



Q1 FYE12/2016 Results Presentation – Q&A

The following is a summary of questions asked by attendees at the earnings presentation to investors held on May 9, 2016. The questions are answered by Group CEO & Founder, Masatoshi Kumagai, and Vice President and CFO, Masashi Yasuda.

- 【Q1】** You mentioned in your presentation that results came in under the company's internal forecasts?
- 【A1】** We don't disclose internal forecasts, however due to a higher proportion of business investment than planned in Q1, we came in a few hundred million yen over the published forecast.
- 【Q2】** I'd like to better understand the JPY1.0 billion investment in minne in 2016. Also, what is the budget for Q2?
- 【A2】** In Q1 we invested JPY440 million, that is an increase of JPY140 million YoY. I would expect that figure to decrease in Q2 so P/L should improve as revenue grows.
- 【Q3】** You used the expression of having your "backs against the wall" in the mobile entertainment segment. Does this mean that if the restructure project "GROW" project does not succeed that you would consider an exit next year? Also what are the P/L trends in this segment in Q2?
- 【A3】** Firstly, I do feel we should apologize to investors that we haven't been able to produce a hit title in this segment, but we are moving forward with the "GROW" project under the premise that we will create a hit title, and this is my hope. In regards to Q2, we are seeing improvements but we are not yet at the point of breaking even.
- 【Q4】** In online advertising & media, you mentioned advertising a major client's advertising spend, and leading investment as factors causing the drop in profit. Could you provide a little more color? Could you also talk more about revenue and costs?
- 【A4】** In regard to the client, it was a simply a decision taken by the client to cut back on advertising. The investment aspect has been focused around product development, and the recruitment of sales staff. The investment in development is a labor expense and so it will remain on our P/L. I think we will start to see customer response to our new products reflected in results in the second half.

【Q5】 In the previous results presentation you said that 「.shop」 would start to make a revenue contribution in Q4 of this year or in FY2017, do I understand that the schedule has now been brought forward?

【A5】 Yes, that is exactly right. We have brought the schedule forward.

【Q6】 What range do you expect the “one-shot” revenue from 「.shop」 to fall within?

【A6】 Until we launch 「.shop」, it is difficult to say. Until now there has not been another domain launched with the same level of popularity as 「.shop」, but our expectations are high.

【Q7】 In the online advertising & media segment, both profits and profit margins are continuing to fall, and I think it is difficult to see any results from the investment here. Where are you seeing a positive response?

【A7】 People are the company, and over the past year I think we have seen clear changes in the expressions on the faces of our staff in this segment as well as motivation levels, and from perspective, I am confident that performance will improve.

【Q8】 Can you talk more specifically about what the “GROW” project entails and when you expect to see a turnaround in performance?

【A8】 The objective of the “GROW” project is to “turn failure into experience”. The first wholly in-house title we developed was a failure, but failures can be valuable in the sense that they become experience. By minimizing costs and building experience, we can produce a hit title. We are already working on a second title and will continue the “GROW” project through to a third title.

【Q9】 In regard to your comment about the mobile entertainment segment, how long before you make a decision? You said that you would like the segment to be profitable by next year, but if it isn't, would you consider an exit?

【A9】 We have about 200 staff working in our game business, and I think it is easy for investors to talk about “exiting” or “quitting” but I'm not in a position to talk so lightly about a decision that could impact their their lives. As a leader, it is my role to continue reinforcing that we will produce a hit title. However, I do feel like we have our “backs against the wall”, and I think the team feels the same way.
