

Results Briefing Materials for Fiscal Year Ended December 2022

THECOO Inc. TSE Growth: 4255

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(Formerly Corporate Agency Sales)
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01 / Executive Summary

Summary of Results for the Fiscal Year Ended December 31, 2022 (FY2022)

- Net sales and operating profit ended up to surpass the earnings forecast announced in November, but profit was negatively impacted by impairment losses.

Company-wide

Net sales: 4,279 million yen **+22.9% YoY**

Sales after factoring in recording at gross amounted to 4,775 million yen, surpassing the beginning-of-period forecast of 4,600 million yen by 3.8%.

Operating profit: -212 million yen **-111 million yen YoY**

SG&A expenses grew larger than the budget, and gross profit margin dropped due to product mix changes, but improvement was seen in December on a single month basis.

Profit: -488 million yen **-379 million yen YoY**

Recorded 260 million yen in impairment losses of non-current assets for certain business assets.

Fanicon business

Number of Icons: 2,474 +11.8% YoY

Number of fans: 211,000 +31.5% YoY

Solid growth was achieved from the previous fiscal year in these important KPIs for the Fanicon business.

Digital Marketing business (Corporate Agency Sales business)

Both net sales and profit grew steadily to achieve the earnings forecast.

02 / Company Overview and Business Profile

Mission

Partner in the current transformation

THECOO Inc. stands against the status quo.

We break through a state of resignation, which is the result of thinking that “it’s not cool to be passionate about something,” that “there’s nothing to be gained,” and that “our efforts will not be rewarded,” so “we should keep doing what we’re doing.”

We want to be a company that possesses the spirit to spark a transformation for this purpose.

From status quo to the current transformation.

We help others launch new businesses and create what they can really be passionate about.

We act as your partner in promoting your current transformation.

Vision

“Keep Challenging to Make the Impossible Possible”

It is of utmost importance to keep challenging to accomplish a mission.

So where do we take on those challenges?

We believe that unexplored fields, which no one has ever reached, are the answer.

They may be unexplored because “they have been regarded as impossible.

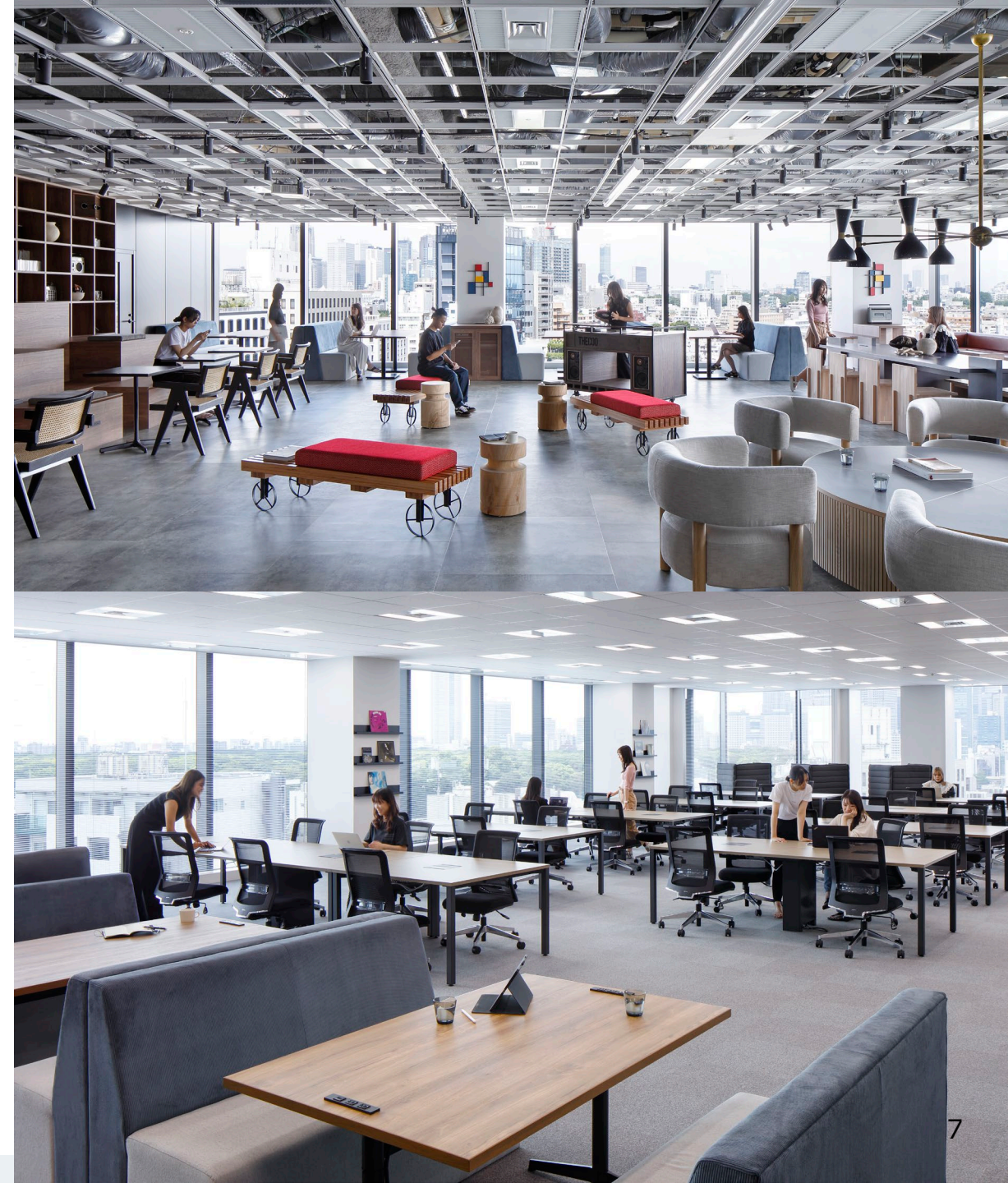
They may be unexplored because “common sense says they’re inconceivable.”

In other words, believing something is “impossible” is why such areas remain untouched.

We aim to be a company, an organization, and people who leverage technology to confront and challenge the “impossible.”

Company Overview

Name:	THECOO Inc.
Representative:	Masato Taira, President and CEO
Established:	January 2014
Share capital:	758 million yen (as of December 31, 2022)
Date of listing:	December 22, 2021
Location:	2-34-17 Jingumae, Shibuya-ku, Tokyo
Number of executives and regular employees:	124 (as of December 31, 2022, excluding temporary (part-time) employees)
Our services:	Digital Marketing business (Corporate Agency Sales business), Fanicon business
Fiscal year end:	December
Listed market:	TSE Growth



Two Core Businesses

- Two core businesses covering BtoB and BtoC.
- Sharing data, customer base and expertise, etc.

Core business (profit generating business)



Digital Marketing business

(formerly Corporate Agency Sales)

The business conducts influencer sales business that leverages YouTubers and Instagrammers to support influencer marketing measures, and online advertising business that provides consulting services for pay-per-click (PPC) advertising and social media management.

BtoB

Growth businesses (upfront investment business)



Fanicon business

Fanicon is a fan community app available on its website and Android/iOS stores. It offers such original functions as chat, live-streaming and online lottery, as well as functions available in conventional fan clubs, including settlement and ticket sales.

BtoC

Core business (profit generating business)

Digital Marketing business (formerly Corporate Agency Sales)

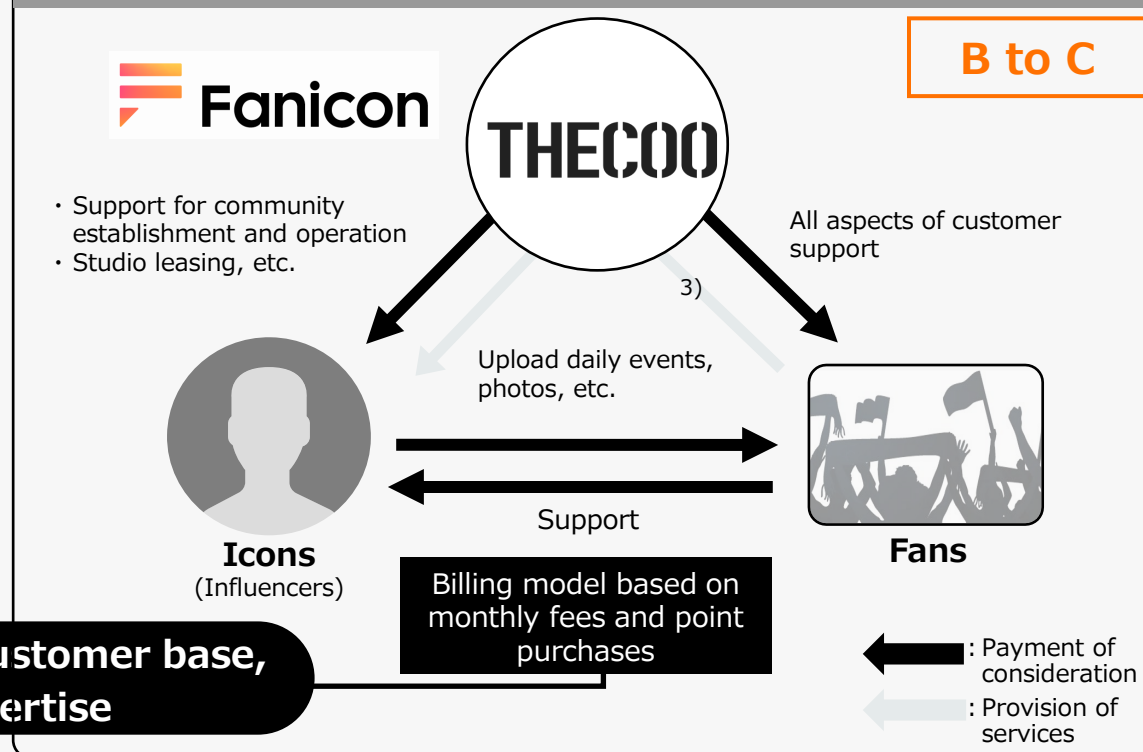
This business comprises an influencer sales business that leverages YouTubers and Instagrammers in support of influencer marketing measures, and an online advertising business that provides consulting services for pay-per-click (PPC) advertising, including official social media account management and listing ads.



Growth businesses (upfront investment business)

Fanicon business

The operation of a membership-based fan community platform centered on Fanicon, where icons¹⁾ and their fans²⁾ work together to enhance the activities of icons.
Fanicon = Fun + Icon



Notes:

1) "Icons" refers to community owners and operating entity.

2) "Fans" refers to joining these communities and paying monthly fees.

3) Revenue received from fans consists of monthly usage fees, point purchases, e-commerce sales, etc.

4) "Reporting" refers to periodic reports on advertising management. This includes the cost to place ads, acquisition costs, and advertising management methods.

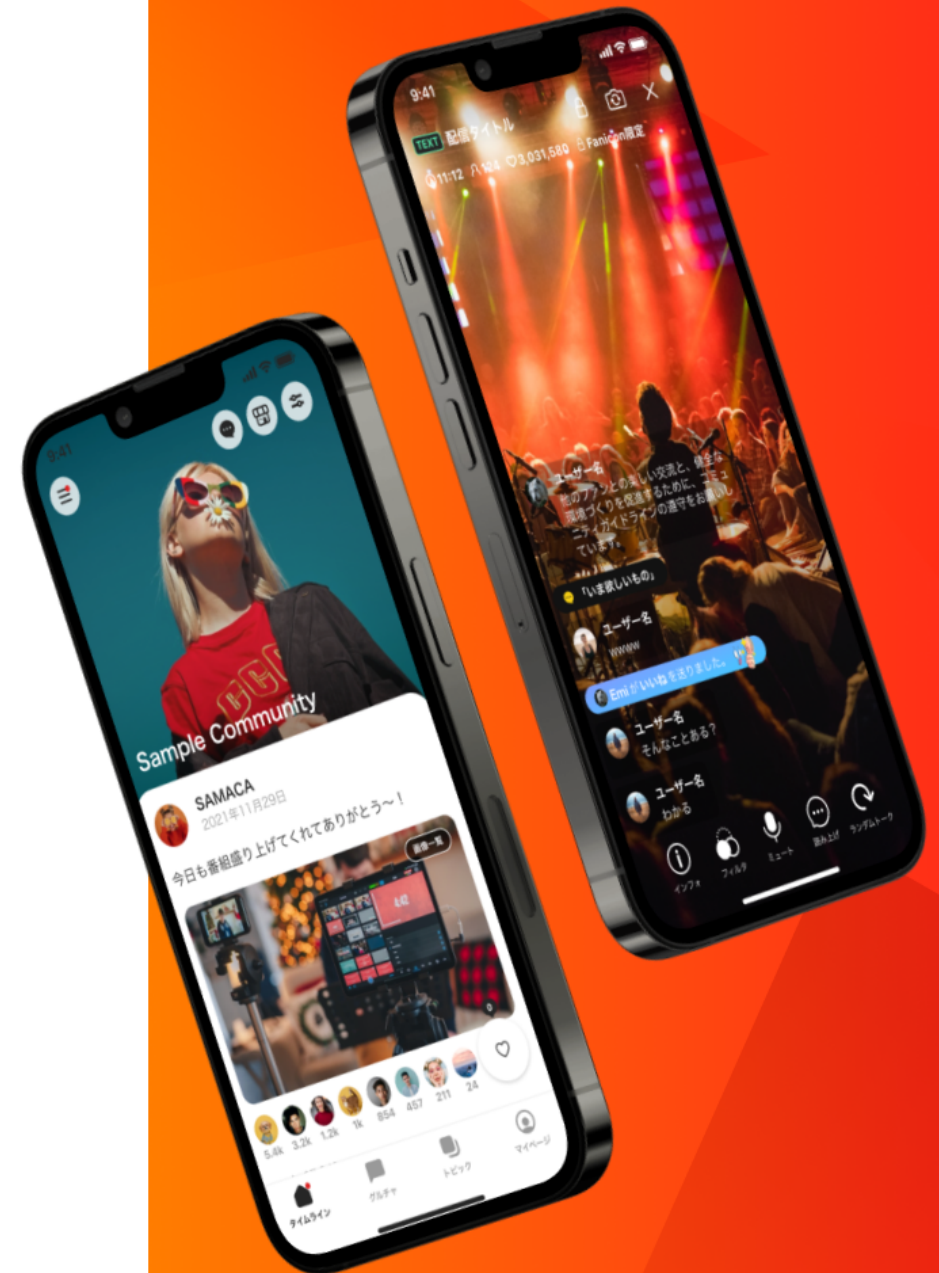
Fan Communities of a New Era

Continuously support the ones we love in interactive communities.

Fanicon is the app for a fully fee-based, fully membership-based fan community platform developed and operated by THECOO. Artists and influencers are called “icons” and set up their own communities on Fanicon. Their fans join such communities by paying membership fees.

Fanicon is characterized by its interactivity. In conventional fan clubs, newsletters and other contents prepared by icons are enjoyed by their fans only unilaterally. Such one-way dissemination of information can sometimes be a burden to the operation of icons, and they may have to spend less time on their primary activities (as musicians, etc.).

Offering a scheme that allows fans and icons to mutually disseminate contents, Fanicon aims to create a venue to support truly sustainable activities among them.



Why Purely Fee-Based and Full Membership System?

- There is a reason why we dare to choose a membership system when “typical services” are open and free-of-charge.
- Making it a purely fee-based and full membership system will contrarily increase loyalty and lead to sustainable activities.



Retain fans

Evolving from “fans” who simply enjoy the content to members of one community. An increase in the sense of belonging leads to a decrease in the attrition rate.



Establish a stable revenue base

A monthly subscription-based membership system provides a stable revenue base. A wide variety of pay-per-use elements allows for maximization of revenue.



Psychological security

Making it purely fee-based ensures that the space is guaranteed to exist only for particularly enthusiastic fans. It allows for safe interaction and heightens fan enthusiasm.

Examples of Icons that Use It (excerpts)

- Fanicon communities have been opened by Icons from a wide range of categories including idols, artists, actors, musicians, celebrities, YouTubers, sports teams, and K-pop idols.



MUCC



I Don't Like Mondays



Seikima-II



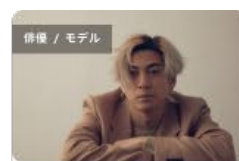
ARUKARA



**Atsushi Horie
STRAIGHTNER**



**Mao
SLD**



**Yuki
Izawa**



**Seiya
Konishi**



**All Japan Pro
Wrestling**



ukka



**Minami
Takahashi**



**Minami
Minegishi**



**Moe
Ito**



**Hajime
Syacho**



@Azuki



YOKARO-MON



DOZLE Corp.



