

Summary of the Q&A Session for 2Q FY2020 Financial Results Briefing

A summary of the main questions and answers at the second quarter results briefing held on April 28, 2020 (For institutional investors, analysts, and the press) is as follows.

◆Regarding the revision of FY2020 Consolidated Earnings Estimates

Q1. The influence by COVID-19 and the premise of the revision of earnings estimates

A1. The revision is based on the most pessimistic scenario that we assumed from the impact we have experienced by COVID-19 up to March and late April. The amount of influence is expanding week by week since April, and as a result of analysis of the available information at present, we assume the revenue will be decreased 20% from the initial estimates in the second half fiscal year. Also, the effect of cost reduction in the second half is not expected to be large, and since fixed costs such as labor costs and rent expenses remain unchanged against the decrease in sales, the effect on profits is also large.

Q2. Regarding our strategies to reduce future negative impacts for our business

A2. Our company's features include a stable financial base, a diverse client base that includes the alliance with Dentsu Group, and a wide range of businesses including business-to-consumer businesses, and we believe that our management structure is resistant to changes in the business environment. Taking advantage of these features, we will review our client composition to adapt to changes in advertising demand, cope with the increase in demand during the stay-at-home period, promote DX (digital transformation) among clients, and strengthen our response to EC construction support.

◆Digital Marketing Business

Q3. Status of the Internet Advertising Market affected by COVID -19

A3. On the client side, there are cost reductions due to the rapid economic downturn mainly among large advertisers. Demand for advertising in both the brand and performance areas has declined, and even among performance clients, there has been a sharp decline in the number of businesses that attract customers online and provide services in their real stores, such as fitness and beauty. On the other hand, the advertising budget of the clients who complete online services to promote apps, such as games, e-comics, and live broadcasts, tends to increase.

As for the situation on the media side, we believe that the decline in advertising unit prices has been affected by the imbalance between supply and demand caused by the increase in media traffic, while the demand for advertising

has declined significantly. We also expect demand from large brand advertisers to use its e-commerce platform.

Q4. Future outlook for the alliance with Dentsu Group

A4. There is no particular sense of deceleration, and no major negative impact is currently occurring. We see that the client's promotion of DX as great opportunities, although we assume new proposals will stop at some points in the deal or some budget cuts are expected depending on the industry.

◆Media Platform Business

Q5. Progress of GANMA! and other new businesses

A5. GANMA! has developed quarter on quarter, while other new businesses declined. This is because they are still small in their individual businesses and have quarterly volatility. In the long term, we expect to be able to expand the scale steadily in the mix of multiple businesses.

Q6. Impact on production systems of Manga Content Business

A6. It is based on remote work from home between editors and exclusive comic writers including local residents, and there is no effect of COVID-19. There is no delay in the production process.