

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

Q1. Please give us the reason behind the substantial increase in the operating income ratio (12.7%) in FY2015 compared with the previous fiscal year (8.3%).

A1. The factors behind the increase in sales were primarily improved average revenue per user (ARPU) and sales expansion in *SugoToku* content. The operating income ratio increased as a result of a substantial rise in gross profit, reflecting the low cost-of-sales ratio and the Company's success in pushing down the selling, general and administrative expenses.

Q2. Will the trend in rising ARPU continue this term?

A2. The Company worked on adding value to services in each category in FY2015. As a result, the ratio of categories with high billing rates is on the rise, centered on new paying subscribers, in integrated services for music/books/videos, medical information service cooperated with doctors and integrated services for weather information as well as maps & navigation. We anticipate a continued trend in rising ARPU, given that this ratio has considerable scope for an increase and the ratio of categories with high billing rates is expected to continue rising in FY2016.

Q3. Why is the operating income in the first half less than that for the second half in the earnings forecast for FY2016? Also, isn't the sales number for the full year low relative to the assumption that the average revenue per user (ARPU) will be strong as a result of the growth rate in sales compared with the previous term?

A3. The level for the second half is lower because the Company is expecting to incur higher advertising expenses in the first half in a bid to maximize its ability to capture new paying subscribers during the peak selling season for smartphone devices (March).

If the expansion in ARPU for the total number of paying subscribers (around 8 million) is at an annualized rate of 10 yen, a simple calculation would yield an increase in sales of around 1.0 billion yen for the full year. Thus, the rate of growth appears slower compared with the current scope of sales.