Yuzuru Honda
Founder & Global CEO

FreakOut Holdings, inc. (6094)

Company Information

Exchange	TSE Mothers
Industry	Service
President	Yuzuru Honda
Address	Roppongi Hills Cross Point, 6-3-1 Roppongi, Minato-ku, Tokyo
Year-end	End of September
URL	https://www.fout.co.jp/en/

Stock Information

Share Price	Number of Shares Issued		Total Market Cap	ROE (Actual)	Trading Unit
¥949	16,516,360 shares		¥15,674 million	-	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥0.00	-	-	-	¥278.22	3.4x

* The share price is the closing price on November 20. The number of shares issued, ROE and BPS are the values from the previous term.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Sep. 2015 (Actual)	4,217	96	95	65	5.23	0.00
Sep. 2016 (Actual)	5,792	358	561	394	30.72	0.00
Sep. 2017 (Actual)	12,019	601	1,208	842	64.12	0.00
Sep. 2018 (Actual)	14,745	-532	307	25	1.94	0.00
Sep. 2019 (Actual)	21,709	-1,270	-1,497	-3,512	-	0.00
Sep. 2020 (Actual)	24,878	211	-221	-669	-	0.00
Sep. 2021 (Estimated)	27,000	200	100	Not decided	-	0.00

*The forecasted values were provided by the company. On Sep. 1, 2016, the company conducted a 2-for-1 stock split.
EPS was adjusted retroactively.

This Bridge Report presents an overview of FreakOut Holdings, inc.'s earnings results for the term ended September 2020, and more.

Table of Contents

Key Points

- **FreakOut Holdings, inc. is a marketing technology company that helps advertisers convey the right message to the right consumers at the right moment, with its cutting-edge technology based on artificial intelligence (AI). The company mainly operates "Demand Side Platform (DSP)," a platform for purchasing and distributing online ads effectively for maximizing the profits of advertisers (including ad agencies), and conducts the "DSP business" for offering OEM services. Its major strengths and characteristics include "holding vast amounts of data," "capability of securing good-quality ad space," and "active investment for developing a superior algorithm." The company's philosophy is to "Give People Work That Requires A Person" with its technologies in various fields not limited to advertising, and to contribute to the development of a creative society.**

- **For the term ended September 2020, sales increased 14.6% and EBITDA improved about 1 billion yen from the previous term to 510 million yen. In the term ending September 2021, sales and EBITDA are expected to rise 8.5% to 27 billion yen, and 17.4% year on year, respectively. On November 17, a new medium-term plan was announced. The company aims to achieve the profit targets of the previous medium-term plan, which were not reached. The company will set up qualitative measures and aim for sales of 45 billion yen and an EBITDA of 3 billion yen in the term ending September 2023.**

- **In the term ended September 2020, despite being affected by the novel coronavirus, operating income and EBITDA exceeded the company's estimates, showing that the company managed to survive the crisis. A new wave of the novel coronavirus is coming at the moment, but all countries are working on curbing the spread of the virus while keeping the economy going. Thus, it is unlikely that the company will fall into a similar situation in the second half of the term ended September 2020. Under these circumstances, a new medium-term plan was announced. The highlight of the new plan is the growth of Playwire. Playwire's performance tends to be highest in the first quarter, so we will pay attention to it from the first quarter in the term ending September 2021. The stock price has been sluggish, and it is already at a level that incorporates the low-level profit forecast for the term ending September 2021. On the other hand, it can be said that the growth of Playwire is not fully incorporated in the forecast. The company could also attract attention in the market at once if it succeeded in being listed on NASDAQ.**

1. Company Overview

FreakOut Holdings, inc. is a marketing technology company that solves advertisers' challenges of conveying the right message to the right consumers at the right moment with its cutting-edge technology using AI (artificial intelligence). Its chief business is the "DSP business," including the operation of "DSP (demand-side platform)"– a platform that enables advertisers and advertising agencies to buy Internet advertisements efficiently and distribute them to maximize profit – and OEM.
Its major strengths and characteristics include "holding vast amounts of data," "capability of securing good-quality ad space," and "active investment for developing a superior algorithm."
The company's philosophy is to "Give People Work That Requires A Person" with its technologies in various fields not limited to advertisement, and to contribute to the development of a creative society.

【1-1 Corporate History】

FreakOut was founded in October 2010 by its Founder & Global CEO Yuzuru Honda, an engineer with the previous experience of engaging in advertising businesses at Yahoo! Japan Corporation, who wanted to bring about a game change in advertising in Japan by introducing RTB(Real-Time Bidding) - a distribution method that automatically trades advertisement spaces in the form of bidding according to the number of times an Internet advertisement is displayed -, which already became a norm in the USA about a year earlier than in Japan. Joined the start-up by the Representative Director, Yusuke Sato (former President and Representative, currently serving as a director, chief business development officer,) also an engineer who worked on advertisement products at Google Japan, the company was the first in Japan to commercialize the RTB technologies in January 2011.

Helped by the feature of high sensitivity to new products of the advertising industry, the company gained numerous corporate clients soon after its launch while its customer satisfaction level has remained high, pushing both its sales and profits constantly upward. In June 2014, the company was listed on TSE Mothers in less than four years after its founding.

In January 2017, the company changed its structure to a holding company to actualize faster decision-making and more dynamic business development.

2010	Oct.	FreakOut is established.
2011	Jan.	Released DSP FreakOut using RTB technology, the first of its kind in Japan.
2012	May	Launched service for smartphones.
2013	Jun.	A joint venture (currently a consolidated subsidiary) “Intimate Merger, Inc.” is established.
2013	Oct.	Launched a video advertisement distribution service using videos hosted on YouTube.
	Dec.	A joint venture “M.T. Burn, Inc.” is established with LINE Corporation.
2014	Jun.	Listed shares on TSE Mothers.
	Jun.	M.T. Burn released AppDavis (currently renamed Hike), a native advertising platform.
2016	Jan.	Started a system connection through RTB with Hike provided by M.T.Burn, Inc.
	May	Released RED, a mobile marketing platform.
2017	Jan.	The company changed its structure to a holding company, and was renamed FreakOut Holdings, inc.
	Mar.	Gardia, Inc. is established, and enters the Fintech field.
2018	Dec.	Announced a capital and business alliance with ITOCHU Corporation.
2019	Jan.	The advertising businesses operated in Japan and abroad are integrated.
	Jan.	Reorganized Playwire, LLC into a consolidated subsidiary.
	May	M.T.Burn, Inc. is dissolved.
	Oct.	The subsidiary Intimate Merger, Inc. was listed in Mothers of TSE.

【1-2 Philosophy】

FreakOut’s philosophy is “Give People Work That Requires A Person.”

With the recent popularity of the keyword "DX," companies are being asked to make more digital shifts, but at FreakOut, we believe that it is a matter of course for IT companies to use technology to improve the work efficiency of their customers.

If "DX" means replacing what people can do with machines, then FreakOut's goal is to create new jobs by having machines do what people could not do.

The company's mission is to make sure that DX does not end up being DX.

As shown in the corporate history section, the company has its origin in the first commercialization of real-time transactions of Internet advertisements in Japan, with the aim of gradually changing the system of advertising transactions from manual operations to inter-computer transactions.

With the use of technologies, advertisers are now able to communicate with each and every consumer, approaching the true 1-to-1 marketing that was not possible with conventional mass-advertising.
At the same time, the "people" engaged in the advertising business are becoming freer from the transaction-related chores, and instead they are now able to dedicate more time to creative works such as planning more human-like communications and creating sympathetic messages.

【1-3 Overview of the Internet Advertising Market】

To understand FreakOut's businesses, it is necessary to have some knowledge of environmental and constituent elements surrounding the operation of the "Internet advertisement," such as the changing needs of advertisers and media, and advertising markets, as well as the technologies and the main players. A few essential points are outlined below.

≪Changing advertising market≫

In the conventional advertising market, especially with the advertising businesses that exploited the mass media such as television and newspapers, monopolization and exclusivity of stock were of paramount importance in terms of business development for the supply side (i.e. the media and advertising agencies).
Major advertising agencies would have a near-total monopoly over the limited television ad spaces, enabling them to hold onto their pricing leadership against advertisers to continually generate huge profits in tandem with the media.
However, with the end of the era of strong economic growth and the advent of Internet advertising characterized by its interactivity and low-cost, compared to the conventional media, the demand for mass advertising via TV and newspapers is apt to decline.

While Japan's total advertising spending has not grown in the last 10 years, Internet advertising expenses of 377.7 billion yen in 2005, which was less than 20% of Terrestrial TV and 40% of Newspapers, has grown over 12.0% per year on average and reached 2,104.8 billion yen in 2019, and surpassed that of Terrestrial TV (1,861.2 billion yen) for the first time. (Data from Dentsu "Japan's Advertising Market in 2019")

Meanwhile, the needs from advertisers for even more effective advertisements keep growing, creating a significant challenge in delivering "the right message" to "the right consumers" at "the right moment."

In this situation, there appeared a marketplace with open advertisement space called "Ad Exchange."
This is indeed a "marketplace" in which advertisers, the media and advertising agencies can freely trade advertisement space. For advertisers, this means that it has become even more important that they buy optimal advertisement space for an even better advertisement performance and one of the key technologies that enable this is "RTB," which was commercialized by the company for the first time in Japan.

≪Real-time transaction of advertisement space through RTB≫

RTB (Real-Time Bidding) is a distribution method that performs automatic transactions of advertisement space through bidding per impression (the number of times an advertisement is displayed).

Before RTB debuted, "a pure advertising transaction" was the norm. This was, as it were, a 'set menu' in which the space for display advertisements (advertisements utilizing images, flash, videos, etc. displayed on websites) were sold to the media and advertising agencies as a package with impression guarantees and period guarantees attached.
In contrast, RTB analyzes the attributes of the user who accessed a display advertisement per impression, and performs a transaction by bidding as "an advertisement for a user with specific attributes" per impression.

