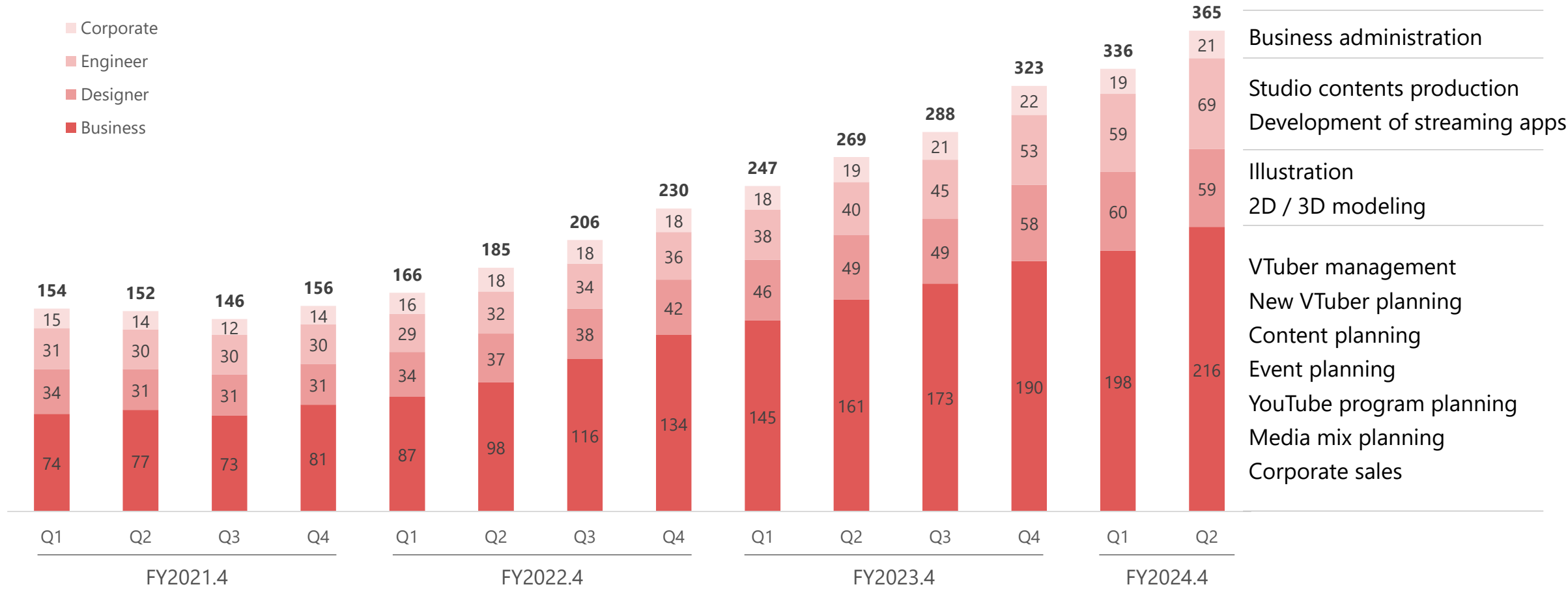


Notes :
1. Although VTuber group "NIJISANJI ID" in Indonesia and VTuber group "NIJISANJI KR" in Korea were merged into VTuber group "NIJISANJI" on April 15, 2022, they are still excluded above for period comparison.
2. ANYCOLOR ID is required when users use NIJISANJI Official Store and NIJISANJI FAN CLUB or purchase event ticket

Number of Employees



Aggressively promote hiring of PM personnel, studio and technical personnel, etc. to expand business opportunities in the future.



Notes
1. Including employees and temporary employees

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Progress of Financial Forecast for FY2024.4



Outperformed financial results compared to its annual plan, and we are on track to achieve FY2024.4 forecast. Focus on IP development, monetization, and overseas development for stable growth over mid to long term

JPY	FY2024.4 Q2 results	FY2024.4 Forecast	Progress
Revenue	15.5Billion	33.0Billion	46.9%
Operating Profit Margin	6.5Billion 41.9%	12.7Billion 38.5%	51.0%
Ordinary Profit Margin	6.5Billion 41.8%	12.7Billion 38.5%	51.0%
Net Profit Margin	4.5Billion 29.0%	9.0Billion 27.3%	50.0%

Progress during FY2024.4

- 1 IP Development: Continuous New Debut of VTuber
 - Total 6 new debuts from NIJISANJI EN in June and October
 - Due to a review of the VTA structure, there were no new debuts from NIJISANJI until the end of Q2, but 3 new debuts in November.
 - New auditions resumed in November 2023 to accelerate future new debuts.
- 2 Monetization: VTuber Unit Program drive our growth
 - VTuber units such as ChroNoiR, ROF-MAO, and VOLTACTION are performing well and continue to expand such unit development initiatives, including VALZ, which held a solo event in June.
 - In addition to the above, financial performance for new units debuting recently, including Dytica, which debuted in April 2023, are also strong
- 3 Overseas: Expanding fan base outside Japan through overseas events
 - Active participation in overseas events in Asia, the U.S., and Europe

Continuous New Debut of VTuber

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2024/4 New Debut



Krisis (NIJISANJI EN)

3 male unit debuted in June 2023 from NIJISANJI EN



TTT (NIJISANJI EN)

Unit of 1 male and 2 females debuted in October 2023 from NIJISANJI EN



Mitarashi-dan (NIJISANJI JP)

Unit of 1 male and 2 females debuted in November 2023 from NIJISANJI JP

Support System for Continuous New Debut



Launch of auditions for VTA and NIJISANJI EN

From November 17, 2023, NIJISANJI / VTA hold three types of auditions (VTA, VTA Super Elite Live, VTA Mascot Live) and NIJISANJI EN auditions

Update of VTuber Unit Program

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Unit Initiatives for Commerce



ChroNoiR

- 5th ANNIVERSARY Goods (released in 2023/7)



ROF-MAO

- Four Gods Motif Goods (released in 2023/5)
- 1st Full Album CD "Overflow" (released in 2023/10)



VOLTACTION

- 1st Anniversary Goods (released in 2023/7)

Unit Initiatives for Newly Debut VTubers



NIJISANJI & NIJISANJI EN HEROES Half Anniversary (released in 2023/11)

A joint project by 3 NIJISANJI units, Oriens and Dytica, and NIJISANJI EN unit Krisis, to celebrate half anniversary of their debut with a merchandise project

NIJISANJI EN Unit Noctyx's official program started



Various Projects for Promotion

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Collaborate with clients in a wide range of industries on PR, stage performance, and IP collaborations



Kura Sushi × NIJISANJI Collaboration campaign (2023/7)



Honkai: Star Rail x NIJISANJI
Global PR campaign (2023/4-5)



The King's Avatar: For the Glory
appeared as voice actor (2023/7)



ahamo Online Ambassador
(2023/8-10)



Google Pixel Fold campaign
(2023/8-9)



PILOT × NIJISANJI Collaboration (2023/11)



