

FY9/14 Financial Results Briefing
Summary of Question and Answer Session

The following is a compilation of questions from attendants at the financial results briefing for institutional investors held on October 30, 2014 (Thursday).

Q1.

What is your plan for advertising and promotion spending in FY9/15?

A1.

We plan to invest around ¥10 billion, the same as in FY9/14.
About half of this will be for games, and half for Ameba.

Q2.

During the FY9/14 3Q briefing you announced a forecast of ¥10 billion in operating profit for the Ameba business. Why have you reduced this to ¥8 billion for FY9/15?

A2.

Our internal target for operating profit is currently still ¥10 million, but since this is a high goal, publically we are saying the target is ¥8 billion. We are also being conservative in our estimate for browser games.

Q3.

What is the basis for your operating profit forecast in the Game Business for FY9/15?

A3.

We are forecasting ¥9.0 billion for FY9/15, on a par with the previous fiscal year. This figure does not incorporate games that we are not yet offering, but the business has reached a certain scale, and is becoming stable.

Q4.

Does your FY9/15 forecast include incentives?

A4.

No. We will not provide any incentives if operating profit falls below the forecast ¥28.0 billion, but will consider it if we exceed that figure.

Q5.

Do you plan to monetize the Strengthening Business “755”?

A5.

Our first priority is to increase the number of users, rather than monetize the service. If the number of users increases, there will be any number of opportunities for earnings.

Q6.

Do you plan to focus on the streaming video business?

A6.

The streaming video business is one of our Strengthening Businesses. Currently we have established two companies, and have plans for two more. One of the already established companies, Shibuya Clip Create Inc., is a planning and production company for corporate tie-up videos. The other is Amesta, Inc., which provides live video streaming services. We plan to issue a press release on October 31 (Friday) regarding the other two companies, so please see that for details.

Q7.

What is the background behind your strengthening of the streaming video business?

A7.

The widespread use of smartphones has led to dramatic growth in the number of videos viewed, so we felt the timing was right to focus on this area.

Q8.

How many employees are in the Media and Other Businesses?

A8.

We currently have over 200 personnel in the Media and Other Businesses (Community and Entertainment Businesses)

Q9.

How are you shifting from browser to native development?

A9.

We are training in-house personnel for native development. We think this is more efficient and effective than hiring additional personnel.

Q10.

Does the breakdown of operating income by business segment for FY9/14 (P18 of the presentation material) include incentives?

A10.

Yes.

Q11.

What is your forecast for the operating profit margin for the Internet Advertising Business in FY9/15?

A11.

We expect the operating profit margin for the Internet Advertising Business in FY9/15 to be on a par with that in FY9/14. The growth rate is 18%, excluding incentives.

Q12.

Will operating profit in the Advertising Business increase with expansion of the Adtech business?

A12.

If the proportion of sales in the Internet Advertising Business accounted for by the Adtech business increases, then we expect that the operating profit margin will rise over the longer term. We do not anticipate an increase over the short term, however, due to the rapid expansion of operative media and other factors.

Q13.

What is the reason for the growth in the reward advertisement sector of the Adtech business?

A13.

This is because of the strong demand for ad placements by game companies.

Ameba Reward is also performing well, with a growing number of advertisers among content providers, as well as credit card companies and other financial institutions.

Q14.

In your FY9/15 forecasts, are the costs for the Community and Entertainment Businesses included in new business investment?

A14.

That's correct.

Q15.

What are the media value trends for Ameba?

A15.

Ameba is shifting from a browser to native strategy, making it difficult to assess its value. Accordingly, we will no longer be disclosing page views or other indicators.

Q16.

What are your plans for the Investment Development Business?

A16.

With the current brisk activity in the IPO market, we are in a phase for securing returns. We are refraining from new investments, because the valuations are too high. We think the stocks that we invested in previously will be entering the collection phase.

Q17.

How do you plan to use the cash acquired from investment development?

A17.

Currently, we plan to invest a portion in the Entertainment Business that we have been nurturing as a new business. In particular, we will develop the music business, where we have a partner firm.

In the internet business, however, since there is no need for investment in infrastructure, the only real use of capital is for investing in human resources. Accordingly, we think it best to use the capital for dividends, or for share buybacks when the timing is right.

Q18.

In the Game Business, are there any IP games in the titles currently under development?

A18.

We currently have no plans for IP games.

Q19.

What are your medium to long-term targets?

A19.

We have not announced any medium to long-term targets. However, as an internal target, we are aiming for ¥100 billion in operating profit by 2018. At least we want to get somewhere close to that figure.

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