

**Materials for Growth
Opportunities and Strategies**

2023.3.27



COVER

Introduction

Executive Management

Experienced management of IP development and UGC^{*1} services



CEO

Tanigo Motoaki

Background

Imagineer Co., Ltd.
istyle Inc.



CTO

Fukuda Ikko

Sony Corporation
Agile Media Network Inc.

^{*1} : UGC: Abbreviation for User Generated Contents. It refers to content created and shared by general consumers who use Livestreaming service, SNS, and other entertainment services

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.

Corporate Summary

COVER Corporation is an industry leader providing cutting-edge 2D entertainment from Japan, through our global VTuber Agency “hololive production”

Founded		June 13, 2016
Full-time Employee Count		392 (As of December 31, 2022)
Capital		452,808,545 Yen
Business Overview		Streaming/Content, Concerts/Events, Merchandising, and Licensing/Collaborations

■ hololive Production Overview

					
Main Language	Japanese	Japanese	Indonesian	English	English
# of VTubers	Female 35	Male 13	Female 9	Female 10	Male 4
Debut	June, 2018	May, 2019	April, 2020	September, 2020	July, 2022
Total ch. Subs.	45.03 MM	2.34 MM	8.61 MM	15.48 MM	0.85 MM

Source : YouTube (as of December 31, 2022)

What is VTuber?

A VTuber is a virtual entertainer who livestreams, while utilizing motion capture technology, as an animated avatar

Performer



Avatar



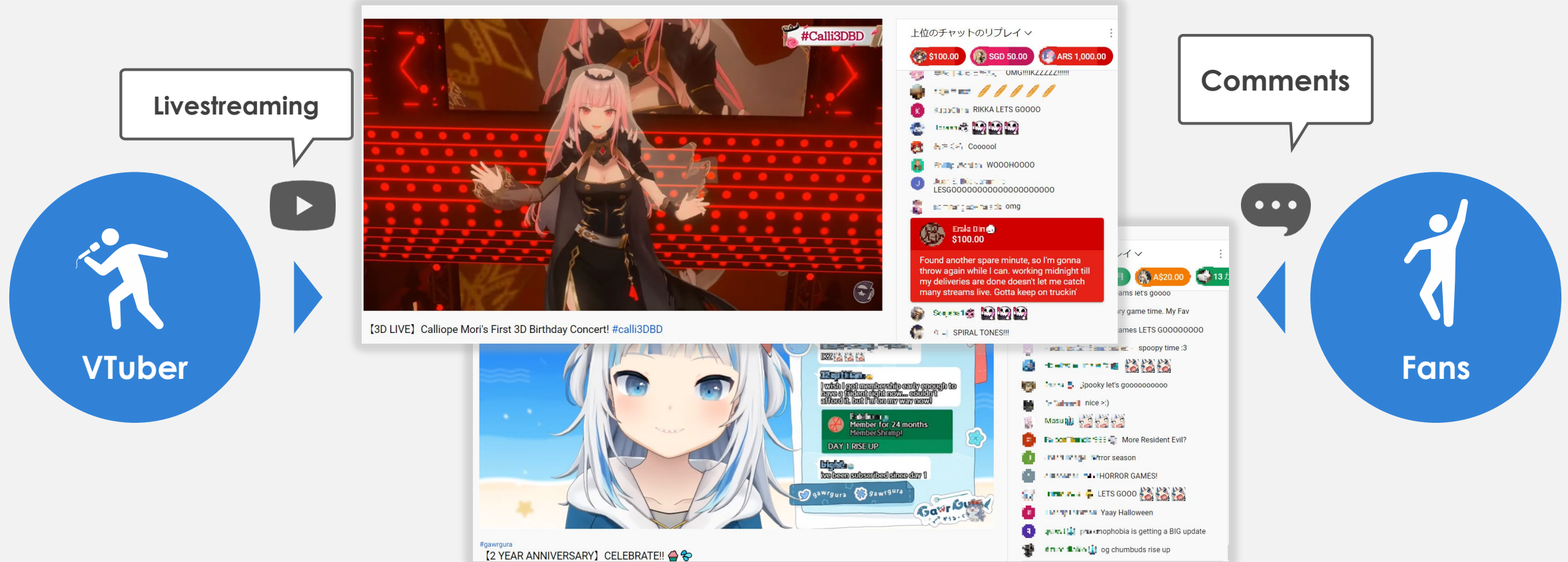
IP belongs to COVER

VTuber



VTubers as Livestreamers

VTubers attract fans through interactive livestreaming and communication via chat



COVER at a Glance

COVER is a Top-tier VTuber agency with a passionate fan community,
leading to strong industrial growth

hololive production

71

of VTubers

31

of channels with 1M+ Subs. *1

63,000

Total # of Streaming Videos *1

Fan Community

72.4MM

Total # of ch. Subs. *1

123MM

Related Twitter Posts *2

41%

Overseas Viewers Ratio *1,3

Financials

¥13.6Bn

FY2022/3 Revenue

+138%

YoY Sales Growth

¥200MM

Yearly Revenue Per VTuber *4

*1 : Aggregated from each channel and official channel on YouTube as of December 31, 2022

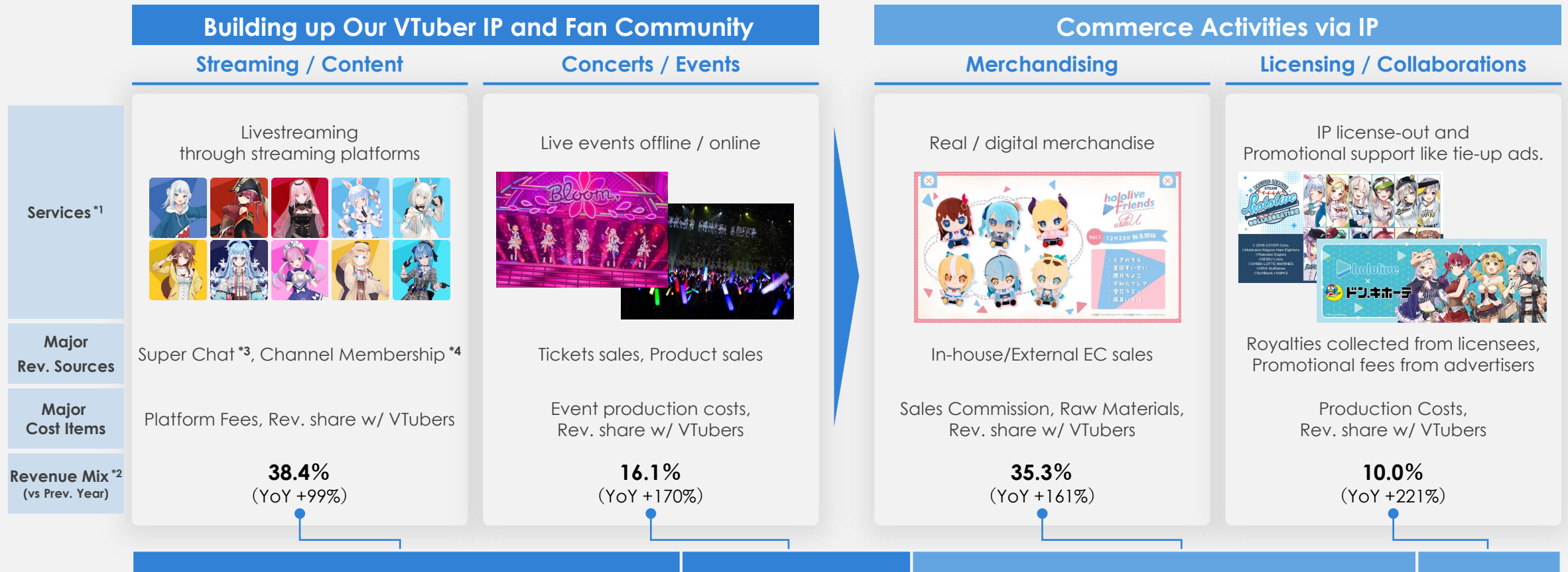
*2 : # of mentions through official Twitter hashtags of FY2022/3

*3 : Ratio of channel views of overseas accounts compared to total views in December 2022

*4 : Calculated by dividing FY2022/3 sales by the number of enrolled VTubers at the end of FY2022/3

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 : For details of each service, please refer to "Revenue Flow & Business Flow" in the Appendix

