

Main Q&A (Analyst Meeting concerning New Rate Plans)

Questioner No. 1	
Q1	I would like to reconfirm how to interpret the 400 billion-yen customer returns. During the new rate plan explanation session, you mentioned that customers who currently receive Monthly Support discounts will benefit more if they switch to the new rate plan after receiving all Monthly Support discounts that they are entitled to. Does 400 billion yen represent the impact of the rate reduction for customers who have already finished receiving Monthly Support discounts? Or does the amount also include the impact of the handset purchase support program that you are currently contemplating? I believe many people have an impression that your customer return policy has changed along the way, so could you once again clarify the breakdown of the components included in the 400 billion-yen?
A1	We believe the easiest explanation is that the 400 billion-yen represents the net revenue impact on the P/L, i.e., it represents the gap after subtracting the negative revenue impact of the Monthly Support program (which has been deducted from our revenue) from the estimated decrease in revenues caused by the new rate plan. Any costs incurred in association with the customer return measures or other initiatives to support handset sales are not factored in the 400 billion-yen projection. This remains consistent with the explanation that we have provided in the past. Customers who had purchased an expensive handset model generally receive a large amount of Monthly Support discounts. We therefore believe it is more beneficial for such customers to switch to the new rate plan after receiving all the discounts to be provided to them. Accordingly, we assume that it will take a considerable amount of time for the impact of the customer returns to hit its projected peak.
Q2	Will it be correct to consider that the impact of customer returns will reach its peak once all customers have fully migrated to the new rate plan after the expiration of the Monthly Support coverage period?
A2	Exactly. We do not want customers to sacrifice the benefits they are entitled to by migrating to the new rate plan. For this reason, we allowed subscribers who have not yet switched to the new rate plan to be included in the line count for family discount. We hope each customer will switch to the new rate plan at a timing that will offer them the maximum benefits.
Q3	For example, customers who started receiving Monthly Support discounts from this month will finish the program in two years from now. Do you think the 400 billion-yen impact caused by the new rates will manifest in two years' time?
A3	That will be the case if all customers behave in the same manner. However, we do not foresee all customers migrating to the new plan in unison and there is no guarantee that all of them will make a rational decision on rates. We have therefore developed the estimate by taking also into consideration of the impact of a certain number of customers who make an irrational response to the new rate plan.
Q4	I believe many people anticipated that the 400 billion-yen impact would occur at the timing of the launch of the new rate plan. Was this recognition wrong?
A4	The impact of customer returns will not reach 400 billion-yen in FY2019.
Q5	I am sure that your financial performance will improve if you get rid of the Monthly Support program. Does the 400 billion-yen impact represent the negative impact on your increased revenue level after eliminating the Monthly Support program?
A5	Eventually, users applied with Monthly Support discounts will be completely eliminated and we will have successfully migrated a certain percentage of customers to the new rate plan.