The RTB technologies enable advertisers to engage with potential consumers whom it was previously difficult to reach through conventional pure advertising (buying advertisement space of specific websites at a pre-fixed price) or search advertising (relating to the keywords searched), and also make it possible to take recognition measures through a more effective advertisement distribution to elicit further interests and curiosity of users.

How RTB works

① At the instant when an Internet user visits a website with advertisement space, Ad Exchanges, SSP, *adnetworks, or other systems that manage the advertisement space send out visiting user information and advertisement space information (bidding request) to multiple DSP operators.
② Each DSP operator analyzes the database and bidding is carried out.
③ The DSP operator that wins the bid for the advertisement space distributes the space.
④ As soon as the auction is completed, the company buys the advertisement space from the SSP, etc. and distributes the advertisement space with a new price adding price margin on top of the bidding price.

*Adnetwork: advertisement space from multiple media sites are united as a network so that advertisement sales and distribution can be integrally managed in order to generate profits.

“RTB” requires two main players: “DSP (the demand-side system)” and “SSP (the supply-side system)” of advertisement space.

What is DSP (Demand Side Platform)?

DSP is a platform on which advertisers and advertising agencies can effectively purchase and distribute Internet advertisements so that they can maximize their profits.

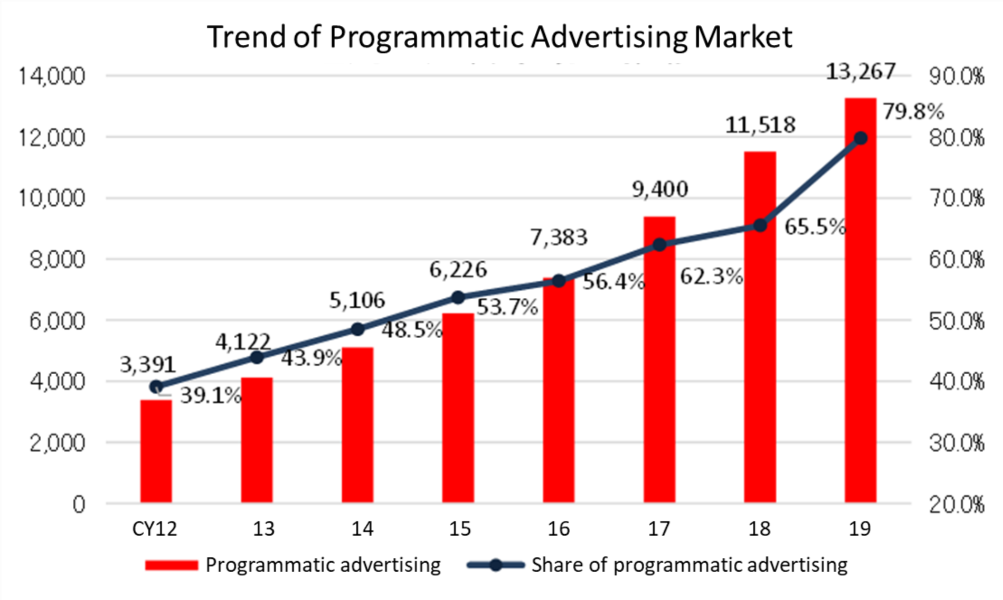
More specifically, it is a platform where advertisers and advertising agencies perform an automatic bidding transaction and advertisement distribution *per impression* utilizing the RTB technologies and their own algorithms with Ad Exchanges, SSP, adnetworks and others.
Advertisers first determine the attributes of their target users and the maximum bidding price, and when a user who satisfies their criteria is found, bidding is instantaneously (within roughly 0.05 second) carried out and the advertisement with the highest bid is distributed on the medium.

Before RTB appeared, advertisers were forced to make an assumption as to which websites might be visited by the target users and then purchase specific advertisement slots at a pre-fixed price. However, DSP enables advertisers to make an assessment in real-time about the user to whom they want to distribute an advertisement. Furthermore, the advertisement can be distributed at a reasonable price through the bidding process, optimizing the cost effectiveness of the advertisement for the advertisers.

FreakOut’s main businesses are the sales of its uniquely developed DSPs “Red” and “FreakOut” as well as the “DSP business” that supplies OEM.
To be able to regularly distribute advertisements to the right users and bid at the best price requires building highly advanced algorithms and training the AI (artificial intelligence) to be “even more intelligent” through repeated machine learning based on vast amounts of data. The company has a powerful competitive advantage on this matter (for more details, please refer to 【1-6 Characteristics & Strengths】).

What is SSP (Supply Side Platform)?

SSP is a system that supports the maximization of advertisement effectiveness from the viewpoint of the media. It is a platform used by the media to manage and sell advertisement space and has the technologies to respond to real-time biddings from DSP.
This type of cost-effective advertising, based on the RTB technologies, which cleared the hurdles of optimization that were difficult to realize with conventional pure advertising is termed “performance-based advertising” and it is growing at a speed that is faster than that of Internet advertising as a whole.
In 2019, 79.8% of Internet advertising in Japan was performance-based advertising.



(Data from Dentsu "Japan's Advertising Market in 2019")

*Performance-based advertising: an advertising method which utilizes platforms that employ ad technologies processing vast amounts of data to provide automatic or instantaneous optimization of advertising. In addition to search engine advertising and some ad networks, major types include recently developed demand-side platforms (DSPs), ad exchanges, and supply-side platforms (SSPs). Performance-based advertising does not include ad space sales, tie-up ads, or affiliate advertising

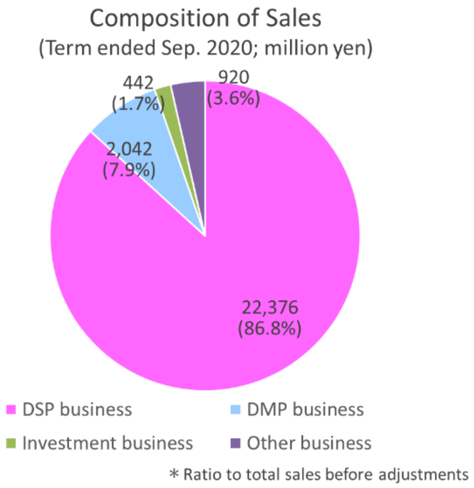
The company's RTB commercialized in Japan is currently only less than 10% in size of its US counterpart, but it is growing rapidly.
As seen here, "performance-based advertising" based on the remarkably fast-growing RTB technologies even within the Internet advertising, the sector showing the highest growth compared to the other media, is the company's main field. It is assuredly capitalizing on the robust demands and expanding its business operations.

In addition, while the company is actively working on expanding the overseas business mainly in Southeast Asia, as described later, the proportion of digital advertising expenses in the advertising market in each Southeast Asian country including Taiwan is also rising and the market is expanding continuously.

【1-4 Business contents】

1. Business segments

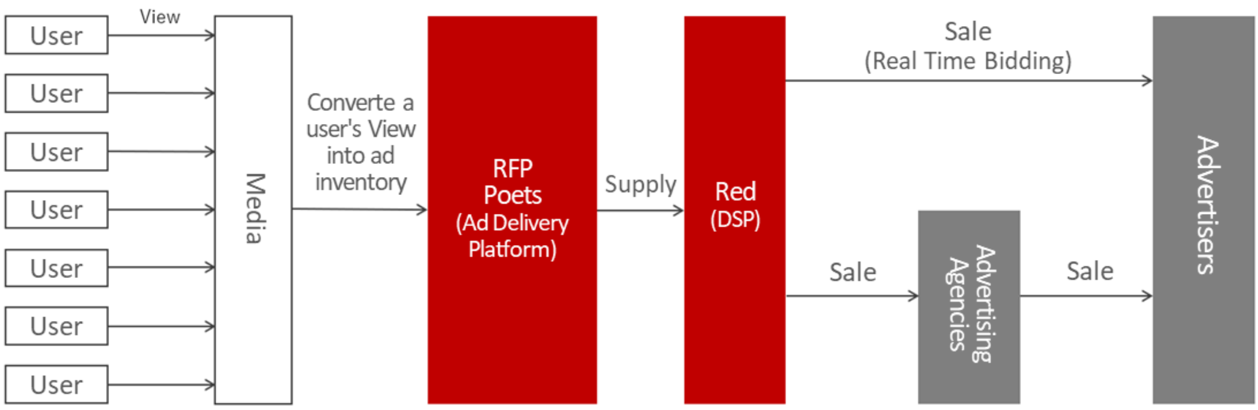
The business segments are "DSP business," "DMP business," "Other business," and "Investment business," which was added in the term ending September 2020. The business segments are 4 businesses.



①DSP business

Business model

The Group purchases ad spaces through SSPs, ad exchanges, and media, and provides internet ad spaces to advertisers and ad agencies.



(Reference material of the company)

Major products and services

The company aims to maximize the effect of ad distribution via DSP "Red" and "FreakOut," by utilizing big data such as access data to each advertiser's website, ad distribution data, membership data, and purchase data.

"Red" and "FreakOut" have various methods for ad distribution, in order for advertisers to target prospective customers. In detail, they distribute ads that choose targets based on the behaviors of consumers using the following methods: (1) methods such as "Audience Expansion" for reaching "those who do not know the advertiser's products/services (prospective customers)," (2) methods such as "Keyword Match" for reaching "those who know advertisers' products/services (people who have interests)," and (3) methods such as "Retargeting" for promoting "those who want advertisers' products/services (expected customers)" to take action by purchasing products, requesting a brochure, getting registered as a member, etc.

