Main Q&A (Analyst Meeting after the Results for FY2019/1Q)

Questioner No. 1	
Q1	Your FY2019/1Q results seem to have been barely affected by the new rate plans, yet you recorded a decrease in mobile communications services revenues. I suspect this was caused by the larger-than-expected expansion of the negative impact from the increase in “docomo with” subscriptions. Can you give us a more detailed explanation concerning the factors that lead to this revenue decrease?
A1	The mobile communications services revenues may have fallen short of your expectations, but it came in higher than our forecast because, just like last year, we stepped up our sales efforts from April. The revenue performance of voice services was also generally favorable. The year-on-year decrease in mobile communications services revenues for FY2019/1Q was mainly attributable to the impact from the expanded adoption of “docomo with” discount program and “Basic Plan,” which started to record an increase in subscriptions from FY2018/2Q onwards. Some of you may have been surprised because our revenues began to drop before the impact of the new rate plans started to kick in, but this was within the range of our assumptions as we had anticipated that the new rate plans would produce effects similar to that of applying the discounts of “docomo with,” “Basic Plan” and “Simple Plan” to our overall user base. Please be advised that we will no longer separately disclose the impacts of “Basic Plan” and “Simple Plan” because, in the future, they will be absorbed in the impact from the new rate plans.
Q2	Can you quantify the negative impact caused by the new rate plans for FY2019/1Q because I do not think it was zero? Additionally, how do you estimate the size of impact for FY2019/2Q?
A2	The impact for FY2019/1Q was limited to a few billions of yen. Although we cannot give you a concrete indication on the impact for FY2019/2Q and beyond, we expect it will grow in a linear fashion every quarter toward our annual estimate of 200 billion yen.
Q3	In operating expenses, you explained you recorded an increase in point-related outlays. Was this caused by the “d Payment” promotion campaign? Also, regarding “d Payment” including settlements of online purchases made at Amazon and/or other sites, have you seen any positive effects from the aggressive reward of “d POINTs”? If you have not yet achieved sufficient results with this initiative, will you consider further increasing the “d POINTs” to be given away in the second quarter and beyond? Please elaborate on your future point strategy.
A3	The point-related expenses recorded a year-on-year increase of slightly less than nine billion yen in FY2019/1Q. Because this number includes the impact of approximately five billion yen from the expiry of points in FY2018/1Q after the passage of two years since the switch from the previous “DOCOMO Point” program to the current “d POINT” scheme, the genuine year-on-year increase in point expenses was approximately four billion yen. Even if the point-related expenses increases by four billion yen every quarter, which will add up to an annual increase of 16 billion yen, we do not consider this a significant rise because an increase of slightly over 10 billion yen had already been earmarked in our original business plan. The key reason behind the increase in the first quarter was the “d Payment” promotion campaign. The execution of “d POINT” reward campaign brought about an increase in the number of “d Payment” app downloads. As we enter the phase of further expanding adoption through cultivating both new users and participating stores, we will roll out campaigns that are suited to boost the recognition of this service. We will of course properly control the overall cost as we move ahead with these undertakings.
Q4	You mentioned that the effective year-on-year increase in point expenses for FY2019/1Q was four billion yen. Should we anticipate a similar pace of increase in the periods ahead?

A4	In our internal plan, the overshoot recorded in the first quarter is planned to be absorbed in the second quarter. However, we will not rule out the possibility of an upward revision after performing a review at the end of the first half of the year, because the revenues from finance/payment services have been expanding in tandem with the growth of expenses. Unlike the “d CARD” business, which took ten years to move into the black, “d Payment” not only requires minimal upfront investments, but also minimal additional costs because the collection mechanisms (e.g., collection together with phone bill or through “d CARD”) are already in place. When calculated before the allocation of general and administrative expenses, “d Payment” is already turning in profits. The payment business is often said to be a game determined by financial stamina, but we have barely consumed our stamina in offering “d Payment” service. We will be mindful of its profit level and stay away from fierce competition on points.
Questioner No. 2	
Q1	Regarding the P/L of “d Payment” business, what kind of costs did you allocate for it to become profitable?
A1	We allocate direct costs such as point-related expenses including campaign costs and personnel expenses required for the provision of service. However, personnel expenses for headquarters staff or costs associated with mobile communications services are not allocated. The “d Payment” business does not require a huge amount of costs and its profit margin is higher than that of our mobile communications services.
