

NTT DOCOMO, INC.
FY2022 Financial Results and FY2023 Guidance

Opening

MC: We'd like to start the presentation of fiscal year financial results and fiscal year 2023 guidance by NTT DOCOMO.

I'll be serving as the moderator today. My name is Akaishi of NTT DOCOMO's IR office. Thank you so much for your cooperation.

We are now live streaming this presentation and also intend to make them available over our website at a later date. We would appreciate your understanding.

As for the materials, please refer to the information uploaded on our IR website.

Let me introduce the attendees from our side.

President and CEO of NTT DOCOMO Mr. Ii;

from NTT Communications, President and CEO Mr. Maruoka;

from NTT DOCOMO, Senior Executive Vice President Mr. Kuriyama;

from NTT DOCOMO, Executive Vice President Mr. Yamazaki, Head of Corporate Strategy and Planning, General Manager of Corporate Strategy and Planning;

from NTT DOCOMO, Senior Vice President Mr. Keita Kobayashi, General Manager of Accounts and Finance Department.

These are the five attendees from the DOCOMO side.

Let me explain the schedule of today's presentation.

Mr. Ii will share with you the financial highlights, and this will be followed by questions from you. We intend to end at about 7:35 p.m. Japan time. So we'd now like to present the financial results. Mr. Ii, the floor is yours. Mr. Ii, please.

Presentation

Mr.Ii: Thank you for joining us despite your busy schedules. My name is Ii, the President and CEO of NTT DOCOMO. Let me now explain to you the fiscal year 2022 financial results, as well as guidance for fiscal year 2023, and I'll also share with you some key actions.

[#: indicates slide number]

#3

First, let me share with you the results highlights.

Operating revenue increased 188.8 billion yen and reached 6.05 trillion yen. We exceeded 6 trillion yen for the first time.

Operating profit increased 21.3 billion and reached 1,093.9 billion yen. So we were recording an increase in both revenue and profit.

Also, against the guidance, operating revenue exceeded this by 75 billion, and operating profit exceeded this by 9.9 billion yen.

#4

Now this shows you the results by segment. So, the growth business of enterprise and smart life has shown a very strong increase. And as for consumer communication business, although operating revenue and operating profit declined, this exceeded our initial guidance. I'll give you the details in the following pages, so please turn to the following page.

#5

This shows you the key factors behind the changes in operating profit. As we mentioned at the guidance, the drop in consumer communication revenue was more than offset by profit from growth business such as smart life and enterprise business. Enterprise business showed an increase in integrated solutions in large corporations, and this had driven the increase in revenue.

Although there was an impact from an increase in electricity charges at our data center, we were able to absorb that by controlling the operating cost, and therefore we could realize an increase of 31 billion yen in enterprise business.

For smart life, we were able to conduct growth in business centered on finance and payment, as well as marketing solutions. We also conducted investment for growth area, but we still were able to achieve an increase in operating profit of 7.5 billion yen in smart life.

Regarding consumer communication business, there was an impact from the customer return program, but then we also expanded the customers for medium- to large-sized data bucket plans, so we were able to diminish the decline in mobile communications service revenue through this. Of course, there was the impact from increasing electricity charges, but we cured our cost efficiency efforts in our marketing programs channel, as well as networks, so we were able to contain the drop in profit to only 17.2 billion yen.

#6

Let me now talk about the guidance for fiscal year 2023 and key actions.

#7

So operating revenue will increase 51 billion and reach 6,110 billion yen.

As for operating profit, it will increase 70.1 billion year-on-year basis and will reach 1,164 billion yen. We are aiming to increase both operating revenue and operating profit like the previous year.

#8

As for the guidance per segment, the growth business of enterprise and smart life business will continue to see an increase in both operating revenue and operating profit.

As for consumer communication, I mentioned earlier, we want to reduce the decline in revenue in the sector by expansion of mid- and large-sized bucket plans. We will also realize cost efficiency, and that we want to reverse the trend to one which is increasing operating profit.

