

Summary of Questions and Answers for 1Q FY2023 Financial Results Briefing

The summary of the main questions and answers at the financial results briefing for the 1Q of the fiscal year ending December 2023 (for institutional investors, analysts, and the media) held on February 9, 2023 is as follows.

Q1. FY2023/1Q Results and Future Outlook

A1. Progress was broadly in line with expectations at the beginning of fiscal year. Compared to the results of the previous fiscal year, revenue increased even in the context of the higher hurdles because FY2022/1Q performed well.

In the current Digital Marketing Business, the Company is receiving orders mainly for projects from April onward, while placing importance on expanding the number of clients in light of market trends. In addition, in IP Platform Business, the Company has factored into its forecasts to a certain extent the benefits of increased revenue from the expansion of IP recognition, as it will launch anime distribution of “My Love Story with Yamada-kun at Lv.999” from April. In both segments, it is expected that growth rates and profits from 3Q onward will increase.

Q2. Regarding Human Capital

A2. The 3Q onwards, SG&A expenses will increase in line with the strengthening of personnel investment through the strengthening of the hiring of new graduates and the revision of the personnel system. However, the Company is planning to offset the rise in expenses due to personnel investment by top-line growth.

Q3. Regarding Digital Advertising Market

A3. The popularity of short videos is one of the main factors behind the decline in the growth rate of digital advertising market as a whole, and the Company estimates that in the short term, the decline in the unit price of advertisement has a certain impact on the market growth rate.

Q4. Digital Marketing Business Results

A4. Organic growth in the Digital Marketing Business, excluding the alliance with Dentsu Group and new consolidation, was negative, but this was due to strong results in the previous fiscal year, and was in line with initial forecasts.

Q5. Collaboration with Dentsu Digital Inc.

A5. Collaboration in solutions domain is steadily expanding, and most recently, business collaboration has progressed centered on supplying its engineering resources to upstream projects at Dentsu Digital. In terms of contributions to its results, the Company intends to accelerate growth going forward by multiplying the increase in the monthly unit price of engineers by the increase in the number of active engineers.

In addition, as for initiatives for data privacy regulations, demand for data infrastructure construction is increasing in the solution domain other than advertising, and the Company will strengthen its response to it.

Q6. Outlook for IP Platform Business

A6. Revenue increased as planned and the loss is steadily shrinking, but the Company does not plan to achieve profitability during the current fiscal year. This is because the Company has factored upfront spending into the plan to strengthen its Webtoon production structure to expand into Webtoon markets and foreign markets.