

Financial Results for FY2024/3 Q1

August 9th, 2023



COVER

Together, Let's Create Culture Loved by All.

We are continuing to build a platform to bring together unique and diverse content creators.

With the latest technology, users are exposed to new, exciting, high-quality experiences every single day.

We bring about the best 2D entertainment loved by all, regardless of age, gender, and nationality.

To bring all this to fruition, we continue to challenge the norm.

The background of the slide features a blue-tinted illustration of five anime-style girls in various poses. One girl is in the top left, another in the top center, a third in the top right, a fourth in the bottom left, and a fifth in the bottom right. They are all wearing different outfits, some with bows and ruffles.

Financial Results for FY2024/3 Q1

Financial Highlights -Summary for FY2024/3 Q1 #1 -

FY2024/3 Q1 Financial Results

Revenue **5,142** million(JPY)
(YoY+42.8%)

Gross Profit **2,634** million(JPY)
(YoY+73.9%)

Operating Profit **895** million(JPY)
(YoY+147.5%)

Net Profit **621** million(JPY)
(YoY+129.5%)

Numbers related to IP

Total # of ch. Subs.*¹
77.82 million
(as of June 30, 2023)

of VTubers
75
(as of June 30, 2023)

Yearly Revenue Per VTuber*²
293 million(JPY)
(July 2022 - June 2023)

*1:Aggregated from each channel and official channel on YouTube as of June 30, 2023

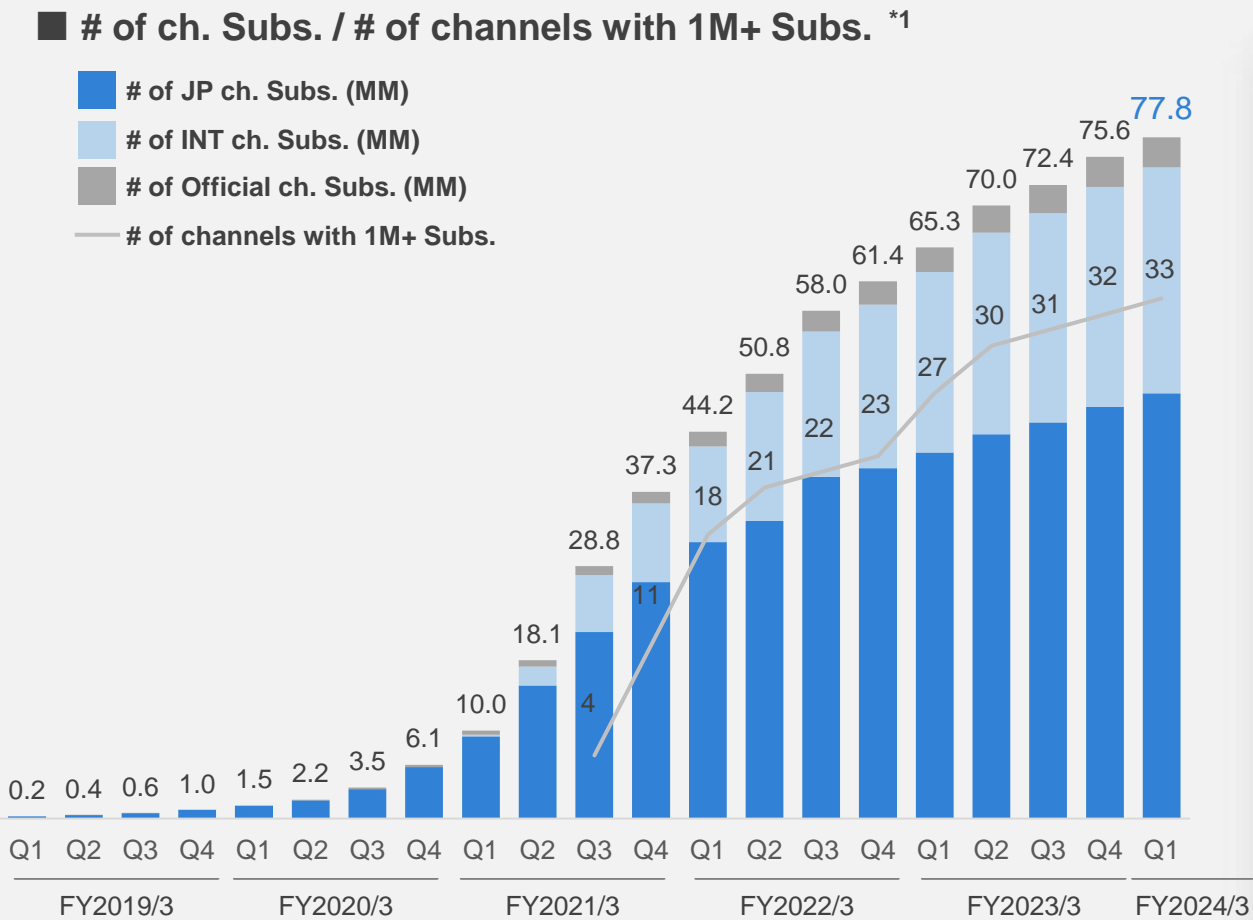
*2:Calculated by dividing FY2024/3 Q1 revenue by the number of enrolled VTubers at the end of FY2024/3 Q1

Financial Highlights -Summary for FY2024/3 Q1 #2-

MM JPY	FY2023/3 Q1	FY2024/3 Q1	YoY
Revenue	3,601	5,142	+42.8%
Streaming / Content	1,450	1,651	+13.9%
Concerts / Events	193	376	+94.0%
Merchandising	1,574	2,091	+32.8%
Licensing / Collaborations	382	1,023	+167.7%
Gross Profit	1,514	2,634	+73.9%
Operating Profit	361	895	+147.5%
Quarterly Net Profit	270	621	+129.5%

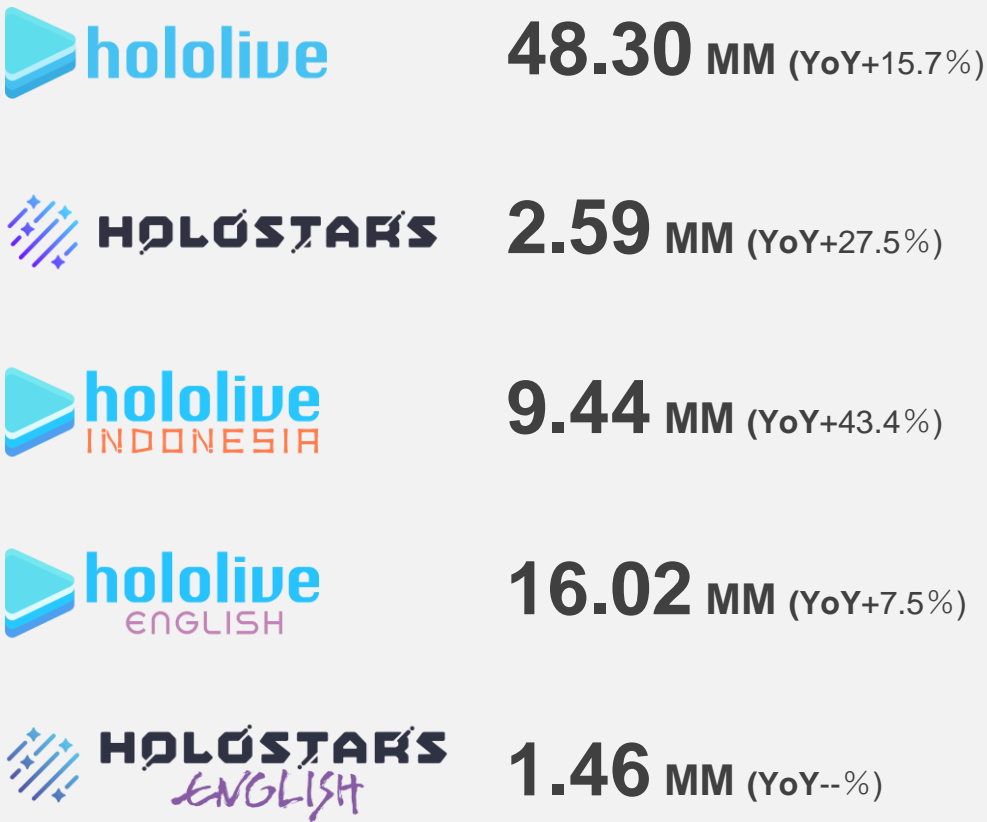
Current Status of Growth in Number of Fans

Expand awareness of our IP through multi-faceted exposure such as music streaming, TV appearances, and collaborations with other brands, in addition to livestreaming



*1: YouTube Channel Subscriber Count

■ # of ch. Subs. by groups (as of June 30, 2023)



