

The major risk factors for the Company in the operation of its business are listed below. As part of its information disclosure to investors, the Company also proactively discloses factors that may not necessarily be equivalent to risk factors but are considered important or beneficial in making investment decisions or in understanding the Company's business activities.

The Company is aware of the possibility of the actual occurrence of events underlying these business risks, takes action to prevent their occurrence, and is prepared to respond rapidly should those conditions arise. Nevertheless, the Company believes that any investment decision regarding its stock should be carefully considered by weighing both the risk factors and other disclosed information that may not be stated here. Readers are cautioned that the factors stated below do not cover every conceivable risk factor regarding investments in the Company's stock.

#### Reliance on key individuals

Toshihiro Maeta, the Company's president and chief executive officer, has a pivotal role in the creation of business models and in the accumulation of expertise in data analysis techniques, which are the essential strengths of the Company. He also plays a key role in promoting the Company's business activities. The Company has been taking steps to develop and reinforce its human resources to establish a business structure that is not excessively reliant on Mr. Maeta. Notwithstanding these efforts, if a situation were to arise in which for any reason Mr. Maeta would be unable to carry out his duties, it could have a significant impact on the business performance of the Company.

#### Unexpected changes in the business environment

Regarding mobile content distribution services, which is a core operation of the Company, in the event of the following possible situations, future conditions could differ from the outlook for net sales or operating expenses currently envisaged by the Company. As a result, the Company might be forced to make changes in its management policies, business strategies, or other aspects that could have a significant impact on the Company's business performance.

1. The emergence of indeterminate factors beyond those envisaged at the time projections were made, resulting from drastic changes in the market environment. These factors could include an increase in the number of paying subscribers to smartphone services significantly falling below the Company's forecast, a decrease in the number of paying subscribers to feature phone services significantly exceeding the Company's forecast, a decline in the utilization rate of content provided for a fee due to the emergence of content provided for free, and major changes in user preferences.

2. A loss of the Company's ability to differentiate itself from its industry competitors in such aspects as the nature, quality, or price of content that results in the Company being unable to achieve its targeted number of paying subscribers. Other possible situations include intensifying competition with rival companies for acquiring subscribers and increasingly severe price competition destroying the Company's cost competitiveness and preventing it from maintaining the number of paying subscribers.

3. Services or technologies become outdated because of such factors as delays in the development or provision of services to meet smartphone user needs or in accommodating changes in income structure and state-of-the-art technologies as a result of rapid progress in technical innovation. In addition, situations in which content production costs rise more rapidly than expected, making it impossible to maintain an efficient development structure for the creation of content and driving operations into the red.

4. The market for mobile content distribution suddenly declines or becomes saturated or advertising and other publicity do not achieve the expected sales impact, rendering the targeted goal for the number of paying subscribers impossible to attain. Other situations include the cost of procuring content rising more rapidly than expected, making it difficult to secure a profit.

5. Revisions to existing laws and regulations and/or enactment of new laws and regulations that regulate the Company's business activities may give rise to changes in the content of services or to other factors, such as increases in the cost of operating and maintaining services, restrictions on business development, or possibly discontinuation of certain operations according to circumstances that may be unavoidable to satisfy the requirements of the relevant regulations.

#### Inoperability of information network

The Company engages in business activities that use communications and information systems. It is therefore susceptible to long-term inoperability of its information network caused by such events as natural disasters and accidents, system failure from an unanticipated surge in the number of users accessing the system, contamination of its computers due to viruses, or unauthorized access by third parties, or other factors. Under these circumstances, there may be no alternative but to suspend business activities, which could have an impact on the Company's business performance.

#### Leakage of personal information

The Company enforces a strict policy of completely protecting the personal information obtained in the course of its operations. Protection measures include the establishment of strict control systems for personal information, maintenance of information security, establishment and enhancement of internal regulations regarding the handling of personal information, and education and training of employees and other business partners. However, should leakage of personal information occur despite the Company's thorough precautions, the Company's business performance could be significantly affected.

#### Infringement of intellectual property rights

The Company operates and develops its business while being cautious not to infringe the intellectual property rights of third parties. However, it is possible that the Company might unknowingly infringe the intellectual property rights of a third party, and the third party concerned may initiate litigation to demand compensation, cessation, or some other remedy. These actions could have a significant impact on the Company's business performance.