

Development of VTuber character IP and operation of VTuber production

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【5253 COVER Sector : Information & Communication】

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Mar.2021	5,724	3.9x	1,698	-	1,705	7.0x	1,220	6.9x	20.5	38.6	0.0
MAr.2022	13,663	2.4x	1,855	9.2	1,853	8.7	1,244	1.9	20.9	74.3	0.0
Mar.2023 f	18,056	32.1	2,169	16.9	2,136	15.2	1,427	14.7	23.9	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending March 2023 are the company's forecasts.

It conducted 1-to 100 stock split on December 14, 2022. Per share indices are adjusted retroactively.

Focus on production and management of Virtual YouTubers

COVER operates a production company for anime-look Virtual YouTubers (VTubers). VTubers are virtual entertainers resembling animation characters, created by freely choosing their own face, hair style, clothing and other characteristics. The streamer who plays the VTuber does not appear on screen. The VTuber dances and sings on the screen based on the streamer's movements, using motion capture via a camera or similar device to read the movements of the markers attached to the body of the streamer.

The character IPs of the VTubers belonging to the production are the property of COVER. The company is developing a variety of businesses including the sales of related products based on the character IPs and a character IP licensing business.

COVER's sales are divided into four business segments: streaming/content (accounted for 38.4% of net sales in fiscal year ended March 2022), live/events (16.1%), merchandising (35.4%) and licensing/tie-ups (10.1%).

In terms of streaming/content, the company provides video content, primarily live streaming by its VTubers, through streaming platform, and also offers music content via its music streaming service. The company gains revenue from Super Chat payments, channel memberships, advertising on video streaming platform as well as music content sales.

Super Chat is a feature that allows viewers to make their chat messages stand out during YouTube live streaming by paying a fee. The time for which the chat message remains pinned on the screen depends on the amount of money paid.

The channel membership is a system under which members pay a certain monthly fee to become members of a VTuber's live-streaming channel. They earn privileges such as viewing exclusive videos and using pictograms.

Live/event refers to online and offline live performances and events conducted by the VTubers under the management of COVER. Revenue includes proceeds from ticket sales and related merchandise and a video software recording of the event.

Merchandising represents the sale of COVER's VTubers' character goods and digital content.

Licensing/tie-ups encompasses providing manufacturers the rights to use the VTuber's IP license, tie-up ads with the VTuber, and promotional and media appearances by the VTuber.

Financial Statements

Statement of income	Fiscal Year	Mar.2021		Mar.2022		Nine months to Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		5,724	100.0	13,663	100.0	12,802	100.0
Cost of sales		2,947	51.5	8,388	61.4	7,058	55.1
Gross profit		2,777	48.5	5,274	38.6	5,743	44.9
Selling, general and administrative expenses		1,078	18.8	3,419	25.0	4,008	31.3
Operating profit		1,698	29.7	1,855	13.6	1,734	13.5
Non-operating income		8	-	15	-	6	-
Non-operating expenses		1	-	17	-	13	-
Ordinary profit		1,705	29.8	1,853	13.6	1,727	13.5
Extraordinary income		-	-	-	-	-	-
Extraordinary loss		19	-	212	3.7	2	-
Profit before income taxes		1,686	29.5	1,641	12.0	1,724	13.5
Profit attributable to owners of parent		1,220	21.3	1,244	9.1	1,281	10.0

Balance sheet	Fiscal Year	Mar.2021		Mar.2022		Dec.2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		3,048	86.7	7,168	87.0	9,253	78.5
Cash and deposits		1,899	54.0	4,644	56.4	7,341	62.3
Accounts receivable-trade		1,001	28.5	1,970	23.9	938	8.0
Non-current assets		467	13.3	1,069	13.0	2,536	21.5
Property, plant and equipment		198	5.7	211	2.6	724	6.1
Intangible assets		25	0.7	198	2.4	755	6.4
Investments and other assets		243	6.9	659	8.0	1,056	9.0
Total assets		3,516	100.0	8,238	100.0	11,789	100.0
Current liabilities		1,276	36.3	4,738	57.5	7,008	59.4
Accounts payable		407	11.6	1,482	42.2	1,205	34.3
Accrued expenses		161	4.6	521	14.8	737	21.0
Advances received		48	1.4	2,222	63.2	4,565	129.8
Non-current liabilities		26	0.7	42	0.5	42	0.4
Asset retirement obligation		26	0.7	42	0.5	42	0.4
Net assets		2,212	62.9	3,457	42.0	4,738	57.5
Owners' equity		2,209	62.8	3,453	41.9	4,734	57.5

Statement of cash flows	Fiscal Year	Mar.2021	Mar.2022
		(mn yen)	(mn yen)
Cash flows from operating activities		1,419	3,537
Depreciation		32	99
Cash flows from investing activities		-402	-793
Cash flows from financing activities		526	-
Dividends paid		-	-
Net increase in cash and cash equivalents		1,543	2,745
Cash and cash equivalents		1,899	4,644

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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