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Company AnyMind Group Inc.
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Answers to Possible Questions (FY2024 Q4 & Full Year Results)

Thank you for your continued interest in our company, and we are pleased to provide the following answers to questions we expect for the financial results of the fourth quarter and full year of the fiscal year ending December 31, 2024.

Q1. How do you assess the achievement rate of FY2024 actual results against the full-year forecast?

Based on steady business performance and improved profitability, we made an upward revision to our full-year forecast for the fiscal year ending December 2024 on November 14, 2024. Subsequently, with continued strong performance in the fourth quarter, our actual results for the fiscal year ending December 2024 exceeded the revised forecast, with revenue achieving 103.3% and gross profit reaching 102.5% of the revised forecast. Compared to the previous fiscal year, revenue grew by 51.6% and gross profit increased by 47.7%, significantly surpassing our initial growth target of 30% set at the beginning of the fiscal year.

Regarding operating profit, we initially provided conservative forecasts considering seasonal fluctuations in the fourth quarter and the impact of year-end accounting adjustments. However, due to steady performance, operating profit in the fourth quarter increased by 461 million yen compared to the same quarter of the previous year. As a result, operating profit for the fiscal year ending December 2024 reached 2.56 billion yen, exceeding both our initial forecast of 1.25 billion yen announced at the beginning of the fiscal year and the revised forecast of 2.4 billion yen announced on November 14.

Furthermore, due to fluctuations in the foreign exchange market, we recorded a foreign exchange gain of 227 million yen in the fourth quarter (and 61 million yen for the full year). Additionally, after reviewing the recoverability of deferred tax assets based on improved current profitability and future performance outlook, we decided to record deferred tax assets at our subsidiaries. As a result, we recorded an income tax deferred of -374 million yen (- as gain) in the fourth quarter and of 409 million yen (- as gain) for the fiscal year ending December 2024. Due to these factors, net income attributable to owners of the parent for the fiscal year ending December 2024 amounted to 2.34 billion yen, significantly exceeding the most recently announced forecast of 1.58 billion yen. However, since the foreign exchange gains and recording of deferred tax assets are non-recurring items, we believe that figures excluding these impacts should be considered as the reference level for evaluation.

Q2. Which business segments and regions showed the highest growth rates in the fourth quarter of the fiscal year ending December 2024?

All business segments continue to demonstrate solid growth. The year-on-year growth rate in gross profit, which we consider the most important indicator for our group, showed increases of 34% in the Marketing Business, 34% in the D2C/E-Commerce Business, and 58% in the Partner Growth Business. In the Marketing Business, influencer marketing is driving growth across all regions. In the D2C/E-Commerce Business, while the creator-focused e-commerce business is showing stable growth as we prioritize profitability over expansion for scale, the enterprise e-commerce business is expanding steadily through the acquisition of new customers seeking cross-border expansion in Asia. The enterprise e-commerce business alone achieved a year-on-year gross profit growth rate of 46%. In the Partner Growth Business, the creator-focused business maintains high growth through continuous acquisition of new creators.

By region, we achieved growth across all areas, with year-on-year gross profit growth rates of 21% in Japan and Korea, 70% in Southeast Asia, and 49% in other regions (India and Greater China). The growth in Southeast Asia is partly attributed to the strong performance of our recently acquired companies, DDI and Arche (even excluding their revenue, the region's year-on-year growth rate remained high at 70%), along with significant contributions from the expansion of enterprise support in e-commerce and creator growth support. While the growth rate in Japan and Korea remains relatively low due to the large composition ratio of publisher growth support services, which has recently shown slower growth, each business segment is performing steadily. We have no major concerns about the business environment or outlook and expect continued stable growth.

Q3. Which business segments and regions demonstrated the highest growth rates for the full fiscal year ending December 2024?

The fourth quarter is our high season, and in 2024, it accounted for 30% of our total gross profit. As with the fourth quarter performance, we achieved business growth across all businesses and regions throughout the year. Looking at individual business segments, the year-on-year growth rate in gross profit, which we consider the most important indicator for our group, showed increases of 33% in the Marketing Business, 59% in the D2C/E-Commerce Business, and 67% in the Partner Growth Business.

In the Marketing Business, AnyTag, our influencer marketing platform which accounts for approximately 60% of the business, drove global growth. In the D2C/E-Commerce Business, we expanded our enterprise e-commerce business, particularly in Southeast Asia, through the rollout of new solutions including 'AnyAI', a data & AI integration platform, and 'AnyLive', an AI-generated live commerce platform, as well as contributions from our wholly-owned subsidiaries DDI and Arche. As of the end of December 2024, the number of brands we support grew to 223 brands (comprising 47 creator brands and 176 enterprise brands).