Questioner No. 3	
Q1	Concerning the breakdown of the net additions of mobile communications service subscribers, you mentioned that there was an increase in the number of data plan churns. Was this the result of contract termination upon customers’ switch to “Data Plus” service of the new rate plans? Or was it caused by some other reasons? Further, regarding the performance by device type, have you recorded a net loss in tablet subscriptions?
A1	The net decrease of data plan subscriptions was affected largely by the change of sales method for tablet devices. We have not been pushing too hard for sales lately, and this led to a reduction of commissions payable to agent resellers. The contribution of routers was insignificant.
Q2	Aren’t there so many data plan users who renew the subscription contract after two years?
A2	Generally, customers who were thrusted into subscription tend to terminate the contract.
Q3	Please share with us your views on the impact of Rakuten’s market entry. Although I do not expect it will immediately cause a huge outflow of DOCOMO brand customers, the competitiveness of MVNOs using your network will likely diminish. I would like to hear your view because you accommodate over 10 million MVNO subscribers on your network.
A3	The average revenue from one MVNO subscription is not so large. When we developed this year’s business plan, we did not factor any impact from Rakuten’s entry. As an overall market trend, the growth of MVNO subscriptions has already begun to level off and the total number of MVNO subscriptions is not so significant. Accordingly, at present, we do not see the need of making any revisions to our guidance.
Q4	Do you think there won’t be a significant impact on any of your businesses, including voice revenues?
A4	We did not directly reflect the impact from Rakuten’s entry when we developed our business plan including our projections for mobile communications services revenues. We may revise our guidance in the future if deemed necessary, but at this point of time we do not have any plans to make a revision.
Questioner No. 4	
Q1	Regarding the descriptions on P3 of the results presentation, “key factors behind the changes in operating profit,” I believe the decrease in network-related expenses and other expenses include the impact of IFRS16. Can you give us a breakdown of this impact? I am having difficulty in reconciling this amount with the communication network charges on P1 of the

	financial data book, so can you explain the concrete items comprising cost of equipment sold and services and depreciation/amortization? Please also share with us the full-year outlook of these expense items. Additionally, please also give us some color on the trends of selling expenses.
A1	Due to the adoption of IFRS16, lease accounting is now applied to operating lease. Therefore, for the rent of the land used for base stations and dark fiber leased from NTT, we apply an accounting treatment as if they were facilities that we purchased by making borrowings instead of a lease agreement. Accordingly, we recorded some 300 billion yen each as lease assets and lease liabilities on our balance sheet at the beginning of the fiscal year. On our P/L statement, this is reflected as an increase in depreciation/amortization and a decrease in communication network charges and other expenses (rent, etc.) In FY2019/1Q, we recorded a 23 billion-yen increase in depreciation/amortization and a six billion-yen decrease in communication network charges. Therefore, the increase caused by the adoption of IFRS16 in relation to network-related expenses was 17 billion yen, and the rest represented a genuine increase of expenses. Although other expenses (rent, etc.) included under operating expenses appears to have dropped by only five billion yen, with the application of IFRS16 they posted a decline of 17 billion yen, meaning that there was an increase of 12 billion yen if calculated without applying IFRS16. For the full year, we are projecting an increase in depreciation/amortization of approximately 100 billion yen, a decrease in communications network charges of some 30 billion yen and a drop of 70 billion yen in other expenses, so the profit impact caused by the adoption of IFRS16 is negligible. For your information, IFRS16 has no impact on our sales promotion expenses.
Q2	You just explained that IFRS16 does not affect your sales promotion expenses. However, in your results presentation material it is described that other operating expenses recorded a decline of five billion yen, which implies that your expenses effectively increased by 12 billion yen if the impact of IFRS16 is excluded. Can you give us a breakdown of this incremental spend?
A2	Point-related expenses accounted for approximately nine billion yen. We also recorded an increase in expenses associated with the growth of revenues from “docomo Hikari” optical-fiber business, finance/payment services and enterprise solutions. There was also an increase in advertisement expenses associated with the introduction of the new rate plans. These items accounted for only one or two billion yen, respectively, so the primary factor that drove the growth in other expenses was the point program.
Questioner No. 5	
Q1	You mentioned that “d Payment” service offers a high profit margin. Please give us a breakdown of the components comprising the “d Payment” revenues. Because your competitors appears to be struggling to generate revenues from their payment service, can you explain why “d Payment” can produce higher amounts of revenues and profit?