Expanding fan base outside Japan through overseas events

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ANIMECON UK 2023



Anime Expo 2023



Virtual Fes 2023 Hong Kong



2023 Comic Expo



Bilibili World 2023



Seoul POPCON 2023



AGF KOREA 2023

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Business Highlights

Business Highlights

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1 Unique Competitiveness in Virtual World

2 Strong “NIJISANJI” Brand

3 Sustainably Growing Ecosystem Through Content Creation

4 Attractive Financial Model Achieving Both High Growth and High Margin

Company owns VTubers' IP

- ✓ More diversified revenue source
 - Streaming x IP business
 - High Operating Margin
- ✓ VTubers' high retention rate
 - ✓ 97 % retention rate⁽¹⁾
- ✓ VTuber's concept produced by ANYCOLOR
 - Character concept based on trends

Virtual Culture

- ✓ Barriers to new entrants due to inability to leverage real world influence
 - Gaining fans from zero in the virtual world
 - Building relationships with fans through livestreaming
- ✓ Business supported by the passion of fans
 - High BtoC ratio in revenue
 - Need to build a relationship with fans through viewing, not recognition through exposure

注：

1. Number of domestic VTubers as of April 2022 minus those who graduated during the FY23/4, divided by number of domestic VTubers as of April 2022

1 Diverse fan base of NIJISANJI

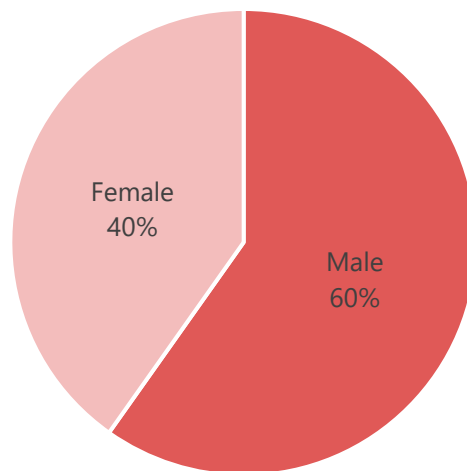


A service supported by a diverse group of fans, mainly from Generation Z, with a well-balanced composition of both age groups and genders

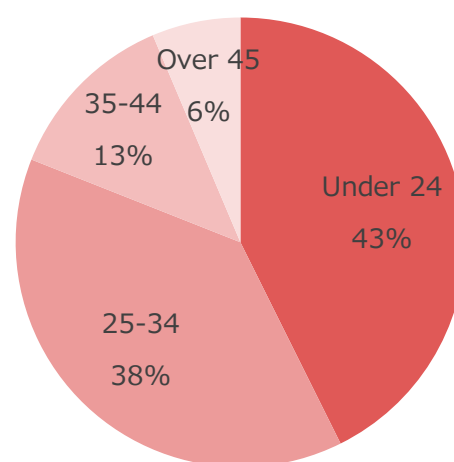
YouTube Viewing Time

FY23/4 YouTube Viewing Time
758 million hours

Gender



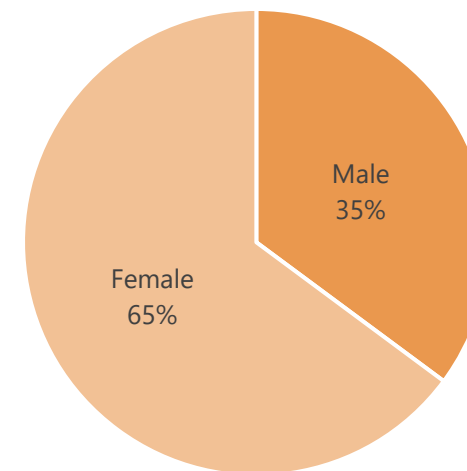
Age



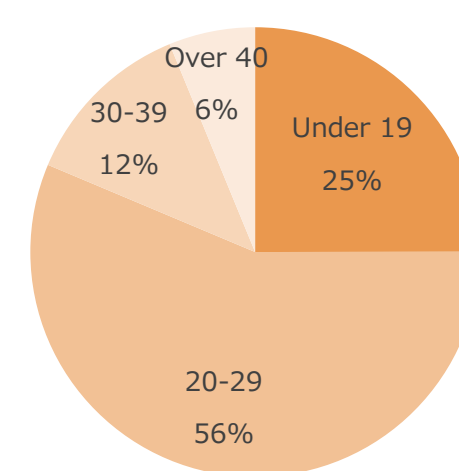
ANYCOLOR ID⁽¹⁾

ANYCOLOR ID as of end of April 2023
934 thousand accounts

Gender



Age

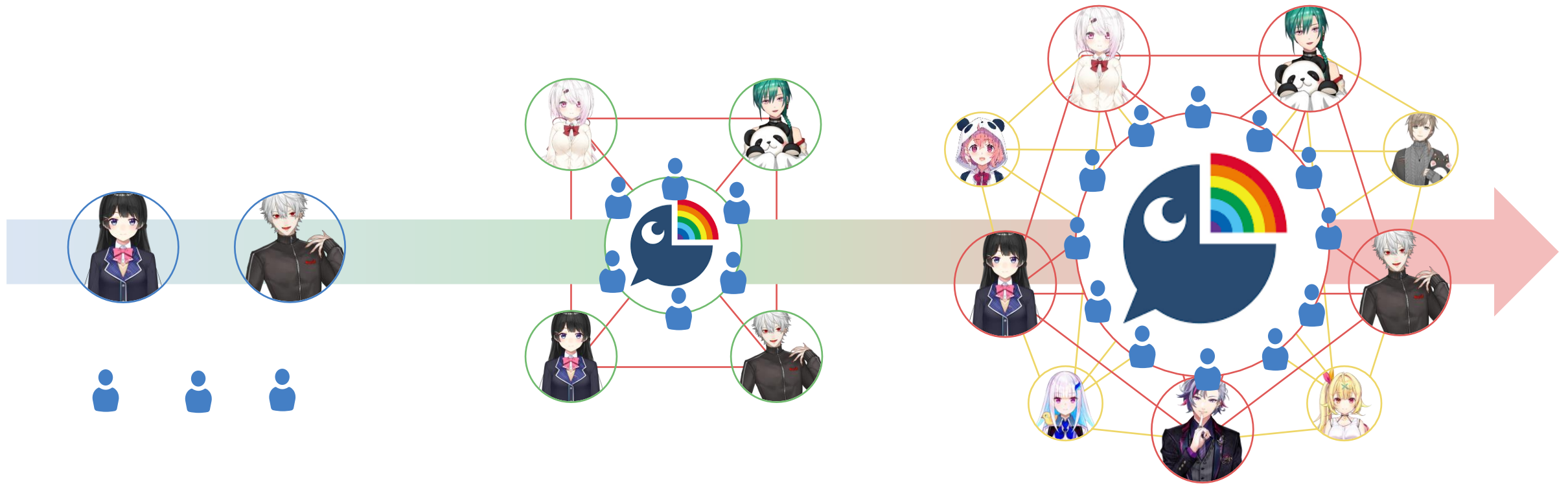


Notes :