In the Partner Growth Business, while our publisher growth support services were affected by changes in video advertising policies across major networks - an industry-wide trend that impacted revenues of related solutions - we are seeing a gradual recovery. As of the end of December 2024, the number of supported publishers increased by 173 from the previous year to 1,818. Regarding creator growth support, through diversification of support areas including YouTube Shorts support and steady acquisition of new global creators, the number of supported creators increased by 1,127 from the previous year-end to 2,910 as of the end of December 2024.

By region, year-on-year growth rates in gross profit showed solid growth across all regions, with Japan increasing by 27%, Southeast Asia by 81% (even excluding revenue from DDI and Arche, the region's year-on-year growth rate remained high at 73%), and other regions (India and Greater China) growing by 46%.

Q4. What was the impact of foreign exchange rates on growth rates during both the fourth quarter and full fiscal year of 2023?

As we primarily receive revenue in local currencies in the countries where we operate, our financial figures in Japanese yen are linked to local currency exchange rates in each country. With approximately 40% of our sales coming from domestic operations, the foreign exchange impact affects approximately 60% of our revenue, which represents our overseas revenue ratio. For the full fiscal year 2024, the Japanese yen, Singapore dollar, Thai baht, and Hong Kong dollar accounted for significant portions, followed by Taiwan dollar, Vietnamese dong, Indonesian rupiah, Indian rupee, and Philippine peso. Based on the weighted average calculated from gross profit by subsidiary location, the positive impact of foreign exchange fluctuations on a Japanese yen basis is estimated to be approximately 2.6% year-on-year for the fourth quarter of 2024, and approximately 3.5% year-on-year for the full fiscal year 2024.

Furthermore, as selling, general and administrative (SG&A) expenses and other costs are also incurred in local currencies in each country, the impact on indicators below operating profit is partially offset (for example, when gross profit increases due to a weaker yen, SG&A expenses similarly increase), resulting in limited foreign exchange impact on operating profit.

Q5. Please explain the specific strategies for achieving future business performance targets and growth.

In today's earnings announcement, we have published our new medium-term performance targets. Over the three-year period from the fiscal year ending December 2024 to the fiscal year ending December 2027, we aim to achieve a Compound Annual Growth Rate (CAGR) of 27% or more in both revenue and gross profit, targeting revenue of 105 billion yen and gross profit of 38.5 billion yen by the fiscal year ending December 2027. Regarding profitability, using our fiscal year 2024 operating profit margin of 5.0% as a baseline, we will pursue balanced business development between growth and profitability while steadily improving our profit margins each year.

We believe there continues to be strong demand both domestically and internationally for our B2B services, primarily focused on e-commerce support and marketing support, which form the foundation of our growth outlook. We also believe we can further strengthen our competitive position in the Asian market. We identify three competitive advantages: "Comprehensive solution capabilities covering both e-commerce and marketing," "Pan-Asian business operations," and "Technology development infrastructure."

First, for enterprise clients aiming to enhance their brand value and achieve business growth, particularly in cross-border brand expansion, the optimization of brand launches and the strengthening of e-commerce sales in each country has become an interconnected management challenge for various clients. We believe our ability to provide comprehensive support in these areas offers significant value. Additionally, regarding business expansion in Asia, we recognize that many cases involve simultaneous expansion into multiple countries rather than targeting a step-by-step approach to expansion into individual countries. In such situations, our global structure, which can provide broad support across multiple fragmented markets, becomes crucial.

Finally, since our founding, we have continuously invested in technology, providing a well-balanced combination of data and generative AI utilization along with operational support. We recognize that for our client base of major enterprise brands, the importance of effectively utilizing technology and data continues to increase.

As for our growth direction, we will pursue three main strategic priorities. First, regarding our enterprise support structure across Asia, we plan to continuously strengthen our operations in each country while leveraging our current business foundation in 15 countries and regions. We expect that as each country's operations grow and their structures are further strengthened, the appeal of our group as a whole will increase.

Furthermore, as we grow our business in each country, we anticipate an expansion of our networks of enterprises, media, and creators. Having more extensive local networks in each country will positively influence and contribute to the growth of each business segment.

Third, we will advance the utilization of generative AI and the digital transformation (DX) of our internal operations. While this is a continuation of our past initiatives, we are promoting AI implementation across our products and solutions based on recent advances in AI technology. We are pushing forward with the integration of new AI-powered features into products like AnyTag and the development of AI-utilizing solutions such as AnyLive. Additionally, we will further improve productivity by actively promoting DX and AI utilization in our internal operations.

Q6. Please explain the financial forecast for the fiscal year ending December 2025 and its underlying assumptions.

