**Question & Answer at Business Unit IR Meeting Part 1**
**(Media & Digital Business Unit)**

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| **[Date]** | **December 2nd, 2021, 1:40pm – 2:25pm** |

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| **[Speaker]** | **Toshikazu Nambu** | **Chief Digital Officer, General Manager, Media & Digital Business Unit** |
| | **Kazumasa Watanabe** | **General Manager, Media Div.** |
| | **Katsuya Kashiki** | **General Manager, Smart Communications Platform Business Div.** |
| | **Bin Haga** | **General Manager, Digital Business Div.** |
| | **Masahiro Yamane** | **General Manager, Investor Relations Department** |

**Question & Answer**

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**Questioner 1** : Please tell us about the current stage of JCOM. I believe that JCOM's business performance has been at a bit of a standstill for the past few years. Please tell us about the progress of the current seed sowing stage and the timeframe for monetization.

**Watanabe**: JCOM is working on providing new services as well as existing ones, and it is very important to enhance the network, so we are in the process of converting the backbone to optical fiber, which will be completed in the next few years, so there will be less investment after that.
As for new services, JCOM is currently in the midst of a new mid-term plan, and we expect to see sales in the latter half of this 4-year mid-term plan.

**Questioner1**: Is it correct to say that the shift to optical fiber is a factor that is suppressing business performance, and that in a few years the cost of optical fiber will be saved and new services will reach a stage where earnings will grow in three to four years?

**Watanabe**: Yes, that is what we are aiming for.

**Questioner1**: Please tell us about the local 5G market size, players, competitive environment, necessary investments, and timing of monetization.

**Watanabe**: Although the figures for local 5G vary depending on the research companies, the future scale of the market is expected to be between JPY500 billion and JPY1 trillion yen. This figure includes the development of the local 5G infrastructure and expectations for the market scale of various applications. Although it will take a considerable amount of time to build up applications, this figure is based on the expectation that 5G can connect things to things, which is incomparable to human to human connections.

**Questioner1**: Is the structure such that large investments will be made first, but high profits can be expected in the future?

**Watanabe**: In terms of local 5G, we are currently working on both infrastructure and applications at a ratio of about 1:1 (infrastructure is slightly less because of the application software development).
In terms of investment, however, we expect to invest several hundred billion yen in the area of sharing . We envision that base station sharing will be used for nationwide 5G, but we also plan to use it for local 5G in the

future.

**Questioner2**: With regard to the business performance of the unit listed on page 7, I believe that the decline in ROA is due to upfront investments in the Ethiopian telecommunications business, etc. Please give us an idea of when the unit as a whole will reach a phase of higher profitability and asset efficiency.

**Nambu**: ROA fell from 5.8% to 4.1%, but there were some one-time profits in FY2017 and FY2018, so in terms of profitability of individual businesses, ROA is maintained.
JCOM, SHOP Channel, and SCSK have maintained high profitability.
JCOM's performance will depend on investment to the network and monetization of contents, and we are looking forward to the next mid-term plan. As for SHOP Channel, due to changes in products purchased by customers and age groups at COVID-19 situation, SHOP Channel is adding the new generation and people in their 40s to its target, and is expected to a few years to improve profitability.
SCSK is performing well, but we are working together to expand the scope of business to upstreaming areas in DX and working with partners including existing customers so that,SCSKcan see a steady increase.

**Questioner2**: I have an impression that the areas of telecommunication and 5G are more like an infrastructure business. On the other hand, for DX, assuming you are aiming for asset light software and services development, you are in a consultant-like position in terms of the business you explained. Please tell us about the monetization, and growth/revenue generation of the asset light DX businesses which you are aiming for.

**Haga**: At present,we may somewhat be in aconsulting position in terms of DX, and we are working on many projects using AI.We are first focusing on accumulating successful patterns in individual projects, so the scale and social impact will certainly be a factor in the future.
In this context, we are currently planning a new SaaS model for manufacturing and the detached housing industry. It’s difficult for Sumitomo Corporation's DX Center to develop this alon, so we are currently preparing a crossover with the DX business set out in SCSK's mid-term plan, and we hope to expand the SaaS model globally in the future. For example, we are aiming to expand our manufacturing DX business in Southeast Asia, and we are taking the lead in creating ideas for SCSK's DX business in its mid-term plan. We will accumulate know how, and strengthen DX within the individual Group companies, as well as link data across various industries.
The SaaS model is currently being developed, so please look forward to it in the future.

