

Financial Result Presentation for FY2013 1Q

Summary of the main questions and answers

Here is a summary of the main questions and answers given at the financial result presentation for FY2013 1Q, held on February 8, 2013.

Q1. What have been the changes in number of paying subscribers for each category?

A1. The number of paying subscribers for smartphones rose from 3.13 million at the end of September to 3.67 million at the end of December. And we were able to increase the number in all categories as a whole. Conversely, the number of paying subscribers for feature phones is falling on the whole. There was no significant change in the figures of each category, but with regards to the distribution of comics (*comic.jp*), the number of paying subscribers increased from 50,000 at the end of September to 200,000 at the end of December. Thus, it can be said that there was large growth. We believe that similar overall trends will persist in the future.

Q2. You were able to increase the number of paying subscribers for the iPhone. Please tell about the future prospects in this area.

A2. There was a remarkable increase in the number of paying subscribers in October 2012, when the new *iPhone5* was released. But that momentum settled down in November and the following months. The trend of increases in the number of paying subscribers is proportional to the trend of sales of new devices. It was good news for us when a service for the *iPhone* was launched in September in the area of music distribution, where it is easy to acquire new paying subscribers (*music.jp*). Going forward, a service for the *iPhone* will launch also in the area of comic distribution (*comic.jp*) in the coming spring, and we have high expectations for that. We aim to enhance the details and function of each piece of content, and have that lead to an expansion in the number of *iPhone* users.

Q3. Is the content that you only get with the iPhone service more or less popular than other types of content?

A3. There is no significant difference in the popularity of each piece of content.

Q4. What is the active rate with regards to smartphone users?

A4. It can be said that the active rate is lower than it was when we were in the feature phone era. There has been an ongoing absence of iconic hits in the area of music content, the main content, and the active rate is declining. On the other hand, there is a high active rate for our free radio service. And we want to have our users use this kind of free service so that we can get them more interested in music, and lead them to a type of service where they can download music for a fee.

Q5. Why was MTI able to steadily increase the number of paying subscribers for smartphones? It seems that other companies would also be able to do that, so do you have some kind of competitive advantage?

A5. Music content (*music.jp*) will continue to be killer content going forward, we believe. In the feature phone era, we had many competitors in the area of music content. But our competitors have not to be able to be so active in the smartphone era. Assuming that you have established a channel for sales of content, by increasing the number of songs or the number of comics you can increase the effects of promotions carried out at mobile sellers, and expand the number of paying subscribers.

Q6. What is the reason behind the strong performance of e-books?

A6. The fact that it has become easier to deploy more aggressive promotions by having an assortment of killer content, and the fact that it has also become easier for users to buy content those factors are in the background.

Q7. What kind of service does your consolidated subsidiary Jibe Mobile offer?

A7. It has been entrusted with the development of a system related to social phone books for carriers. It is highly rated for being able to accurately meet the needs of carriers and show deft footwork, and that leads to it getting the next orders.

Q8. What are the merits of the member authentication and settlement service *mopita*?

A8. It has the merit of saving steps at the time of making settlement. You can register for this service either on a free or paid-for basis. For example, by having users register for it as a free service at first, it becomes very smooth for them when they want to use it to purchase some other paid-for content the next time. Currently, it is mostly used to pay for our content service. And the service allows us to send out information about new content to the 7 million registered members.

Q9. You have delayed making a profit forecast for the first half but please tell us about the relationship between profit and the way you use advertising expenses?

A9. Advertising expenses in the first quarter exceeded the 1.8 billion yen of the initial estimate, and came to 2.2 billion yen. The second quarter includes the season in which new devices are launched in March, and so we plan to incur advertising expenses at around the same level as the first quarter. The main constituent of our profit in the first quarter was the profit from our consolidated subsidiary Jibe Mobile. And if that subsidiary continues to be profitable also in the second quarter, we may be able to secure a level of profit that is close to the level of the first quarter.