Main Q&A (Analyst Meeting after the Results for FY2019/2Q)

Questioner No. 1	
Q1	Can you present the breakdown of operating profit from Smart life business and Other businesses in such a way that the sum of each category's contribution will add up to 100%?
A1	The total sum does not amount to 100% because the disclosed data are expressed in units of 5%. However, with the exception of "support services for customers' peace of mind," the actual contribution of each category is almost the same profit level of each category.
Q2	Smart life business continued to record a year-on-year decrease in operating profit in the second quarter after the first quarter. Please explain the factors behind the deterioration of profitability and the outlook for the future.
A2	The key reason behind the deterioration of profit from Smart life business was the upfront expenditure required for the campaigns aimed at boosting the usage of "d Payment" and "d CARD" services. However, the progress of profit generation has been in line with our plan, as we had planned from early on to carry out an aggressive promotion campaign taking the opportunity of the consumption tax raise that took effect from October. We will aim to achieve revenue growth over the medium to long term starting next fiscal year leveraging the expanded user base of cashless payment.
Q3	Does the description "revenue growth" mean you plan to reduce the amount of rewards to customers once the user base reaches a certain size?
A3	That is basically correct. However, now is the time to expand the market amid harsh competition by increasing the number of locations where our services are available. We will consider reducing the amount of rewards after establishing a solid user base.
Questioner No. 2	
Q1	Please elaborate on the upward revision you made to the mobile ARPU forecast as a result of your review at the end of FY2019/1H. Why did you decrease the projected impact of discounts compared to before? Please also explain the grounds for the projected ARPU increase even when this element is excluded from the calculation.
A1	We revised the mobile ARPU guidance upwards by 50 yen, of which the decreased impact of discounts accounted for 30 yen. The principal reason behind this was the bigger-than-expected impact of the termination of Monthly Support. We had anticipated that customers who have not yet finished receiving the Monthly Support discounts will basically not migrate to the new rate plans. However, unexpectedly, some customers actually chose to switch to the new rate plan giving up the remaining Monthly Discounts they were entitled to. As for the factors accounting for the remaining 20-yen upward revision, the slow pace of uptake of the new rate plans in the early days after launch accounted for more than half, and the rest was the impact of upsells and subscriber migration to smartphones, etc.
Q2	I understand the rationale for the introduction of the new rate plans was to reduce potential churns and boost customer loyalty by optimizing the rate plans by notifying customers who have room for improvement via direct mail and other means. Has the actual development after the launch of the new plans been in line with your expectations? Or do you rather think an unexpectedly high number of customers still remain in the conventional rate plans, because they have not realized how much savings they can achieve by switching to the new rate plan? I would like to know how things are developing because I have an impression that a larger than expected number of customers, who can benefit more by switching, are still on the old plans because the speed of migration has so far been moderate.
A2	Based on the experience in FY2014 when we introduced the "Kake-hodai & Pake-aeru" plans, we had anticipated a certain number of migrations to the new rate plans in our initial business plan. However, due partly to the impact of users who are still entitled to receive Monthly Support discounts, it is true that the speed of adoption this time is different from what we experienced in

	FY2014. We are currently aggressively promoting the new rate plans through one-to-one marketing and by addressing subscriber migration to smartphones. We started offering the “d CARD Oshiharai Wari” discounts from Oct. 1, but this program has not yet gained sufficient recognition of customers and we will need to properly communicate its benefits. At present, we are stressing the importance of appealing the benefits of “d CARD Oshiharai Wari” to our Regional Offices and branches, and we will actively implement one-to-one marketing, rate plan consultation fairs and other initiatives on an ongoing basis. While we mentioned earlier the users who are still receiving Monthly Support discounts are relatively difficult to migrate to a new rate plan, but in actuality, some users did switch to a new rate plan before finishing the Monthly Support program. Although we cannot give you a precise number, such users account for roughly 10% of the total. We hope customers will take advantage of the rate plan simulation service so they can fully understand the benefits they can receive before switching to a new plan, and we have put a great deal of effort into this point. We will strive to increase the number of applications to a level close to our annual target of 17 million.