#9

Now this gives you the midterm progress of the DOCOMO Group mid-term plan over the past three years. DCC relates to the integration of DOCOMO, NTT Communications and NTT Comware.

Now the enterprise business and smart life business are the growth drivers, and since the integration, we have seen a steadfast increase in profit, and the guidance for fiscal 2023 is an increase of 170 billion compared to fiscal year 2020. That is what we have in mind. We expect that the percentage of revenue from these two growth drivers to the entire DOCOMO Group will grow up to 47%

Please turn to the consumer communication business on the bottom.

Yes, there is some impact from the customer return program, and over the past couple of years the downward trend in operating profit continued, but in fiscal 2023, we want to reverse the trend, through cost efficiency programs, and we want to increase operating profit by 11 billion yen.

So therefore, we want to realize 100 billion yen increase over the three-year period through those efforts.

Please turn to the next page.

#10

So let me show you the enterprise business revenue and profit guidance. As for operating revenue, this will increase 74.3 billion yen year-on-year basis and will reach 1,880 billion yen, which means that the goal of more than 2 trillion yen in enterprise business sales by fiscal year 2025 is now in sight.

Also, we want to make sure that the growth in integrated solutions will continue to be the core of our business expansion. We want to expand this with large enterprise customers. We also want to further expand business toward SME customers as well.

Now about operating profit. on the right-hand side, on top, by using DX, we want to improve efficiency of internal operations, and also through the DCC integration, we want to consolidate backyard operations. And we want to realize an increase of 29.4 billion yen year-on-year increase in operating profit in this area.

#11

Next, let me show you some initiatives by different corporate categories.

First, let me talk about the large enterprises. In July, part of management resources at NTT Comware will be integrated with NTT Communications. This means that the entire corporate solutions business will be brought together. By integrating Comware's industry-specific application development capabilities and data management know-how into Communications, we will be able to further enhance the quality of our integrated solutions and provide support that is tailored to the business challenges of our customers.

On the right-hand side, we want to promote co-creation business opportunities by leveraging our membership foundation and basis. So, we will offer not only assistance to solution issues based on marketing but also want to build a data management platform for customers and create co-creation business by data multiplication efforts.

#12

Next, let me talk about our efforts toward SME customers.

On the left-hand side, we show you mobile fixed converged services, so this will be the core. I show you that with a mobile handset you will be able to use office numbers, which means that you'll be able to work without being bound by your location. By using mobile, fixed line construction will not be necessary. You'll still be able to set up efficient offices and move offices without the need for fixed line network buildup. So, we can support improved efficiency for SME business.

On the right-hand side, we show you a new program which will be introduced in July this year. This is setting up of a new portal application for Business d account customers. So based on SME customers, through digital services, we want to create a climate whereby customers will be able to consult us without any worries. And also, we'll be coordinating with docomo Shop and call centers, and we will be pursuing DX promotion for customers through the omnichannel fashion. So that is the solution approach toward SME customers.

#13

Next, let me talk about enterprise business for integrated solutions. Let me show you some concrete cases.

On the left-hand side, this shows you how we are offering an integrated security network that can accommodate cloud and various telework environments. I will show you eight functions on this page. We want to combine all these eight functions, and by offering them in an integrated fashion, we hope to support the introduction of a security solution on the part of our customers. We will aim to reduce cost for the installation of those services.

On the right-hand side, we show you the customer touchpoint enhancement solution. We'll be using, for example, AI and automated call center response. We can also analyze and confirm the phone response in offices. We are offering services that can assist in improved response.

Going forward we will continue to offer solutions that can solve various challenges in the customer field, but in this activity improve productivity and enhance solutions on the part of our customers.