Kodai Matsuura

ポルカドットステイングレイ / ネクライトーキー / POLYSICS / 小室哲哉 / access / 宇野実彩子 (AAA) / 大木伸夫 (ACIDMAN) / 赤澤遼太郎 / 小西成弥 / 阪本奨悟 / 小南光司 / 井澤勇貴 / 鈴木福 / のん / 木崎ゆりあ GANGPARADE / Devil ANTHEM. / 渡辺美優紀 / RAB リアルアキバボーイズ / 帝国プリンスキングダム〜ぷりだむ〜 / カンコンキンシアター (関根勤) / Popteen / ふにゃっしー 他

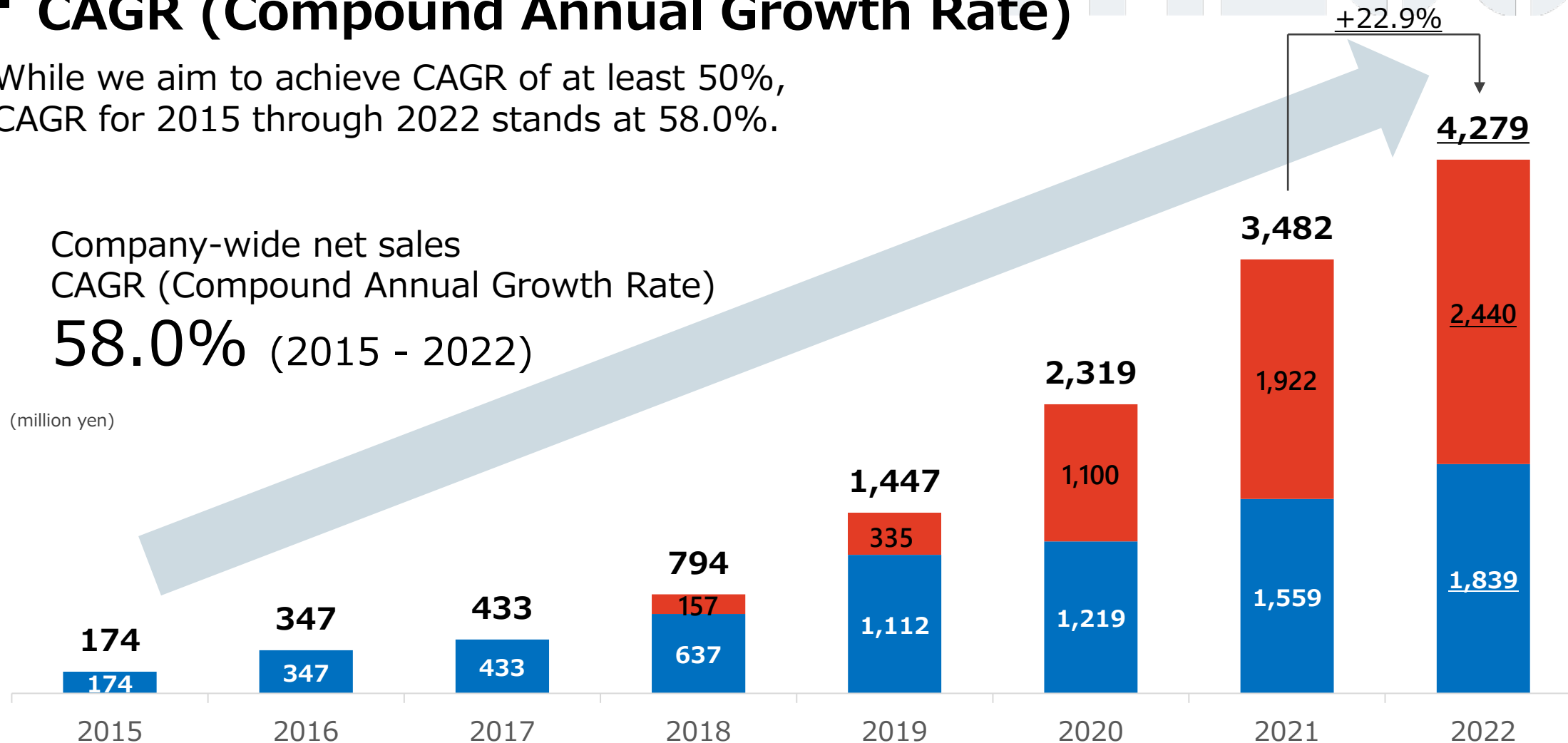
03 / FY2022 Full-Year Results and Medium- to Long Term Outlook

Company-Wide Net Sales: CAGR (Compound Annual Growth Rate)

- While we aim to achieve CAGR of at least 50%, CAGR for 2015 through 2022 stands at 58.0%.

Company-wide net sales
CAGR (Compound Annual Growth Rate)
58.0% (2015 - 2022)

(million yen)



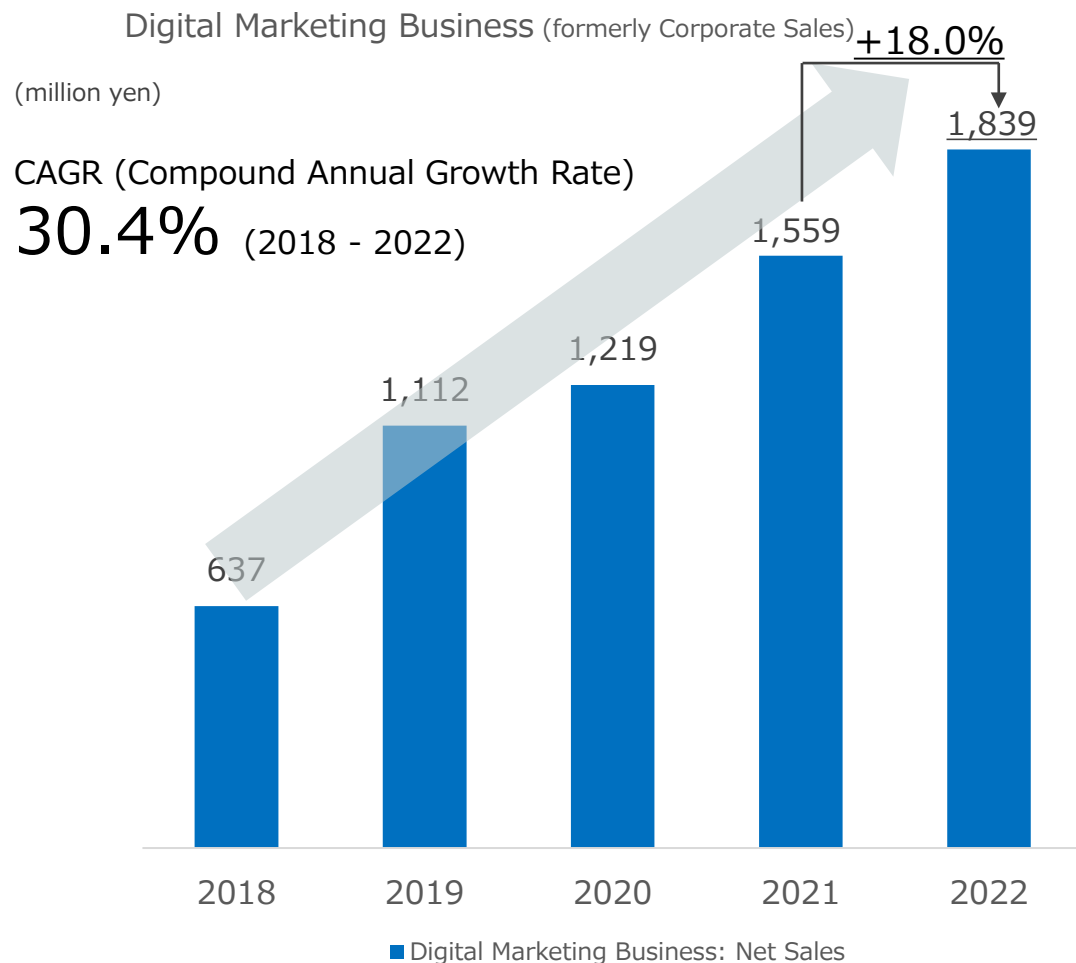
■ Digital Marketing (Corporate Agency Sales)

■ Fanicon

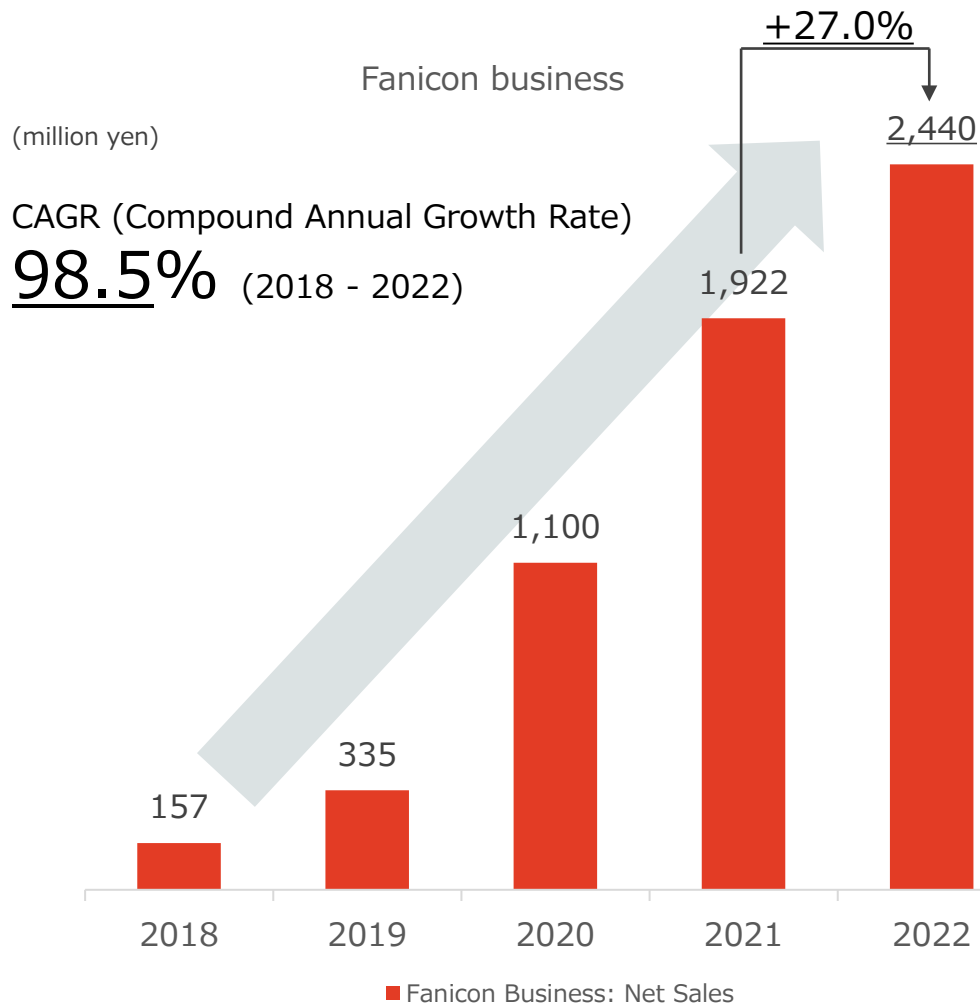
Net Sales Trends by Business (Full-Year Results)

- Digital Marketing business (formerly Corporate Agency Sales), which is the core business, continued to grow stably.
- Fanicon business, the growth business, maintained strong growth with CAGR standing at 98.5%.

Core business (profit generating business)

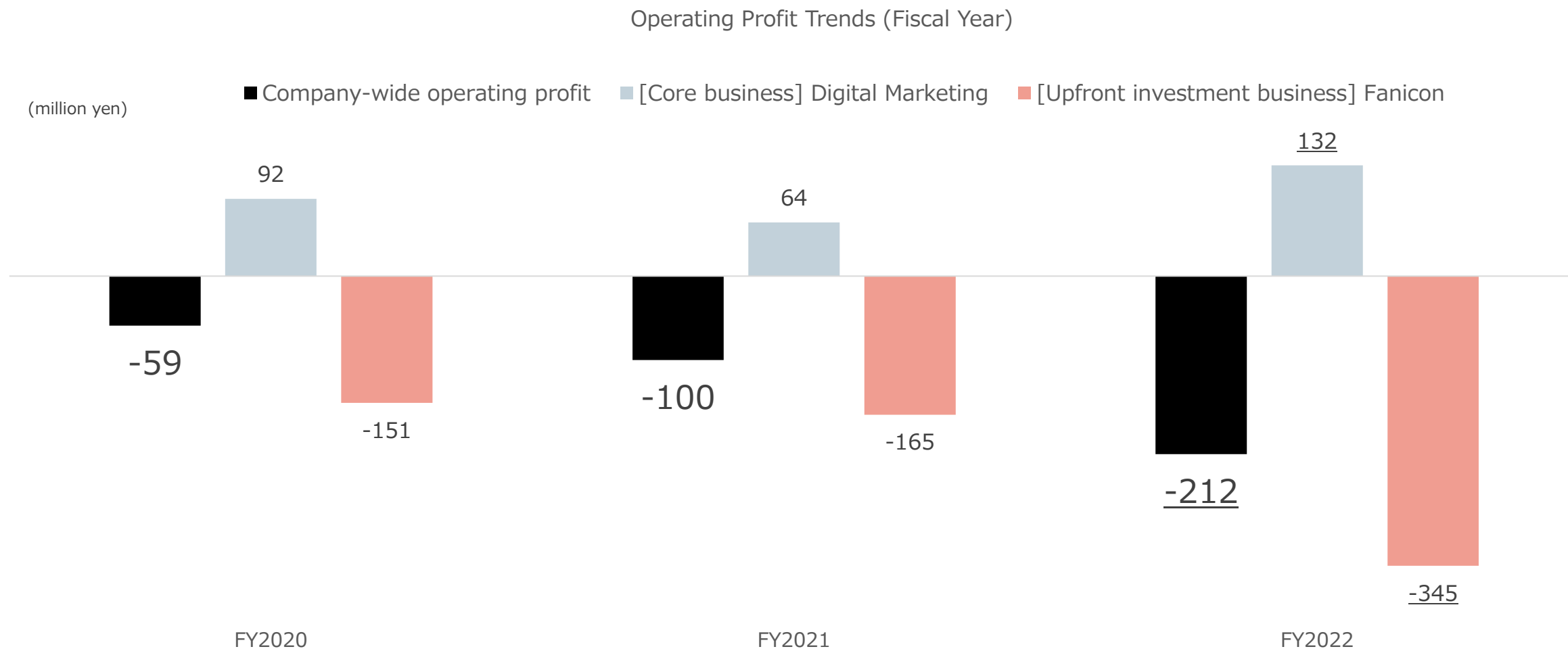


Growth businesses (upfront investment business)



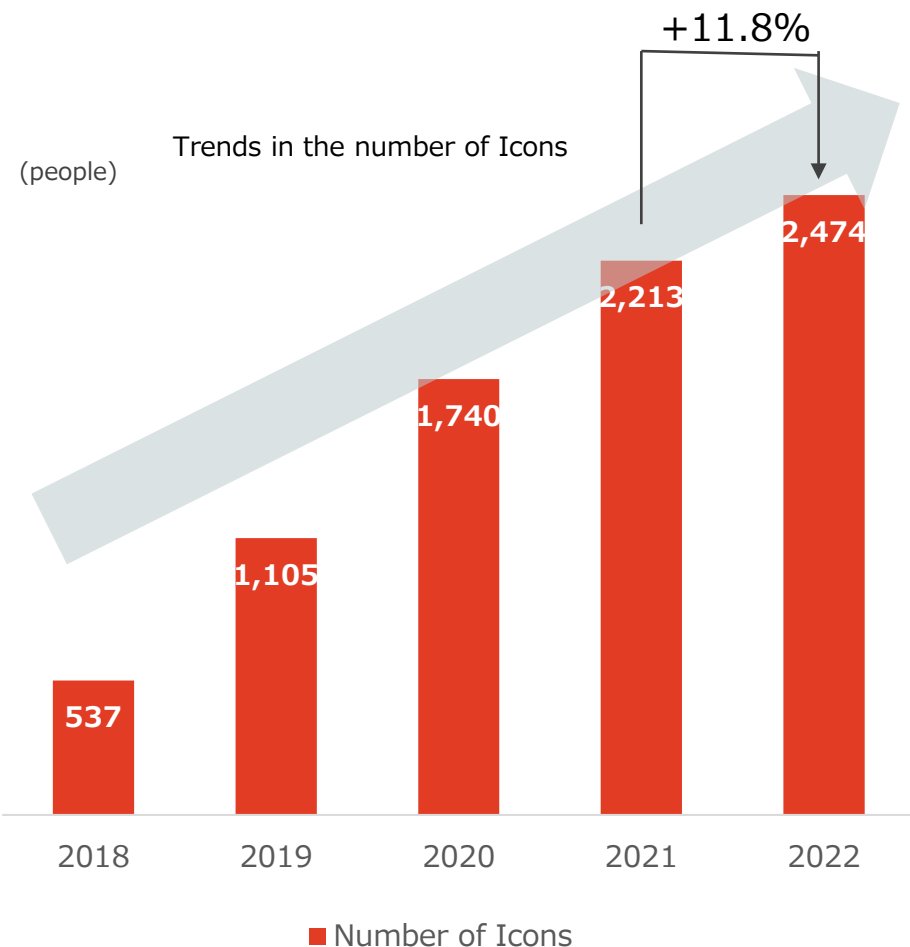
Operating Profit Trends (Full-Year Results)

- Digital Marketing business, the core business, kept securely contributing to profit.
- For the Fanicon business, the upfront investment business, continued working to strengthen management systems and staff recruitment.

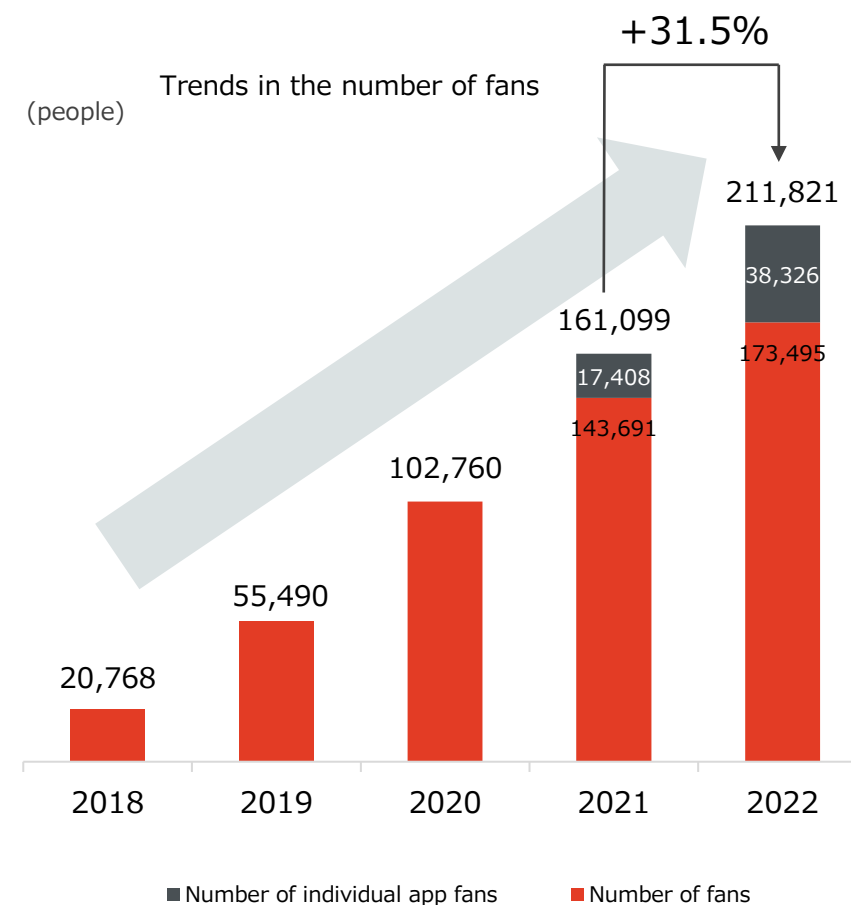
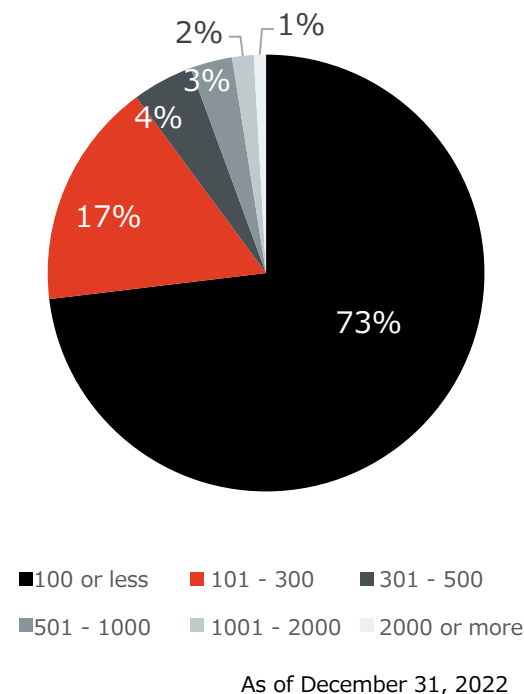


Fanicon Business: KPI (Full-Year Results)

- In terms of the number of Icons, acquisition of Icons with a large fan base was slightly slower than expected.
- The number of fans of existing Icons is also on an upward trend.