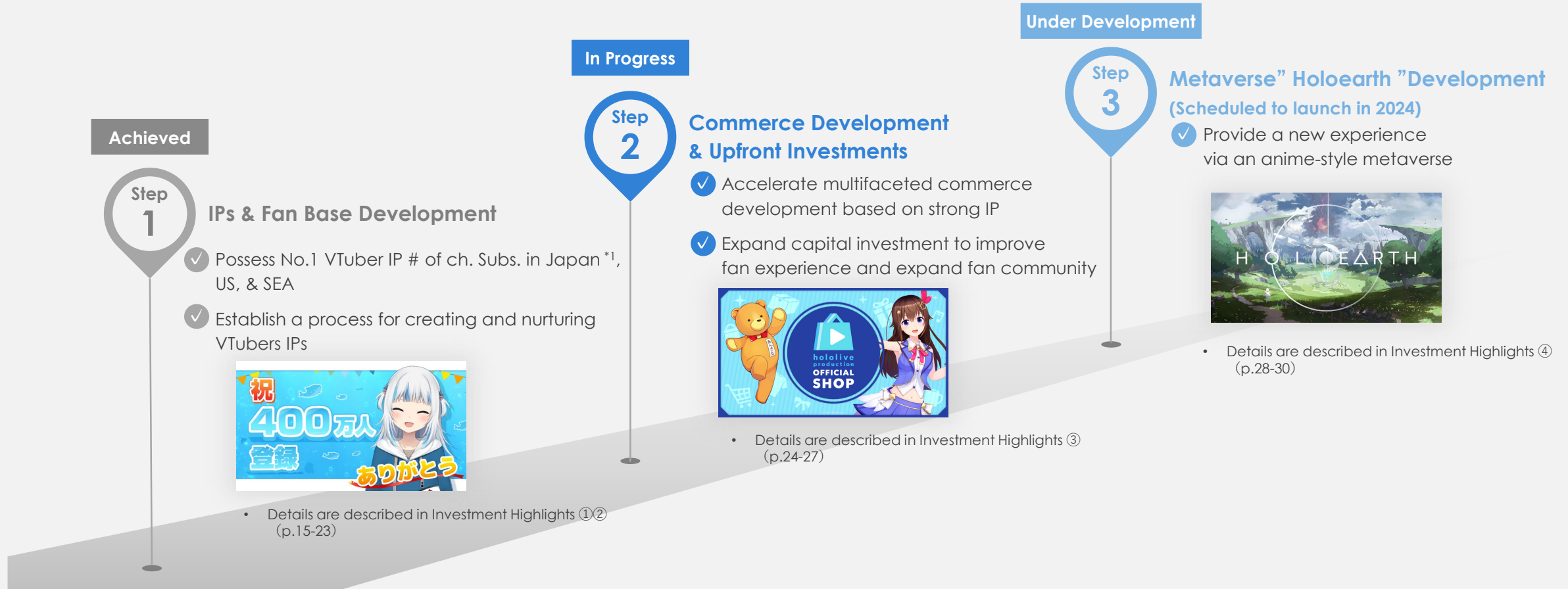
*2 : Breakdown of FY2022/3 Revenue

*3 : 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

*4 : 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

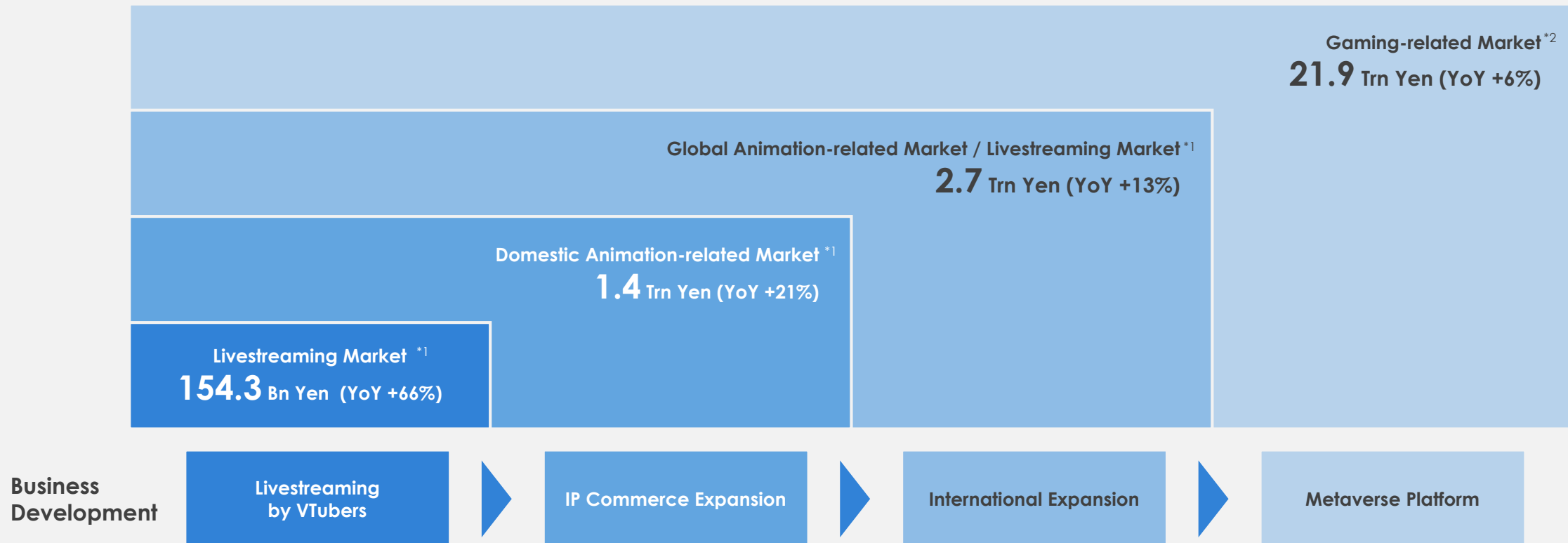


Source : User Local (January 11, 2023)

*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

Social Background of the Expanding VTuber Market

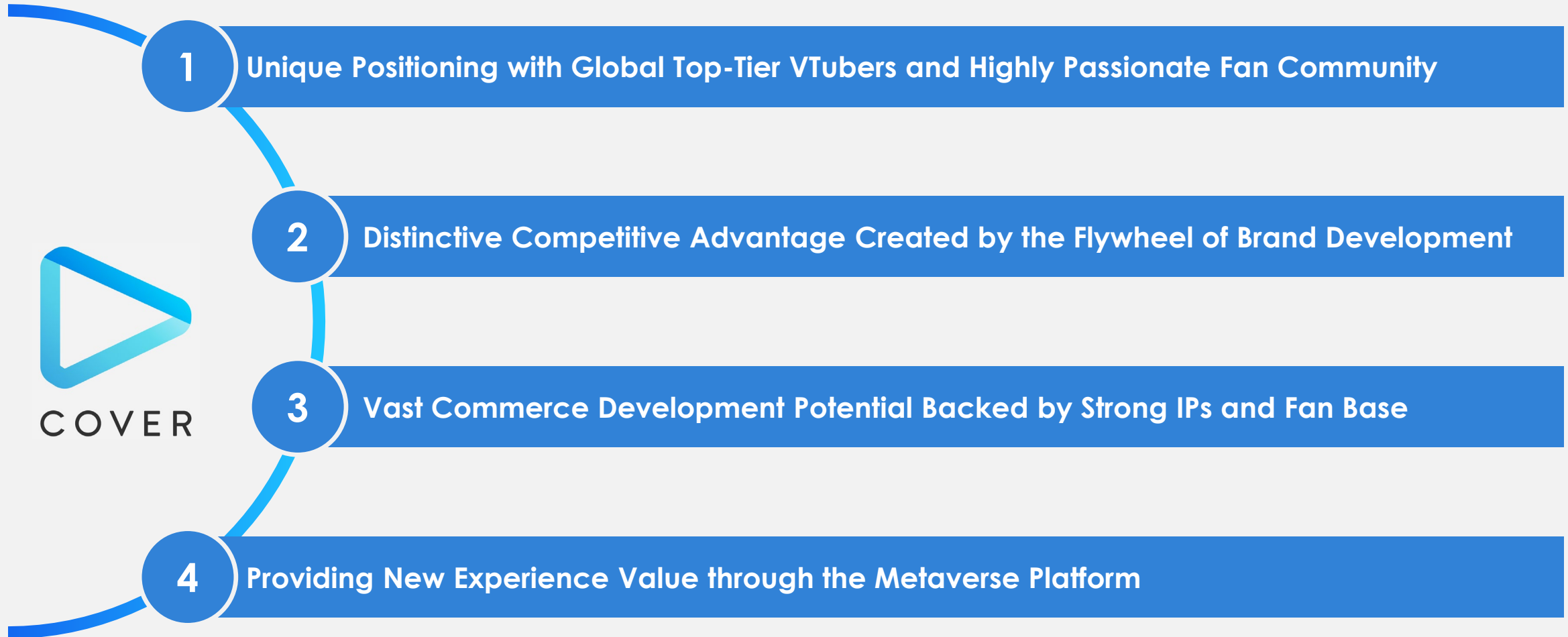
As UGC*¹ on the internet is shifting into real-time experience sharing, avatar-based interaction is gradually penetrating into society



1: UGC: Abbreviation for User Generated Contents. It refers to content created and shared by general consumers who use Livestreaming service, SNS, and other entertainment services

Investment Highlights

Investment Highlights

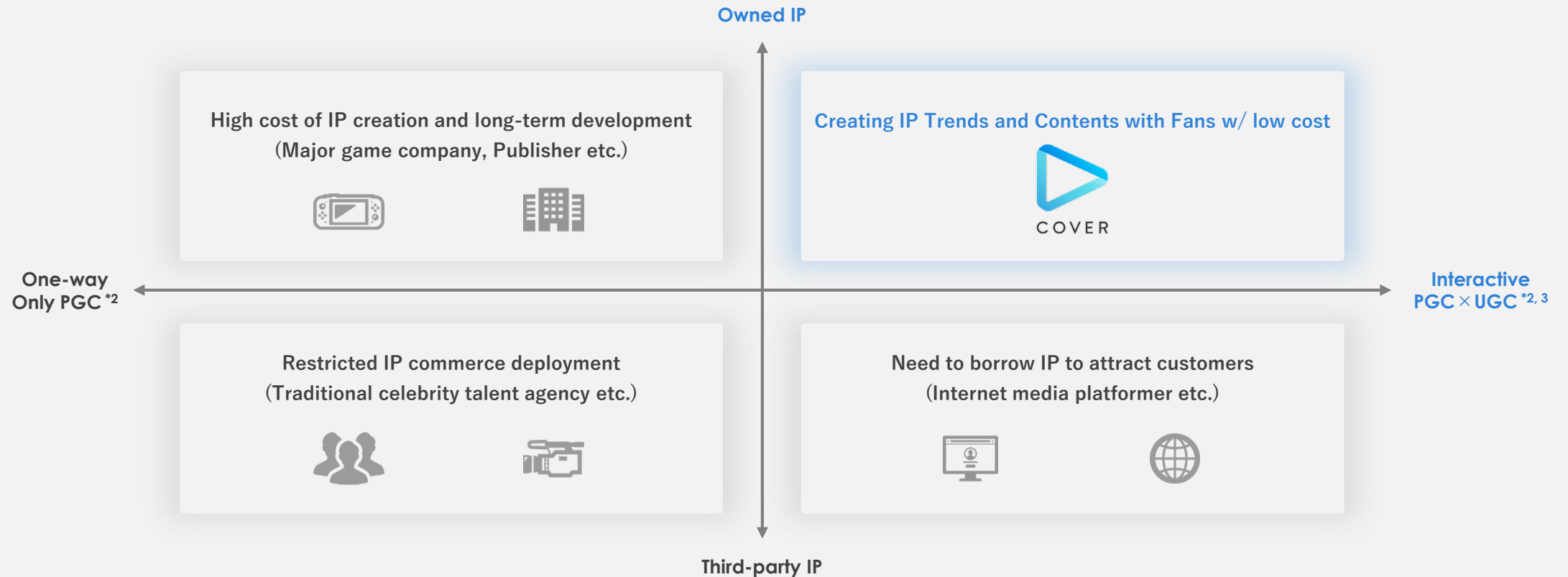


Investment Highlights



Unique Positioning in the Entertainment Sector ^{*1}

A unique business model that enables a low-cost, continuous supply of highly engaging content for fans



^{*1} : The above represents our own views of the positioning of entertainment companies, including our own, in the entertainment industry

^{*2} : PGC: Abbreviation for Professionally Generated Contents. It refers to contents produced by professionals/agencies

^{*3} : UGC: Abbreviation for User Generated Contents. It refers to content created and shared by general consumers who use Livestreaming service, SNS, and other entertainment services

Ownership of Global Top-Tier VTubers

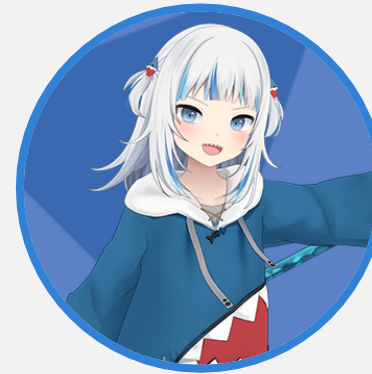
Ownership of the worlds leading VTubers, including the No.1 VTuber within Japan, North America, and Southeast Asia

■ VTuber ch. Subs. Global Ranking

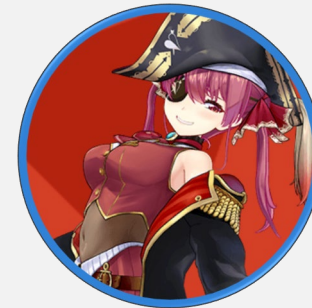
#	VTuber	Agency	YouTube ch. Subs.
1	Gawr Gura	hololive EN	4,250,000
2	Kizuna Ai *1	Kizuna AI	3,050,000
3	Houshou Marine*1	hololive	2,250,000
4	Mori Calliope	hololive EN	2,170,000
5	Usada Pekora	hololive	2,140,000
6	Shirakami Fubuki	hololive	2,050,000
7	Inugami Korone	hololive	1,920,000
8	Kobo Kanaeru	hololive ID	1,800,000
9	Minato Aqua	hololive	1,730,000
10	Watson Amelia	hololive EN	1,720,000