Questioner No. 3	
Q1	Regarding Smart life business and other businesses. I can imagine that enterprise solutions have achieved a strong performance from the numbers you disclosed. Can you share with us the key factors behind the changes in revenues and profit of each sub-segment for FY2019/1H?
A1	The key drivers behind the revenue growth of Smart life business include the expansion of finance/payment services and impact of consolidating NTT Plala as a subsidiary. In terms of profit, the impact of NTT Plala was insignificant and the major contributor was the credit card business under the finance/payment category. “d Payment,” on the other hand, recorded a decrease in profit due to the impact of reward point campaigns. In Other businesses, as you rightly pointed out, revenues from enterprise solutions grew remarkably. For Mobile Device Protection Service, although we had anticipated an increase in the number of insurance claims in association with the rise in handset prices, the actual number of claims came in lower than expected, which brought about a slight profit growth. Of these two factors, the profit contribution from Mobile Device Protection Service was more significant and the impact from enterprise solutions was moderate.
Q2	Can you explain the prospects for the second half as well?
A2	We expect the same trend to continue into the second half. In the last fiscal year, the fourth quarter results were impacted by the 23 billion-yen impairment loss from DOCOMO Digital. When this impact is taken into consideration, the profit for FY2019/4Q is expected to record a significance year-on-year increase.
Q3	Don’t you foresee any growth in finance/payment services?
A3	The profit growth of credit card business is projected to continue. For “d Payment”, because the government is promoting cashless transactions and we are planning to implement certain level of initiatives—albeit less aggressively compared to the competition, it will take some more time for this business to start generating profits.
Q4	Please explain the reasons why you increased the projected amount of losses on disposal of property, plant and equipment and intangible assets when you revised your guidance at the end of the first half. Also, while you made a downward revision to your full-year guidance on the amount of depreciation/amortization, I believe it is estimated to rise by 10 billion yen in FY2019/2H compared to FY2019/1H. Is my understanding correct?
A4	As a result of our interim review, we revised our full-year operating revenues guidance upwards. We thus consider operating profit of 830 billion yen is a commitment that we must deliver by all means. As we deepened our confidence on its attainability, we decided to bring forward the retirement of some assets, including the write-off of some 3G assets associated with the announcement of its service termination as well as some 4G facilities and equipment which account for a larger proportion of the total assets that are planned for retirement. With respect to depreciation/amortization, because there was a delay in the progress of capital expenditures

	in the first half, we made a downward revision to reflect this delay. During the FY2019/1H results presentation, although we declared the termination of 3G service, it does not mean we will remove 3G facilities immediately. We will continue the operation of 3G service through March 31, 2026. For the time being, we would like to tackle how to improve the efficiency of the old facilities compatible with the 2GHz band that had been deployed in the initial phase of 3G service.
Q5	Do you to some extent have a margin in your operating expenses forecast?
A5	There is a possibility that we can strategic front-load the retirement of some assets, but we expect depreciation and amortization to be in accordance with our forecast.
Questioner No. 4	
Q1	In the beginning of the year, you provided an analysis on the potential impact of the "separation model" (i.e., unbundling of communication charges from handset cost) in which you predicted a negative impact of 200 billion yen from the rate reductions, a positive impact of 90 billion yen from the abolishment of Monthly Support discounts and a negative impact of 40 billion yen from "docomo with" program. How have these numbers changed after the interim review this time?
A1	The introduction of new rate plans is estimated to have a net impact of 200 billion yen after reflecting the savings from the abolishment of the Monthly Support discounts. Our initial business plan was to limit the decline in mobile communications services revenues to 160 billion yen by focusing on upsells and subscriber migration to smartphones. As a result of the interim review, we revised the full-year mobile communications services revenues guidance upwards by 39 billion yen in light of the moderated impact from the rate reductions, strong performance of subscriber migration and upsells, and faster-than-expected reduction of Monthly Support discounts. The impact from the slow pace of migration to the new rate plans account for less than half of the 39 billion-yen upward revision.
