



FY9/16 1Q Financial Results Briefing

Summary of Question and Answer Session

The following is a compilation of questions from shareholders at the company information briefing held on January 28, 2016 (Thursday).

About the up-front investment businesses

Q1.

Do the ads for *AbemaTV* have high unit value targeting functionality?

A1.

AbemaTV is a free service that does not require member registration. We are considering implementing a scheme to have users input attribute data after a certain period, and plan to develop targeted advertising matching user attributes.

Q2.

Has there been any change from the originally announced up-front investment amount of ¥9.0 billion?

A2.

The amount is unchanged.

We are controlling budgets to avoid excess spending and so will not exceed that amount, but it's also possible that we will not use the entire ¥9.0 billion.

Q3.

What are the usage times for the *AmebaFRESH!* and *AWA* services? Also, do you expect any impact from data packet limitations?

A3.

As we expected, most of the usage is at night, with lunchtime the next highest. The trends are the same for *AWA*.

We determined that the viewing environment has now been established, and launched a full-fledged video business.

Carrier data packet limits are our only main concern, but at this point there have been no particular problems in using the service.

Q4.

Regarding up-front investment expenses, is content procurement an initial cost, and will it also be incurred later?

A4.

Our understanding is that similar services in the industry spend around ¥10 billion for content procurement, so we are presuming ¥10 billion annually. We will calculate specific estimates later.

Q5.

What are the advantages of *AbemaTV* and *AmebaFRESH!* from an advertiser's perspective? Also, has media profitability declined as a result of the increase in video ad production costs?

A5.

Our hypothesis is that for videos watched for a specific purpose viewers prefer to skip the ads, but we assume that *AbemaTV* is watched passively, so advertising effectiveness is high. We do incur costs for producing video ads, but we feel that if we are able to develop the new market of video advertising into a medium with effective advertising, and produce high-quality ads, that it will become a major business.

Q6.

Do you have plans for a shopping channel on *AbemaTV*?

A6.

We have no plans for a shopping channel at this time. This is because there are many shopping channels on terrestrial and satellite channels, and we are targeting viewers in their teens and twenties with the internet-based *AbemaTV*.

Q7.

Do you plan to partner with content providers to strengthen *AbemaTV* content?

A7.

We have established a joint venture through a capital tie-up with TV Asahi Corporation, so there is no transfer of CyberAgent's capital.

At present, we are not planning any tie-up that would affect the stock market.

Q8.

Do you have plans to enter any business other than music and video?

A8.

We had been making plans for such services as radio and magazines, but ultimately abandoned those ideas.

For now we will concentrate on making *AbemaTV* a hit.

Q9.

How will the ¥9.0 billion in up-front investment be appropriated?

A9.

Almost all of the ¥9.0 billion will be used for *AbemaTV*.

We will begin streaming *AbemaTV* on a limited basis from February 15, with a full-scale rollout planned for middle April. We anticipate spending ¥2 billion in the first half of the fiscal year, and ¥7 billion in the second. Spending in the third and fourth quarters will be roughly equal.

Q10.

When do you expect *AWA* to become profitable?

A10.

We think it will take two to three years from the rollout.

There are many competing services, and only the best will survive.

We will release the PC version of *AWA* on January 29 and it is well done. We have high hopes for the service.

About the advertising business**Q11.**

What is your expectation for future growth of in-feed advertising?

A11.

The three-month contribution from Y! in-feed advertising resulted in significant growth in the previous quarter.

As a result, we expect the 1Q growth rate to be low, but with steady expansion.

Just comparing Facebook advertising Septeni Co., Ltd. is in a leading position, and we will watch this carefully going forward.

CyberAgent holds a large share of the in-feed market overall, including Facebook.

Q12.

What is the outlook for the operating profit margin in the advertising business?

A12.

Considering the nature of the agency business, we think the current level is appropriate. Even when compared with our competitors, an operating profit margin of around 10% is high for the agency business, so we do not plan to try to force a major change in the margin.

Other**Q13.**

Sales in the Game Business rose 50.7% YoY, while operating income was up 84.9%. What is the reason for this?

A13.

Revenue was boosted by the three-month contribution from *THE iDOLM@STER CINDERELLA GIRLS STARLIGHT STAGE** launched on September 3, 2015, along with gains from *Granblue Fantasy*. These titles also contributed to profitability.

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Q14.

What are the reasons for the sharp improvement in operating income in the Media Business from the same period of the previous fiscal year?

A14.

This was due mainly to an extensive effort with charges for *Ameba Pigg*, and advertising income from curated media.

We also recorded an increase in charges from new businesses such as the *Tapple* matchmaking service, and the *It's Time to Read* e-book store.

END