

Main Q&A (Analyst Meeting after the Results for FY2018)

<b>Questioner No. 1</b>	
Q1	The amount of discounts applied to your FY2018/4Q ARPU calculation was 980 yen, which has increased since FY2018/1Q. Please explain the reasons behind this growth and the breakdown of the concrete discount plans included in this amount. Also, how much reduction do you expect to see in the impact of discounts after you switch to the "separation model" i.e., the handset sales method that completely unbundles handset costs from communication tariff?
A1	<p>The primary reason that led to the increase in the impact of discounts was the expansion of the subscribers applied with "docomo with" discounts. The number of subscribers eligible for "docomo with" discounts will continue to increase until May 2019, but because Monthly Support discounts are provided only for up to 24 months and we will no longer accept any new applications for Monthly Support from June 2019 onwards, its impact is expected to decrease significantly after June 2019. The number of subscribers eligible for "Hikari set discount," on the other hand, will continue to expand going forward.</p> <p>The impact of the discounts on the FY2019 ARPU is estimated to be 860 yen, with the contribution from Monthly Support accounting for more than half of that amount. The remaining impact will come from "docomo with" and "Hikari set discount." The negative impact from "docomo with" is expected to be larger than that of "Hikari set discount."</p>
Q2	Did you include the impact of the handset purchase support program, which you plan to unveil in May, in the FY2019 business plan? If you did, please comment on the scale of its impact on your financial results?
A2	The details pertaining to the handset purchase support scheme will be announced on the occasion of the new product presentation on May 16, and the impact of this scheme is already factored in our business plan. We are studying the implementation of a handset purchase support scheme because customers will find it more difficult to purchase a handset carrying a high price tag after we switch to a sales model that basically requires customers to pay full price of the handset. As a basic philosophy, we will not tie the handset cost with the mobile subscription contract as we will introduce a complete "separation model." While we cannot precisely predict how long customers will use the same handset, in a scenario where the same handset is used for two years, the size of the rate reduction offered by the new rate plans is expected to outweigh the amount we offer under the handset purchase support scheme. The absolute amount of support will not be significant, because it is expected to be smaller than the customer returns we provide under the conventional Monthly Support or "docomo with" programs. We also plan to prepare a product lineup from which customers can easily select a model fit for their needs.
<b>Questioner No. 2</b>	
Q1	You are planning to execute cost reduction totaling 130 billion yen in FY2019, so the cumulative amount of cost savings for the two years of FY2018 and 2019 is expected to be quite sizable. Please elaborate on the specific initiatives that you plan to implement to deliver on this commitment.
A1	We plan to achieve cost efficiency improvement of a total of 130 billion yen in FY2019. The 120 billion-yen cost efficiency improvement that we delivered in FY2018 includes the impact from reduced Monthly Support discounts which had an effect to improve our revenues. However, in FY2019, we plan to address cost reduction genuinely on the expense side. The big-ticket items include commissions to agent resellers that have hitherto been used to finance handset discounts, which is estimated to account for approximately 2/3 of the total reduction, followed by network maintenance-related costs and other selling-related expenses.
Q2	Can you continue cost reduction of a similar scale in the next fiscal year and beyond?
A2	It will be difficult to seek a similar size reduction on the selling side, but we consider cost reduction an issue that we need to address on an ongoing basis. While it may be difficult to

	continue on a scale of 130 billion yen, we would like to execute cost efficiency improvement of several tens of billions of yen.
Q3	What degree of visibility do you have for the size of cost reduction for the next fiscal year?
A3	In developing our medium-term plan, we assumed a scale of several tens of billions of yen. If that is not sufficient, albeit reluctantly, we might as well impose an across-the-board cost cut to all organizational units. Because the total size of our expenses is quite huge, we can expect a large amount of reduction even with a 1%-cut.
Q4	Regarding your revenues, you mentioned that the negative impact from the rate reductions are estimated to be 200 billion yen, but there will also be a positive effect of some 40 billion yen. I heard the net impact of the rate reductions for the next fiscal year is estimated at slightly less than 100 billion yen, as the negative revenue impact will likely be smaller than 200 billion yen with the positive impact growing further compared to the current fiscal year. How should we expect the positive impact to ramp up in the future?
