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May 12, 2023

**Non-consolidated Financial Results
for the Fiscal Year Ended March 31, 2023
(Under Japanese GAAP)**

Company name: COVER Corporation
 Listing: TSE Growth Market
 Securities code: 5253
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 Scheduled date of the annual general meeting of shareholders: June 29, 2023
 Scheduled date to commence dividend payments: -
 Scheduled date to file annual securities report: June 29, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		Net Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	20,451	49.7	3,417	84.2	3,385	82.6	2,508	101.6
March 31, 2022	13,663	138.7	1,855	9.2	1,853	8.7	1,244	1.9

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	42.04	38.35	48.0	28.1	16.7
March 31, 2022	20.87	-	44.0	31.6	13.6

Reference: Share of profit (loss) of entities accounted for using the equity method
 For the fiscal year ended March 31, 2023: ¥ - million
 For the fiscal year ended March 31, 2022: ¥ - million

(Notes)

- Diluted earnings per share for the fiscal year ended March 31, 2022 is not indicated as the Company's shares were not listed at the time, and it is not possible to measure the average share price for the period, although there are potential shares.
- The Company conducted a 100-for-1 stock split on December 14, 2022. Basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
- Diluted earnings per share for the fiscal year ended March 31, 2023 is omitted since, although potential shares existed, the Company's shares were unlisted before the listing on the Growth Market of the Tokyo Stock Exchange on March 27, 2023, and the Company could not calculate average share price during the fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2023	15,887	7,006	44.1	114.56
March 31, 2022	8,238	3,457	41.9	74.31

Reference: Equity As of March 31, 2023: ¥7,002 million
As of March 31, 2022: ¥3,453 million

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	4,866	(2,759)	1,040	7,793
March 31, 2022	3,537	(793)	-	4,644

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2024 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes)

	Revenue		Operating Profit		Ordinary Profit		Net Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	26,562	29.9	4,650	36.1	4,623	36.6	3,236	29.0	52.95

Notes

1. Changes in accounting policies, accounting estimates, and retrospective restatement

- (1) Changes in accounting policies due to the revision of accounting standards: Yes
- (2) Changes in accounting policies other than (1): None
- (3) Changes in accounting estimates: None
- (4) Retrospective restatement: None

2. Number of shares issued and outstanding (common stock)

- (1) Total number of issued shares at the end of the period (including treasury stock):

March 31, 2023	61,124,200 Shares
March 31, 2022	59,624,200 Shares
- (2) Total number of treasury stock at the end of the period:

March 31, 2023	- Shares
March 31, 2022	- Shares
- (3) Average number of shares during the period:

March 31, 2023	59,657,077 Shares
March 31, 2022	59,624,200 Shares

(Notes)

The Company conducted a 100-for-1 stock split on December 14, 2022. The total number of issued shares at the end of the period (including treasury stock), the total number of treasury stock at the end of the period, and the average number of shares during the period are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* These financial results are outside the scope of an audit by certified public accountants or an audit firm

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable and are not intended to be a guarantee by the Company of future performance. Actual results may differ materially from these forecasts due to various factors.

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1. Overview of Business Results, etc.

(1) Explanation of business results for fiscal year ended March 31, 2023

During the fiscal year under review, outlook for the economic environment in Japan and overseas continued to be highly uncertain due to the impact of geopolitical risks surrounding Ukraine and the progression of international inflation, while the easing of preventive measures toward COVID-19 in Japan was promoted toward the end of the fiscal year.

In such an environment, with the mission of “Together, Let's Create Culture Loved by All” the Company aimed to increase the activity opportunities for creators involved in cultural content such as anime and games, which are unique strengths of Japan, by creating Japan-originated entertainment culture and spreading it to users across the world.

