

Summary of the Q&A Session for 3Q FY2020 Financial Results Briefing

A summary of the main questions and answers at the third quarter results briefing held on July 30, 2020 (for institutional investors, analysts, and the press) is as follows.

◆Regarding the prospects

Q1. How to look at the prospects of next year under the influence of COVID-19

A1. The firm recovery is estimated in the current quarter, but we will continue to look carefully at the situation. From the next fiscal year onward, it is recognized that there is a possibility that the macroeconomic impact and various negative impacts associated with the spread of infection will continue. To set up the plan for next year, we will appropriately disclose information related including our views on the influence by COVID-19. Regarding the mid-term management policy, we will disclose our rolling plan after examining the impact of COVID-19 in the next fiscal year.

◆Digital Marketing Business

Q2. Future trends of the ratio of revenue to net sales

A2. In the short term, the ratio of revenue to net sales increased as a result of a decrease in the number of low-margin projects due to a decline in advertising demand caused by COVID-19. It is assumed that it will return to the previous level with the recovery of advertising demand in the future.

Q3. Current status of the alliance with Dentsu Group

A3. The number of clients based on delivery is steadily increasing every quarter. Brand advertising has seen a decrease in demand from existing clients, but also a shift in clients can be seen by the promotion of digital transformation (DX), which has accelerated the number of clients at the time of receiving orders. The number of new orders has increased and accumulates on existing orders. There is no concern about personnel resources, and as recruitment plans and developing human resources are progressing smoothly, there is a good balance between the collaboration with Dentsu and organic growth in the Group business.

Q4. Market conditions in the overall Internet advertising market

A4. In April to June, the market as a whole is expected to have a negative impact of about 20% from the previous

year. We understand that the decline in our business was relatively small compared to the negative impact on the overall market. This is because the proportion of brand advertising with a large drop in demand is small, and while the travel and tourism industry is also affected the most by industry, the dependence on our sales in this industry was low. On the other hand, we also consider it as a reason that a proportion of industries that benefit from staying at home, such as e-commerce and digital content industries, is relatively large.

Q5. Changes in advertising media and products before and after the effects of COVID-19

A5. Interest in e-commerce platforms is growing among large advertisers. How they sell their products on e-commerce platforms such as Amazon, Rakuten and Yahoo, as well as changing consumption patterns such as demand from staying at home and shifting from offline to online stores, are influencing platform usage and advertising demand. This is seen as an important change in the future macro trend.

◆Media Platform Business

Q6. Expansion of deficit compared to an increase in revenue

A6. The rate of profit declined because the proportion of advertising revenue with high profit ratio has decreased.

Q7. Future impact on income statement by developing business utilizing blockchain, on p.29

A7. The impact on short-term earnings is limited, but there is a great potential for future growth. Users purchase the right to read the conventional e-books, but the ownership cannot be transferred. By making this possible through the blockchain, new demand and markets will be developed. We believed that this business will help developing the industry ecosystem by making new earnings opportunity from transactions after secondary distribution for publishers and writers