Expansion of Recognition through Music

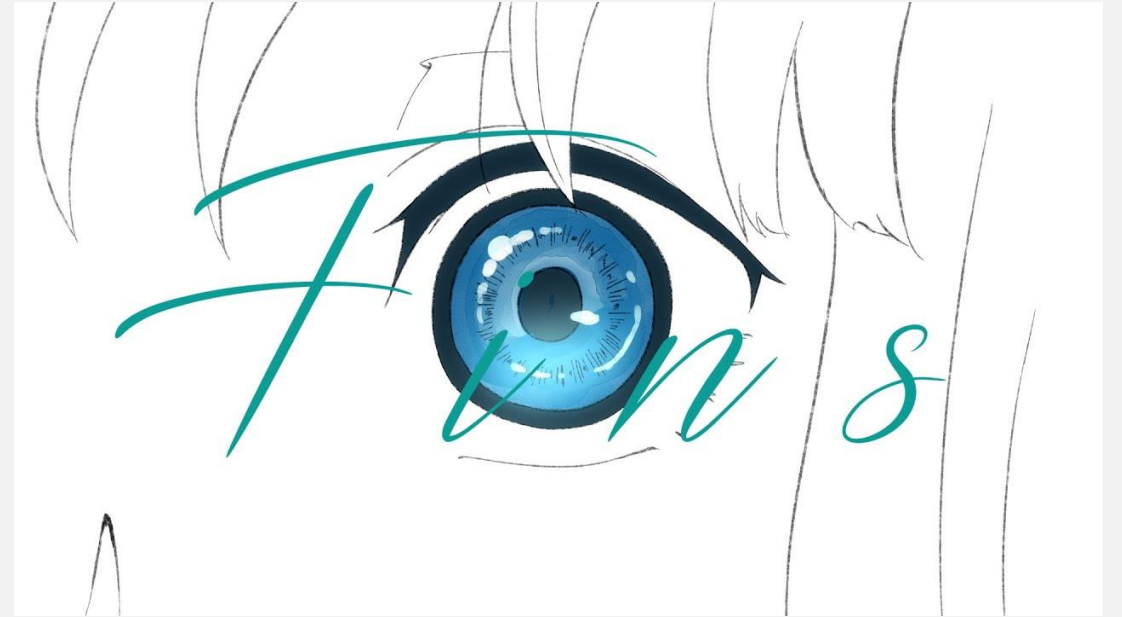
Expansion of fan base through various music collaborations in Q1

■ Requiem (kanaria feat. Hoshimachi Suisei)



Hoshimachi Suisei joins popular Vocaloid producer “kanaria” as a guest vocalist in kanaria’s original music. Appointed as TV commercial song for career college HAL

■ FINS (Tsunomaki Watame)



Original music by Tsunomaki Watame, with music provided by two members of the popular rock band “Porno Graffitti”

Current Status of Revenue per VTuber

Revenue per VTuber continued to grow despite a seasonal rebound from Q4 of FY2023/3

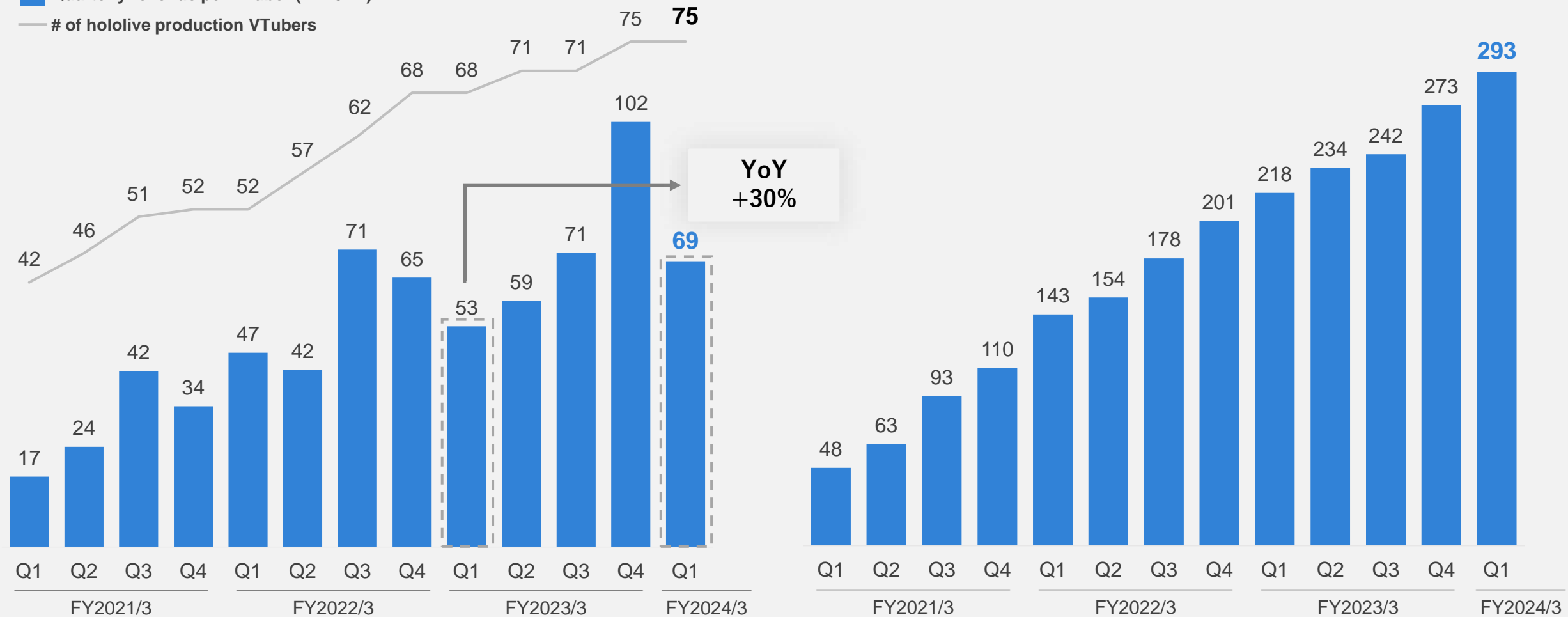
■ Quarterly revenue per VTuber*1, # of hololive production VTubers

■ Quarterly revenue per VTuber (MM JPY)

— # of hololive production VTubers

■ Annual revenue per VTuber*2

(MM JPY)

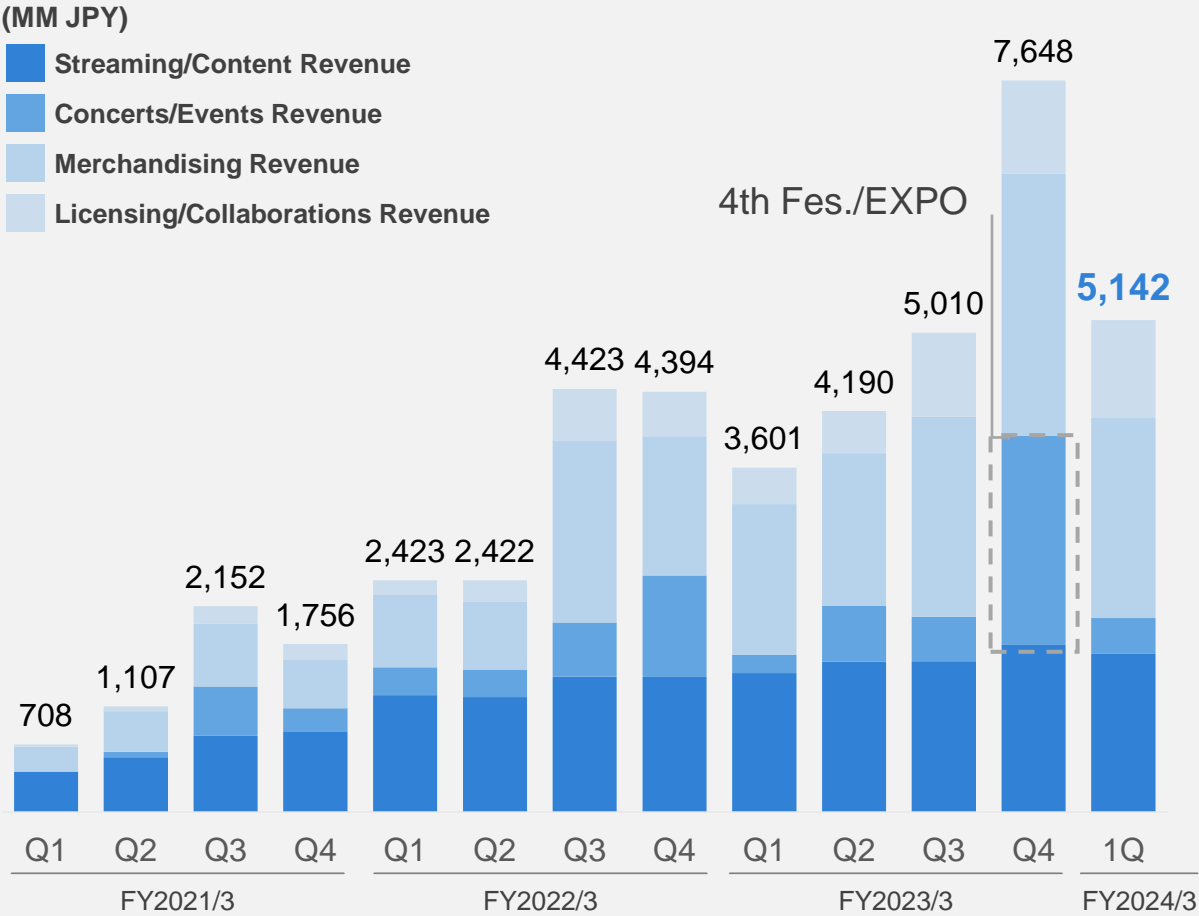


*1: Calculated by dividing quarterly revenue by the number of enrolled VTubers at the end of each quarter

