

**Financial Result Presentation for Q3 FY2016**  
**Summary of the main questions and answers**

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**Q1. What are the year-end number of paying subscribers and amount of advertising expenses that became the basis for revising your 2016 full-year consolidated earnings forecast?**

A1. The total number of paying subscribers as of the end of September is 7.2 million. The amount of advertising expenses for the fourth quarter is 1.64 billion yen, and that for full year is 7.6 billion yen.

**Q2. Tell us about the changes from the beginning to the end of the third quarter in the condition of shop affiliates at cellphone shops.**

A2. While there have been no significant changes, we expect the acquisition of new paying subscribers on smartphones to remain sluggish. Judging from past experience, we predict this situation to continue for at least six months, which means that the current condition will likely remain the same until at least September.

**Q3. What is the percentage of MVNOs?**

A3. We expect for it to be approximately 5% this month and 10% next month out of all members acquired. It will most likely continue to increase for some time.

**Q4. What is the reason for the decline in the number of KARADAmédica subscribers?**

A4. The decline is due to a decrease in the number of the subscriber acquisition from cellphone shops.

**Q5. In your capital alliance with Medipal Holdings Corporation, what tasks do you need to tackle moving forward?**

A5. We are planning to distribute electronic medication record books through pharmacies and hospitals to which Medipal Holdings sell products. While we can expect for health examinations, equipment coordination, nutrition consultation services, etc. to be centralized based on the electronic medication record books, the current challenge we face is that coordination among the services is not yet fully complete.

**Q6. What are your plans for the budget and ARPU for the next fiscal year?**

A6. We project for sales in the current fiscal year to decrease from the previous fiscal year, while profit will increase thanks to the substantial reduction in advertising expenses. For the next fiscal year, the total number of paying subscribers will start

at 7.2 million, but it will be difficult to push that number back up to 8 million, so we predict that revenue will decline. Profit is also expected to decrease due to lower sales and continued investment in healthcare.

While the average revenue per user (ARPU) remain unchanged in the third quarter, in general customers are moving to high ARPU services. For this reason, we expect ARPU to gradually rise.

**Q7. What can we expect from the healthcare services in the next fiscal year? Please share with us the results you anticipate.**

A7. While segments other than *Luna-Luna* have suffered deficits and are not yet profitable, because the number of subscribers to the sports management service, which is a sustained and ongoing business, has been steadily increasing, we expect for a surplus to be achieved within a single month during the next fiscal year. In regards to electronic maternity health records, many local governments will most likely computerize maternity health record books, so we expect to earn profit in the fiscal year after next by actively promoting sales. The potential for higher sales is the greatest in the segment for medical checkup package services aimed at companies. However, investment in development will be necessary for the time being, and we view the period until the fiscal year after next as the investment phase.

**Q8. What do you expect the number of paying subscribers to be at the end of next fiscal year?**

A8. We would rather refrain from providing a specific prediction about the number of paying subscribers at the end of next fiscal year. We only recently began to acquire paying subscribers through MVNOs in July, while budgeting has not even started yet.

**Q9. How much do you expect advertising expenses to be in the next fiscal year?**

A9. We do not expect advertising expenses to be any more than the 7.6 billion yen in the current fiscal year. Taking into account the fact that advertising expenses were spent for the cashback campaign in the first quarter of the current fiscal year, it is likely this amount will decrease in the next fiscal year. However, if the number of paying subscribers through MVNOs steadily increases, we may also see a rise in advertising expenses.

**Q10. How much is being invested in the healthcare business during the current fiscal year?**

A10. In terms of profit and loss for the segment, the accumulated deficits in healthcare-related business were approximately 1.9 billion yen in the first three

quarters and approximately 2.8 billion yen for the full year.

**Q11. What are your thoughts on returns to shareholders?**

A11. The total payout ratio for the current fiscal year will surpass 35% by a significant degree due to the acquisition of treasury stock. We plan to maintain the total payout ratio of 35% for the next fiscal year.