

Questions and Answers at the Results Briefing for the First Half of the Fiscal Year Ending  
December 31, 2015 (for Analysts)

○Date and time: Wednesday, August 5, 2015, from 15:30 to 16:30

Questioner 1

Q1                    Could you describe the recent situation of your business, including the customer trend in the SIM service?

A                    The competitive environment of the SIM service was more challenging than expected, and unfortunately, we did not move into the black on a single month basis. During the first half under review, the SIM service posted a loss of 106 million yen. In the first quarter a loss of 60 million yen was posted, and in the second quarter a loss of 50 million yen was recorded. We expect that the SIM service will move into the black as subscriber numbers increase.

In the SIM service, we are providing plans in accordance with the volume of data communication in the LTE part. When we started the service, the largest number of customers applied for a 920-yen plan or a 1,380-yen plan. Currently, a 480-yen plan, our lowest-priced plan, attracts the largest number of applicants.

This trend shows that our service is chosen chiefly by users who mainly use Wi-Fi and use LTE in a complementary manner, that is, users who use a large-volume data communication service at home and in public places where Wi-Fi is available and use LTE in a complementary manner in places where Wi-Fi is not available. We are considering taking advantage of this trend to improve profitability, for example by emphasizing the concept of our service, which is strong in Wi-Fi, in our differentiation strategy.

Q2 In the M2M/IoT service, sales of 112 million yen were posted in association with the order for a large-scale project. Is this a temporary phenomenon?

A In the second quarter, we posted sales from the commissioned development of an M2M/IoT system. This is not a temporary phenomenon, but commissioned development necessary for the continued use of our communication service.

There are three stages in the growth of the M2M/IoT service. Phase 1 is the commissioned development of systems. Phase 2 is continuously providing the communication service necessary for the use of the systems. Phase 3 is the application of the development of the systems to other companies.

The commissioned development project is making progress from phase 1, the commissioned development of a system, to phase 2, the stock business. We plan to move to phase 3, the application of the system to more customers. At present, we are proceeding with projects with companies in different types of business. We expect orders for commissioned system development projects and the provision of communication services for the projects in the second half and thereafter.

Questioner 2

Q1 What level of sales associated with M2M/IoT do you expect in the second half?

A More than one project is underway, and we have received orders for some. We would rather not disclose our specific sales forecasts and the periods when sales will be recorded.

Q2 How will growth in corporate services affect selling, general and administrative expenses?

A Personnel expenses needed to launch new business is the main factor in selling, general and administrative expenses associated with corporate services. We have already secured the personnel required for the new business and do not expect that selling, general and administrative expenses will rise significantly in the second half.

Q3 When will you move to the main market?

A We would like to move to the main market as soon as possible. I would rather not disclose any specific timing.

### Questioner 3

Q1 What is your outlook for the WiMAX business in the second half?

A The WiMAX service is the only service in Japan that allows its users to use high-speed communication services without any limit on the volume of data if they pay a certain rate. Demand for WiMAX remains strong, and we expect that the service will grow steadily in the second half.

Q2 In the SIM service market, competitors seem to be increasing the volume of data. What are your views on changes in the market environment?

A An increase in the volume of data boosts convenience and expands the SIM service market. However, the adverse effect of a more challenging competitive environment caused by the increase in data volume is stronger than those positive effects. In April, we launched the voice service. However, increasing numbers of players are competing to gain share in the limited market, and we have not achieved the value of contracts that we had expected.

Q3 What will be the impact of an increase in Mobile Number Portability (MNP) counters at Yodobashi Camera stores on your SIM service?

A Yodobashi Camera is expected to increase the number of stores with a Mobile Number Portability (MNP) counter. In association with this, we expect that in principle, the number of our SIM service subscriptions will increase. However, competition is intensifying more than we expected before the launch of the service, and it is proving difficult to achieve the initial plan. We are considering taking steps including offering additional value.

Q4 Can I assume that in the SIM service market, the market of LTE enabling high-capacity communication is more competitive than the low-speed LTE market? If so, your 480-yen low-speed LTE plan that is mainly used as a Wi-Fi service, which is not provided by the competition, looks appealing. What are your views?

A You are right. Of course you can compete in the high-capacity LTE market, where there is fierce competition, increasing the maximum communication speed at higher cost. However, that would reduce profitability, and we want to avoid it. We believe that it is healthy to provide differentiated service in the field where we can take advantage of our strength in Wi-Fi.

Q5 I assume that the profitability of your 480-yen SIM service plan is very high, judging from its design, but you are not making a profit. Why is that? Is that because of the effect of sales commission?

A You are right. We pay part of the selling, general and administrative expenses at the Mobile Number Portability (MNP) counters of Yodobashi Camera, and we cannot deny the effect of these payments on our earnings. However, that is part of our sales strategy. If the number of subscribers increases, we will be able to pay fixed costs. We believe that improvement in earnings will accelerate.

Questioner 4

Q1                    You are not disclosing the number of subscribers, are you?

A                    We have changed our policy and do not disclose the number of subscribers. We will not disclose it at the end of the fiscal year either.

Q2                    Do you have any plans to change the numerical targets for the final fiscal year of the medium-term business plan?

A                    We have not disclosed our medium-term business plan. The highest level of operating income that we assume for 2016 to calculate stock options for officers is 3 billion yen, but this number is not included in the medium-term business plan. Of course, we will continue to make efforts to increase profits.