

Financial Result Presentation for Q2 FY2016
Summary of the main questions and answers

Q1. Your operating profit margin forecast for 2H 2016 is lower than the same margin posted in 1H. Why?

A1. The earnings forecast for 2H is simply the result of the deduction of business results in 1H from forecasts for the entire fiscal year. We expect subscriptions through cellphone shops to remain low in 2H. We plan to hold our advertising expenses down, too. We think our operating income could easily outperform the forecast for those reasons. We will disclose information at the appropriate time when the upward revision of our earnings forecast becomes necessary.

Q2. What are the ratios of music (including books and videos) and health to your consolidated net sales?

A2. The ratio of music is about 50%. Health accounts for about 10% of our consolidated net sales.

Q3. What is the growth rate for the net sales of music (including books and videos)?

A3. The growth rate is about 4% year on year. Net sales are growing because the average revenue per user (ARPU) is continuing to rise in spite of little change in the number of monthly paying subscribers.

Q4. Tell us about future trends for the net sales of real affiliate advertisements.

A4. Trends in the number of mobile devices sold affect our real affiliate advertisements in the same way as they have impact on our content. The net sales of our mobile devices failed to grow in the most recent quarter due to the abolition of the business practice of offering them practically free of charge. In a related development, subscriptions through cellphone shops remained sluggish. This situation is likely to continue for several more months. At this point, we assume net sales for real affiliate advertisements will remain at the level of 1H based on such prediction.

Q5. How long do you expect ARPU to continue its rise?

A5. We are offering smartphone services mainly in the cost range of 300 yen and above. But recently we have been focusing on promoting sales of services with high added value supplied for 400 yen and more. More and more customers are subscribing to our high value-added services (switching to them) when they visit cellphone shops to change models. We expect an uptrend for the average revenue

per user (ARPU) to continue for two to three more years for that reason.

Q6. Tell us about factors for differentiation in healthcare services.

A6. Among healthcare services, genetic analysis requires the highest skills. We believe we can differentiate ourselves from other companies by linking those skills with other services and developing new services. We are thinking about connecting nutritional consultation, machine-to-machine linkage and sports management services, too. Taking these initiatives, we hope to create and offer healthcare solutions for each person no other company could imitate.

Q7. Do you plan to keep acquiring treasury stock?

A7. We are not thinking about continuing that operation at this point.