A4	Based on the premise that there are many variable factors in the next fiscal year and beyond, as you pointed out correctly, in our mobile telecommunications business, although we are foreseeing an expansion of the negative revenue impact from the rate reductions, we also expect to see positive effects from increased customer acquisition, subscriber migration and upsell activities. For FY2020, we believe we will be able to generate telecommunications services revenues (including the contributions from docomo Hikari optical fiber broadband service) comparable to the level of FY2019. In addition, we are projecting a revenue increase from Smart life and Other businesses as the growth investments that we are currently making will start producing results.
Q5	Is it correct to understand that the positive impacts from customer acquisition, subscriber migration and upsell activities for FY2019 will amount to 40 billion yen, and you can also expect an incremental impact of another 40 billion yen or so in FY2020?
A5	The estimate of 40 billion yen includes the impacts from customer acquisition, subscriber migration and upsell initiatives, and we believe these effects will become larger in the next fiscal year. The previous comment on the projected FY2020 telecommunications service revenues being comparable to the FY2019 level was made factoring in all these positive impacts.
<b>Questioner No. 3</b>	
Q1	Concerning the pace of subscribers' switch to the new rate plans, you mentioned that the total number of customers who will have migrated to the new rate plans by the end of this fiscal year is expected to be around the same as the year-end number of "Kake-hodai" subscribers in its year of launch, and that you do not assume that a huge number of customers will flock to the new rate plans immediately, which was the case for "Kake-hodai." Can you elaborate on the reasons why you believe so?
A1	When we introduced the "Kake-hodai" scheme, the pace of migration of subscribers, including enterprise users, was quite fast because of the powerful impact of the voice flat-rate plan that allowed some customers to achieve monthly savings in the order of 10,000 yen. This time around, the number of customers who can enjoy the savings in the magnitude of 10,000 yen is very limited, and in most cases customers who are still receiving Monthly Support discounts will benefit more if they stayed with their existing plans. For these reasons, we believe the pace of uptake will be slower in the initial phase.
Q2	I understand that users who are currently receiving Monthly Support discounts will most likely switch to the new rate plans after receiving all the discounts they are entitled to, but how do you forecast the pace of migration of users who have already finished receiving Monthly Support discounts? And how is that factored in your 830 billion-yen operating profit guidance for FY2019?
A2	We are projecting a considerably fast pace of migration because the number of users who will have switched to the new rate plans by the end of the current fiscal year is estimated to be over 17 million, which represents 90% of our existing users who have finished receiving Monthly Support discount as of now.
Q3	When do you believe the negative impact from the introduction of the new rate plans will reach

	its projected peak of 400 billion yen per annum?
A3	We believe we will see the peak impact of 400 billion yen after terminating the Monthly Support program and nearly completing the migration of subscribers to the new rate plans. At least until May this year, there will be customers newly applied with Monthly Support discounts and their discounts under this program will continue for the next two years. In our projections, the peak impact of approximately 400 billion yen is expected to occur in about three years from now.
Q4	Will it be correct to assume that the impact of customer returns will be 200 billion yen, 300 billion yen and 400 billion yen for FY2019, FY2020 and FY2021, respectively?
A4	We do not disclose any concrete numbers, but we believe the projected migration of users of 17 million by Mar. 31, 2020 will help you develop a rough estimate.
Q5	The new rate plans, when combined with "Minna DOCOMO Wari" and "docomo Hikari set discount," provide huge savings to customers. However, subscribers who are not eligible for those discounts, i.e., single users who do not form a group with family members, do not benefit as much. Do you think that users who are not eligible for the "Minna DOCOMO Wari" or "docomo Hikari set discount" will also eventually switch to the new rate plans, or do you anticipate a certain degree of outflows of this segment? I would appreciate it if you can answer this question by also referring to the outlook for churn rate.
A5	The churn rate forecast was developed in view of our recent favorable performance. Because we plan to counter the new entrant leveraging our new rate plans, we factored the retention effect of the new rate plans in our churn rate estimate. With respect to the "Minna DOCOMO Wari" program, we believe a considerable portion of our customers will be eligible for this discount, because in addition to the subscribers who are already included in a family discount group, there is a large number of users who still have not joined a family discount group despite having a DOCOMO user within their third degree of kinship. Although the family group discount concept was introduced quite a while ago, inquiries have been coming into our call centers after we unveiled the new rate plans. We can immediately investigate if a user is included in any family discount group, or if there is a DOCOMO user within the inquirer's third degree of kinship. We will recommend customers to join a family discount group if they have not done so already and make proper communications to gain customers' recognition on this discount package. We are contemplating measures to prevent the churn of single subscribers by having them join a family discount group.