A1	Other providers have not been able to generate revenues because they do not seek commissions from merchants. In contrast, we charge commissions and thus are able to produce revenues. Also, the award of a large amount of “d POINTs” to customers, which has an annual impact of approximately 140 billion yen, allows us to build a much stronger customer referral capability over the competition. The principal reason why “d Payment” enjoys greater profitability is the merchants’ willingness to join our network even at the cost of commissions.
Q2	Is it correct to understand that these are revenues you receive from the merchants?
A2	We do not have the breakdown of revenues, but the key difference between our service and those of other providers is whether the participating stores have commission requirements or not.
Q3	You announced that you will join forces with Merpay and LINE Pay for the cultivation of merchants. If a user pays with Merpay or LINE Pay at a store acquired by DOCOMO, are you entitled to receive commission fees from the merchant?

A3	We have devised a scheme for revenue split that will not become a burden for any of the three parties. We would like to reserve comments concerning further details.
Questioner No. 6	
Q1	I would like to know the reasons behind the year-on-year decline in capital expenditures for FY2019/1Q, particularly the CAPEX for telecommunications business. Please also comment on the prospects for FY2019/2Q and subsequent periods, the progress of investments at Rugby World Cup 2019 stadiums and the projected amount of 5G-related annual CAPEX.
A1	The CAPEX for FY 2019/1Q came in slightly lower than our expectations, because some work has been postponed in relation to the recent G20 summit hosted in Japan, but it was not so significantly off from our plan. This year, we are expecting an increase of about 20-30 billion yen each quarter. The total size of 5G-related investments planned for this fiscal year is not so significant, at less than 50 billion yen, and most of these investments are planned for execution in the second half of the year.
Q2	What about the progress of investments at Rugby World Cup stadiums?
A2	We will roll out 5G coverage in eight of the total 12 venues across Japan, but we cannot disclose the concrete amount of CAPEX required for this. 5G service is also planned to be provided at locations other than the Rugby World Cup venues, and the total annual CAPEX required for 5G is estimated to be less than 50 billion yen.
Questioner No. 7	
Q1	Concerning the adoption of the new billing plans, you evaluated the pace of subscriber migration as of the end of July was slower than your expectations. Can you share with us the attributes of customers who have switched to the new plans before end of July? Were they mostly customers who benefit from the migration, or those who switched upon the purchase of a new handset? Also, do you have any plans to make additional spending to implement measures for the attainment of your FY2019 target? Or do you rather think you will be able to achieve the target in the natural course of events, i.e., by encouraging customers to switch to the new rate plans upon their next handset replacement or other appropriate timings?
A1	The pace of uptake of the new rate plans has indeed been a little slower than our expectations, but we had not anticipated anything similar to the pace of FY2014, when we acquired five million subscribers in the first month after introducing a new rate structure. We developed an estimate that 17 million subscribers will have switched to the new plans by the end of the fiscal year, and the progress hitherto is not so far off from that target. As we predicted, the early adopters are primarily those who benefit from switching to the new plans. The proportion of subscribers choosing the "Gigaho" package has been higher than expected, which has brought about positive impacts on our financial results. Hypothetically, if the adoption of the new rate plans ends up significantly lower than our projections at the end of the fiscal year, the negative revenue impact will become smaller than the current estimate of 200 billion yen. Because we attach a strong emphasis on returning to profit growth in FY2020, if the adoption remains significantly lower than our estimate, we will consider employing additional measures. If the operating profit for FY2019 comes in higher than our guidance, we will use the surplus to implement initiatives that will help boost the profit for FY2020, while at the same time facilitating subscriber migration to the new rate plans, thereby solidifying our customer base. As for the attributes of customers of the new rate plans, as anticipated, the early switchers are mostly those who have finished receiving Monthly Support discounts. As exemplified by the high subscription rate of "Minna DOCOMO Wari" program of approx. 85%, we believe the new rate plans are enjoying great acceptance by those who benefit from the migration. Although the pace of adoption has so far been slightly slower than expected, we are beginning to see signs of gradual acceleration with the total number of subscription applications exceeding four million in the end of July. We believe we are well positioned to achieve the planned number of subscriptions by the end of the current fiscal year.
Q2	Let me confirm your approach to 5G capital expenditures. I believe you separate your capital expenditures between the base stations (3G, 4G and 5G) and transmission lines. Can you explain how you allocate your investments between these two categories? Additionally, do

	you plan to install standalone antennas dedicated to 5G service? Will it be difficult to achieve proper 5G coverage unless you actively deploy antennas compatible with multiple spectrum bands?