**Nambu**: The explanation was infrastructure-based, but revenue will be generated from the contents. With 5G, for example, we are developing remote factory operations, disaster countermeasures, regional development, etc., and create profit models in B to B and B to C. For example, we will increase the profitability of supermarkets and our economic zones, etc. Since we engage in a lot of businesses, we believe that the utilization of the networks we create will result in returns in terms of profitability for all units. JCOM will collaborate with Netflix and involve the content and advertising business, etc. The major direction of the company is to provide contents in order to get a return on investment.

Since we were not able to show these in detail in today's presentation, we would like to deepen this point when there is another opportunity like today.

**Questioner3**: Regarding the strategic alliance with Vodafone, please explain how you will allocate your business resources. As a business partner, will you look for business investment opportunities mainly in Africa and accumulate investment projects? Or, will you incorporate the know-how of the DX strategy and utilize it to reduce costs, etc.?

**Kashiki**: Vodafone is the world's largest mobile operator and has developed not only a network but also a variety of solutions, and we have spent a lot of time discussing each other's assets.
Both parties have decided to focus on projects that have the scale and social impact to change society, and are now narrowing down their focus to projects with significant returns.
We have an SBU strategy in place, and we have explained the goals of each SBU to Vodafone's strategic team, and will be discussing which ones to focus on this month. We will be able to explain in more detail next year, so please keep your eyes on us.

**Questioner3**: Is there a budget for Vodafone related investments?

**Kashiki**: At this point, we cannot say anything about budgeting, but we will proceed based on the value and significance of advancing this as a whole company, while integrating the areas that the Smart Communications Platform Business Division will take the initiative in promoting and the areas that will be led by the company-wide SBUs.

**Nambu**: In the telecommunications business, Vodafone is very strong in Europe and Africa, and can connect to hundreds of millions of people through the mobile phone network, on the other hand, theydo not have a foothold in each industry. In Europe, for example, we are working with a grower on a farming project called Alcedo, and we are considering working with Vodafone to create a financing scheme and a system to support agricultural productivity improvement. We are having conversations about initiatives that incorporate renewable energy, as we need electricity for payments, huge data centers, and base station deployment.
We have not yet budgeted for them, but we believe that clean and green technologies, financial services, and agriculture will be the main areas of focus.

**Questioner4**: Regarding the concept of risk in Ethiopia's telecommunications business, please tell us how country risk is taken into account.

**Kashiki**: We cannot disclose the details of our stake in the company, but we have a ratio of more than 20%, and we are dispatching people to be involved in the execution.
In terms of country risk, there is a balance between opportunity and risk. With regard to risk, Vodafone is developing its business in 8 emerging countries in Africa, and has been successful in 7 out of 8 countries while managing risk, so we thought it was most important when considering investment to work closely with Vodafone and manage risk.
We do not have any experience in Ethiopia yet, and we are considering building a solid system for risk management.

**Questioner4**: I think that CVC, or connoisseurship, is an important function that the Media & Digital Business Unit can provide to the entire company. What are some of the projects you can introduce? What do you think about the idea of taking risks and getting the majority?

**Haga**: We restructured the global CVC structure in April. Until now, most of our investments were in the ICT area, which Presidio had been targeting, but we have now expanded our targets to include healthcare, energy, agriculture and other areas, which are the next-generation growth fields of SHIFT 2023. Previously, almost 70% of our portfolio was in the ICT area, but now it is about half, and we are exercising our CVC functions in other areas.
In terms of the actual process, we have mapped out the industry as a bird's eye view of the areas targeted by the healthcare team, and after discussing the areas with the members in charge of healthcare where growth is expected, we are expanding the process to CVCs in each country and asking introducing startups. The strengths of Israel, Silicon Valley, and Hong Kong are different, and these are discussed among the CVCs to decide where to invest. The first major change is that we have started discussions on a global basis and have expanded the scope of CVCs in line with the themes we are aiming for in the mid-term plan.
We have already invested in 16 projects this fiscal year, including two in the energy-related projects, and this

function is turning out to be more effective than we expected, and we believe that CVC activities will contribute to the promotion of the themes of the current mid-term plan.

**Nambu**: In addition to checking the expectations as our eyes and ears, we would like to increase the number of cases in which we don't only make minor investments but also build businesses together with startups when we think their vision and business sense are good and when they match the strategies of SBUs, divisions and units.
Our CVC have been working in five locations around the world, the longest of which has been in operation for 24 years, and our turnover rate as a fund is getting very good, so I believe that we are gaining some discernment.
Five unicorn companies have also emerged from our portfolio. We are considering how we should combine the incubation functions of a CVC and our company(Sogo Shosha)..

**Nambu**: In the world of media and digital, we are working not only with numbers, but also with the idea of increasing our value to the entire company and society as a platform. I hope to receive your continued support and advice in the future. Thank you very much for your time today.

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