



Management Policy for Mid-Term Growth

June 12, 2024

Business Overview

Business Overview

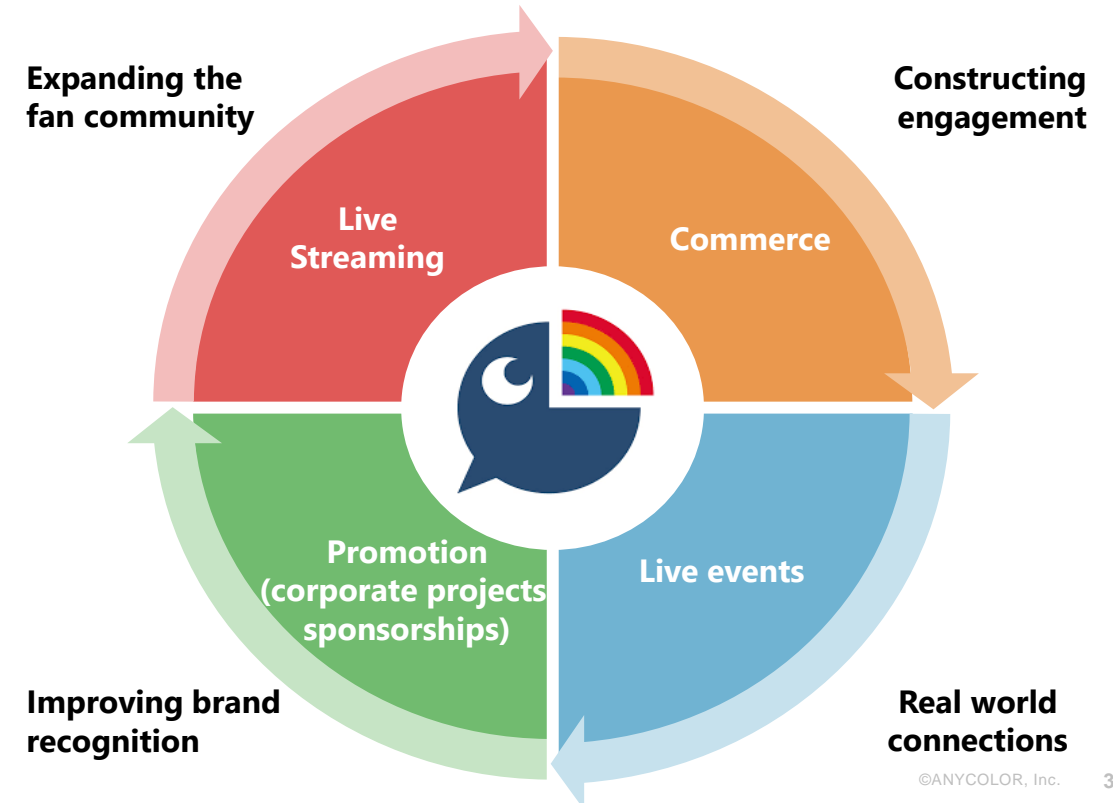
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We are the largest VTuber group in Japan and have developed multiple services anchored by each VTuber.

We are the largest VTuber group in Japan with a wide variety of VTubers active in Japan and overseas, centered on the NIJISANJI project.



We are building a unique ecosystem by developing multiple services with live streaming as a starting point.



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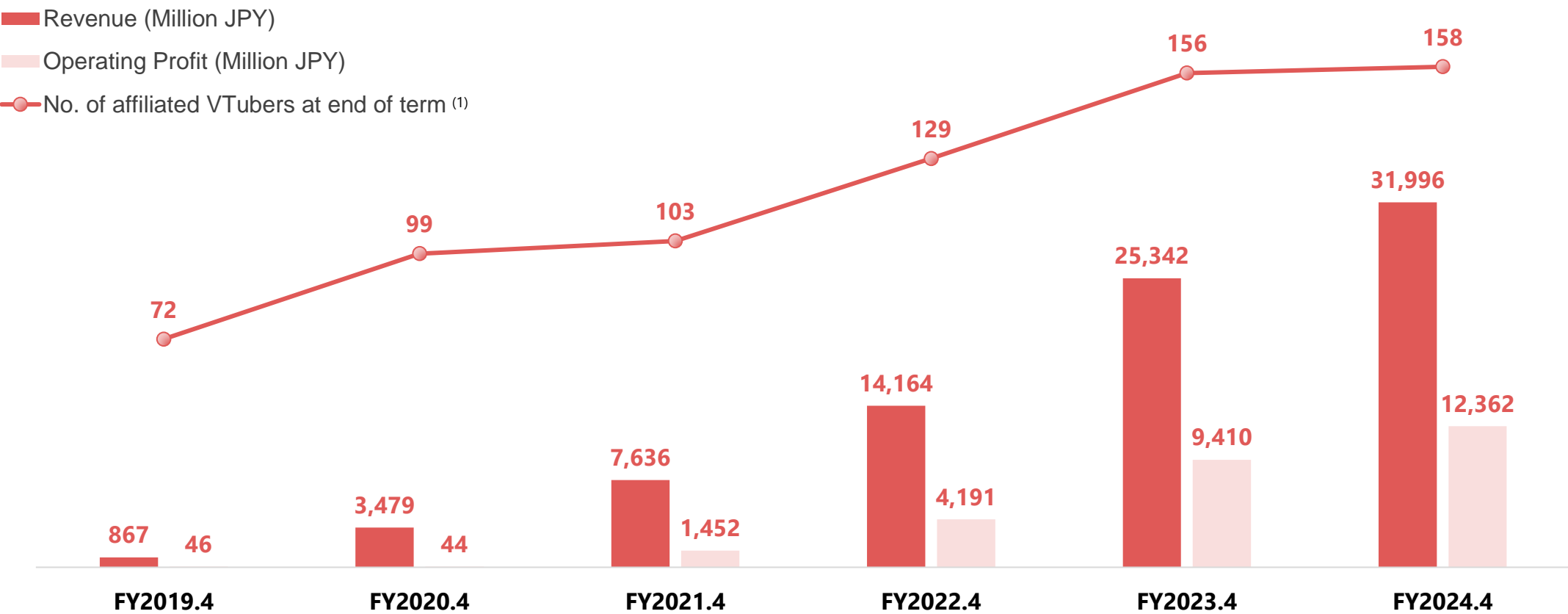
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Long-Term Performance Progress



We have seen steady growth in business performance since our founding in 2017, the beginning of the VTuber era, and have grown to become one of the largest VTuber production companies in Japan.



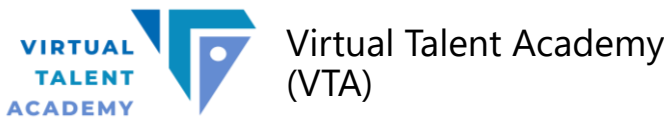
Note:
1. Number of VTubers belonging to NIJISANJI who are active in Japan and VTubers belonging to NIJISANJI EN.

Our Business Model

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A few VTubers are selected from approximately 10,000 auditioners and debut after 6-12 months of training. After their debut, we foster a fan community through livestreaming, etc., and build an ecosystem for each VTuber.

Selection and training of VTuber candidates through VTA



VTA has held auditions on a regular basis since its establishment in June 2021 to secure future NIJISANJI VTuber candidates.

Livestreaming

% of Revenue⁽¹⁾
16%



Revenue from sources such as Super Chat⁽²⁾, YouTube membership⁽³⁾ and Google AdSense⁽⁴⁾

Promotion

% of Revenue⁽¹⁾
18%



Revenue from corporate projects, sponsorship fees, etc.

