

Q&A Session at 2009 Earnings Announcement Information Meeting

Meeting: 10:00-11:30 February 12, 2010 (Friday)

Individual A

- Q1. You said that the terms for sales commissions explained in the *kessan tanshin* caused earnings to decline. Will this revision to sales commission terms have a negative effect on all sales agents? Or is this negatively affecting only Bell-Park?
- A1. Bell-Park has a different fiscal year than SOFTBANK and must announce earnings forecast in February. That means every year we must announce our first forecast by using a trial-and-error process. Since SOFTBANK MOBILE will not finalize its commission structure until about March, this forecast reflects only nuances that we can pick up. By nuances, I am referring to indications that SOFTBANK MOBILE is planning to increase commissions for handset sales to new subscribers and for agents that can provide thorough explanations of mobile Internet services. There appear to be other changes under consideration, too.
- Q2. My impression is that Bell-Park is less vulnerable to being hurt by these changes. Is this correct? Is it correct to assume that the new sales commission terms will further strengthen Bell-Park's presence in the industry?
- A2. From a medium to long-term perspective, there may be agents that will not be able to adapt to the new commission structure. So we believe this will create more opportunities for us.
- Q3. You said that there is still more potential for improving profitability at the 66 stores that were added during 2009. What is your outlook for making improvements?
- A3. The contribution to earnings from directly managed stores was only about 5% to 6% of our total operating income. Our goal is to raise this to about 15%. The role of secondary sales agents (franchised stores) is to generate volume rather than contribute directly to earnings. We want to raise our overall operations by utilizing the higher sales volume at franchised stores to contribute to our volume. In 2009, we achieved substantial growth in sales to new subscribers by repeatedly using a trial-and-error process at franchised and directly managed stores. As a result, about 80% of our franchised stores reported record earnings in 2009.
- Q4. What is your outlook for the cost of remodeling and relocating stores?
- A4. We are planning on expenditures of about 200 million yen.

Individual B

Q1. In your earnings forecast, there was a remark about a cut in prices by SOFTBANK MOBILE. Is this really merely a reduction? Other carriers are lowering commissions in relation to volume, too. But commissions for high-quality stores are climbing. Furthermore, SOFTBANK MOBILE is also taking actions aimed at improving customer satisfaction and eliminating complaints. There is nothing you can do if SOFTBANK MOBILE is performing poorly. But I cannot understand why Bell-Park, which has the best quality in the industry, is predicting lower earnings even though SOFTBANK MOBILE continues to announce record earnings. Is this a conservative forecast that reflects only negative factors? Since SOFTBANK MOBILE has not completed revisions to its commission structure, does the plan leave out positive factors that you cannot yet confirm?

A1. We have used a conservative outlook for the unconfirmed portion starting in April and the forecast does include negative aspects of the commission terms. Every year, we prepare our annual forecast without knowing what sales commissions will be from April onward. In 2009, we started by forecasting ordinary income of 1,000 million yen but ended up with ordinary income of more than 3,500 million yen. More than other carriers, SOFTBANK MOBILE has a tendency to give higher payments to agents that work the hardest. I think this is the type of commission structure we will see. Once the new terms for sales commissions are announced, I think there will be new opportunities for us to earn commissions through our own efforts.

Additional Q.

I believe that commissions that are paid simply in relation to sales are being cut. In the past, commissions paid for sales quality were raised. But since there is no outlook for an increase in these commissions, I think you have not factored quality commissions into your forecast. How do you expect commissions linked to sales to change?

A. I do not know because there has not yet been an official announcement about commissions paid in relation to sales.

Individual C

Q1. What is the share of smart phone sales in this year's plan and your outlook for these phones? What is your plan for sales of next-generation iPhones and the new Android mobile phones?