1. ANYCOLOR ID is required when users use NIJISANJI Official Store and NIJISANJI FAN CLUB or purchase event ticket

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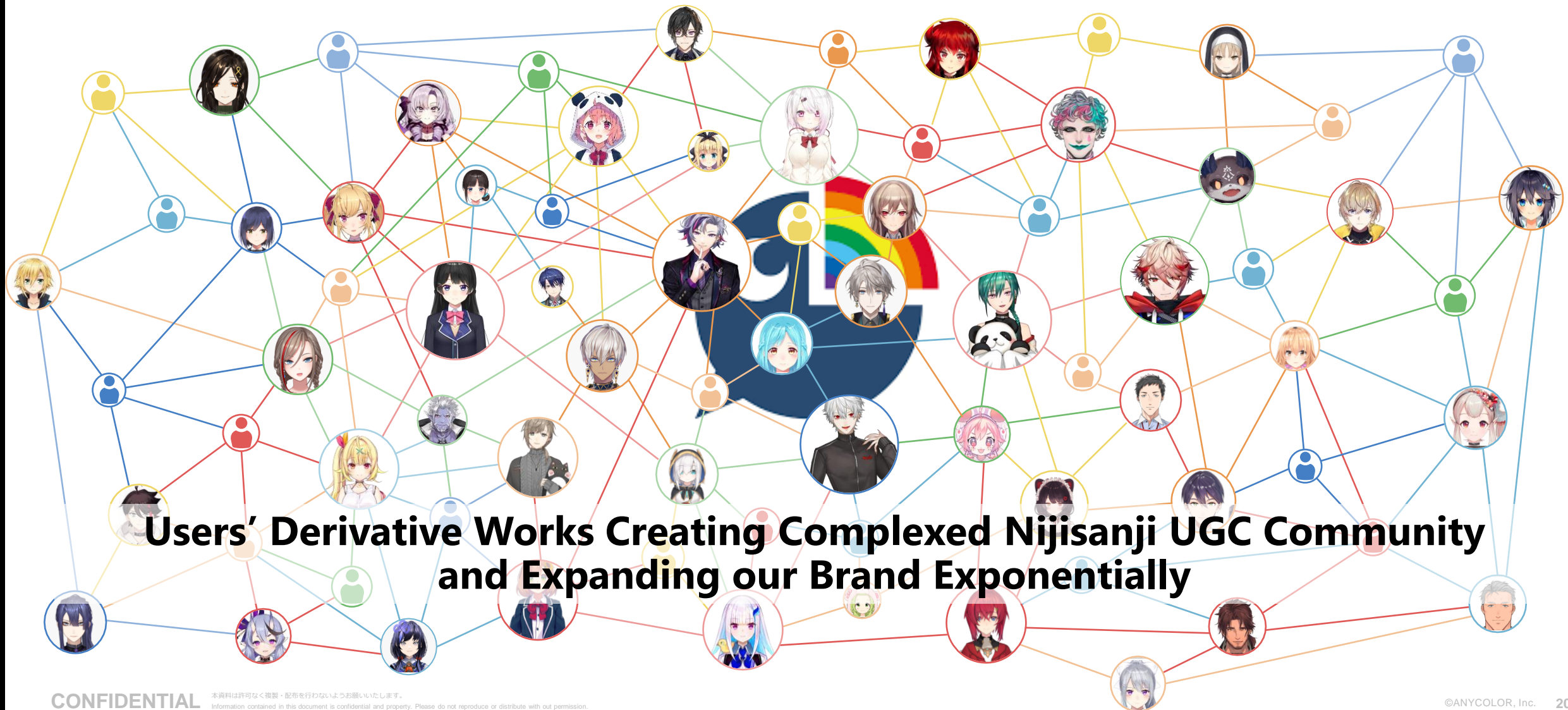
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Beginning

Connecting through Nijisanji = Brand Growth

2 Building Complexed NIJISANJI Community



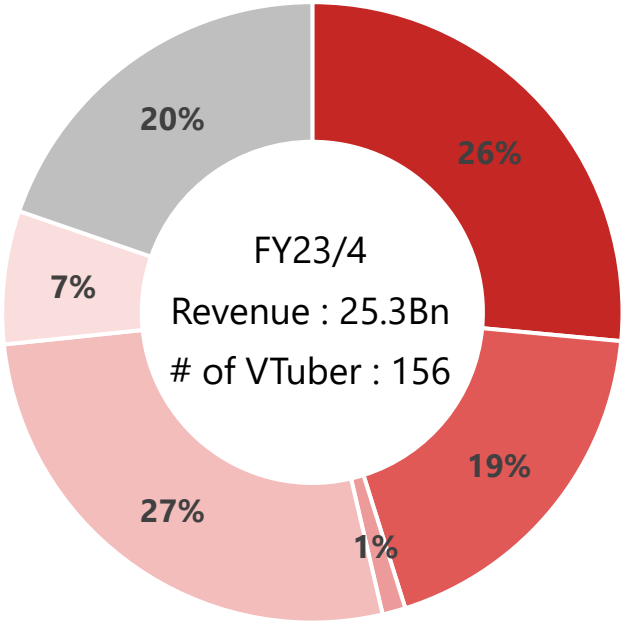
Users' Derivative Works Creating Complexed Nijisanji UGC Community and Expanding our Brand Exponentially