In the fiscal year under review, along with live streaming, the Company focused on providing multifaceted content through short videos, music, and other mediums. As a result, the total number of registered YouTube subscribers (Note 1) of VTubers affiliated with the Company grew to 75.58 million (an increase of 23.1% year-on-year) as of the end of March 2023. With the aim of diversifying our VTubers and their fan base, we have debuted a total of eight new VTubers from “HOLOSTARS English,” a male VTuber group targeting English-speaking countries, in July 2022 and January 2023. As a result, net sales in the Streaming/Content service for the fiscal year under review totaled 6,342,733 thousand yen (an increase of 20.8% year-on-year). In the Concerts/Events service, net sales for the full year totaled 3,429,004 thousand yen (an increase of 55.6% year-on-year), due to the success of large-scale events such as “Hoshimachi Suisei’s 2nd live ‘Shout in Crisis’” held in January 2023, “hololive SUPER EXPO 2023 Supported By Bushiroad” held in March of the same year, and “hololive 4th fes. Our Bright Parade Supported By Bushiroad” also held in March of the same year.

In addition, the scale of the commerce business expanded significantly in the fiscal year under review based on the heightened added value of IP in the aforementioned service field, with net sales in the Merchandising service reaching 8,003,091 thousand yen (an increase of 65.6% year-on-year) for the full year. Net sales in the Licensing/Collaborations service amounted to 2,676,183 thousand yen (an increase of 94.2% year-on-year). In the Merchandising service, we are also making progress in improving profitability by improving our product mix.

As a result, for the fiscal year under review, net sales were 20,451,013 thousand yen (up 6,787,284 thousand yen, an increase of 49.7%, year-on-year), operating income came to 3,417,173 thousand yen (up 1,562,001 thousand yen, an increase of 84.2%, year-on-year), ordinary profit posted 3,385,233 thousand yen (up 1,531,255 thousand yen, an increase of 82.6%, year-on-year), and net income was 2,508,234 thousand yen (up 1,263,768 thousand yen, an increase of 101.6%, year-on-year).

(Note)

1. Total number of YouTube channel subscribers refers to the sum of subscribers of our affiliated VTubers’ and official channels as of March 31, 2023.

(2) Explanation of financial position for the fiscal year ended March 31, 2023

(Assets)

Total assets at the end of the fiscal year increased by 7,648,887 thousand yen from the end of the previous fiscal year to 15,887,009 thousand yen. This was mainly due to an increase of 3,148,586 thousand yen in cash and deposits, 1,687,435 thousand yen in construction in progress for the construction of the new studio, 1,246,320 thousand yen in accounts receivable, and 804,918 thousand yen in software in progress for new business development.

(Liabilities)

Total liabilities at the end of the fiscal year amounted to 8,880,701 thousand yen, up 4,100,028 thousand yen from the end of the previous fiscal year. This was mainly due to an increase in advances received of 1,875,299 thousand yen, accounts payable of 601,280 thousand yen, and accrued expenses of 553,922 thousand yen as a result of an increase in the number of orders received and sold through the Company’s e-commerce site (EC).

(Net assets)

Total net assets as of the end of the fiscal year increased by 3,548,859 thousand yen from the end of the previous fiscal year to 7,006,308 thousand yen. This was due to an increase in retained earnings of 2,508,234 thousand yen, an increase in capital of 520,312 thousand yen due to capital increase associated with the public listing, and an increase in the capital surplus of 520,312 thousand yen.

(3) Explanation of cash flows for fiscal year ended March 31, 2023

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the fiscal year increased 3,148,586 thousand yen from the end of the previous fiscal year to 7,793,282 thousand yen.

The status of each cash flow and its factors are as follows.

(Cash flows from operating activities)

Funds acquired from operating activities in the fiscal year under review amounted to 4,866,720 thousand yen. This was mainly due to profit before income taxes of 3,352,833 thousand yen, advances received of 1,875,299 thousand yen, and trade receivables of 1,246,320 thousand yen.

(Cash flows from investing activities)

Funds acquired from investing activities in the fiscal year under review amounted to 2,759,105 thousand yen. This was due to expenditures of 1,463,229 thousand yen for the acquisition of property, plant, and equipment, 899,184 thousand yen for the acquisition of intangible fixed assets, and 478,511 thousand yen for an increase in guarantee deposits due to office space expansion.

