

Q&A: Impact of Google Core Updates

Imamura: We received a question. "What and how do Google core updates specifically affect? How do you exactly deal with them? "

President and CEO Kobayashi will answer this.

Kobayashi: We have been developing various businesses on about 8 media platforms, and experienced core updates many times.

Although they didn't have a significant impact before, the recent Google core update has changed the search algorithm with an emphasis on expertise and authority.

Accordingly, the communications area was particularly affected this time.

As a whole, there were some media channels that grew, the before mentioned communications area part was greatly affected.

Specifically, the overall traffic and the number of page-views did not seem to have dropped that much, but the more profitable communications area was unfortunately affected.

We were affected even among similar media channels, due to the concentration of profitability on content that generates revenue more easily. Therefore, from a mid-and-long term perspective, we will strive to improve profitability based on more balanced distributed media content.

As a future measure, in order to generate revenue from a wider variety of content as a whole, we not only planning to build a portfolio with the 8 media platforms but also to develop one within each medium including each communication area.

Q & A: Positioning of the Mobile & Telecommunications

Business

Imamura: Next question: "Leaving the media business aside I don't understand how the mobile & telecommunications business is positioned in your growth strategy. Which carriers pay incentives, and how much is the CPA (Cost Per Action)? Also, are there any changes in your plans from the beginning of the initiative? In that case, will you consider withdrawing?"

We apologize, but regarding the part of the question "Which carriers pay incentives, and how much is the CPA?" we are unable to provide details due to the contracts with the carriers and MVNE.

We would appreciate your understanding about that.

Kobayashi will answer about the future positioning of the mobile & telecommunications business.

Kobayashi: To begin with the reason why we started developing the mobile & telecommunications business, among the online second-hand business, is because, for example, when we sold the most second-hand computers at online auctions in Japan, we noticed that it would be even more profitable to sell them as a set with communication devices.

Considering that, we thought that it would be better to switch to smartphones and sell them with cheap SIMs as a set, and we have finally shifted to WiMAX based on the recent trend.

In the second-hand business, being able to expand into the telecommunications area where stock profit can be generated, means being able to challenge a very large market, which we find attractive.

Due to right now being the mobile age, competition is intensifying, but at the moment we have about 60,000 customers.

Regarding the incentive acquisition, I admit that we saw a reactionary decrease after it significantly grew to meet the special demand and that it also decreased due to the Google update. In this sense, the number of new acquisitions decreased, but stock profit is increasing.

Therefore, the mobile & telecommunications business is positioned as a business that is generating stable profit, and rather than focusing on it intensively in our growth strategy, we will proceed by making stable new acquisitions in fields with demand.

As I mentioned earlier, we recognize that the part of our business to be strengthened will be the "Oikura" business.

Q&A: Breakdown of each segment in the profit plan through the fiscal year

Imamura: We have another question: "You have kept the profit plan through the fiscal year unchanged, but how do you imagine the breakdown of each segment?" I will answer this question.

First, I am afraid that we haven't disclosed the earnings forecast for each segment, so we cannot answer in detail and would appreciate your understanding.

Although these are not specific figures, I will explain based on the trend we are seeing so far. When we were initially engaged only in the second-hand online business, profit was often relatively high in February, March, and April, which is a season when people tend to move more.

Also, the mobile & telecommunications business experienced significant special demand particularly due to the impact of COVID-19 in the previous fiscal year, but usually, the number of orders tends to increase as people move more in March and April.

We are unable to tell you specific figures, and I may be digressing from your question, but if anything, these 2 businesses tend to grow in our 3rd and 4th quarters.

However, and I am not trying to use the state of emergency as an excuse, the social environment is quite uncertain these days. As I mentioned earlier, profitability usually tends to increase in the 3rd and 4th quarters, but we are currently investing in it.

Q&A: Results of the 2nd quarter, and expectations of the Google Core Update

Imamura: Another question: "Given seasonality, can you say that the results for the 2nd quarter are within expectations to some extent? How much of the impact of the Google Core Update was beyond expectations?"

When it comes to whether the results for the 2nd quarter are within expectations to some extent, I think that the answer is that they are "within expectations" with the premise of "to some extent."

As for how much of the impact of the Google Core Update was beyond expectations, considering the fact that the number of customers sent from the media to the mobile & telecommunications business significantly decreased, it had a slightly higher impact than expected.

We are unable to tell you in detail, but we are proceeding with countermeasures one by one.

We would like to offset the declines during our 3rd and 4th quarters, what we call a profitable period.

As time is running out, if you have any questions that you couldn't ask today or new questions, please e-mail us to the direct e-mail address to our IR department on page 56 of the slide copy.

Thank you very much for your time.

We will continue to move forward, and we look forward to your continued support.

This is all for the briefing session today. Thank you very much.