

Q&A Session at 2010 Earnings Announcement Information Meeting

Meeting: 10:00-11:30 February 15, 2011 (Tuesday)

[Individual A]

Q1: I have a question regarding the profit plan for this year (FY 2011). Forecasted profit fluctuates greatly between the first half and the second half. What is the reason for this increase and decrease?

A1: Increased revenue and decreased profits are forecasted for the first half. One reason is that increased personnel costs incurred from April of the previous year (FY 2010) due to the employment of 119 new graduates are posted from January of this year, resulting in increased personnel costs for this year. Additionally, rent costs have greatly increased due to the opening of 4 new shops in the previous year, as well as to enlargement of shops through relocation and renovation. Furthermore, in the case of sales promotion costs, investments will be made in order to increase the number of phones sold. Due to such factors, we forecast increased revenue and decreased profits for the first half.

In the case of the second half, excluding an increase in personnel costs due to the assignment of new graduates (scheduled to enter our company in April 2012) to shops as interns from October, there are no major fluctuations when compared to the second half of the previous year. Gross profit will increase due to an increase in the number of phones sold, and we therefore forecast increased revenue and increased profit.

Regarding the number of phones sold, to simply state past facts, the iPhone3G was released in July, the iPhone3GS was also released in July, and sales of the iPhone 4 started from June of last year. It is impossible to make predictions regarding what will happen this year because no firm announcement has been issued. However, our company is formulating our plan by independently incorporating past trends.

Q2: Regarding SGA (selling, general and administrative) costs, the employment (of new graduates) decreased from 119 hired in 2010 to a forecast for 56 hired in 2011. Will the pace of increases in personnel costs settle down compared to the previous year? Also, what is your forecast for approximate costs related to relocation and renovation?

A2: Regarding personnel costs, while it is true that the number of full-time employees will increase, it is possible to adjust the numbers of contract employees, temporary employees and part-time employees. Therefore, we do not believe that increased full-time employees will act as a major factor suppressing profits.

We are assuming that the costs related to relocation and renovation for this year are much the same as the previous year.

Q3: You explained that sales are increasing at FC (franchised) shops. Is there room for further

increases in fiscal year 2011?

A3: Sales at almost all of our FC partners have increased to essentially the same level of new sales as our company. Therefore, it cannot be said that room exists for further increases.

[Individual B]

Q1: You discussed an enlargement of shops to approximately 132 m². However, since there isn't much room in new shops, I believe that the enlargement will be implemented through relocation and renovation. Currently, what is the ratio of shops with an area of 132 m² or more? How much room exists for enlargement, and at what pace will the enlargement be performed?

A1: Due to deflation and poor retail sales, there are openings in storefronts located in popular commercial districts where openings were not available before. From March of this year, in Tokorozawa, we plan to relocate from a store of 122 m² to a store of 198 m². Also, we plan to establish a store of approximately 198 m² Center-Kita. In total, we plan to establish about 10 shops this year. Shops with an area of 132 m² are becoming necessary for urban areas. In suburban areas, we have already acquired a relatively high number of shops with an area of 132 m² by acquiring former convenience shops, etc. Among 129 directly managed shops, 78 shops (61%) have an area of 99 m² or more and 54 shops (42%) have an area of 115 m² or more. Since we do not tabulate a category for shops with an area of 132 m² or more, I cannot give an accurate numerical answer at this time.

(Additional notes made after meeting) 40 shops (31%) have an area of area of 132 m² or more.

Q2: Previously, there was discussion of linking the carrier registration system (GINIE) and the sales/inventory management system of sales agents. What progress has been made?

A2: We have divided the project into 3 phases and are currently cooperating with SOFTBANK MOBILE to implement the project. The first phase has proceeded to testing, and we believe that it will be possible to start from May. The incorporation of accessories and inventory will be performed from the second and third phases. We hope to implement a new phase every year.

AdditionalQ2-2: Please discuss an overview of phase one.

A2-2: Previously, it was necessary to enter information twice; once in the carrier registration system and once in our company's sales/inventory management system. Such reentered information was related to the sales of new phones and replacement of previous models, as well as after-service. However, phase one enables the loading (without reentry) of data entered in the carrier registration system. As a result, phase one will decrease the amount of administrative

work.

Q3: I have a question regarding dividends. Dividends for the year ending December 2010 were 3,600 yen. The commemorative dividend of 1,000 yen will not be issued for the year ending December 2011. Also, the dividend ratio is slightly less than 10%. What is the possibility of maintaining a dividend of 3,600 yen?