#14

Next, I would like to discuss the smart life business. We aim to increase operating revenue by 10.5 billion yen from the previous year to 1,125 billion yen. Last year, My Number Point was a one-off driver for revenues. Therefore, revenue growth will be only 10.5 billion yen. But apart from this, we will be able to increase revenues by 60 billion yen.

In terms of the profit, in addition to the increase in profit from the growth of our focus areas, we will take on the challenge of achieving inorganic growth through M&As. We aim to increase profit by 29.7 billion yen in the smart life business as a whole, while making investment for future growth in areas such as video, XR, and finance.

While we are committed to achieving this operating profit, we have not reflected the inorganic growth in revenues in our forecast. We are also planning to review our business portfolio, and we would like to include this area in our future review, but we have not included it at this stage.

In order to respond to the changes in the business environment in a timely and flexible manner, we will continue to strengthen efforts accelerating the transformation by making the transition to the company system.

#15

Let me give you some initiative explanations. The left-hand is for the finance/payment service. It has grown to 11 trillion yen, including d CARD and d Payment. We will continue to expand this business going forward and the “d

Payment” app is receiving significant attention, and we would like to leverage this for the investment loans, as well as insurance.

The second point is on the right-hand side, which is Lemino, the new video distribution deployment we started in April, and we hope to achieve 20 million MAU as quickly as possible. By leveraging the media, we hope to strengthen the ecosystem and develop a new advertising business.

We will link the various services and products of DOCOMO to benefit not only smart life but also the group overall.

#16

Next, I'd like to talk about the marketing solution. We have our marketing platform. As you can see on the left-hand side, we will support challenges of the partner companies through our marketing platform such as improvement in LTV and engagement.

The right-hand side is showing the single ID, d account, which is a strength of DOCOMO.

Leveraging this, we will cover areas such as awareness, interest, purchase and repeat, as well as increasing ads. We will provide seamless support, inclusive of all the products and services of DOCOMO. By doing this, we hope to grow the marketing solutions business and aim to exceed the 100 billion yen in terms of revenue.

#17

This is consumer communications business. The revenue guidance is almost flat, 3,370 billion yen. We have strengthened the acquisition of junior, as well as youth, maintaining the customer base, and stopping the decline of ARPU by expanding the large plan users. And mobile communication service revenue is flat compared to the previous year.

In terms of operating profit, we will aim for an increase by 10 billion, infrastructure sharing, as well as base station power consumption efficiency will be an important focus. And in addition to a network structural reform, the business centers will be consolidated, and structural reform will lead to better cost efficiency.

#18

Next, I would like to talk about the 5G subscriptions. So we have topped 20 million subscriptions. In 2023, we have to achieve 28.2 million. The annual forecast for mobile ARPU in 2022 was 3,940 yen, and consequently it has increased to 4,050 yen because of the mid-size and large-size plan. For 2023, we are aiming to achieve 4,030 yen.

#19

Next, I would like to refer to the customer approach. For the juniors, not just the mobile communication as well as devices, but we have now started the service comotto to nurture children, from March, therefore both parent and child can be captured as a business.

Ahamo remains very strong, especially receiving significant support from the younger generation.

For the middle-aged and senior customers, further convenience will be provided, and cross-use combining docomo Hikari and smart life services will be promoted.

On the right-hand side, the “Baku Age Selection, “ which is targeted as a set of medium- and large-capacity plans, was launched in April and has been well received. Gigaho and ahamo are the users that are receiving promotion for this service. This is not a discount, but it enables the use of d POINTs, so we can establish a good cycle of utilizing d POINTs.

And services are expanding, such as Netflix and other services, so we hope to expand the offering depending on need.

#20

Next, I would like to talk about the channel of docomo Shops. We have been reducing the number. We have decreased by 150, and now there's 2,160. This is not just selling devices, as well as concluding contracts, but rather we would like to utilize this to provide support for customers' interests and problems and provide support to small- and medium-sized companies.