(Cash flows from financing activities)

Funds acquired from financing activities in the fiscal year under review amounted to 1,040,625 thousand yen. This was due to the issuance of shares.

(4) Explanation of forward-looking outlook

The Company’s medium-to-long-term strategy is to achieve sustainable growth through the following three-step business expansion: (1) develop high value-added IPs and establish a fan base, (2) expand the commerce business and upfront investment, and (3) expand the metaverse services business.

For the fiscal year ending March 31, 2024, the Company plans to debut several new VTubers with an eye to attracting a broader fan base, while aiming to further enhance the brand value of hololive production, and also plans to provide diverse content using the new large-scale studio that will begin operations in the same fiscal year.

With regards to expansion outside Japan, we will continue the “hololive Meet” series of overseas events launched in April 2022, and plan to exhibit at a number of overseas events during the fiscal year ending March 2024, and also promote the expansion of the licensing business to licensee companies outside of Japan.

In addition, current merchandising sales consist largely of made-to-order products for the dedicated fan base of individual VTubers, and the main sales channel is EC. However, with the expansion of the production’s brand and IP product planning and sales structure, we plan to develop profitable products that can be sold to a wider consumer base at all times and expand sales channels, including retail store sales.

Furthermore, with regard to the “Holoeath”, metaverse service under development for release by the end of 2024, we plan to engage in development through the involvement of users, including test implementation of billing functions in “Holoeath Lobby,” whose beta version is being released for functional verification, and holding of live events to verify the function of virtual live performances on Holoeath.

In light of these business developments, for the fiscal year ending March 31, 2024, we forecast net sales of 26,562,982 thousand yen (an increase of 29.9% year-on-year), operating income of 4,650,958 thousand yen (an increase of 36.1% year-on-year), ordinary profit of 4,623,958 thousand yen (an increase of 36.6% year-on-year), and net income of 3,236,771 thousand yen (an increase of 29% year-on-year).

The above earnings forecast is based on information available as of the date of publication of this document. Actual results may differ from the forecast depending on the progress of development in each business field and other factors.

2. Basic Approach to the Selection of Accounting Standards

Our company’s policy for the time being is to prepare its financial statements in accordance with Japanese GAAP, taking into account the comparability of financial statements between periods as well as companies.

The Company intends to consider the application of International Financial Reporting Standards in the future, taking into consideration the shareholder structure and the trends among other domestic companies within the industry.

3. Financial Statements and Primary Notes

(1) Balance sheet

(Unit: Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,644,695	7,793,282
Accounts receivable	1,970,237	3,216,557
Merchandise	257,323	338,430
Prepaid expenses	92,464	158,976
Accounts receivable	14,648	60,521
Advance payments to suppliers	151,690	168,155
Consumption taxes refund receivable	37,830	-
Other	9,857	17,684
Allowance for doubtful accounts	(10,300)	(12,746)
Total current assets	7,168,447	11,740,862
Fixed assets		
Property, plant, and equipment		
Facilities attached to buildings (net)	17,114	15,753
Tools, furniture, and fixtures (net)	194,509	196,804
Construction in progress	-	1,687,435
Total property, plant, and equipment	211,623	1,899,993
Intangible fixed assets		
Patent rights	-	3,438
Trademark rights	16,814	36,248
Software	10,966	50,082
Software suspense account	170,317	975,236
Total intangible fixed assets	198,098	1,065,007
Investments and other assets		
Guarantee deposits	512,604	909,295
Deferred tax assets	147,287	271,820
Other	59	30
Total investments and other assets	659,951	1,181,145
Total fixed assets	1,069,674	4,146,146
Total assets	8,238,121	15,887,009