Commerce

% of Revenue⁽¹⁾
59%



Revenue from sales of merchandise and digital content

Event

% of Revenue⁽¹⁾
6%



Revenue from ticket sales for events such as NIJISANJI Fest and other events

Notes:

1. Percentage of FY2024.4 revenue
2. Super Chat is one of the features provided on YouTube live streams, which allows fans (viewers) to pay to pin their highlighted message in the chat stream so message stands out from the crowd to get VTuber(streamer)'s attention
3. YouTube Channel Memberships are monthly subscriptions which allow users to pay for subscriptions to channels, allowing users to receive members-only features, such as access to exclusive videos, and benefits only available to subscribers
4. Revenue comes from receiving a portion of YouTube ads revenue which Google LLC received

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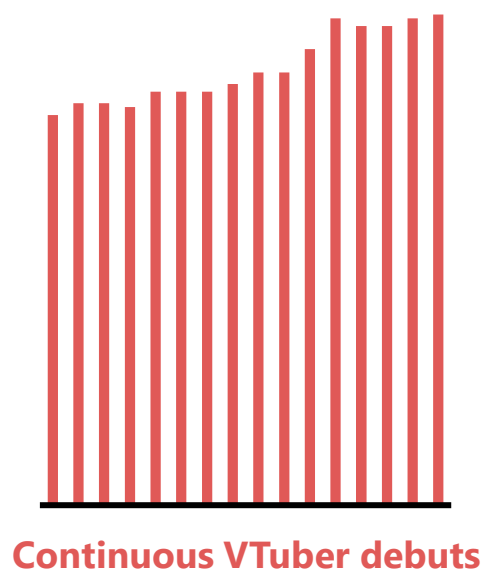
Quarterly Fluctuations in Each Business Model

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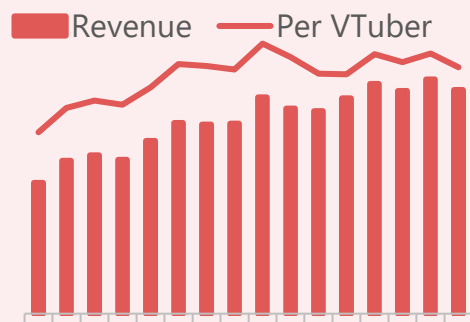
Quarterly revenue fluctuate depending on when events, etc. are held and whether there is a smash hit.

More than short-term revenue fluctuations, long-term growth will be achieved by expanding the revenue base through continuous VTuber growth.

Number of VTubers

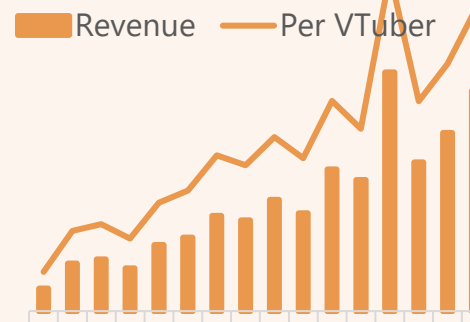


Live streaming



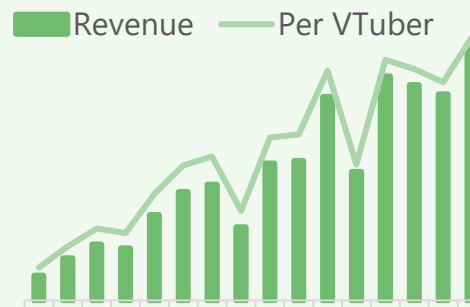
Stable
progress

Commerce



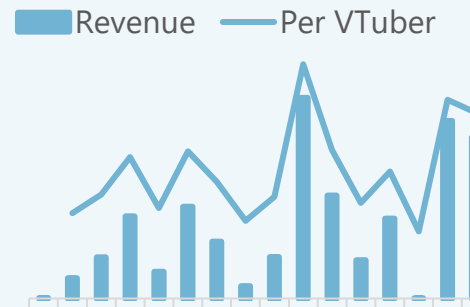
Fluctuates
quarterly due
to differences
in types of
merchandise
and hits

Promotion



Seasonal but
stable
progress

Events



Quarterly
fluctuation
based on the
timing of
events which
are held

Note:

1. Revenue from NIJISANJI (Japan) and revenue per VTuber for each quarter starting from Q1 FY2021.4

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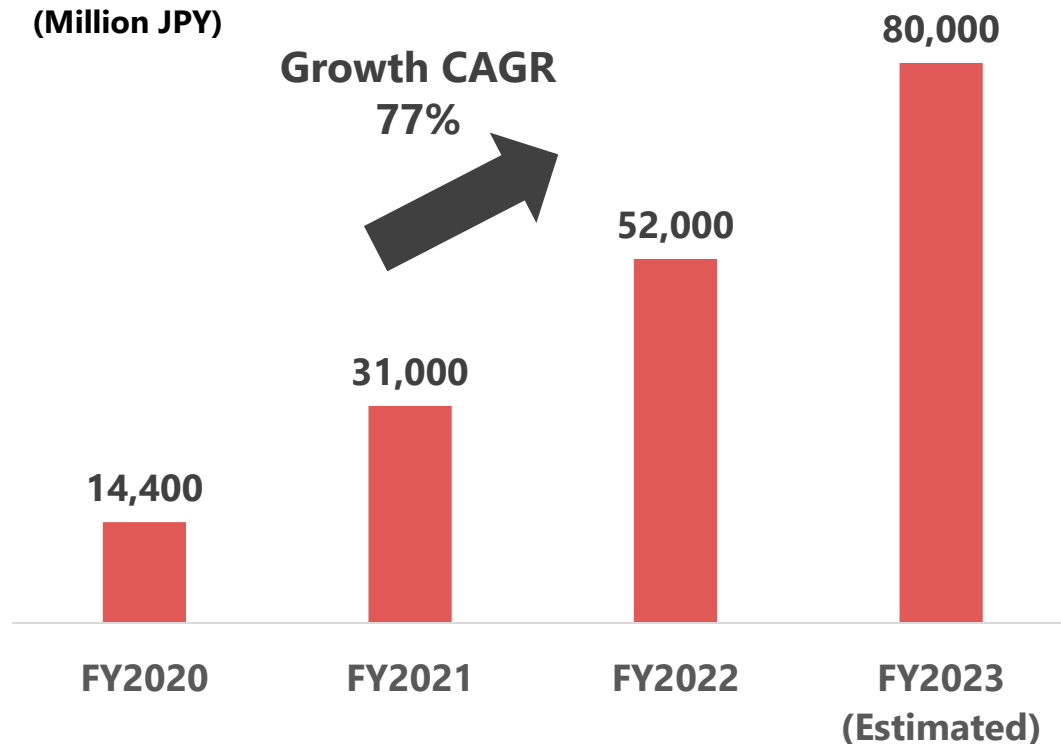
ANYCOLOR's Market Environment (1)

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With anime and video streaming content gaining popularity, VTubers are developing various markets as influencers especially due to the shift from traditional media among the younger generation and Generation Z.

