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Company AnyMind Group Inc. Representative Kosuke Sogo, Representative Director and CEO (Stock code: 5027 TSE-Growth) Contact Keizo Okawa, Director and CFO ir@anymindgroup.com

Answers to Frequently Asked Questions (Questions received in FY2023 Q4)

Thank you very much for your ongoing interest in our company. We would like to disclose the main questions received from investors from the announcement of the financial results for the third quarter of 2023 to date, and their respective answers.

This disclosure is carried out with the aim of enhancing communication with investors and ensuring fair disclosure. Similar disclosures are planned around the end of each quarter. Please note that there might be slight discrepancies due to timing, but we have provided answers based on our most recent company policies.

Q1. When subtracting the cumulative actual operating profit of 331 million yen up to the third quarter, from the company's forecasted annual operating profit of 481 million yen for the fiscal year ending in December 2023, the operating profit for the fourth quarter would be 150 million yen. This results in a decrease in profit compared to the third quarter. Is such a scenario expected?

In the current fiscal year, profitability has improved compared to the same period last year, showing a steady progression. We assume that there are no specific factors leading to a decrease in profit in the fourth quarter. There is seasonality for the company's performance, where the first quarter is considered low season, and the fourth quarter is high season. Therefore, it is normal for the fourth quarter to perform better than the third quarter due to seasonality.

Reviewing the operating profit results for the last fiscal year, the first quarter resulted in an operating loss of 148 million yen, and it improved in the second and third quarters, and in the high season of the fourth quarter, it landed at an operating profit of 260 million yen. In the last fiscal year, in addition to the usual seasonality, there was an equity conpensation expense of around 73 million yen recognized in the third quarter as a result of the application for IPO (there are continuous equity compensation expenses, but a substantial portion recognized in the third quarter of the previous year was a one-time expense). Additionally, in the fourth quarter of last year, there was a recovery in demand from the COVID-19 pandemic, leading to revenue surpassing expectations, resulting in a significant increase in operating profit from the third to the fourth quarter by 341 million yen. Although there are no similar special factors this fiscal year and the impact of seasonality will be the main factor, we are firmly driving our business with the aim of continuing to improve profitability compared to the same quarter of the previous year.

In the fourth quarter, there are cases where earnings may be affected by provisions and other items to be posted at the end of the fiscal year, so we have conservatively left the operating profit forecast unchanged at the third quarter results, but we recognize that it is a level that should land firmly on an upward trend.

Q2. Do you plan to continue improving earnings at the same pace as this fiscal year for the fiscal year ending in December 2024? Is there a possibility of incurring losses due to significant investments?

Since our establishment in 2016, we have continuously expanded into new countries and increased our new business initiatives. Particularly in terms of human resources, there was a need for substantial upfront investment, leading to consecutive operating losses until the fiscal year ending in December 2021. At the current stage, while investments are still necessary, the expansion into various countries and businesses has reached a certain level of stabilization, allowing each to develop their respective economies of scales. Consequently, we believe that as a group, we've entered a phase where we can drive business more effectively.

Moreover, when entering into new markets, our already-established network across the entirety of Asia enables efficient business expansion with support from existing locations. For instance, the recently established offices in South Korea and Saudi Arabia can initiate operations with a small workforce, supported by certain managerial functions from other locations. We can also cross-sell and up-sell by leveraging our customer network, we anticipate limited initial investment amounts compared to past expansions into new countries.

To sustain revenue growth and seize growth opportunities in the Asian market, continued investment in aspects like human resources remains essential. However, due to the change in the business phase, we expect a lower rate of workforce increase compared to the growth rates of revenue and gross profit. Since personnel expenses constitute the most significant portion of our Selling, General and Administrative Expenses, we aim to gradually improve productivity and profitability each year while sustaining growth. Additionally, we do not anticipate a situation where full-year operating profits turn negative due to significant investments in the current business environment.

Q3. Assuming that the macroeconomic environment in China is deteriorating. Will this have an impact on your company's performance?

Gross profit from the Greater China region accounts for approximately 10% of the Company's total gross profit, much of which is derived from the Hong Kong and Taiwan markets, and the contribution of Mainland China to the Company's performance is small currently.

The core offering in China at the moment are our solutions for publishers that are operating online media and apps from China for overseas markets. For publishers operating online media and apps targeting Japan, Europe, the U.S., and Asia, we are actively developing our business because we can provide support by utilizing our AnyManager platform and our know-how in other regions. In addition, for marketing and e-commerce businesses, there is high demand for cross-border marketing and e-commerce businesses between China and other countries, and we provide support mainly for cross-border transactions. Therefore, the impact of changes in the domestic market environment in China on our business performance is limited, and we expect the business in this region to continue to grow, driven by the increasing demand for cross-border transactions both within and outside China.

Q4. What points could be considered as concerns or risks regarding the market environment?

We recognize that the global market environment for digital marketing areas has not been particularly favorable throughout 2023, and we hold a conservative view regarding this aspect continuing beyond 2024. However, as our company operates multiple businesses across various regions, our business structure allows for diversification, which mitigates the impact of changes in the market environment. Despite certain market segments not performing well in 2023, we have managed to firmly sustain our company's growth.

Additionally, while it has not had a significant impact on our operations, there were some delays in the

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implementation timing of influencer marketing projects in the Middle East region due to conflicts in the region in the fourth quarter of 2023. However, considering the limited revenue scale from this region for our company, we anticipate that this situation will not significantly affect the overall earnings of the group.

We believe that changes in the market environment are always possible in the global market. Therefore, we aim to strengthen our structure and business capabilities to adapt our solutions and framework to the market, ensuring our robust growth amid these changes.

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