

Questions and Answers at the Results Briefing for the First Half of the
Fiscal Year Ending December 31, 2016 (for Analysts)

oDate and time: Friday, August 5, 2016, from 15:30 to 16:30

Questioner 1

Q1 Do you think that competition on the SIM card market will continue to intensify in the future?

A We believe that competition on the market for low-priced SIM cards will continue to increase in the future because of the needs of consumers who are looking for cheaper telecommunication services and choose low-priced SIM cards. Under such market conditions, we intend to expand our market share, differentiating our products through Wi-Fi connectivity and offering unlimited telecommunication services with reasonable and appropriate charges.

Q2 Please tell us about the Security Package for Pokémon GO and the data communication rates. You are also planning to sell a second and third set. Please give further details about this.

A Continuous data consumption and battery consumption are issues for Pokémon GO users for their comfortable use. We have verified data communication rates for Pokémon GO internally and high levels of use require estimated data communication rates of around 3-7 gigabytes a month. In which case, Pokémon GO users require data communication that cannot be covered under existing 3-7 gigabyte flat-tariff plans. We believe it is possible to utilize the features of our services that allow use of Wi-Fi hotspots. We therefore released the Security Package for Pokémon GO which is a Wi-Fi router with a SIM and battery. We are not able to disclose details of sales of a second or third set due in part to competition.

Q3 The Japan Fair Trade Commission aired its concerns in a report titled “Issues regarding competition policy in the mobile phone market.” Will this work in your favor?

A In light of the initiatives of Ministry of Internal Affairs and Communications to ensure appropriate assistance with the purchase of smartphones, the Japan Fair Trade Commission set out its policy on issues regarding appropriate competition in the mobile phone market, focusing on promotion of new entry by the MVNO (Mobile Virtual Network Operator). We plan to consider the actual impact of this and our response in the future.

Questioner 2

Q1 I have a question about the Wi-Fi infrastructure business. The earnings model for the Wi-Fi infrastructure business appears to include “temporary use service” and “financial service.” What kind of services are these? And what is the Wi-Fi infrastructure business’s share of the sales of other businesses?

A “Temporary use service” is a service whereby when an area owner wants to charge for Wi-Fi access, we provide a system for charging users a Wi-Fi connection fee for that particular area. “Financial service” is a service we provide to each operator using our charging platform as the settlement function, and we plan to start providing this service to coincide with a demonstration experiment in Asakusa from this autumn.

Currently, the Wi-Fi infrastructure business accounts for most of the 55 million yen in net sales of other businesses. This is mostly net sales from the sale of equipment but Wi-Fi service maintenance fees, etc. will continue to contribute to sales in the future.

Q2 Was the loss of the LTE SIM business during the second quarter larger than the loss in the first quarter? Please explain the prospects for achievement of profitability in the LTE SIM business.

A In the first quarter, NTT DoCoMo's line service charge was raised retroactively to the previous fiscal year and, as a result, the increase in line service charges in the previous fiscal year was deducted from the line service charges for the first quarter. Reflecting this, the loss for the first quarter looks smaller than the loss in the second quarter but this does not mean that the loss for the LTE SIM business in the second quarter was larger. In the LTE SIM business, structural income/expenditure is also improving due to stable growth in the number of contracts and we believe we will be able to aim for monthly profitability before the end of the year.

Q3 Commission paid in SGA expenses appears to have decreased from the same period of the previous year. Please explain the cause of the decrease.

A Regarding the decrease in commission paid in SGA expenses, this is a commission for the WiMAX service. The cause of the decrease is the structural factor that there is a big difference between the SGA expenses ratio for the WiMAX and WiMAX 2+ Giga Hodai plans and the higher the sales of the new best-selling WiMAX 2 + Giga Hodai plan, the lower the SGA ratio.

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