In fact, the number of visitors has been decreasing year by year due to factors such as the growth of the replacement cycle, but in order to supplement this, an online channel, as you can see on the right-hand side, has been promoted. On an online basis, the services can be received, and contracts can be concluded. So, we are going to take back the contact points we have with the customers.

#21

Next, I would like to talk about the network. A high quality and economical network must be established. We will continue to enhance 5G stand alone, as well as network slicing.

But use case is very important. We will start to provide use cases for enterprise customers first and foremost.

And low power consumption is important as well. Infrastructure sharing of base stations must also be promoted so that productivity can be enhanced.

Please refer to the right-hand side; this is regarding how to earn money through our strength in network technology. With global lenders, we are working together in terms of O-RAN, Open RAN. This is being promoted.

And we have established the OREX brand. With an overseas operator, we are now engaged in business discussions. We would like to achieve 10 billion yen as quickly as possible in terms of revenues.

#22

Next, I would like to talk about the enhancement of network quality. In December of last year, there was a major incident which was an encumbrance for our customers. We are enhancing our system, as well as fault tolerance.

In the past, we had one service surveillance, but now we are increasingly focused on end-to-end in terms of surveillance as a group. By having overall surveillance, we can identify areas of problems and take measures expeditiously.

In terms of the development and operation integration, we will continue to enhance the service quality management organization and reorganize our structure within our company.

The base station network will not be sufficient to cover the convergent areas because of the traffic increase, as well as the redevelopment that has been taking place in the city. In particular, since this had the effect of lowering 4G transmission speeds, efforts to address this issue will include area tuning to review coverage in the short term, or adding a little 4G capacity if there is not enough capacity.

In the long term, we must speed up the transition to 5G, so 5G base station investment will be required in a focused manner for these areas.

We will continue to make efforts to enhance the quality of our services.

#23

Next, I would like to talk about sustainability.

We will introduce our efforts to introduce greenhouse gas emissions in order to achieve carbon neutrality. As a result of promoting power-saving measures, such as sleep functions for base stations in our network and the introduction of renewable energy, we have simply reduced the greenhouse gas emissions to 1.24 million tons in fiscal year 2022.

As for efforts to promote renewable energy based on the concept of Green 5G (increase the introduction rate of renewable energy to more than 5G subscribers), the current 5G subscription rate of 20 million is approximately 24%, but we have already introduced 27% of renewable energy, so we have already achieved our goal. At any rate, by 2030, in order to achieve our carbon neutrality target, we will continue to strengthen our efforts to contribute to the environment in cooperation with our customers and partners.

#24

Lastly, I would like to explain our midterm management target. It has been revised.

As you can see, the two indicators in the growth areas remain unchanged. Although the two indicators above in the growth areas have not changed, these figures indicate that we are making good progress toward achieving the 2025 target. In the existing field of telecommunications capex to sales, we are also making good progress.

In addition, we have revised our ROIC targets. The ROIC targets used to be for the total of our business, but to further improve productivity in our telecommunication business, we have set ROIC solely for telecommunication business and a medium target is 11%. We will monitor this indicator going forward.

In summary, we will start to monitor ROIC by not overall company of which target was 12% but focus on telecommunication business.

That is all. Thank you.

QA

MC: Thank you. Now I'd like to take questions from the floor. We'll first take questions from those of you on the floor, as well as those of you who are connecting to us remotely, for those of you who have registered in advance and who are connected to the phone system.

Also, in order to accommodate as many questions as possible, we'd appreciate it if you keep it to two questions at a time. We appreciate your kind understanding and your cooperation.

We would now like to take questions from those of you here on site. Please raise your hand and wait for the microphone to be brought to you. So we will start with the gentleman in the front row. Please go ahead, sir.

Mr. Kikuchi: SMBC Nikko Securities. Kikuchi is my name. Thank you so much for this opportunity. Let me ask two questions.