Domestic VTuber market size forecast

(Million JPY)

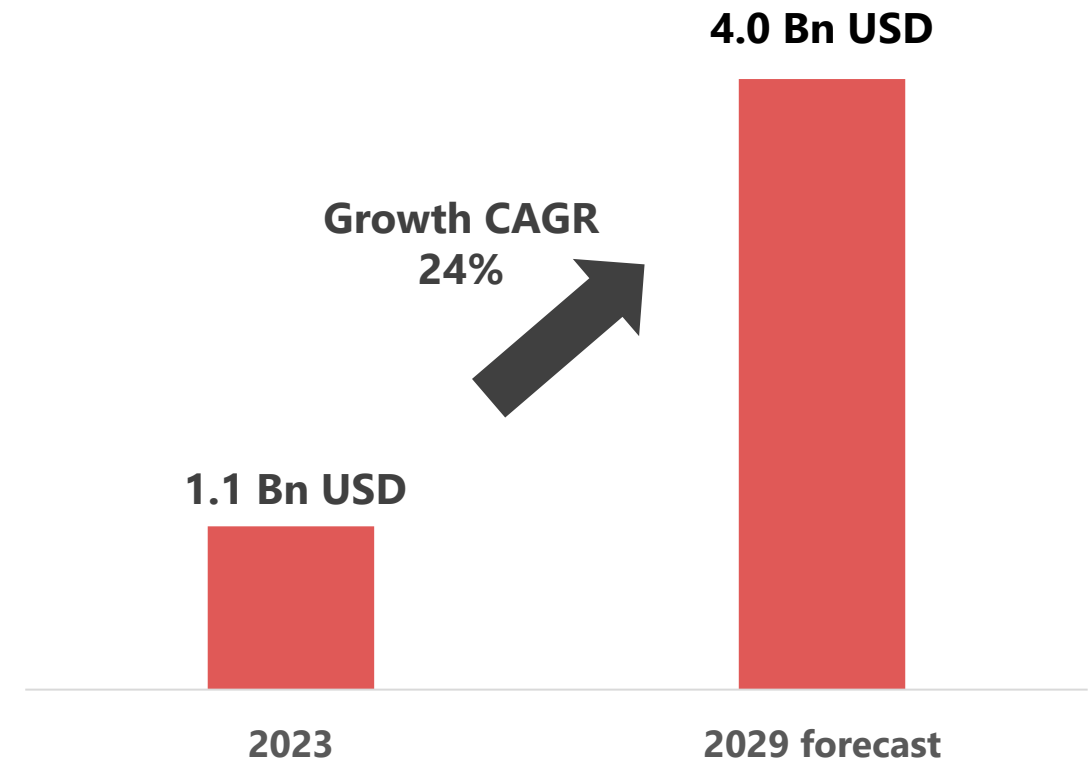


Source: Yano Research Institute

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Virtual idol / VTuber market size forecast (Global)



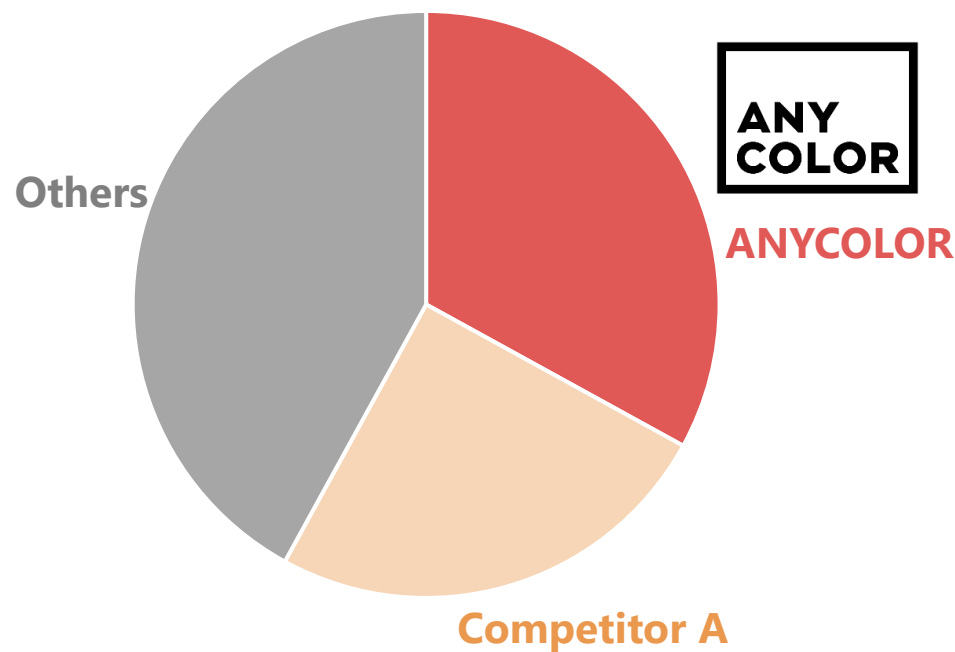
Source: Global Information, Global Virtual Idol and VTubers Market Insights, Forecast to 2029

ANYCOLOR's Market Environment (2)

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It is assumed that the top two companies, including ANYCOLOR, account for more than half of the market's sales. Large companies can easily leverage their superiority through infrastructure and the use of existing communities.

Conceptual representation of Japan VTuber market share



A market where two companies currently occupy more than half of the market

Background of concentration in major VTuber firms



Vertical launch of new VTubers utilizing existing communities and simultaneous training and debut of multiple VTubers



We can provide high-quality content by building a competitive edge in infrastructure, including network engineers for streaming and our own studios equipped with motion capture and other equipment.

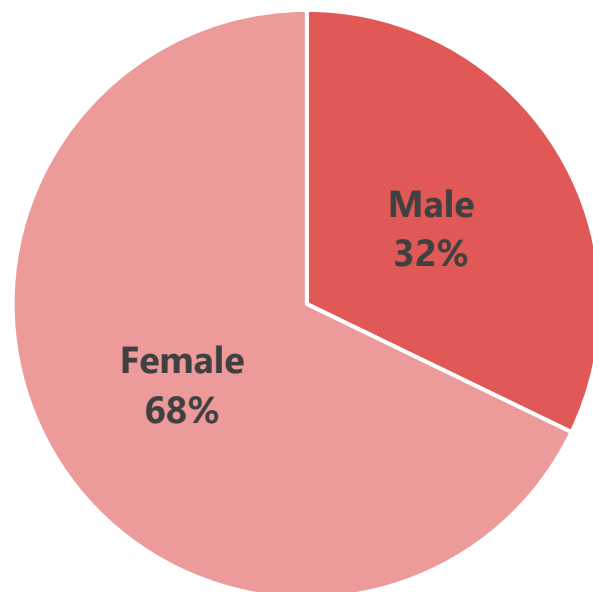
This is a market where large companies can easily leverage their superiority through the use of existing communities.

Features of ANYCOLOR (1) Diverse Fan base

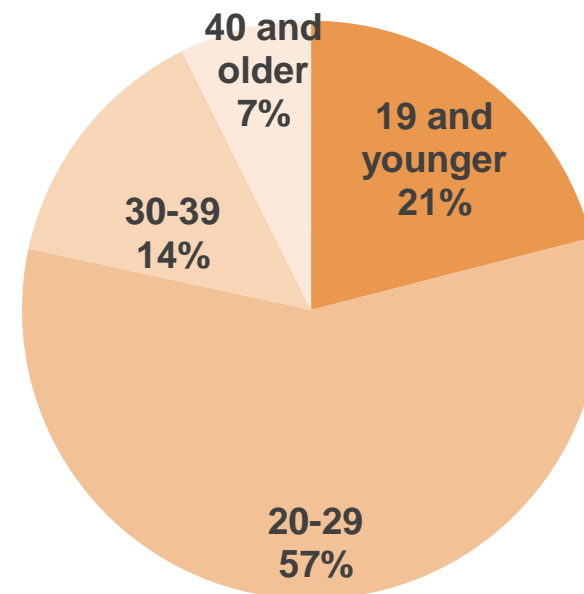


We are building a broad fan base of all genders and ages, especially among young adults and Generation Z.
A particular feature of ANYCOLOR is its large female fan base, especially in terms of merchandise purchases.