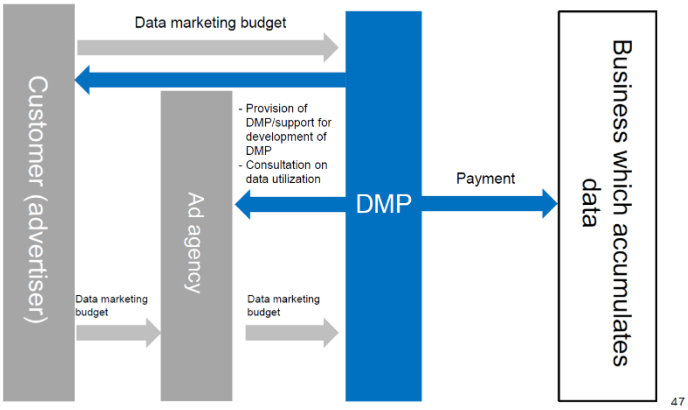
Product/service	Outline
Red	Marketing platform specializing in mobile devices, for which the cutting-edge technology for optimizing ad distribution was adopted with the aim of maximizing the effect of ads in the smartphone file, while considering the shift from PCs to smartphones for accessing the Internet, and the excellent stocks of ad spaces have been secured. Released in May 2016.

	Features: ・Mounted with the cutting-edge original engine for machine learning ・Securing of mobile and infeed ad spaces worth tens of billions of impressions, one of the largest scales in this field ・Securing of stocks of mobile ad spaces worth 130 billion impressions per month, one of the largest scales in this field The company will operate a platform that enables advertisers to reach their target customers efficiently through the mobile media globally in Japan, Southeast Asia, the Middle and Near East.
Red for Publishers	Technology and service package supporting sales, operations, development, and launching unique advertisement platform in terms of administrating the project for Premium Media (media with major traffic) and advertisers. Released in September, 2017. The media owners entrust the task of profit maximization through ad distribution to "Red for Publishers," so that they can concentrate on improving the content that they should originally be using resources for and attracting customers. Advertisers, too, are able to pursue further maximization of advertising value, which has always been the objective of "Red," by preferential connection of DSP "Red" to the advertisement space of excellent media owners. In addition to sales from the DSP business, "ad distribution system usage fee" received from the premium media is monetized. The latter contributes to profit largely as 100% of that fee becomes gross profit.
Freakout	It was developed as Japan's first DSP in 2010. It is used for various purposes, including the popularization of brands and sales promotion.
Poets	Premium advertising platform that can provide advertisement experiences without compromising the user experience by utilizing an advertisement format highly compatible with the content UI. Because it possesses carefully selected media that can be expected to maximize advertisement effectiveness in direct response, advertisers can obtain high advertisement effectiveness according to the target KPI through a format that matches with the content. In addition, it will use advertisement distribution technology of Red for Publishers to match media advertisers with high tender offers.
Trading desk service	Service aimed at improving the outcome of online marketing by advertisers. The company designs online marketing strategies utilizing new marketing technologies and supports the ad management, which is becoming more sophisticated and more complex.

②DMP business

DMP stands for Data Management Platform, which is a data integration management tool for managing and analyzing the data of access to advertisers' websites, ad distribution, membership, etc. and enabling the use of the data in cooperation with data utilization channels, for email distribution, analysis, surveys, etc.

In order to actualize the optimization of data marketing conducted by client companies and ad agencies, the company collects vast amounts of data from data providers, including media companies and research firms, and stores and analyzes data on DMP to provide the unique DMP for an enormous amount of public data, support the development of the DMP for large-scale portal sites, and offer consulting services utilizing the company's own data with optimal marketing channels, etc.



(Reference material of the company)

③Investment business

This segment was established in the term ending September 2020. The company has been investing in promising venture firms, and produced some results, but in order to expand its stable revenue base and improve corporate value, the company established the investment business department, to conduct investment activities systematically as business.

④Other business

This is a new business segment established in the term ended Sep. 2017, as the company shifted to the holdings company system. New businesses and business administration in the group companies inside and outside Japan are included in this segment.

【1-5 Group companies】

Under the management of the holdings company FreakOut Holdings, inc., establishes the corporate group.

As for the overseas business, they have been mainly operating the native ad platform business with FreakOut Pte. Ltd. (headquartered in Singapore) serving as the headquarters.
Since a native ad platform was released for the first time in Southeast Asia in 2015, the company has formed tie-ups with mainly the leading media in each country.
In the term ended September 2018, the company started offering services globally in 16 countries mainly in Asia. In the second half of the term ended September 2019, the company reorganized Playwire in the U.S. into a subsidiary, to enter English-speaking countries. The company is reviewing its business structure from FY9/19 to FY9/20 and is about to enter the growth phase again.

【1-6 Characteristics and strengths】

As mentioned above, in order to distribute ads to the right users and submit a bid at the best price, it is necessary to develop an extremely advanced algorithm and repeat machine learning based on a large amount of data to actualize "smart artificial intelligence (AI)." At this point, the company possesses a significant competitive advantage. Having good ad spaces is its advantage as well.

①The largest amount of data
Since the company commercialized the RTB technology for the first time in Japan, it possesses the largest amount of data in Japan. No matter how superior AI is, it will not grow to a practical and effective AI, unless machine learning is repeated with vast amounts of data. The company, which "knows about smartphone owners the most in Japan", with accurate data of 3 million users (5%) out of 60 million mobile users in Japan, it is possible to predict the thoughts and behaviors of the remaining 57 million users according to age and gender. Therefore, the satisfaction level of advertisers towards this strength of the company is high.

②Securing of good-quality ad spaces
After RTB debuted, the "smartness" of a platform in an open environment has become important, whereas the gap in technology levels shrank over a certain period of time. As a result, the quality and exclusiveness of ad spaces, in particular, became the major competitive conditions in the mobile field again.

③Active investment for developing a superior algorithm
For targeting advertisement, it is possible to win a bid by submitting the highest bid. As the company aims to expand sales, it wants to purchase as many ad spaces as possible, but if ad performance is poor, advertisers will not evaluate it highly, which will make it difficult to continue transactions with them.
This indicates that it is essential to produce reasonable results for clients even when the ad cost was high.
Therefore, the company has developed "a model for predicting rate of clicking" and "a model for predicting rate of conversion," boosting the capability of giving proposals to advertisers, and constantly carries out investment for further improving the accuracy of these models.
The data science team of the company has top-level abilities among Japanese mid-sized companies, so their accumulated active investment is leading to continuous high performance.

④Securing of talented personnel
In a survey called "popularity ranking of companies among the students of Tokyo and Kyoto Universities" conducted by a magazine, the company has been ranked high along with some renowned large IT companies, foreign financial institutions and other global manufacturers at 28th, which is 79 ranks higher than the previous year's 107th rank.
In addition to active utilization of the internship system to increase the contact points with students, possibilities to work in wider and new fields such as HR tech and Fintech despite having the adverting as the core business and being able to work with some renowned and excellent engineers of the industry as an engineer, are reasons why they are attracted to the company.
Also, the company considers the incentive system that evaluates the challenges to the maximum is one of the factors for its popularity.

【1-7 Capital and business alliance with ITOCHU Corporation】
FreakOut Holdings announced conclusion of a capital and business alliance with ITOCHU Corporation in December 2018.
FreakOut Holdings and ITOCHU Corporation cooperate with each other widely by combining a myriad of the tangible and intangible assets possessed by ITOCHU Corporation with the technology infrastructure of FreakOut Holdings, such as joint development of new services in the digital marketing field and expansion of business overseas mainly in Asia.

2. Fiscal Year September 2020 Earnings Results

(1) Overview of Business Results (Total)

	FY 9/19	Ratio to sales	FY 9/20	Ratio to sales	YoY	Forecast	Compared to Forecast
Sales	21,709	100.0%	24,878	100.0%	+14.6%	27,000	-7.9%
Gross profit	5,405	24.9%	5,806	23.3%	+7.4%	-	-
SG&A expenses	6,676	30.8%	5,595	22.5%	-16.2%	-	-
Operating income	-1,270	-	211	0.9%	-	200	+5.7%
Ordinary income	-1,497	-	-221	-	-	200	-
EBITDA	-491	-	510	2.0%	-	500	+2.2%
Net income	-3,512	-	-669	-	-	-	-

*unit: million yen

*Some data is calculated by Investment Bridge, and some data contained within this report may vary from actual results. (Applies to all data in this report)

Sales increased 14.6% year on year, and EBITDA turned into the black, recording 510 million yen.

In the term ended September 2020, sales increased 14.6% year on year to 24,878 million yen.

Due to the impact of the novel coronavirus, the domestic Internet advertising market witnessed declines in advertisers' budget, and in sales of services that require people's physical movement. However, since the summer, the sales of Red have been relatively favorable, and Poets has improved its business performance by achieving record-high sales and gross profit due to the increase in the number of views on the Internet media. In overseas, despite the impact of the novel coronavirus, Playwire rapidly restored its growth after the summer and enhanced its business performance strongly. Also, the Taiwanese subsidiary and Indonesian subsidiary are steadily contributing to profits. Furthermore, Honda Shoji and FreakOut's Chinese subsidiary, which operate global app advertising business, are steadily developing their businesses, contributing to profits after the novel coronavirus's impact subsided temporarily.

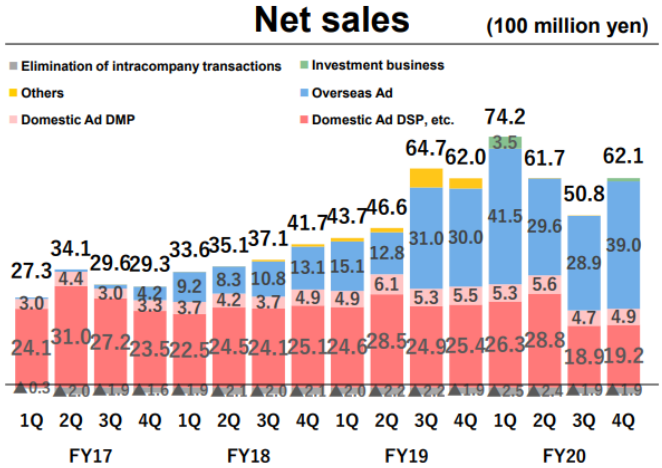
Operating income improved from a loss of 1,270 million yen in the same period of the previous year to a surplus of 211 million yen. Gross profit margin fell from 24.9% in the same period of the previous year to 23.3%, but SG&A expenses sharply declined.