Based on the growth directions outlined in Q5 above, we expect revenue for the fiscal year ending December 2025 to grow to 64,750 million yen (up 28% year-on-year) and gross profit to reach 23,741 million yen (up 27% year-on-year). Looking at individual business segments, we project year-on-year growth rates in gross profit, which we consider the most important indicator for our group, to be 23% for the Marketing Business, 50% for the D2C/E-commerce Business, and 19% for the Partner Growth Business. By region, while we expect particularly high growth in Southeast Asia, Japan and other regions are also projected to show stable growth.

While we will continue to invest in personnel alongside business expansion, we expect the personnel expenses to revenue ratio to decrease through productivity improvement initiatives, with personnel expenses accounting for over 50% of SG&A expenses. As a result, we project operating profit for the fiscal year ending December 2025 to reach 3,505 million yen (up 37% year-on-year). The operating profit margin is expected to improve from 5.0% in fiscal year 2024 to 5.4% in fiscal year 2025.

For the fiscal year ending December 2025, we expect income tax expenses to be 737 million yen (compared to 171 million yen in the previous period), and profit attributable to owners of the parent is projected to be 2,604 million yen (compared to 2,335 million yen in the previous period). Additionally, our fiscal year 2025 performance forecast assumes an average exchange rate of 149 yen to the US dollar. Since it is difficult to accurately predict non-operating foreign exchange gains or losses at this time, the impact of foreign exchange gains and losses is not included in the forecast figures.

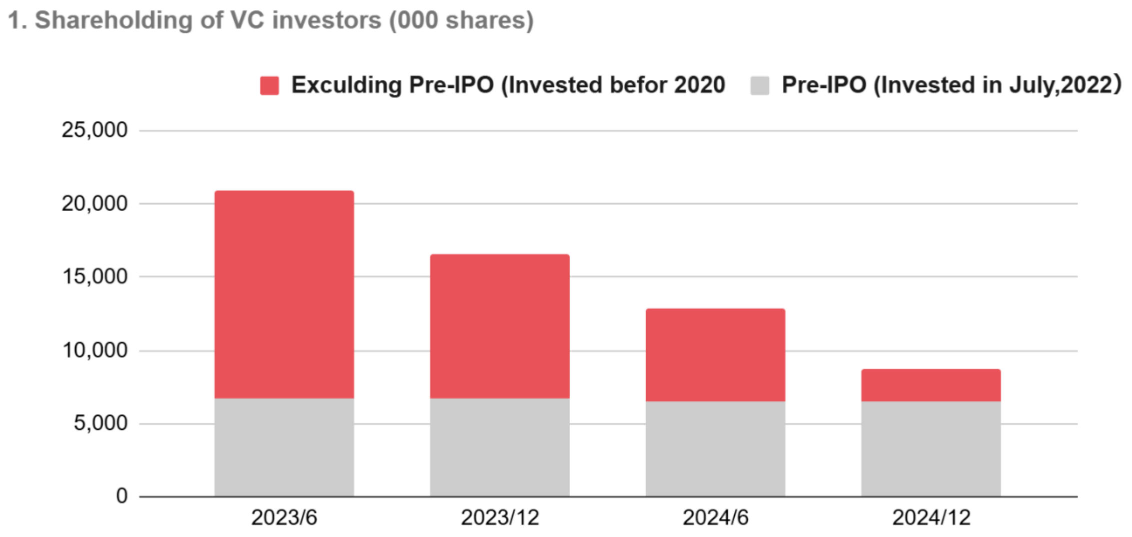
Q7. Please highlight any notable points regarding the current shareholder composition that we should be aware of.

Since our founding, particularly during our pre-IPO period, we have received tremendous support from venture capital and other financial investors (hereinafter referred to as "VC investors"). Through their provision of growth capital and valuable management advice, we recognize that we have been able to establish our business foundation and achieve sustained growth. We would like to take this opportunity to express our deepest gratitude.

Generally, funds operated by venture capital firms have a redemption period of approximately 10 years, and they need to recover their investments (through the sale of acquired shares) after a certain period following their initial investment. Therefore, when there is a significant time gap between pre-IPO fundraising and the actual IPO, a situation known as "overhang" (Note 1) may occur, where share sales either take place or are expected to take place within a relatively short period after the IPO, potentially deteriorating the supply-demand balance of the shares. While stock prices fluctuate due to various factors including market conditions and business performance, a deterioration in the supply-demand balance can be one factor that suppresses stock prices.

