

Summary of Questions and Answers for 1Q of FY2019

Date of event: August 9, 2019 (Friday) 17:00-18:00

Attending members of the Company: Takeshi Tokugawa, Corporate Officer

Atsushi Yoshino, IR Group Manager

Satoru Yagi and Takeshi Tada, IR Division members

Domestic Advertising Market

Q. There is a growing opinion that the rush of demand before the consumption tax hike will not be very significant. What is your opinion on this matter?

A. We also believe that the rush of demand will not be as great as it was when the consumption tax was raised to 8%. In our consolidated forecasts, we forecast that this demand would be less than the previous time and therefore believe that it will be at a level within our expectations.

Q. What elements do you expect will have a positive impact on the market in the second half?

A. We expect events such as the Tokyo Motor Show and the 2019 WBSC Premier12 to have a positive impact. In addition, we believe there will be a gradual increase in work related to the Olympics.

Q. There has been talk that Internet media may be stagnating. Does this change your view of the market?

A. Over the short term, there will likely be a period in which it seems as if growth in Internet media is stagnating. However, we maintain our current belief that growth will continue for Internet media.

Billings by Client Industry/Billings by Service Area

Q. In the first quarter, billings declined significantly for Beverages / Cigarettes / Luxury foods. What is your outlook for the second quarter on?

A. We believe this decrease was due to the absence of multiple large-scale projects that were carried out in the previous year. From the second quarter on, we do not believe declines will be as significant as they were in the first quarter. With that said, we are not overly optimistic.

Q. Billings declined year on year in industries with large advertising budgets, such as Beverages / Cigarettes / Luxury foods, Cosmetics / Toiletries, and Foodstuffs. Do you believe this resulted from the progress with the shift to digital by your clients?

A. These declines were due to the absence of multiple large-scale projects that were carried out in the previous year, and have no relationship with the digital shift. We are a company that offers integrated marketing solutions, and if you look at our performance, it is clear we understand how important the digital domain has become. Accordingly, I believe we are carrying out an adequate response for dealing with the shift to digital by our clients.

Q. Billings at IREP Co., Ltd. were up significantly in the first quarter. What kinds of client industries comprise the majority of IREP's client base? Also, what is the ratio between programmatic advertising and reservation-type advertising on a Groupwide

basis?

A. At the moment, human resources and IT companies make up the majority of IREP's clients. In addition, the ratio between programmatic advertising and guaranteed advertising has remained relatively unchanged, at 70% to 30%. Also, video advertising, which is currently growing dramatically, includes not only programmatic advertising but also guaranteed advertising.

Performance and SG&A Expenses

Q. For the first quarter, companies acquired via M&A in the previous year contributed to performance at an appropriate level. How do you view the impact from these companies in the second quarter on?

A. We started incorporating profits from these new companies in the second quarter of the previous fiscal year, which means that their impact in the first quarter of this year will likely be the most prominent. From the second quarter on, we believe that impact will become more gradual.

Q. The sale of Mercari Inc.'s shares in the first quarter totaled ¥2.6 billion, and you expect the full-year amount to be ¥5.0 billion. Please tell us more about the number of shares remaining to be sold.

At the start of the period, the timing of this sale was unclear, and it was therefore expected to take place in the second half of fiscal 2019. However, as the sale of shares totaling ¥2.6 billion was carried out in the first quarter, we believe the remaining ¥2.3 billion will come from shares sold in the second half. With that said, the timing of the future sale still remains unclear, so we ask for your understanding regarding our tentative forecast for this sale in the second half.

Q. Looking at the forecast for SG&A expenses, it appears that the growth rate will be less in the second half. What is the reason for this decline in growth rate?

A: The reason for this decline is that there are many factors in the first half that will lead to SG&A increases. One factor is because the increase in retirement benefit costs due to the change in corporate pension schemes will only occur in the first half. Another factor is that the M&A carried out in the previous year will have a greater impact in the first half than the second. In addition, as an accounting rule, the recording of amortization of goodwill will happen more frequently in the first half. Also in the first half, we are bringing forward a certain amount of costs for strategic investment.

Q. Will personnel expenses increase at the same pace in the first and second half?

A. We believe the pace of growth in personnel expenses will be less in the second half compared with the first half due to several reasons. These include the fact that the increase in retirement benefit costs due to the change in corporate pension schemes will only occur in the first half. They also include the fact that the impact of M&A carried out in the previous fiscal year will become more gradual in the second half. Moreover, personnel expenses had already increased in the second half of the previous fiscal year.