Source : User Local (January 11, 2023)

*1 : #2 Kizuna Ai is currently on indefinite hiatus, so #3 Houshou Marine is currently the No. 1 active VTuber in Japan



Gawr Gura
U.S. No.1



Houshou Marine
Japan No.1 *1

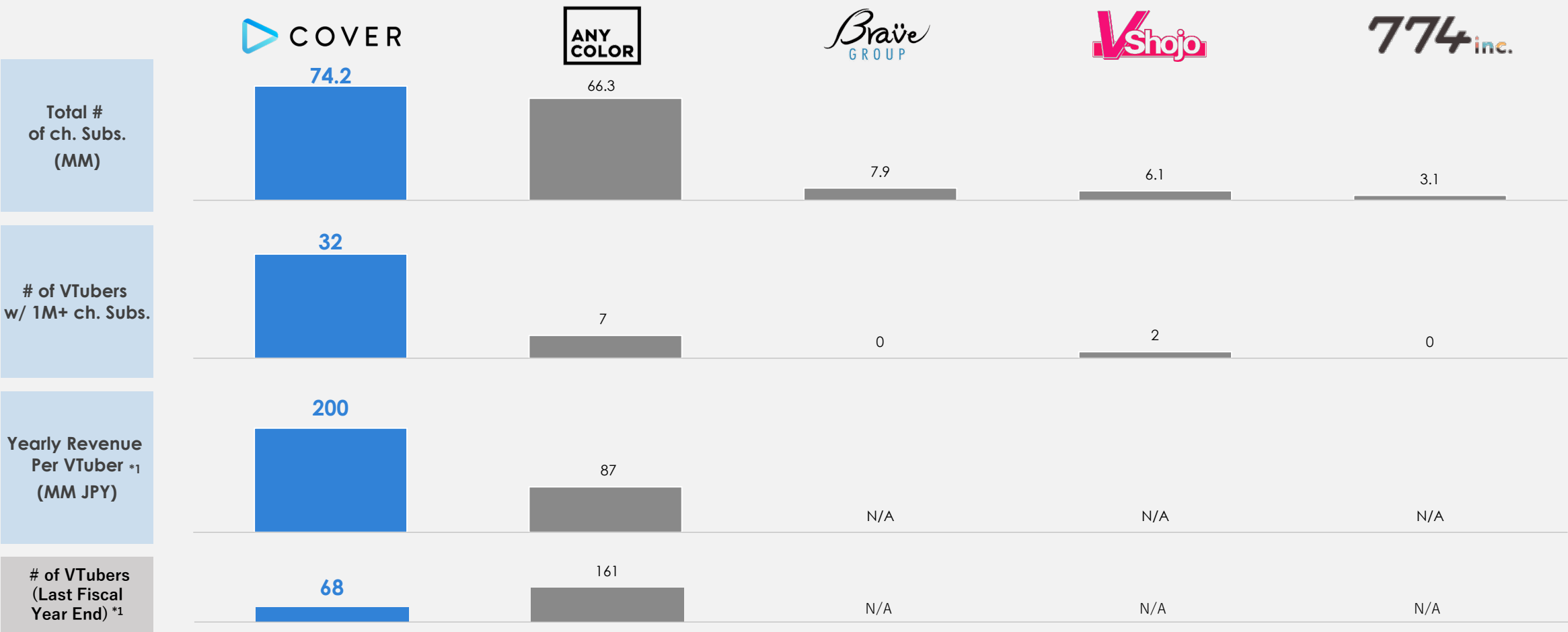


Kobo Kanaeru
SEA No.1



hololive Production is the Most Subscribed VTuber Agency

Recognition, popularity, and revenue per IP at hololive are best-in-class within VTuber Industry

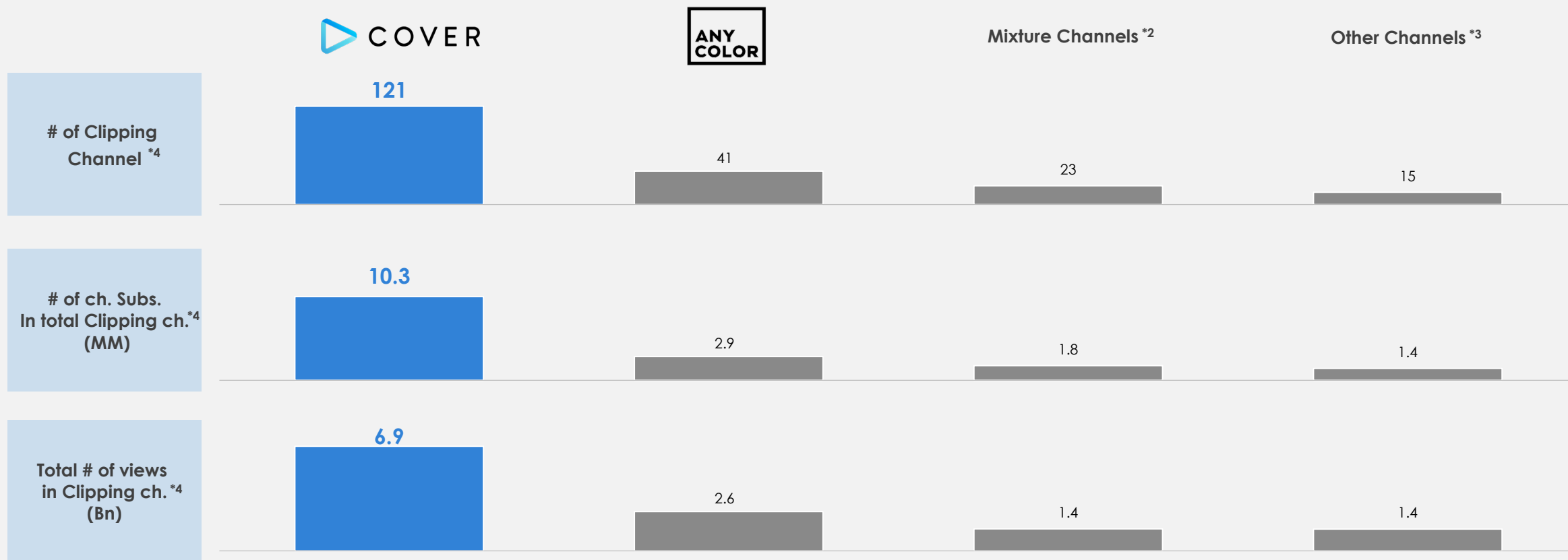


Source : User Local (as of January 13, 2023)

*1 : For COVER, this was calculated by dividing FY2021 Revenue by # of enrolled VTubers at the end of the same period; for ANYCOLOR Inc., calculated by dividing FY2021 Revenue by # of enrolled VTubers at the end of the same period

Large and Enthusiastic UGC Communities

Clipping video channels ^{*1} of hololive content have far more views



Source : User Local (January 11, 2023)

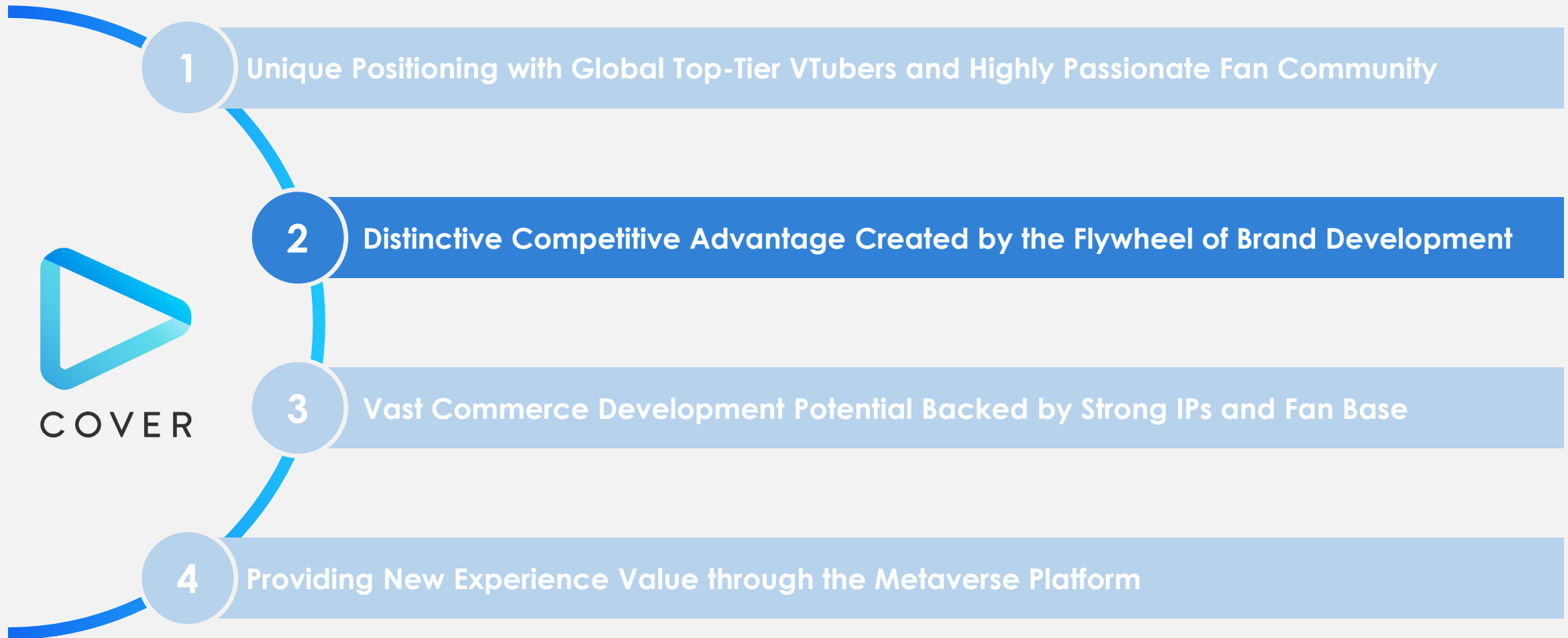
^{*1} : An unofficial channel that clips a portion of a stream/video and posts that to their channel. We have published guidelines for secondary creation and have allowed monetization under certain restrictions

^{*2} : Channels that distribute clipped videos about VTubers belonging to multiple VTuber agencies

^{*3} : Channels that do not belong to any of the clipping channels specialized in COVER or ANYCOLOR, or mixed channels

^{*4} : Total of the top 200 VTuber clipping channels on YouTube in terms of total # of views