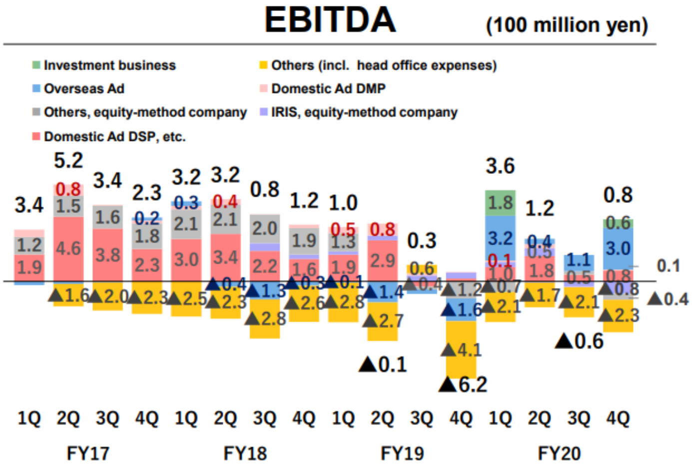
Among equity-method affiliates, IRIS, which provides digital signage in taxis, was temporarily in the red due to a decrease in people's physical movement caused by the effects of the novel coronavirus infection. This resulted in an ordinary loss of 221 million yen (the previous term's loss was 1,497 million yen).

EBITDA returned to a surplus of 510 million yen from a loss of 491 million yen in the previous term.

Quarterly changes are shown in the figures below. Through businesses such as DSP for domestic advertising, EBITDA has recovered to the level before it was affected by the novel coronavirus. Overseas advertising increased drastically in both sales and EBITDA due to the significant growth of Playwire. On the other hand, the equity-method affiliate IRIS has been in the red since the third quarter.

Trends in Consolidated Net Sales and EBITDA





(Reference material of the company)

(2) Trends by segment

Sales and Profit by Business Segment

	FY 9/19	Ratio to sales	FY 9/20	Ratio to sales	YoY
DSP business	18,461	83.8%	22,376	86.8%	+21.2%
DMP business	2,188	9.9%	2,042	7.9%	-6.7%
Investment business	-	-	442	1.7%	-
Other business	1,378	6.3%	920	3.6%	-33.2%
Groups and adjustment	-318	-	-903	-	-
Consolidated Sales	21,709	100.0%	24,878	100.0%	+14.6%
DSP business	-284	-	745	3.3%	-
DMP business	128	5.9%	39	1.9%	-69.0%
Investment business	-	-	180	40.9%	-
Other business	-1,116	-	-159	-	-
Adjustments	2	-	-595	-	-
Consolidated Operating Income	-1,270	-	211	0.9%	-

*Unit: million yen

*The ratio shown in the operating income is profit margin.

DSP business

Sales were 22,376 million yen, up 21.2% year on year, segment profit was 745 million yen, up 171 (a loss of 284 million yen in the previous term) and EBITDA was 1,015 million yen, up 170.0% year on year.

By offering the mobile marketing platform “Red,” the system for supporting the development and operation of ad platforms “Red for Publishers,” native ad platforms, and trading disks, the company worked on the maximization of the effects of ads for advertisers and the revenue of media providers.

Overall, the impact of the novel coronavirus was a factor in reduced sales and gross profit. However, Poets steadily drove the growth of earnings, and Red also performed well after the summer, which supported the business performance. As for the overseas subsidiaries, Playwire strongly contributed to the overall business performance, and Honda Shoji Co., Ltd., which operate adGeek and global app advertising business, and a Chinese subsidiary turned profitable. This strengthened profits overseas as a whole.

As for the impact of the novel coronavirus, the impact is gradually becoming limited, but sales and gross profit declined for products that require people's physical movement, and for some overseas bases where the effect of the novel coronavirus is relatively strong.

DMP business

Sales were 2,042 million yen, down 6.7% year on year, profit was 39 million yen, down 69.0% year on year, and EBITDA was 43 million yen, down 70.7% year on year.
In this business, the subsidiary Intimate Merger, Inc. solves marketing issues of client companies by utilizing data.The economic slowdown caused by the novel coronavirus curbed advertising expenses for the company's customers in specific industries centered on the travel and the entertainment industry. However, orders from customers who have resumed operations have recovered since June, and the number of customers showed a slight improvement.

Investment business

Sales were 442 million yen, profit was 180 million yen, and EBITDA was 175 million yen.
This segment was established in the term ended September 2020. The company has been investing in promising venture firms, and produced some results, but in order to expand the stable revenue base and enhance corporate value from the term ended September 2020, the company established the investment business department, to carry out investment activities systematically as business. In the first half of this term, the company sold some shares for existing invested businesses.

Other business

Sales were 920 million yen, down 33.2% year on year and segment loss was 159 million yen (in the previous term, a loss of 1,116 million yen posted) and EBITDA was negative 128 million yen (in the previous term, negative 1,018 million yen).
In the other business segment, the company offers business administration functions in the group companies inside and outside Japan. As overseas footholds increased mainly through M&A project, the company strengthened its management system, and received dividends from overseas subsidiaries, etc.

Impact of the novel coronavirus

«Re-acknowledging the normal earning power»

Compared to the previous term's sales of 1.46 billion yen and EBITDA of 300 million yen, overseas sales, centered on Playwire, went down considerably. On the other hand, gains of the equity-method affiliate IRIS declined from the third quarter. In Southeast Asia, which the impact of the novel coronavirus has not been gauged this time from the viewpoint of importance, the novel coronavirus's negative effect is lingering.

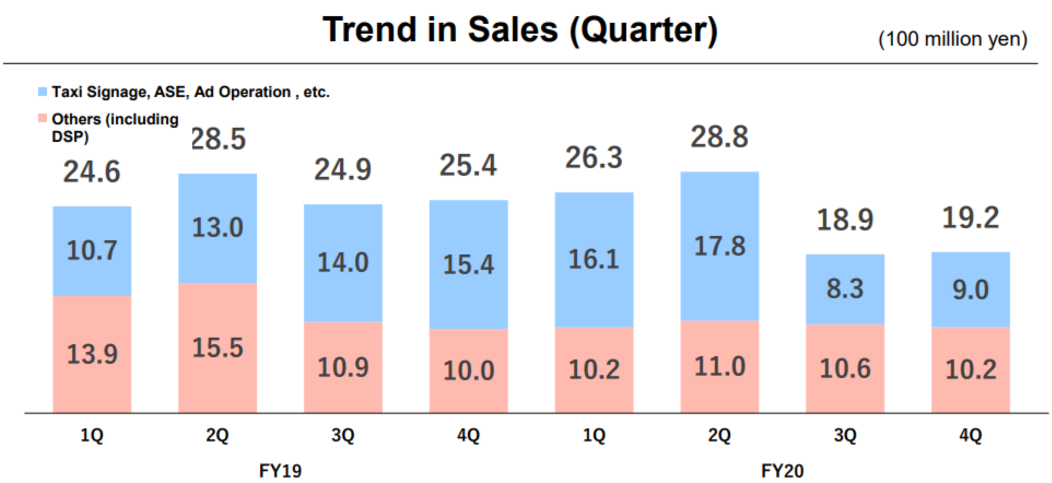
(100 million yen)

	(1) 4Q Results		(2) Amount affected by the COVID-19 pandemic		(1) + (2) = (3) Quality of earnings	
	Net Sales	EBITDA	Net Sales	EBITDA	Net Sales	EBITDA
Domestic Ad_DSP, etc. + DMP	23.9	0.9	8.5	0.9	32.4	1.8
Overseas Ad	39.0	3.0	0.3	0.1	39.3	3.1
Other (including equity-method company and head office expenses)	▲0.8	▲3.0	-	1.4	▲0.8	▲1.6
Total	**62.1**	**0.8**	**8.8**	**2.4**	**70.9**	**3.2**

(Reference material of the company)

«Breakdown of domestic advertisement_DSP etc.»

The business areas in blue, which have fallen sharply due to the impact of the novel coronavirus on or after the third quarter, consist of (1) sales related to taxi signage, (2) sales of ASE, and (3) sales of advertising operations. Of these three businesses, sales of (2) and (3) have improved considerably, and (1) has declined from the previous quarter. The situation is almost flat in total. Moreover, sales of other DSPs excluding these three, have been almost unchanged. As for the sales breakdown, Poets performed quite well in the third quarter, but it has decreased slightly in this quarter. On the other hand, sales of the mainstay DSP have recovered considerably. The areas whose sales are declining or dropped from the third quarter have a relatively low gross profit margin. Compared to this, the businesses that have remarkable recovery in sales tend to have a high gross profit margin. Thus, EBITDA is improving more than sales in this quarter.



