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Company AnyMind Group Inc.
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Answers to Frequently Asked Questions (Questions received in FY2024 Q4)

Thank you very much for your ongoing interest in our company. We would like to disclose the main questions we received from investors from the announcement of our Q3 FY2024 financial results to the present day, as well as the answers to these questions.

This disclosure is carried out with the aim of enhancing information dissemination to investors and ensuring fair disclosure, and we plan to make similar disclosures around the end of each quarter. Please note that there might be slight discrepancies due to timing, but we have provided answers as per our most recent company policies.

Q1. For the revision of FY2024 forecasts announced on November 14, 2024, looking at the difference between the cumulative results for the first three quarters and the full-year forecast, are you expecting a weak performance in the fourth quarter?

As of August 14, 2024, due to each business segment's performance exceeding expectations and showing steady progress, we upwardly revised our full-year forecasts for revenue, gross profit, and various profit indicators to reflect the better-than-expected performance through the first half of the fiscal year.

As of November 14, business continued to perform strongly, with cumulative operating profit through the third quarter reaching 86% of the full-year forecast announced on August 14 (compared to 44% progress rate in the previous year), and net income attributable to owners of the parent reaching 81% (compared to 31% progress rate in the previous year), significantly outpacing the full-year forecasts. While all performance indicators exceeded the full-year forecasts, we announced another upward revision particularly for operating profit and subsequent profit levels which showed notably high rates of outperformance. The revised full-year forecasts for FY2024 are: revenue of 49.1 billion yen (up 47% year-on-year), gross profit of 18.2 billion yen (up 44% year-on-year), operating profit of 2.4 billion yen (up 221% year-on-year), and profit attributable to owners of the parent of 1.58 billion yen (up 183% year-on-year).

Regarding these full-year forecasts, the progress rates through the third quarter are: revenue at 73% (versus 68% in the previous year), gross profit at 72% (versus 69% in the previous year), and operating profit at 70% (versus 44% in the previous year), indicating we have some buffer. Specifically, to achieve the full-year forecasts, the fourth quarter would need to deliver: revenue of 13.43 billion yen, gross profit of 5.15 billion yen, and operating profit of 0.72 billion yen. Given that our third quarter results were revenue of 13.15 billion yen, gross profit of 4.79 billion yen, and operating profit of 0.71 billion yen, and considering the performance improvement typically seen from the third to fourth quarter due to the seasonality, these targets are relatively conservative. Our company expects the fourth quarter seasonality to remain unchanged this year, and we would appreciate your understanding that these are conservative targets rather than an expectation of weak performance.

For your reference, comparing the third and fourth quarters of FY2023, we saw quarter-on-quarter increases of 1.99 billion yen in revenue, 0.68 billion yen in gross profit, and 0.19 billion yen in operating profit. For FY2024, we expect to maintain this typical pattern of revenue and profit growth from the third to fourth quarter.

Q2. Has there been any change in the business outlook for the next few years? Which business segments do you expect to be the key drivers of the growth?

Our outlook remains unchanged from what we have communicated since our IPO in 2023. We believe we can continue to achieve high growth, supported by the significant growth potential in Asian markets. In particular, with Asian countries expected to experience medium to long-term macroeconomic growth driven by population increases, we anticipate sustained long-term growth in our overseas operations, especially in Southeast Asian markets, which are becoming increasingly important amid globalization.

We expect continued high growth particularly in our business for enterprise clients (Marketing segment and D2C/EC segment). In these segments, we support brand growth for enterprise clients across various industries, with a particular focus on clients who own consumer goods brands targeting individual consumers. For such clients, expansion into Asian markets is often a crucial initiative. We believe our unique capabilities and business scope provide significant differentiation from competitors and deliver high value to clients through: 1. our established support system across Asia and deep understanding of each market, 2. our technological capabilities to support visualization of data dispersed across countries, operational efficiency improvements, and generative AI implementation, and 3. our ability to provide comprehensive support from brand awareness to revenue generation throughout the marketing and EC processes support. Furthermore, beyond supporting Japanese companies' Asian expansion, we assist Asian companies from Korea, China, and Southeast Asia, as well as Western companies in their multi-country expansion. We anticipate that our addressable market size will continue to expand.

Additionally, in these enterprise brands support segments, there are a lot of M&A opportunities both domestically and internationally, and this business segment is easier to realize synergistic effects such as cross-selling to each segment's clients. Furthermore, as we grow both organically and through M&A and strengthen our support systems in each country, we believe we can create a virtuous cycle where our appeal to enterprise clients and our unique value proposition become increasingly stronger.