Investment Highlights

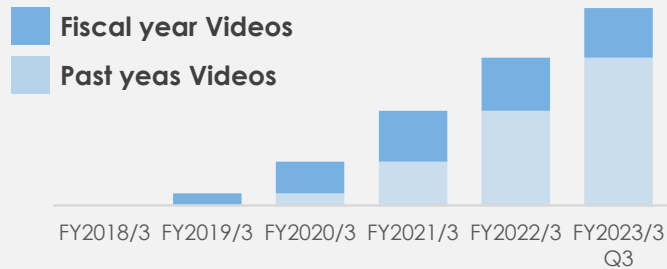


Enthusiastic Fan Community Expansion Creates an Irreplaceable Moat

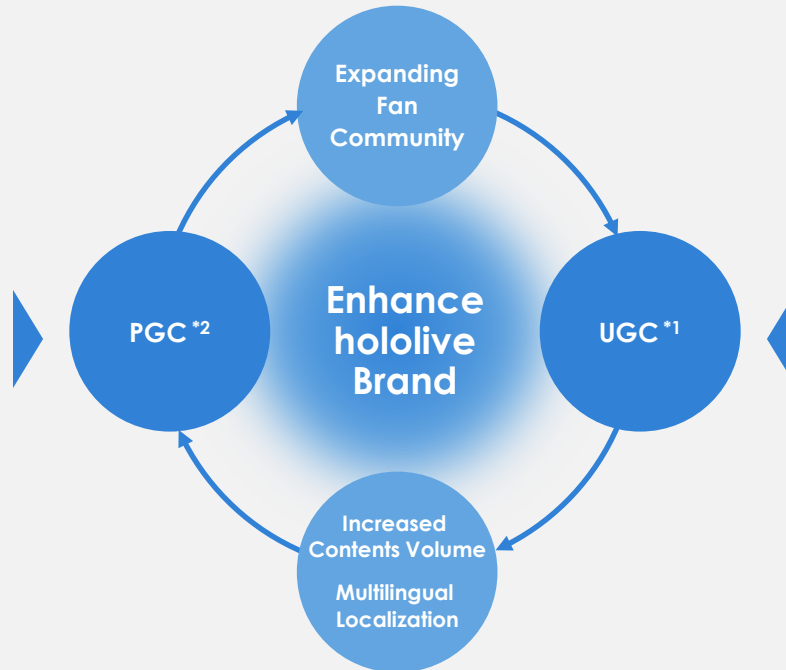
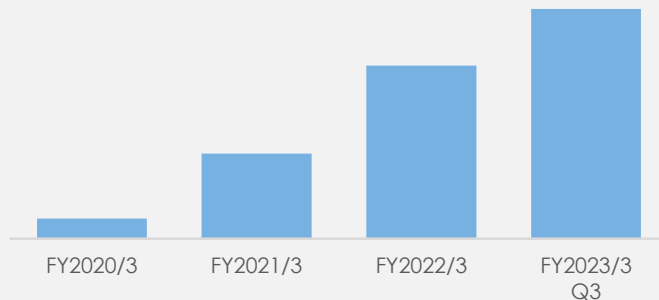
Synergy between VTubers' live streaming and fans' UGC^{*1} in response contributes to establishing a strong brand

Livestreaming and Contents Supply (PGC*²)

Total # of Streaming Videos : 63K (YoY +48%) *3

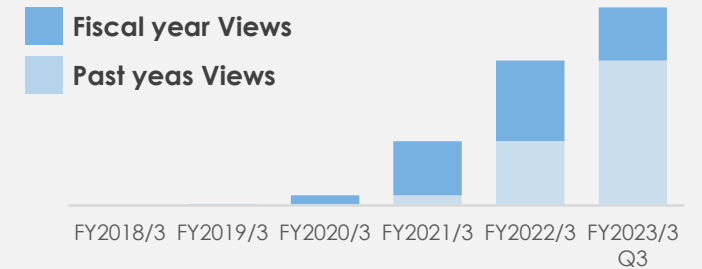


Shipped Goods in FY2022 3Q : **1.05**MM

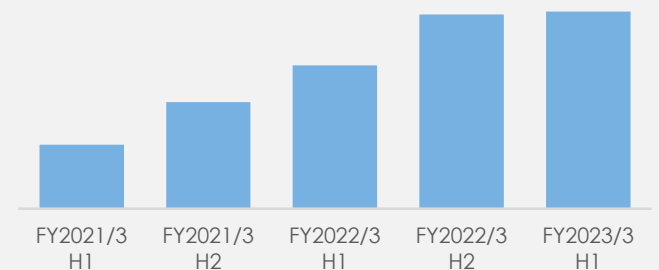


Fan Viewership and UGC*¹ Posts

Total # of Views: **9.8Bn** (YoY +59%) *4



of Related Tweets FY2022/3: **123MM***5



*1 : PGC: Abbreviation for Professionally Generated Contents. It refers to contents produced by professionals/agencies

*2 : UGC: Abbreviation for User Generated Contents. It refers to content created and shared by general consumers who use Livestreaming service, SNS, and other entertainment services

*3: Cumulative # of videos posted since September 2017. In addition to the channels of COVER's VTubers, we have also included our sub-channels, official channels, etc. as well. YoY is the increase ratio of the total # of videos posted as of December 31, 2022 compared to the total # of videos posted as of December 31, 2021

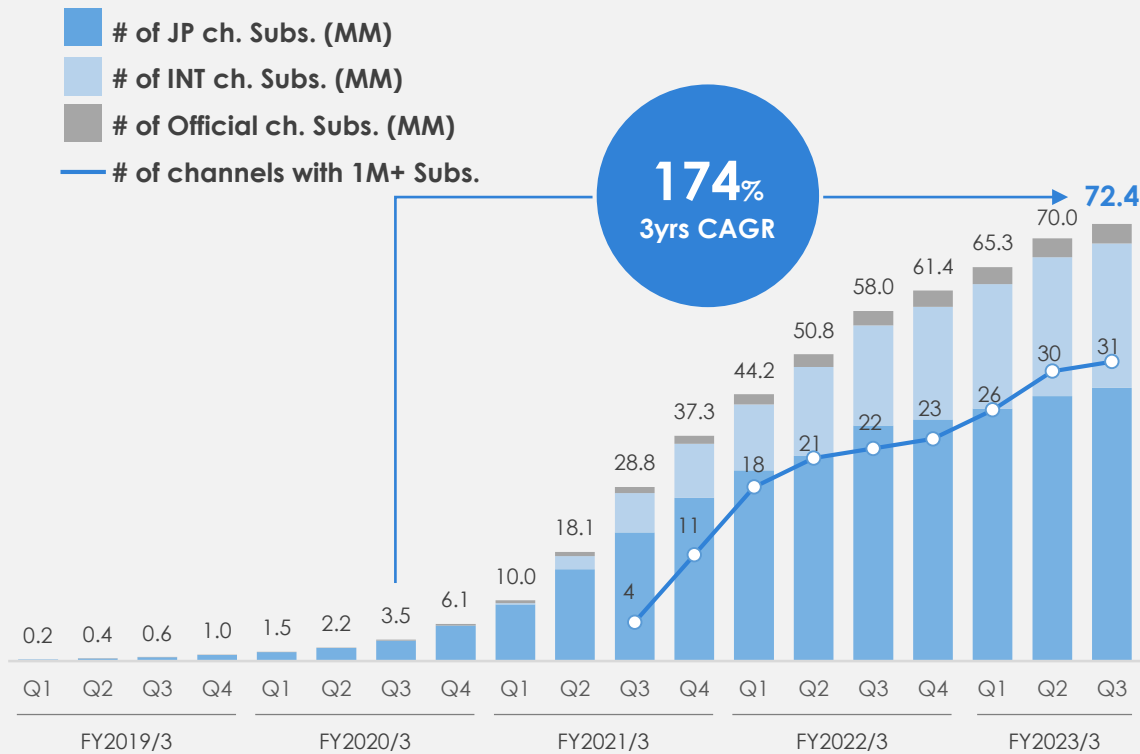
*4: Cumulative # of video views since September 2017. In addition to the channels of COVER's VTubers, we have also included our sub-channels, official channels, etc. as well. YoY is the increase ratio of the total # of views as of December 31, 2022 compared to the total # of views as of December 31, 2021

*5 : # of mentions of official Twitter hashtags

Steady Growth of Our Fan Base and IPs

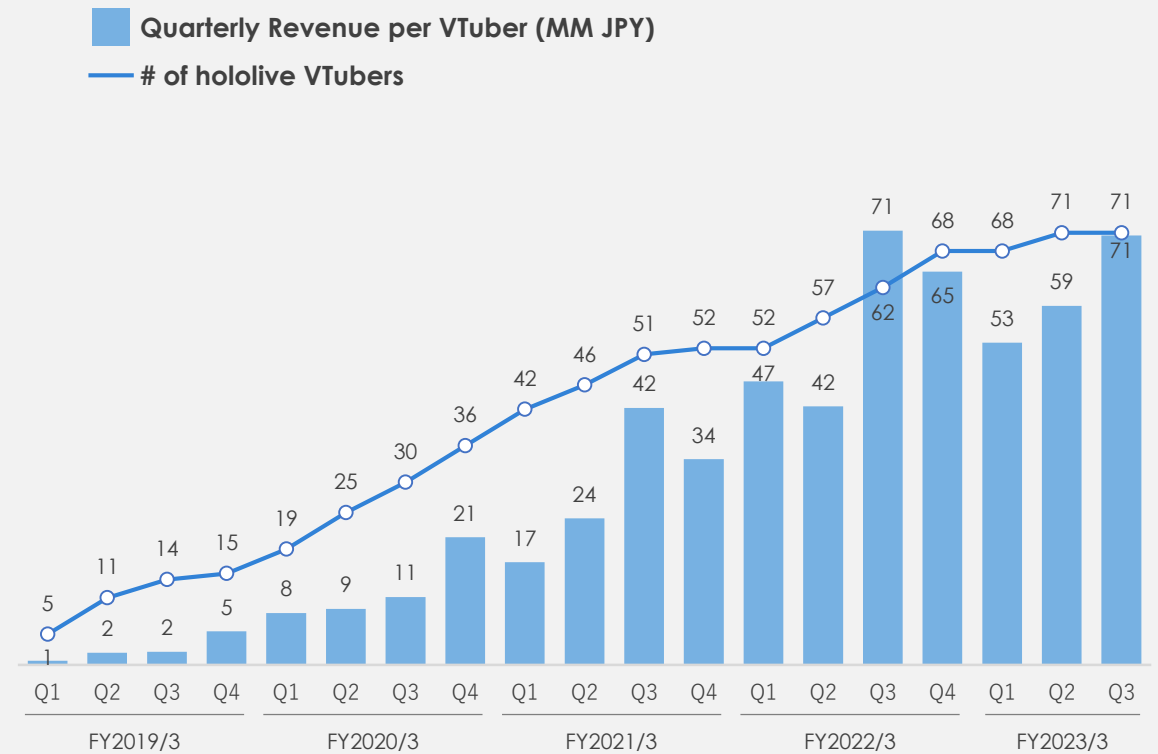
In line with the rapid growth in # of fans of our VTubers worldwide, the value of the IPs itself and ability to attract customers have increased