The first relates to smart life business. Earlier, NTT Holding Company explained its New Medium-Term Management Strategy, and they mentioned the DOCOMO smart life business. They said that the investment will be 1 trillion yen over the five-year plan. So, it seems like they have been given that budget from NTT Holding Company.

For the last couple of years, DOCOMO was actually dormant when it came to investment. But going forward, how do you intend to use this budget that's been given to you? Maybe we should take your presentation at your word. But you also talked about inorganic growth for this fiscal year. You want to generate inorganic growth based on investment this fiscal year. I think it's a bit risky. It's a smoking gun I'm afraid.

So how much increase in operating profit are you envisioning as a result of this investment? What is your assumption? And also, can you give us something more concrete? So, can you talk about this fiscal year and also over the medium-term plan? Please show us your investment strategy for your smart life business. That's my first question.

Mr. Ii: Okay, thank you for your question. Yes, we were listening to the presentation at the NTT Holding Company press conference. Yes, 1 trillion yen over a five-year plan investment into this area, acquisition investment. That is going to be a required, so as you point out, I like organic management, and I think we focus on organic management, but I think we also need to add inorganic investment as well if we are going to reach the EBITDA target. So yes, we do intend to engage in this type of investment.

And for this fiscal year, this is already factored in. So, one-fifth of the 1 trillion yen is the max for this fiscal year. And we also factored in potential profit from that investment.

We want to make sure that we carry acquisitions that can generate profit in a steadfast manner. So therefore, it's not so much investment in advance; it's investment that will directly translate to increased operating profit for the company.

These are the projects which we are looking for. And we want to generate, we want to identify such concrete projects going forward. But then there is the other party involved, so we cannot give you the details.

As for smart life business, we want to make sure that any investments can actually enhance the value of our smart life business, and we hope that we will be able to invest in companies in areas in which we are not yet active. So, please, it is not a smoking gun. Please don't worry about it.

Yes, we will make sure that we are very careful in our management, so please understand.

Mr. Kikuchi: Okay. Let me confirm the following. So, in this fiscal year, the number you see, is this the concrete contribution?

Mr. Ii: Yes, we do see some possibilities, but there's another party involved.

Mr. Kikuchi: Okay, thank you.

Mr. Ii: Thank you.

Mr. Kikuchi: My second question. You talked about investment, and you talked about return-on-investment capital by transitioning the target to telecommunication ROIC. Will that have an impact on your active behavior? For example, are you going to try to reduce the IC, the IC part of ROIC? So, what are you envisioning to this specifically?

So, you talk about telecommunication ROIC, what do you intend to do? Cost reduction through sharing of infrastructure, is that part of this? But it does not seem to fit the picture. And so the cost impact on PL will probably increase as a result of sharing of the infrastructure. So how do you intend to improve efficiency for cost in your network? And how do you intend to improve your PL through the improved network efficiency?

Mr. Ii: Okay, thank you. We talk about up until fiscal year 2024 and '25. We want to eliminate and take out 3G facilities. That will give the largest impact in that timeframe. And 4G investment has been curtailed. We want to direct the investment to 5G. So, except for the quality improvement part I mentioned earlier, I believe investment will be more geared toward 5G.

And also, at last, we are now able to utilize existing CF and use that for 5G transmission. So that began around the end of last year, so the cost to expand area coverage will be much lower going forward. We will be able to expand area coverage without spending that much cost compared to the past.

Also, one more thing. With regard to sharing of infrastructure. For example, we have already signed an agreement to transfer a substantial number of towers to JTOWER, and we are also considering selling some of the smaller towers and base stations. Of course, if the other carriers can use that, we will also benefit from the scheme. So therefore, if they use those facilities, then we will be able to generate some returns from that through the scheme. This has been in place since last year. So that is what we want to do going forward.

As far as the investment is concerned, we will fix the ceiling. Now this is going to increase going forward. With regard to capital investment, this will be one downward trend starting from next fiscal year. That is the plan as far the network is concerned.