Community distribution by number of fans



Review of Fiscal Year Ended December 2022

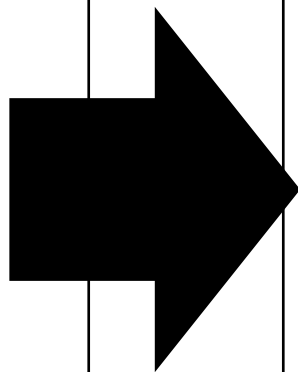
- For FY2022, downward revision to earnings forecast was made in Q3. Fanicon business: point sales, which feature high profitability, headed for recovery in 4Q, benefiting from seasonal factors as a tailwind

				FY2022 assessment	Remarks
Business	Digital Marketing business (Formerly Corporate Agency Sales business)	Increase in the number of projects	Structure lead nurturing	◎	Marketing and inside sales were strengthened to start stable operations
			Increase acquisition of overseas projects	○	The number of projects rose only slightly but transaction amounts with foreign-registered companies increased
		Hybrid strategy with Fanicon business	Leverage assets to propose tie-up measures and new services	△	Attempted on several cases but failed to proactively implement them. Will continue attempts in 2023
	Fanicon business	Acquisition of Icons (fans)	Reinforce marketing and inside sales structure	○	Various attempts were made to acquire leads for Icons with a medium-size fan base, but effects were limited as they were conducted behind schedule
			Develop overseas (South Korean) market	○	A full-time staff stayed in South Korea for a long time to gather information Several South Korean artists started using Fanicon
		Evolution of products	Fortify customer success structure and expand platform functionality	×	Fortification of customer success structure and expansion of functionality remained insufficient
			Lead fan business online by embracing the Web3 concept	×	Took a trial and error approach in various forms for launching new services, but fell behind schedule more than expected
	Investment	Acquisition of human resources	Recruit talented people in support of growth	○	Recruitment was conducted smoothly for the Digital Marketing Division and the back offices
		Sales promotion expenses	Acquire Icons Implement measures, produce merchandise and conduct other efforts to maintain high community engagement	△	Acquisition of Icons with a large fan base was behind schedule Began structuring the production of goods

Progress in Measures for Improving Profit Margin

Measures that started in 4Q FY2022

- (1) Review rates and operations for low-margin products such as e-commerce and ticket sales
- (2) Strengthen management systems
- (3) Strengthen staff recruitment



Progress status

- (1) Profit margin improved in December as efforts for improvement proved effective
- (2) Assigned a full-time management staff to start strengthening the systems
- (3) Reinforced the mid-career recruiting team
3 persons → 8 persons
(as of February 2023, including concurrent positions)

Summary of Operating Results for FY2022 (Compared with Plan)

- If continued to be recorded at gross, sales would have been 4,775 million yen to surpass the beginning-of-period forecast of 4,600 million yen.
- As the Company grew rapidly over the past few years, it has been found that certain back end tasks are inadequately conducted, especially in the Fanicon business. Running behind on operations and controlling of non-subscription income and expenditures led to lower profit margin.
- Operating profit improved in 4Q due to recovery in point sales, etc., benefiting from seasonal factors as a tailwind especially in December.
- Recorded 260 million yen in impairment losses of non-current assets, mainly for the studio, due to the Fanicon business delaying in turning profitable.

(million yen)	Net sales	Operating profit	Ordinary profit	Profit
FY2022 actual results (A)	<u>4,279</u>	(<u>212</u>)	(<u>210</u>)	(<u>488</u>)
Forecast announced on Nov. 11 (B)	4,200	(250)	(250)	(300)
Change (A-B)	<u>+79</u>	<u>+38</u>	<u>+40</u>	(<u>188</u>)
Change rate (%)	<u>+1.9%</u>	-	-	-
(Reference) Previous fiscal year results Fiscal year ended Dec. 2021	3,482	(100)	(119)	(109)

Details of Extraordinary Losses Recorded for FY2022

- The book value of the business assets related to the Fanicon business was reduced to a collectible amount, and 260 million yen was recorded as impairment losses under extraordinary losses, because operations of the Fanicon business continue to incur losses although the business is expected to grow going forward.

Use	Type	Amount (million yen)
Fanicon business Business assets	Buildings	119
	Machinery and equipment	94
	Tools, furniture and fixtures	15
	Software	24
	Software in progress	5
	Total	260



**Promoting digitalization of the
entertainment industry with the goal of
achieving sales of 10 billion yen**

Policies for FY2023

Expand the organization at a growth rate of approx. 50% or more from the previous fiscal year by the end of 2023.

Ensure significant growth over the medium to long-term.

	Policies for FY2023	Specific measures
Digital Marketing business	Aim to position ourselves as an agency that covers the entire social media marketing domain, not limited to influencer casting	<p><u>Specifically promote the following in order to further strengthen our industry positioning</u></p> <ul style="list-style-type: none"> • Increase our presence by reinforcing the content/information we disseminate, such as white papers and seminars • Enable us to make data-driven proposals by reinforcing development of iCON Suite, an influencer database
Fanicon business	<ul style="list-style-type: none"> • In order to realize “With Fan More Fun,” enhance our services and products to be loved by everyone involved, and promote the digitization of the entertainment industry as a whole 	<p><u>Against the backdrop of rapid expansion and growth prioritized in the past few years, we need to re-construct back-end tasks and operations, and specifically promote the following:</u></p> <ul style="list-style-type: none"> • Diversify products and services • Stabilize and reinforce streaming and distribution • Conduct even further digitization of CS measures, etc. • Improve operations • Launch of new services
Company-wide	Create synergies between the two businesses	
Investment	<ul style="list-style-type: none"> • Enhance public recognition of our services • Recruit 60 or more staff annually • Take cross-departmental measures for internal revitalization 	<ul style="list-style-type: none"> • Enhance human resources management systems • Promote internal controls • Conduct budget and actual results management

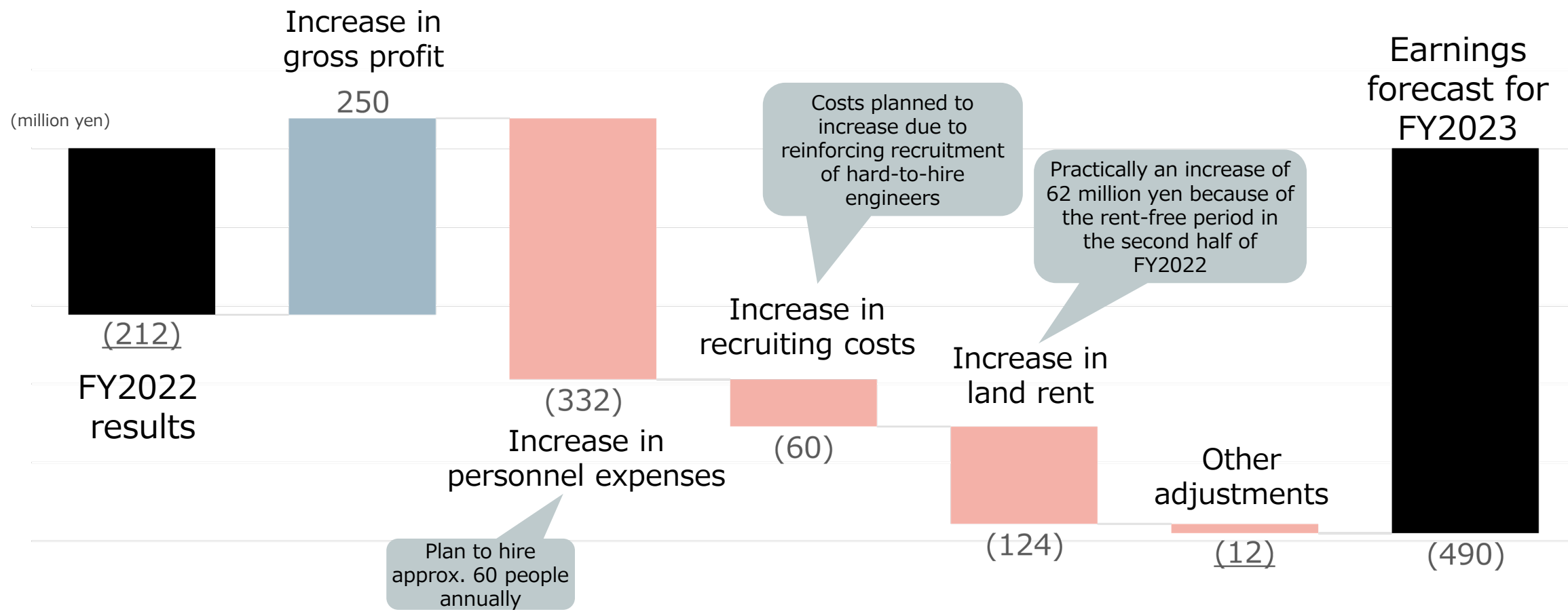
3-10 Earnings forecast for FY2023

FY2023 is positioned as a period of upfront investment in order to secure significant growth over the medium to long term.

(million yen)	Net sales	Operating profit	Ordinary profit	Profit
Earnings Forecast for FY2023 (A)	5,200	(490)	(490)	(490)
FY2022 actual results (B)	<u>4,279</u>	(<u>212</u>)	(<u>210</u>)	(<u>488</u>)
Change (A-B)	+ <u>921</u>	(<u>278</u>)	(<u>280</u>)	(<u>2</u>)
Change rate (%)	+ <u>21.5</u> %	-	-	-
(Reference) Previous fiscal year results FY2021	3,482	(100)	(119)	(109)

Thinking behind Operating Profit Forecast for FY2023

Strengthen recruitment with an eye to achieving growth over the medium to long term.



Reasons Why FY2023 Is a Period for Investment

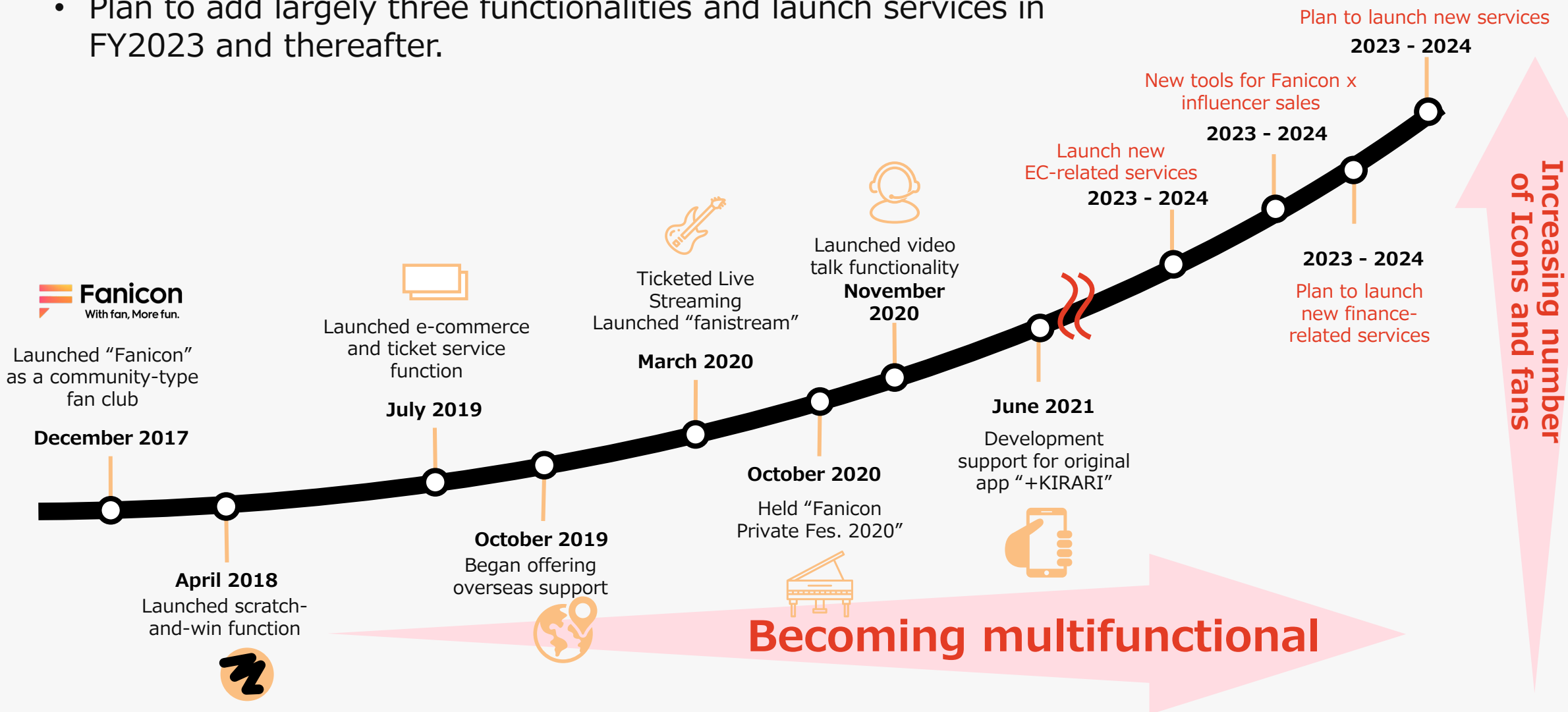
Thinking behind Our Approach to FY2023

For the Digital Marketing business, which will continue to make a stable contribution to profits as the core business, increase the staff with an aim to more aggressively expand market share

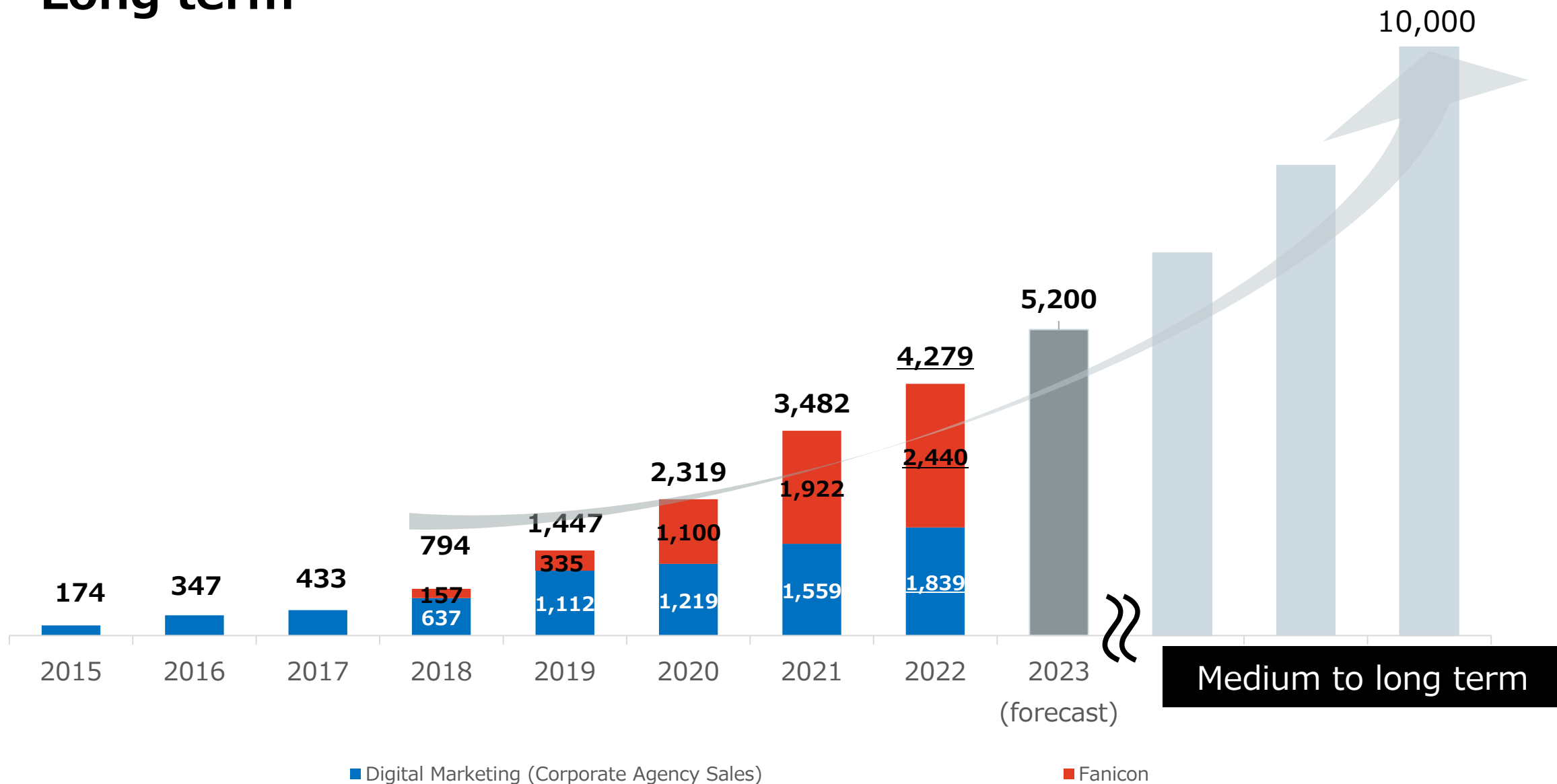
For the Fanicon business, which is the upfront investment business, focus on diversifying product offerings while strengthening back-end tasks

	Investment details	Reason for investment
Digital Marketing business	• Plan to increase the staff by 10 people or more with an aim to expand market share	Increase in personnel expenses
Fanicon business	• Due to rapid growth achieved to date, certain back-end tasks are found to be inadequately conducted and must be strengthened. As such, reinforce recruitment of engineers and customer success staff	Increase in personnel expenses

- Plan to add largely three functionalities and launch services in FY2023 and thereafter.