■ # of ch. Subs./ # of channels with 1M+ Subs. *1



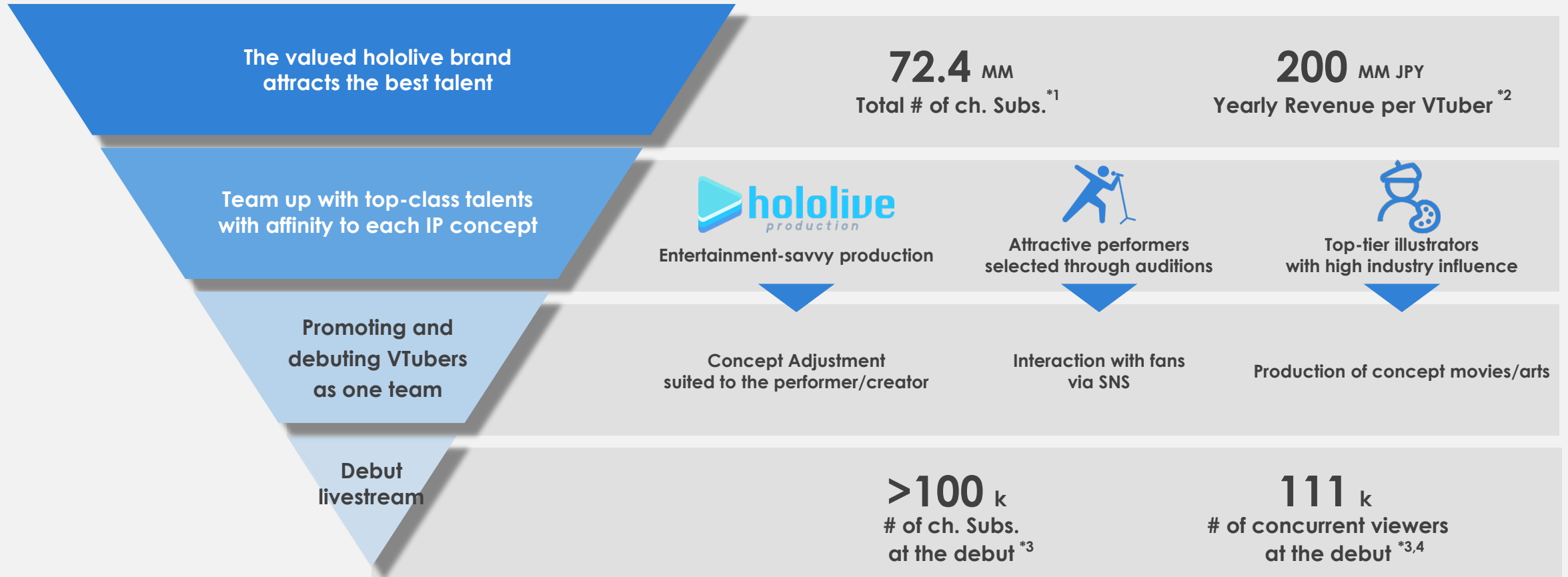
*1 : YouTube Channel Subscriber Count

■ Revenue per VTuber / # of hololive VTubers



Sustainable Planning and Structure to Create High-quality IP

Brilliant IP planning team, performers, and creators attracted by the hololive brand work as one team to create a hit IP



Source : YouTube Analytics (as of December 31, 2022)

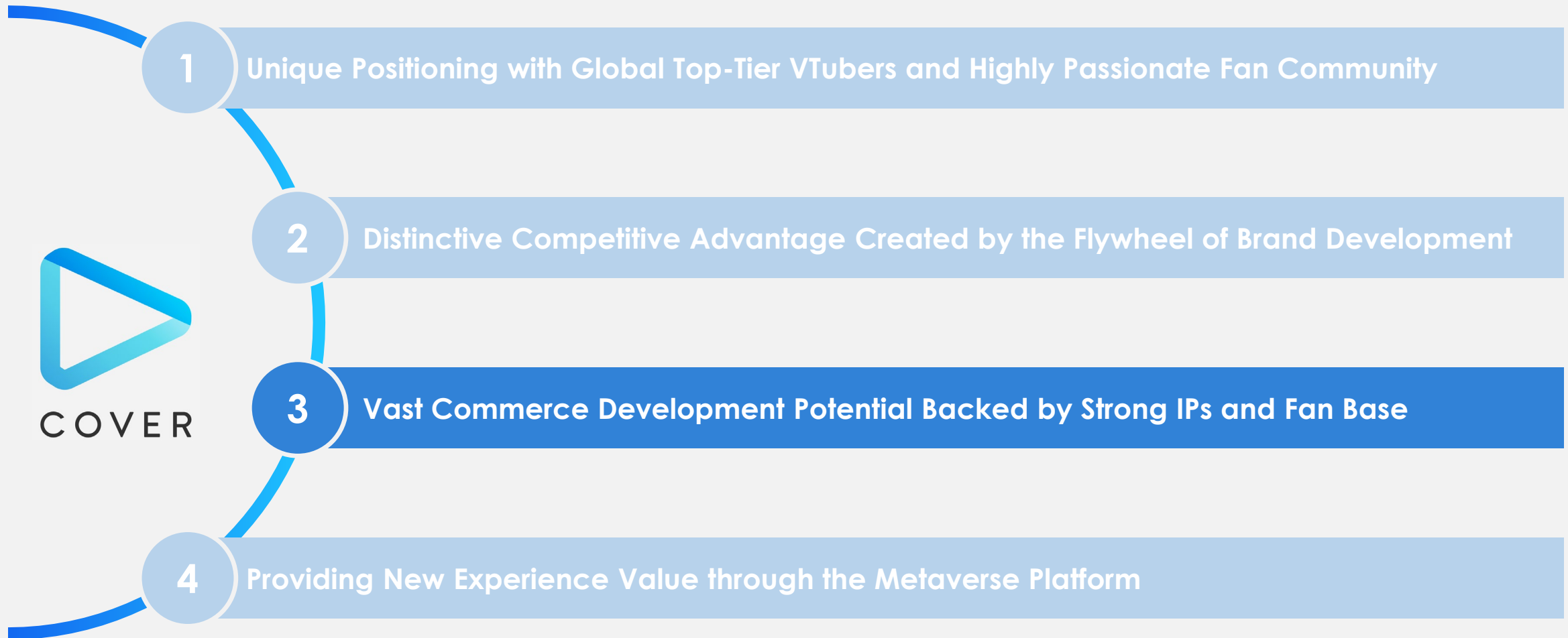
^{*1} : Calculated by adding up # of registrations for the official YouTube channel and each VTuber's channel

^{*2} : Calculated by dividing FY 2022/3 Revenue by # of enrolled VTubers at the end of the same period

^{*3} : Performance of VTubers debuting after 2021 (hololive, hololive English, hololive Indonesia)


^{*4} : The # of people when # of simultaneous viewers reaches its maximum during the livestream

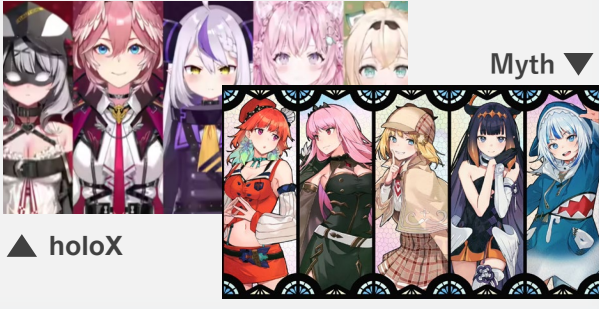

Investment Highlights



Enormous Commerce Development Potential

In addition to each individual VTuber's activities based on sales efforts, further IP commerce expansion is possible via accumulated brand power as a whole

	Individual VTuber's Agency
	<div><p>▲ Birthday goods</p><p>Super Chat ch membership ▼</p></div>
Source of Value	The appeal of each VTuber
Customers	Each VTuber's fans
Profitability	Relatively low

Commerce Business Based on Accumulated Brand Power	
Unit IP Project	Licensing out
<div><p>▲ holoX</p><p>Myth ▼</p></div>	<div><p>Collabs with other company's game</p></div>
Ability to plan and produce group and unit IP / Accumulated brand power	
hololive & Group Unit's fans	Collab brand's fans
Relatively high (Relatively low VTubers operation)	

Multifaceted Commerce Development

Accelerating commerce development and further strengthened profitability is possible by focusing on accumulated brand power and collaborative products

■ Group & Unit IP Merchandise



hololive Starter Goods



holoX Georama Stands

■ Collabs with Global Brands



Among Us Collab



Red Bull Collab

■ Digital Merchandise



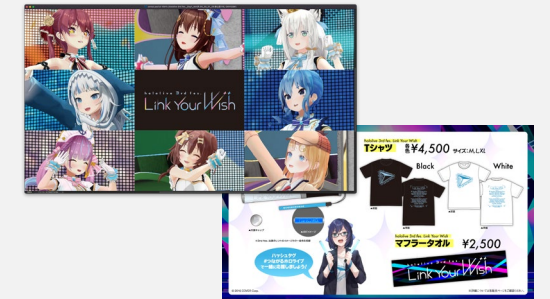
Original Song Streaming

Voice Packs



LINE Stamps

■ Unit Live Events and Performances



Live Concert with All hololive Talents



Unit Livestreaming

Rapid Penetration into the Overseas Markets and the Commerce Potential

High international expansion potential through cultural penetration via hololive.
Massive commerce potential by utilizing the huge fan community

Step 1 : Market Penetration

Achieved

- Streaming domestic live concerts to overseas
- Guideline release for overseas fanfics/fan arts
- Encouraging clipping / translation channels
- 3D animation with multilingual subtitles

of Overseas Viewers in the hololive JP ch.

29%^{*1}



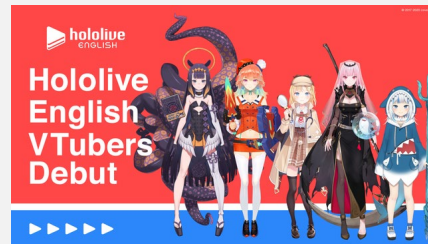
3D animation with multilingual translation

Step 2 : Localized VTubers

Achieved

- Localized VTuber auditions and planning
- Fostering local fan communities through local events, etc.

Total # of Views in hololive EN ch.
1,600MM^{*2}



Debut of localized VTubers

Step 3 : Commerce Development

In Progress

- Development of localized commercialization in full swing
- Supply chain development for localized merchandises

Overseas Ratio to Total EC sales

30%^{*3}



Acrylic standees

Source : YouTube Analytics (as of December 31, 2022)

*1 : Aggregated from each VTuber's channel

*2 : Total # of views on the channels of VTubers enrolled in hololive EN

*3 : Actual results for 3Q FY2023/3 (hololive production OFFICIAL SHOP、Geek Jack)