<b>Questioner No. 4</b>	
Q1	In South Korea, carriers' capital expenditures are rising due to the race for 5G coverage buildout. Do you expect to see a similar competition in Japan?
A1	We are aware of the developments in South Korea. Previously, we heard that the number of 5G base stations will be insignificant in the initial phase, but we nowadays hear reports of a much faster pace of network rollout preparing over 10,000 stations at the time of service launch. In Japan, all carriers including DOCOMO have clearly presented their plans concerning the pace and the number base stations to be rolled out in their respective network construction guidelines submitted to the Ministry of Internal Affairs and Communications, based on which the capital expenditures are calculated. However, we will not rule out the possibility of a faster facility build out depending on the prevailing market conditions. The 5G-related CAPEX forecast of a cumulative 1 trillion yen for the first five years that we announced may be expedited depending on the circumstances, but we do not think it will be delayed under any scenario.
Q2	It is rumored that 5G-compatible iPhone will be released in September or October of 2020. Accordingly, should we anticipate that the broad uptake of 5G will start from FY2021 onwards?
A2	We believe your question is based on the recent media report on Intel's exit from smartphone modem chip business and Apple's switch to Qualcomm's modem chip. However, various Android handset manufacturers are expected to launch a large variety of 5G handsets, so we do not think consumers' adoption of 5G devices will be delayed just by the launch timing of Apple's 5G product.
<b>Questioner No. 5</b>	

Q1	Can you share with us your views on the new rate plans announced by SoftBank recently, including the "Smartphone Debut Plan"? This plan essentially reduces the monthly fee to 0 yen for 6 months so long as the user uses PayPay. How do you plan to respond to this package?
A1	We believe the main targets of the said plan are light usage customers who are considering to switch from a feature phone to a smartphone. As they claim to provide "Smartphone Debut Plan" and "PayPay Bonus campaign," a dedicated discount program for smartphone debutants offering perpetual discounts and reward of PayPay points worth 1,000 yen per month for six months, SoftBank's offers can be considered more aggressive than ours. However, they apply a ceiling to the monthly data volume of 1GB and do not offer a tiered rate option. Because the target of this package is limited to subscribers switching from a feature phone to a smartphone with a monthly data allowance ceiling of 1GB, we currently do not see the need to immediately introduce direct countermeasures. But we need to develop measures to facilitate the migration of the 20 million feature phone users on our network. Our new rate plans will be launched on Jun. 1, and SoftBank will start accepting applications for their new plan from Jun. 12. We will keep a close eye on how these plans will be accepted in the market going forward.
Q2	With SoftBank owning 50% of its stake, PayPay has a deep pocket that allows them to provide reward points worth 1,000 yen a month for a period of six months. How do you plan to respond to this with your "d Payment" service, as you mentioned during your recent results presentation session that the burden of your point program is expected to grow by 20 billion yen in FY2019?
A2	The increase of d POINT-related expenses of 20 billion yen estimated for FY2019 is not limited to d Payment only. The FY2018 P/L impact of the overall point program including the points offered to customers for their payment of monthly telephone bills as well as for the use of d CARD and iD payments was 130 billion yen, and the number is expected to grow by 20 billion yen in FY2019. Rather than a one-time campaign, we intend to award points on a continual basis. As has been the case so far, we will steadily promote our point program while properly communicating that we plan to maintain a considerable size of reward points and that those points are already used heavily by our customers. We therefore do not have any plans to launch a one-off campaign of the size of 10 billion yen like PayPay. We rather intend to provide rewards on a regular basis to a broad range of segments. We will implement measures after carefully studying their impacts because we do not necessarily think executing an extreme campaign will produce favorable results in payment businesses.
<b>Questioner No. 6</b>	
Q1	Please give us a breakdown on the contribution of the different business categories to the operating profit from Smart life and Other businesses for FY2018, and the projection for FY2019.
