

Questions and Answers at the IR Briefing for the  
Third Quarter of the Fiscal Year Ending December 31, 2015 (for Analysts)

oDate and time: Monday, November 9, 2015, from 15:30 to 16:30

Questioner 1

Q1 I think that the ability to gauge viewer ratings and the repeat customer rate outdoors as a result of the tie-up with Fon would be very attractive for corporations and advertisers. However, wouldn't any of Fon's partner company that uses its access points be able to obtain such data? Please tell me the points where your company would be able to differentiate here.

A As you indicated, any business operator that uses Fon's access points would be able to obtain the data themselves. However, it is not possible to gauge things like viewer ratings and the repeat customer rate solely by obtaining such big data. The Company is able to offer valuable data by creating added value in the form of viewer ratings, repeat customer rates and dwell time analyses by scrutinizing big data that cannot be utilized in their raw form. The substantial expertise of data analysis is the Company's strength.

Q2 Can we assume that all data analyses are conducted in-house?

A Data analyses are conducted in-house. For portions that the Company cannot handle alone no matter what, we reach out to external data analysis engineers for their expertise.

Q3 One of Fon's initiatives is called the Time Ticket service. Could you explain specifically what it is?

A Fon is a community-based Wi-Fi network that can be used by installing Fon's Wi-Fi router in one's home. Those who have not installed Fon's Wi-Fi router would not be able to use it. Time Ticket is a Wi-Fi service available for a limited time. Even if Fon's Wi-Fi router has not been installed in a home, it would be able to access a network if one has the need to connect to Fon's Wi-Fi community for two weeks alone for 3,000 yen, for example. Currently, there are no services that can use Fon's network for a limited period of time, but the Company already offers the One-time Service, which is a Wi-Fi service that can be used for a limited period of time, as a solution. We would like to be able to utilize this on Fon's network.

Q4 Is a solution for Time Ticket also being developed internally?

A Yes, all solutions are in-house in the form of internal development. To date, we have offered the One-time Service in various formats, such as using a Wi-Fi service for two weeks only at specific hotels or a service that can be utilized for one week only on a terminal located at convenience stores.

Q5 I believe the number of employees at your Company currently totals 16. Does the majority work in the systems area?

A No, it's not that system engineers make up the majority of all employees. The Company's basic concept is an efficient management style that aims to boost earnings by creating a framework and then offering it broadly, and we work on developing services that preclude the need to increase human resources as much as possible. For example, a Wi-Fi service like the One-time Service that issues an ID for use over a limited period of time would not require much operational work once its framework is created, so there would not be any need to obtain new human resources in the area.

In addition, the Company's view on system development is that it endeavors to work on accurate, module-based developments while always looking to the future. The Company also pays attention to technological efficiencies so that systems and service technologies that have been developed can be utilized flexibly for future developments.

## Questioner 2

Q1 Please tell us about your sales forecast as of the beginning of this fiscal year for the SIM service. Also, please tell us about market conditions.

A The LTE SIM business was a factor that pushed down the operating income by around 164 million yen during the first three quarters under review because, unfortunately, the number of subscribers did not grow as we had expected at the beginning of the fiscal year. Regarding the sales plan for the SIM service alone, we apologize that we are unable to disclose it.

We consider the MVNO (Mobile Virtual Network Operator) market itself is continuing to grow and is being more widely recognized. However, the competitive environment is harsh, and the market is not one in which a SIM service operator can easily enjoy profitability by simply selling cheaply. The Company aims to expand its profitability by differentiating itself from the competition by recommending a service plan in which the use of Wi-Fi is primary and LTE being secondary, in other words, by providing large amounts of data communication where Wi-Fi can be used, such as at a home or a public area, as we explained to you today, and provide the use of LTE to complement the service where Wi-Fi spots are unavailable.

Q2 Please tell us about your earnings outlook going forward for corporate services?

A The Company has started to post sales in corporate services on a spot basis in the first three quarters under review.

That said, the Company would like to build a stock business for corporate services, just like it has for services targeting individuals. We believe that corporate services have the potential to generate profits at the same level as services for individuals, but we believe that it is still early to communicate the timing or our outlook at this point in time.