	We forecast that the net impact will reach 400 billion yen sometime after that. Naturally, we are not talking about the impact on the bottom line but the revenues.
Questioner No. 2	
Q1	My honest impression of the new rate plan is that it is difficult to understand. The discount campaigns to be offered to customers in the first 6 or 12 months after switching to the new plan are making things more complicated and difficult to understand. I understand your rationale to accelerate the adoption of the new rates through the campaigns, but these initiatives can be copied by your competitors and therefore make things more difficult to understand from an outsider's point of view. As you are the market leader, weren't there any opinions in your internal discussions preferring not to offer these types of campaigns?
A1	This time around, we tried to stay away from providing discounts through campaigns as much as possible, with the exception of two programs, "Gigaho Wari" (up to six months) and "Hajimete Sumaho Wari" (up to 12 months). Other discounts are not offered as campaigns and they perpetually provide the same level of rate. This is a point that is significantly different from the rate structures of other companies which are made up from multiple campaigns.
Q2	Will it be correct to consider that after the application period of "Gigaho Wari" and "Hajimete Sumaho Wari" finishes, the rates will return to the standard level indicated in the document? Also, do you plan to launch a new discount campaign for 5G upon the start of 5G service?
A2	The rate plans for 5G need to be discussed separately from the rate plans we rolled out this time. With the new plans announced this time around, the communicated rates will be applied perpetually even after the discounts offered by the campaign finish. In some cases, our competitors make a presentation in their advertisements as if the discounted campaign rates will last forever, though they are only applicable for one year in reality. We therefore would like you to look at the rates that do not include any limited-time discounts when you compare our rates with the competitions'. For example, our data package of less than 1GB is priced at 1,980 yen per month for customers who comprise groups of 3 lines or more without applying any campaign discounts, which we believe is the lowest rate when compared to our competitors. When campaign discounts are applied, Rakuten Mobile's package of 1,480 yen/month appears attractive but many MVNOs also offer similar rates. We believe our rate designed for users with less than 1GB monthly data usage is very competitive.
Questioner No. 3	
Q1	Let me once again hear your thoughts about the new rate plan. Is it designed more for the retention of existing users than the acquisition of customers from the competition? Further, I do not think your rate is the lowest if we make a comparison including the second brands of other carriers. Is it right to consider that you aimed for the lowest rate among the main carrier brands?
A1	The fundamental objective of introducing the new rate plan is to solidify our customer base prior to Rakuten's market entry. To begin with, we will attach a greater focus on firmly retaining our existing customers than acquiring new users from the competition. As to your point that our rate appears to be more expensive compared to the rates of the second brands, in our view we believe our rates are lower when we make a comparison excluding all campaign discounts. We are aware of the various campaigns offered by the competition, but we do not think our rates are more expensive relative to those offered by the second brands. Further, we believe it would be difficult for the competition to apply family discounts in the way we do because they operate separate brands. When compared without campaign discounts, we believe our rate is the lowest.
Q2	That statement is true when a comparison is made according to the method you suggested. However, the second brands of other carriers have not yet made a transition to a separation model (a model that separates the handset cost from communication charges), so there is a good chance that they will further lower their rates in the future. Will it be right to assume

	that you set your rates to be the lowest, taking into account such potential moves by other players?
A2	We expect other players to tweak both their main and second brand rates in one way or another. Each company will have to make slight modifications to their rate plans going forward because there are so many points for them to fix to achieve regulatory clearance. We made an announcement this time around anticipating such moves to some extent.
Q3	Regarding how to interpret the impact of 400 billion-yen, in a very blunt expression, it does not seem to be so different from your existing rate plan, especially when you compare it with the 1,500-yen discounts offered under the “docomo with” program. Will it be correct to understand that the total impact is estimated to be 400 billion-yen when all customers who currently do not receive any discounts have all migrated to the new plan while those who currently receive discounts stay on their existing plan?
A3	It is difficult to make a simple comparison because the rate plans selected by “docomo with” users vary by customer. To put it very simply, the 400 billion-yen is basically the impact that we anticipate when all customers who are not applied with “docomo with” have migrated to the new rate plan. However, the actual circumstances vary from customer to customer, and for some users it is more advantageous to stay with their existing plans while other customers benefit more by switching to the new rate plan. We therefore recommend each user to perform a rate simulation and switch to the new rate plan if it makes more sense to do so.
Questioner No. 4	
Q1	I got the impression that you skillfully utilized the 400 billion-yen you announced as customer returns in a way that is aligned with your corporate strategy. Under the new rate structure, voice service will be billed based on usage and flat-rate voice service is a nonstandard, optional offer. Because for a certain period of time in the past, the provision of Monthly Support discounts was contingent on the subscription to “Kake-hodai” (flat-rate voice service) of your existing rate plan, I believe you still have a huge number of “Kake-hodai” subscribers on your network. As you can no longer use this scheme, don’t you foresee the risk of voice rate plans being downgraded?
A1	We conducted studies in view of such risk. The approach of making the provision of handset discounts contingent on the subscription of “Kake-hodai” or other plans is prohibited under the new regulatory framework that is currently under review, so we cannot take this approach any more. Thus, the voice portion of the new rate plan is basically designed after our conventional “Simple Plan.” For the “Kake-hodai Option,” we will provide customers with consultation service and make suggestions as adequate based on their actual usage at our shop counters going forward.
Q2	In your rate simulation, what kind of cases will be presented as optimal? Will you suggest the most adequate plan for each customer based on their current usage style?
A2	We intend to make an in-depth rate simulation service available to customers from the day we start accepting pre-orders for the new rate plan. In the simulation, we will diagnose and present how much savings a customer can make by switching to the new rate plan based on his/her usage record for the past three months.
Questioner No. 5	
Q1	I got the impression that the amount of discounts offered by “docomo Hikari set discount” is quite generous. Does the acquisition of “docomo Hikari” subscription lead to a boost in ARPU or revenues? Or are there any other legitimate reasons for you to strengthen the acquisition of “docomo Hikari” subscriptions at the sacrifice of revenues?
A1	The subscription to docomo Hikari has a strong retention effect of mobile users, and we have designed the “docomo Hikari set discount” in expectation of this positive effect. “docomo Hikari set discount” has been offered from before as a discount service for our “Packet Pack” users. This time around, we modified the service and enabled “docomo Hikari set discount” to be applied to each subscriber in the family group so long as there is one user of “docomo