Investment Highlights



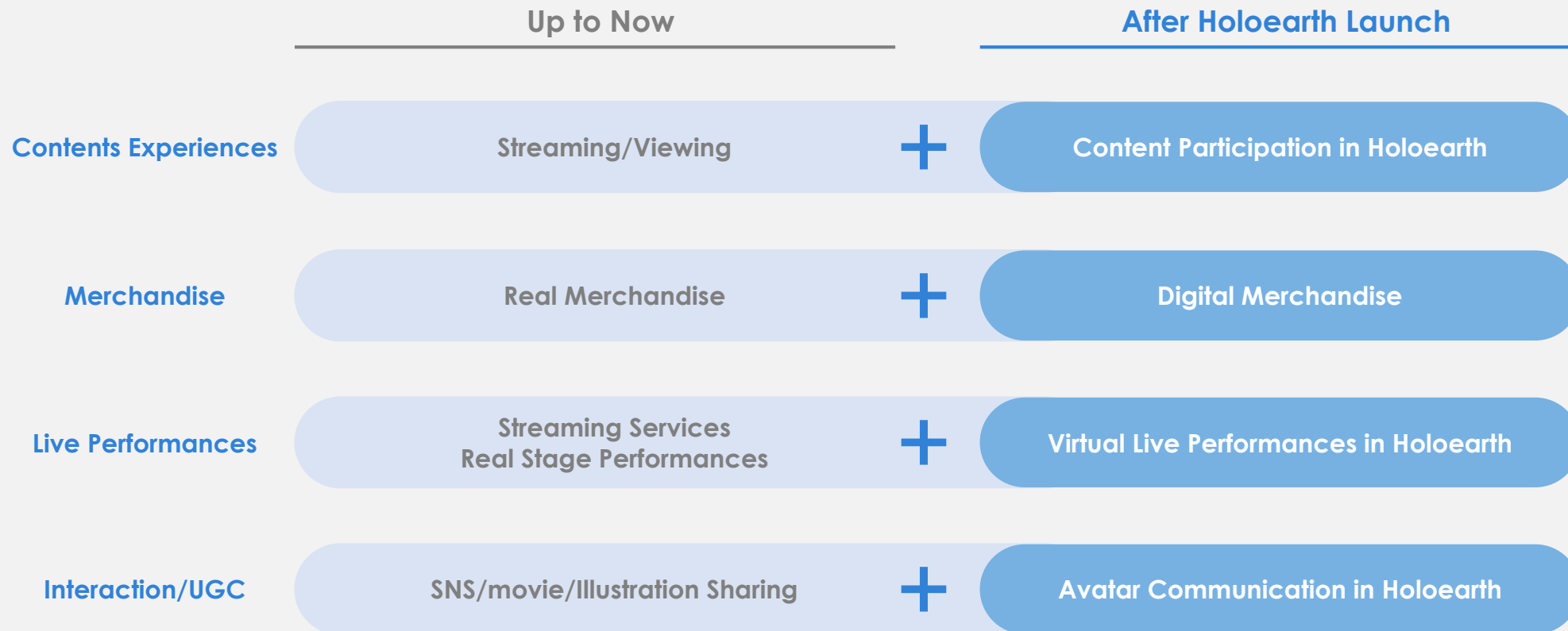
Anime-style Metaverse “Holoearth”

Development is underway for a metaverse platform that allows VTubers and fans to interact and play together; the official launch will be in 2024



Providing New Experiences through a Metaverse Platform

Holoeath will enable more flexible and closer communication in addition to the existing activities and interactions on multiple platforms



Major Risks and Countermeasures

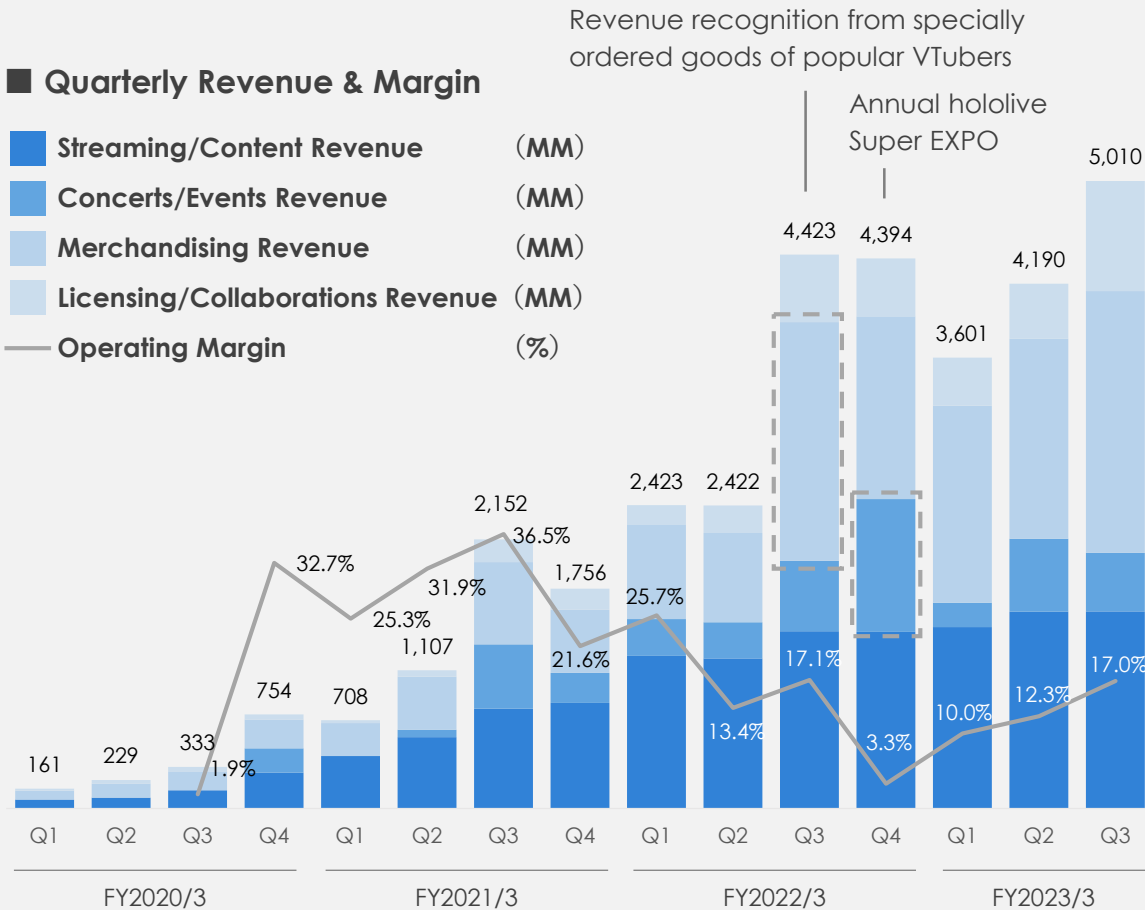
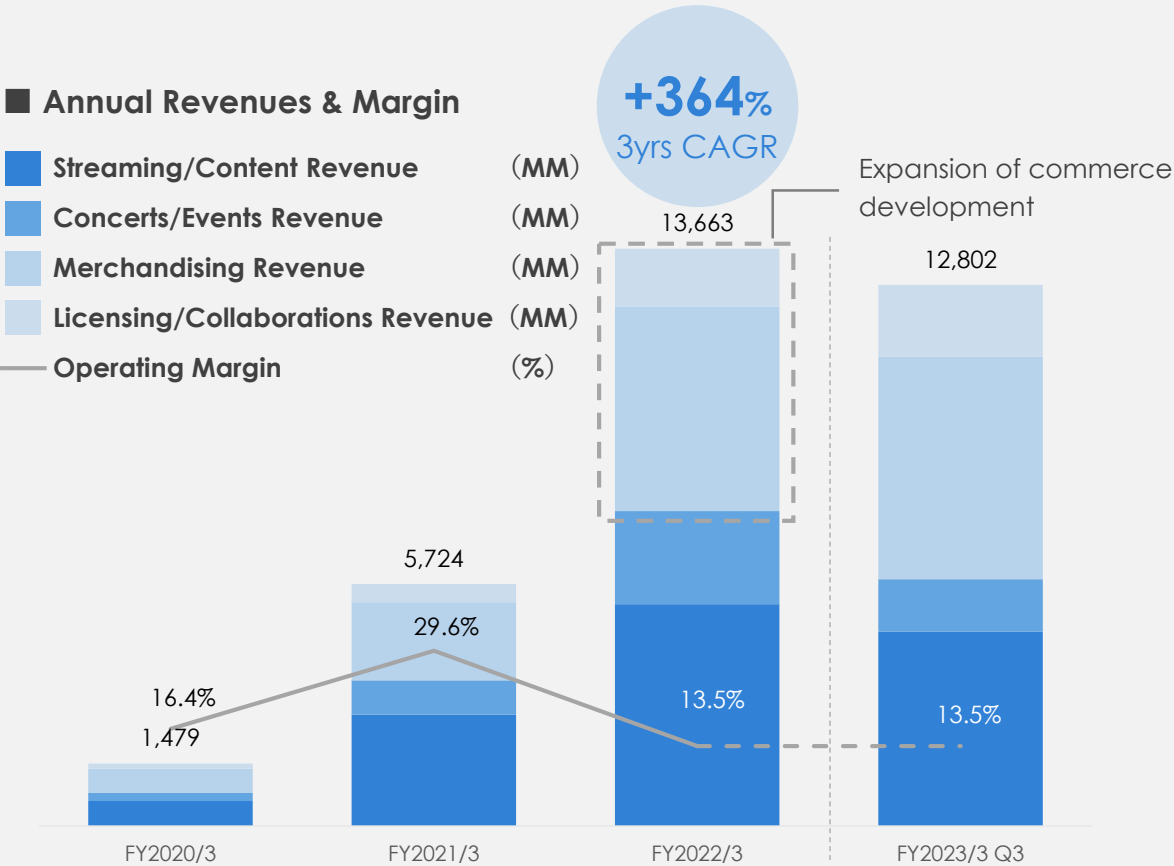
Major Risks	Measures	Proba- -bility	Impact	Time Span
<p>Dependence on video distribution platforms operated by other companies</p> <p>We provide livestreaming content to viewers through video distribution platforms such as YouTube. If it becomes difficult for us to continue providing livestreaming content due to changes in the business strategies of these video distribution platforms or in our relationship with them, or if there are significant changes in economic conditions, our revenue from viewers via these platforms may decrease, which may affect our business and earnings.</p>	<p>We do not solely rely on livestreaming. We have been able to advance the diversification of our revenue stream opportunities to include merchandising, events, and licensing of intellectual property. Our content creators are also active on multiple video streaming platforms other than YouTube. Furthermore, we are planning for our content creators to eventually stream on our own platform, which is currently under development. Therefore, we do not solely depend on a single platform.</p>	Med.	Med.	Long-Term
<p>Risks related to the popularity, frequency of activities, and continuity of activities of our VTubers</p> <p>Our business performance depends to a certain degree on the popularity of the VTubers that are affiliated with our company and the frequency of content being produced. We have responded to scandals, incidents of social turmoil and defamation and other similar matters concerning our tubers from the beginning. We are taking measures such as expanding our technical and organizational systems to support VTubers so they can carry out their activities comfortably. However, the nature and frequency of VTuber activities depend on the activities of the content creators who use anime-like avatars. Therefore, there is a possibility that our reputation, business performance and financial situation may be affected due to a decline in the added value of our intellectual property, content, merchandise and the like that may occur in cases, such as: (i) when our content creators are unable to continue receiving support from viewers due to the streaming of inappropriate content, scandals, incitement of social controversy, defamation, or other similar reasons related to maintaining a healthy environment for streaming activities; (ii) when the frequency of our content creator's activities declines significantly; or (iii) when it becomes difficult for our content creators to continue their activities.</p>	<p>In looking at individual content creators, these risks may not emerge at a high frequency. However, we are taking countermeasures such as: (i) promoting the streaming of content in a healthy environment; (ii) responding to scandals, incitement of social controversy, defamation and the like; (iii) expanding technical and organizational systems to support VTubers so they can carry out their activities comfortably; (iv) collaborating with other related organizations within our industry; and (v) stabilizing the provision of content by providing content via our productions, as a whole, by a variety of popular VTubers.</p>	Med.	Med.	Mid-Term
<p>Reputation risk due to inappropriate content in video content</p> <p>Unexpected events that occur in content streaming that occurs daily may lead to a decline in our reputation of our content creators or may lead to disputes, which may affect our business development, financial circumstances, and business results.</p>	<p>In order to prevent any violations of public order/morality by our content creators and any infringements of intellectual property rights, we are working to expand our guidelines and provide guidance to our content creators. In addition, we are striving to improve our management system by taking steps such as monitoring streaming activities so that we can promptly identify and respond to such events when they arise or when there are signs that they may arise.</p>	Med.	Med.	Mid-Term

※ For risks other than the above, please refer to "Business Risks" in the Securities Registration Statement, etc.