Aim to Achieve Net Sales of 10 Billion Yen over the Medium to Long term



Digital Marketing Business (formerly Corporate Sales Business)

Establish a position in the industry through data-driven branding

Fanicon business

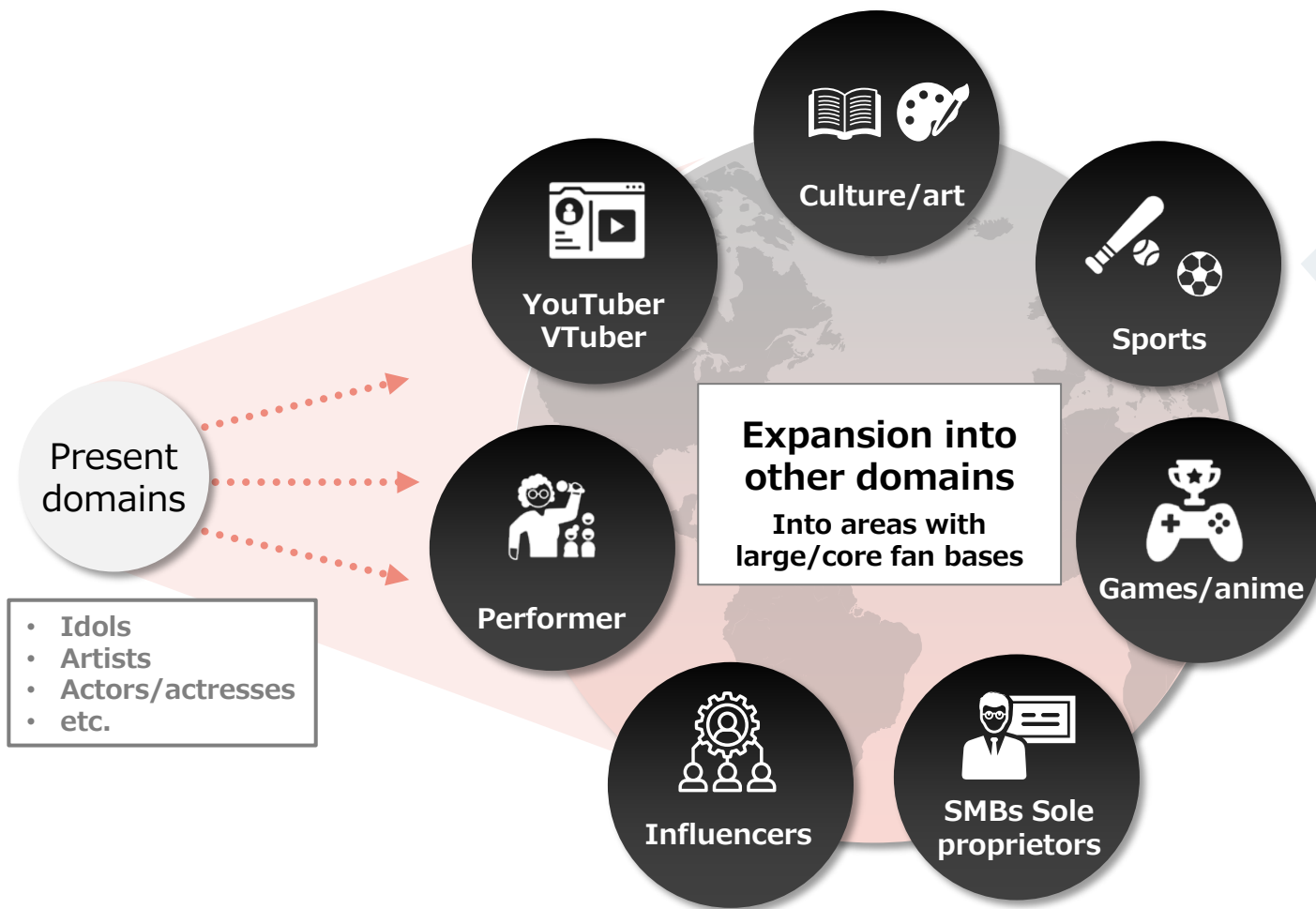
Our aim is to build a world where fans become a community with Icons at the core

Company-wide

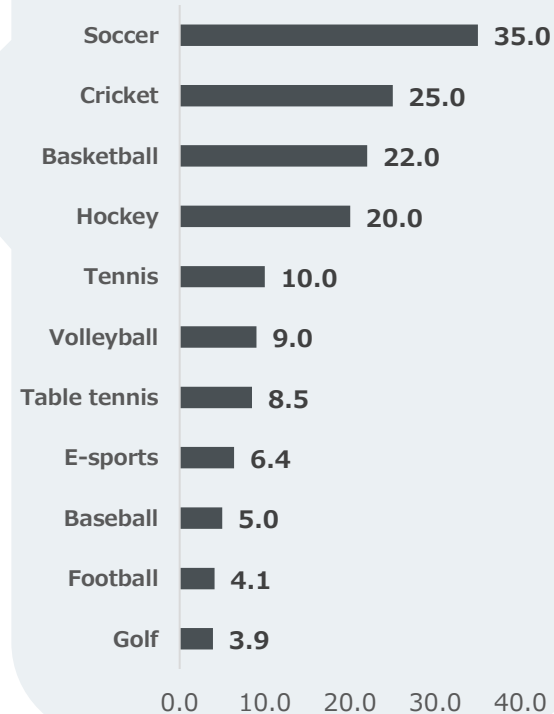
Creating Synergy Across Two Businesses:
Realizing the Passion Economy

Icon Increase Measure 1: Achieve Growth by Expanding into Areas Other than Entertainment

- Expanding into genres such as sports that have passionate fandoms. Aiming to acquire more Icons.



ex. Sports fans globally (hundred millions)



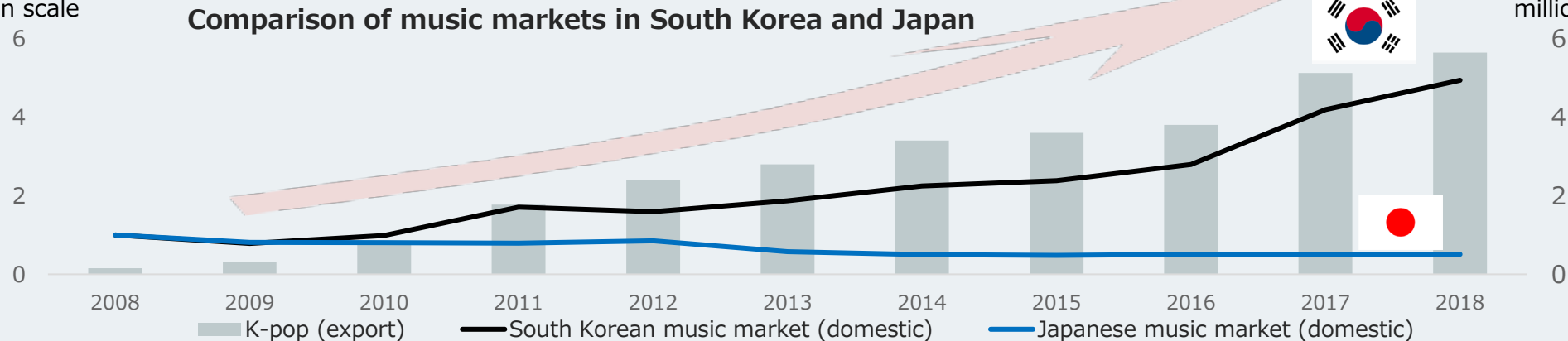
Source: E-sports data courtesy of Newzoo, other data courtesy of Sports Show

Icon Increase Measure 2: Full-Fledged Expansion Overseas

- Aiming for expansion of Icon/fan base in overseas markets (particularly South Korea) through expanded functionality in the form of multilingual support and real-time translation.



Music market scale of South Korea and Japan
(with 2008 at "1")
Changes in scale

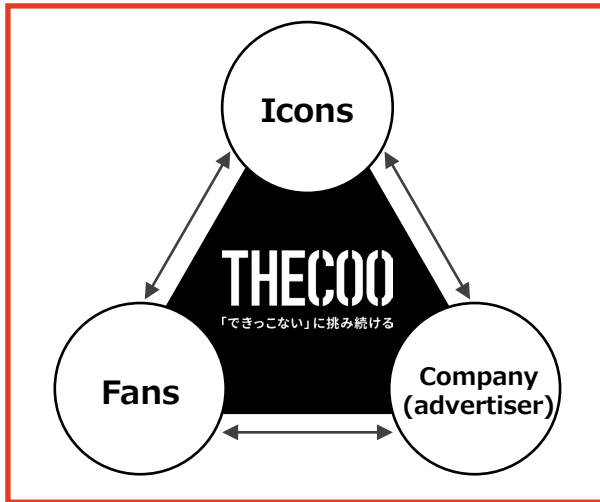


Source: Prepared by the Company based on International Federation of the Phonographic Industry (IFPI) Report

Accelerating overseas expansion with the South Korean market, which leads the Asian entertainment industry, as first step in our overseas strategy

Potential as “Platform”

- Promote a hybrid strategy that leverages the assets of the Fanicon and Digital Marketing businesses to transform the Web3 world into a platform that connects Icons, fans, and companies.
- Creating a “Passion Economy”¹⁾ world.



- Incorporating Web3 concepts, lead the fan business online
- Promoting hybrid strategy across Fanicon and Digital Marketing businesses

Launched “Fanicon”

Present

Fanicon business
(growth drivers)

Digital Marketing business
(Revenue base)

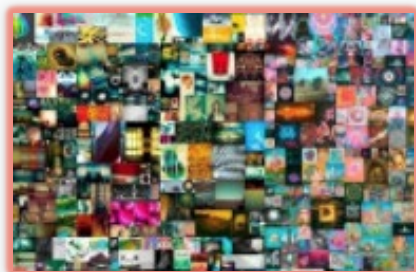
Note 1) The term “passion economy” was coined by Li Jin, a partner at famous US venture capital firm Andreessen Horowitz, in an article she wrote in 2019. It refers to “an economic sphere created by a new digital platform that allows individuals with the ability to communicate through the widespread use of social media to build their own audience interested in their individuality and passions.”

THECOO Inc.'s Vision of Future of "Fan Communities" Within the Web3 Concept

Now

- Support Icons in selling NFT¹⁾
- Construction of Fan Art generation system by fans

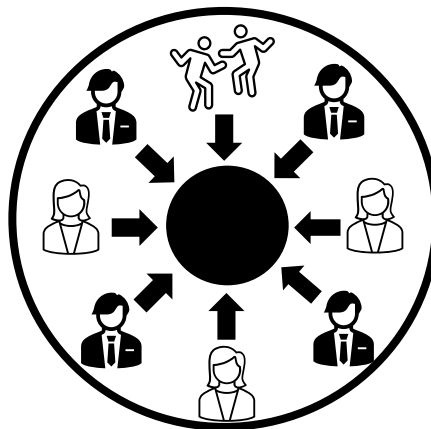
1) NFT stands for "non-fungible token."



Next

- Fans transformed into a community "DAO"²⁾ that supports the Icon's growth

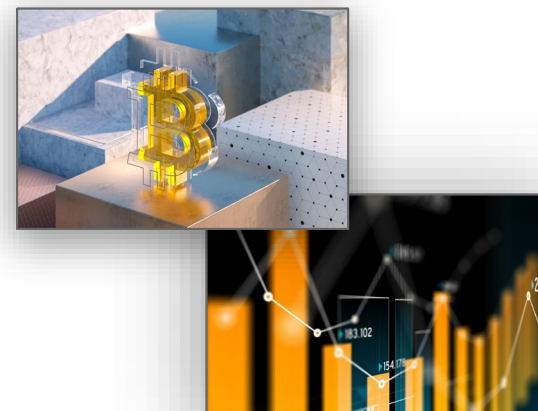
2) DAO stands for "decentralized autonomous organization."



Later

- Support ICO³⁾ by issuing tokens for each community

3) ICO stands for "initial coin offering."



04 / FY2022-4Q Results

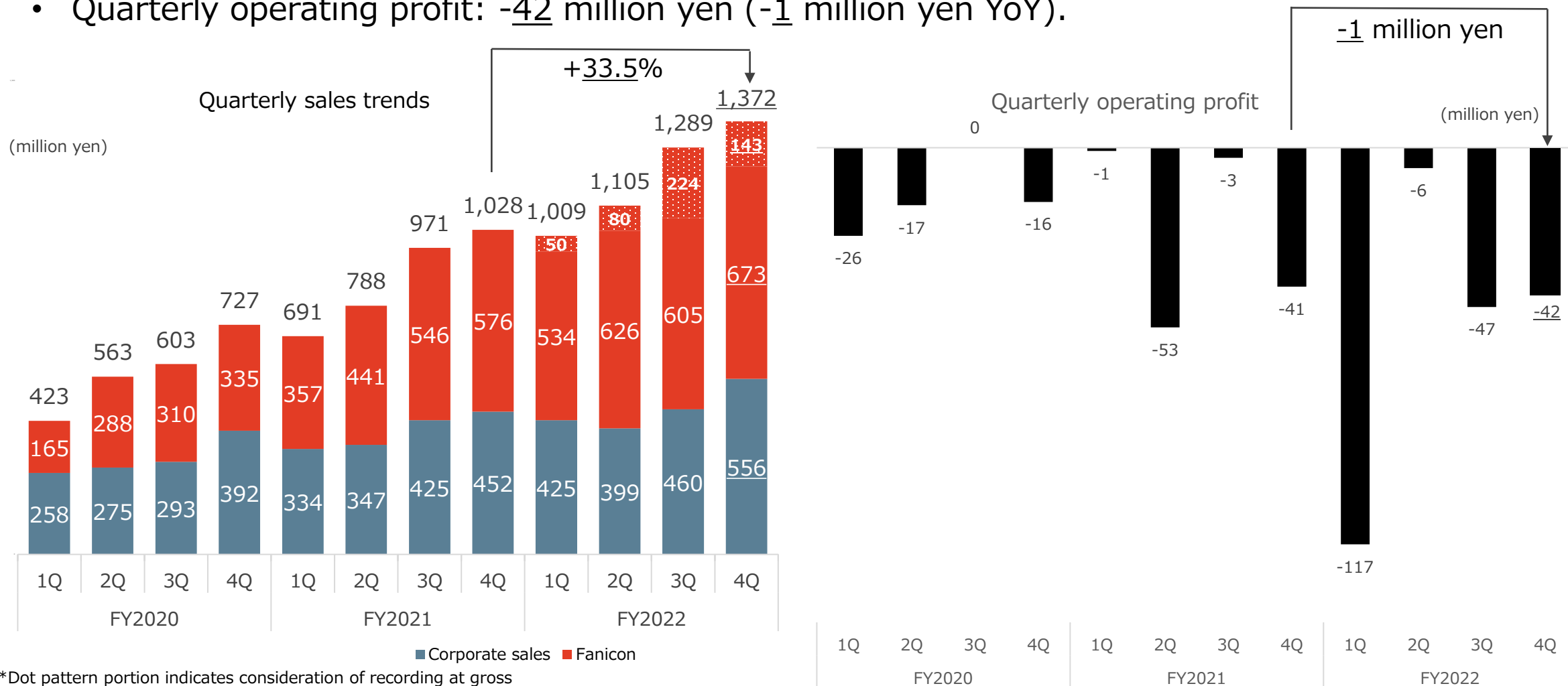
Company-Wide: FY2022-4Q Results: Statement of Income

- Net sales and gross profit for 4Q ended up to be slightly higher than the forecast.