*2: Calculated by dividing annual revenue for the four most recent quarters by the number of enrolled VTubers at the end of the quarter

Historical Trends in Revenue

While Q1 declined from Q4 due to seasonality, it saw a significant year-on-year increase and remained on track



■ Revenue growth in the commerce segment

- Expand merchandising by increasing the number of products and sales channels
- Increase in the number and size of licensing projects due to the growing impact of IP

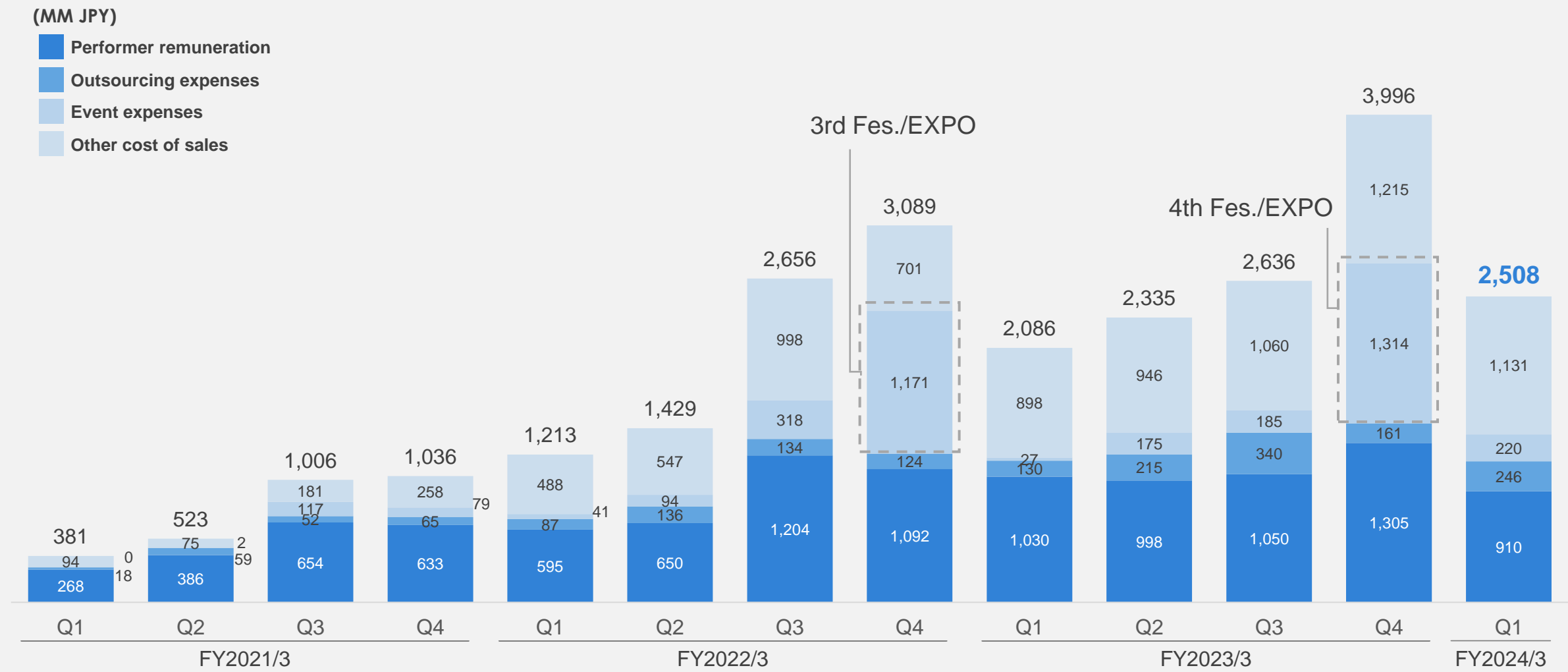
■ Seasonality due to made-to-order merchandise and large-scale events

- Made-to-order merchandise is recorded as an advance payment on the balance sheet at the time of order receipt and recorded as sales on the income statement at the time of shipment about three to six months later.
- Most of the pieces of made-to-order merchandise are anniversary items such as for VTuber anniversaries, etc., and sales tend to be posted in Q3 and Q4.
- Larger revenue in Q4 compared with other quarters due to large-scale events held in Q4.

*Breakdown of quarterly revenue by service is provided in the Appendix.

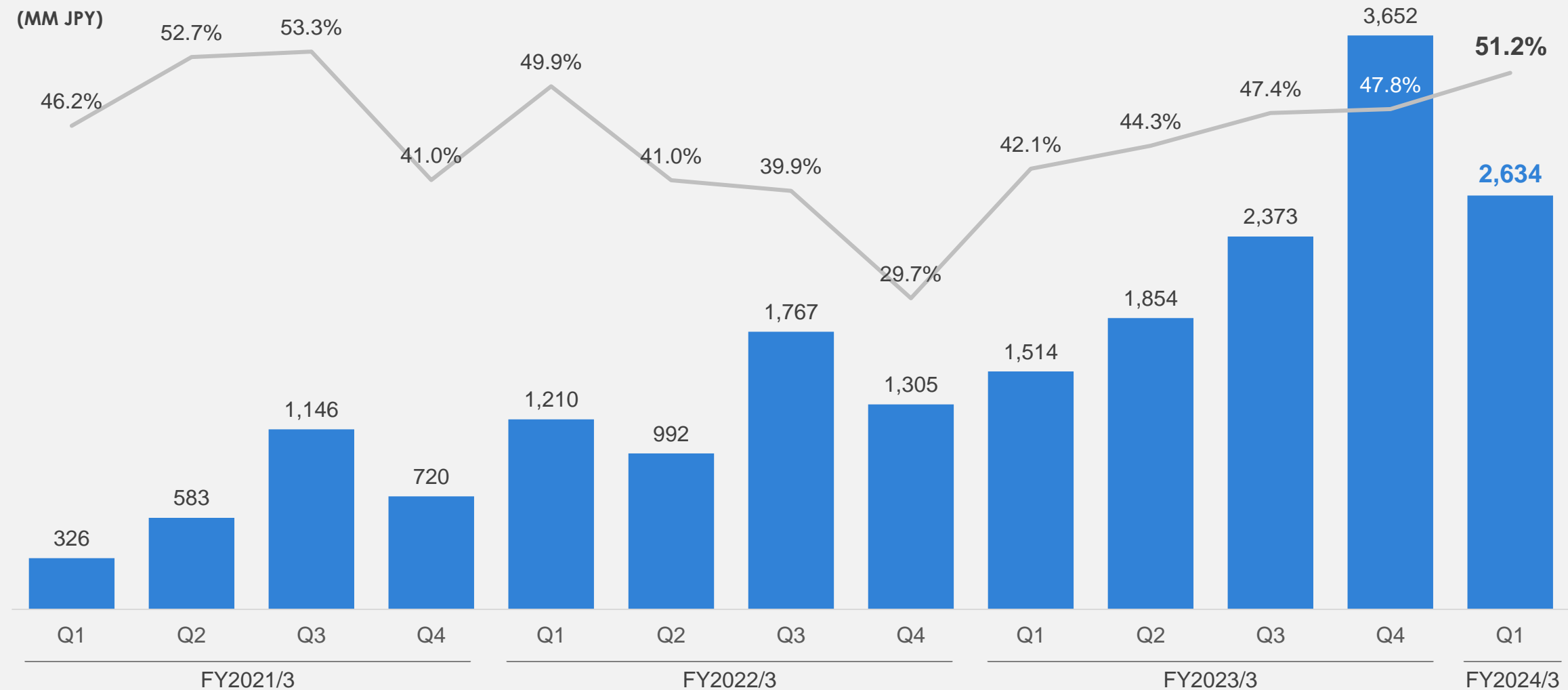
Historical Trends in Cost of Sales

Cost of sales remained stable due to a reactionary decline in large-scale event production expenses from Q4 of the previous fiscal year