2 Stable Business Base with a Diversified Contribution



Revenue contribution by debut year⁽¹⁾

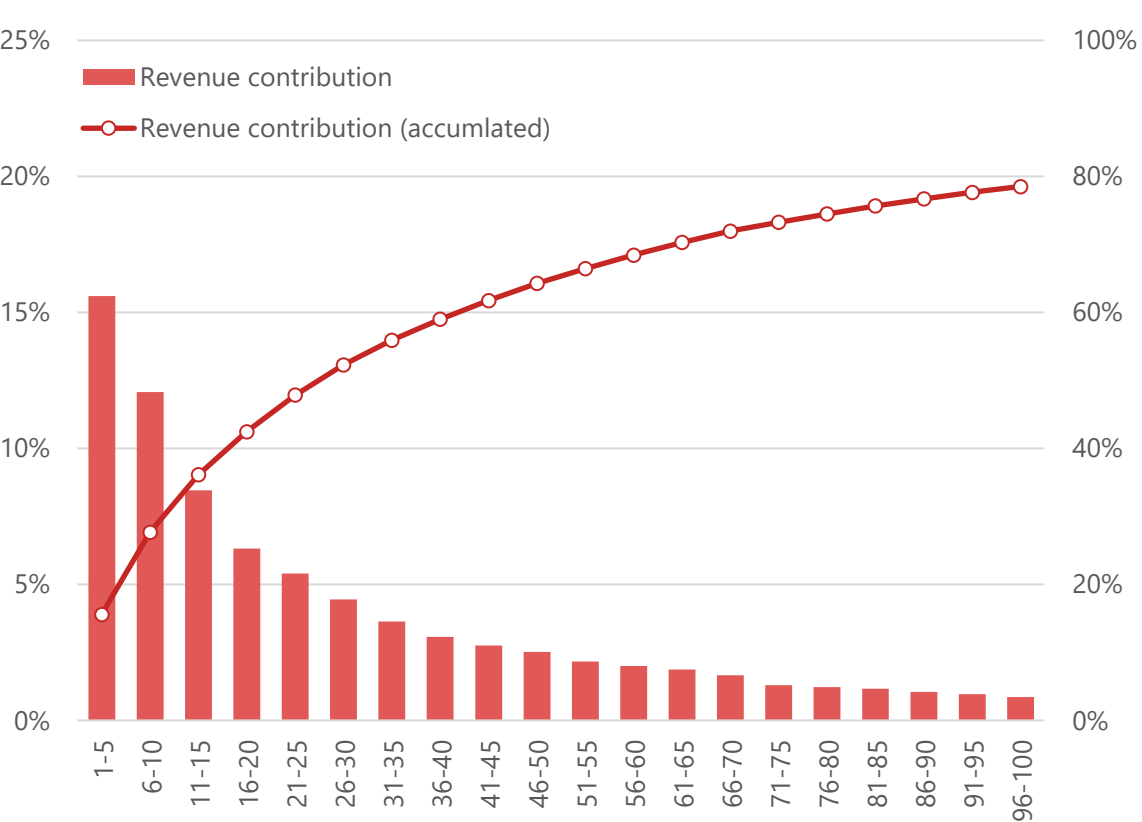
FY23/4 revenue



Debut before FY19/4 (61 VTubers)	Debut in FY20/4 (32 VTubers)	Debut in FY21/4 (6 VTubers)
Debut in FY22/4 (26 VTubers)	Debut in FY23/4 (31 VTubers)	Other

Revenue contribution per VTuber (Top 100 VTuber)⁽¹⁾

FY23/4 revenue

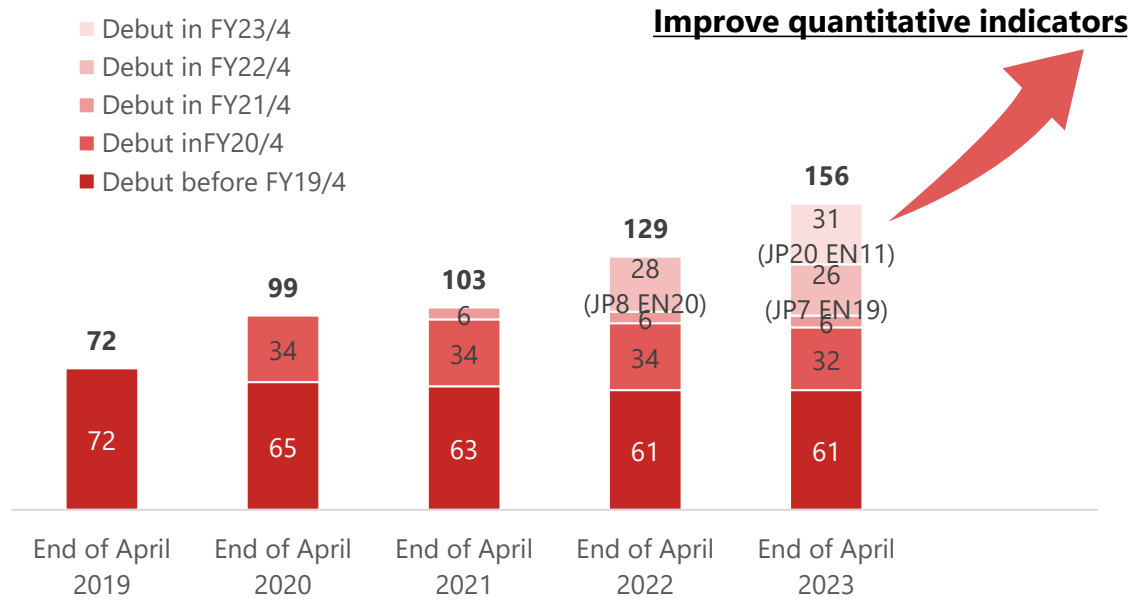


Notes:
1. Revenue prorated to each VTuber for YouTube, Official Store, Booth, Shopify, other wholesale sales, and promotion for FY2023.4. Other amount include the revenues that cannot be prorated to individual VTubers, event revenues, and revenues from VTubers active in Indonesia and South Korea.

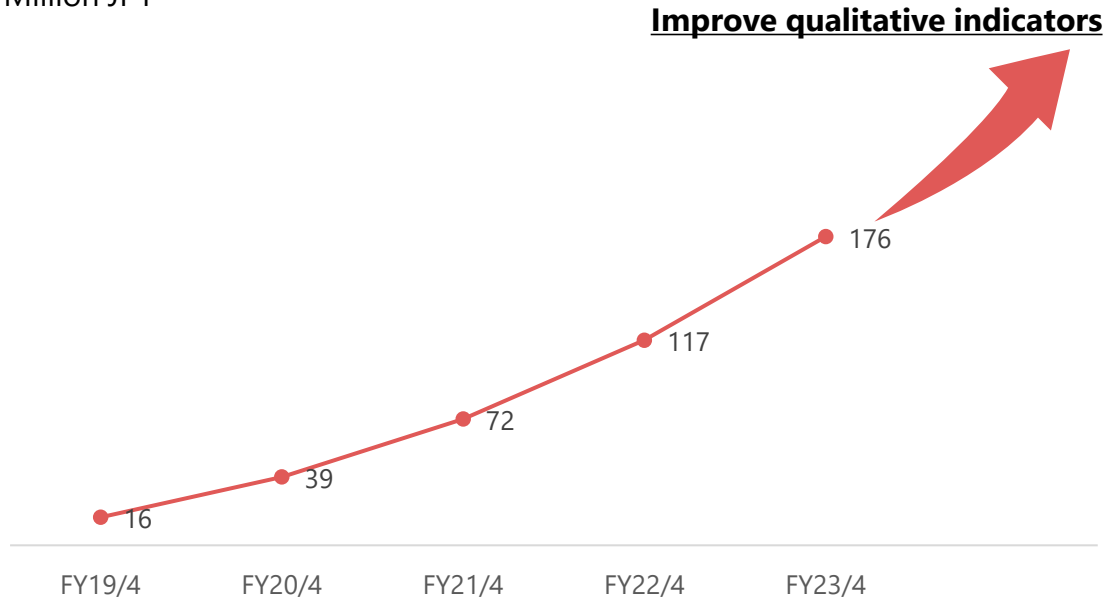
3 Sustainably Growing Ecosystem Through Content Creation



Number of VTuber



Revenue per VTuber⁽¹⁾ Million JPY



Approaches to improve the quantity and quality

VTuber Unit program to expand revenue opportunity

Virtual Talent Academy (VTA)

Various content production

Notes:
 1. Calculated by dividing revenue of NIJISANJI (JP) and NIJISANJI EN by the average number of active VTubers during the period.

VTuber Unit program to expand revenue opportunity

Forming a unit with multiple VTubers to create unit contents such as music, programs, events, merchandise, etc.

- ✓ Efficient approach since multiple VTubers can debut at the same time
- ✓ Expand new fan base and revenue opportunities by targeting each unit

Unit example : ROF-MAO

Music Contents



Expansion of recognition through increase of touch point



Video Contents



Expansion of viewers and fans through increase of time spent for VTuber



Merchandise etc.