A2	5G-related CAPEX for FY2019 is estimated to be slightly less than 50 billion yen. We cannot provide you with details concerning the breakdown of these investments, because at present, this is outside the scope of our information disclosure.
Questioner No. 8	
Q1	You mentioned that you will employ additional measures if the subscriber migration to the new rate plans underperforms your projections. I am aware that you are sending direct mail to customers to inform them of the new rate plans, but I often hear that many customers do not respond to them because they are not sure if they can really make any savings. Do you plan to strengthen your marketing through additional outbound communication or promotional campaigns if the reaction of customer remains weak? What kind of measures are you contemplating?
A1	Because we attach significant importance on returning to profit growth in FY2020, we hope many customers will switch to the new rate plans earlier rather than postponing their decision to FY2020 or porting out to other networks perceiving that their existing rates are expensive. We already started implementing various measures, and we will strive to facilitate users' migration after evaluating the effects of these measures. The impact of the new rate plans is not determined only by the pace of migration; it could vary depending on factors such as the proportion of "Gigaho" and "Gigalight" subscriptions, the rate of adoption of voice options and the type of the rate plan subscribed by the user before migration, etc. Hence, we cannot guarantee that the slower uptake will result in a smaller revenue impact. Although we cannot share so much details with you at the moment, we intend to encourage subscriber migration by employing various measures. By the time of our FY2019/1H results announcement, we will probably be able to inform you on the necessity of making any revisions to our full-year impact estimate and the measures required to achieve the target. We have already developed some ideas on our future actions, so we will choose and implement the most suitable measures from these options.
Q2	Regarding "d Payment," you explained that you will try to absorb the expense overshoot in FY2019/1Q in the next quarter or beyond. Due to the 20% point reward campaign that you conducted in July, I suspect you will have to anticipate an even larger amount of expenses for FY2019/2Q. When I look at the behavior of payment service users around myself, it seems that most people are changing the service they use on a month-by-month basis, e.g., "d Payment" in July but returning to "PayPay" in August. If you cannot establish a stable user base, will you launch a new campaign to boost usage? This appears to be an endless loop for me, but what are your thoughts?
A2	There are websites that carry information on various smartphone payment campaigns, and we are aware that there are a good number of sensitive customers who use payment services only during campaign periods. We hope that even those customers will continue to use our payment service, and we will design our future campaigns also taking this point into consideration. One of the reflections from our recent campaign is that we wanted to apply the campaign offers to a broader number of target customers. We will develop our future campaigns reflecting upon this point.
Q3	Is it correct to assume that your basic philosophy is to avoid making too much outlays for this service in the future? Do you think FY2019/2Q will be the peak of spending?
A3	Talking about another peak, if the consumption tax raise takes effect in October as planned, there is a possibility of providing reward points to customers including the participating stores. We will not rule out the possibility of rolling out something even more aggressive to stay ahead of other players, but this will be decided carefully while keeping an eye on the prevailing circumstances. Overall, we intend to properly control our costs and avoid excessive outlays. The campaign in July excluded the "iD" payments from the scope of point provision. When we turn an eye on the practices of other providers, many of them set specific conditions, such as

	limiting the award of points to only during lunch hours or at specific convenience stores, which gives us an impression that players are becoming increasingly mindful of profitability compared to before.
Q4	PayPay stepped up in August and launched a limited-time campaign for lunch hours. Don’t you think the campaigns will just keep going around in cycles?
A4	It seems that the scope of campaigns have narrowed down compared to before. Previously, there were no conditions to limit the award of points based on the hours of the day, location or other factors. In our “d Payment” campaigns, we offer points that can be used only during a limited time period. As such, the actual expenses we incur are smaller than the amount of points we issue. The point-related expenses has been increasing not only because of the “d Payment” campaigns, but also for the favorable pace of adoption of “d CARD GOLD” which returns 10% of the card usage in points. While we will endeavor to properly manage our costs, we currently attach higher importance on profit than cost because this is a growth business. We set profit as the key performance indicator for our Smart life business. Therefore, we might as well flexibly accept an upward revision to our expense target, etc., so long as we can expect an increase in income.
Questioner No.9	
Q1	You explained that the proportion of users selecting the “Gigaho” plan has been higher than expected, but what was your original assumption? I think the number can grow even higher when I take reference from the pace of adoption of similar packages offered by your competitors. What are your views?