Financial Highlights

COVER's Remarkable Financial Profile

Commerce development based on high valued IP will drive growth and profitability;
With a focus on upfront investment to further strengthen our moat



Toward Further Improvement of Profitability

Aiming for recovery of profitability due to focus on highly profitable commerce business and reduction of labor cost ratio through scale

■ Comparison of Major Costs to Net Sales

	Step 1 : IPs & Fan Base Development		Step 2 : Commerce Development and Upfront Investment		Step 3 : Metaverse Scaling	
	FY2020/3	FY2021/3	FY2022/3	FY2023/3 Q3	Long-term Goal	
Gross Profit Margin	57%	48%	38%	44%	50%	<ul style="list-style-type: none"> • Securing revenue sharing for VTubers • Better service mix focusing on high margin unit/collab goods
SG&A Ratio	41%	18%	25%	31%	20%	<ul style="list-style-type: none"> • Continue upfront investment to areas of high growth potential, and a level of approx. 20% will be maintained • Disciplined investment for metaverse are capitalized in BS • Decrease in SG&A ratio due to sales expansion
Operating Margin	16%	29%	13%	13%	30%	<ul style="list-style-type: none"> • Profitability is expected to return to the same level as FY2021/3 after upfront investments for medium- to long-term goals and growth run their course

Investment Items and Expected Benefits

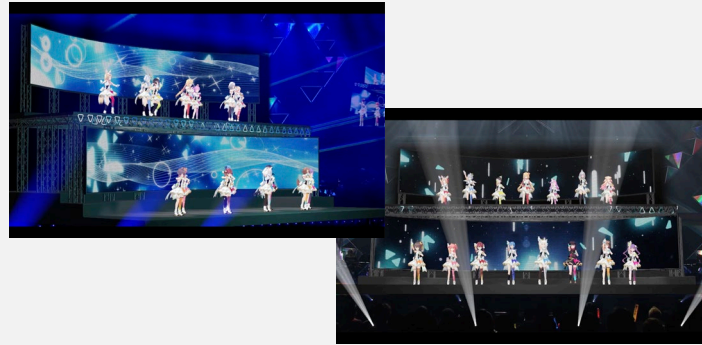
Disciplined investments to improve the quality of VTubers and the value of the fan experience

■ 3D Modeling / 3D Animation



- ✓ More attractive VTuber avatars
- ✓ Higher quality live performances

■ 3D Motion Capture Studio



- ✓ The most advanced and largest VR studio in Japan
- ✓ In-house high-quality live concert
- ✓ Development of better motion capture technology

■ App. Development for Fans *1



- ✓ Improved fan UX *2
- ✓ Cross-service promotion with integrated ID

▲ Official Application



IP Enhancement & Sales Growth



Improve profitability
Improve Fan Experience

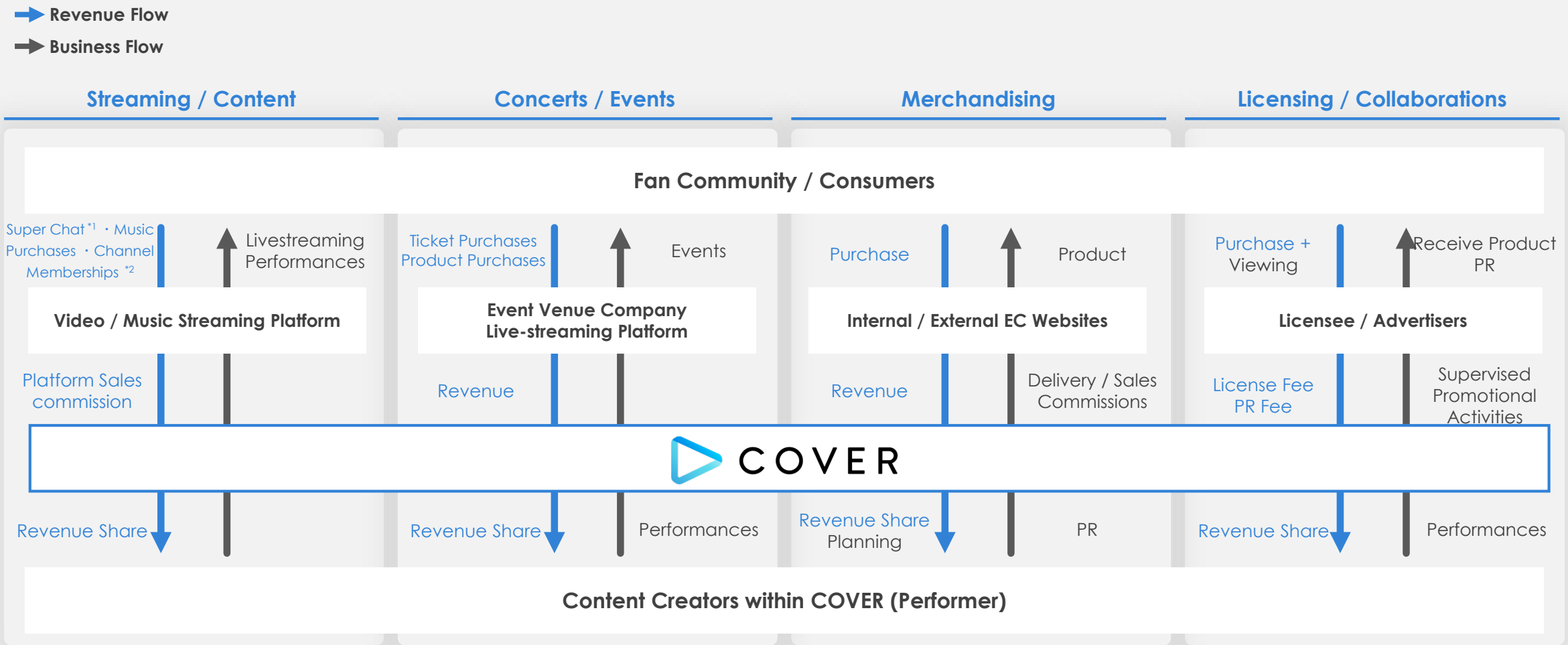


Increased Engagement

*1 : Screen image under development
*2 : User Experience

Appendix

Revenue Flow & Business Flow

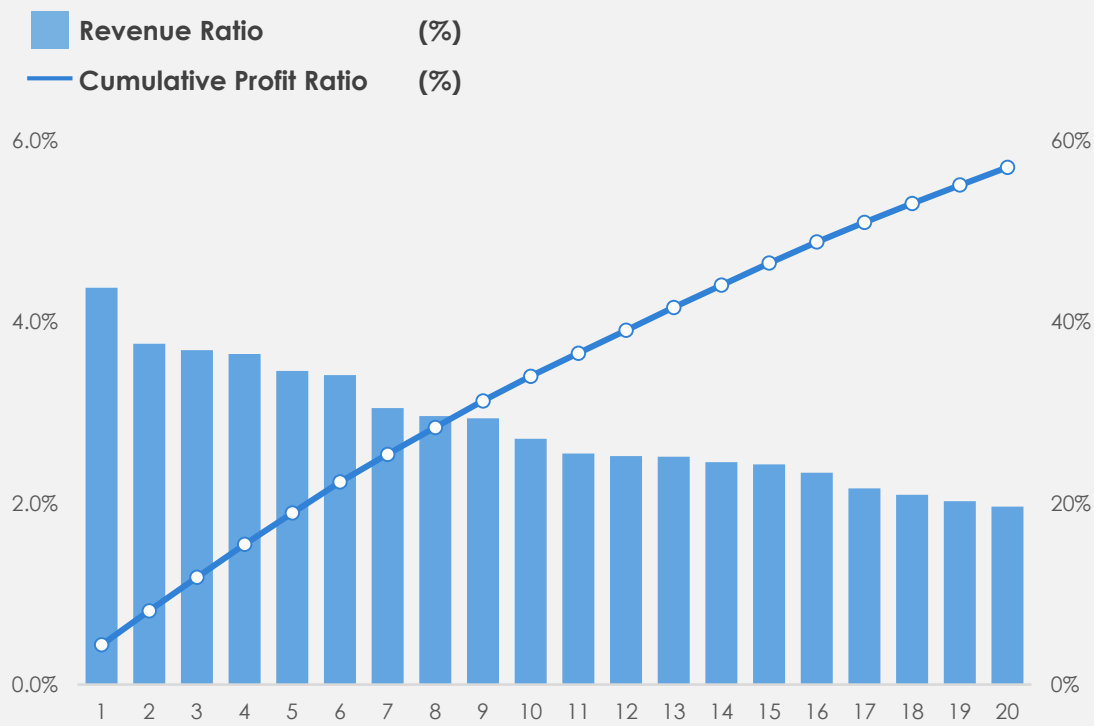


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*2 : A system on YouTube whereby members pay a monthly fee to become channel members and receive badges, emotes, limited video distribution and other similar privileges

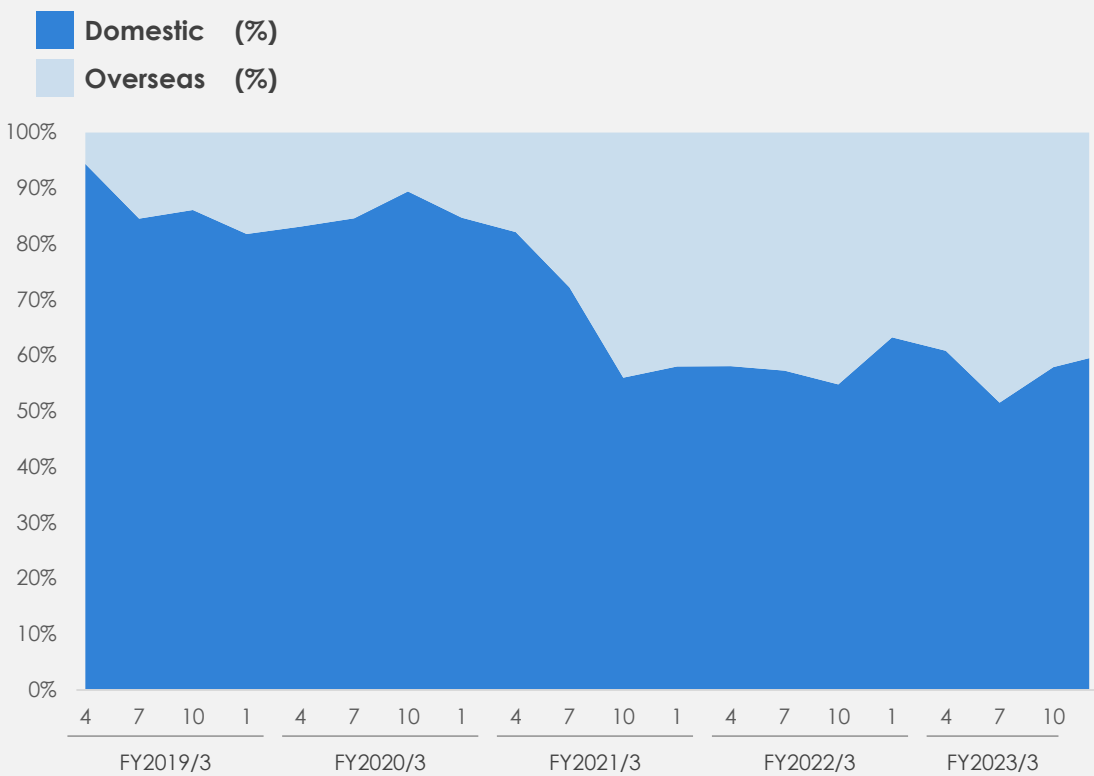
Revenue Diversification of COVER's VTubers