Enhancement of fan engagement through various contents

3 Virtual Talent Academy (VTA)



Debut as a NIJISANJI VTuber after training period such as singing, acting, dancing, and contents planning, as well as mindset of a streamer

✓ System that can stably produce VTubers who can be active in the mid- to long-term through training and lessons



Since its establishment in June 2021, auditions have been held regularly to secure future NIJISANJI VTuber candidates

- June 2021: 1st VTA audition
- November 2021: 2nd VTA audition
- March 2022: Additional 2nd VTA audition
- June 2022: 3rd VTA audition
- October 2022: Additional 3rd VTA audition
- November 2022: 4th VTA audition
- March 2023: 1st Virtual Artist audition
- May 2023: 5th VTA audition
- November 2023: Three types of VTA auditions

3 Various content production

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Focus on expanding opportunities for VTubers to be active in various ways in addition to their usual distribution and content sales

- ✓ Expand fan base and revenue opportunities by leveraging the characteristics as a celebrity and influencer
- ✓ Expand fan base and revenue opportunities by leveraging IP and character

Expansion of content utilizing NIJISANJI VTubers

VTuber x Game
(Licence out)



VTuber x Music
(Single CD project)

FOCUS ON
-NIJISANJI SINGLE COLLECTION-

VTuber x Tournament
(30+ corporate sponsors)



VTuber x Promotion
(Attract visitors to parks)



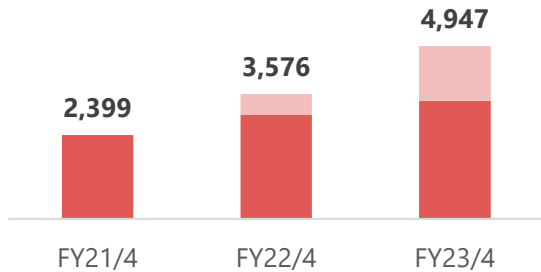
VTuber x Media
(Novel, Comic)



Live Streaming Revenue

Million JPY

■ NIJISANJI EN
■ NIJISANJI (JP)



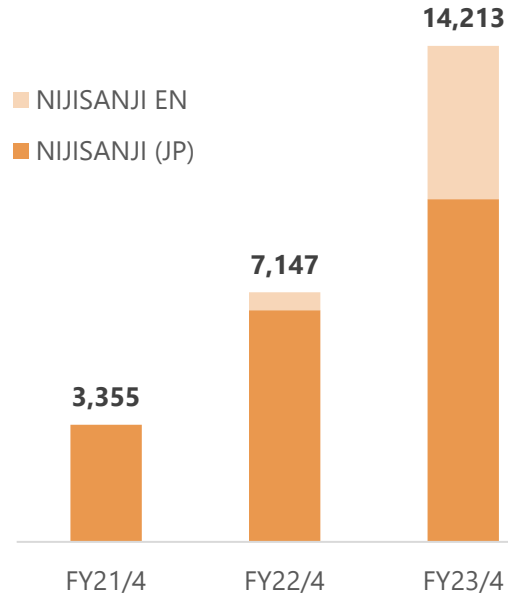
Major Cost Items

- Revenue share with VTubers
- Platform fee

Commerce Revenue

Million JPY

■ NIJISANJI EN
■ NIJISANJI (JP)



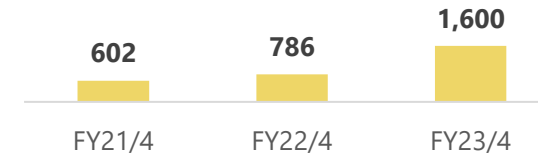
Major Cost Items

- Revenue share with VTubers
- Platform fee
- Contents(merchandise) related costs

Event Revenue

Million JPY

■ NIJISANJI EN
■ NIJISANJI (JP)



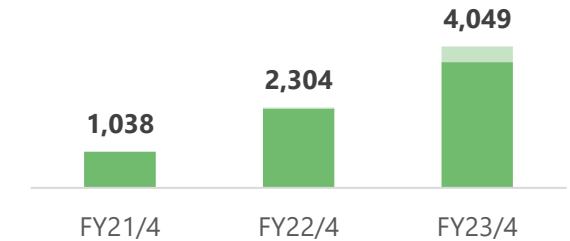
Major Cost Items

- Revenue share with VTubers
- Platform fee
- Event related costs

Promotion Revenue

Million JPY

■ NIJISANJI EN
■ NIJISANJI (JP)



Major Cost Items

- Revenue share with VTubers

4 Attractive Profitability Model

Historical Operating Margin

Million JPY

	FY21/4	FY22/4	FY23/4
Revenue	7,636	14,164	25,342
Cost of Sales	4,700	8,180	13,762
Direct Variable Costs	3,993	7,155	12,240
% of Revenue	52.3%	50.5%	48.3%
Other cost of sales	706	1,025	1,521
% of Revenue	9.3%	7.2%	6.0%
Gross Profit	2,936	5,984	11,580
Margin	38.5%	42.2%	45.7%
SG&A	1,484	1,793	2,170
% of Revenue	19.4%	12.7%	8.6%
Operating Profit	1,452	4,191	9,410
Margin	19.0%	29.6%	37.1%

- Includes cost items shown in previous page
- **Gross margin improvement through operational improvements**

- Includes expenses that are not proportional to sales growth, such as labor costs and office rent

- **Operating margin improvement through operating leverage**

Company Overview

A NEW MAGICAL EXPERIENCE. NEXT ENTERTAINMENT FACTORY

We use technology to **change entertainment**. We will continue to deliver **more free, more diverse and more detailed content**. We aim to deliver a magical new experience to the world.