A1	Although I do not have the detailed numbers with me right now, there are many users who are psychologically reluctant to join a usage-based billing plan, even if their actual data usage is not that significant. We have seen a lot of such users switching to the “Gigaho” plan. We hope they will find new ways of use taking this opportunity. Also, because the enhancement of handset performance naturally induces an increase in communication volume, we believe there is plenty of room for us to further expand the user base of “Gigaho” package. Because the 2014 rate revision was based on “Kake-hodai” that offers unlimited voice calling for a flat monthly rate, we could not expect any upsell revenues from voice service. The new plans launched this year are not bundled with unlimited voice calling, so increased voice usage of users who do not subscribe to “Kake-hodai” or “Kake-hodai light” will lead to an upsell. We will pursue upselling of not only data but also voice services.
Q2	During the FY2019/1Q results announcement, you explained that you are projecting an increase in the amount of cost efficiency improvement from FY2018/2Q onwards. Can you give us an indication of the amount of cost efficiency improvement that you plan to deliver in each of the next three quarters to achieve the 130 billion-yen target for FY2019? Also, please let us know which cost item will deliver a significant impact in the second half of the year. I want you to clarify these points because I believe you are planning to offset the growing impact from the new rate plans with cost efficiency improvement.
A2	Sales and network-related costs account for the bulk of cost efficiency improvement planned for this fiscal year. The Monthly Support program was the key driver for last fiscal year, but we did not include any contribution from this discount program in our cost efficiency improvement plan for this year. This year, we intend to significantly reduce the amount of commissions payable to agent resellers under the “Direct Wari” program. We plan to achieve 2/3 of the planned 130 billion yen improvement through this cut. This item, in fact, accounted for some 80% of the total 20 billion-yen efficiency improvement achieved in FY2019/1Q, and the projected amount of reduction is expected to increase quarter after quarter from FY2019/2Q onwards. In concrete terms, we are planning cost reduction comparable to FY2019/1Q in FY2019/2Q, a further reduction in FY2019/3Q and the largest year-on-year improvement in FY2019/4Q. We plan to achieve approximately 20% of the 130 billion-yen cost efficiency improvement target from network-related expenditures. About 2/3 of this 20% cost reduction from network-related spend is planned to be delivered in the fourth quarter, so the

	total reduction to be achieved in the first three quarters will be insignificant relative to the last quarter.
Q3	According to your explanation, cost reduction from sales-related expenditures will remain flat between the first and second quarters of the year, but this will expand in the third quarter and even further to a significant amount in the fourth quarter. You also mentioned that the major contributor for this reduction will be the “Direct Wari” program. What kind of cost is this? I guess this an element included in your equipment sales P/L, and I believe some of the discounts are borne by DOCOMO and others are provided to customers via agent resellers. Am I correct?
A3	“Direct Wari” is a program under which we offer agent resellers with commissions, which are used to finance the discounts provided to customers. In our accounting treatment, the discounts are subtracted from our equipment sales revenues, and “Direct Wari” is equivalent to this amount. We started trimming the amount of discounts from early on and will continue to work on this after October as well. We believe this will provide us with a huge amount of savings this fiscal year.
Q4	I believe no carrier will be able to offer any handset subsidies from October onwards. How do you think this will affect the handset market?
A4	It is estimated that the total handset sales in the market (not only DOCOMO) will see a drop of over 10% this fiscal year. Over the longer term, however, we believe the handset market will recover after a temporary decline because it is very unlikely to expect people using the same handset for five or six years in light of the depletion of battery, version upgrade of the operating systems and availability of compatible applications. Also, while we in the past lost customers to other carriers due to their hefty cash rebates, they will no longer be able to offer excessive amount of rebates if they strictly abide by the new regulation, which I think will be a positive development for DOCOMO.
Questioner No. 10	
Q1	An article on Nihon Keizai Shimbun reported a comment by Mr. Sawada, CEO of NTT Corporation that “DOCOMO is bound by old ideas.” Currently, what are the roles expected of DOCOMO by NTT?
A1	We hold regular meetings within the NTT group to discuss new actions and initiatives, but we cannot comment on the specifics. We will continue to pour our efforts into the growth of Smart life business and other non-telecommunications business.
Questioner No. 11	
Q1	Your financial results for FY2019/1Q suggest you are generating revenues at a favorable pace, which gives me an impression that if the current trend continues, you will have leeway to achieve your full-year guidance by controlling your expenditures. Even so, are you still concerned about the uncertainties to be brought about by Rakuten? Or, are you rather concerned about the performance for next fiscal year because you see good prospects for successfully managing the numbers for this fiscal year? Please comment on the degree of your confidence regarding the attainability of the guidance for this fiscal year and next?