(million yen)	FY2022-4Q (October - December 2022)					FY2022-full year (January - December 2022)		
	Results	Same period in previous fiscal year		Same period in previous fiscal year		Results	Same period in previous fiscal year	
		Results	YoY	Results	QoQ		Results	YoY
Net sales	<u>1,227</u>	1,029	<u>19.2%</u>	1,066	<u>15.1%</u>	<u>4,279</u>	3,482	<u>22.9%</u>
Gross profit	<u>470</u>	384	<u>22.4%</u>	428	<u>9.8%</u>	<u>1,671</u>	1,289	<u>29.6%</u>
Gross profit margin	<u>38.3%</u>	37.3%	<u>+1.0pt</u>	40.2%	<u>-1.9pt</u>	39.1%	37.0%	+2.1pt
SG&A expenses	<u>512</u>	426	<u>20.2%</u>	475	<u>7.8%</u>	<u>1,883</u>	1,390	<u>35.5%</u>
Operating profit	<u>-42</u>	-41	-	-47	-	<u>-212</u>	-100	-
Ordinary profit	<u>-42</u>	-59	-	-47	-	<u>-210</u>	-119	-
Profit	<u>-283</u>	-44	-	-83	-	<u>-488</u>	-109	-

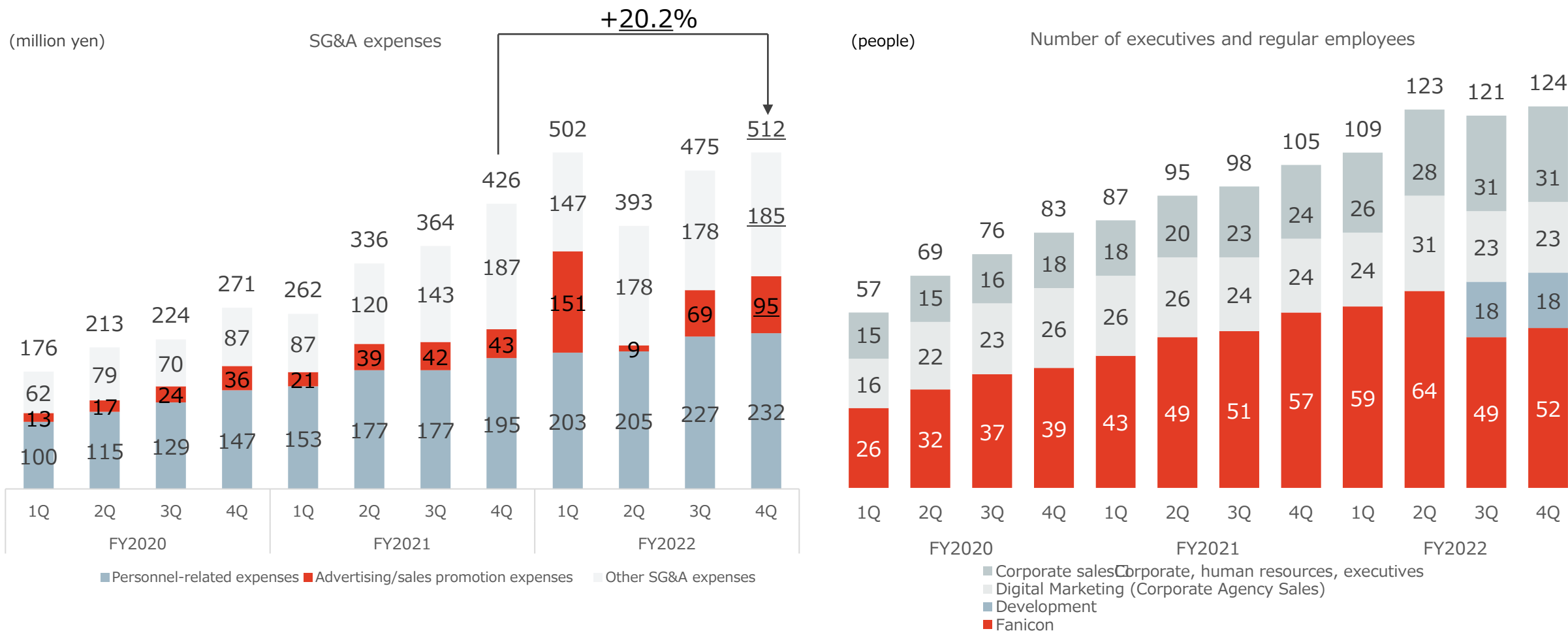
Company-Wide: Quarterly Sales and Operating Profit Trends

- Quarterly sales increased 33.5% YoY after factoring in recording at gross.
- Quarterly operating profit: -42 million yen (-1 million yen YoY).



Company-Wide: SG&A Expenses and Number of Executives and Regular Employees

- Rent for the new office will be recorded as SG&A expenses, starting in FY2023.
- As for the number of executives and regular employees, Development Department was newly established in FY2022 Q3 and reinforced recruitment of engineers.



Topics (1): Strengthened Recruitment of Engineers and Designers

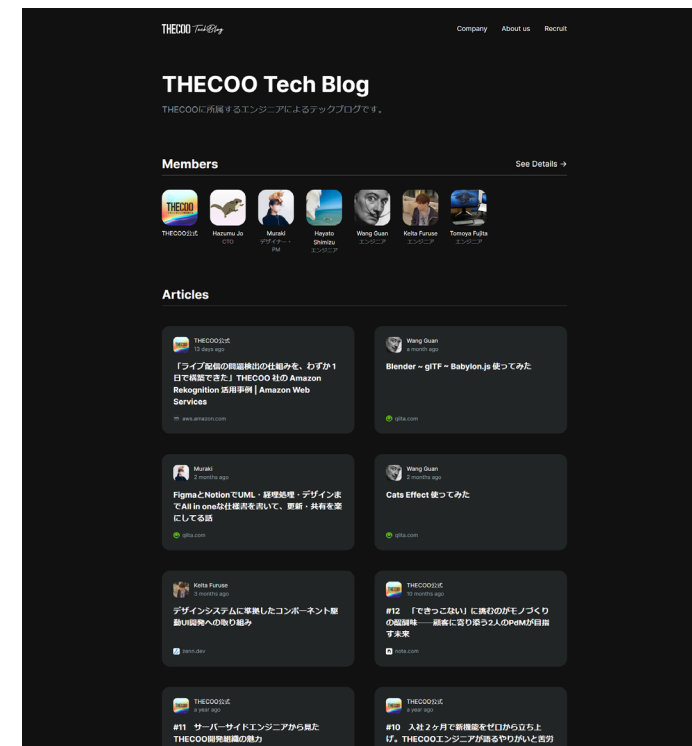
- Newly opened "THECOO Recruiting Site for Engineers," a website to communicate the efforts of the Development Department, and "THECOO Tech Blog," which introduces technical articles by the development members, in order to strengthen recruitment of engineers and designers.



"THECOO Recruiting Site for Engineers," an engineer recruitment website
<https://thecoo-engineer-recruiting.teleporthq.app/>



"THECOO Tech Blog," a tech blog
<https://developer.thecoo.co.jp/>



Topics (2): Ranked among the “Companies to Watch for Generation Z 2022”

- THECOO ranked among the 200 companies in the “Companies to Watch for Generation Z 2022” survey based on social media data.

SNS データから見る「Z世代の注目企業 2022」

エンゲージメント量	企業名
10,000～	伊藤忠商事 カバー
5,000～9,999	フォーススタートアップス キリンホールディングス サイボウズ グーグル heart relation アクセンチュア ランサーズ
3,000～4,999	207 リブ・コンサルティング メルカリ パナソニック ヘラルボニー 国際協力銀行 ひろのぶと クリプトン・フューチャー・メディア
2,000～2,999	カブコン ドズル LayerX 塩野義製薬 電通デジタル オークネット GVA TECH Metaverse Japan THECOO デロイト トーマツ コンサルティング Chatwork SmarTHR 大宮不動産 GMO インターネットグループ Voicy マネーフォワード 暗号屋 セールスフォース・ジャパン
1,000～1,999	グイェムウェア ユーザベース Zillow Group, Inc. PR Table マッキンゼー・アンド・カンパニー アルファドライブ 海士 ラクスル FLUX キューブアンドカンパニー 英治出版 Gunosy 犬猫生活 ニット 吉野家 ソフトバンク ユニバーサル ミュージック Tesla, Inc. カミナシ 10X M&A 総合研究所 cotree リクルートスタッフィング ヤブリ

The survey selected 200 companies, groups, and organizations that were talked about by Generation Z and other consumers on social media (Twitter and Facebook) during the 12 months from October 1, 2021 to September 30, 2022.

- Click here for the relevant press release by No Company
<https://prtimes.jp/main/html/rd/p/000000012.000089446.html>

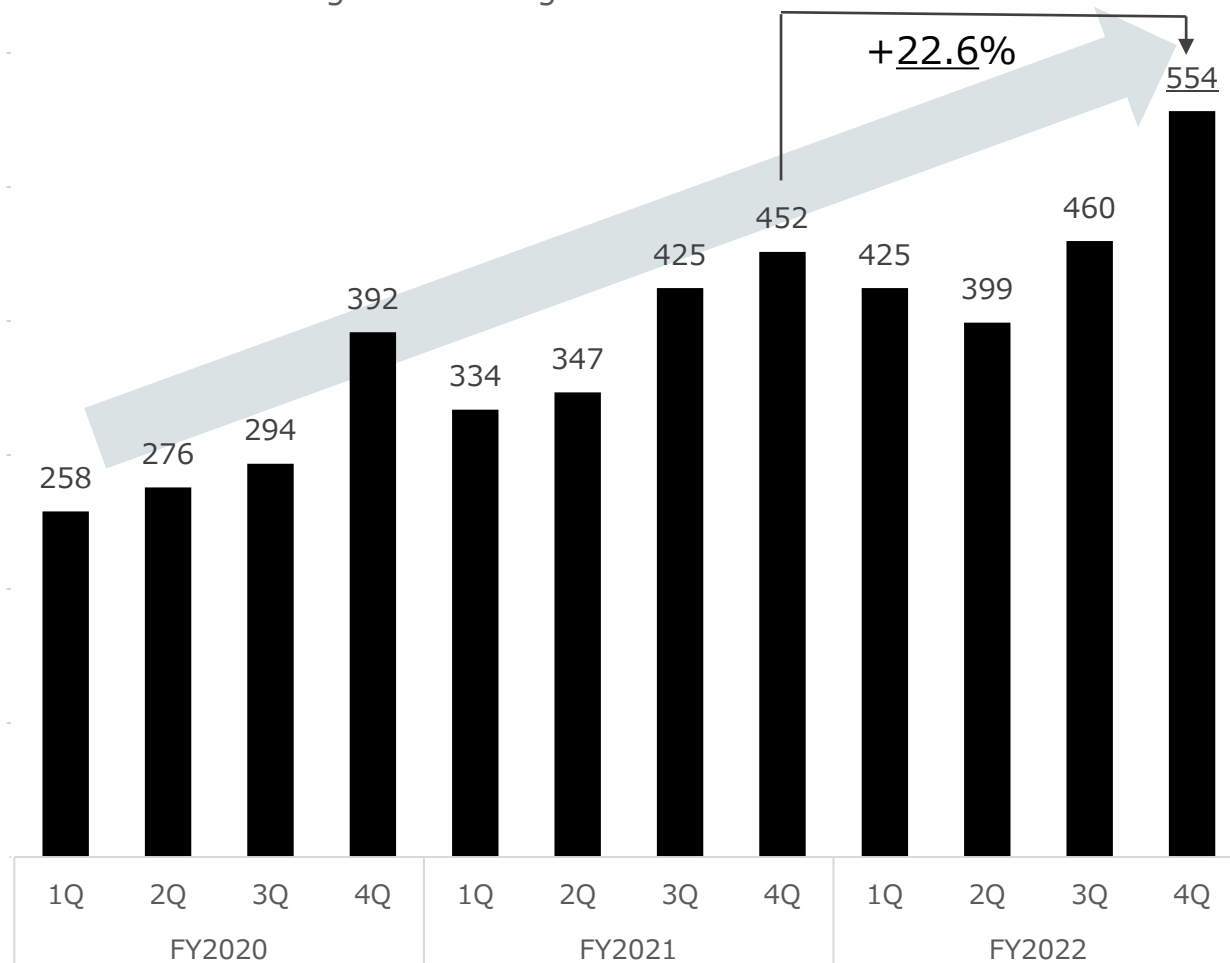
05 / By Segment: Digital Marketing Business

(Formerly Corporate Agency Sales)

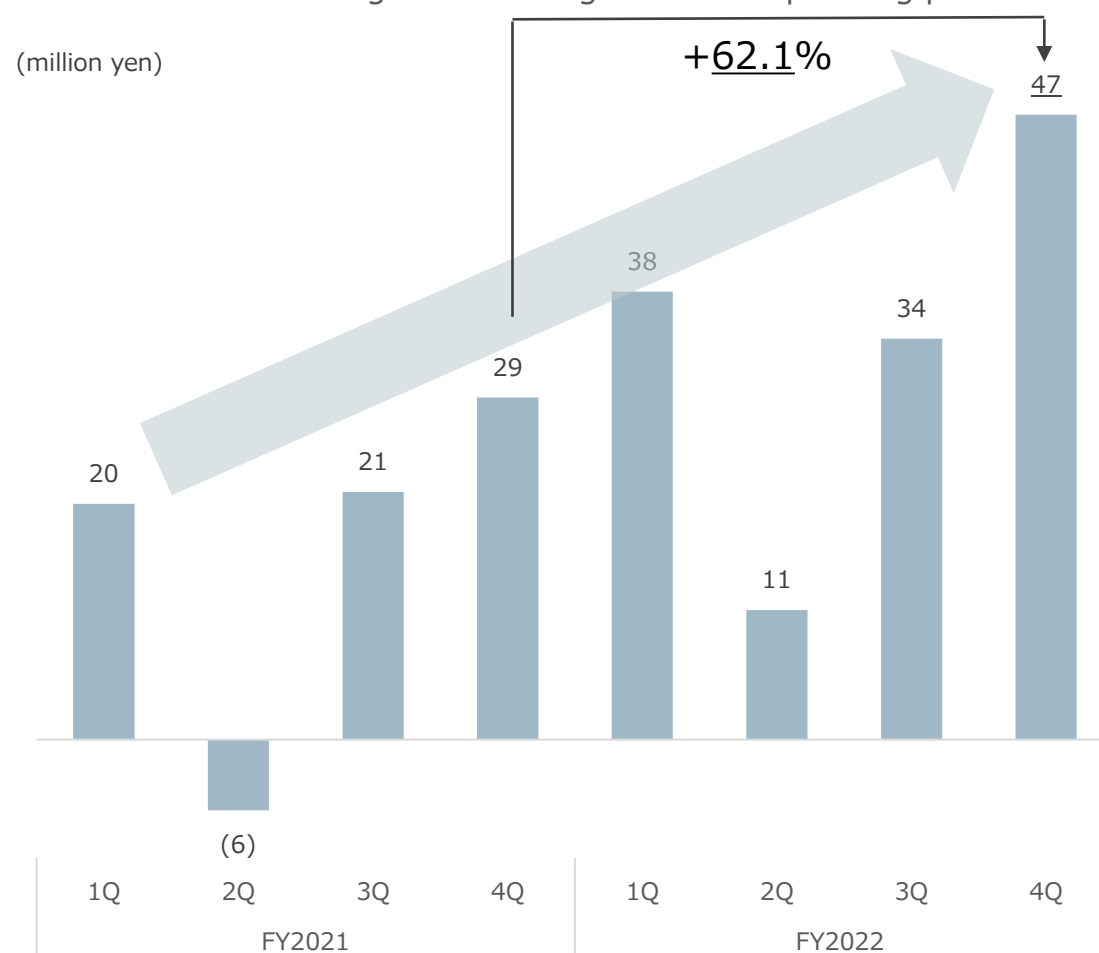
[Digital Marketing Business] Quarterly Sales and Operating Profit Trends

- Sales increased 22.6% YoY to 554 million yen.
- Operating profit increased 62.1% YoY to 47 million yen.

Digital Marketing business: net sales trends

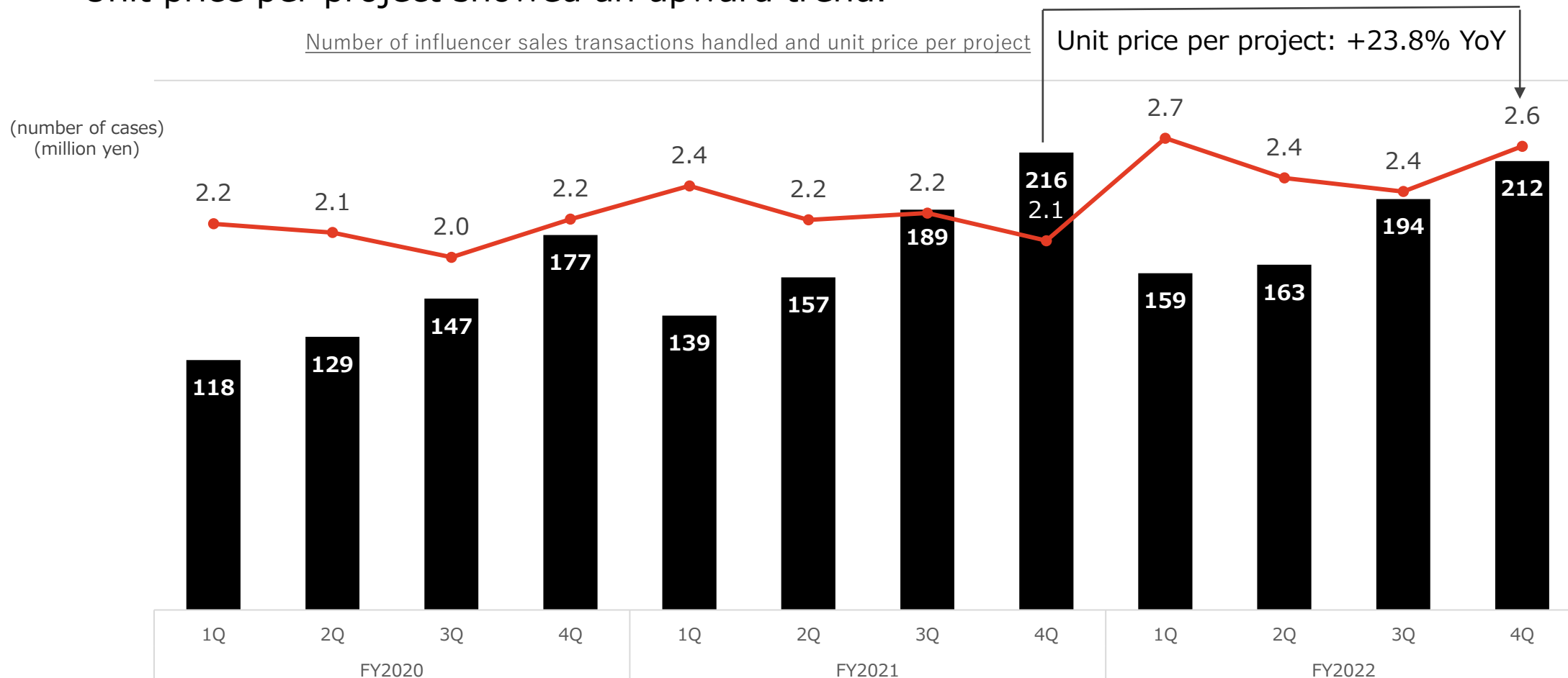


Digital Marketing business: operating profit



5-2 [Digital Marketing Business] KPIs

- The number of influencer sales transactions was 212, down 1.9% YoY.
- Unit price per project showed an upward trend.