Moreover, we expect stable growth in our Partner Growth segment, which provides growth support for creators and publishers (operators of online media and mobile applications). These areas also represent growing markets globally, and we expect support opportunities to expand over the medium to long term as new creators and publishers emerge. In this context, our position is unique given our ability to provide global support and our technologically advantaged infrastructure and solutions. Furthermore, we can expect synergistic effects across our business portfolio in maximizing advertising demand, such as securing tie-up opportunities by leveraging our enterprise client network. By capitalizing on our competitive advantage of having extensive networks of enterprise clients, creators, and publishers across Asian countries, we aim to establish AnyMind as the go-to partner for business growth in Asia.

We also expect stable improvement in profitability. Over 50% of our SG&A expenses are personnel costs. Other expenses such as office rent and office-related costs are also linked to headcount, making the number of employees the primary driver of SG&A expenses. Operating across 15 countries and regions with multiple business lines, we need to maintain structures for acquiring and supporting local clients in each country, requiring workforce expansion as our business scale grows. However, we typically don't need to increase headcount at the same rate as revenue growth, so during periods of stable revenue growth, we can achieve gradual improvement in profitability.

In our full-year forecast for FY2024, we expect to achieve a significant improvement in operating profit margin from 2.2% in the previous year to 4.9%. Going forward, given the substantial growth potential in Asian markets, while we will continue to prioritize revenue growth, we aim to improve our operating profit margin by 50-100 basis points (0.5-1.0 percentage point improvement in operating profit margin) annually. We will continue to strengthen our position in Asian markets while pursuing both revenue growth and profitability.

Q3. Please tell us about the growth potential of 'AnyLive,' the new solution announced on September 25, 2024.

At the end of September 2024, we launched 'AnyLive,' a multilingual generative AI live commerce platform. In just a few months since its launch, we have acquired prominent clients including the 'evian' brand, known for bottled water and skincare products. In the case of the evian brand, we implemented hybrid streaming in the Thai market, combining AI models with human livestreamers, achieving 3.5 times higher revenue compared to conventional methods while reducing streaming costs by 90%.

In recent years, live commerce (an e-commerce sales solution that promotes purchases through live video streaming while introducing products and communicating with viewers in real-time) has become an important marketing method for EC sales in Southeast Asia. However, live streaming faces limitations in broadcasting hours and frequency due to issues with human resources (livestreamers) and costs. 'AnyLive,' through its use of AI models for live commerce, not only enables easy support for seven Asian languages but also allows for 24-hour live commerce streaming, including off-hours when regular human-operated live commerce would not be available.

AnyLive' operates as part of our D2C/EC segment, and since its announcement, it has been steadily increasing new client engagements as a major solution in our B2B EC business development efforts. While we believe live commerce requires a comprehensive approach, including not only AI models but also human livestreamers and collaborations with prominent influencers, we expect the importance of AI utilization to increase further. Currently, we are primarily supporting existing clients, but moving forward, we plan to accelerate the growth of our B2B EC support business by expanding the client base for 'AnyLive.

Q4. What is driving the remarkable growth in Southeast Asia, as seen in the regional breakdown of your financial results?

Our company's growth in Southeast Asia is driven by the synergistic effect between market growth and our company's strengths. In terms of market environment, high growth continues across marketing and the overall e-commerce market, due to factors such as a large young population and high social media usage rates. According to data from "Worldwide Ecommerce Forecast Update, eMarketer (July 2024)", the Southeast Asian e-commerce market continues to expand year by year. From 2021 to 2023, the Southeast Asian e-commerce market showed high growth with an average annual growth rate of 18%. Growth is expected to continue, with projections showing an increase from $138.6 billion in 2024 to $172 billion in 2027. Meanwhile, in terms of the competitive environment, we believe we can better leverage our market advantage as there are limited global companies and influential Southeast Asian startups in the market.

In this environment, our company has focused on Southeast Asia since its founding, and as of the end of September 2024, we employ 1,170 people and have established a strong operational structure and local network across Southeast Asia. We have established a unique position compared to our competitors through the deployment of our BPaaS model, which supports both technology and operations, as well as our multi-country expansion, and we continue to see high growth across all our business operations. Additionally, we have established a structure capable of meeting cross-border expansion needs, such as supporting the Southeast Asian expansion of companies from within Asia including Japanese and Korean brands, and helping global brands expand into multiple Southeast Asian countries. We believe we have the pipeline and business environment in place for continued growth going forward.

Furthermore, our growing market presence, driven by our business scale and credibility as a listed company, has relatively reduced the challenges in acquiring new clients across our business segments, recruiting talent, and securing business partners. In particular, we believe our positioning in Southeast Asia has significantly improved since our IPO, especially in terms of talent recruitment and M&A opportunities. We aim to maintain our high growth trajectory by leveraging our current market advantages.

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