A3: According to our company plan, the commemorative dividend is issued to commemorate our 10th anniversary. We do not plan to add 1,000 yen at the present time (as an addition to the normal dividend for the year ending December 2011). Our intent is to store capital in order to prepare for our next M&A. We believe that this strategy will contribute to the profitability of our shareholders in the mid- to long-term.

[Individual C]

Q1: Expectations exist for a reform of sales commissions in this year. Is there concern regarding a further worsening of sales commissions? Also, is there the possibility that SOFTBANK MOBILE will alter continuous sales commissions? Furthermore, if possible, can you state the ratio of continuous sales commissions?

A1: SoftBank is experiencing increased revenue and increased profit. Therefore, as a sales agent, it is natural to expect a reform of sales commissions. Conversely, SOFTBANK MOBILE has strongly positioned the following two goals: 1) capital needs related to investment in infrastructure such as ultra high-speed and LTE, and 2) improved financial standing to become virtually debt-free. We understand that reform of sales commissions is not promised simply because the carrier experience increased revenue and increased profit. Within this situation, we truly hope for some sort of reform. We are not concerned regarding a worsening of sales commissions.

There have been changes to continuous sales commissions in the past. However, even if conditions worsen slightly in the short-term, reforms are being enacted in the long-term. Most recently, a change was made from sales commissions for replacement of previous models being discontinued after 5 years to updating each time that a previous model is replaced. In a way, this change eliminated a deadline. We do not expect any reform of changes in continuous sales commissions. Furthermore, since we do not disclose the amount or ratio of continuous sales commissions, I cannot answer your question.

Q2: I have heard that there has been a continued shortage of iPhone4 handsets. Is there a possibility of serious effect on February and March (sales season)?

A2: I cannot answer your question because our company is not able to assess shipping status.

[Individual D]

Q1: Although I believe that enlargement of shops will help to improve customer satisfaction, will it also lead to increased profits? I am aware that it is difficult for you to disclose the amount of increased profits due to an increase in the number of phones and to improved customer satisfaction. Therefore, could you please discuss the change in profits at shops which have already been enlarged?

A1: To use an extreme example, rent is very high at our Shinjuku store which has an area of 277 m². In the previous year, this resulted in monthly average losses of 5 million yen. However, continuous sales commissions are gradually being compiled, and we forecast that the breakeven point will be reached in approximately 1 to 1.5 years. Rent at other shops is not as high as in Shinjuku, and increased rent costs have already been almost completely absorbed by increased sales. We expect continuous sales commissions to be compiled in the future.

Furthermore, according to the current customer satisfaction evaluation system used by SoftBank, enlargement of the store is not directly related to increased customer satisfaction. Therefore, the customer satisfaction evaluation will not immediately improve. However, we believe that a spacious store helps to alleviate frustration felt by customers who are waiting. Therefore, from a mid- to long-term perspective, we believe that larger shops will lead to increased productivity through improved customer satisfaction.

Additional Q1-1: Does an increase in store area result in an increase in the number of contracts and phones sold? Are there any numerical indicators such as average value?

A1-1: Yes, there is an increase in the number of contracts and phones sold as a result of increasing the store area.

The total number of phones sold has doubled at the Hankyu Hattori store. There has been an increase of 20% at the Seijo Gakuen store. Furthermore, in addition to floor space, moving to favorable locations also has a positive effect on increasing the number of contracts and phones sold.

Q2: Although your company is normally very conservative when commenting on sales commissions, the presentation material for this meeting states that “we expect a reform of sales commissions!” Does this mean that SoftBank has hinted about some sort of reform? Or does this expectation come from your feeling that an increase in sales commissions is only natural based on your various sales efforts?

A2: As of today, we have received absolutely no comment or hint from carriers regarding sales commissions from April. The statement comes from our hope for some sort of reform.

[Individual A]

Additional Q2-2: I would like to clarify suppositions for sales commissions conditions in this

year' plan. According to the *kessan tanshin*, you formulated your plan based on levels equivalent to the previous year, without forecasting any reform of sales commissions. However, the material for this meeting states that you expect a reform and it seems that your planning incorporates some sort of reform. Does your plan include reform or doesn't it?

A2-2: The plan for this year does not include reform of sales commissions. The plan was formulated using levels which are roughly equivalent to last year.