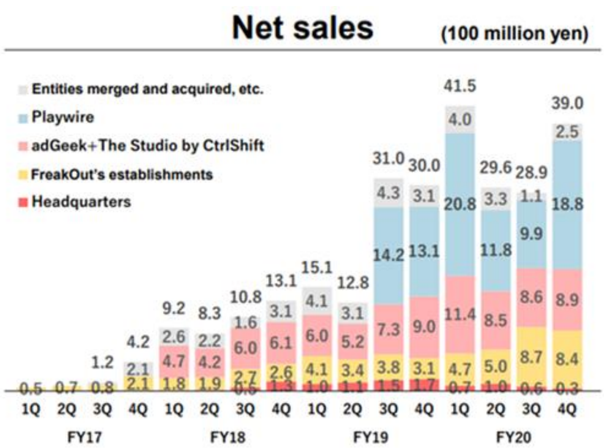
(Reference material of the company)

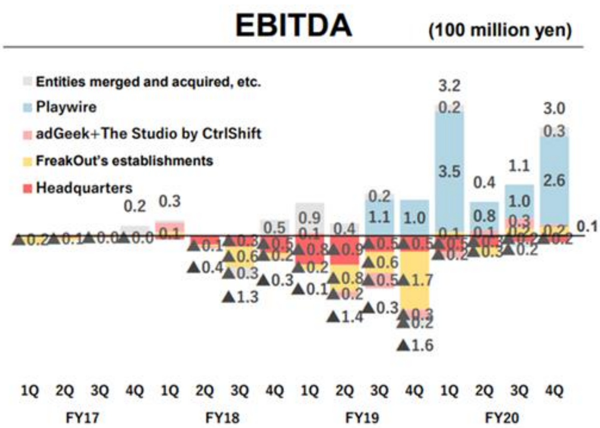
Except for some businesses, the impact of the novel coronavirus has diminished considerably. Profitability centered on Playwire has continued to improve, and it is believed that the company can continue a healthy growth process overall.

Overseas advertising business

Playwire, which occupies the largest share in the company's business portfolio, usually records the majority of EBITDA of the year in the year-end season of the first quarter. At the beginning of the year in the second quarter, Playwire's EBITDA falls. The third quarter tends to be moderate, but the fourth quarter tends to perform not so well, which fell on the summer vacation season. Among these tendencies, this third quarter witnessed a considerable decrease in sales year on year due to the novel coronavirus. On the other hand, because of quick cost reduction, the company firmly maintained the EBITDA. In this fourth quarter, the United States' advertising demand almost went back to the usual level and the acquisition of relatively large-scale multiple media progressed. In addition, since the impact of cost reduction remains, the company recorded sales and EBITDA that have never been achieved before in the fourth quarter. This is not a result of temporary measures, but a result of extensive sales and EBITDA growth due to ordinary business activities. As the company foresaw a win in the Playwire business centered on North America, it plans to invest, focusing on further personnel enhancement, and proceed with the business to maximize profits in the term ending September 2023 (details are provided in the next medium-term management plan stated below). Also, adGeek and other M&A projects were also affected by the novel coronavirus and the summer vacation season. Still, they managed to maintain a total EBITDA of 40 million yen and profitability. Moreover, the company's bases are also monetizing mainly in the global app advertising business (Chinese corporation and Honda Shoji), and have continued to be in the black.

Sales of overseas and breakdown of EBITDA





(Reference material of the company)

(2) Financial condition and Cash Flow

Main BS

	September 2019	September 2020		September 2019	September 2020
Cash and deposits	5,690	9,916	Trade payables	2,854	3,065
Trade receivables	4,454	4,340	Short-term loans payable	3,358	3,354
Current assets	14,511	16,492	Current liabilities	11,498	12,275
Property, plant and equipment	239	180	Long-term interest-bearing debts	6,809	5,608
Intangible assets	2,615	2,302	Total liabilities	18,353	17,959
Investment securities	5,830	4,635	Net assets	5,885	6,356
Investments and other assets	6,872	5,340	Total liabilities and net assets	24,239	24,316
Noncurrent assets	9,727	7,823	Balance of interest-bearing debts	10,168	8,962

*unit: million yen

*Interest-bearing debts = loans + lease obligation

Total assets at the end of the term ended September 2020 were 24,316 million yen, up 77 million yen from the end of the previous term. This was mainly due to a rise in cash and deposits of 4,226 million yen, even though accounts receivable decreased 3,186 million yen.

Liabilities were 17,959 million yen, down 393 million yen from the end of the previous term. This was mainly due to an increase of 3,027 million yen in convertible bonds with stock acquisition rights even though there was a decrease of 3,488 million yen in accounts payable. After the end of the term ended September 2020, the first series of convertible bonds with stock acquisition rights of 4.5 billion yen, which expired on October 5, 2020, have been redeemed.

Net assets were 6,356 million yen, up 470 million yen from the end of the previous term. This was mainly because (1) non-controlling shareholders' interest rose by 291 million yen through a capital increase due to a consolidated subsidiary's listing, and (2) the increase of the capital and retained earnings by 314 million yen through the exercise of the 10th stock acquisition rights, which was among the fundraising initiatives the company conducted in June 2020, despite a decrease in retained earnings of 669 million yen due to a net loss attributable to owners of the parent.
Capital-to-asset ratio was 18.9% (18.2% at the end of the previous term).

Cash Flow

	FY September 19	FY September 20	YoY	
Operating cash flow（A）	1,759	844	-914	-52.0%
Investing cash flow （B）	-5,352	-684	+4,667	-
Free･Cash Flow（A＋B）	-3,592	160	+3,753	-
Financing cash flow	6,130	4,088	-2,041	-33.3%
Cash and Equivalents at the end of term	5,690	9,916	4,226	+74.3%

*Unit: million yen

At the end of the term ended September 2020, cash and cash equivalents rose by 4,226 million yen from the end of the previous term to 9,916 million yen.
Operating CF was an inflow of 844 million yen (an inflow of 1,759 million yen in the previous term). This was mainly due to a recording of depreciation expenses of 273 million yen, an increase in the allowance for doubtful accounts of 271 million yen, and a rise in trade payables of 267 million yen.
Although the company recorded an income of 748 million yen due to investment securities sales, investing CF was an outflow of 684

million yen (an outflow of 5,352 million yen in the previous term). This was mainly because the expenses related to the sales of shares of subsidiaries resulting in a change in the scope of consolidation were 847 million yen, and the purchase of investment securities were 550 million yen.
Financing CF was an inflow of 4,088 million yen (an inflow of 6,130 million yen in the previous term). This was mainly due to an income of 2,916 million yen from the issuance of the second and third series of bonds with stock acquisition rights, and 1,396 million yen from long-term loans.

3. Fiscal Year September 2021 Earnings Estimates

(1) Full-year earnings forecast

	FY 9/20	Ratio to sales	FY 9/21 (forecast)	Ratio to sales	YOY
Sales	24,878	100.0%	27,000	100.0%	+8.5%
Operating income	211	0.9%	200	0.7%	-5.4%
Ordinary income	-221	-	100	0.4%	-
EBITDA	510	2.0%	600	2.2%	+17.4
Net income	-669	-	undecided	-	-

*Unit: million yen

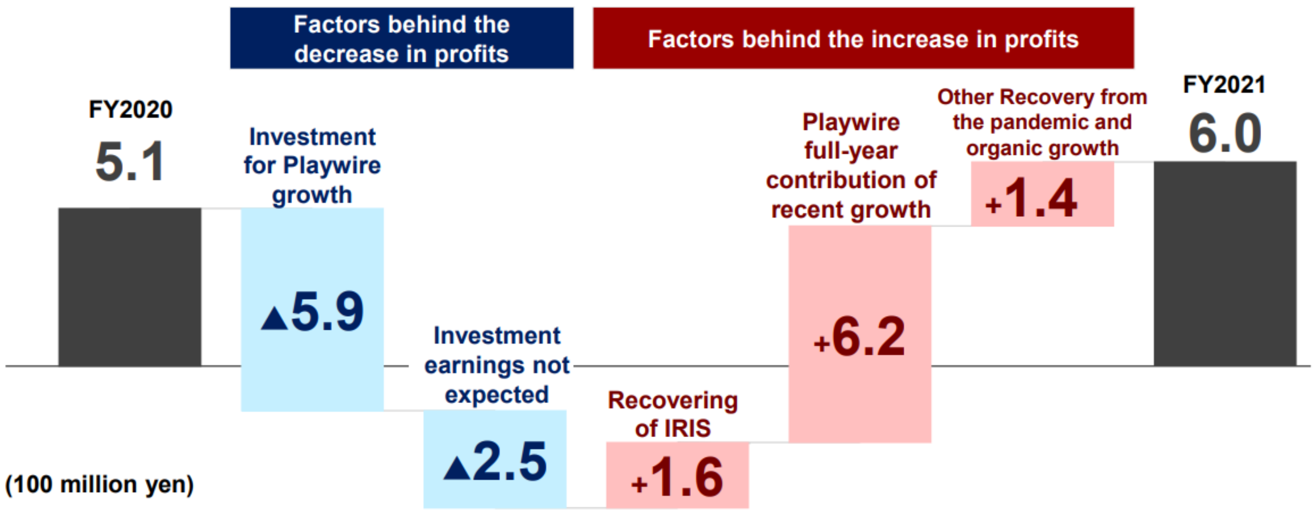
For the term ending September 2021, sales are estimated to rise 8.5% and EBITDA is expected to rise 17.4%.

In the term ending September 2021, the company plans to increase sales by 8.5% year on year to 27 billion yen, record an ordinary income of 100 million yen (a loss of 221 million yen in the previous term), and improve EBITDA by 17.4% year on year to 600 million yen.

In the domestic Internet advertising market, which is expected to continue to grow, the company will promote profit generated by RED for Publishers and Poets in addition to the DSP business, which is the company's existing main business. Moreover, the company intends to accelerate growth by active promotion of tie-ups with ITOCHU Corporation, large-scale alliances to acquire new premium media, and diversification of the digital signage business. In the overseas Internet advertising market, which shows remarkable growth, Playwire, which operates mainly in North America, is growing rapidly. In the term ending September 2021, the company will focus on investing in Playwire, mainly in personnel, and maximizing its profits. It will also strengthen profitability by further selecting businesses and bases in major Southeast Asian and South Asian countries that have entered the profit acquisition phase. Furthermore, by utilizing the company's technological base, it will continue to invest in the Internet advertising business and in the FinTech and Retail Tech fields to improve corporate value for the future.