Q2	You explained that out of the 39 billion-yen upward revision to the mobile communications services revenues forecast, less than half is attributable to the slow-than-expected pace of subscriber migration to the new rate plans, and savings from reduced Monthly Support discounts has been progressing faster than your projections. Does this imply the net impact of 200 billion yen that you projected in the beginning will come down to 160-170 billion yen as a result of your interim review?
A2	The net impact so far came in smaller than our earlier prediction, but it will not likely go down to 170 billion yen for the full year. This is because we launched a new discount package for voice communications for users of age 60+, lowered cancellation fee in accordance with the new regulation that came into force on Oct. 1 which was not included in our earlier assumptions, and reduced the gap between of the monthly rates for customers with a two-year contract and those without any fixed-term contract to 170 yen. Due to these factors, we do not think we can lower the net impact to 170 billion yen, but it is not projected to reach as much as 200 billion yen, either.
Q3	If the net impact is assumed to be 180 billion yen, what was the size of impact from the introduction of the new rate plans in the first half of the year?
A3	We do not disclose concrete numbers, but it was roughly 1/4 of the total.
Q4	I believe you had a plan to spend approximately 55 billion yen for growth investments this fiscal year. How much progress have you made in the first half? For next fiscal year, are you planning on a similar scale of growth investments or a further increase?
A4	In our plan, we allocated a larger amount of investment in the second half of the year. The amount spent in the first half was not so significant, i.e., slightly over 10 billion yen. For the next fiscal year and beyond, while the budget for investment will be affected by the projected amount of cost efficiency we can deliver, we would like to appropriate a similar amount as this year because growth investment is the foundation of our future growth.
Questioner No. 5	
Q1	Regarding the migration of 3G users, I am sure that you had allocated a certain amount of expenditures for migration from the beginning, but can you elaborate how you arrived at your recent decision to spend a large sum of money to further accelerate the migration? Unless you

	tackle this issue with a bold move, you will probably end up not being able to use the allocated expenses and produce sufficient effects. Do you plan, for example, to lower the handset price to close to zero yen to approach your existing feature phone users?
A1	We are allowed to sell handsets at an effective price of zero yen for the purpose of migrating subscribers to 4G, but we do not intend to go that far from the beginning. We have been promoting subscriber migration as one of the most important pillars in our business operation, and we have made an upward revision to the planned number of migrations for FY2019 this time around. Because we decided to terminate 3G service on Mar. 31, 2026 and we still have some 13 million 3G handset users, we would like to expedite the speed of migration. Without limiting the scope to only DOCOMO users, we hope to capture the feature phone users of other carriers upon their migration to 4G. To this end, we have been providing handset subsidies in the range of 10,000-20,000 yen. We will tackle migration as our top priority while keeping a close eye on future developments.
Q2	If the bulk of the incremental cost in the revised forecast is attributable to the increased cost of equipment resulting primarily from the growth in number of handsets sold for subscriber migration to 4G, I think you have a plan to implement additional measures other than what have already publicly announced. Am I correct?
A2	During the FY2019/1H results presentation, we explained that a significant portion of the incremental cost of equipment sold and services and other expenses is attributable to the increase in cost of equipment sold. Some of this increase will be caused by the rise in the total number of handsets sold and the remaining increase from the migration measures. The migration measures will be shown as the difference between increased costs of handset sold and increased equipment sales revenues. In concrete terms, this can be calculated by applying the current level of discounts (approximately 20,000 yen for high-end models and approximately 10,000 yen for middle-range handsets) to the number of handsets expected to be sold to migrators in FY2019/2H (i.e., somewhere in the lower half of 1-2 million subscribers.) As you can confirm from this calculation, our current plan does not contemplate any additional promotion measures such as selling handsets at a price of zero yen.
Q3	Does the expression “somewhere in the lower half of 1-2 million subscribers” mean around 1.2-1.3 million subscribers?
A3	That is correct.