[Digital Marketing Business (Corporate Agency Sales)]

Features of Influencer Business

- The influencer business does not have a specific medium. It specializes in data-driven proposals to meet clients' challenges.

Features of THECOO's influencer business

A single point of contact for all matters necessary to conduct influencer marketing. Propose the optimal plan to meet the client's challenges.

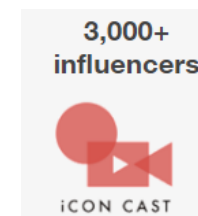
	Overall Design of Measures	Know-how in direction	Breadth of casting (Social media type)	Breadth of casting (Scale)	Provision of influencer analysis and reporting tools	Influencer management
THECOO	○	○	○	○	○	△
Influencer office	×	○	△	△	×	○
Influencer agency	△	△	△	△	×	×
Casting platform	×	×	△	×	×	×

A vast network of influencers covering games, beauty, fashion, and a host of other genres to meet the challenges of our clients.

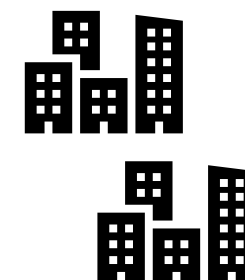
Network with
YouTuber
offices



Influencer planning tool
iCON Suite holds data
on approximately 120,000
influencers.



Network with
entertainment
offices



[Digital Marketing Business (Corporate Agency Sales)]

Introduction of Influencer Business

- iCON Suite enables data-driven proposals.
- A tool that enables the visualization of influencer value.

Influencer search function

Users can search for influencers based on age, gender, interests, and other information of the person or follower

Influencer analysis function

Influencer and fan interests and concerns



Influencer listing function

List of influencer candidates for each campaign

AAA Inc. ご担当者様

2020 Spring Promotion Influencer List

候補者人数: 3人 / 候補者合計フォロワー数: 388,388人 (Instagram)

候補者のリストとなります。
ご査収の程何卒宜しくお願い致します。

性別比率	年齢比率 ↑ (男性)	年齢比率 ↓ (女性)
5%	12%	10%
12%	24%	29%
24%	28%	40%
15%	13%	3%
13%	3%	0%
3%	0%	0%

インフルエンサー	エンゲージメント率	コメント	性別比率	年齢比率 ↑ (男性)	年齢比率 ↓ (女性)
黒島結菜	フォロワー数: 129,677 エンゲージメント率: 8.623%	6.6%	2%	12%	10%
sayo yoshida	フォロワー数: 129,602 エンゲージメント率: 1,831	1.4%	3%	12%	10%
フォロワー数: 129,109			13%	12%	10%

iCON Suite

Custom tag function

Tag individual influencers for administrative identification
Influencer search is available subject to custom tags assigned

ICON Suite > アカウント > インフルエンサー検索

インフルエンサー	SNS	フォロワー数	エンゲージメント数	%
ASAKI CHANNEL -ASMR	Instagram, Twitter, YouTube	138,592	-	%
ファッション / 女性 / 東京				
桃桃 momo	Instagram, Twitter, YouTube	111,623	-	%
ファッション / 女性 / 起用実績あり				

Case Study: Electric Arts (Gaming Industry)

Acquisition of new users for Apex Legends Mobile and community revitalization

Product: Apex Legends Mobile

Position: Japan Mobile Community Engagement Manager



Used social media



Purpose of implementation

- Maximize user acquisition for new titles
- Uncover dormant users and increase the number of core users



Video streamlining of Apex Legends users playing
• Introduction through Twitter



Video streamlining of other FPS game users playing

Summary of implementation

Period: since Spring 2022

Target customers:

- Players of Apex Legends
- Players of mobile FPS games

Appeal: streamlining of playing videos

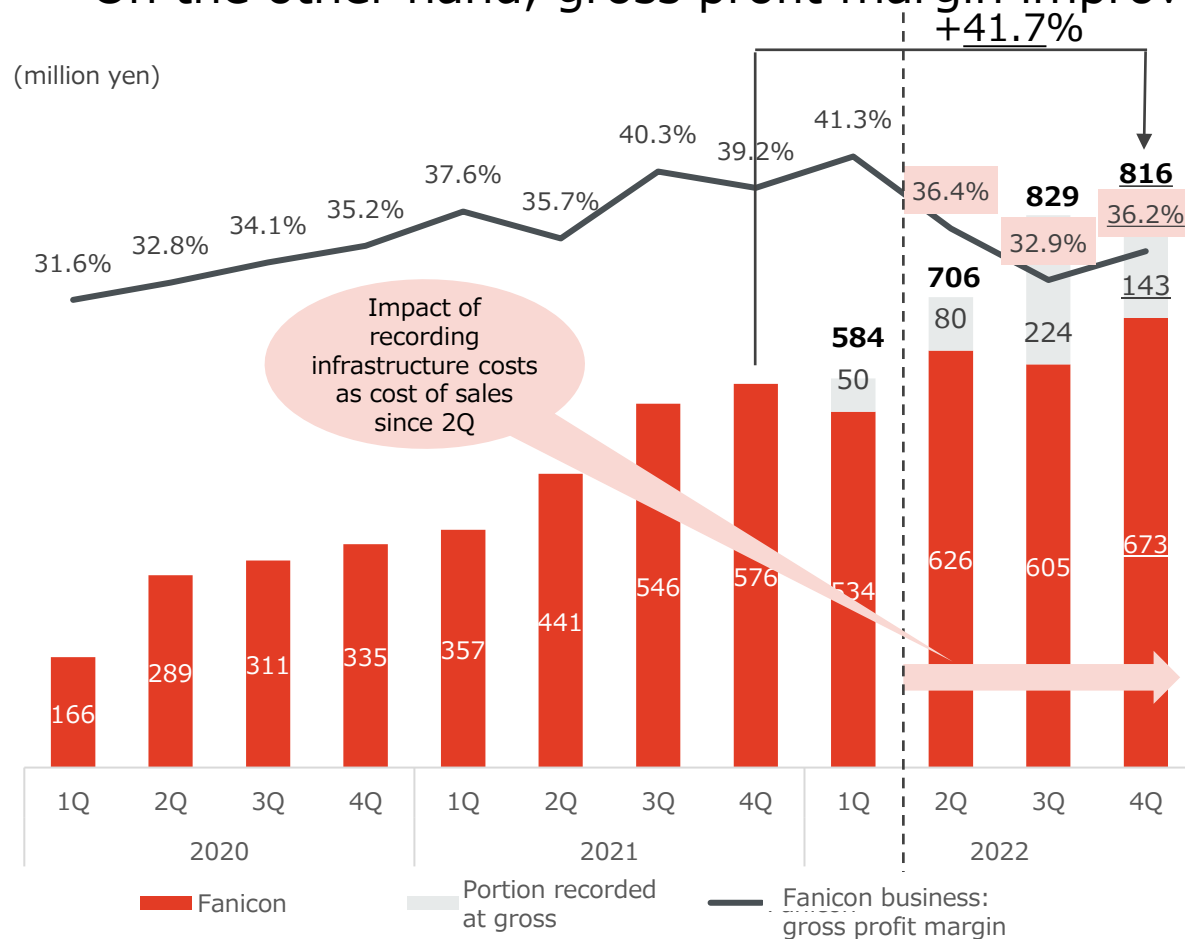
Obtained effects

- Enhanced recognition and maximized installations
- Set up a feedback session by developers feedback sessions to adjust functions from the users' perspective

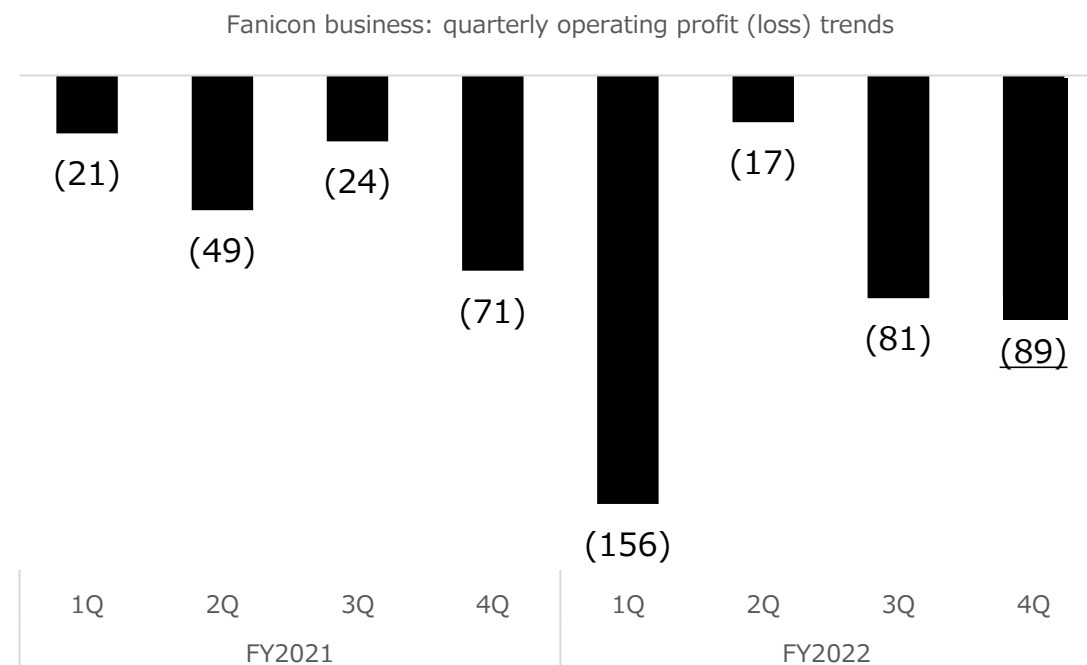
06 / Results by Segment: Fanicon Business

[Fanicon Business] Quarterly Sales and Gross Profit Margin / Operating Profit Trends

- Sales of Fanicon business department grew steadily to 816 million yen, or up 41.7% YoY, on a gross basis.
- On the other hand, gross profit margin improved in QoQ as point sales grew in December.



(million yen)



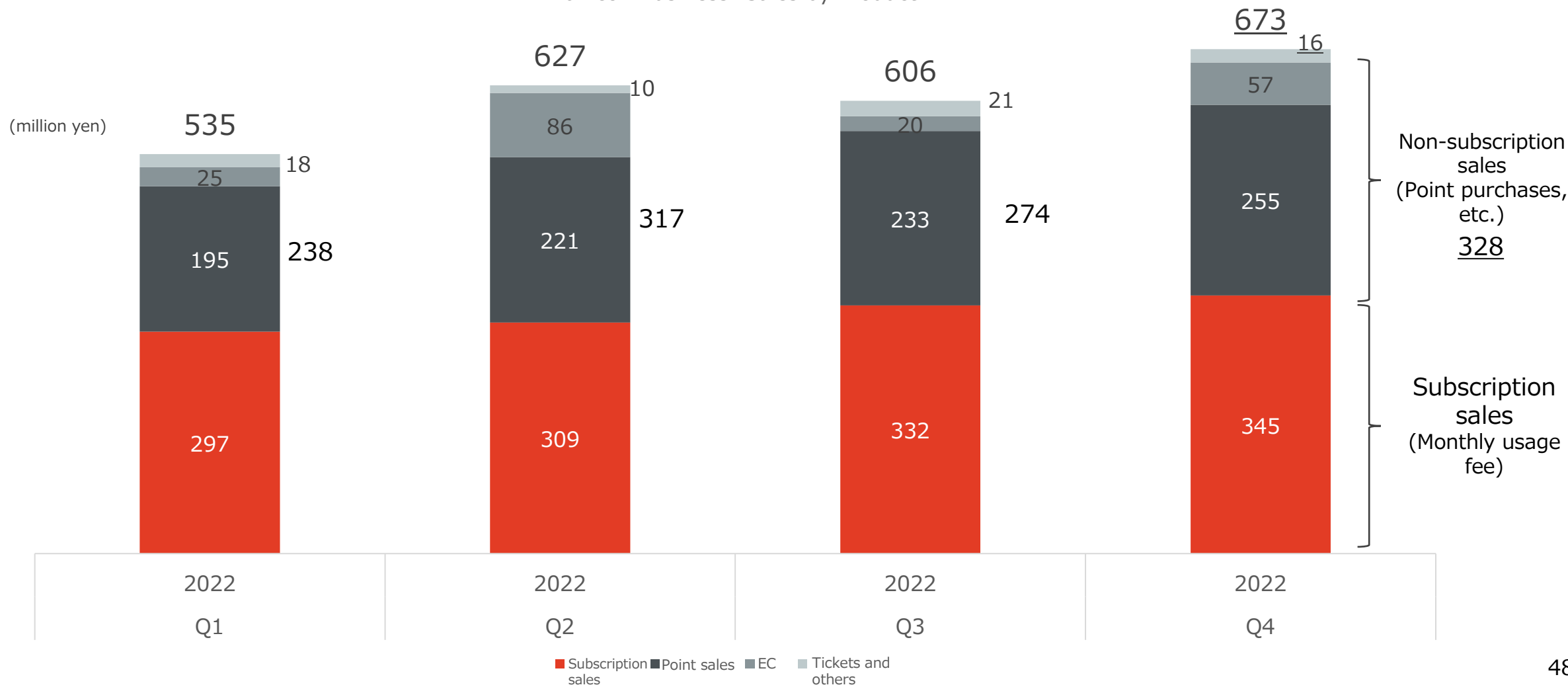
* Dot pattern portion indicates consideration of recording at gross

(Note) Starting with this document, gross profit margin is calculated based on sales after factoring in recording at gross (in contrast, the figure was calculated based on net sales for financial and accounting purposes in the results briefing materials for the periods through FY2022-2Q).

Fanicon Business: Sales by Product

- Sales as recurring revenue: subscription sales have steadily accumulated.
- Point sales have grown in good shape, despite certain seasonal factors.