(Unit: Thousand yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	1,482,955	2,084,235
Accounts payable–other	29,558	377,986
Accrued expenses	521,881	1,054,240
Income taxes payable	269,739	772,916
Advances received	2,222,582	4,097,882
Deposits received	106,538	193,861
Provision for bonuses	104,805	210,185
Other	117	46,898
Total current liabilities	4,738,179	8,838,207
Fixed liabilities		
Asset retirement obligations	42,493	42,493
Total fixed liabilities	42,493	42,493
Total liabilities	4,780,672	8,880,701
Net assets		
Shareholders' equity		
Share capital	452,808	973,121
Capital surplus		
Legal capital surplus	449,808	970,121
Total capital surplus	449,808	970,121
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,551,011	5,059,246
Total retained earnings	2,551,011	5,059,246
Total shareholders' equity	3,453,628	7,002,488
Share acquisition rights	3,820	3,820
Total net assets	3,457,448	7,006,308
Total liabilities and net assets	8,238,121	15,887,009

(2) Statement of income

(Unit: Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	13,663,728	20,451,013
Cost of sales	8,388,956	11,054,870
Gross profit	5,274,772	9,396,143
Selling, general and administrative expenses	3,419,600	5,978,969
Operating income	1,855,171	3,417,173
Non-operating income		
Interest income	26	97
Foreign exchange gains	1,651	1,490
Compensation income	13,131	-
Other	1,185	784
Total non-operating income	15,995	2,372
Non-operating expenses		
Listing expenses	-	22,423
Settlement payments	15,888	11,557
Other	1,299	330
Total non-operating expenses	17,188	34,312
Ordinary profit	1,853,978	3,385,233
Extraordinary losses		
Loss on sale of fixed assets	-	2,574
Loss on retirement of fixed assets	997	198
Loss on the valuation of shares of subsidiaries and associates	341	-
Impairment losses	211,483	29,626
Total extraordinary losses	212,822	32,399
Profit before income taxes	1,641,155	3,352,833
Income taxes—current	504,372	969,131
Income taxes—deferred	(107,682)	(124,532)
Total income taxes	396,690	844,599
Net income	1,244,465	2,508,234

(3) Statement of changes in equity

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Unit: Thousand yen)

	Shareholders' equity						Share acquisition rights
	Share capital	Capital surplus		Retained earnings		Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of the period	452,808	449,808	449,808	1,306,546	1,306,546	2,209,163	3,820
Changes during the period							
Issuance of new shares							
Net income				1,244,465	1,244,465	1,244,465	
Total changes during the period	-	-	-	1,244,465	1,244,465	1,244,465	-
Balance at the end of the period	452,808	449,808	449,808	2,551,011	2,551,011	3,453,628	3,820

	Total net assets
Balance at the beginning of the period	2,212,983
Changes during period	
Issuance of new shares	
Net income	1,244,465
Total changes during the period	1,244,465
Balance at the end of the period	3,457,448

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Unit: Thousand yen)

	Shareholders' equity						Share acquisition rights
	Share capital	Capital surplus		Retained earnings		Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at the beginning of the period	452,808	449,808	449,808	2,551,011	2,551,011	3,453,628	3,820
Changes during period							
Issuance of new shares	520,312	520,312	520,312			1,040,625	
Net income				2,508,234	2,508,234	2,508,234	
Total changes during the period	520,312	520,312	520,312	2,508,234	2,508,234	3,548,859	-
Balance at the end of the period	973,121	970,121	970,121	5,059,246	5,059,246	7,002,488	3,820

	Total net assets
Balance at the beginning of the period	3,457,448
Changes during period	
Issuance of new shares	1,040,625
Net income	2,508,234
Total changes during the period	3,548,859
Balance at the end of the period	7,006,308