Questioner No. 6	
Q1	Due partly to the effects of expanded adoption of “d CARD,” “d POINT” and “d Payment”, etc., despite switching to a new handset sales method from June ahead of the competition and your competitors selling handsets at low prices, you achieved an improvement in churn rate. Given that your handset churn rate was maintained low in FY2019/2Q as well, I do not think your churns will increase so much even if your competitors lower their handset prices or service charges. Because your users find convenience in the peripheral services and the scale of these businesses are expanding, I believe you will be able to maintain your churn rate even if a new entrant makes a foray into the market. Now that customers can terminate the subscription contract anytime with a cancellation fee of only 1,000 yen, don’t you think it is more important to broadly expand the touchpoints with customers through your service offerings?
A1	As you rightly pointed out, it is not possible to maintain the churn rate low only by offering handsets at low prices. As we have communicated on various occasions, the factors that turned out effective for lowering our churn rate include “d CARD GOLD” and the bundled discounts with “docomo Hikari” optical-fiber service. According to our analysis the churn rate of users of these services is much lower compared to the overall average. We have constantly promoted these services, and many customers truly appreciate the overall benefits offered by “d CARD”, “d Payment” and “d POINT” once they start earning “d POINTs” from the use of “d Payment” or “d CARD” and using the points at our partner stores, etc. As you mentioned, these undertakings are reflected in our churn rate. With respect to the rate plans, one month has elapsed since the enforcement of the new regulation on Oct. 1. We will closely observe the market reaction to our new initiatives, such as the lowered cancellation fee and reduction of the gap between the monthly rates for subscribers

	with two-year contracts and those with no fixed-term contracts. However, as we mentioned earlier, services such as “d CARD” and “d POINT” have been truly effective for curbing churns.
Questioner No. 7	
Q1	I believe you mentioned that in your future cost efficiency improvement program you will attach a stronger focus on sales-related activities such as expansion of online sales and efficiency enhancement of docomo Shops. You explained during the recent results announcement that you will aim to cut down the attendance time at shops by half within this fiscal year, but do you really think this is achievable? How much reduction have you achieved so far? Also, what impact will such effort have on cost efficiency improvement? I assume the cost efficiency improvement derived from increased online sales is already accounted for in your plan for this year, so how much contribution will the sales-related initiatives bring to your cost efficiency improvement plan for next fiscal year?
A1	With respect to shortening customer attendance time, we are addressing this as a priority more from the perspective of customer satisfaction than cost efficiency improvement, because customers, in practice, do have to wait a long time at our shops. In other words, we are not pursuing attendance time reduction for the purpose of cost efficiency improvement; we are working on this to solve the numerous complaints from customers of having to spend long hours at our shops. The cost efficiency improvement that can be expected from this initiative will be assessed separately.
Q2	What is the current level of wait time at your shops?
A2	Although we have not yet achieved the target we set for this fiscal year, it has come down to approximately 80 minutes from previously over two hours. Our goal is to reduce it further to slightly over 60 minutes within this fiscal year. This time, we decided to offer basic support for customers such as the initial set-up of handsets and carry out Smartphone classes at our shops, but instead charge fees for the set-up for customers who bring in their own device or a handset purchased elsewhere. Rather than a target of cost reduction, we will shift the positioning of docomo Shops to a highly value-added hub to contact with customers, where we will offer value-added customer attendance and some premium services with fees. On the other hand, we will aim to achieve cost reduction through the utilization of web channel. We would like to use our web more than ever as a place where customers can obtain information before visiting the shops or complete various procedures online.
Q3	At present, what percentage of handset upgrades are done online and how does that compare with your target? Also, how much impact will the conversion to online procedures have for cost efficiency improvement?
A3	We stated that we aim to raise the percentage of web sales to 20% of our total sales by FY2020. We are still on the way to get there, and the web sales ratio is less than 10% at present. We cannot comment on the cost reduction effect from this exercise at this juncture.
Q4	I thought you planned to drive cost efficiency improvement by working on sales-related initiatives. If the reduction of attendance time or increased use of online procedures do not produce significant effects, from which area do you plan to seek cost efficiency improvement?