Fanicon Business: Sales by Product



Fanicon Employs Recurring Revenue Business Model

Revenue factors behind the Fanicon business

$$\text{Net sales} = \text{Number of fans (paying members)} \times \text{ARPU}$$

Key variables in number of fans

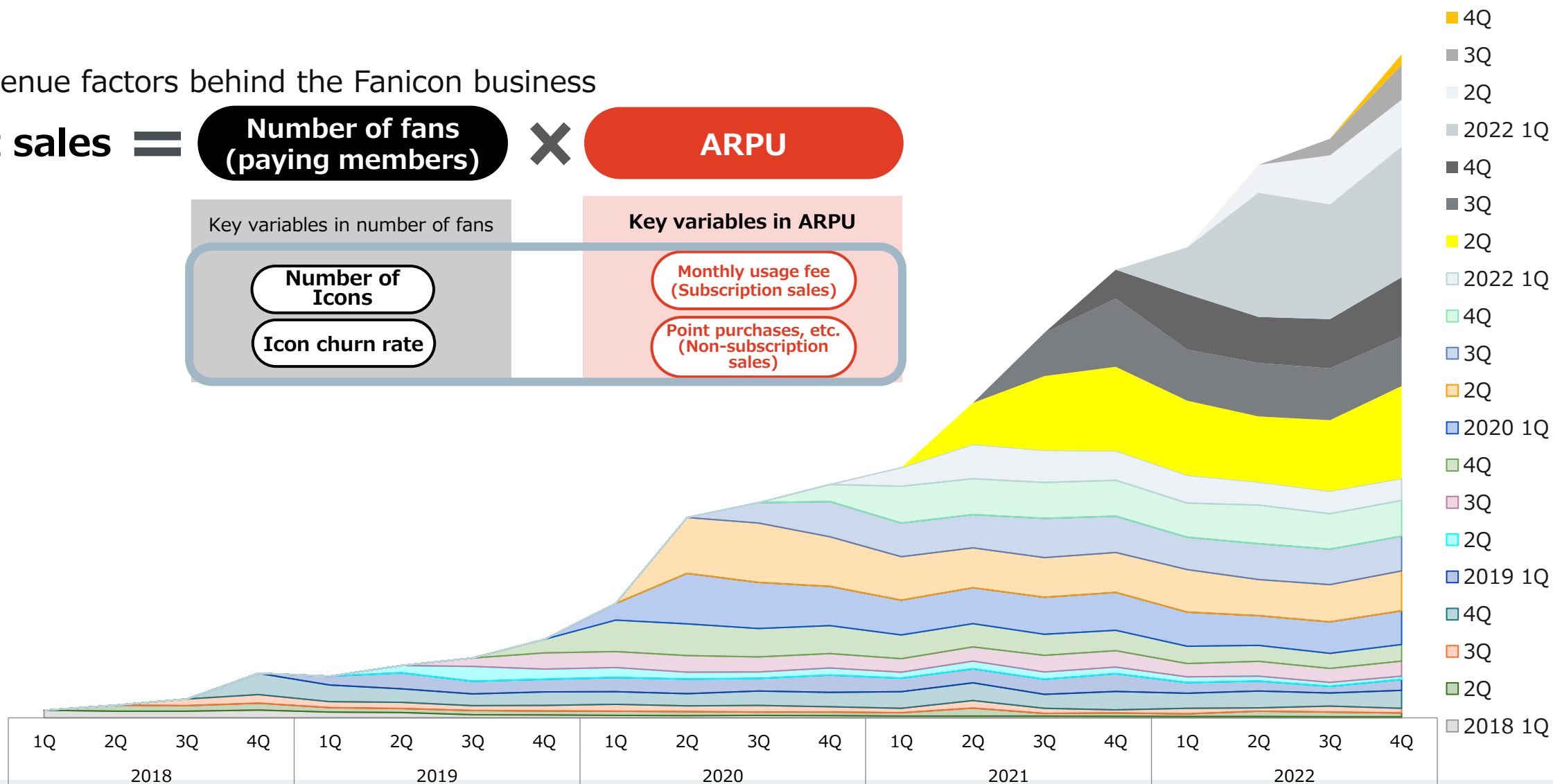
Number of
Icons

Icon churn rate

Key variables in ARPU

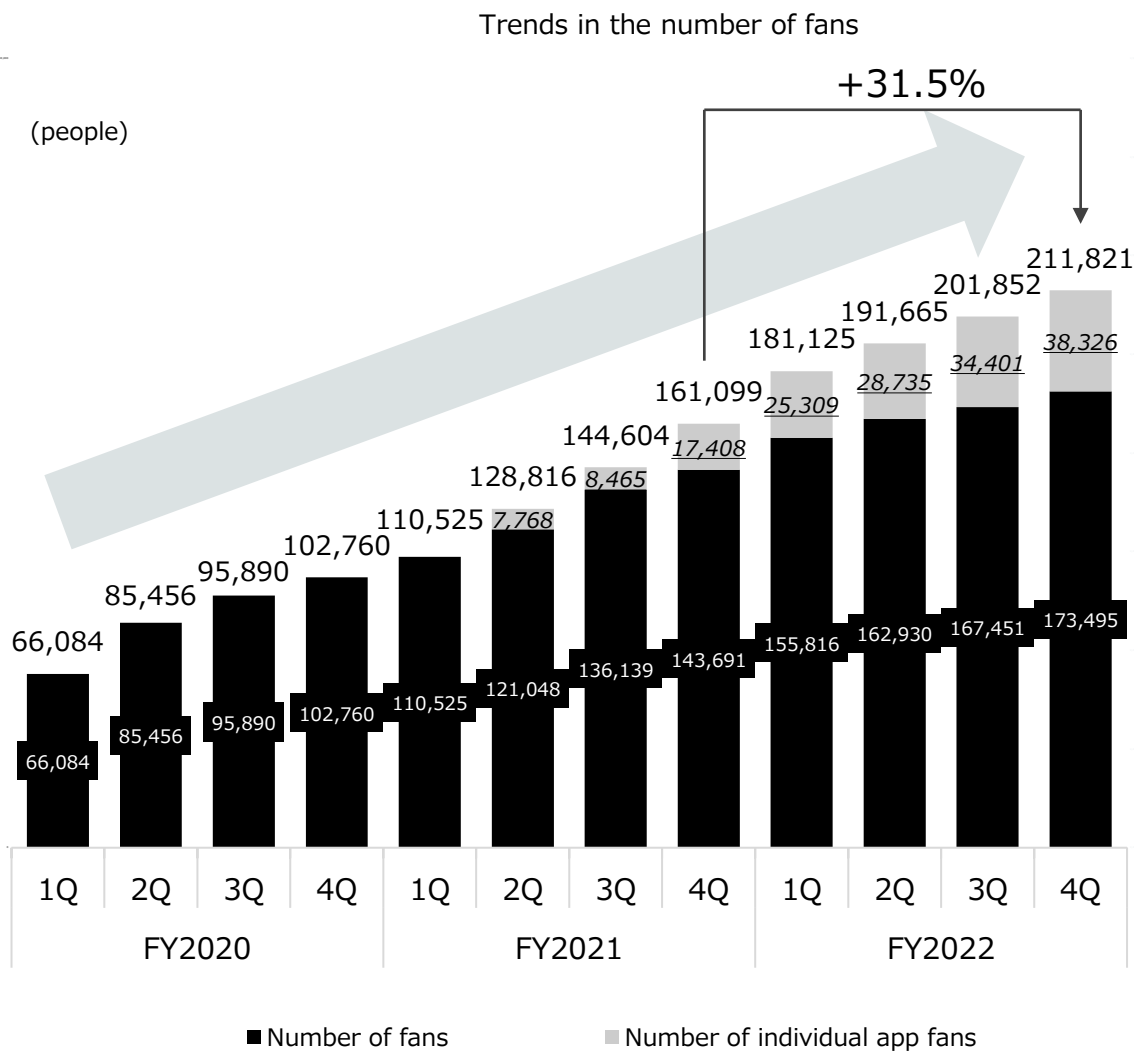
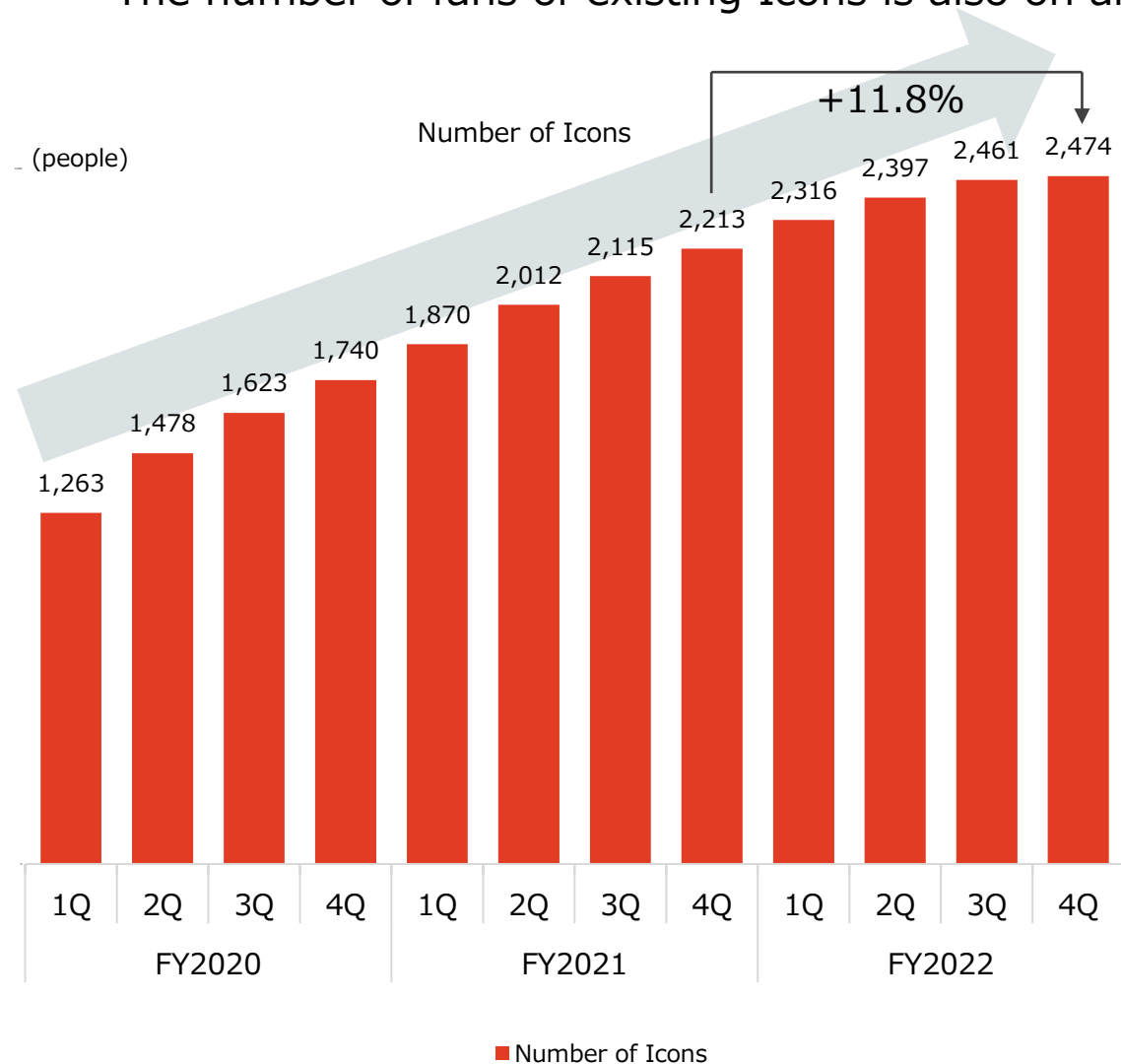
Monthly usage fee
(Subscription sales)

Point purchases, etc.
(Non-subscription
sales)



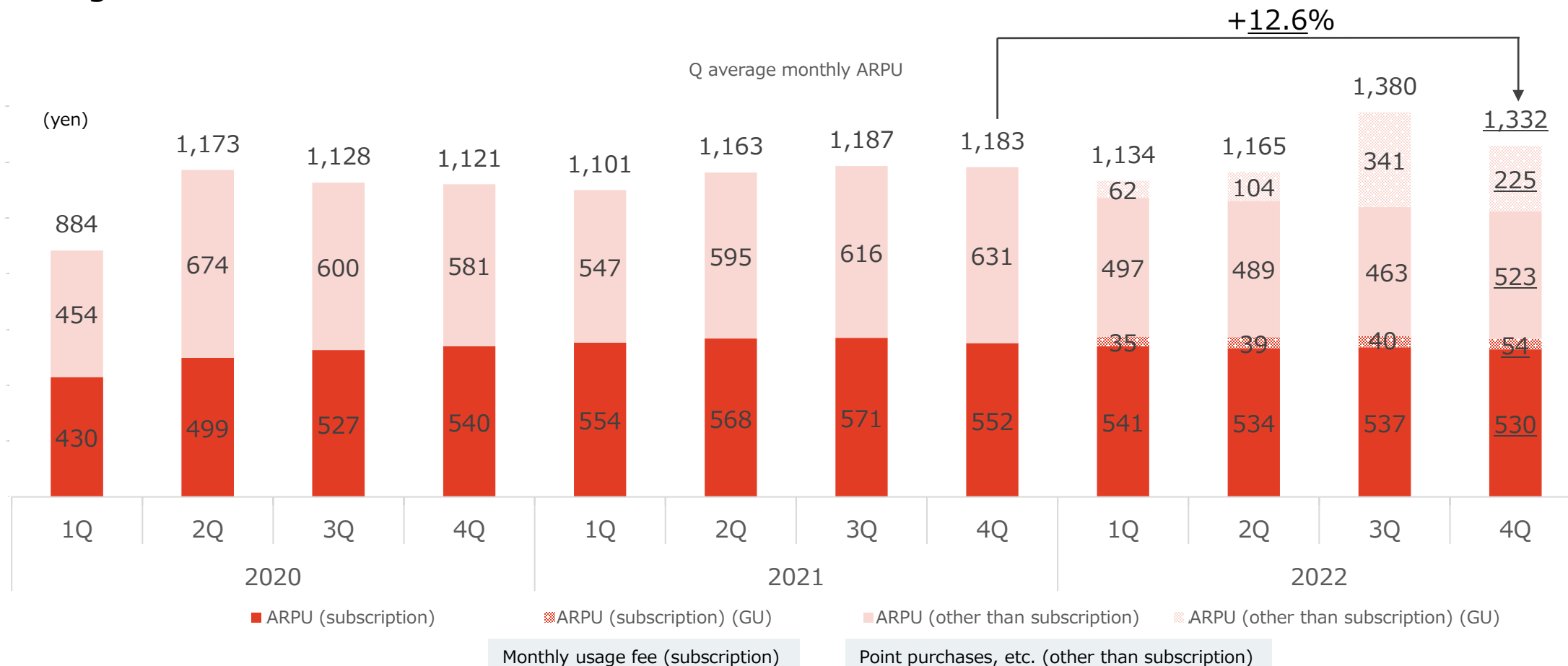
Fanicon Business: KPI (Quarterly Basis)

- The number of Icons increased 11.8% YoY to 2,474.
- The number of fans rose 31.5% YoY to 211,821 due to an increase in Icons with a medium-size fan base.
- The number of fans of existing Icons is also on an upward trend.



[Fanicon Business] KPIs

- Average revenue per unit (ARPU) was up 12.6% YoY to 1,332 yen after factoring in recording at gross.



* Large-scale fan club operation projects commissioned in 1Q are excluded from KPIs as they differ in nature from conventional fan community operation.

* Dot pattern portion indicates consideration of recording at gross

[Topics] Example of Fanicon Opening in FY2022-4Q (October - December)



Opening date: October 17
Icon name: [ASMR YouTuber] Eraing
Fan community name:
Official fan community "Baberang"
500 yen/month



Opening date: October 29
Icon name: [Artist] Minami Kuribayashi
Fan community name:
Official fan community "Marron Party"
600/3,000 yen per month



Release date: November 15
Icon name: [Former SKE/TV personality] Akari Suda
Fan community name:
Official fan community "Akari no Atama no Naka"
680 yen/month



Release date: December 19
Icon name: [Artist] Taisei Miyakawa
Fan community name:
Official fan club "secret blue"
500 yen/month



Opening date: December 24
Icon name: Global K-POP band "W24"
Community name: Fan Community [EVERY WORLD]
500/2,000 yen per month



Opening date: December 24
Icon name: Global Top Dancer "Poppin' Hyun Joon"
Fan community name:
POPPIN HYUNJOON OFFICIAL
500 yen/month

07 / Appendix

7-1 FY2022 Balance Sheet

(million yen)	End of December 2022	End of December 2021	Change from previous fiscal year-end	Major factors
Current assets	<u>2,623</u>	2,915	<u>-10.0%</u>	
Cash and deposits	1,842	2,044	<u>-9.9%</u>	
Notes and accounts receivable - trade	<u>716</u>	837	<u>-14.5%</u>	
Other	65	34	91.2%	Advance payment based on a contract with a large fan club
Non-current assets	380	304	25.0%	
Property, plant and equipment	210	235	<u>-10.6%</u>	
Investments and other assets	170	68	150.0%	Leasehold deposit payments for new offices
Total assets	<u>3,004</u>	3,220	<u>-6.7%</u>	

(million yen)	End of December 2022	End of December 2021	Change from previous fiscal year-end	Major factors
Current liabilities	<u>1,709</u>	1,475	<u>15.9%</u>	
Accounts payable - trade	572	447	28.0%	
Accounts payable - other	<u>250</u>	365	<u>-31.5%</u>	
Advance payments received	702	440	59.5%	Increase due to growth in number of Fanicon fans
Other	<u>184</u>	223	<u>-17.5%</u>	Decrease in accrued expenses
Non-current liabilities	<u>105</u>	48	<u>118.8%</u>	Due to recording of asset retirement obligations
Total liabilities	<u>1,815</u>	1,523	<u>19.2%</u>	
Share capital	758	752	0.8%	
Capital surplus	948	1,656	<u>-42.8%</u>	To cover the deficit
Retained earnings	<u>-520</u>	<u>-714</u>	-	
Other	2	2	0.0%	
Total net assets	<u>1,188</u>	1,696	<u>-30.0%</u>	
Total liabilities and net assets	<u>3,004</u>	3,220	<u>-6.7%</u>	

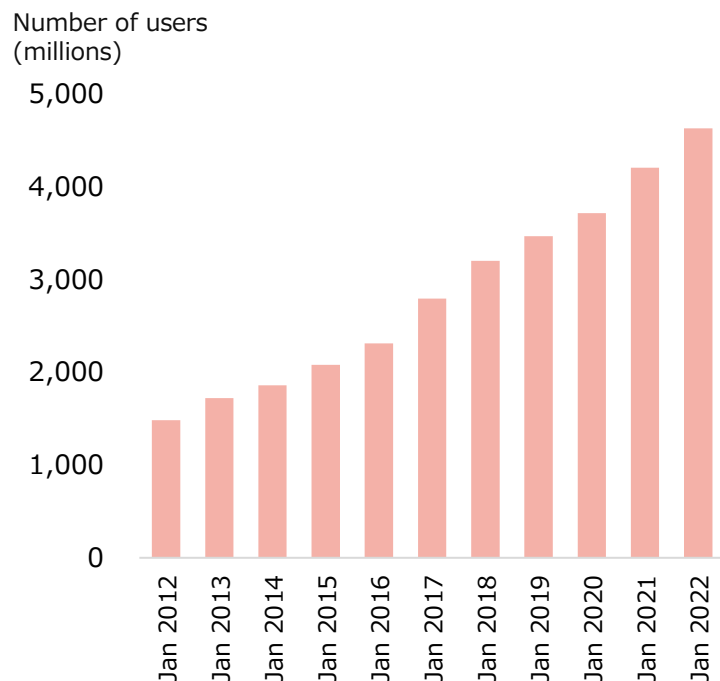
FY2022 Cash Flows

Unit: million yen	FY2021	FY2022
Cash flows from operating activities	275	188
Cash flows from investing activities	-127	-344
Cash flows from financing activities	1,298	-55
Net increase (decrease) in cash and cash equivalents	1,445	-212
Cash and cash equivalents at end of fiscal year	2,044	1,832

7-3 Expanding Market of Individuals

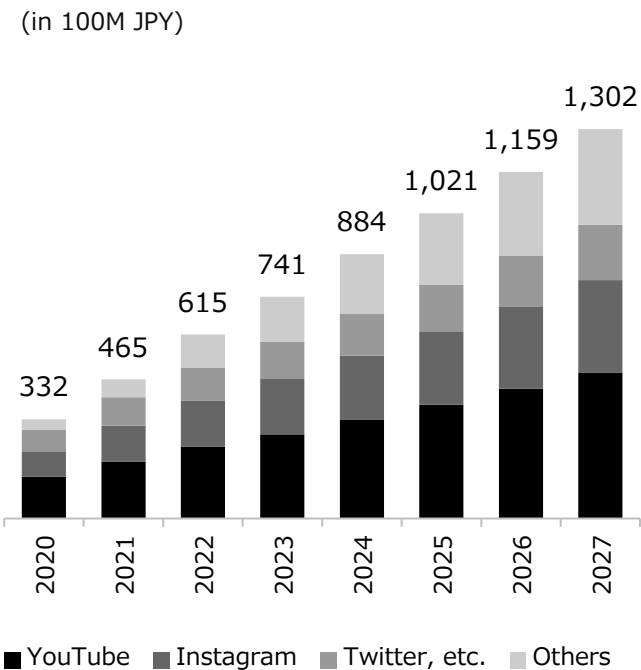
- The influencer marketing market is projected to grow by 20% from 2022 to 2023.