On the other hand, although the novel coronavirus's impact will continue after October, the company is heading toward gradual recovery. However, if the spread of the novel coronavirus progresses, it may affect customers' businesses and earnings, which will lead to a decrease in advertising placement that may affect the company's business and earnings.

Increase/decrease factors of EBITDA



(Reference material of the company)

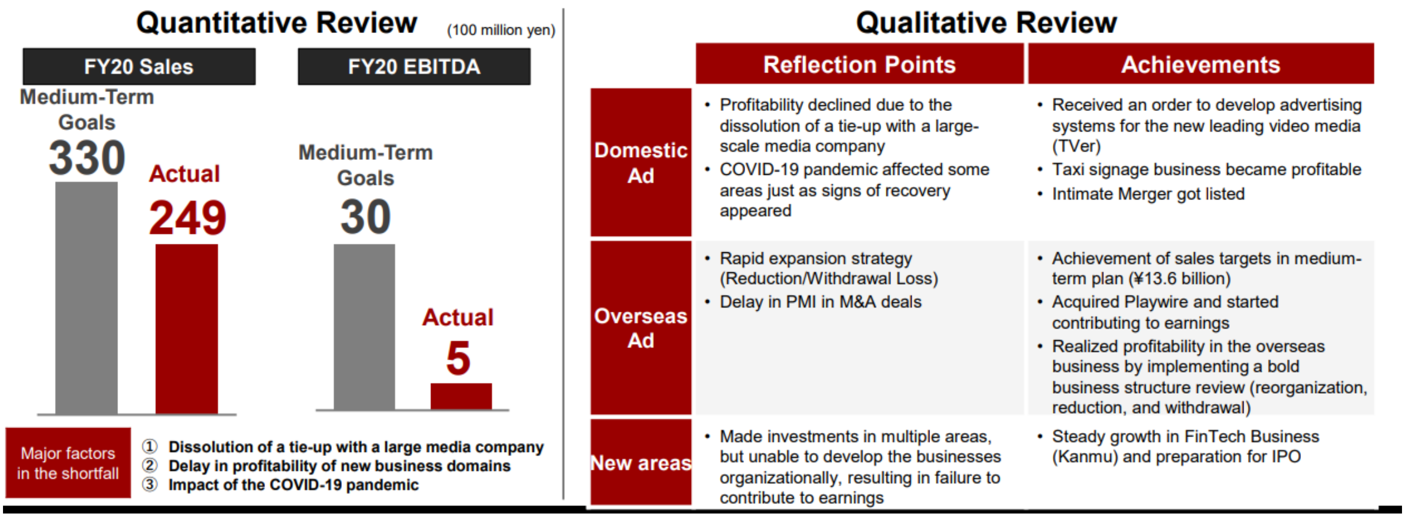
4. Overview of the New Medium-term Plan

◎ Reviewing the Previous Medium-term Plan (from FY 9/18 to FY 9/20)

✓ Quantitative targets (FY20 sales of 33 billion yen and EBITDA 3 billion yen) were not achieved.

✓ On the other hand, businesses have been prepared that can become the next main source of earnings, such as Playwire and Kanmu.

✓ The redemption of CBs, which had been a concern, was completed, and the Company is ready to take on the challenge of the new medium-term management plan (extending the previous medium-term management plan).



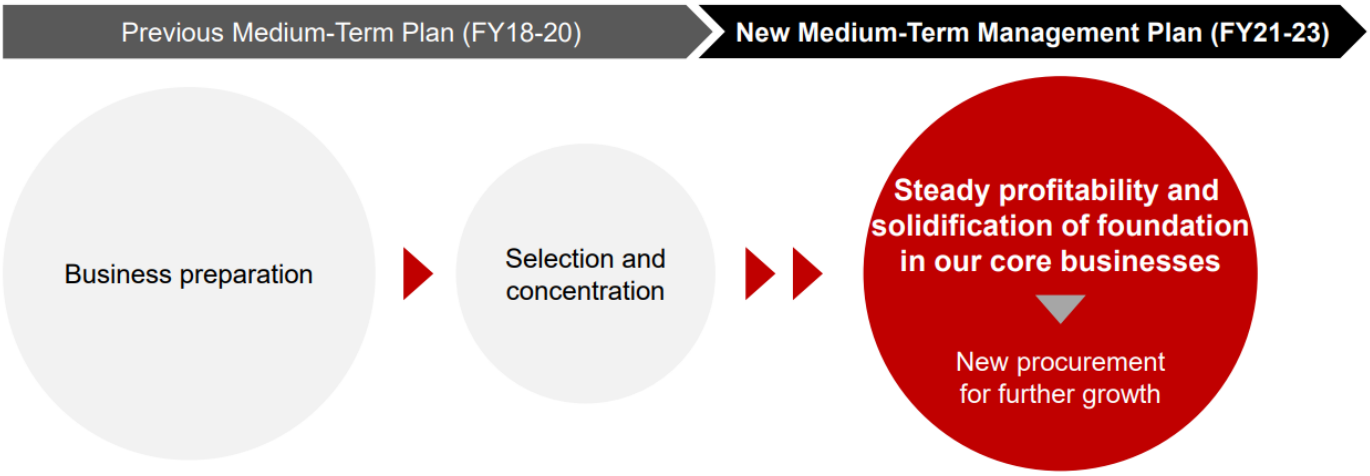
(Reference material of the company)

The major factors were (1) the dissolution of the alliance with a certain large-scale media platform. This was a transaction in which the quarterly equity-method investment profit was about 200 million yen, and the quarterly gross profit of DSP and such was about 350 million yen at the peak. The termination of this alliance had a considerable impact, because it was a business that would become a stable revenue base even if there was a slight decline. (2) Regarding the businesses in new fields, although Kanmu, Inc. is growing very steadily at the moment, it has not become a consolidated subsidiary. In addition, FreakOut has been operating new businesses through several other companies. Still, they have not contributed to profits, and all of them are out of the consolidated group due to liquidation, sale, and buyout by management. These companies' inability to generate the initially expected profits led to the shortfall of the target figures. (3) The novel coronavirus caused a certain impact in the term ended September 2020. Due to these three main factors, the targets of the previous medium-term plan remain unaccomplished with a huge drag.

On the other hand, the company has already taken steps where it was needed, centering on the withdrawal of unprofitable bases and businesses. As a result, due to the termination of the alliance with a certain media platform, and the impact of the withdrawal loss and the impairment of goodwill related to unprofitable businesses, a fairly large loss occurred in the term ended September 2019. However, operating income and EBITDA returned to profitability in the term ended September 2020, despite the impact of the novel coronavirus. Moreover, the company steadily completed the preparation of businesses that will be the pillars of earnings during the next medium-term management plan, such as Playwire in North America and Kanmu. On the financial side, the issue of the redemption of bonds with stock acquisition rights (CB), which were implemented with the target of converting prices to achieve the previous medium-term management plan, arose due to the failure to achieve the plan. However, these were successfully redeemed. Hence, FreakOut is ready to take on the challenges of the next medium-term plan period.
To sum up, although the previous medium-term plan was substantially unaccomplished, mainly due to the termination of the alliance with certain media platform, the company succeeded in accomplishing some results regarding creating a profit base that does not rely on this alliance.

◎ New Medium-term Plan (from FY 9/21 to FY 9/23) Basic Policy

Extension of the Previous Medium-Term management Plan: Challenge the targets of the previous Medium-Term Management Plan, which were not achieved.
The previous medium-term plan is positioned as a period for preparation, and the new plan will be a period for **monetization and solidification of the foundation.**

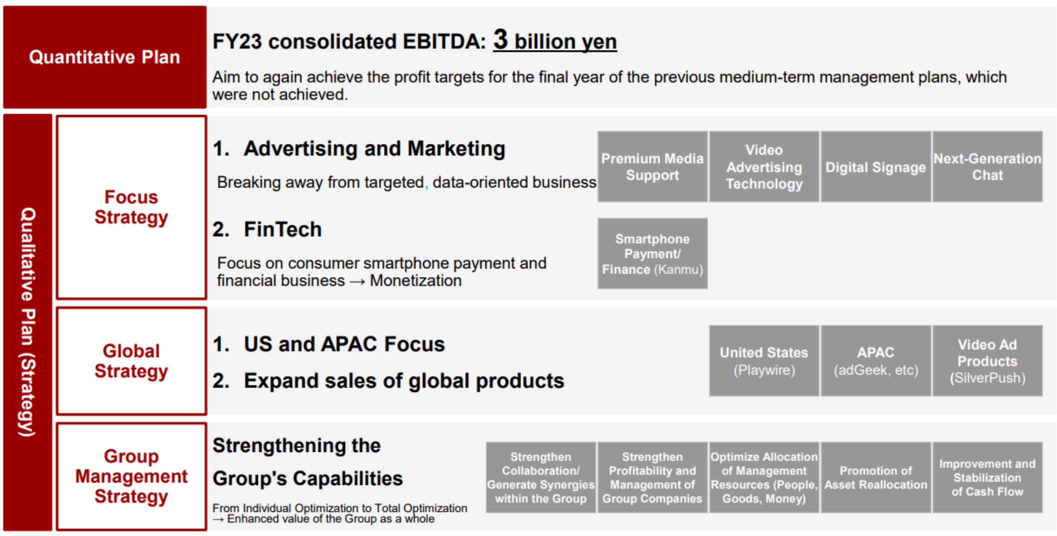


(Reference material of the company)

In the first half of the previous medium-term plan (FY 9/18 to the first half of FY 9/19), the company intensively invested in new businesses, including overseas businesses. It has been involved in many new businesses, base developments, and acquisitions. Among them, in the second half of the previous medium-term plan (the second half of FY 9/19 to FY 9/20), the company has sorted out the areas growing steadily, which the company should focus on more, and the areas that are difficult to sustain.

In the new medium-term plan, the company will further focus on the businesses that have produced tangible results in the previous medium-term plan. In other words, it will invest more management resources and renew the organization of these businesses. As a result, the businesses will expand further, and new investments will be channeled into related areas.