A1	Out biggest concern we had in FY2019/1Q was that the new rate plans would be adopted by a larger number of customers compared to our projections. On that matter, while the number of subscriptions is still underperforming our expectations, the trend that we currently observe in relation to the proportion of “Gigaho” and “Gigalight” subscriptions and the uptake of voice option will only affect our revenues in a positive manner. We will face difficulties if we start to see an increase in expenses and a drop in revenues. It will be necessary to implement various measures if we fall into such situation between now and FY2020, but at present we do not see any major issues. How to counter Rakuten is a different story. While this is dependent on the level of the rates they set, if we have to execute additional measures to respond to them, we may have to anticipate a larger negative revenue impact in FY2020 compared to the impact of rate reduction in FY2019. However, we do not intend to make any hasty moves reacting only to the rates. We will decide on our actions after carefully observing the behavior of customers and quality of network.
Questioner No. 12	

Q1	After you unveiled your new rate plans, the Ministry of Internal Affairs and Communications came up with the details of the series of the newly tightened regulations. Please elaborate on your views on the impact of regulations such as the change of handset sales method and the issues relating to the validity of two-year contracts.
A1	It is difficult to evaluate the impact of the new set of regulations. In regard to the draft regulation proposing a 1,000-yen ceiling on cancellation fee, previously, when we charged a fee of 9,500 yen for early contract termination, the port-out destination carrier often shouldered the cancellation fee on behalf of the user. However, once the rule restricting the amount of handset discount to less than 20,000 yen per unit is enforced, it will become difficult for carriers to offer a large amount of cash rebates. Therefore, even if the cancellation fee remains unchanged at 9,500 yen, the number of users who wish to pay this amount out of their own pocket to switch to another carrier will likely decrease compared to before. We thus believe the impact of the application of the 1,000-yen ceiling will be insignificant. In any event, the new rules will take effect from October and the cancellation fee is not likely to be brought down to 1,000 yen immediately for all contracts. However, this will definitely result in higher customer liquidity so we will keep a close eye on how things unfold in the future. Concerning the rule of limiting the handset discounts to 20,000 yen per unit, the difference between the waiver of remaining installments provided under the “Sumaho Okaeshi Program” and the handset resell price in the second-hand market will be the amount of discount that we offer. Because we cannot control the resell price of used handsets, the amount of our discounts will be determined by the price trends in the second hand market, but we do not foresee any problem with the “Sumaho Okaeshi Program.” We believe it will be accepted under the new regulatory framework without having to make changes to its current design.
Q2	Do you think you will need to modify your current rate structure due to the rule that sets the cancellation fee at a maximum of 1,000 yen?
A2	We will continue studies while keeping an eye on future developments. We basically intend to avoid any drastic changes to the new rate plans and consider our actions based on the existing plans.
Questioner No. 13	
Q1	Regarding your cost reduction efforts to secure profit in FY2020, I believe the enforcement of new regulations from October this year will have a natural effect to bring down your expenses for FY2020/1H compared to the same period of FY2019. In addition to this, what other expense items are expected to come down in FY2020/2H?
A1	We started reducing the “Direct Wari” discounts by a considerable amount from FY2019/1Q ahead of the enforcement of the new regulations, which brought about a significant year-on-year decrease compared to FY2018/1Q. The amount of reduction planned for FY2019 is much larger compared to FY2018. On the other hand, we cannot expect a huge reduction in agent commissions between FY2019 and FY2020. As it will be difficult to achieve cost reduction of the magnitude of 130 billion yen from other items, the size of cost reduction in subsequent years will likely be limited to around several tens of billions of yen, though we have not finalized the details yet. We will probably seek cost reduction from our sales commissions and cost of equipment sold. As we can no longer expect the same level of sales with high-end models in the future, we must enrich the variety of middle-range products by working together with manufacturers. On the network side, we will review our base station construction method and processes, pursue integration of equipment and seek reduction of equipment installation cost per unit. We will continue to attach a focus on sales and network-related costs because they still account for a large proportion of our total expenditures.
Q2	When you compare the trends of sales-related spend between FY2019/1H and FY2020/1H, do you foresee a huge drop in the projected amount of savings in the first quarter of FY2020?
A2	We have already slashed the amount of “Direct Wari” discounts by some 10 billion yen in FY2019/1Q compared to the same quarter of the previous fiscal year. I am not sure if we can deliver a similar level of reduction in the next fiscal year again, because successful reduction

	of another 10-billion yen implies that we will only have several billions of yen remaining under this item.