Historical Trends in Gross Profit and Gross Profit Margin

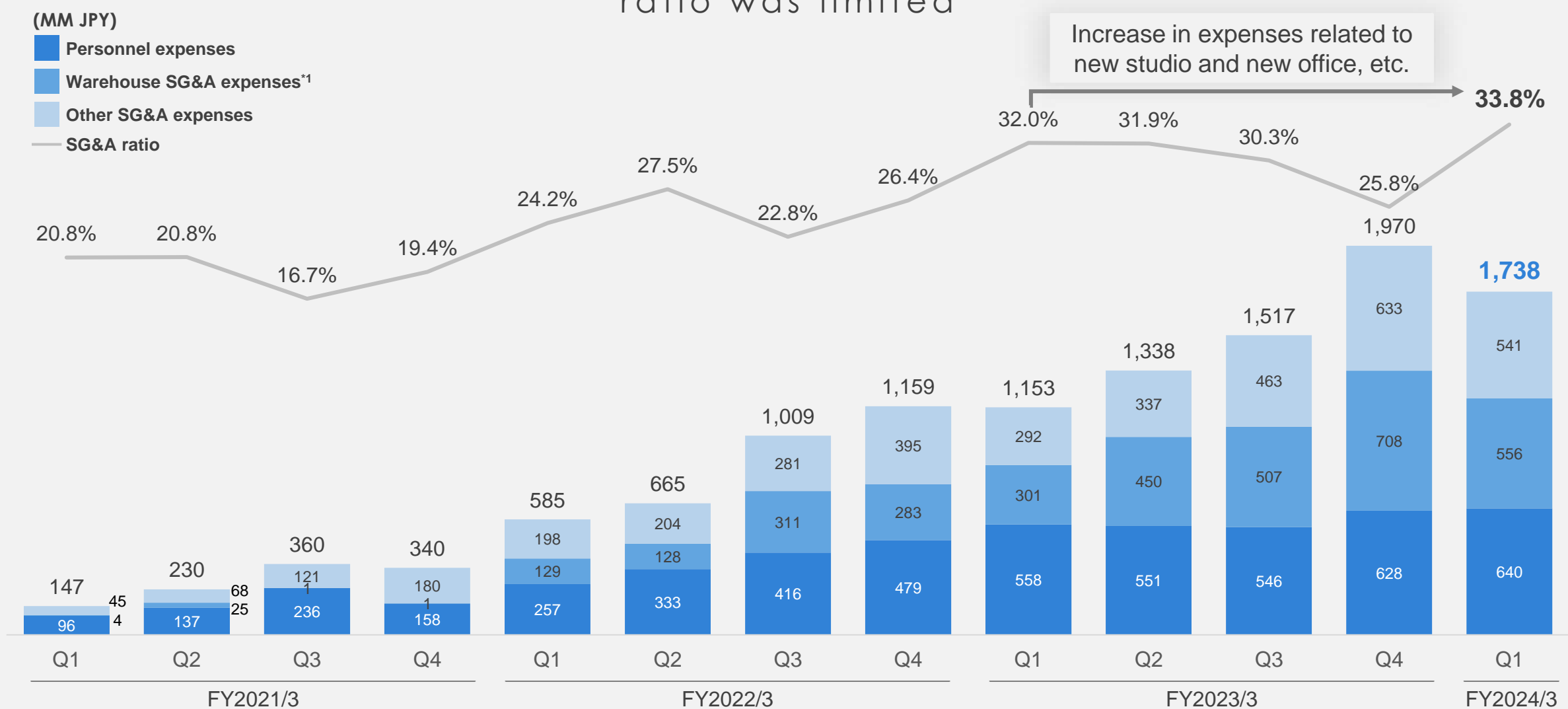
Although Q1 was affected by the lack of large-scale live concerts and seasonality in the MD field, profit grew significantly year-on-year and remained on track.



※1：MDとは、マーチャンダイジングの略

Historical Trends in SG&A Expenses and SG&A Ratio

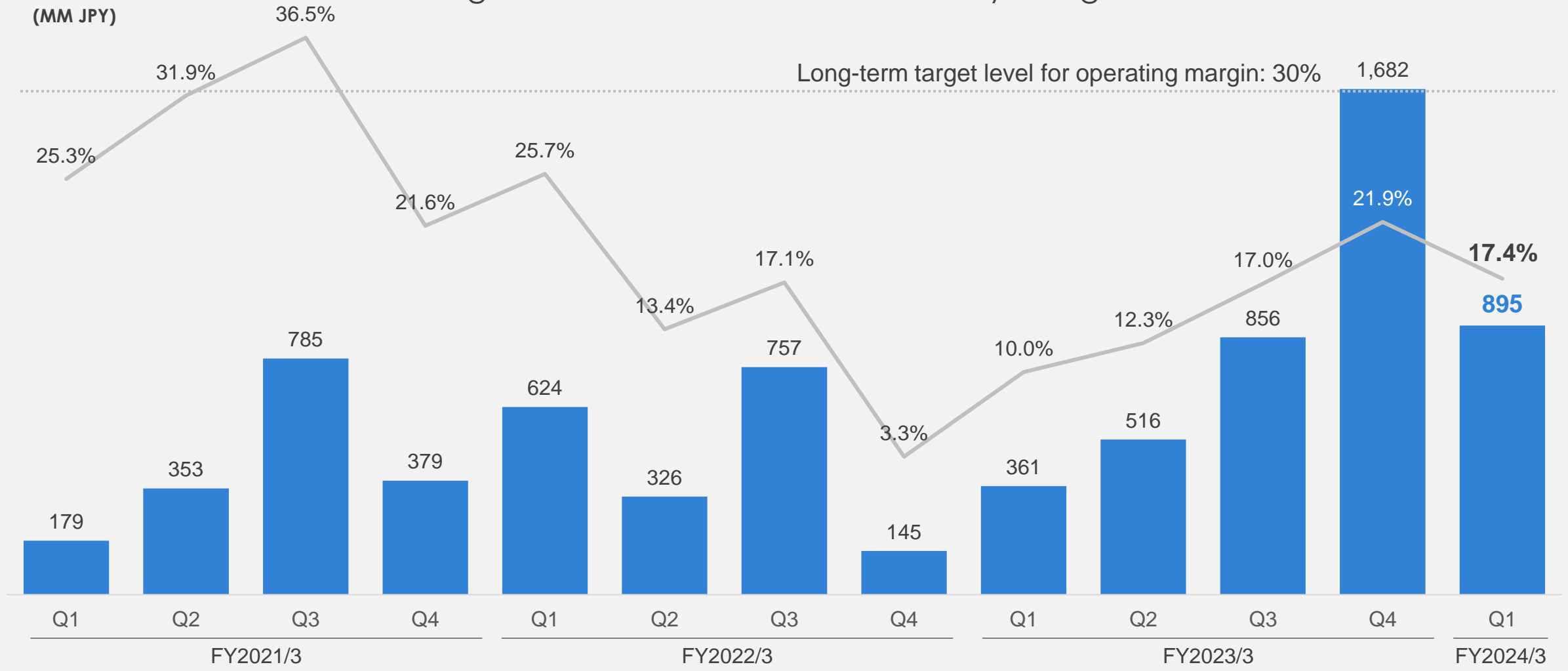
Q1 saw an increase in the SG&A to revenue ratio due to a seasonal decline in quarterly revenue. On the other hand, the year-on-year increase in SG&A ratio was limited



*1: Including SG&A cost related to EC such as logistics expense, sales commission, etc.