Questioner 3

Q1 If we were to imagine that all carriers will be focusing more on providing Wi-Fi in the future, I believe that the business tie-up with Fon this time around will be a major factor for your Company to greatly distinguish itself. Where do you think your Company's inherent strength lies when it comes to your Wi-Fi services?

A The surge in the number of access points is a great strength that will be gained through the tie-up with Fon, and we believe that our competitiveness will be reinforced even more. Not only that, but the Company's greatest strength is that it is in a position to lease all types of spots in a diplomatic and omnidirectional manner from various carriers. In other words, the strength of the Company's Wi-Fi service lies in the fact that it has already established a position within the industry that enables it to offer Wi-Fi service that connects well.

Q2 Please tell us the reason why profitability improves as a result of strengthening the Wi-Fi portion of the SIM service

A MVNO basically leases LTE using the pay-as-you-go method, which increases costs only by the amount used from the carrier. For this reason, strengthening the Wi-Fi portion would provide the ability to handle a huge amount of traffic using Wi-Fi and the communication cost for LTE would be reduced. As a result, the structure is such that the size of the reduction in the pay-as-you-go method for LTE would equal the amount that would boost profits.

Due in part to competition, we would not be able to disclose specific information on how the Company's users are distinguishing between Wi-Fi and LTE and at what percentage, and what the profitability is for such cases.

Q3                    The operating income projected for the fourth quarter appears a little more conservative than those for the first through the third quarter. Please provide a reason for this.

A                     We have continued to incorporate a conservative view regarding the intensifying competition in SIM services in the fourth quarter. Also, the Company is currently considering the pricing menu and the service structure internally as a way to shore up the SIM service, and we would like to launch a menu or a pricing structure that is slightly different from those that have existed to date. When this shapes up into a tangible form, it would become necessary to launch a promotion at the time the service begins, so the amount of expenses for this endeavor is incorporated into the fourth quarter in a conservative way.

Q4                    Regarding the loss of around 164 million yen in the SIM service, did this amount increase compared with the first quarter and the second quarter? Was the third quarter also affected by an increase in the number of counters resulting from the new store openings by Yodobashi Camera?

A                     In terms of actual amounts, the amount of loss in the SIM service in the third quarter was at around the same level as in the first quarter and the second quarter. And as you noted, there was an impact in the third quarter from the increase in the number of counters due to new store openings by Yodobashi Camera.

Questioner 4

Q1 How much of an impact will come in the next fiscal year from the equity-method earnings through the tie-up with Fon Japan?

A We plan to incorporate the impact of the stock acquisition and business tie-up with Fon Japan into forecasts for next fiscal year as soon as we know, given that we are currently in talks with an audit company regarding matters such as the amortization period for goodwill. Also, if a new service is launched, the outlook is for this to start contributing from next fiscal year.

Q2 Please provide us with your outlook on the move to the main market on the Tokyo Stock Exchange.

A We cannot provide a specific timing, but we would like to move to the main market as soon as possible.

Questioner 5

Q1 nCore, in which your Company has invested in as a minority shareholder, appears to have been established in January 1 of this year. Is its technology complete? Also, please provide your outlook on when actual operations will start.

A Our recognition is that nCore's technology is more or less complete, as disclosed in a demonstration at the exhibition held at Tokyo Big Sight and a test bed has already been conducted. Regarding the outlook on the start of operations, nCore has announced that it would start offering commercial services and modules early next year, so we believe that we would be able to start based on the same schedule.

Q2 Can we assume that your Company will be licensed to sell nCore's technology?

A We are currently in the process of discussing specific framework of the business, including the sales method. We believe that our sphere of activity will unmistakably expand through nCore's technology, so the objective of this investment is to catch up with the newest information as rapidly as possible and lead it to our business.

Q3 Is there a possibility of nCore's technology being incorporated into Fon's Wi-Fi spots?

A This all depends on discussions with both companies, but we believe that such an endeavor would make for a very interesting development.

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