

**Financial Result Presentation for FY2013**  
**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, held on November 8, 2013.

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**Q1. Your service providing an obesity gene test, the “*Karada Medica Genetic Diet*,” came on the market last December. What are the potential size of the genetic testing market and the sales trends of the test kit?**

A1. Customer awareness of genetic testing is low, so the scale of the market for such testing is small and will stay within the range of our campaign even in FY2014. The results of the questionnaire which we provided showed that many respondents would try the genetic test if the test kit cost less than ¥10,000. Most of them also answered that they would not pay more than ¥15,000 for the test kit even if they were interested in it. We found that the price of the test kit is an important factor affecting purchasing decisions. At the moment, genetic tests for cancer risks at medical facilities in Japan cost around several hundred thousand yen, which means this service is not yet readily available to ordinary consumers. In the US, it costs only \$100 and 200,000 people have had the test so far. Interest in the test seems relatively high in the US. Based on all of these factors, the Japanese market for genetic testing is expected to grow in the medium to long term. Actual sales of genetic test kits for diet were around 5,000 in the last three months.

**Q2. What is the synergy between the free service and the pay service of “*Luna Luna*”? Could you also explain the synergy between “*Luna Luna*” and the genetic testing business?**

A2. Our free service “*Luna Luna Lite*” only provides users with a basic forecast and the management of dates for menstruation, while our pay service “*Luna Luna*” provides a more detailed forecast and management of menstrual and ovulation dates. At the moment, users of genetic tests and those of “*Luna Luna*” are different, so we realize that the targets for those services are different, too.

**Q3. “*Luna Luna*” has 4.5 million free service users. Was there any effect on expanding the genetic testing business, such as purchases of genetic test kit by “*Luna Luna*” users? The**

**sales of genetic test kit itself are not yet widespread and the profit from that business does not seem to be very promising in the short term. What kind of effects do you expect to see in the future?**

A3. We are still evaluating to what extent our pay service “*Luna Luna*” guided its users to purchase the genetic test kit for diet. We have to increase awareness of genetic testing from as it stands at present and increasing sales will be our future strategy. We think that the development of genetic testing with a higher rate of accuracy will make it possible to provide a service with a monthly fee. For example, we are considering linking such a business to our current services including our consulting service with doctors and the likes and providing it as a new service payable monthly.

**Q4. In comparison with the second half of FY2013 and the first half of FY2014, profit is expected to decrease, while net sales are expected to increase by a small amount. Could you tell us what factors are behind this and also how much advertising expenses are you going to spend for FY2014?**

A4. Net sales for the first half of FY2014 are expected to increase only by a small amount compared to those for the second half of FY2013. That is because our consolidated subsidiary Jibe Mobile K.K. is expected to lose a special demand in FY2014, which it had in FY2013. The difference in operating income in the second half of FY2013 and in the first half of FY2014 is the difference in the actual amount spent on advertising expenses. Through FY2014, we are planning to spend as much advertising expenses as in FY2013.

**Q5. How has efficiency in promotion of the real affiliate business changed since the third quarter of FY2013 when it was launched?**

A5. Efficiency in promotion had been improving until the release of the new models of iPhone in the middle of September, but after that, the market was disrupted by operation failures and inventory shortages in cellphone shop belonging to the docomo group. Those circumstances brought to a halt the further improvements in efficiency. In October, problems such as inventory shortages and operation failures started settling down and the new models of Android were released. It will take another month before improvements in efficiency in promotion will be evident.

**Q6. What is your target for the number of paying subscribers for smartphone as a percentage of overall subscribers for this term?**

A6. The percentage of the number of paying subscribers for smartphone will depend on decreasing trends in the number of paying subscribers for feature phones, but we expect the percentage of those for smartphone to be about three quarters of the total subscribers as of September 30, 2014.

**Q7. What percentage of total sales is the real affiliate business?**

A7. Sales from the real affiliate business are on commission, so the amount won't be great. We estimate the percentage of the total sales in FY2014 will be about 4%.

**Q8. You launched a pay-as-you-go service in addition to your flat-rate service for your music content distribution “*music.jp*”. That led to a shift in light users to the flat-rate service, but is there any risk of a reverse shift from the flat-rate service to the pay-as-you-go service?**

A8. In cellphone shop, we are only introducing a flat-rate “*music.jp*” to customers, so we think that the risk of such a reverse is low. Users of the pay-as-you-go service access the music they like by web searches; this is the difference in how they choose.