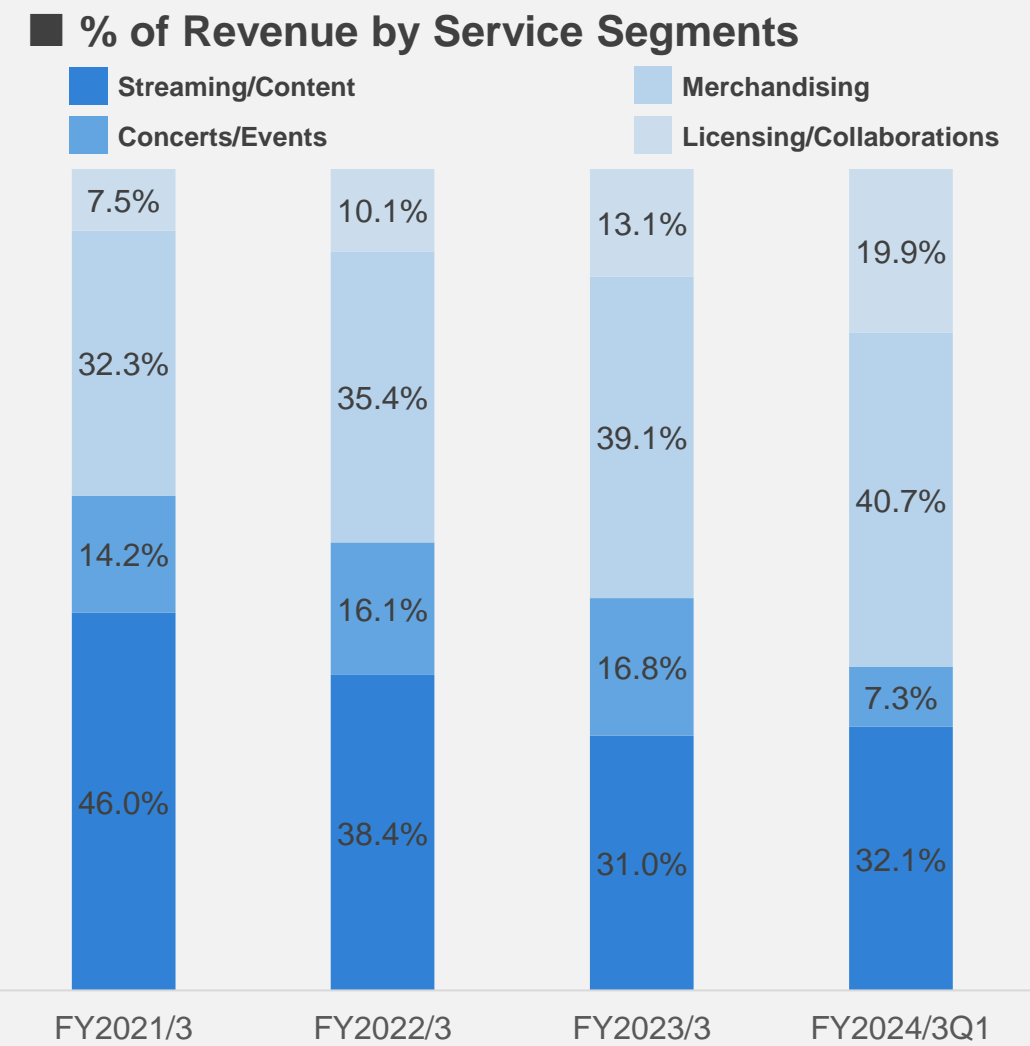
Historical Trends in Operating Income and Operating Margin

Despite a temporary adjustment in operating margin due to an increase in depreciation of studio assets and other fixed costs, annual operating margin is expected to improve in the second half of the year, when high gross margin service areas are likely to grow

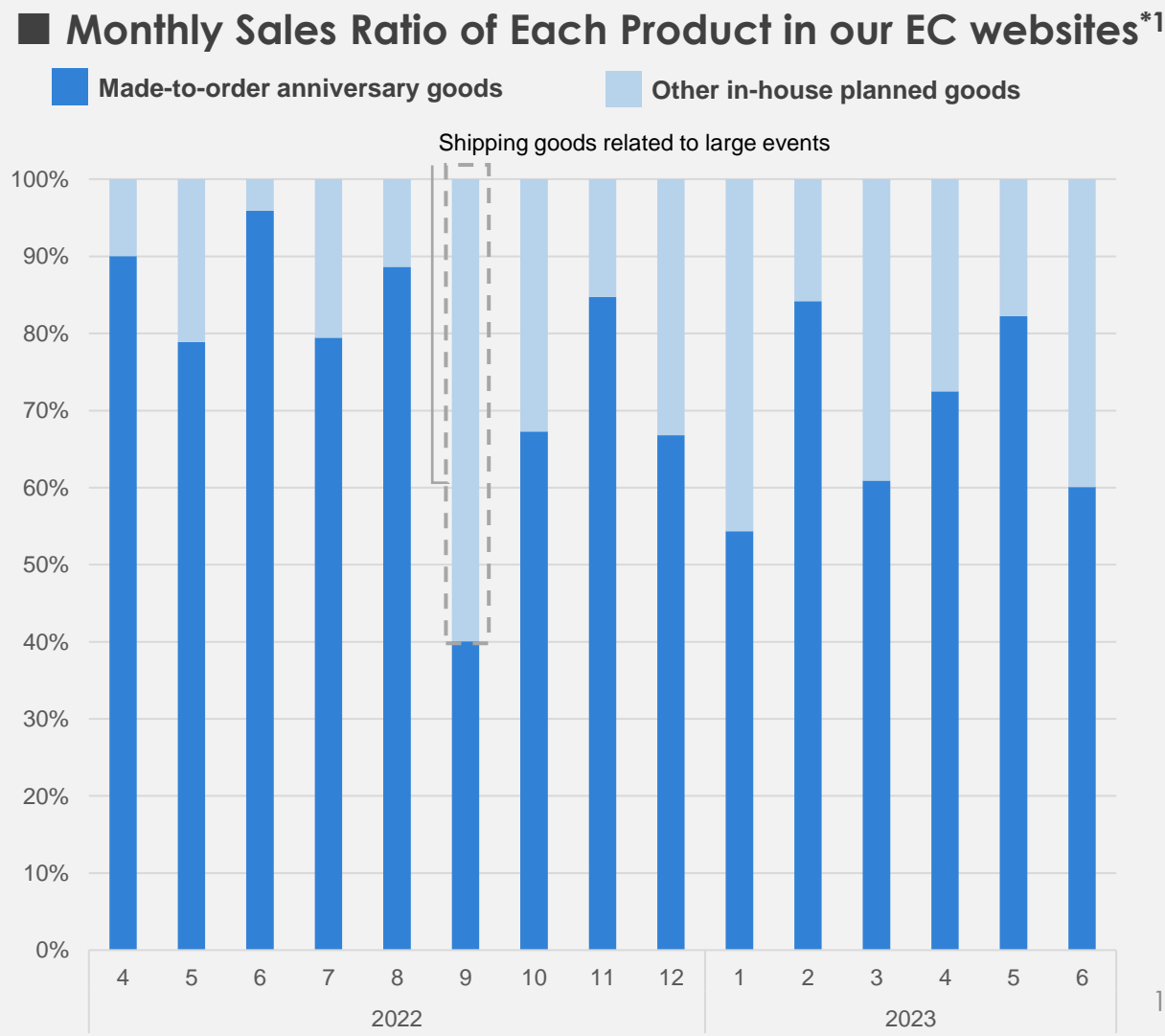


Overview of Service Mix and Product Mix

The percentage of the commerce segment (MD, licensing/collaborations) in total revenue increased with the growing influence of IP Improvements in product mix also progressed in the MD field



*1 : including hololive production official shop and Geek Jack



Growth of In-house Planned Brands: “hololive friends with u” Series

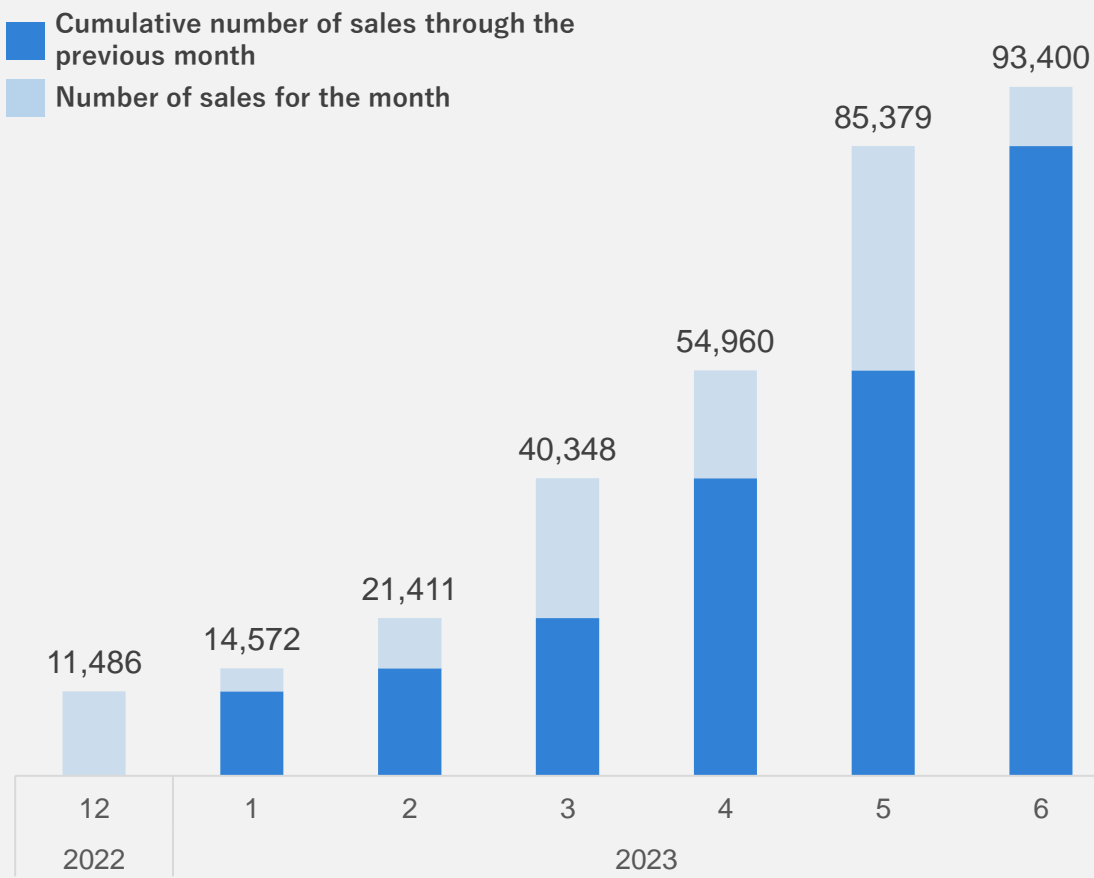
Number of sales of in-house planned goods continued to grow. Meet the needs of a wide range of customers, including casual fans, through the year-round supply of staple merchandise