◎New Medium term Plan Summary

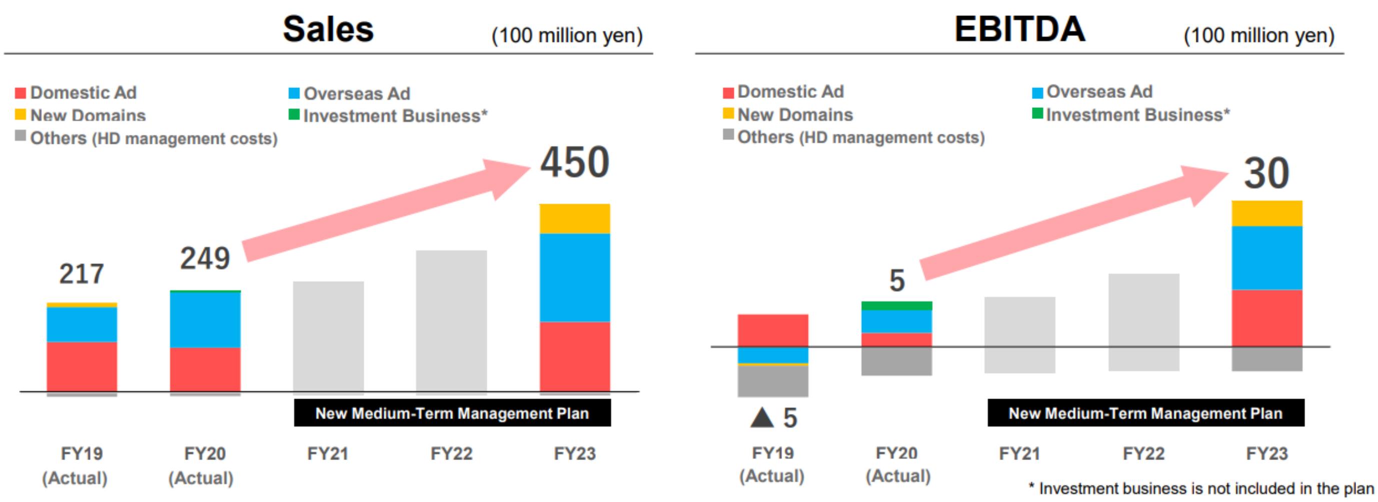


(Reference material of the company)

Quantitatively, the EBITDA target for the term ending September 2023 was set at 3 billion yen. The company will once again aim to achieve the goals that were not accomplished in the previous medium-term plan. Profit from the investment business, which had already had an impact even in the term ended September 2020, is projected to continue to be an additional factor. Yet, it is not included in the plan because it is difficult to predict the timing of profit recording. Thus, the profit target only includes business profit.

Qualitatively, the company plans to further focus on the advertising and FinTech areas that expanded in the previous medium-term management plan, and on overseas, including the United States, which are already growing steadily. In terms of group management, since the company has determined the focusing areas, it will shift from individual optimization to overall optimization. Specifically, FreakOut will create synergies across countries and optimize management by improving traffic efficiency of people and money, which is required for global corporate management. Through these efforts, it will aim to increase the profitability of the entire group.

◎Quantitative Plan



(Reference material of the company)

The profit in the term ending September 2021 are perceived to be unchanged from the profit level in the term ended September 2020. A big factor of this is investments centered on increasing the number of employees in Playwire. Playwire's growth is extremely fast, and success in the vast market of English-speaking countries centered on North America can be foreseen. Based on this, the company decided to invest more, especially in personnel to maximize Playwire's profits in the term ending September 2023. While continuing this growth investment, the company aims to steadily monetize the business as a whole in the term ending September 2021 without depending on the profit from the sale of securities.

As for the term ending September 2022, based on the potential growth in the term ending September 2021, and the degree of achievement of the targets for the term ending September 2023, the company might curb investment a little if the company's performance went well. Suppose the company falls behind in terms of growth, the company projects that there will be an adjustment phase where it will make additional necessary investments in necessary businesses while observing the profit status. On the other hand, although no decision has been made at this point, if the company performs well, it will aim to start consolidation of new group companies such as SilverPush, Kanmu, and Jent from the latter half of the term ending September 2022 to the term ending September 2023. Therefore, the company's plan to achieve an EBITDA of 3 billion yen is to accomplish a growth curve where profits will increase slightly in the term ending September 2021 to the term ending September 2022. Then, profits will rise in a non-linear manner from that point to the term ending September 2023.

◎ Qualitative Plan: Overview of Focus Strategy

Breaking away from targeted, data-oriented businesses

Targeting ads using data will become increasingly difficult in the future, as evidenced by growing awareness of privacy protection and platformer policies making it difficult, for example, to "sell low-quality media at high prices through retargeting." Under such circumstances, the question for future advertising businesses is: What are the policies and how well prepared are they?

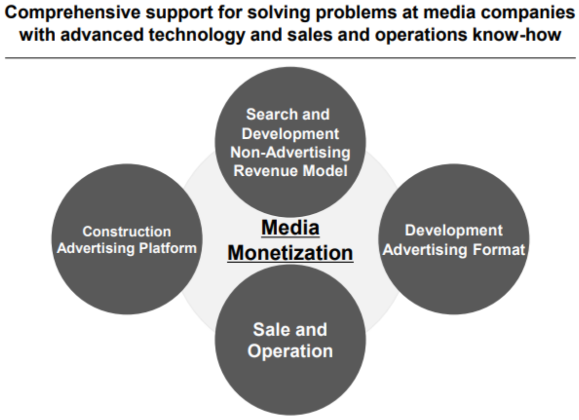
(Reference material of the company)

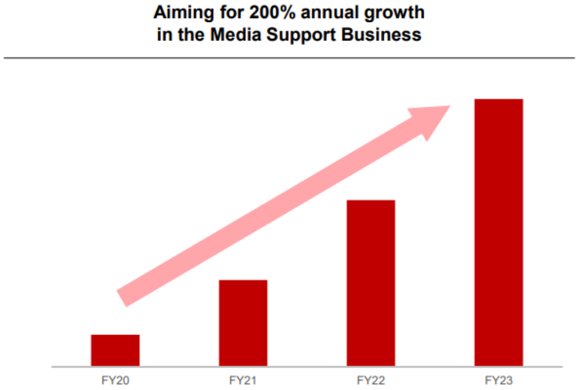
There is no doubt that the DSP business, which is their leading business that the company had continued since its establishment ten years ago, is based on targeting technology utilizing user data. This has made it theoretically possible to sell ad spaces at high price even if it is not a premium media platform, because high advertising effectiveness can be expected by using high-quality user data. However, due to this, some advertising companies sold extremely low-quality media, and in extreme cases, even ad spaces on illegal sites. This issue has been highlighted by the media, such as TV, and has been viewed as a social problem. As a result, excessive privacy awareness rose among Internet users, and major platformers have also laid stricter data usage rules for advertising companies. This tendency is expected to become more rigid in the future. Advertising companies are under pressure to break away from the user data-oriented business, and concrete solutions for this issue are being demanded from them. Targeting advertising using user data will become more difficult in the future. For example, it will become hard to sell low-quality media at a high price with retargeting strategies, due to heightened awareness of privacy protection and platformer policies.

Under such circumstances, FreakOut has expanded its business centered on transactions with premium first-class media through its services, such as providing an advertising system to several well-known leading platformers in Japan. Thus, the company has stayed away from the business policy of selling low-quality media at a high price using user data. Also, aside from the Internet, all operating companies in the group have been working with a high level of commitment to "premium manufacturing," such as creating a premium atmosphere inside taxis through advertising. As it is becoming more difficult for advertising companies to utilize user data, the company chose its slogan for its medium-term management plan to be; Focus on the good stuff. The company decided to share their concept of focusing on dealing only good things while keeping their high moral standards as they have been doing so far, throughout the group, including overseas subsidiaries. Based on this concept, the company has set up four strategies that focus on handling premium services away from user data dependence, in its main business of advertising.

◎ Qualitative Plan: Focus ① Premium Media Support

Comprehensive support for monetization of media companies
Supporting monetization by comprehensively solving issues faced by media companies,
such as new media development,
advertising format development, and the development of revenue models other than
advertising.

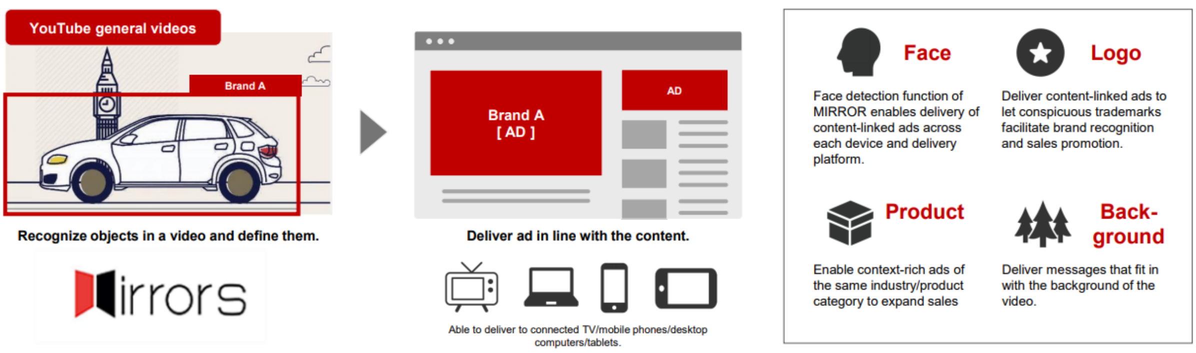




(Reference material of the company)

◎ Qualitative Plan: Focus ② Video Advertising Technology

Provision of Contextual Advertising to Video Media through SilverPush Mirrors Achieve advanced targeting that independent from user data in the expanding video advertising market