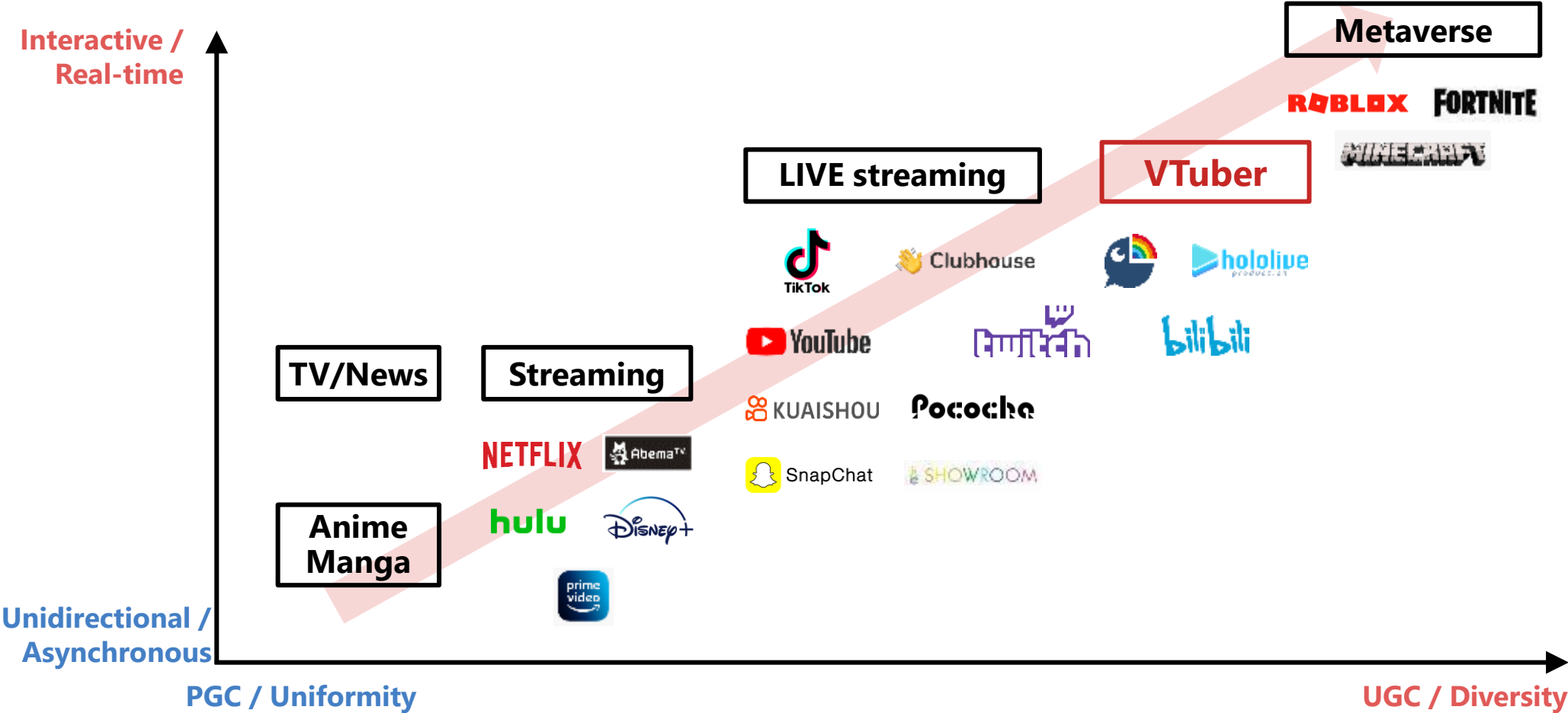
What follows is a new **"Entertainment Economic Zone"**.

The way people live and work will change dramatically in the near future.

The time has come to devote time to something more creative. At the same time, this is an age when **there is no barrier between users and creators**. A new cycle of consumption and creativity will accelerate the "Entertainment Economic Zone".

We will influence the daily lives of people around the world as an instigator of this new era.

Paradigm Shift in the Media Industry



Who is VTuber (Virtual YouTuber)?

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Character

Not Anime
Character

- ✓ More "human touch" than anime, leveraging motion capture technology
- ✓ Interactive communication through live streaming

Streamer

Not Idol

- ✓ Performs whatever you want in virtual world
- ✓ Excludes risks/ scandals related to personal

VTuber

Not
YouTuber

- ✓ Diverse and deeper background story of virtual character
- ✓ Develops business into commerce and tie-up ads as IP character



Celebrities & Influencers In Virtual World/METaverse

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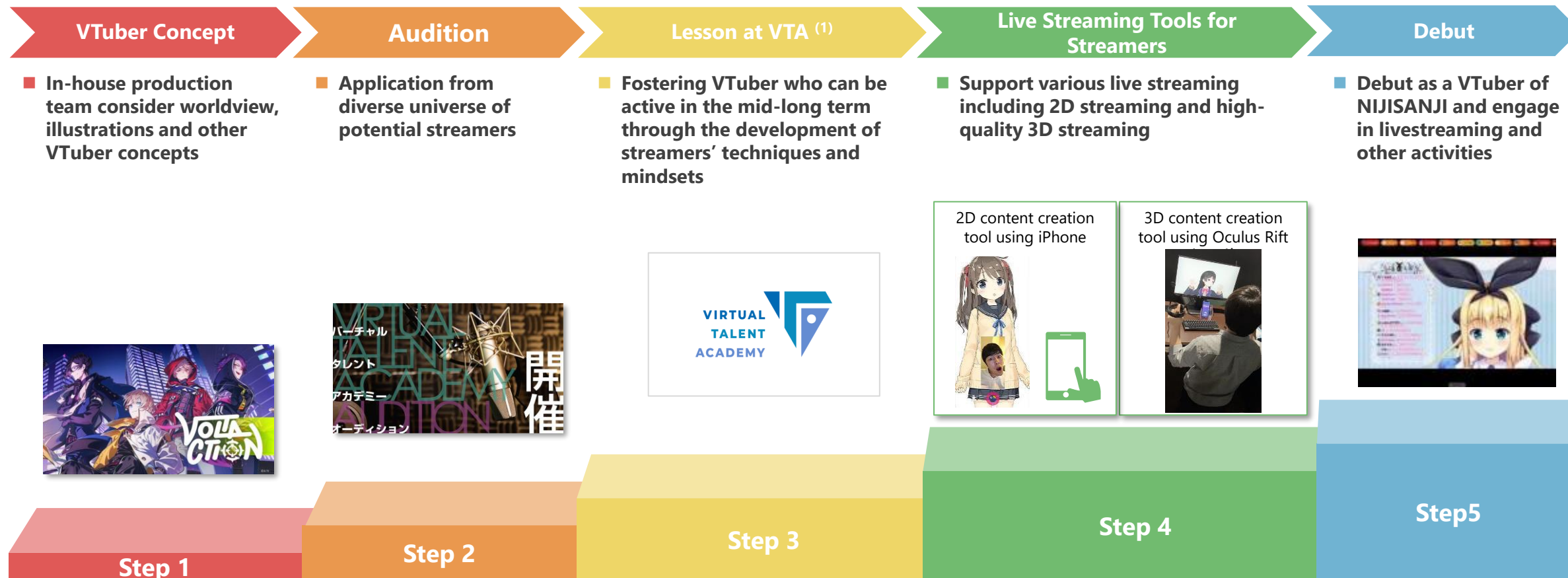
Building a Unique Ecosystem Leveraging Brand Power in a Virtual World

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Our Comprehensive Support System for VTuber

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Responsible party:

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Notes:

1. At this time, only NIJISANJI (Japan) is implementing the program.

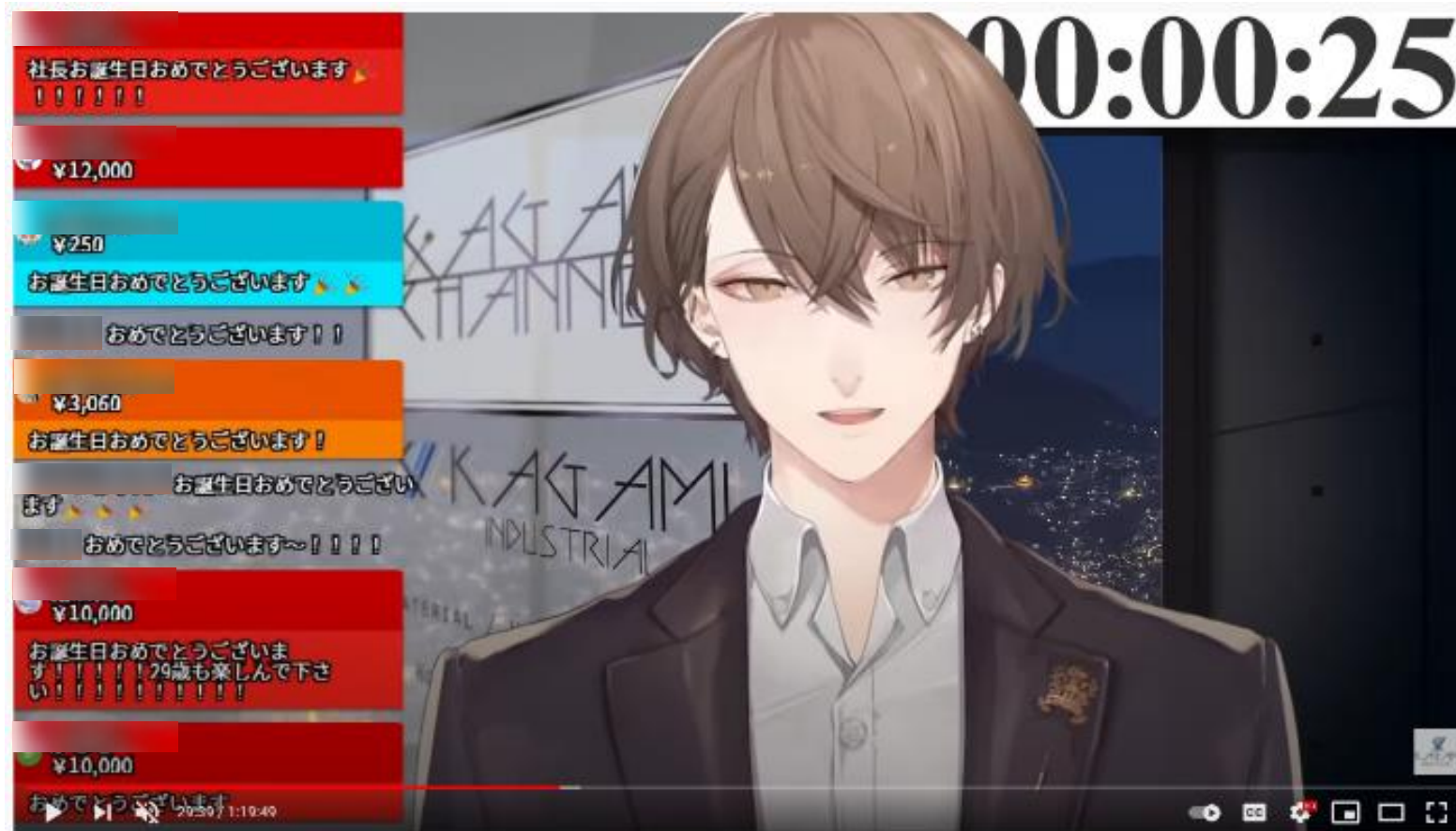
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VTubers

Strong User Stickiness with Sense of Belonging

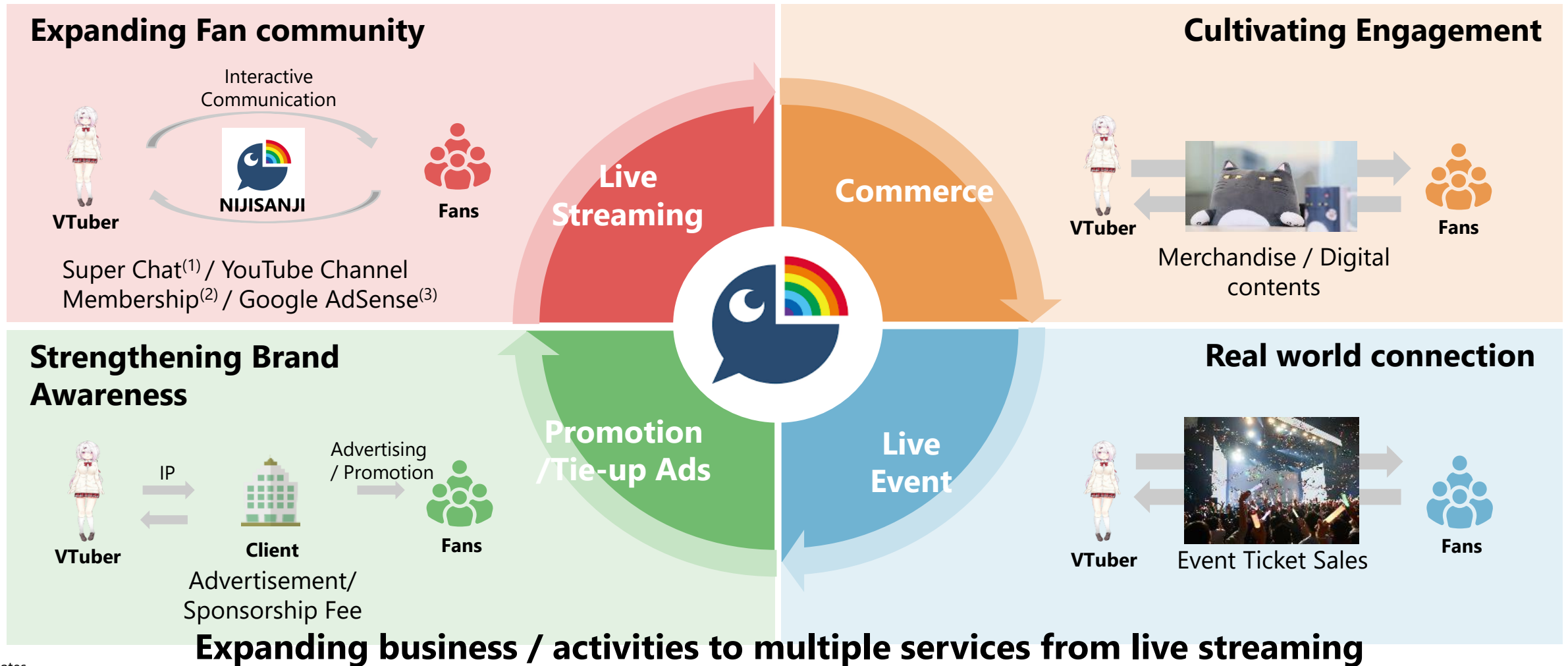
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- ✓ Daily livestreaming by each VTuber on mainly YouTube platform
- ✓ Deliver brand new interactive and real-time communication experience with VTuber
- ✓ Through communication with VTuber, build strong engagement with fans