(4) Statement of cash flows

(Unit: Thousand yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,641,155	3,352,833
Depreciation	99,495	112,576
Impairment losses	211,483	29,626
Increase (decrease) in allowance for doubtful accounts	(3,969)	2,445
Increase (decrease) in provision for bonuses	62,007	105,380
Loss on sales of fixed assets		2,574
Loss on retirement of fixed assets	997	198
Loss on the valuation of shares of subsidiaries and associates	341	-
Interest income	(26)	(97)
Decrease (increase) in trade receivables	(968,329)	(1,246,320)
Decrease (increase) in inventories	(204,078)	(81,107)
Increase (decrease) in trade payables	1,075,792	601,280
Increase (decrease) in accrued expenses	360,416	532,358
Increase (decrease) in advances received	2,174,477	1,875,299
Other	(172,006)	121,061
Subtotal	4,277,756	5,408,111
Interest received	26	97
Income tax paid	(740,312)	(541,487)
Cash flows from operating activities	3,537,470	4,866,720
Cash flows from investing activities		
Purchase of property, plant, and equipment	(327,874)	(1,463,229)
Purchase of intangible fixed assets	(156,515)	(899,184)
Payments of guarantee deposits	(309,550)	(478,511)
Income from the decrease in guarantee deposit		81,821
Cash flows from investing activities	(793,940)	(2,759,105)
Cash flows from financing activities		
Proceeds from the issuance of shares	-	1,040,625
Cash flows from financing activities	-	1,040,625
Effect of exchange rate change on cash and cash equivalents	1,751	345
Net increase (decrease) in cash and cash equivalents	2,745,280	3,148,586
Cash and cash equivalents at the beginning of the period	1,899,415	4,644,695
Cash and cash equivalents at the end of the period	4,644,695	7,793,282

(5) Notes to financial statements

(Assumptions for going concern)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021, hereinafter referred to as “Fair Value Calculation Accounting Standard”) has been applied from the beginning of the fiscal year under review, and the new accounting policies prescribed by the Accounting Standard for Fair Value Calculation were applied prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Fair Value Calculation Accounting Standard. There is no impact on the financial statements.

(Segment Information, etc.)

[Segment Information]

Segment information is omitted as the Company operates a single segment, the VTuber business.

(Per share information)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Net assets per share	74.31 yen	114.56 yen
Net income per share	20.87 yen	42.04 yen
Net income per share (diluted)	-	38.35 yen

(Notes)

1. Diluted earnings per share for the fiscal year ended March 31, 2022 is not indicated as the Company's shares were not listed at the time, and it is not possible to measure the average share price for the period, although there are potential shares.
2. The Company conducted a 100-for-1 stock split on December 14, 2022. Basic earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
3. Diluted earnings per share for the fiscal year ended March 31, 2023 is omitted since, although potential shares existed, the Company's shares were unlisted before the listing on the Growth Market of the Tokyo Stock Exchange on March 27, 2023, and the Company could not calculate average share price during the fiscal year.
4. The basis for calculating net income per share is as follows.

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
(1) Net income per share		
(Basis for calculation)		
Net income (thousand yen)	1,244,465	2,508,234
Amount not attributable to common shareholders (thousand yen)	-	-
Net income related to common stock (thousand yen)	1,244,465	2,508,234
Average number of shares of common stock and shares equivalent to common stock during the period (shares)		
(Common stock)	59,624,200	59,657,077
(Class A preferred stock)	(34,880,000)	-
(Class B preferred stock)	(11,299,200)	-
	(13,445,000)	-
(2) Net income per share (diluted)		
(Basis for calculation)		
Adjustment to net income	-	-
Increase in number of common stock (shares)	-	5,739,163
Summary of dilutive shares that were not included in the calculation of diluted net income per share because they are not dilutive.	-	-

(Note) Class A and Class B preferred stock are treated as shares equivalent to common stock because they have the same rights as common stock to claim dividends from surplus.

5. The basis for calculating net assets per share is as follows.

Item	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Total net assets (thousand yen)	3,457,448	7,006,308
The amount deducted from total net assets (thousand yen)	865,444	3,820
(Class A preferred stock) (thousand yen)	(199,995)	-
(Class B preferred stock) (thousand yen)	(661,628)	-
(Stock acquisition rights) (thousand yen)	(3,820)	(3,820)
Net assets at the end of the period related to common stock (thousands of yen)	2,592,004	7,002,488
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	34,880,000	61,124,200

(Significant subsequent events)

Not applicable.