

**Summary of Questions and Answers for 3Q FY2023 Financial Results Briefing**

The summary of the main questions and answers at the financial results briefing for the 3Q of the fiscal year ending December 2023 (for institutional investors, analysts, and the media) held on August 8, 2023 is as follows.

**Q1. Future Outlook**

A1. Regarding the revenue turnaround in 4Q, while the growth rate is expected to be small, the impact of the budget-reduction of some clients in the Digital Marketing Business has weakened and the cumulative effect of the acquisition of new clients has begun to appear.

In 5Q, the Company expects net sales and revenue growth to strengthen QonQ, and aims to increase profits by reviewing expenses other than human capital investment.

The situation in 5Q will be the basis for the outlook for the next fiscal year. The Company will also decide on a policy for controlling costs based on the current fiscal year's results. Compared with the beginning of the period, the Company believes that the situation of the external environment is clearer and all unfavorable factors have come to light.

**Q2. Regarding Human Capital Investment and Other Expenses**

A2. The number of new graduates hired in the current fiscal year was the largest ever. Personnel expenses have increased significantly due to the impact of base pay increases, as well as the new hires. As the impact of increase in fixed salary will run its course from next April onward, the only factor behind the increase in personnel expenses thereafter will be an increase in the number of personnel. While the pace of recruitment may be adjusted considering economic trends, it is also the source of the Company's corporate value, and there is no change in the policy itself of actively investing in human capital necessary for top-line growth through enhancing the value it provides to clients.

The Company is reviewing expenses other than human capital investment, focusing on the suspension of mid-career hiring and outsourcing expenses, excluding some, and expects overall expenses to decline from 4Q after peaking in 3Q.

### **Q3. Regarding Equity in Earnings of Affiliates**

A3. Dentsu Digital Inc., an affiliate accounted for equity method, is also experiencing the effects of economic conditions and seasonality, and the Company recognizes that it is close to its own performance trends, but this does not affect the entire collaboration with the Dentsu Group.

### **Q4. Regarding Digital Advertising Market**

A4. The situation of the market has been clearer compared to a year ago when it was difficult to forecast macroeconomic and advertising market trends due to changes in the global situation. It also seems that positive changes are starting to occur at each client company driven by reopening. In the short term, there is a negative reaction to the rapid growth of the online industry during the COVID-19 pandemic, but in addition to the recovery from this, the digital advertising market as a whole is expected to grow due to the increase in demand in the offline industry.

### **Q5. Digital Marketing Business Results**

A5. In the current market trends, sales promotion growth is strengthening, so the top-line growth on a transaction volume basis is expected to be stable due to increased demand for search advertising. However, the return to revenue is slowing because of a decline in the gross profit margin in the short term. By industry, although demand in the offline industry has been returning due to reopening, the online industry continues to decline in reaction to the rapid growth.

### **Q6. Collaboration with the Dentsu Group**

A6. The Company recognizes that the number of clients in collaboration with the Dentsu Group has been partially affected by seasonality, and this does not have a significant impact on the collaboration as a whole. Going forward, while accumulating client numbers, by aiming to gradually increase the unit price per client as the economic cycle improves, the Company aims to increase the scale of collaboration by growing both the number of clients and the unit price.

### **Q7. Outlook of the IP Platform Business**

A7. IP platforms business is growing at an accelerating pace. This indicates that the Company is now able to mass-produce hit IPs. Currently, the manga IP is driving growth. This situation has been recognized to continue for some time, but the Company expects to strengthen its expansion into Webtoon from the latter half of this fiscal year to the next fiscal year, and to launch Webtoon titles and contribute to revenues. At present, the Company does not plan to make large-scale investments, including in the next fiscal year, and it will judge whether it will further strengthen its investments in Webtoon from the current status after confirming the growth in revenues.