Built up a structure that provides revenue diversification of all VTubers and groups, achieving stability

■ Revenue Ratio by VTuber (Top 20) *1



■ Domestic and Overseas Viewership Ratio *2



Source : YouTube (as of December 31, 2022)

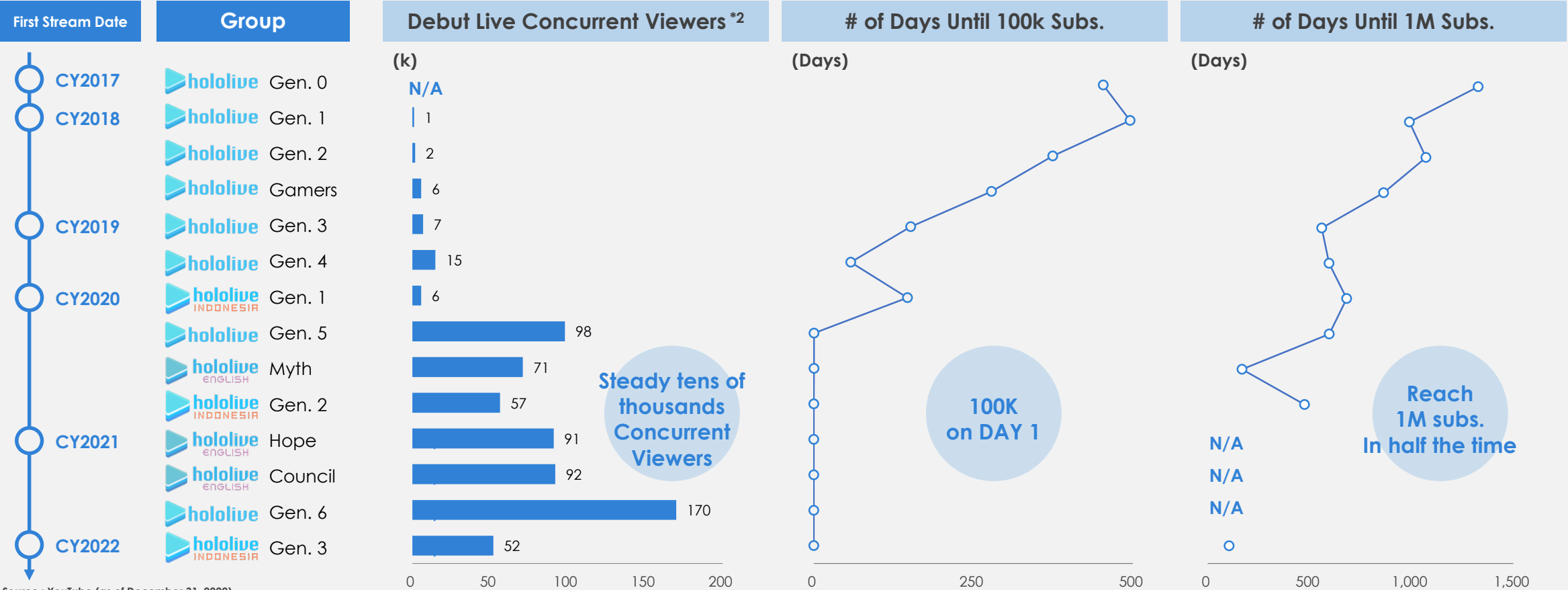
*1 : The revenue ratio (left axis) is the ratio of the revenue of the top 20 VTubers to the total revenue of all VTubers belonging to our Company. The cumulative revenue ratio (right axis) is the cumulative value from the top of the revenue ratio

*2 : Aggregated from each VTuber channel on YouTube as of December 31, 2022

Achieving Rapid Growth for Newly Debuted VTubers

Leveraging the hololive brand, newly debuted VTubers achieve rapid growth.
Growth speed accelerates as the fan community grows

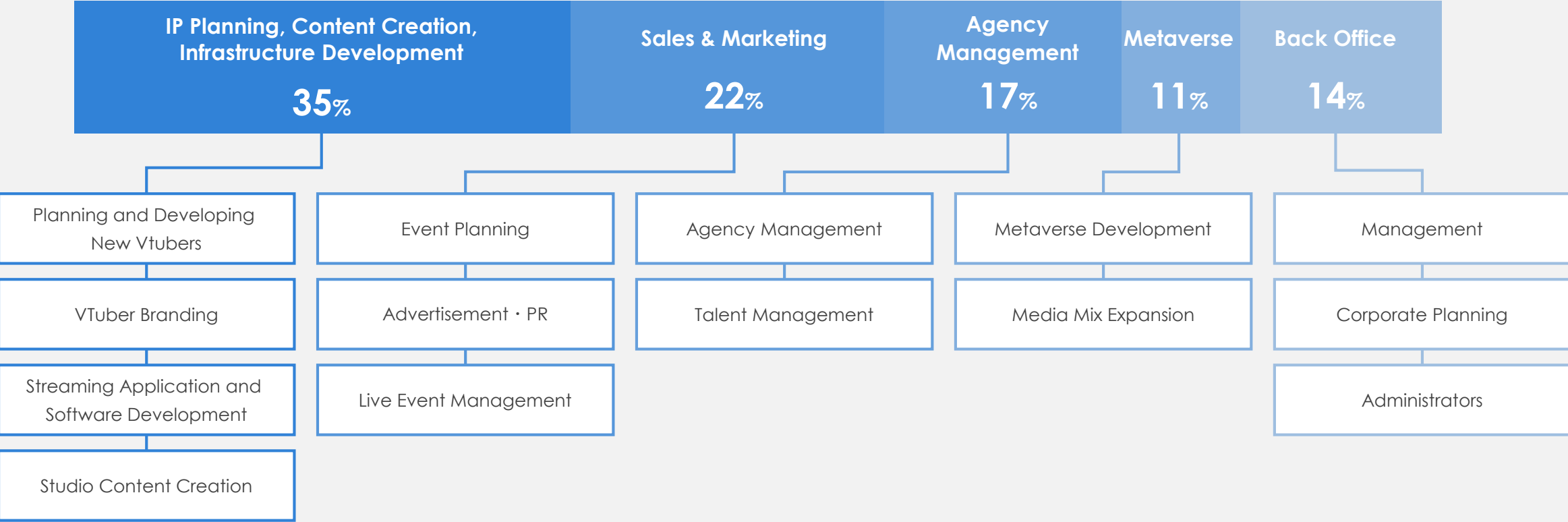
■ # of Average Concurrent viewers and days achieving ch. Subs. *1



Organizational Structure

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

■ Company Structure *1 (as of December 31, 2022)



*1 : Organizational structure in full-time employees

Co-creation of Avatars With Top-tier Creators

Co-creation with in-house editors and the top creators who represent the industry help to create unique VTuber IPs loved around the world



Character Design : Mishima Kurone

Famous for : 「Konosuba: God's Blessing on This Wonderful World!」 and others.



Character Design : Wada Arco

Famous for : 「Fate/EXTRA」 、 「Fate/Grand Order」 and others.

Enhancement of the hololive VTuber IP with Additional 3D Content

New 3D animation development, realistic 3D models, and live performances lead to increased viewer count and engagement

■ 3D Animation



YouTube 3D Animation channel 「Holo Graffiti」

Total Video Count **184** Videos ^{*1}

Total # of Views **28** MM ^{*1}

- Create 3D animations /week with VTuber 3D models
- Opportunity for a wide range of viewers to recognize and become familiar with hololive VTubers by providing multilingual subtitles

■ 3D Live Events



Commemorating the release of the holoX 3D models, via YouTube Livestreaming

3D Livestreaming **70** /yr. ^{*1, 2}

- Viewers experience VTuber content with more realistic feeling through 3D livestreaming and motion capture.

■ 3D Models



Unified 3D outfits for hololive live concerts

^{*1} : As of December 31, 2022

^{*2} : Total # of 3D models streaming on YouTube

Expanding Brand Recognition Through Music Promotion

Continued major debuts and viral sensations via TikTok have created a diverse fan base across different forms of media

■ Major Record Label Debut in 2022



Mori Calliope

- Major Debuted via Universal Music: EMI Records



Hoshimachi Suisei

- Major debuted as a unit "Midnight Grand Orchestra"*1 from Toys Factory VIA

■ Gone Viral via TikTok



Sakamata Chloe

- Due to the immense popularity of the song, #tag "#SakamataChloe" has received approx. 73 MM TikTok views*2



Houshou Marine

- Due to the popularity of the song, #tag "#HoushouMarine" has received approx. 290 MM TikTok views*1

*1 : A unit of vocalist Hoshimachi Suisei and sound producer TAKU INOUE

*2 : As of January 11, 2023

Global Real-time Events

Highly engaged fan communities at local events and expos in various countries



Crunchyroll Expo (California)



Anime Central (Chicago)



Anime NYC (New York)



AGF (Korea)



SMASH! (Australia)



**Anime Festival Asia
(Singapore)**

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

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3 Q3
Total # of ch. Subs. ^{*1} (MM)	1.0	6.1	37.3	61.4	72.4
Revenue (MM JPY)	136	1,479	5,724	13,663	12,802
<i>Streaming / Content</i>	75	595	2,633	5,249	4,598
<i>Concerts / Events</i>	11	195	814	2,203	1,241
<i>Merchandising</i>	30	567	1,847	4,832	5,262
<i>Licensing / Collaborations</i>	19	121	428	1,377	1,699

^{*1} : Aggregated from each channel and official channel on YouTube

PL Summary

MM JPY	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3 Q3
Total Revenue	136	1,479	5,724	13,663	12,802
YoY Growth	—	980%	287%	138%	--
Gross Profit	131	852	2,777	5,274	5,743
Margin	96%	57%	48%	38%	44%
Operating Profit	(63)	243	1,698	1,855	1,734
Margin	—	16%	29%	13%	13%
Net Income	(63)	176	1,220	1,244	1,281
Margin	—	11%	21%	9%	10%

BS Summary

MM JPY	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3 Q3
Total Current Assets	182	679	3,048	7,168	9,253
Cash and Cash Equivalents	136	356	1,899	4,644	7,341
Total Fixed Assets	9	89	467	1,069	2,536
Total Asset	191	767	3,516	8,238	11,789
Total Liabilities	40	341	1,303	4,780	7,050
Total Equity	150	426	2,212	3,457	4,738

Handling of these Materials

The information set forth in these materials regarding future business matters and results are forward-looking statements. Forward-looking statements include but are not limited to expressions such as "*strive to*", "*predict*", "*expect*", "*confirm*", "*continue*", "*try*", "*estimate*", "*forecast*", "*to take measures to*", "*intend*", "*attempt*", "*it is possible...*", "*plan*", "*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 entirely on forward-looking statements.

The next disclosure of "Materials for Growth Opportunities and Strategies" is scheduled to be made around May of each year, the same time as the disclosure of these financial statements.



**Together,
Let's Create Culture Loved by All.**