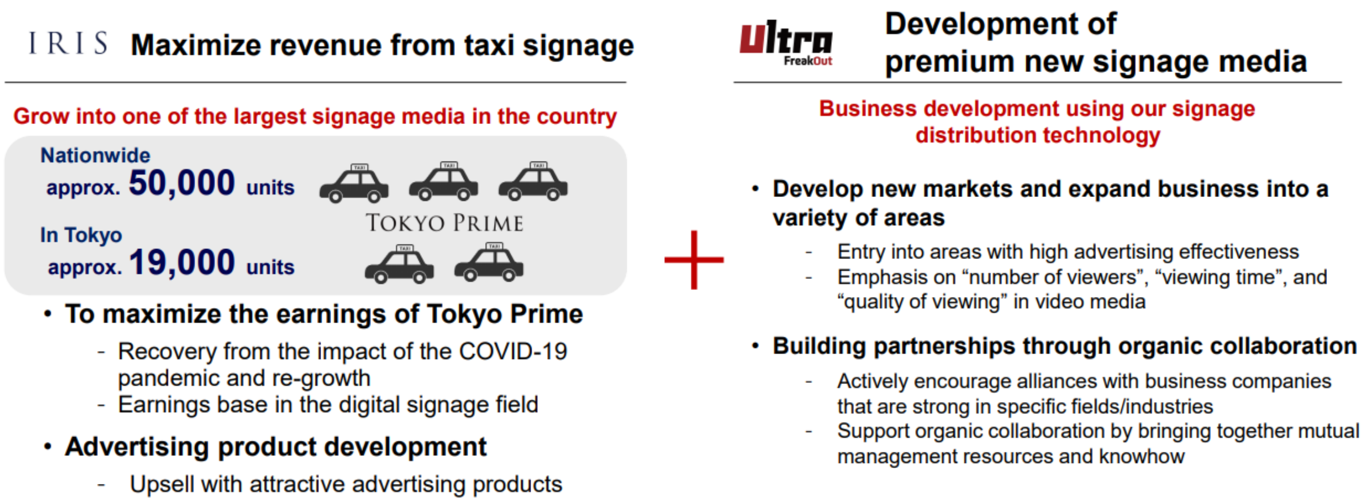


(Reference material of the company)

•Video analysis technology using AI enables distribution with definitions that complement the functions of OTT video media advertising, such as logos, people, and expressions.
• Optimal advertising communication on content can also be used for brand safety.
• Started full-scale development in the Japanese market and promoted collaboration in Southeast Asia.

◎ Qualitative Plan: Focus ③ Digital Signage

Develop a new signage market with FreakOut signage distribution technology.
Along with maximizing revenue from taxi signage, digital signage will be a core business.



(Reference material of the company)

◎ Qualitative Plan: Focus ④ Next-generation Chat

Investment and business development in next-generation chat technologies

In anticipation of the future, when chat will become the standard for consumer contact, companies will invest in and commercialize technologies that enable a higher level of customer service than the simple chatbots of the past.

(Reference material of the company)

◎ Qualitative Plan: Focus ⑤ Kanmu

Becoming a New Pillar of Earnings through Continued Steady Growth
Continuous investment since 2017 (total over ¥3 billion).
In the future, the company plans to make it a consolidated subsidiary when it reaches profitability

Solve psychologically unbanked issues through software

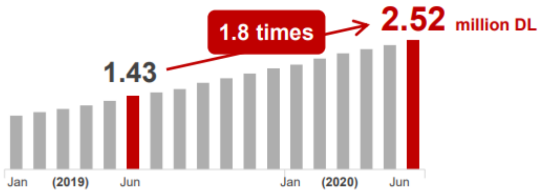
- Provides Vandle Card, **a Visa prepaid card that can be created by anyone** who does not have or is willing to hold a credit card.
- **“Charge with a click” enables recharges for deferred payments.**

1. **Anyone can create it quickly.**
2. **Confirm it quickly.**
3. **Make payments later.**

Kanmu VANDLECARD

Steady growth in both number of downloads and LTV

- **The cumulative number of downloads increased to 2.52 million** (at the end of June) followed by the COVID-19 pandemic.
- **LTV reached a level that clearly exceeds acquisition costs.**



- Raised 1.13 billion yen from Seven Bank in August 2020. We will continue to use the funds to invest in advertising to increase the number of members.

(Reference material of the company)

◎ Qualitative Plan: Global Strategy

Focus on expanding the profitability of the U.S. and APAC businesses
Develop video advertising products (SilverPush) globally

APAC

adGeek

- Strengthen basic profitability by expansion of service menu (media, products, and consulting)
- To the core company in the APAC business

silverpush

- Start full-scale expansion into the U.S. and Japanese markets
- Strengthen sales in the Southeast Asian market through FreakOut subsidiaries

FreakOut China FreakOut Taiwan FreakOut dewina Indonesia

- Selection and concentration (countries/regions, products)
- Promoting group Synergies and contributing to earnings

United States

playwire (R) Revenue Intelligence

- Web media monetization support business is growing strongly
- Aim for significant growth by expanding target media fields and launching businesses for apps, in addition to organic growth in areas of expertise, such as entertainment and education
- FY21 is a year in which we are preparing to grow while securing a certain level of earnings, and we are planning to make a leap forward in FY22-23.

- **Aim toward an IPO on the Nasdaq in the future**
- **Plan for full-scale expansion of business domains of the FreakOut group in the U.S. market in the long term using the company as a foothold**

(Reference material of the company)

FreakOut's corporate philosophy is; Give People Work that Require a Person. Their mission is to accomplish this globally. During the previous medium-term plan (FY 9/17-FY 9/20), in addition to expanding its bases, it acquired many companies through M&A centered in ASEAN, and has sold or liquidated some of them. The company aims to establish clear added value and strengths for all overseas group companies, secure profitability, and gain a presence in each country by 2023. FreakOut plans to fully promote alliances and synergies between these companies once each company secure their profits. Therefore, during the new medium-term management plan up to 2023, the company will first focus on expanding each business's profits. Among the group companies, Playwire in the United States has been performing well in the media's monetization support business. It is foreseen that it will grow further in the future. Thus, the company will boldly invest resources as much as possible in it, and expand its system to increase profits. Furthermore, the company intends to proceed with its efforts with filing for IPO in NASDAQ. For Playwire to grow with high competitiveness in the global market as a product company, the company intends to use Playwire as a foothold to gain a presence in the U.S. market. The U.S. business is critical in the new medium-term management plan.

In the APAC business, FreakOut will establish core competencies and expand the fundamental profitability of companies such as adGeek in Taiwan, digitiv in Thailand, and dotgf. Furthermore, it will deepen its collaboration with SilverPush, which has video analysis and advertising technologies.

◎ Qualitative Plan: Group Management Strategy

Strengthening the Group's Capabilities
Aiming to increase the entire group's value through management that is more conscious of overall optimization as a group. To increase the investment capacity in growth areas, the company will focus more on cash flow and strive to improve and stabilize it.

(Reference material of the company)

In the previous medium-term management plan, many issues needed to be improved in terms of creating synergies for the entire group, allocating management resources (including personnel rotation), and handling some group companies (including profit and loss management). To deal with these issues more smoothly, the company changed its structure to a holdings company system four years ago. Still, the previous medium-term management period passed without fully improving these issues.

In the new medium-term management plan, the company will reflect on this, and change the organizational structure drastically to rotate the excellent human resources within the group, manage the profit and loss of group companies from quantitative and qualitative aspects, and create synergies.

Moreover, as some listed companies have emerged within the group, the company will aggressively sell the non-core businesses to concentrate their investment on core businesses. The company has already sold several securities in the term ended September 2020. It was also recently decided that in the term ending September 2021, they will sell the shares of Intimate Merger, Inc. as a start. This does not deny the growth potential of the businesses to be sold. The decision to sell these businesses reflects the willingness to sell assets with a high possibility of cashing and have entered a stable operation phase, considering them by the priority level, as the company will invest intensively in areas with extremely high growth potential.

5. Conclusions

In the term ended September 2020, despite being affected by the novel coronavirus, operating income and EBITDA exceeded the company's estimates, showing that the company was able to survive the crisis although it had struggled. Profit is expected to remain at a low level due to upfront investment in Playwire in the term ending September 2021. Although the novel coronavirus's influence has become minor, a new wave of infection is coming in Japan and overseas. However, it is reasonable to assume that the company will not face the same situation as in the second half of the term ended September 2020 since all countries are working to curb the entire spread of infections while keeping the economy going. Under these circumstances, a new medium-term plan was announced. While the performance in Japan is expected to recover swiftly, the growth of Playwire will be the main focus among the plan's measures. First, we will pay attention to the trends in the term ending September 2021. Also, Playwire's performance tends to be highest in the first quarter, so we will pay attention to it from the first quarter. The stock price has been sluggish, and it is already at a level that incorporates the low-level profit forecast for the term ending September 2021. On the other hand, it can be said that the growth of Playwire is not fully incorporated in the forecast. The company could also attract attention in the market at once if it succeeded in being listed on NASDAQ.

<Reference: Regarding corporate governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 4 external ones

◎Corporate Governance Report

Last modified: December 26, 2019.

<Basic Policy>

The company believes that improving management efficiency, management soundness, transparency and compliance will enhance the corporate value from a long-term perspective, and by doing so, it can return profits to many stakeholders including shareholders. In order to enhance the management soundness, transparency and compliance, it is important to build an organizational structure that can respond swiftly and flexibly to changes in the business environment while improving the corporate governance. The company carries out efficient management based on the viewpoints of shareholder who are the owners of the company.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

It is mentioned that "our company follows all of the basic principles of the Corporate Governance Code."

To view back numbers of Bridge Reports on FreakOut Holdings, inc. (6094) and other companies and to see IR related seminars of Bridge Salon, please go to our website at the following url: www.bridge-salon.jp/