

Q&A Session at 2017 First Half Earnings Announcement Information Meeting

Meeting: 10:00-11:00 August 10, 2017 (Thursday)

Q1: Compared to the same period a year earlier, earnings were down in the first quarter and up in the second quarter. What was the cause of this difference in quarterly performance? Also, please explain your outlook for the remainder of 2017.

A1: The amended Telecommunications Business Act was enacted shortly after the end of the first quarter of 2016. Sales were very high in January and March as people rushed to make purchases before the start of restrictions on large cash rebate programs. Sales fell in the second quarter from the large volume of sales in the first quarter. This one-time event is the reason that 2017 first quarter sales decreased and second quarter sales increased compared with one year earlier. Furthermore, in our business plan, the majority of earnings are in the year's second half. We believe that sales in the third quarter and afterward will depend on the popularity of new smartphones.

Q2: Why were first half SG&A expenses lower than one year earlier? Also, why did these expenses decline by so much from the first to the second quarter?

A2: Measures to cut outsourcing expenses were responsible for the decrease in first half SG&A expenses compared with one year earlier. We improved efficiency by doing ourselves fiber-optic line marketing activities that had been outsourced. The big drop in SG&A expenses between the first and second quarters is the result of progress with raising efficiency. We expect that these expenses will be unchanged in the third and fourth quarters.

Q3: How have your reforms for how people do their jobs affected sales and earnings?

A3: Many of our shops have scheduled closing dates on days when customer volume is low. We believe that operating shops for fewer days will not significantly impact their performance. Normally, shops are busy on Saturday and Sunday and then have work to do on Monday for processing sales made over the weekend. As a result, shops usually select Tuesday as the day off. This system allows all shop personnel to take a day off at the same time and has been successful at strengthening camaraderie among shop employees.

Q4: Please provide information about the performance of Bellbride, Inc.

A4: Bellbride started full-scale operations in December 2016. People who became members in December succeeded at finding and marrying a partner within about the following five months. The company is currently unprofitable, but the number of members is increasing slowly.

Q5: Please provide more information about B-Lab, Inc.

A5: Bell-Park established B-Lab in May 2017 for the planning, import and wholesale distribution of IoT devices and other products. A few of these products are shown on the bottom of page 16 of the presentation. Supplied by TrackR, Inc., which is based in Santa Barbara, California, these devices prevent people from losing belongings. There is no GPS capability. Lost items can also be located with the assistance of other TrackR users. Substantial demand exists for ways to add value to pens, wallets, briefcases and handbags. On August 7, a handbag manufacturer started selling the first product that uses TrackR devices. Our goal is to grow in this type of B-to-B-to-C business sector, too.

Q6: What is the reason for the growth of your corporate sales?

A6: Selling mobile phones to corporate clients was a profitable business when subscription fees were based on the utilization level. But now monthly use fees are either fixed or there is no fee at all. The result was a drop in ARPU, chiefly for so-called "Galapagos phones," that made it difficult to earn a profit. Recently, an increasing number of companies have been thinking about giving employees smartphones. In 2016, we started strengthening our ability to combine solutions with sales activities. This includes information management, which has been a barrier to the use of smartphones by companies. Offering these solutions has produced a big increase in smartphone sales to companies.

Q7: What is your impression of the new rate plans at au and Docomo?

A7: We think these plans give users even more options. Carriers have been offering a large number of plans for a long time, so there have always been many options. We believe that mobile phone users are very happy to see these new plans. There are plans that cost about the same as for a low-priced smartphone and that have a structure based on the level of use so that no money is wasted.

Q8: Please explain more about the operations of SoftBank Shops that also function as Y!mobile shops.

A8: We started operating these shops on a trial basis as a way to provide a larger number and variety of options for meeting our customers' needs. We will use the results of this test to develop future policies.

Q9: Do you plan to open any UQ Spot shops? Do you have any plans to open shops for any other MVNOs?

A9: Bell-Park opened its first UQ Spot Shop today (August 10) in Tateishi, Katsushika-ku, Tokyo. At this time, we have no plan to operate shops serving other MVNOs.