

Summary of Questions and Answers for 5Q and Full FY2023 Financial Results Briefing

The summary of the main questions and answers at the financial results briefing for the full fiscal year ended December 2023 (for institutional investors, analysts, and the media) held on February 8, 2024 is as follows.

Q1. Regarding New Management Structure

A1. Both Kouno and Shimizu, who are scheduled to assume the position of the directors this time, joined the Group as new graduates and led the growth of the Digital Marketing Business. The Company views this management structure can steadily grow the business going forward.

Q2. Regarding Forecast of Net Profit for Fiscal Year Ending December 2024

A2. The forecast reflects the growth of organic business and the positive impact of the share transfer of COMICSMART INC., as well as equity in earnings of affiliates primarily from Dentsu Digital Inc.

Q3. Regarding Approach to Shareholder Returns in the Future

A3. As cash flow is expected to grow steadily, the Company will continue to consider raising the dividend payout ratio. While monitoring the progress of business expansion, the Company will respond to the pace of expansion in cash flow, which is the source of shareholder returns.

Q4. Outlook for Digital Advertising Market and Digital Marketing Business

A4. The market seems to be gradually recovering, and as it is returning to a solid trend, the strength of demand for sales promotion is expected to continue. With regard to the outlook for the market in 2024, the Company has looked into various market data, but it expects the growth rate to be around the latter half of the single digit, and it will aim to achieve growth that will outperform this.

Q5. Regarding Each Area of Digital Marketing Business

A5. In the Marketing Communication Area, the Company will continue to expand in response to a major change of the elimination of the barriers between mass marketing and digital marketing in various situations, such as the market and client conditions, which we believe is in tandem with the services provided by its Digital Marketing Business.

In the Direct Business Area, which is centered on Dentsu Direct Inc., it has been expanding mainly in the sales promotion domain up to present, but it is aiming to develop know-hows to clients and, as a step beyond that, to develop its own D2C business.

In the Data & Solutions Area, which consists of each company of Septeni Data Solutions, Inc., an intermediate holding company, there are currently a few hundred engineers in Japan and abroad, and it intends to use these capabilities to strengthen its organization and expand service development supports to clients.

Q6. Regarding Share Transfer of COMICSMART INC., which operates IP Platform Business

A6. Although there is a background for raising funds from outside of the Group prior to the latest announcement, in line with the transition to the new management structure, the Company has decided to focus on growth centered on the Digital Marketing Business, change in its business portfolio, and concentrate on strengthening it. In addition, while there are various options for IP Platform Business to develop, if the business enters a phase in which it needs to invest more boldly than ever before, it may have a significant impact on the cash flow generated by the Digital Marketing Business, so the decisions has been made at this point.