A1	For FY2018, support services for customers' peace-of-mind accounted for approximately 45%, content/commerce service about 20%, finance/payment services roughly 20% and enterprise solutions 15%. The contribution from lifestyle services, which although are generating profits, came in at 0% because we rounded off amounts less than 5% of the total operating profit. As for 2019, we believe that support services for customers' peace-of-mind will continue to account for 40%, and that the decline in the subscriber count of content/commerce services caused by the ongoing reform of its sales practice will hit a bottom this year and start to recover from next fiscal year onwards. The finance/payment services have shown a steadfast expansion, and we believe this category's composition ratio in the FY2019 Smart life and Other operating profit will be similar to the proportion for FY2018.
Q2	How do you see the outlook of enterprise solutions in FY2019? Also, is it correct to understand that the performance of the content and commerce category will turn around after hitting a bottom in FY2019 and start making positive contributions to profit growth again from next fiscal year, while finance/payment and enterprise solutions will record a steady growth over the medium term?
A2	For FY2019, we believe enterprise solutions will make profit contributions comparable to the proportion of FY2018. Your analysis on the medium-term outlook is consistent with our views.
Q3	At present, you have a Mobile Virtual Network Operator (MVNO) contract in place with

	<p>Rakuten. Do you have any idea when you will be able to terminate this contract? Rakuten has announced that after October, if there is a request from Rakuten Mobile users, they will transfer them to their Mobile Network Operator (MNO) service on a SIM-only basis and other users who do not request a transfer will remain on the existing MVNO network. For example, there is a possibility that some consumers will feel that it is more reassuring to stay on Rakuten's MVNO service because the underlying network is offered by DOCOMO, but is it practically possible for Rakuten to continue using your network for their MVNO service? Do you have any plans to propose a contract termination to Rakuten at some point of time?</p>
A3	<p>Since they have declared to operate as a Mobile Network Operator (MNO), Rakuten basically is obliged to acquire spectrum and build their own facilities, so we will probably request a termination of the MVNO contract at some point. However, even if they offer roaming access using KDDI's network in the initial phase, we do not think they can immediately transfer all MVNO users to the MNO service. We need to engage in a discussion with them, but we basically think it is most reasonable to ask them to migrate their customers because they own and operate their own facilities. It appears that Rakuten is still offering a three-year binding subscription contract to customers even after announcing their market entry as MNO. We view their practice of continuously offering a three-year contract is problematic given that they have already clearly announced the planned launch date of MNO service. This is a point that requires discussion.</p> <p>DOCOMO grants MVNOs access to our facilities on an equal-footing basis in units of 10Mbps through our access points. The bandwidth used by Rakuten is expected to decrease in line with the drop in the number of Rakuten's MVNO users in the future.</p> <p>How to deal with companies that have special capital alliance is another issue that we must give thought to. Biglobe, a wholly-owned subsidiary of KDDI, is also offering an MVNO service using our circuits. Since Biglobe is an affiliate of KDDI, we think it is more appropriate for them to use KDDI's mobile network. We believe this is a matter that needs to be discussed among the mobile operators going forward. Hypothetically, if any entity attempts to offer cream-skimming services blending the benefits of MVNO and MNO offers, that is something we can never tolerate and we will take proper measures if we see such attempts in the future.</p>
<b>Questioner No. 7</b>	
Q1	<p>Regarding the sales of your equity stake in Mitsui Sumitomo Card, I thought you have established strong ties with Sumitomo Mitsui Card in the area of issuing and acquiring for the promotion of cashless transactions and d CARD business in the future. Can you explain the reasons why you decided on the sale of shares? Also, do you have any plans to seek a new partner for your finance/payment business in the future? Or do you plan to continue your collaboration with Sumitomo Mitsui Card even after selling your stake?</p>
A1	<p>We decided to unwind our capital alliance with Sumitomo Mitsui Card, but we will continue to cooperate with them in the form of business alliance for acquiring and processing operations. We are also looking into the possibility of internalizing processing operations of d CARD.</p>
Q2	<p>Didn't you think it was too early to sell your stake at this point of time?</p>
A2	<p>We arrived at this decision after performing studies from multiple angles. We did not completely terminate our mutual alliance as we agreed to continue our relationship including the option to collaborate in new fields.</p> <p>We were able to sell the shares at a price higher than our acquisition cost. We would like to provide each customer with convenient and valuable information by combining the transaction data of d CARD with the usage log of various other services. We are looking into the possibility of internalizing the system itself to achieve this goal as early and efficiently as possible.</p>
