

Summary of Questions and Answers for 1Q FY2024 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 2024 (for institutional investors, analysts, and the media) held on May 9, 2024 is as follows.

Q1. Results of 1Q and full-year forecasts

A1. The results were generally in line with the estimates.

With regard to the outlook for the current fiscal year, as for the growth in transaction volume, we feel that the Company would be able to outperform the market growth on a yearly basis, and based on this top-line growth, the Company intends to absorb the human capital investment that has been implemented since the previous fiscal year and create a trend for increased profits as quickly as possible.

Q2. Approach to shareholder return in the future

A2. While considering allocations for growth investments centered on the Digital Marketing Business, the Company is also proceeding with discussions on shareholder returns. In the previous fiscal year, the Company raised the dividend payout ratio, which had been set at 15%, to 25%, but it is considering further expansion of shareholder return from this point.

Q3. Recruitment and human capital investment in the current fiscal year

A3. The influence from the increase in expenses due to the base pay increase implemented in the previous fiscal year will be passed through in Q3 of the current fiscal year. There are no plans for further base pay increases during the current fiscal year.

In terms of human resource recruitment, there were more than 120 new graduates hired in April this year, and for the time being, the Company plans to concentrate on bringing new graduates to force. The Company doesn't have intention to entirely strengthen recruitment of mid-career employees at present, but will be implement with priority given to certain job categories, etc. The increase in the number of employees due to the change in employment form this time was a one-time event that occurred at an offshore development site.

Q4. Double-digit net sales growth in the Digital Marketing Business

A4. The market conditions as a whole remained severe in 2022 and 2023, but we have the impression that it is gradually recovering recently. In our 1Q, net sales increased 13% YoY, exceeding the market growth rate. The Company was able to achieve a high-growth rate centered on information/communications services such as EC, in terms of industries, and as for products, mainly search advertising, which it is currently focusing on.

Q5. Ratio of revenue to net sales in the Digital Marketing Business

A5. The main factor behind the trend is an increase in the percentage of search-linked advertising, which tends to have a relatively low gross profit margin in a mix of products. Going forward, the Company's policy is to focus on expanding sales of proprietary products in the Marketing Communication Area, so it is unlikely that the ratio of revenue to net sales will further decline.