Global number of social media users



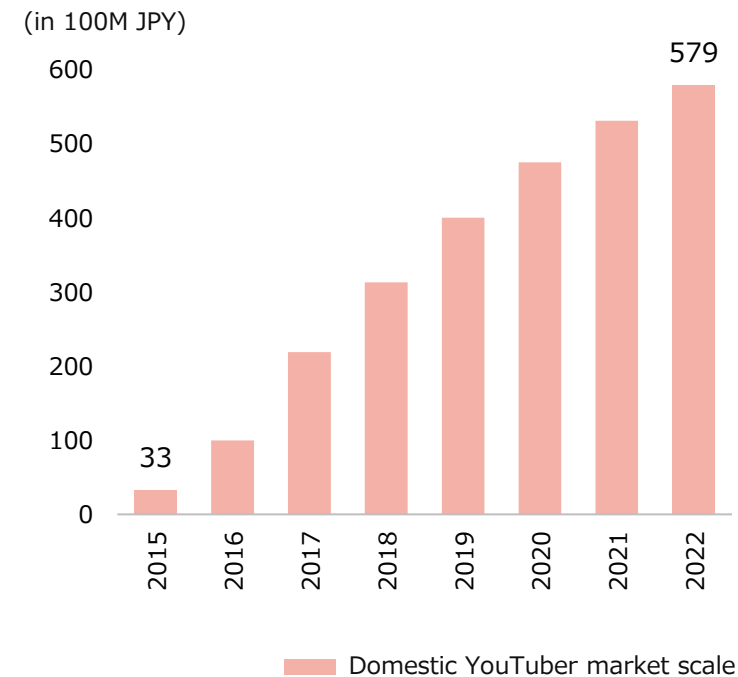
Source: We are Social Digital 2022: Global Overview Report (January 2022)

Estimated market scale for influencer marketing



Source: Research by CyberBuzz, Digital InFact (released in November 2022)

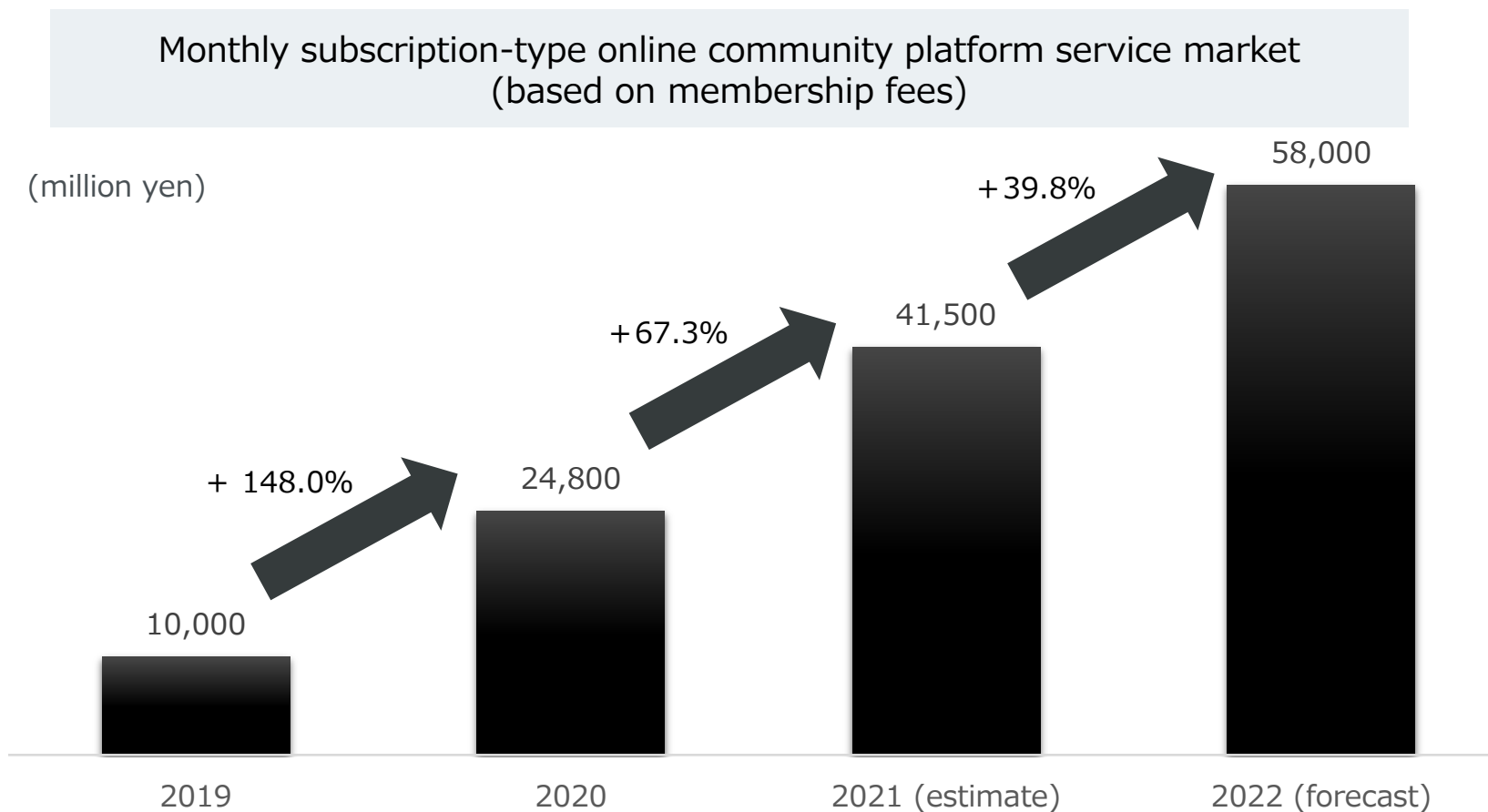
Domestic YouTuber market scale



Source: Research by CA Young Lab, Digital InFact (released in March 2018)

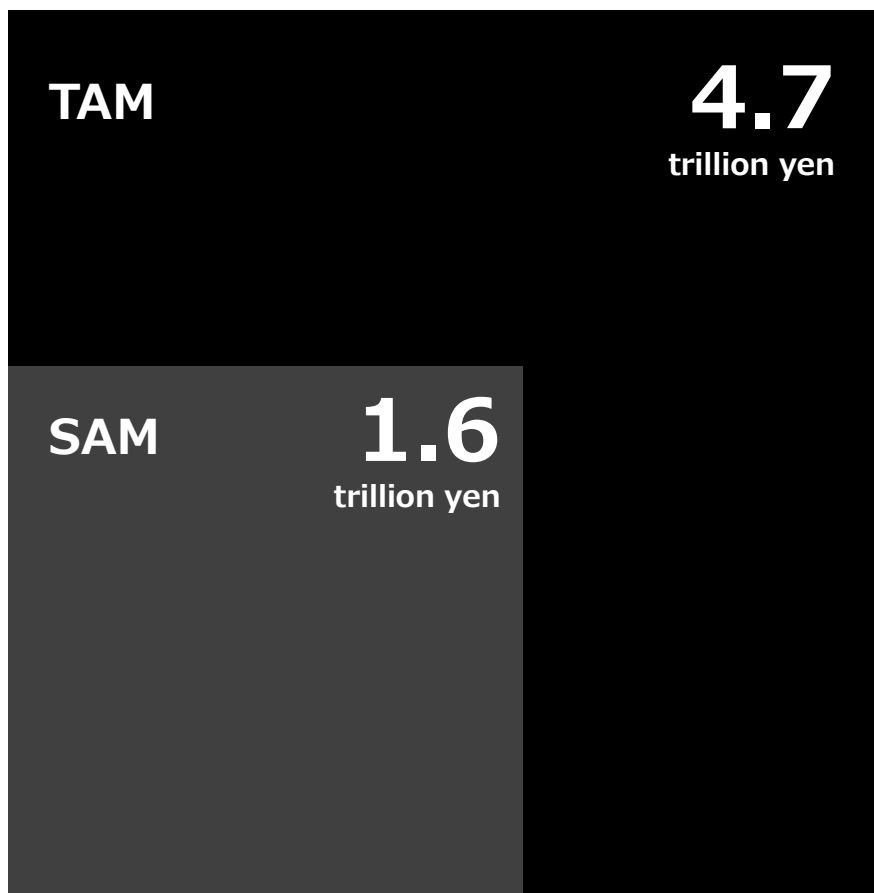
Rapidly-Growing Fan Community Business Market

- According to “Fan Community Business 2022,” a study by Yano Research Institute, in 2021, the market is expected to grow 67.3% year-on-year to 41.5 billion yen.



Vast Market Potential (SAM and TAM for the Fanicon business)

- Vast market potential with room for future expansion with “Web3.”



Entertainment business Market

TAM 1)

Scale of the entertainment business market—which is becoming increasingly DX-oriented—including the fan club, live entertainment, digital content, and online advertising markets

Fan Club Market scale

SAM 2)

THECOO's estimated fan club market size

Notes:

- 1) TAM is short for “Total Addressable Market.” The term refers to the market scale assumed by the Company and is not intended to indicate the objective market scale for the businesses operated by the Company as of the date of disclosure of this material. These are estimates made by the Company based on external statistical data and publicly available materials. Because of the inherent limitations of statistical data and estimates concerning their accuracy, the actual market scale may differ from the estimated figures. Please refer to p. 59 for specific methods for calculation.
- 2) SAM is short for “Service Available Market.” The scale of the fan club market assumed by the Company based on the Ministry of Internal Affairs and Communications’ July 2021 “Population Estimates” and the Yano Research Institute’s June 25–July 8, 2021 online survey “Research on Consumption Behavior of “Fans”, “which shows per capita spending and the number of fans, including potential fans. Refer to “Our SAM (Fan Club Market Scale)” page for specific methods for calculation.

Company-Wide: Changes from FY2022-1Q

1) Application of the Accounting Standard for Revenue Recognition

Under the previous standard, ticket sales within “Fanicon” were recorded at gross. Under the new standard, however, ticket sales are recorded at net.

2) Fanicon business individual app

Net sales are recorded for apps where the operating entity is on the Icon side, not THECOO.

As sales of individual apps are expected to grow and account for a larger proportion of Fanicon’s total net sales than in the recent past, the Company discloses figures for individual apps when such can be indicated.

Factors that improve gross profit margin due to recording as net.

3) ARPU

The Company continued to disclose what was recorded at gross in the current fiscal year’s materials to facilitate understanding of past growth trends (concerned that it could be misleading to reflect changes in accounting standards as is).

The above information is based on consultations with the audit firm at this time and is subject to change.

Management Team

- Founded and operated by a management team that made ties at Google LLC.
- Pursuing “individual” enrichment and customer satisfaction through KPI-focused management.



President & CEO
Masato Taira

Graduate of Department of Sociology, Hitotsubashi University
Was involved in sales, marketing, and business development at ITOCHU Corporation, DoCoMo AOL, and Sony.
He joined Google in 2007. As an executive manager, he strengthened sales to SMEs and was instrumental in the company's growth in the Japanese market. He loves rock music more than anything.



Director, CFO and General Manager,
Corporate Headquarters
Shigeki Mori

Graduate of Faculty of Business and Commerce, Keio University; MBA, University of Southern California
After holding key positions in the finance and corporate planning departments of several foreign-backed companies and then managing the business management department of an e-commerce startup, which was his previous workplace, he joined THECOO Inc. in December 2017.

Outside Director Tetsuo Karasawa

Graduate of School of Commerce, Waseda University
After having worked at Pioneer Corporation and served as president and representative director and chairman of MTV Japan, president and representative director of LaLa Media Corporation, and president, executive officer, and chairman of GONZO K.K., he became an outside director of THECOO Inc.



Director & COO General Manager, Digital Marketing
(Corporate Agency Sales) Division
Hiroki Shimokawa

Graduate of Faculty of Law, The University of Tokyo
After having worked for NTT East and NTT Communications, he joined Google in 2008.
For six years, Shimokawa worked to promote Google AdWords in the advertising sales division. After leaving the organization, he founded THECOO Inc. together with Masato Taira.



Director General Manager, Member Success
Division
Toshimichi Nozawa

Graduate of Yachiyo International University (now Shumei University)
After having worked for Recruit Co., Ltd., Doubleclick Japan Inc., and Google LLC, he joined Freee K.K. as an executive officer in charge of the human resources and recruitment department. He has been in charge of THECOO Inc.'s human resources department since August 2021.

Outside Director Yoshihiro Aita

Graduate of Faculty of Humanities, Sophia University
After joining Sony Corporation, he was involved in the marketing of professional products to overseas markets. Since then, after working in business planning in overseas markets and developing the Chinese market, he joined Sony Network Communications Inc. He served on the Board of Directors. Currently, he is the president of AiTIA Corporation, which he also founded. He was appointed as an outside director of THECOO Inc.

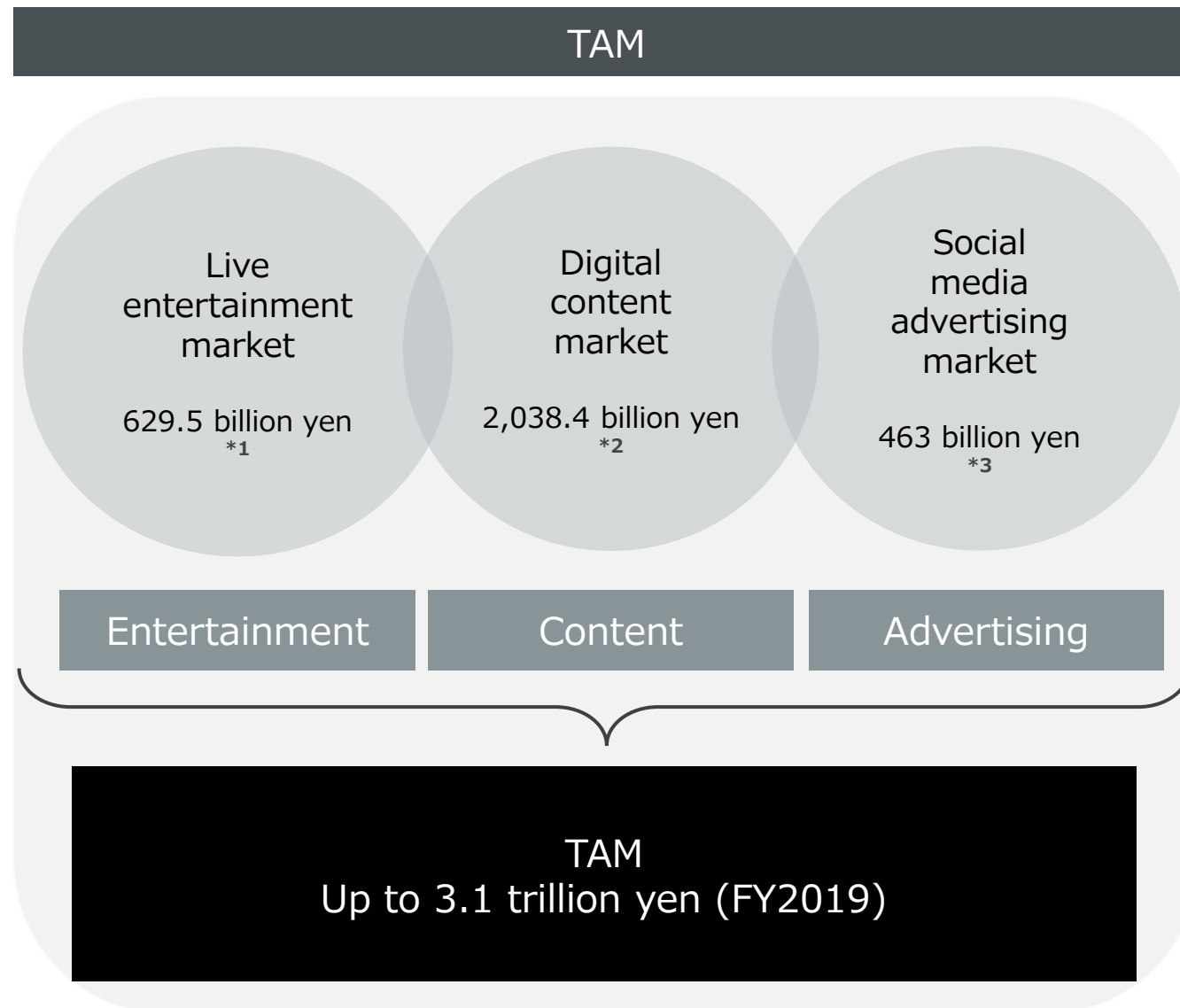
- Persistently tackling challenges to create new business.

January 2014	Founded in the online advertising business by three executives that made ties at Google LLC.
January 2015	Launched “iCON CAST,” a matching platform for YouTubers and advertisers.
February 2016	Company name changed from Ruby Marketing Inc. to THECOO Inc.
August 2016	Began offering the influencer marketing planning tool “iCON Suite.”
December 2017	Launched “Fanicon” business, a membership-based fan community platform.
July 2019	Launched “Fanicon” e-commerce and ticket service functions.
October 2019	Launched overseas support for Fanicon.
April 2021	Opened creator and artist-oriented distribution studio “BLACKBOX ³ .”
April 2021	Launched “Cassette,” a live-streaming platform to attract new fans.
May 2021	Entered into a business tie-up with NTT DoCoMo regarding live business.
December 2021	Listed on the Mothers market of the Tokyo Stock Exchange (now TSE Growth).
August 2022	Relocated head office (Sumitomo Fudosan Harajuku Building).

TAM for the Fanicon business

- Scale of the entertainment business market, including live entertainment, digital content, and online advertising markets, where digital transformation is advanced.
- Vast market potential for future expansion of both core businesses.

- *1: Prepared by the Company based on the Live Entertainment White Paper (as FY2020 was influenced by the pandemic, FY2019 is applied). Live entertainment market scale = total estimated ticket sales for music concerts and stage performance events
- *2: Prepared based on Ministry of Economy, Trade and Industry, "The Global Market for Content - Japan Market Appearance," fiscal 2019 Market Scale. Preliminary calculations based on 1USD = 100 yen. Defined as the total digital content market for music (music downloads, music streaming, advertising) video (video distribution (SVOD and TVOD), VR video, advertising (video sharing sites, etc.), games (console games, computer games (downloads), mobile games, VR applications, VR games, advertising)
- *3: Market scale in fiscal 2019 from a domestic social media marketing market trend study by CyberBuzz and Digital InFact. Defined as total of social media advertising (ads on YouTube, Facebook/Instagram, LINE, Twitter, and TikTok, and excluding ads on blog sites).



7-10 Use of this Document / Disclaimer

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Factors that may cause results to differ materially from those described in these statements include, but are not limited to, changes in national and international economic conditions and trends in the industries in which the Company operates.

Please note that although the Company has exercised utmost care in the preparation of this document, it does not guarantee its validity, accuracy, or usefulness.

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