Financial Result Presentation for FY2015 Q3
Summary of the main questions and answers

Q1. What is your forecast for the total number of paying subscribers at the end of September 2015? What level of advertising expenses do you expect?

A1. It depends on device sales, but we expect the total number of paying subscribers to be around 7.8 million at the end of Q4. We expect 5.9 million paying subscribers on smartphones, while paying subscribers on feature phones will experience a natural decline to around 1.9 million. The accompanying advertising expenses are expected to be around 2.2 billion yen.

Q2. Enhancement in the non-virtual affiliate network, improvement in average revenue per user (ARPU) and expanding *SugoToku* content are the three driving factors for your strong performance. What is your forecast for these areas in Q4 and beyond?

A2. In order to enhance our non-virtual affiliate network, we have concluded contracts with more cellphone shops, which has resulted in the number of new paying subscriptions expanding to several hundred thousand annually. We expect a sharp increase in mobile virtual network operator (MVNO) mobile devices in the coming year, and plan to further our cooperation with MVNOs. We expect ARPU to continue growing because there is sufficient room to expand the higher valued services while we raise our services by each category. Although some companies are releasing services similar to applications included in *SugoToku*, we believe the impact will be limited, and we expect strong sales of *SugoToku* to continue.

Q3. You have a wide range of healthcare-related services. What are the profit/loss and number of subscribers? What is your forecast for Q4 and beyond?

A3. An increasing number of users of *Luna-Luna*, our women's healthcare-related information service, are shifting from the free service to the paid service, and we believe that this trend will become stronger. Paying subscribers of *KARADAmedica*, a medical information service provided in cooperation with doctors and other medical professionals, are also increasing steadily. Other new healthcare-related services are at the investment stage, and investments expenses for those other than the gene analytics service are small. As a result, the situation that the main contributors to income by *Luna-Luna* and *KARADAmedica* are expected to be continued for some time to come.

Q4. Within music distribution, free music-streaming services are attracting attention. What is your forecast for music services?

A4. Free streaming is attracting attention, but many in the industry feel that it is necessary to be cautious as to whether demand will continue after it becomes a paid service. At this point, we believe it will have a limited impact on our services. There is steady demand for entertainment content other than music such as books, comics and movies, and we believe that services that integrate these with music provide greater satisfaction to our users.

Q5. Compared with Q2, sales from the non-virtual affiliate network business declined in Q3, which is a low season for mobile device sales. Will Q4 see a recovery?

A5. Income from advertising other providers' content through our non-virtual affiliate network was slightly below 260 million yen in Q3. As cellphone shops are planning to feature more of our content in Q4, we do not expect to increase other providers' content in our lineup. As a result, we expect advertising income to be slightly below 300 million yen.

Q6. What is the difference between the SG&A expenses for Q3 and Q4?

A6. While advertising expenses for Q3 were slightly below 1.8 billion yen due to its being a low season for device sales, we expect them to increase to around 2.2 billion yen in Q4. In addition, we are considering a special bonus for our employees, since we are likely to achieve record highs in sales and net income this term, so we therefore expect an increase in personnel expenses. We expect an increase in total expenses mainly due to this rise in advertising and personnel expenses. However, we do not expect a major increase in any other expenses.

Q7. Have monthly sales of *SugoToku* been declining recently?

A7. In contrast to January, February and March, they have increased in April, May and June.

Q8. What is the percentage of subscribers to your integrated service of music, books and movies (high value-added services)? To what level do you expect this number to increase?

A8. The percentage of paying subscribers to the 400 yen per month (excl. tax) integrated service of our music distribution service, has grown from 10% in September 2014 to 29% in June 2015. We believe the rising trend for the time being because there is sufficient room to raise the ratio of the paying subscribers of 400 yen per month.

Q9. How and why are subscribers shifting from your healthcare-related information service *Luna-Luna* Lite with free of charge to the paid service *Luna-Luna Family*?

A9. While we used to see around 100,000 subscribers shifting each year from the free service of *Luna-Luna Lite*, our healthcare-related information service, to our monthly paid service, recent monthly numbers suggest that the pace is now 1.2 to 1.5 times faster. We believe that this is due to the improved functionality of the paid service and the simplification of the operations for shifting to the paid service.

Q10. You are likely to achieve a record high in your business results this term. Will the forecast for the next term be an investment phase for your healthcare-related services and see a rise in costs?

A10. We are still developing our budgets for the next term, but we expect further increases in sales and income next term supported by the continued improvement of ARPU and strong sales of *Sugotoku*. The number of monthly paying subscribers remains flat, and we plan to maintain this number through measures including a possible entry into the MVNO business. Investments in healthcare-related services are expected to either remain at the current level or increase only slightly, and there are no plans for a significant increase.