

Financial Result Presentation for FY2015 Q2
Summary of the main questions and answers
(at the presentation held on Thursday, May 7, 2015)

Here is a summary of the main questions and answers given at the financial result presentation for FY2015 Q2.

Q1. A pillar of the basic policy for the fiscal year under review (ending September 30, 2015) is to improve sales per customer (ARPU). What is your forecast for income and the number of paying subscribers in the second half?

A1. Operating income was 2.1 billion yen in 1H and is expected to be 2.1 billion yen in 2H.

We expect that the total number of paying subscribers at the end of September 2015 will be approximately 8 million, a slight increase from a year ago (7.86 million).

Although the total number of paying subscribers is expected to decline from the end of March 2015, sales in 2H will rise from 1H due to an increase in ARPU, and as a result, agency commissions for billing paid to carriers (commission payments) will increase.

Because of shopping seasons in December and March, advertising expenses tend to be greater in 1H than in 2H. Advertising expenses in 1H of the fiscal year under review were 4.7 billion yen and are expected to be less than that amount in 2H.

Although each item in selling, general and administrative expenses will change from the forecast, overall selling, general and administrative expenses are not expected to change significantly from the latest forecast.

Q2. You say that you will focus on your healthcare-related service business in the medium to long term. To what percentage of the total number of paying subscribers do you plan to expand the number of paying subscribers on healthcare-related (healthcare-related information) services?

A2. The number of paying subscribers on healthcare-related services accounts for a little less than 15% of the total number of paying subscribers. We are considering boosting the percentage to around 20%. At present, *Luna-Luna* has the largest number of paying subscribers, followed by *KARADAMEDICA*, which is a Q&A service where healthcare-related providers respond to questions 24 hours a day. The number of paying subscribers on *KARADAMEDICA* is rising steadily. In the short term, we plan to increase paying subscribers on these two services.

Luna-Luna has already become a profit-making business. We will work to expand the business by developing high value-added services in response to the needs for trying to conceive (pregnancy). We will seek to make *KARADAMEDICA* a higher value-added service to expand the number of paying subscribers and to change it into a profit-earning business as soon as possible.

Q3. The smartphone ratio exceeded 70%. Will you continue to provide services for feature phones, or will you discontinue the services?

A3. There are still a number of users of our services for feature phones, and we will continue to operate and maintain the services for some time to come. However, we are not developing new services that are fundamentally different from the existing services. We will develop services in response to customer needs, paying attention to new customer needs, including services for hybrids of feature phones and smartphones having the strengths of both, which are attracting attention.

Q4. How long do you expect *Sugotoku* and *Smart Pass* content will continue to sell well?

A4. In 2Q, monthly sales of *Sugotoku* content declined temporarily, reflecting a change in the rules of the cellphone carrier, but they have been recovering since April. We expect that *Sugotoku* content is a business associated with smartphones that will continue to grow in and after 2H.

Q5. What percentage of subscribers have shifted to high value-added (high priced) services, which are expected to improve ARPU?

A5. We are promoting sales of high value-added services to new users, and they are selling well. Of the monthly paying subscribers of *music.jp*, which distributes music, books, and videos, at the end of March, more than 25% use high value-added service.

Q6. In March, *music.jp* started to distribute videos. Is the service performing well?

A6. Yes. It is performing well. In addition to TV dramas for users who have missed them and animations, which are being distributed, we plan to distribute more new movies.