

Questions and Answers at the Results Briefing for the
Fiscal Year Ended December 31, 2015 (for Analysts)

○ Date and time: Monday, February 15, 2016, from 15:30 to 16:30

Questioner 1

Q1 This is the first time that I have attended your briefing. I have high hopes for the growth of your prepaid SIM service for inbound travelers. You seem to be involved in both B-to-C and B-to-B businesses. Please tell me about your strengths as a business and the synergy effect of cooperating with other companies such as Benefit One.

A We differentiate ourselves from our competitors by offering consumers one-stop communication infrastructure services such as Wi-Fi, WiMAX, and LTE at reasonable prices. Our strength is that we own the necessary platform, network base, network technology and charging verification system. Our prepaid SIM service is one approach for utilizing this strength and reaching inbound travelers. The prepaid SIM service allows users to connect to Wi-Fi where it is available and use LTE in other places. This hybrid aspect, which is also true for our other services, is attractive to users.

Regarding our cooperation with Benefit One, the service combines our strength as a hybrid service provider and Benefit One's powerful coupon distribution system. As a result, we have been able to create a synergy effect. As we are a communications platform provider, we believe that combining our services with other solutions such as those of Benefit One could enable us to create attractive services and develop various businesses.

In addition, while our basic business model involves leasing other companies' communication infrastructure to provide our services, the infrastructure for Wi-Fi in particular is still under development in Japan. As a result, our B-to-B Wi-Fi infrastructure business assists in the construction of this infrastructure.

For example, we can provide a one-stop service in the broader sense of the word for tourist destinations, hotels, and other areas and facilities that wish to introduce prepaid services but also want to build their own Wi-Fi infrastructure. We believe that this ability to provide multiple services is one of our major strengths.

Questioner 2

Q1 In the fiscal year ended December 2015, your consolidated sales rose around 2.2 billion yen, which I believe is linked to the growth of your mobile Internet service. When I look at your plan for the current fiscal year ending December 2016, consolidated sales are expected to increase by around 1.5 billion yen, to 12.8 billion yen. Does this mean that services for individuals will see weaker growth?

A Regarding the number of contracts related to services for individuals during the fiscal year under review, there was strong demand for the WiMAX2 + Giga Hodai plan that was launched in February 2015, which led to subscriptions increasing at a drastically higher rate than usual during a certain period. While we expect subscriptions to increase at a similar pace as before during the fiscal year ending December 2016, we do not believe that there will be drastic growth within a certain period of time as in the fiscal year under review. Rather, we expect it to show a steady net increase throughout the year.

Q2 Regarding sales expenses for the current fiscal year ending December 2016, you were supposed to spend some promotional expenses on the renewed LTE SIM service during the fiscal year under review, but this did not happen. How high will this expense be for the current fiscal year?

A We were expecting a maximum of 100 million yen in sales expenses on the occasion of renewing our LTE SIM service during the fiscal year under review. This might be transferred to the current fiscal year, although the amount will not necessarily be the same. We are not able to disclose specific numbers.

Q3 Please tell us where you will undertake promotional activities.

A They will mainly be at Yodobashi Camera stores. We hope to effectively promote our services there. We also have a tie-up with Fon Japan and plan to further develop our Wi-Fi business. We hope to promote this area of business as well.

Questioner 3

Q1 Your LTE SIM service posted a loss of 220 million yen in the fiscal year under review. Please tell us how you plan to improve performance.

A We are preparing to launch a renewed LTE SIM service in time for spring, which is a busy season for our industry, and we will announce the details at that point. As for profitability, during the current fiscal year ending December 2016 we expect subscriptions to grow at a faster pace than in the year under review. If this goes according to plan, we believe that profitability will improve. We are not able to disclose specific numbers.

Q2 Please tell us how you envision growth in your corporate services during this term: namely, your prepaid SIM service, Wi-Fi infrastructure business and M2M/IoT service.

A The key areas of growth within our corporate services will be the prepaid SIM service and the Wi-Fi infrastructure business. Both are showing good progress against specific internal goals based on our business strategy, and are expanding their sales channels. Due in part to competition, we are not able to disclose further details. However, in our Wi-Fi infrastructure business, for example, our strength lies in how we can add value in different ways to suit the area. We are therefore taking a case-by-case approach, such as providing devices and Wi-Fi operation at low cost when we create added value that could generate a sufficient return in the future.

At the moment, we are focused on building a sound infrastructure and collecting our investment. Our M2M/IoT service has significant potential demand and promises strong growth.

However, the current fiscal year is part of a phase where we are focusing on responding to requests that come in, and making sure we do it right.

Q3 Can we assume that your Wi-Fi infrastructure business focuses more on operation fees down the line rather than temporary sales of FON devices?

A We believe that we should focus on continued rather than temporary sales in order to achieve steady growth in the business. Although of course it depends on the case, in terms of business strategy we expect revenue from infrastructure rather than device sales and operation fees. Due in part to competition, we are not able to disclose more specific information.

Questioner 4

Q1 In your business plan for the fiscal year ending December 2016, you expect an extraordinary loss of around 200 million yen, and your balance sheet for the year under review shows stock of subsidiaries and affiliates increasing by around 1.6 billion yen. Are these due to adding Fon Japan as an equity method affiliate?

A Both the changes in the balance sheet and the profit and loss statement are almost entirely due to accounting for Fon Japan as an equity method affiliate. The amortization period for goodwill is ten years, and the amount is 1.5 to 1.6 billion yen.

Q2 The balance sheet shows short-term debt of around 1.2 billion yen. Please tell us the reason for this loan.

A The increase in short-term debt is due to cash needs related to the acquisition of Fon Japan shares and to secure liquidity on hand.

Q3 Under the performance-based stock compensation scheme for the company's directors, if the average achievement rate against the target for consolidated operating income for the three most recent fiscal years is below 70%, the performance-linked coefficient will be zero, meaning no compensation.

Even if the achievement rate is over 100%, the performance-linked coefficient is designed not to exceed 1.0. It is a scheme that is very harsh when the earnings target is not reached. Please tell us about the idea behind this.

A We created this scheme from the viewpoint of our shareholders. As you pointed out, it is very harsh when we fail to meet the earnings target, but we view this scheme as an incentive aimed at increasing stock value by making sure we reach our earnings target. We believe that it makes no sense to provide an incentive if we miss the target. That is why we have made it very harsh for these cases.

Q4 Directors of the company excluding outside directors are eligible under the performance-based stock compensation scheme for the company's directors. Will the compensation be divided equally between the four directors? In addition, regarding the three-year trust period, if the achievement rate is below 70% in the first year and over 100% in the second year, or if it is below 70% in the first and second years and reaches 100% only in the third year, how will the incentive be granted?

A The performance-based stock compensation scheme grants different amounts according to the director's position. The total amount available for the three-year trust period is 150 million yen, or 50 million yen per year. This means that the maximum that can be granted each year is 50 million yen, and the rights to this disappear every year. Accordingly, if the company fails to reach its target for consolidated operating income (achievement rate below 70%) in the first year, the incentive for that year vanishes. Regardless of the effort you make in the second and third years, the maximum you can receive each year is 50 million yen.

Q5 You are hoping to move to the main market on the Tokyo Stock Exchange. If you achieve this, would there be any possibility of a commemorative dividend?

A We have yet to settle on the specific timing for the move, so we cannot comment on a commemorative dividend at this point.

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