■ “hololive friends with u”



The first official branded merchandise of “hololive production” available from December 23, 2022. Currently, the lineup has expanded to VOL.6, offering 35 plush toys. Price on internal EC website: 3,300 yen

■ Cumulative number of sales of “hololive friends with u”



*Number of sales through EC

Increased Advertising Effectiveness through the hololive Brand

The growing influence of IP has contributed significantly to attracting customers to other companies' app games.

As a result, the number and scale of IP licensing deals continue to grow



Business Progress and Future Outlook

Progress of Earnings Forecasts for FY2024/3

Earnings Forecasts for FY2024/3

Revenue **26,562** MM(JPY)

(Progress rate: 19.4%)

Operating Profit **4,650** MM(JPY)

(Progress rate: 19.3%)

Ordinary Profit **4,623** MM(JPY)

(Progress rate: 19.4%)

Net Profit **3,236** MM(JPY)

(Progress rate: 19.2%)

■ Expand recognition through music

- Music hits on YouTube Shorts, TikTok, etc.
- Joint label established with Universal Music Japan
- Sing the theme song for a piece of content of a major company

■ Accelerate overseas expansion

- English-speaking female VTuber unit “Advent” debuted in late July
- Live concerts also held in overseas regions

■ Expand retail channel and licensed product sales

- Marketing to diverse range of consumers by expanding sales channels other than EC
- Promote expansion of licensing partners through participation in product exhibitions, etc. in Japan and overseas

■ Progress in development of metaverse services

- Steady progress in development toward 2024 release
- The beta test event of virtual live concert “Yamato Phantasia” held in July reaffirmed the potential of this service to attract customers

Expand Recognition through Music

Promote the expansion of recognition outside of YouTube with music

■ Joint label established with Universal Music Japan



On July 8, 2023, the establishment of “holo-n” with Universal Music Japan was announced hololive production and EMI Records, the Japanese music label of Universal Music Japan, will jointly operate “holo-n,” and has released “Blue Journey” as the first project.

■ Collaboration song with Shueisha Inc.’s “ONE PIECE”



The official theme song for Volume 106 of “ONE PIECE” published by Shueisha, titled “Future Island”, was written by Mori Calliope, a member of hololive English. Related official videos were released on YouTube and have amassed a total of 10.8 million views as of August 3rd

* Cumulative number of views of related videos on “ONE PIECE Official YouTube Channel” and “Mori Calliope Ch. hololive-EN”

Accelerate Overseas Expansion

In addition to a large-scale live concert held in Los Angeles in July, new VTuber unit debuted from hololive English

■ “hololive English 1st Concert: Connect the World”



The first full-scale live event for “hololive English” was held at the YouTube Theater (Los Angeles, USA) on Sunday, July 2, 2023 local time. In addition to a full-house capacity of 5,000 people, the event attracted approximately 25,000 people online.

■ hololive English “Advent” debut



Announced debut on July 26. The total number of four channels' subscriptions exceeded 1.2 million within a week after debut announcement. The first streaming attracted approx. 120 thousand simultaneous viewers in four channels

Expand Retail Channel and Licensed Product Sales

Marketing to wide range of customers by expanding product sales channels other than EC

■ animate



In addition to 120 stores throughout Japan, the company began year-round sales of products at affiliated stores in Asia and North America. The company also collaborated with “Shiranui Construction,” a unit within hololive, at stores throughout Japan

■ Licensing EXPO/International Tokyo Toy Show



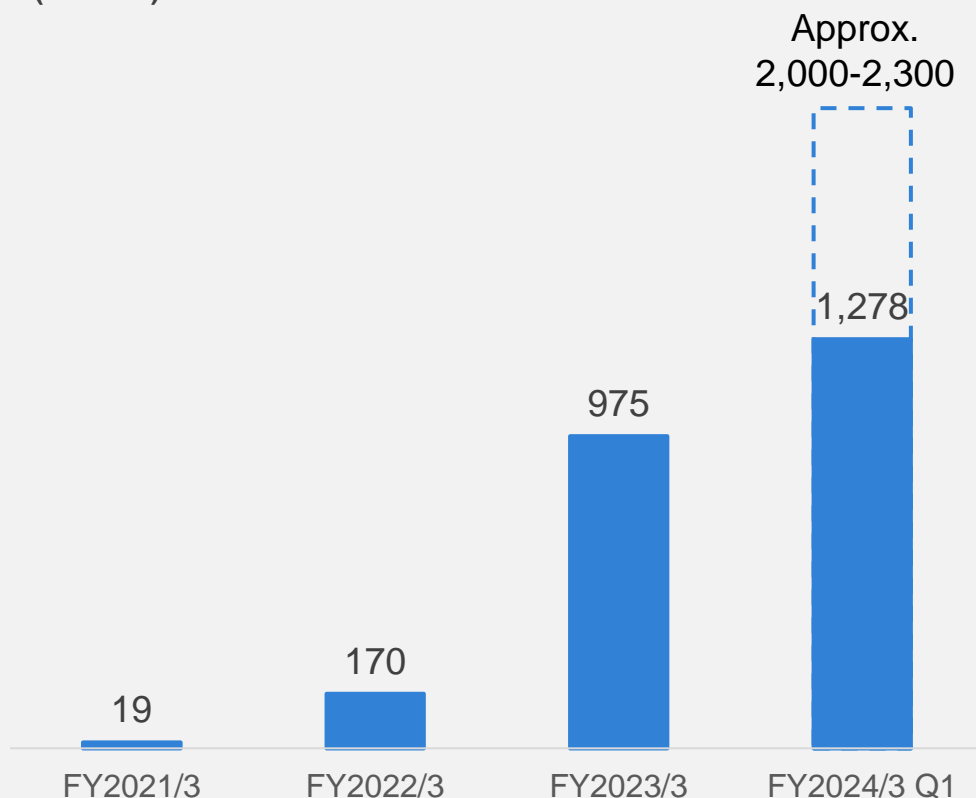
Exhibit at B2B trade shows in Japan and abroad, expanding potential licensing partners

Progress in Development of Metaverse Services

Development costs for “Holoeearth,” scheduled to be released to the public in 2024, are estimated to be JPY 2-2.3 bn until FY2024/3, and they have been capitalized and recorded on the balance sheet

■ Trends in Software in Progress

(MM JPY)