	Hikari" service in the group comprising the family discount group. We believe this new arrangement delivers a greater retention effect.
Q2	Do you have any concerns that the appeal of "docomo Hikari" may diminish compared to before, because "Gigaho" will effectively allow users to have unlimited access to video services and can also provide wireless access to other devices via tethering?
A2	We believe it is more natural for customers to subscribe to "docomo Hikari" for viewing high-resolution images on TV screens, etc., given the large data size. We also believe "docomo Hikari" will continue to be attractive for customers, as a large number of customers connect various devices at home using Wi-Fi environment.
Questioner No. 6	
Q1	SoftBank claims that they will introduce a new rate plan targeting light users based on a separation model from Y-Mobile. If this plan turns out to be less expensive than your rate, do you intend to revise your rate, or will you rather try to compete by leveraging limited-time campaigns or other measures? While you mentioned earlier that you have taken into consideration the possibility of your competitors following your moves, I can easily anticipate that they will at least match with your rates or set their rates even lower. Please share with us your thoughts on this point.
A1	It is difficult to comment at this juncture as it relates to the actions to be taken by other companies, but countering the offensive through campaigns could be one of our potential responses. Even today, while there are some low-cost service providers such as MVNOs that offer service at rates lower than ours, because customers make choices after a comprehensive comparison on area coverage, handset products, services and other aspects, we believe we are well positioned to compete favorably to some extent leveraging our overall strengths. In addition, the purchase of handset and communication service charges will be completely separated going forward. Previously, the demarcation between the first and second brands was effectively drawn by the handsets. In the future, however, there is a possibility that prohibiting customers from purchasing a handset from the first brand and subscribing to the communication service offered by the second brand will be deemed illegal. We therefore believe an operation based on the division of first and second brands will become increasingly difficult in the future.
Q2	I am sure you are keeping an eye on the response of the Ministry of Internal Affairs and Communications (MIC), but you will continue to offer discount services contingent on a two-year subscription contract even in your new rate scheme. During this spring sales season, although au and SoftBank claimed that they offer rate plans that are based on a "separation model," the rates were not unbundled from the handset costs at all in reality and we saw rampant underselling of handsets. Even if you introduce the "separation model" in June, don't you foresee the risk of a handset underselling competition before it is prohibited by the MIC, which could potentially reduce your "separation model" into a dead letter? Do you intend to control the market to avoid such circumstances? Or do you think you will have no choice but to counter with similar actions depending on the moves of the competition?
A2	Set aside the degree of execution, we basically plan to start offering the "separation model" from June onwards. Therefore, we have no intention whatsoever to engage ourselves in a dumping practice offering a 100,000-yen handset at a price of 0 yen. We believe this is the response we are expected to take when we consider the rationale behind the revision of the law.
Questioner No. 7	
Q1	You mentioned that users who subscribe to DOCOMO in a family group comprising three or more members account for over 70% of your total user base. What is the percentage of users joining with a 2-member family group, and how many of them subscribe to the "Share Pack?"
A1	Because users who subscribe in a family group of three or more members account for 70% of the total, the remaining 30% are users who have a subscription to only one or two lines.
Q2	Do most of the users who are in a family group of three or more members also have "Share Pack" subscriptions?

A2	We do not disclose the specific percentage, but the number of "Share Pack" subscribers is lower than the total amount of "Family Discount" subscribers (subscribing to the "Family Discount" is a requirement for becoming a "Share Pack" subscriber).
Q3	What percentage of the total DOCOMO brand users are customers who have finished receiving Monthly Support discounts?
A3	While we cannot provide you with specific numbers, basically the Monthly Support discounts are provided over a two-year period, and the average handset usage period of our customers is approximately three to four years.