A4	Cost efficiency improvement will be derived comprehensively from sales, network and IT-related activities in the next fiscal year and beyond. We do not plan to rely solely on sales-related initiatives for cost reduction. The decrease in sales promotion spend for this fiscal year delivered a large impact. Other than sales promotion expenses, we hope to reduce commissions to agent resellers over the mid to long term by expanding online sales and enabling handset setup and data transfer via a remote operator leveraging IT, although these efforts are not likely to produce effects immediately. For the current fiscal year, commissions other than sales promotion fees is projected to record a slight increase due to the enrichment of Smartphone class curriculum and other initiatives. But these expenses are not planned to continue to increase in the next fiscal year and beyond, as we plan to cut down on them over the mid to long term.
Q5	I am sure you have not finalized the cost efficiency improvement plan for next fiscal year, but can you give us an indication on its composition?
A5	It is difficult for us to comment on the amount and composition of the cost efficiency plan for next year at this point of time because we are still in the process of a review. However, we would

	like to execute cost reduction in the order of tens of billions of yen, because this is the size necessary for us to achieve profit growth in the next fiscal year.
Questioner No. 8	
Q1	I would like to hear why you revised the net adds forecast to 1.5 million, and if there has been any change in your thoughts from the time you developed your initial forecasts.
A1	We made an upward revision to our net additions forecast in view of the brisk module sales, and the projected performance improvement in the acquisition of Mobile Number Portability (MNP) subscribers and handset net additions resulting from the stepped up measures for subscriber migration.
Q2	How was the net adds performance in FY2019/1H compared to your internal plan?
A2	It was almost in line with or slightly better than our expectations. We recorded a large volume of sales in April and May, and our performance in September was significantly impacted by the last-minute cash rebates provided by the competition, but this had been factored in our plan from the beginning.
Q3	Did the delay of Rakuten's market entry affect your revised forecast in any way?
A3	Precisely speaking, it did have an impact. However, we cannot provide you with a quantitative indication because we do not develop our forecasts in that way. We do not know when Rakuten will start offering paid services in a full-fledged manner. We cannot tell if it will be from the fourth quarter of this fiscal year or next fiscal year, but we are making necessary preparations so we can respond no matter what happens.
Q4	What are your thoughts about the scenario for the proliferation of 5G devices? In the recent "5G Summit" meeting, President Yoshizawa commented on the need of deliberations concerning 5G handset prices. Under the revised Telecommunications Business Act, what kind of framework are you considering to ensure a smooth take-off in the adoption of 5G devices?
A4	As for 5G devices, we are moving forward with the development of several models, which will be released upon the full commercial service launch. However, in addition to devices, expansion of coverage is also indispensable for the proliferation of 5G service. We plan to complete the deployment of 10,000 base stations by end of June 2021, and we will decide on the actual sites to construct base stations taking into consideration the progress of adoption of devices. We cannot rule out the possibility that the initial models may carry a relatively expensive price due to the addition of extra chips to support new spectrum bands. We would to like to lower the handset prices to affordable levels to encourage their adoption. If the current rules are applied on an as-is basis, the handset prices could become considerably expensive, so we intend to make an appeal to boost the momentum for adoption in the initial phase after the launch of service. I believe other mobile operators also have a similar opinion on this matter. The device and chip manufacturers cannot set high prices forever, and companies like QUALCOMM have started the production of mid-priced chips. We will look into ways to reduce the prices of handsets per se. From now, we will start planning to some extent the quantity of handset we plan to sell in the one-year period before the completion of 10,000 base stations. In any event, we will try to appeal the issue of handset prices.
Questioner No.9	
Q1	You explained the migration of 3G subscribers has been progressing faster than planned, but how was the performance of other subscribers compared to your initial plan? Have you seen any changes in the billed amount of users before and after the switch to a new rate plan? Or, if you have witnessed any differences compared to your prediction, e.g., larger-than-expected number of low-end users migrating to new rate plans, please let me know.
A1	The total number of smartphones sold, excluding those for migrators, in FY2019/1H dropped by a mere 1% and thus remained nearly unchanged from the same period of the previous fiscal year, which was better than our earlier assumptions. Even for the period after June, the drop was limited to 10%. We initially had anticipated a decline of over 10%, but because the sales has fared nearly at a level comparable to the previous fiscal year, we made an upward revision to our full-year guidance. I do not have the data of the proportion of heavy users and low-end users among the replacement handset purchasers with me, but I have not heard there has been a major change.