Gender ⁽¹⁾



Age group ⁽¹⁾



Note:

1. Breakdown of ANYCOLOR IDs used for content purchases at the NIJISANJI Official Store, NIJISANJI FAN CLUB subscriptions, events ticket purchases, etc. as of the end of April 2024.

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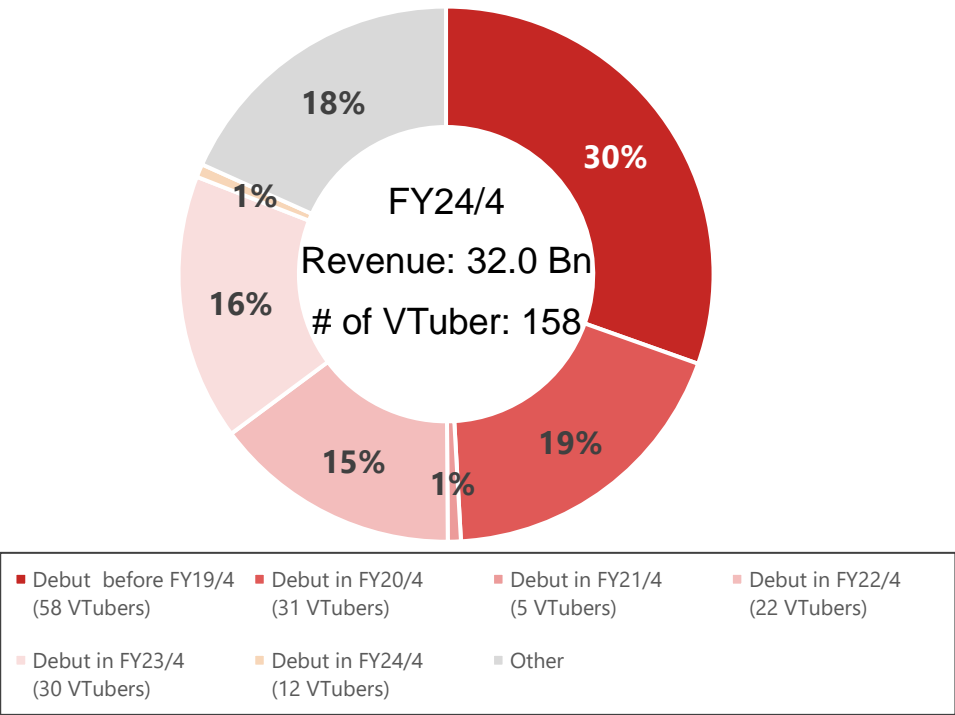
Features of ANYCOLOR (2) Revenue Spread Across VTubers



A stable system in which revenue is spread across a wide range of VTubers, rather than being highly dependent on the top tier, which is often the case in the industry.