■ Protolive#2 –Yamato Phantasia-

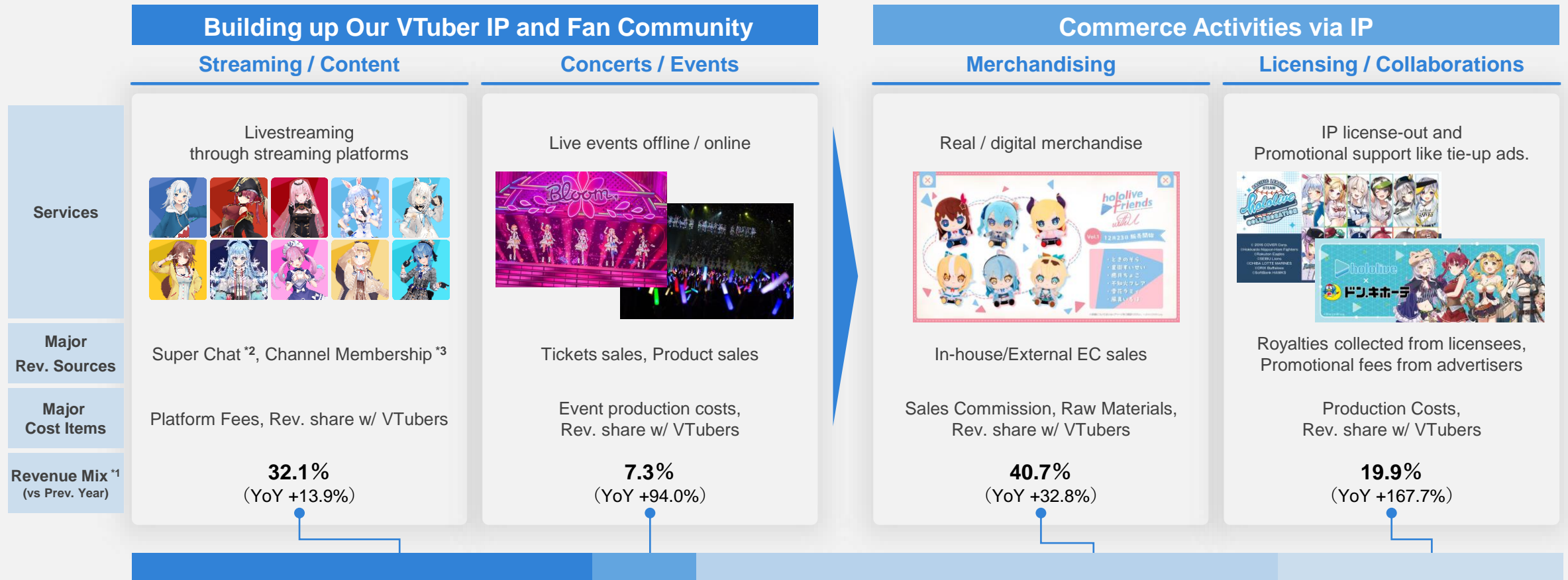


*1: Software in progress includes software assets other than those related to Metaverse

Appendix

From VTuber Agency to an Expanding IP Business

Development of various businesses opportunities by leveraging hololive's brand recognition and the fan community gained through livestreams and live events



^{*1} : Breakdown of FY2023/4 Q1 Revenue

^{*2} : A system that allows viewers to pay a fee to make their chat messages stand out when livestreaming is published using YouTube's live chat

^{*3} : A system on YouTube whereby members pay a monthly fee to become channel members and receive badges, emotes, limited video distribution and other similar privileges

Medium and Long-Term Strategy

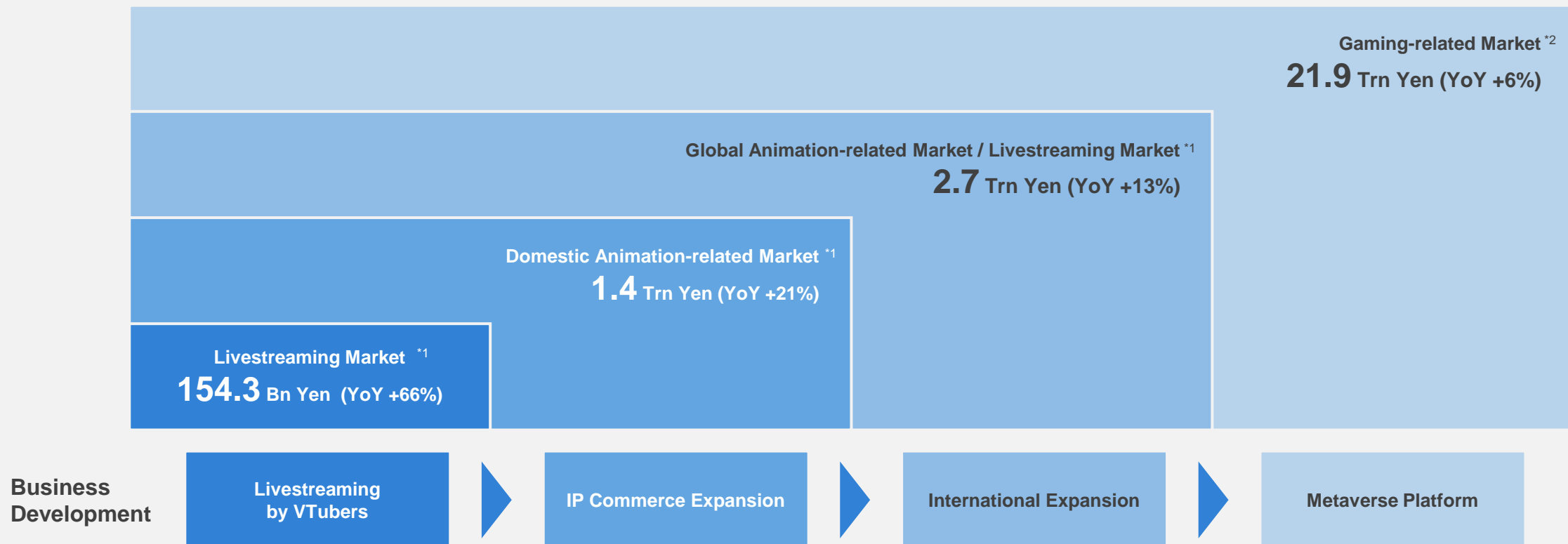
Execute a 3 step growth strategy by leveraging high-value IP



*1 : #1 Kizuna Ai is currently on indefinite hiatus, so #3 Houshou Marine is currently the No. 1 active VTuber in Japan

Expanding TAM Through Business Development

TAM expansion into Anime-related entertainment via multifaceted business development.
Metaverse services replace a portion of the existing gaming-related market



^{*1} : Source "Animation Industry Report 2022" by the Association of Japanese Animations, estimated animation-related market size in 2021 (based on sales of TV, film, video, distribution, merchandising, music, entertainment, livestreaming and events, and other businesses related to animation)

^{*2} : Source Kadokawa ASCII Research Institute, "Famitsu Game White Paper 2022," analyzed global game content market size in 2021

ESG-Related Activities

To support the activities of our content creators, we are working with various industry associations to improve their working environment and implement various anti-defamation measures, etc.

■ Organizations and activities

Japan Online Game Association (JOGA)

Joined as an industry association involved in game distribution and metaverse development.

Participate in the development of guidelines and study groups.

Creator Economy Association (CEA)

Joined as an industry group addressing issues surrounding creators such as defamation and social tipping. Cooperate in exchanging opinions and conducting surveys regarding creators.

Music Publishers Association of Japan (MPA)

Joined as an industry organization involved in the processing and distribution of rights around music.

Safer Internet Association (SIA)

Joined as an industry organization addressing Internet issues such as defamation and underage protection. Cooperate in exchanging opinions and conducting research on various issues related to our services.

■ Activities involving defamation

Activities during the one-year period from January 2022 to December 2022

Number of cases in which actions were taken against defamatory acts toward affiliated talents: **146**

- legal action against death threats
- legal action against infringement of rights to post on bulletin boards
- legal action against infringement of rights in SNS postings
- legal action against curation sites

■ About the company's delivery moderator system

Stream moderation services are in Japanese, English and Indonesian, 24 hours a day by approximately 50 moderators.

*As of March 31, 2023, the company has five employees and 46 part-time workers.

CSR-Related Activities

Contribute to public awareness and PR activities by leveraging the communication skills of affiliated VTubers

■ Awareness campaign with the Japan AED Foundation



Shirakami Fubuki, a talent associated with hololive, supports the foundation's activities as a "Lifesaving Supporter" in the "Lifesaving Supporter Project team ASUKA."

AED training videos and other information are available on the YouTube channel of the Japan AED Foundation.