<b>Questioner No. 8</b>	
Q1	<p>Please explain the initiatives planned for implementation in FY2019. Slide 26 of the results presentation deck provides some descriptions under the title of "Promotion of Digital Marketing." What kind of concrete measures are you contemplating and what kind of effects will these measures produce? Please also share with us some actual cases.</p>
A1	<p>"Promotion of Digital Marketing" encompasses a wide variety of initiatives. Our major ambition is to expand our membership base to 100 million in the future and secure a means to reach out</p>

	<p>to each member, so we can propose products and services to our customers and make customer referrals to our partners. As we move ahead with this journey, we believe we will be able to monetize our digital marketing initiatives in the form of selling d POINTs to external partners or receiving commission revenues by processing cashless transactions. Also, just like other internet service providers, we aim to significantly increase the advertisement fee that we receive from our enterprise clients by hosting advertisements that target consumers. Previously, docomo Shops played a primary role in our marketing activities. The shops will continue to fulfill this function in the future, but we will reach out to customers also by acquiring various media as a one-to-one communication tool for upselling, cross selling, customer referral to partners and advertisement, and thereby secure new sources of revenues and profit.</p> <p>Furthermore, we would like to use both existing physical channels and web channels to sell our mobile subscriptions and other supplementary services, and to roll out various customer retention measures leveraging digital marketing tools.</p>
Q2	<p>This is a question about the Senior Professional system. I agree that you should take advantage of the skills of professional talent for the development of non-telecommunications businesses. How many people do you plan to hire for that purpose and what is the level of remuneration you plan to offer them?</p>
A2	<p>Currently, we have only secured a few people under the Senior Professional system. In fact, we launched what is called the Junior Professional system a year ago. The Senior Professional system is for manager positions and the Junior system is for general employees. The job type and area of expertise are common between the two systems, and we have already hired close to 100 people under the Junior program. We intend to further increase the number of employees working under these schemes. Although we cannot disclose the concrete amount of remuneration, the scheme is designed with a great deal of flexibility allowing us to set a considerably higher amount of compensation compared to ordinary employees.</p>
<b>Questioner No.9</b>	
Q1	<p>Your target number of net additions for FY2019 is 1.05 million, but you are projecting the number of smartphone and tablet users to grow by 1.7 million during this fiscal year. I guess multiple factors are included in this calculation such as loss of MVNO subscriptions to Rakuten, etc. Can you elaborate on the factors that will cause a negative impact on your subscriber count, other than smartphone/tablet users? I am particularly interested in how you foresee the changes in communication module subscriptions.</p>
A1	<p>As similar to FY2018, we are projecting a reasonable increase in the number of module subscriptions. We developed a somewhat bearish forecast for net additions primarily because of the projected drop in the number of tablet devices sold to new subscribers in light of the planned revision of law as well as the slowdown in the overall market and the momentum of MVNO businesses.</p>
Q2	<p>The total number of smartphone/tablet users is forecast to grow by 1.7 million and the total net additions is projected to increase to 1.05 million. Set aside the growth of smartphones and tablets, which product is expected to see a negative growth?</p>
A2	<p>The total number of smartphone/tablet users does not represent the number of subscriptions. Because this indicates the total number of smartphone and tablet users including the migration from feature phones, it cannot be compared directly with the number of net additions.</p>
Q3	<p>This may not be a problem directly related to DOCOMO's business, but it is most likely that MVNOs will be impacted first by the entry of Rakuten. Does your FY2019 business plan factor in any decline in the number of MVNOs that uses your network?</p>
A3	<p>The total number of MVNO subscriptions in Japan is expected to continue rising in FY2019 although the pace of growth will be slower compared to the past. Currently, MNVO subscriptions account for roughly 10 million out of our total subscription base of 70+ million. We therefore believe the adoption of MVNO services has achieved a certain level of progress in Japan. While the growth is still continuing, it may come to a standstill at some point in the future, but we do not think that will happen anytime soon.</p>
Q4	<p>I have a question concerning your equipment sales profit. You mentioned that you will lower the handset gross profit due to the introduction of the "separation model." According to your</p>

	previous statement, the reduction of incentives that you pay for the sale of handsets will account for 2/3 or 86 billion yen of the 130 billion-yen cost efficiency improvement planned for FY2019. Is it correct to assume that the negative impact from the lowered gross profit will be cancelled out by the reduced promotion spend?