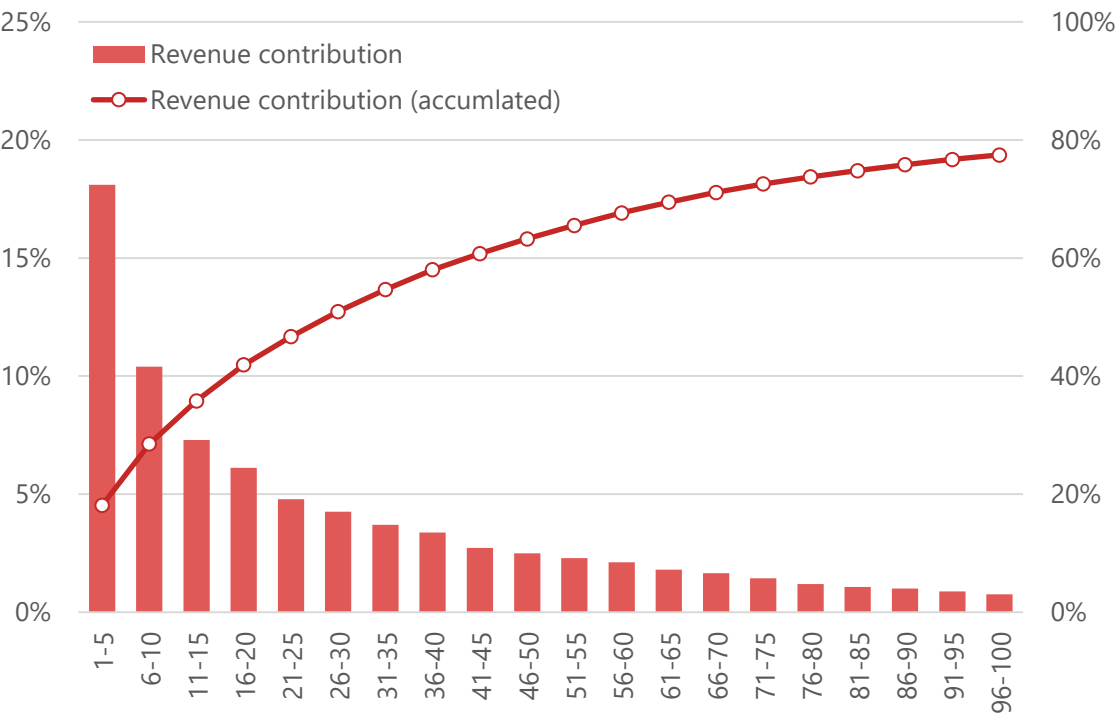
Revenue contribution by debut year⁽¹⁾

FY2024.4 revenue



Revenue contribution per VTuber⁽¹⁾

FY2024.4 revenue



Management Policy for Mid-Term Growth

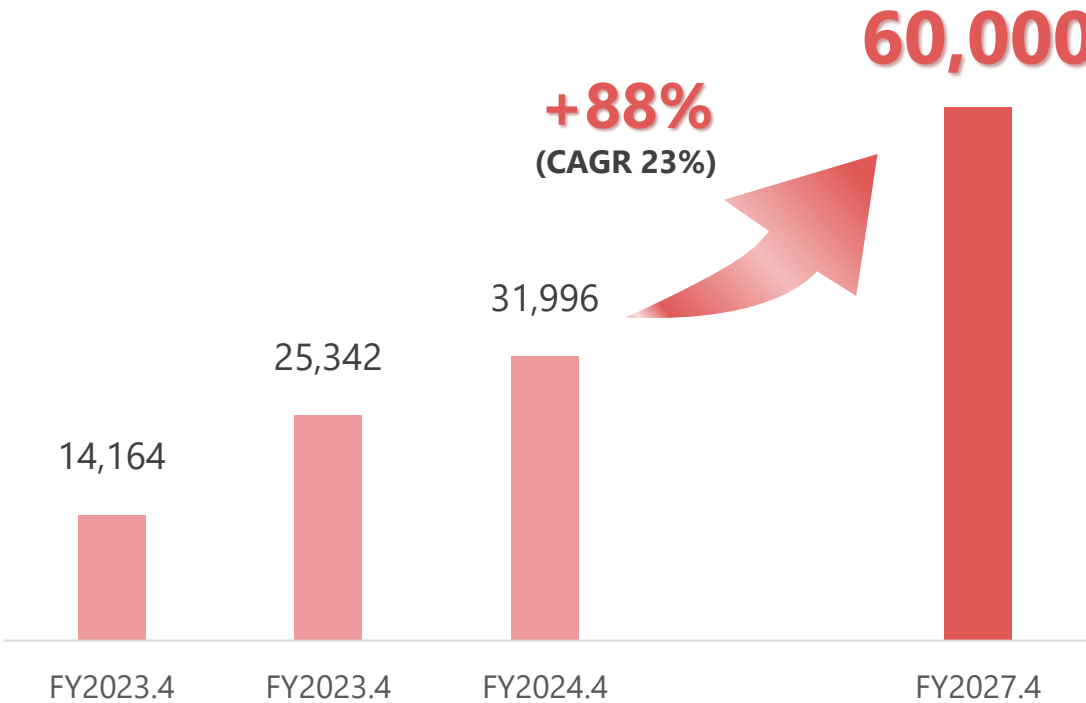
Mid-Term Management Goals



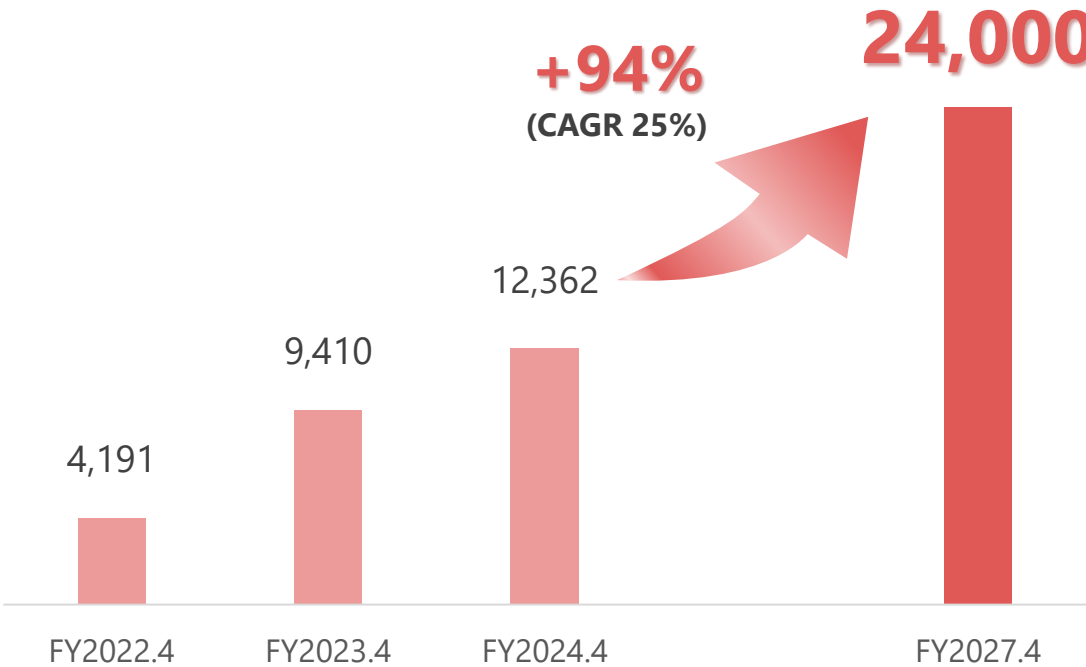
Aim to increase sales by 88% (CAGR 23%) and operating profit by 94% (CAGR 25%) in FY2027.4 compared to FY2024.4

Unit: Million JPY

Revenue



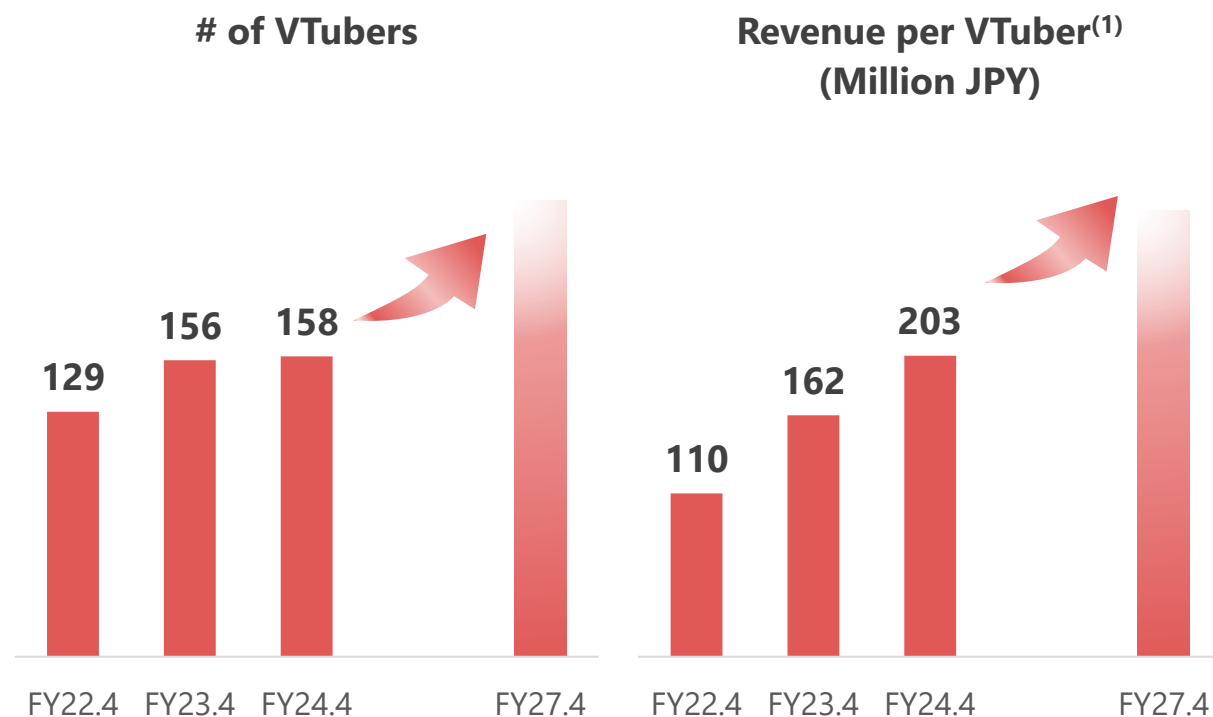
Operating Profit



Important Policies in Mid-Term Management Goals

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Along with continued efforts to nurture and debut VTubers, revenue per VTuber is increasing through the strengthening of the ecosystem.



Both the number of VTubers and revenue per VTuber are expected to continue to grow at a CAGR of 10-15%.

Note:

1. Calculated by dividing annual sales by the number of VTubers at the end of the fiscal year

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Strengthening the business foundation

- Increase employees in business areas of VTuber management and planning
- Strengthen of VTuber management structure and investment in studios

Continuous production of VTubers

- Plan to increase the number of VTubers by an average of 10-15% per year through new debuts
- Strengthen Virtual Talent Academy initiatives
- Increase the number of unique VTubers in previously unexplored areas, with the aim of expanding the long-term fan base