Q2	Do you foresee a change in your relationship with the agent resellers? You explained earlier that you will offer some services for a charge. I heard you have changed the commission payable to agent resellers (excluding the commissions to finance handset discounts) in a way they will be calculated based on the Life Time Value (LTV) of customers, but do you intend to cut down on the total amount of commissions going forward?
A2	This relates to how we plan to position docomo Shops in the future. Up until one or two years ago, we considered docomo Shops as our base for sales promotion. Now, we are considering the positioning of the shops to induce to continued service use or adoption of new services by customers. We also have other customer touchpoints than the shops such as web channel and call centers, but we consider docomo Shops as a very important point of contact with our customers. We often receive suggestions to reduce the number of shops, but that is not included in our options. Customer touchpoints do not only function as a location for sales promotion; it is important to build touchpoints that offer the depth that can induce the adoption of services by customers. We plan to open approximately 10 more new format outlets like “d Garden” by the end of this fiscal year, and these shops fulfill a very important role as our contact point where customers can experience 5G and various other new services. We will pay commissions for these new undertakings. We would like to reserve comments as to whether we intend to raise or bring down the amount of commissions, but we do consider the shops as a very important hub to evolve our contact with customers. The shops that cannot keep abreast with this evolution will have to be sifted out. We will consider the amount of commissions taking these points into consideration.
Q3	Is it right to assume that you will set a long period over which the LTV is calculated to determine the commissions payable to agent resellers, and pay a larger amount to those resellers who provide greater added value to customers? Will the total amount of commissions stay unchanged?
A3	We have not yet developed the detailed plans for FY2020 and FY2021, but the amount of commissions will likely remain flat.
Q4	Has the sales method emphasizing LTV delivered any effects?
A4	Initiatives aimed at improving the adoption rate and continuation rate have definitely lead to improved results. The net decrease in the content services subscriptions has shown a remarkable improvement, and we may be able to achieve a net increase in the next fiscal year. Please allow us to reserve comments on the specific subscription data for each service.
Questioner No. 10	
Q1	I have an impression that you have solidified your defense against Rakuten’s entry through the measures for handset prices, “d CARD” and the “docomo Hikari” bundle discounts. However, from the perspective of MVNO business, when you consider the outflow of subscribers to Rakuten MNO business and Rakuten’s gain of market share in the MVNO market, how much revenue and profit impact did you include in your plan caused by the outflow of MVNO subscriptions?
A1	We cannot comment on the numbers relating to MVNOs because it relates to the revenues of the MVNO operator. In a sense, MVNOs can be perceived as our customers because they utilize our circuits. The MVNO users are no different from our mass users and our direct enterprise users, and we need to treat them all properly as DOCOMO users. We are providing MVNOs with an explanation on our future plans with respect to the 5G service to be launched next year, and there is no change to our position that we intend to engage in business with the MVNOs by providing an adequate usage environment.
Q2	I understand that you cannot comment on numbers, but can you give us a general direction as to what kind of impact could potentially happen by when, and if such impact is already factored in your plan?
A2	Let us provide an explanation without reflecting the projected changes in the interconnection or wholesale rates that are currently under discussion. As we are not proactively engaged in any activity to increase the number of MVNO circuits, we have not set any targets; we just respond naturally if there is an application for MVNO connection. However, we of course implement proper measures on our facility side.

	Just to give some numbers, the pace of growth of MVNO subscriptions has moderated in FY2019/1H. While we believe this was caused by many different factors, the primary reasons are considered to be the emergence of second brands that offer price discounts and the restructuring and elimination of some MVNO players. Again, because we consider MVNOs also as our customers, we will treat them properly. However, we would like Rakuten to put an end to their MVNO service because they are going to start operating as a MNO. Once they start operation with their own spectrum and circuits spending capital expenditures, they bear the responsibility as an operator who received the allocation of spectrum to build a network that can accommodate the largest possible number of subscribers and make efficient use of spectrum. Therefore, we believe it is more appropriate for them to serve the existing MVNO users with their MNO connections in the future. Operating as MNO in urban centers but continuing to serve customers through MVNO circuits in areas where they have difficulty in providing connectivity is totally illogical. We cannot predict how the competitive landscape will affect the number of MVNO subscriptions in the future, but we remain committed to providing firm support to the MVNOs.