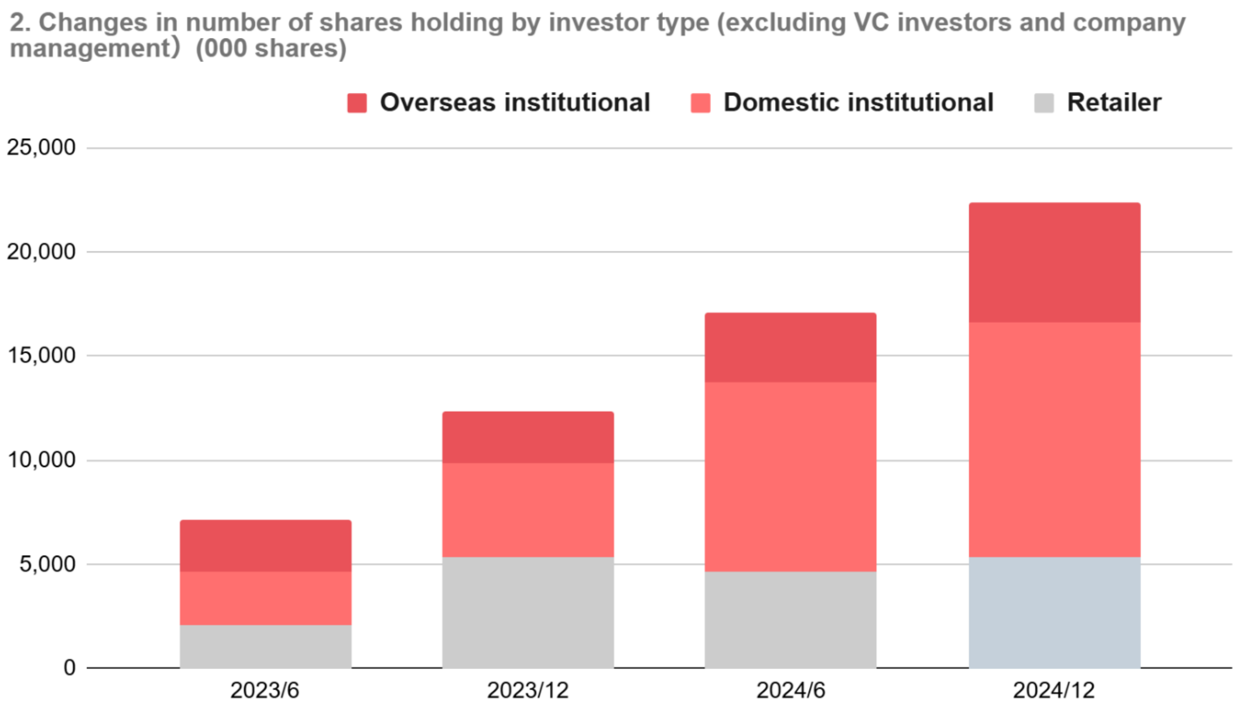
In our case, due to our history of active fundraising since our founding, we took steps to mitigate post-IPO overhang concerns in July 2022, just before our IPO, by welcoming new shareholders who both invested in our company and purchased existing shares from shareholders (who had held their investments for a certain period). However, when we went public in March 2023, the overall stock market was weak, which resulted in a limited offering size at IPO, and the liquidity of our shares, both during the initial public offering and afterward, was not sufficient. As a result, we have received multiple concerns from investors regarding the overhang issue after our IPO.

However, looking back at the changes in our shareholder composition since our IPO, our VC investors who invested before the IPO have gradually reduced their shareholdings based on their specific circumstances, including fund redemption deadlines (please refer to Graph 1 below). As a result, as of the end of December 2024, excluding the shares invested in July 2022 just before the IPO (Pre-IPO), both the number of pre-IPO VC investors and the number of shares held by VC investors have already reached limited levels. Furthermore, to the best of our knowledge, we have not identified any major shareholders with intentions to sell shares on a scale that would significantly impact the market, and we believe that short-term overhang concerns are now limited.



Furthermore, looking at the changes in our shareholder distribution since our IPO (please refer to Graph 2 below), the shares previously held by VC investors have been widely distributed among domestic and international institutional investors. Particularly in the six months leading up to December 2024, shareholdings increased by approximately 2.5 million shares among foreign institutional investors (Note 2) and approximately 2.1 million shares among domestic institutional investors (Note 2). We view this increase in institutional investor holdings as evidence that these investors understand and appreciate our growth potential and business model, and we would like to express our renewed gratitude for their continued support.

Moving forward, we will further strengthen our IR activities to help individual investors, as well as domestic and international institutional investors, better understand our business. We continue to be grateful for the support of all our shareholders and will devote our full efforts toward enhancing sustainable corporate value.



(Note 1) "Overhang" concerns refer to concerns about a potential deterioration in the supply-demand balance of shares due to anticipated large-scale share sales by major shareholders and others in the future.
(Note 2) Domestic institutional investors include general corporations, and foreign institutional investors include some individual investors.

End

Disclaimers

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