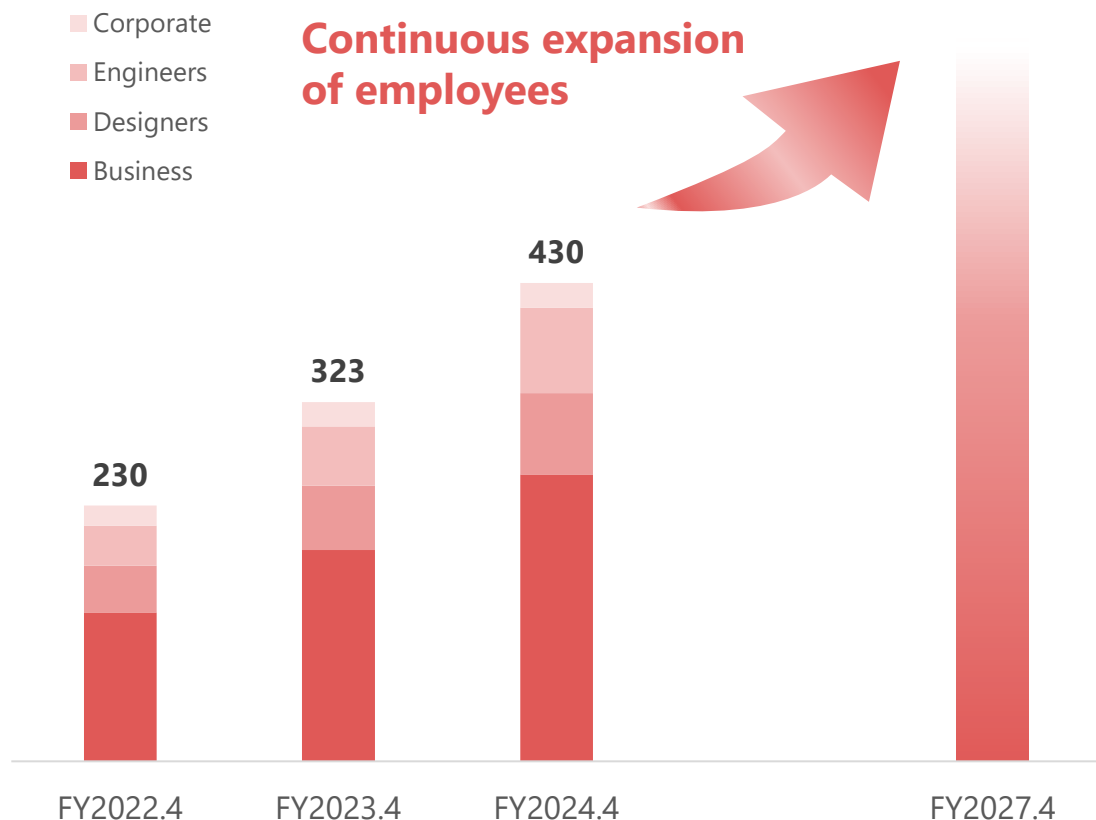
Increasing revenue per VTuber

- Expect average annual growth of 10-15%
- Invest in and nurturing top VTubers who will lead the industry through the development and growth of unit production
- Expand each VTuber's fan community through enhanced planning in the commerce area as well as avoid opportunity loss and expand sales opportunities through schedule management

Strengthen ANYCOLOR's Foundation to Support VTubers

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In addition to the debut of new VTubers, we will continue to increase the number of employees in each area to strengthen existing VTubers and promote unit production.



Note:
1. Total of regular and contract employees

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Examples of required personnel

Business



Talent manager

Supports the activities of VTubers and works with them to create the real live stream in which they will appear.

and more

Designers



Illustrator

Designs high quality content for fans through design capabilities and in-house IP.



3D model designer

Creates 3D character models or accessories and backgrounds for use in 3D live streams and large events, both inside and outside the company.

and more

Engineers



Studio engineer

Responsible for video and audio operations for streaming/recording operations at the studio.

and more

Developing systematic recruitment strategies,
including strengthening recruitment publicity

Capital investment in distribution studios



Purpose of Expanding Distribution Studios

- 1 IP Development: **Expand the studio to 3 times larger than current size** to accommodate the increase in the number of VTubers and diverse content needs.
- 2 Contents Development: The new studio will offer a variety of studio functions such as 2D/3D studios, recording studios, and individual distribution booths that can be used for a variety of purposes, and will provide attractive content in the areas of streaming program, music, and events.



| | |
|----------------|---|
| Overview | <ul style="list-style-type: none">• Cooperation with one of Japan's leading acoustic interior design firms with extensive experience in studio design and construction• A master control room will be newly established to enable integrated management of transmission between studios, as well as IP-based transmission of video and audio for flexible transmission according to program scale• Capital investment with a target start of operations in the fall of 2024 |
| Motion Capture | <ul style="list-style-type: none">• Implemented several motion capture studios that are among the largest in Japan• More than three types of motion capture equipment for various delivery/recording• Newly established AR/Chroma Key Studio to create an environment that enables distribution/recording using our proprietary AR technology |
| Recording / MA | <ul style="list-style-type: none">• High standard binaural equipment and recording and control equipment, including the KU100• A large recording studio capable of recording large numbers of people simultaneously and several new audio editing studios equipped with surround sound systems• The function of a mix studio to edit music |

Strengthening VTA (Virtual Talent Academy) Initiatives

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In addition to standard auditions in VTA which is engaged in discovery and training, we hold auditions based on various themes and select a wide variety of candidates in order to expand the market from a long-term perspective.



Auditions to gather a wide range of talent for the continuous production of VTubers

Auditions to produce more uniquely talented VTubers

Selection of 50-60 candidates per year to increase the number of VTubers by an average of 10-15% per year through new debuts

Discovering talents that could lead to the development of a fan base different from the current VTubers from a long-term perspective

Strengthening Unit Production

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Accelerate VTuber unit development, leveraging our diversity of VTubers.

Develop a stronger fan community through the growth of existing units and the formation of new units.

Example of unit development measures ROF-MAO

Individual activities



- ✓ Showing the natural individuality of each Vtuber
- ✓ Flexible activities according to the individual's schedule

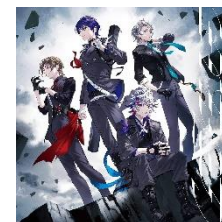


Positive feedback such as returning of fan base

Unit activities



New directions and characteristics are created from interactions through unit activities, **which will lead to the development of a new fan base.**



2021

Formed

2022

Mini album
『Crack Up!!!!』 released



2023

Full album
"Overflow" released



2024

1st solo live performance
"New street, New world"
@Osaka-jo Hall



**Potential to expand to a different fan base
than when working as an individual**

**Expanded activities as a unit and sales of
merchandise to new fan base**

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Strengthening of Commerce Expansion

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Develop a system to supply a wider range of items demanded by the fan community through the expansion of staff.
Increase revenue per VTuber by maximizing the potential of commerce.

Expansion of product planning and production lines



- ✓ Expand the number of personnel who can plan and proceed with products (manufacturing capacity can be secured)
- ✓ Strengthen product development appeal unit synergies, etc.

Establish a system that can provide a stable monthly supply of products in need

Managing appropriate sales schedules



- ✓ Supply merchandise in response to fan demand
- ✓ Ensure sufficient lead time to make the product sell well
- ✓ Coordinate with CD sales, live events, the release of collaboration merchandise with other companies, etc.

Reduce opportunity loss by properly managing when to release products, etc.