Questioner No. 11	
Q1	I would like to hear about your approach to returning to profit growth in FY2020 after hitting a bottom in FY2019. You made an upward revision to your mobile communications services revenues forecast due partly to the slower-than-expected uptake of the new rate plans in the initial phase. On the flip side of the coin, this could potentially become a negative factor for your revenues for next fiscal year. Also, I suspect the sales promotion expenses that you had originally planned for FY2019/2H might have been postponed to FY2020/1H due to Rakuten's delayed market entry. Is my view correct?
A1	The impact from the new rate plans on our FY2019 results moderated a little bit due to the slow pace of migration in the beginning. We had earlier anticipated a greater impact for the next fiscal year, but this is also expected to be smaller than our earlier assumptions. This is because, although we will endeavor to accelerate the migration of subscribers to the new rate plans, users who have not yet migrated by now is not likely to show a sharper response all of a sudden next fiscal year. Therefore, we view that the lighter-than-expected impact for this fiscal year may not necessarily translate into a steeper negative impact in the next fiscal year. Also, the negative revenue impact from the Monthly Support discount program is expected to become smaller next fiscal year, and this is in fact projected to be the largest positive factor for our revenues. The competition in the market is expected to gradually intensify due to Rakuten's market entry, but we can expect the full-year impact from the reduced handset subsidies in FY2020. The handset discounts that we currently provide are basically limited to "Sumaho Okaeshi Program," a forward trade-in discount for users who purchased a handset in installments over 36 months, and some other measures aimed at promoting the migration from 3G to 4G. If we can limit the discounts to only these measures, we do not have to anticipate a significant increase in promotion expenses as in the past. Further, we will also properly tackle cost efficiency improvement. Through these undertakings, we will aim to return to profit growth in the next fiscal year.
Questioner No. 12	
Q1	I believe you are collaborating with many partners toward the launch of 5G service. How much outlays have you made this year prior to the launch of service?
A1	The expenditures relating to the "DOCOMO 5G Open Partner Program" and various trial sites are covered in our growth investments, but we do not disclose the concrete amount of investment allocated for 5G. We explained earlier that the progress of growth investments made in FY2019/1H was insignificant, but expenses incurred in relation to "5G Open Partnership Program" accounted for a large bulk of this amount. We plan to spend a good amount for growth investment in the second half of the year, which will be used for our 5G pre-commercial service and various other events.
Q2	Can you comment on the proportion of the amounts shouldered by DOCOMO and your partners?
A2	Costs for the rollout of base stations for the pre-commercial service, public viewing of Rugby World Cup in Shiodome and other events were all borne by DOCOMO. On the other hand, the

	equipment and software costs for programs held in exhibition formats were borne by our partners. The costs are split by the parties.
Q3	Do you plan to spend a similar amount going forward?
A3	Yes, we do. Generally, DOCOMO will take a lead when rolling out services intended for consumers, and when we collaborate with partners, in some cases DOCOMO builds and provide the platform and charge usage fees from our partners. Therefore, there are several different patterns of cost split and capital expenditures. For example, we have already constructed a platform called “Open Innovation Cloud” for 5G, but we currently do not charge any fee for the use of platform. We plan to start charging fees once we commence 5G service on a fully commercialized basis.
Q4	I believe you are far ahead of the competition in terms of the numbers of partners and Proof of Concepts (PoCs). This could entail a risk of only ending up with large number of PoCs that do not produce meaningful outcome caused by a lenient screening of projects. Or, this may provide you with an opportunity to achieve a great success in a large number of projects. What are your views?
A4	PoC is a process that is absolutely indispensable for the creation of new services. DOCOMO will take the lead and bear the cost in the beginning to ensure solid adoption of 5G technology. However, not all PoCs are executed for free and there are ways to carry out PoCs by seeking contribution of fees from the parties participating in the project. DOCOMO shouldered the cost in most cases for the projects conducted this fiscal year in relation to our 5G pre-commercial service.