A4	That understanding is correct. We project an improvement in our equipment sales profit because we are also planning to reduce the amount of commissions that have been used to finance the discounts of handsets.
<b>Questioner No. 10</b>	
Q1	Can you present the ARPU outlook for FY2020 and beyond? How do you think the mobile ARPU and the impact of discounts will fare in FY2020 compared to FY2019? Also, do you foresee that the impact of discounts will be lowered to nearly 0 yen in about three years from now?
A1	After a steep decline in FY2019, we are projecting a flat growth or a slight increase in mobile communications services revenues in FY2020, and the ARPU is expected to follow a similar trend. To comment on the trend of ARPU before and after applying the discounts, the impact of discounts for the period between FY2019 and FY2020 will improve significantly compared to the period between FY2018 and FY2019. The discount impact of "docomo with" will expand in FY2019 compared to FY2018 due to the expanded adoption of "docomo with" program. However, because we plan to stop accepting new applications for "docomo with" during this fiscal year, the improvement effect from the termination of Monthly Support program will translate directly into a moderated impact of discounts in FY2020 compared to FY2019. If we can successfully offset the drop in ARPU (before applying discounts) with this moderated discount impact, we can expect a flat growth or a slight increase in our mobile ARPU.
Q2	In relation to your FY2019 mobile ARPU forecast, my rough estimate is that the ARPU (before applying discounts) will decrease by 300 yen but the impact of discounts will shrink by 60 yen, so the net reduction of ARPU compared to FY2018 will be 240 yen. For FY2020, I construed that even if the ARPU (before applying discounts) drops by 300 yen you will be able to improve the impact of discounts by 300 yen, thus you can expect a flat growth in both ARPU and revenues compared to the previous fiscal year. Is my understanding correct?
A2	Although we cannot comment on specific numbers, the decline of ARPU (before applying discounts) is expected to moderate and the impact of discounts will improve by a greater margin.
Q3	Thereafter, in FY2021, I expect the drop in ARPU (before applying discounts) will become much smaller, and the impact of discounts, which currently stands at approximately 940 yen, will continue to shrink in the coming years. Although you said you expect a flat growth in mobile ARPU in FY2020 compared to FY2019, do you think it will start rising again from FY2021 if you can sustain this trend?
A3	We might be able to achieve a rebound in ARPU in FY2021 depending on the outcome of our upsell or subscriber migration efforts, but it is too far out to provide you with a precise forecast at this juncture.
Q4	Will it be impossible to achieve an ARPU rebound on an organic basis, i.e., without the contribution of upsell activities?
A4	It will be difficult to achieve a rebound only with an organic growth.
Q5	What is the size of the impact of discounts that you foresee in three years from now?
A5	We cannot comment on the specific amount of the discount impact on our mobile ARPU three years ahead, however, once the Monthly Support program is terminated with the transition to a "separation model," we can expect a significant decline, which of course will be affected by the pace of uptake of the new rate plans.
Q6	The impact of discounts on your mobile ARPU for FY2019 is estimated to be 860 yen. Can we expect that this will come down to close to 0 yen in the next three years?
A6	It will not go down to 0 yen because the discounts offered under "docomo with" and "docomo Hikari" services are included in the calculation, but it is projected to become considerably smaller than the current level.
<b>Questioner No. 11</b>	

Q1	You announced to launch a new large data bucket plan, "Gigaho." What kind of large-capacity content do you plan to offer to its users? Please share with us your medium-term ambitions.
A1	During the results presentation, we declared that we will attach a strong focus on video services going forward. As customers start using large-capacity content leveraging the high-speed connections offered by 5G, they will get accustomed to using, both inside and outside their homes, new types of services like "Disney DELUXE," dTV and other existing services as well as a broader range of other video content services that we plan to offer leveraging the integration of NTT Plala. Also, through our capital and business alliance with Magic Leap that we announced recently, we will roll out content services that deliver new sensory experience that are uniquely available on 5G. We plan to deliver a wide array of content services going forward.
Q2	Are the various carrier-agnostic video services that you currently offer, such as "d" services and DAZN for docomo, registering growth in subscriptions? Or are you experiencing customer outflows to similar services offered by the competition?
A2	We have not seen any notable trend of customer outflows to the competitors' services.