Product planning in line with current trends



VTuber plush toy NIJI PUPPET sold amid the popularity of plush toys



In addition to only the conventional cheki-style cards (¥300), real cheki cards (¥700) are sold to cater to the fan base

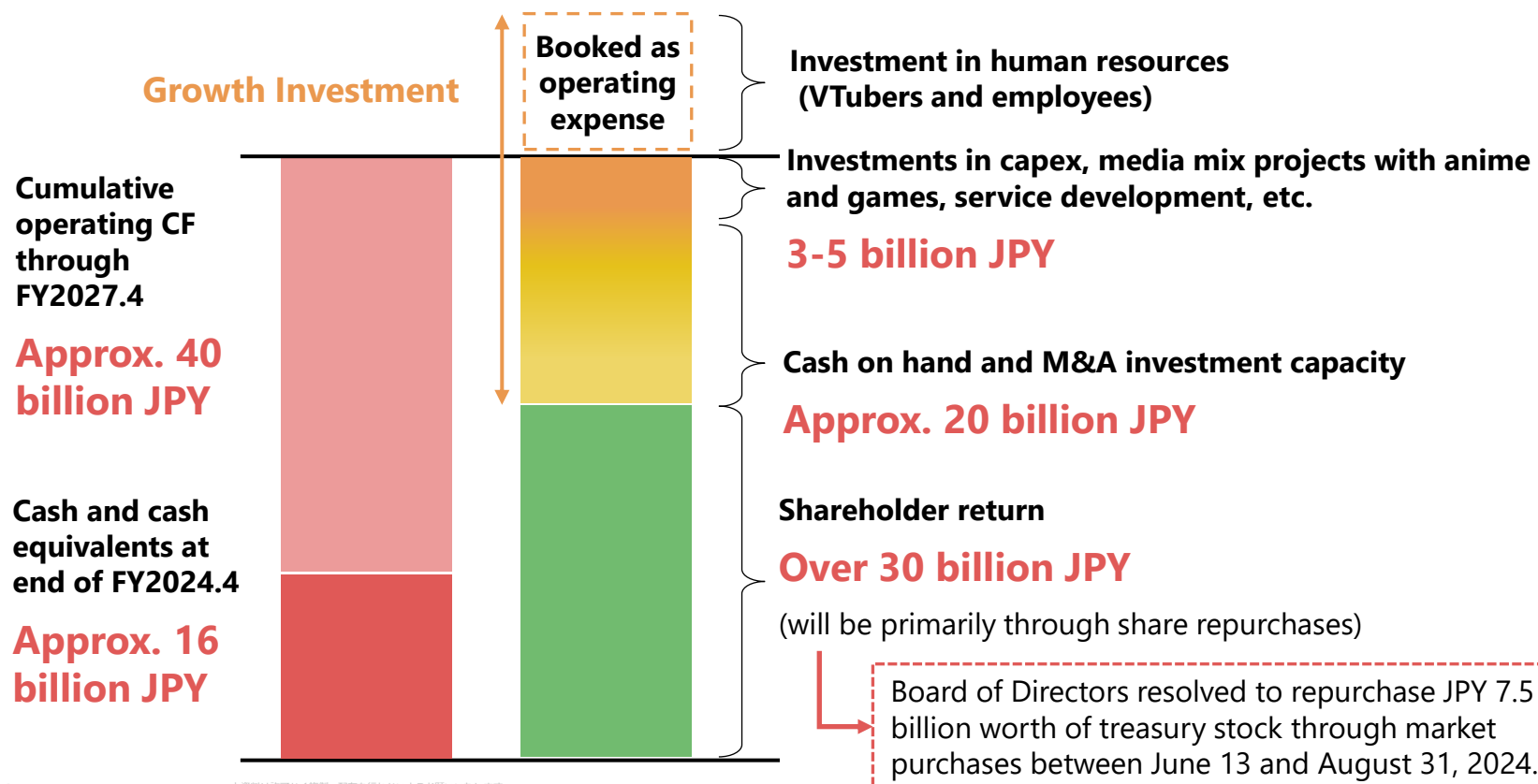
Plan new products and high-quality products that fans want more of

Business Investment and Shareholder Returns

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Utilize the profits generated from the business while considering the balance between the growth of VTuber business through business expenses and capital investment, returns to shareholders, and internal reserves for future investment.

Conceptual representation of capital allocation



M&A policy

◆ Financial policy on M&A

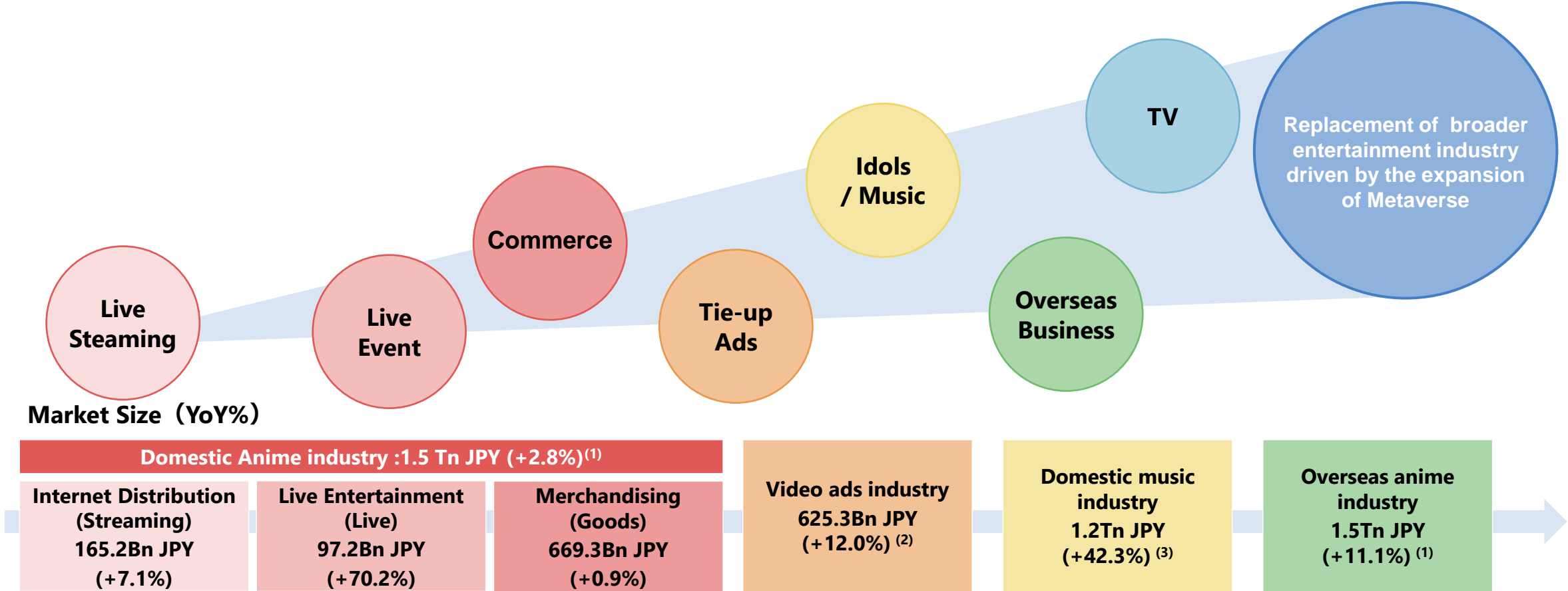
- ✓ Use of debt in addition to own funds
- ✓ **Maximum M&A budget of approx. 50 billion yen**, including the use of debt

◆ Assumed targets of M&A

1. **Acquire an IP pipeline that can be included in our monetization capabilities**
2. **Acquire new IP monetization capabilities**
3. **Acquire capabilities to grow our IP**

etc.

Long-term Vision



Source: Anime Industry Report 2023 Summary, The Association of Japanese Animations, Cyberagent, Digital Content Association of Japan, Notes:

- 1. Anime industry includes each end-user revenue in 2022 for "TV", "Movie", "Video", "Internet Distribution", "Merchandising", "Music", "Overseas", "Internet Distribution", "Live Entertainment"
- 2. Video ads industry TAM was calculated by using the annual advertising costs of video ads in 2023 (Calculation was done by going through interviews with video ads industry-related operators, public information, data which is owned by the researching party and Digital InFact, Inc. and market size refers to ad expenses spent by advertisers)
- 3. Domestic music industry includes revenue for "Packaged software", "Network streaming", "Streaming for feature phone", "Karaoke", "Concert entrance", "Radio and related service" in 2022

Appendix

A NEW MAGICAL EXPERIENCE. NEXT ENTERTAINMENT FACTORY

We use technology to **change entertainment**. We will continue to deliver **more free, more diverse and more detailed content**. We aim to deliver a magical new experience to the world.