■ Appointment as Tokyo Tourism Ambassador



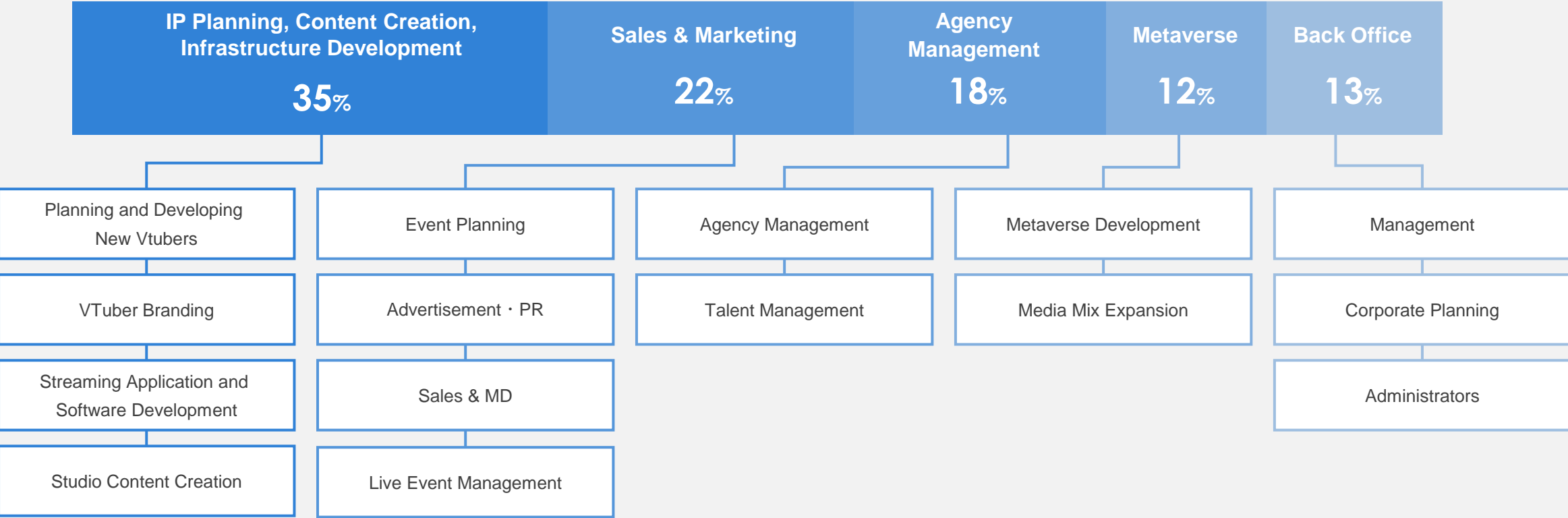
hololive production talents have been selected as "Tokyo Tourism Ambassadors" to promote the appeal of Tokyo both domestically and internationally.

"Sakura Miko" is affiliated with hololive, "Mori Calliope" and "Gawr Gura" affiliated with hololive English, were appointed.

Organizational Structure

COVER boasts an industry-leading and diverse workforce with a large number of specialized employees

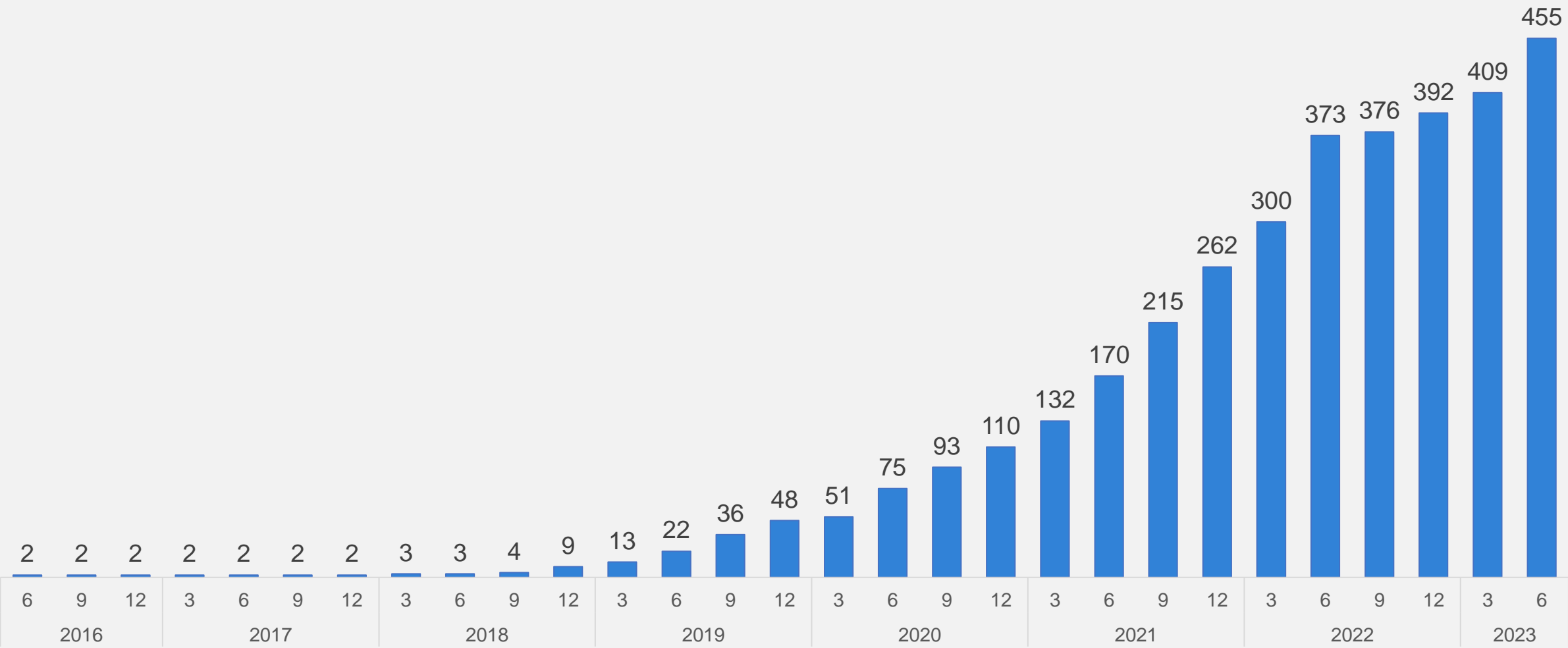
■ Company Structure *1 (as of June 30, 2023)



*1 : Organizational structure in full-time employees

Historical Trends in Employees

In Q1, COVER increased the number of staff involved in overseas business, product development, and sales, as well as hiring additional staff related to the operation of the newly established studio



Objective indicators to judge the achievement of management goals

We define the following KPIs as important management indicators; "Total # of ch. Subs.", a direct indicator of # of hololive fans, and "Total revenue" / "Total revenue by service", which are the source of attractive content production

	FY2021/3				FY2022/3				FY2023/3				FY2024/3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total # of ch. Subs. *1 (MM)	1,003	1,808	2,884	3,733	4,418	5,081	5,799	5,986	6,525	7,002	7,238	7,558	7,782
Revenue (MM JPY)	708	1,107	2,152	1,756	2,423	2,422	4,423	4,394	3,601	4,190	5,010	7,648	5,142
Streaming / Content	420	571	797	844	1,220	1,200	1,416	1,412	1,450	1,572	1,575	1,744	1,651
Concerts / Events	0	58	515	240	293	287	563	1,059	193	581	466	2,187	376
Merchandising	262	424	656	503	756	713	1,904	1,457	1,574	1,597	2,090	2,740	2,091
Licensing / Collaborations	24	52	182	168	152	220	540	464	382	439	878	976	1,023

PL Summary

MM JPY	FY2021/3	FY2022/3	FY2023/3	FY2023/3 Q1	FY2024/3 Q1
Total Revenue	5,724	13,663	20,451	3,601	5,142
YoY Growth	+287%	+138%	+49%	-	+43%
Gross Profit	2,777	5,274	9,396	1,514	2,634
Margin	48%	38%	45%	42%	51%
Operating Profit	1,698	1,855	3,417	361	895
Margin	29%	13%	16%	10%	17%
Net Income	1,220	1,244	2,508	270	621
Margin	21%	9%	12%	7%	12%

BS Summary

MM JPY	FY2021/3	FY2022/3	FY2023/3	FY2024/3 Q1
Total Current Assets	3,048	7,168	11,740	9,414
Cash and Cash Equivalents	1,899	4,644	7,793	6,454
Total Fixed Assets	467	1,069	4,146	6,614
Total Asset	3,516	8,238	15,887	16,028
Total Liabilities	1,303	4,780	8,880	8,401
Total Equity	2,212	3,457	7,006	7,627

Handling of these Materials

This material has been prepared by COVER Corporation (the “Company”) solely for information purpose only, and does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company in the United States, Japan or any other jurisdictions. Any information contained in this material other than facts in the past and at present is referred to as such forward-looking statements. Forward-looking statements include but are not limited to expressions such as “believe”, “strive to”, “anticipate”, “predict”, “expect”, “confirm”, “continue”, “try”, “estimate”, “forecast”, “to take measures to”, “hope”, “intend”, “attempt”, “it is possible...”, “plan”, “strategy”, “potential”, “probability”, “project”, “risk”, “pursue”, “should be...”, “working to...”, “have the goal of...” and “planning to” as well as other similar expressions to explain future business activities, achievements, events and circumstances. Forward-looking statements are predictions about the future that reflect management's judgment based on currently-available information. As such, these forward-looking statements are subject to various risks and uncertainties. It is possible that the actual business content, results and the like in the future may significantly differ from those expressed in or suggested by the forward-looking statements. Therefore, please do not rely on forward-looking statements.

The Company undertakes no obligation to update this material after the date of this material.



Together, Let's Create Culture Loved by All.