Q3	I would like to hear about your plans for the voice option of the new rate plans. You explained that you simplified your rate structure. From the announcements you provided to the media, I got the impression that you do not plan to actively market the voice option to customers. Unless the existing "Kake-hodai" or "Kake-hodai Light" users join the new voice option, I believe you will have to anticipate a larger negative revenue impact from the new rate plans. How much of these existing voice users are assumed to join the new voice option?
A3	We designed a simple rate structure in which users' existing voice rates will be applied as is. Therefore, for the near term, we plan to recommend customers a voice plan based on the package that they currently subscribe to. Then, after analyzing the reaction of customers, we will consider our next steps.
<b>Questioner No. 12</b>	
Q1	A question regarding the projected number of handsets sold and commissions payable to agent resellers. You explained that you are projecting a decline in the quantity of handsets to be sold in FY 2019. Can you share the prospects for the next fiscal year? Sales in store fronts will probably drop if online sales grow, but I believe you have already carried out a review on your commission scheme, so can you explain your overall philosophy including the possibility of further changes in the future?
A1	As we mentioned before, we are expecting a drop of over 10% in the number of handsets to be sold in FY2019. Foreseeing this development to some extent, we started modifying our commission scheme from a year ago in a way to pay commissions to our agent resellers not only based on sales quantity but also for their activities aimed at enhancing the lifetime value of customers. We basically intend to maintain this policy for the time being.
Q2	What is your medium-to-long term projections on your handset sales volume? It will be good for your agent resellers if they can receive the same amount of commission revenues that you projected, but do you foresee any possible decline in their commission revenues due to the transition to digital channels?
A2	The volume of handset sales is expected to decline in FY2019 compared to the previous fiscal year, but we are not projecting a constant downtrend over the medium to long term. Customers generally replace their handsets in a regular cycle. While we forecast a general change in customer preference with more affordable models gaining popularity over expensive products, we do not anticipate a radical drop in the sales quantity in FY2020 and beyond. We would like to facilitate the transition to web or other non-face-to-face channels to some extent because the congestion of customers at our physical stores has become a serious issue for us and we want to optimize our overall channel composition. Having said that, we do not think the non-face-to-face channel will account for a very large bulk such as over 50% of the total channels. Accordingly, we do not expect a conspicuous drop in the amount of commissions payable to agent resellers.
Q3	The non-face-to-face channel may not grow to 50%, but I believe there is a good chance for this channel to account for 10-20% of the total. If their composition is limited to that level, I believe your total cost will deteriorate because you will have to allocate additional costs to reinforce

	your non-face-to-face channel while maintaining the commissions to agent resellers. What do you think?
A3	Our goal is to increase the proportion of non-face-to-face channels to around 20-30%. One of the main reasons we are facilitating the transition to web channel is because it can serve not only as a point of product sales but also as an incremental customer touchpoint through which we can promote digital marketing using the data accumulated through stepped up profiling. The physical channels, on the other hand, have limitations in terms of the number of shop staffs due to the available facilities or the size of shop, but they play a very important role for boosting the lifetime value of customers as they have many occasions to interact with customers other than for selling handsets. Because of this role, we do not have plans to reduce the number of docomo Shops.
<b>Questioner No. 13</b>	
Q1	I would like to hear your views concerning the growth prospects and future strategy of your finance/payment services. The total number of d CARD members recorded a year-on-year growth of 5% in FY2018, and thereafter reached over 20 million in April 2019. The number of d CARD GOLD members, in particular, recorded a year-on-year growth of 36% in FY2018 and became a major driver of your overall credit card business. Through which component do you plan to further expand your finance/payment business going forward? Or is your strategy to achieve a growth in the amount of transaction per member rather than expanding the d CARD member base?
A1	The total amount of transactions processed with our finance/payment services (including d CARD, d Payment and other payment services) grew to 3.9 trillion yen in FY2018 and our goal is to raise this to over 6 trillion yen in FY2021. To achieve this target, we will first aim to continually secure net additions in the membership of d CARD GOLD service, which currently enjoys very favorable acceptance. In addition, we will expand the merchant network of dPayment to all corners of the nation, so we can garner increased usage by customers and achieve a solid growth in the amount of transactions we process amid the transition to a cashless society. Furthermore, we will also work to increase the transaction size of each member. Because the members of d CARD GOLD generally have a higher credit usage compared to ordinary d CARD holders, we will further promote the adoption and use of d CARD GOLD in order to increase the transaction amount per member.