

Q&A Session at 2010 first half Earnings Announcement Information Meeting

Meeting: 10:00-11:30 August 2, 2010 (Monday)

**[Individual A]**

Q1: For their terminal strategy, SOFTBANK MOBILE are considering steadily shifting their attention, from focusing on just iPhones, to including Androids, from this autumn or winter (at earliest), or otherwise from next year. With regard to terminal sales, as I believe that these require a lot of time, and involve costs for training sales staff, while it would also depend on commissions from next year onward, do you think that this would become a cost increase factor that could affect earnings?

A1: At the time of release of the iPhone, in the initial stage, Apple's ardent fans came to our shops and we sold iPhones without even explaining about them. It is true that ever since the next tier of customers began coming to our shops, explanations have taken more time than other general terminal sales. However, for customers upgrading their iPhones, sales can now be made in roughly the same time required for general terminal sales.

(Even more so than for terminal sales) with a different OS, it seems to take time to explain new merchandise. I think the phrase "the style is different" fits perfectly for when there is a different OS. Once they have gotten used to one OS, people find it difficult to switch to the next one. I think that initially it will also take time to explain about Android, but that this will be a temporary matter.

Since I do not know what trends in commissions will be like next year, at this point in time I cannot comment on what effects this may have on earnings forecasts (based on these cost increase factors).

**[Individual B]**

Q1: With shop expansions, will agents be able to do this freely?

A1: With shop transfer requests, approval will be granted in the space of about 1 week. Previously, grants were given by carriers for transfer costs, but now transfers are performed based on independent decisions made by sales agents, and support is generally not offered.

One point for when increasing shop size is that potential for profitability is a major criterion. Because deposits are large and rent is expensive for large city-center shops, I believe that there is a limit to how far sales agents can expand on their own. At the end of July, Bell-Park opened up an 80-tsubo megashop in Shinjuku, but both the deposit and rent were expensive, and I think that for general sales agents a burden of this magnitude would be too much to handle. In the

future, I feel that we will need to hold discussions with SOFTBANK MOBILE to address the direction in which we should proceed with shop expansions.

With the traditional size of SoftBank shops, I believe that there is insufficient space for displaying a vast range of merchandise, and that they will blow out either way. In particular, I believe that the time has come for expanding shops in the city center and near stations where rapid trains on private lines stop.

Q2: What is the proportion of shop sizes (large, medium and small) among your 178 shops?

A2: Only 10 percent of Bell-Park's shops are larger than 50-tsubo. The rest are less than 50-tsubo. I think that we need to change our urban shops.

### **[Individual C]**

Q1: What is the background behind why performance was poor in terms of operating income, despite an increase in handsets sold?

A1: I believe this was due to the fact that we did not get much revenue from commissions, despite carrying out many sales in the second fiscal quarter.

Revisions to commissions are made yearly, half-yearly and quarterly, but up until now it has been a rule of thumb that in order to boldly make changes according to the direction of SOFTBANK MOBILE, sales agents revenues temporarily decrease significantly. Up until now, SOFTBANK MOBILE has speedily conducted reviews of commissions whenever it has received opinions on commissions from sales agents. The revisions being made to commissions on this occasion are not merely new purchases and replacement handsets, but are changes in commissions for options, and in incentives for shop ratings, and the fact is that they have gradually been effective overall. We expect that there will be some revisions, based not only on the opinions of Bell-Park, but also on those of various sales agents.

Q2: How has performance been with expanding shops? I have heard that a financial burden of opening shops in Seijo Gakuen and Shinjuku can be borne, but is this worth it in terms of profitability?

A2: Although we have some leeway in terms of finances, the profitability of expanding shops is a worrying problem.

In the case of Seijo Gakuen, although it is a trend seen less than one month after transferring, the total number of handsets sold has increased by 30 percent. In the future, it will also probably increase a little. Given that it is in an ideal location, and rent is within anticipated levels, I believe that we have made a profitable shop opening.

For our Shinjuku shop, the rental burden is large, and this shop opening will be challenging. Its size is such that we will have to capture a fairly large number of customers. Because the shop

is large, the number of people enrolled is about three times the number for ordinary shops.

If SOFTBANK MOBILE aims to be an even higher-placed carrier, a time will probably come when we have to review the direction we are pursuing with expanding city-center shops. We are now in a position where we are attempting to expand shops, while limiting the number of shops with the risk for sales agents.

**[Individual D]**

Q1: The commission terms for the second half of the year (commission terms will worsen beyond initial estimates) that are stated on page 35 of the presentation materials (Highlights of the 1H 2010 Earnings Plan) seem to differ from the terms expected by the company president, Mr. Nishikawa. Do you have any comments to make on this matter?

A1: These forecasts only incorporate fixed terms. With commissions, based on past experience and optimistic observations, we expect that commission levels will return somewhat, and enter a correction phase. For sales agents, it is a common belief that if agency management cannot expect revenue, their will to operate will decline, and they then fear that forms of M&A and selection that are unfavorable for carriers will arise. I believe that carriers also recognize this point.