NIJISANJI Unique Entertainment Ecosystem

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Notes

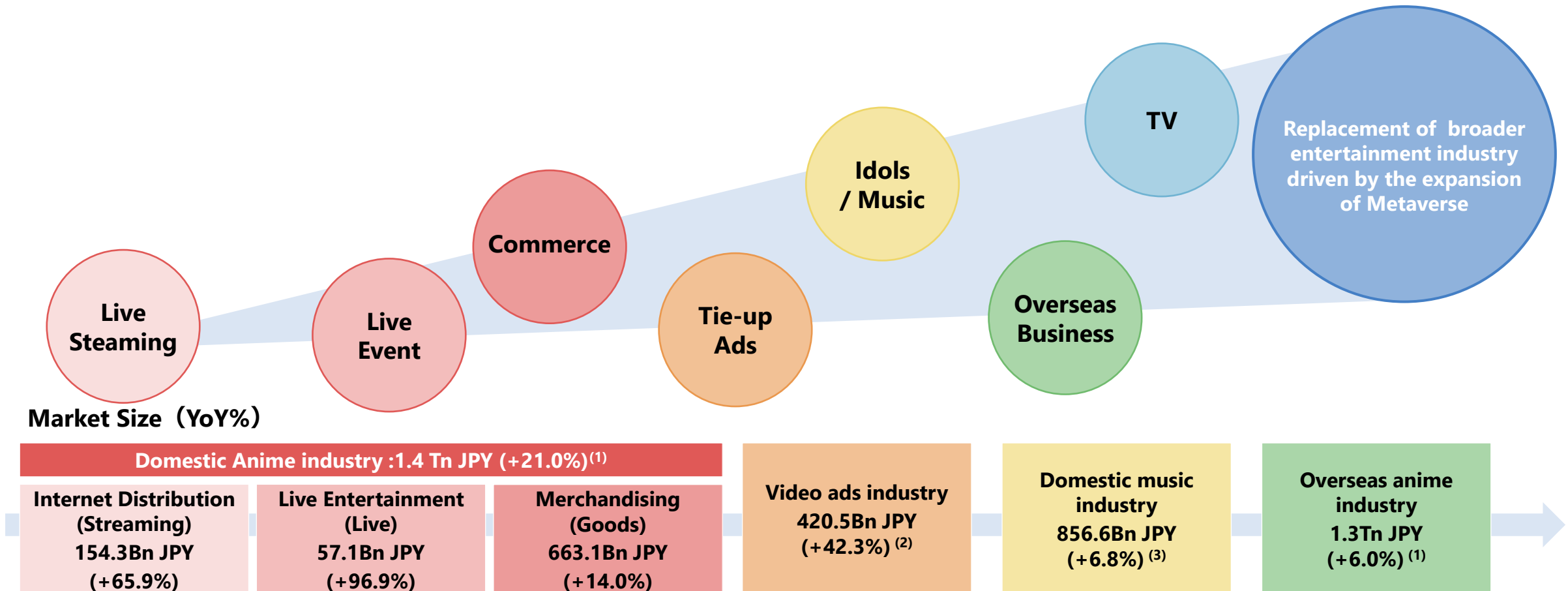
1. Super Chat is one of the features provided on YouTube live streams, which allows fans (viewers) to pay to pin their highlighted message in the chat stream so message stands out from the crowd to get Vtuber(streamer)'s attention
2. YouTube Channel Memberships are monthly subscriptions which allow users to pay for subscriptions to channels, allowing users to receive members-only features, such as access to exclusive videos, and benefits only available to subscribers
3. Revenue comes from receiving a portion of YouTube ads revenue which Google LLC received

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TAM Potential Driven by Expansion of VTuber Activities

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Source: Anime Industry Report 2022 Summary, The Association of Japanese Animations, Cyberagent, Digital Content Association of Japan,

Notes:

1. Anime industry includes each end-user revenue in 2021 for "TV", "Movie", "Video", "Internet Distribution", "Merchandising", "Music", "Overseas", "Internet Distribution", "Live Entertainment"
2. Video ads industry TAM was calculated by using the annual advertising costs of video ads in 2021 (Calculation was done by going through interviews with video ads industry-related operators, public information, data which is owned by the researching party and Digital InFact, Inc. and market size refers to ad expenses spent by advertisers)
3. Domestic music industry includes revenue for "Packaged software", "Network streaming", "Streaming for feature phone", "Karaoke", "Concert entrance", "Radio and related service" in 2021

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Appendix

Income Statement



Million JPY	FY2021.4	FY2022.4	FY2023.4	FY2023.4 Q2	FY2024.4 Q2
Revenue	7,636	14,164	25,342	11,973	15,488
YoY Growth	119.5%	85.5%	78.9%	92.2%	29.4%
Cost of Sales	4,700	8,180	13,762	6,715	7,759
% of Revenue	61.5%	57.8%	54.3%	56.1%	50.1%
Direct variable costs ⁽¹⁾	3,993	7,155	12,240	6,040	6,914
% of Revenue	52.3%	50.5%	48.3%	50.4%	44.6%
Other cost of sales ⁽²⁾	706	1,025	1,521	675	846
% of Revenue	9.3%	7.2%	6.0%	5.6%	5.5%
Gross Profit	2,936	5,984	11,580	5,258	7,729
Margin	38.5%	42.2%	45.7%	43.9%	49.9%
SG&A	1,484	1,793	2,170	948	1,246
% of Revenue	19.4%	12.7%	8.6%	7.9%	8.0%
Operating Profit	1,452	4,191	9,410	4,311	6,482
Margin	19.0%	29.6%	37.1%	36.0%	41.9%
Ordinary Profit	1,451	4,149	9,448	4,310	6,471
Margin	19.0%	29.3%	37.3%	36.0%	41.8%
Profit Before Tax	1,261	3,999	9,448	4,310	6,471
Margin	16.5%	28.2%	37.3%	36.0%	41.8%
Net Income	937	2,793	6,699	2,988	4,499
Margin	12.3%	19.7%	26.4%	25.0%	29.0%

Notes:

1. Includes fees paid to VTuber, various platform fee, and cost of merchandise and event related sales

2. Employee costs, office rent, outsourcing, and other expenses accounted for cost of sales

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Balance Sheet



Balance Sheet

Million JPY	FY2021.4	FY2022.4	FY2023.4	FY2024.4 Q2
Current Assets	5,671	8,498	17,572	21,219
Cash and Deposits	3,628	5,861	12,483	16,049
Accounts Receivables	1,395	2,070	3,578	3,139
Non-Current Assets	1,009	856	901	872
Total Assets	6,680	9,353	18,474	22,091
Current Liabilities	2,584	2,724	5,059	4,070
Debt	443	247	159	117
Non-Current Liabilities	570	310	156	100
Debt	570	310	156	100
Total Liabilities	3,155	3,035	5,215	4,169
Net Assets	3,526	6,319	13,259	17,922

Cash Flow

Million JPY	FY2021.4	FY2022.4	FY2023.4	FY2024.4 Q2
Cash flow from operating activities	1,350	2,718	6,723	3,549
Cash flow from investing activities	(758)	(35)	(103)	(50)
Cash flow from financing activities	544	(456)	0	65
Net change in cash and cash equivalents	1,137	2,232	6,623	3,565
Cash and cash equivalents at beginning of period	2,492	3,628	5,861	12,483
Cash and cash equivalents at end of period	3,628	5,861	12,483	16,049

Disclaimer



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