A1. Our plan does not reflect these points because commissions are the same for smart phones and ordinary handsets. In addition, the iPhone accounts for most smart phone sales. But we cannot say anything about the number of these phones we sell because of a confidentiality agreement. However,

as SOFTBANK MOBILE has been saying, iPhone sales are currently very strong. The “iPhone for everybody” advertising campaign and other activities have been very successful.

- Q2. Since the iPhone 3G first went on sale in the second half of 2008, I think you start seeing replacement demand from these users in the second half of 2010. Will SOFTBANK MOBILE be taking any actions regarding this replacement demand? Does Bell-Park plan any actions of its own?
- A2. There is a difference between the speed of the iPhone 3G and iPhone 3GS. If SOFTBANK MOBILE started selling a new model that is even more advanced, I think we would see replacement demand from users of the iPhone 3G. Therefore, we view the popular iPhone as a product with a short replacement cycle.
- Q3. Fall and winter models compatible with Wi-Fi were announced and these handsets are now available. Are you taking any actions at stores and has SOFTBANK MOBILE announced any guidelines?
- A3. We are still at the trial-and-error stage because this product sector has emerged only recently. The role of Wi-Fi is not to merely supplement 3G and LTE (3.9G). I think it will be positioned in a supporting role. Looking ahead, there will be more handsets that can handle large volumes of data. Wi-Fi will be needed because 3G and LTE infrastructures alone cannot fully support the capabilities of these handsets.

Individual D

- Q1. Why are earnings higher in the first half and lower in the second half in your 2010 forecast?
- A1. One reason is the growth in demand to replace 2G handsets with 3G models because 2G service will end in March 2010. The other reason is that our forecast uses a cautious outlook about sales commissions starting in April.
- Q2. Some time ago, I recall hearing from company president Nishikawa that large stores are not profitable. Are you aiming to make stores larger simply because store leasing expenses have dropped? Are you now able to earn a profit at large stores because of changes in the product lineup and customers' needs?
- A2. Our core stores are currently overwhelmed by the large number of customers. Therefore, in consideration of supply and demand as well as profitability, and also because the cost of leasing stores is lower, we are moving stores to better locations and increasing store size. I believe we

cannot achieve customer satisfaction with crowded stores. Furthermore, we need an adequate amount of space in stores because of the larger product lineup.

Q3. I believe that the polarization of the handset market is continuing as most sales come from either the iPhone or low-end models. If this trend continues, will the role of carrier shops change due to the inability to offer customers differentiation based on individual handset models?

A3. Our sales are not necessarily dividing into these two categories. We are selling a very large number of high-end versions of conventional handsets. When low-end users want to replace a handset, we are recommending older high-end handsets that are now available at low prices. We make these sales only after fully explaining the handset's features. This approach raises customer satisfaction and tends to increase ARPU. Regarding differentiation, we may be unable to do this over the short term, but I believe that our well-trained workforce will make us successful from a long-term standpoint.

Individual E

Q1. Looking at your sales volume, I think there should have been slightly more earnings in the fourth quarter. Was there a revision to sales commissions?

A1. There was a reduction in October in commissions for options. There was an impact because this reduction applied to both new and replacement sales. Fourth quarter earnings appear to be low only because there was a big contribution to earnings in the third quarter from the launch of iPhone 3GS. As a result, the third quarter of 2009 was our busiest quarter ever.

Q2. It appears that your priorities are improving customer satisfaction and eliminating complaints. What sorts of activities does this involve?

A2. We are constantly exchanging information with the sales division of SOFTBANK MOBILE so that we can deal with complaints immediately. Many complaints involve issues concerning the use of options. For instance, we see complaints resulting from sales made to older customers. One illustration is a service subscription sale made to a senior citizen after explaining everything and receiving the customer's approval. Afterward, we receive a complaint from a family member who says an option is unnecessary. In some cases, these complaints are the result of the insufficient knowledge of a sales person at one of our stores. Our store personnel require a broad range of knowledge. In some cases, a customer may receive a mistaken explanation from a sales person who does not have sufficient knowledge of the subject.