What follows is a new **"Entertainment Economic Zone"**.

The way people live and work will change dramatically in the near future.

The time has come to devote time to something more creative. At the same time, this is an age when **there is no barrier between users and creators**. A new cycle of consumption and creativity will accelerate the "Entertainment Economic Zone".

We will influence the daily lives of people around the world as an instigator of this new era.

Who is VTuber (Virtual YouTuber)?

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Character

Not Anime
Character

- ✓ More “human touch” than anime, leveraging motion capture technology
- ✓ Interactive communication through live streaming

Streamer

Not Idol

- ✓ Performs whatever you want in virtual world
- ✓ Excludes risks/ scandals related to personal

VTuber

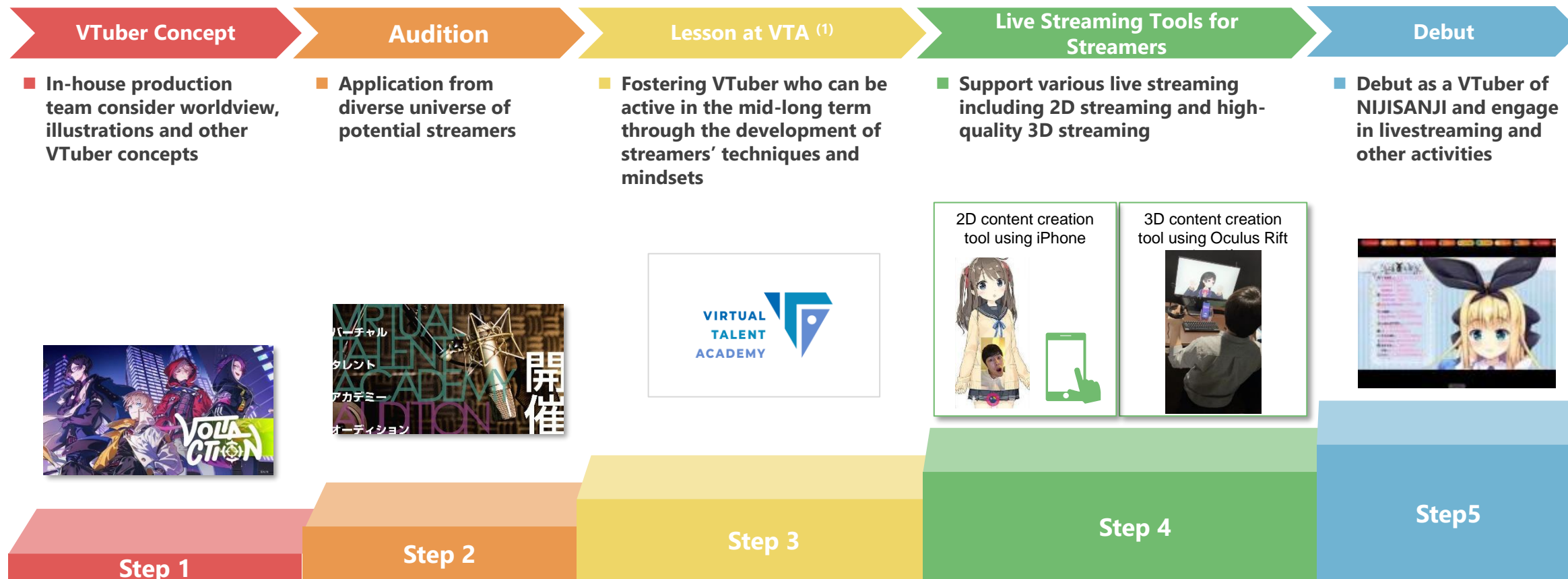
Not
YouTuber

- ✓ Diverse and deeper background story of virtual character
- ✓ Develops business into commerce and tie-up ads as IP character



Our Comprehensive Support System for VTuber

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Responsible party:

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Notes:

1. At this time, only NIJISANJI (Japan) is implementing the program.

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VTubers

Business Risks and Measures to Address Them

| Risk | Risk overview | Policy for addressing the risk |
|-----------------------------|---|---|
| Human resources risks | <ul style="list-style-type: none"> ◆ Hiring talented people to support business expansion is critical to our continued growth. ◆ There is a possibility that recruitment will not proceed as expected due to factors such as intensifying competition and changing market needs. ◆ There is a possibility of outflow of current employees from the company. | <ul style="list-style-type: none"> ◆ Actively recruit new employees and create a comfortable working environment and human resources system. ◆ Strive to enhance training programs, etc., in addition to training through work, so that employees can fully demonstrate their abilities after being hired. |
| Reliance on popular VTubers | <ul style="list-style-type: none"> ◆ As we develop content and IP services centered on VTubers, there is a structure in which revenue is dependent on the popularity of specific VTubers. ◆ There is a possibility that our business performance will be affected when popular VTubers stop their activities (graduation, retirement, etc.). | <ul style="list-style-type: none"> ◆ While this is an inescapable feature of our business, in reality, our revenue is distributed among a large number of VTuber, and we recognize that the risk of dependence on a specific VTuber is not likely to materialize. ◆ We will address the risk of VTubers moving on to the next stage of their careers by enhancing our support system and by developing a system that can support a wide range of activities as desired by the live streamers. |
| Reputation risks | <ul style="list-style-type: none"> ◆ In the course of developing content and IP services, there exists the possibility of video streaming or activities that may lead to violations of public order and morals or infringement of intellectual property rights. ◆ There is a possibility that VTuber activities or our reputation may be affected due to scandals of or public outrage against affiliated live streamers. | <ul style="list-style-type: none"> ◆ Strengthen systems to respond promptly to inappropriate activities and protect against reputation damage, including thorough compliance training for affiliated live streamers and content management, as well as strengthened internal controls, such as actions based on findings from third parties. |

Please refer to the Annual Securities Report for other general risks.

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Identifying materiality

| |
|---|
| Protecting intellectual property |
| Healthy and sustainable activities of streamers |
| Training and discovering streamers |
| Responsible content creation |
| Human rights |
| Employee development |
| Diversity & inclusion |
| Employee engagement |
| Fostering and improving organizational culture |
| Corporate governance |
| Data privacy & security |
| Waste |
| Energy management |
| Improved water impact |

Environment Social Governance

ANYCOLOR measures

| | |
|----------------------------------|--|
| Protecting intellectual property | <ul style="list-style-type: none">● We have many IP rights, including the visuals of our VTubers, and have established Intellectual Property Handling Regulations to appropriately protect these rights.● We have established a system to detect infringements of our IP by third parties and respond to such infringements in an effective and flexible manner.● We have established Guidelines for Derivative Works to allow fans to create derivative works using our copyrighted materials within certain limits. |
| Responding to defamation issues | <ul style="list-style-type: none">● We have established a Countermeasure Team for Offensive and Defamatory Behavior to appropriately respond to defamatory and offensive actions against VTubers belonging to ANYCOLOR to systematically implement countermeasures against defamatory and offensive actions.● We have established the Anti-Defamation Study Group with video streaming and posting platform operators, creator-affiliated companies, and experts to share information among stakeholders and make policy proposals to the government. |
| Talent development | <ul style="list-style-type: none">● As an institution for continuously producing long-term active VTubers, we have been running the Virtual Talent Academy since June 2021, providing training in various skills and expertise to become active as a VTuber.● After their debut, in addition to daily support by managers, we provide a support system that includes periodic compliance training, a system to subsidize the cost of health checkups, and support for counseling sessions. |

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