

**Financial Result Presentation for FY2014**  
**Summary of the main questions and answers**

Here is a summary of the main questions and answers given at the financial result presentation for FY2014, held on November 7, 2014.

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**Q1. *Luna-Luna*, the women's healthcare information services, has done well over the years. What are your expectations regarding the future business scale of the overall healthcare business?**

A1. Our aim is for the healthcare business to reach the same scale as the music services, the largest group of services in the Company's content business.

**Q2. What is your policy on shareholder returns?**

A2. We seek to provide shareholder returns with a total payout ratio of 35% in the medium term. We expect the total payout ratio for FY2014 to reach 32%. As we work to continually expand income in the future, we will provide shareholder returns by making steady dividend increases to bring the total payout ratio to the 35% level in the medium term.

**Q3. What is the preliminary figure for the number of paying subscribers in October?**

A3. The iPhone6 was launched in mid-September 2014, but because it has been continually out of stock at cellphone shops, the recent sales trends of mobile devices have not been exactly favorable. The sluggish sales of mobile devices meant that there was no increase in the number of new paying subscribers on smartphones. Because the number of paying subscribers on feature phones was declining, the number of overall paying subscribers decreased slightly.

**Q4. What are the grounds for expecting the forecasted operating income for the 1H of FY2015 to reach the same level as that for the 1H of FY2014?**

A4. In the 1H of FY2014, certain advertising expenses were left unspent, reflecting the stagnant sales trends of mobile devices in the 1Q. As a result, we recorded an operating income. In the 1H of FY2015, we will incur advertising expenses as we work to

acquire paying subscribers. With this initiative, we will increase the number of paying subscribers and thereby achieve the same income level as that for the 1H of FY2014. In this sense, income in the current term is considered to be comparatively sounder.

**Q5. What are the grounds for the results forecast for FY2015? What are the reasons for setting high taxes in the net income to be recorded?**

A5. Our target for the number of paying subscribers at the end of September 2015 is 8.1 million. We expect to achieve the forecasted net sales based on the assumption that the sales trends of mobile devices will remain steady.

As for the forecasted income, on the other hand, if the sales trends of mobile devices end up being stagnant, certain advertising expenses will be left unspent, and this will make it relatively easy for us to record an operating income. In addition, assuming that the performance of Sugotoku and Smart Pass, which strongly contribute to our consolidated income, continues to remain strong in FY2015, we believe there is very little risk of us failing to reach the forecasted operating income.

We have also taken a conservative stance on the forecasted net income. If the conditions surrounding the business outlook make it necessary to disclose information, we will promptly make that announcement.

**Q6. What specific items accounted for the extraordinary loss that you have announced? In addition, do you expect to record a similar extraordinary loss in FY2015?**

A6. We booked an impairment loss for the shares held in Mytrax Inc., a consolidated subsidiary, in the 4Q on a nonconsolidated basis. Although the results themselves were not substandard, the gap between the performance and the business plan that was established several years ago began to widen. As a result, we recorded a loss on the valuation of the shares of subsidiaries and associates as an extraordinary loss on a nonconsolidated basis.

On a nonconsolidated basis, the aforementioned impairment loss was eliminated on consolidation, and the amortization of goodwill was incurred. Consequently, with a loss on the retirement of software and other items, we recorded a total extraordinary loss of 67 million yen.

In FY2015, we cannot definitively state whether there will be any extraordinary losses. For this reason, we have included a similar loss in our plan.

**Q7. Have you completed the labor intensive method adopted for the real affiliate network involving the establishment of sales offices?**

A7. We have become better able to offer meticulous sales support after we began establishing sales offices in the 2H of FY2014. Amidst the stagnant sales trends of mobile devices, we were able to maintain the same number of paying subscribers thanks to the successful operation of the real affiliate network. However, we still cannot consider these to be explosive results. We feel there is room for improvement in the future. In particular, because the subscriber rate has been trending towards improvement, we believe we will be able to steadily improve this rate by continually working to control the withdrawal rates in the future.

**Q8. Net sales of products for the platforms of other carriers (Docomo Sugotoku and au Smart Pass) were reportedly robust. Do you expect these strong trends to remain just as robust in FY2015?**

A8. The net sales of products for carriers' platforms are also affected by the sales trends of mobile devices. As a result, we feel that if the sales trends are steady, the performance of Sugotoku and Smart Pass will also be sound. Because they are businesses that strongly contribute to our consolidated income, we are determined to steadily expand them.

**Q9. What is the expected results level for the real affiliate business in FY2015?**

A9. We recorded net sales of 1,350 million yen in the real affiliated business in FY2014, and our conservative prediction is that they will reach a similar level in FY2015. Because the results are highly susceptible to the sales trends of mobile devices, if these trends remain the same as they were in FY2014, we expect the results to surpass the forecast due to the improved efficiency of the sales offices.

**Q10. If certain advertising expenses are likely to remain unspent in FY2015, will you still aggressively try to spend them, and to what extent?**

A10. We believe that we will be able to acquire paying subscribers, and thus for this reason advertising expenses will be spent. These expenses will be spent when the effects of the affiliate network begin to become apparent.

**Q11. What kind of results do you expect for the 1Q of FY2015?**

A11. Based on the recent situation, sales trends are not necessarily strong, so we feel that it will be relatively easy for us to record income in the 1Q. We believe the performance in the winter shopping season will determine the income level.