Mr. Kikuchi: Okay, thank you. That is clear, very clear. Thank you very much.

Mr. Masuno: Nomura Securities. My name is Masuno. I have a question regarding this year's plan as well as the midterm management strategy. You have been explaining that the increase in profits of the entire company is the same as the 100 billion in operating profit synergies from the combination of DoCoMo and COM, and since the increase in profits is 70 billion this time, when all of these are added together, it is at the 90 billion or 100 billion level. That means that toward the 100 billion target, progress is being made successfully.

Now I'd like to talk about the content. Mr.Ii, you said that mobile ARPU will have hit bottom at 4,000yen and I was concerned whether this can be achieved, but in fact, progress has been made. Therefore, this is a staple revenue, and it seems that the outlook, is it becoming stronger? Smart life profit is going to increase this year, but in terms of the business investment, is that included as well? The 70 billion operating profit increase, what is the breakdown thereof? Please elaborate further.

Mr. Ii: Now as I mentioned previously, in terms of revenues, this was 10.5 billion, but in fact more than 60 billion growth has been achieved because a Individual Number Card (My Number Card) was very effective last year. We don't have that this fiscal year, so a special factor. So 60 billion revenue increase is what we are aiming for.

On the other hand, we will invest in growth, including ongoing expenses for XR, financial settlement, and so-called card systems, so the figure is +29.7 billion, including discontinuous income from M&A. So in that regard, cost reduction is likely to be very significant in the smart life area as well. We intend to do so.

In terms of communication, it is more solid in terms of our outlook. The mid-size and large-size bucket plan are well received in the market. Ahamo is going to exceed 5 million soon and we are targeting more than 6 million this year. The portfolio mid-size plan and large-size plan, the demand is very strong. ARPU reduction can be suspended as a result.

Mr. Masuno: Regarding the 1 trillion yen investment in the mid term, I asked the same question to the holding company. So, 1 trillion capital expenditure seems linked to larger depreciation expenditures, that's my take. But listening to Mr.II, it's investment in business. One trillion divided by five is about 200 million every year. There could be uncertainty, a lack of visibility, but this is a company that is

making profit. And when profit is being generated, the investment tends to be larger. So how are you going to make the decisions in terms of investment? What are your thoughts in terms of the direction going forward overall?

Mr. Kuriyama: This is Kuriyama speaking. Thank you very much for your question. In that regard, for our part, we have to make sure that it will have an impact on the company's finance. We are committing to profit, so we have to be able to generate profit, but I think that will be required. That means that the valuation will be high. But on our part, we have business know-how. This is where we are targeting. There will be an advantage for the other party as well. Synergies can be brought to bear. We are keen to work together. That is the reason why valuation should be at the appropriate level.

Mr. Masuno: Is it your understanding that you will be proceeding with a variety of constraints, or perhaps with discipline, or perhaps with a hurdle rate in mind?

Mr. Ii: Yes.

Mr. Masuno: Thank you.

Mr. Tanaka: Thank you for your explanation. Tanaka from Mitsubishi UFJ Morgan Stanley Securities. Let me ask two questions. I will ask one question at a time.

One relates to the outlook for ARPU, 4,050 yen to 4,030 yen. What is the downward pressure on ARPU this fiscal year? What are the downward pressure factors? So if you take a look at the quarter-to-quarter movement, I think you're being overly conservative. That is my impression in terms of your ARPU outlook. So can you explain your vision or your outlook toward ARPU?

Mr. Kobayashi: Thank you. Kobayashi from finance and accounting. Yes, ARPU will be declining. We're talking about the downward trend on average. But it was 4,020 yen at the end of the 4Q, so we want to, we would like to see an increase in ARPU later on.

Last year, mobile communication revenue has been declining 60 billion yen, so what we're seeing is that the impact of price reduction has become much milder. But still, there is the impact from the price reduction impact, so if you do a quarter-to-quarter comparison, the previous year will be much better. So we want to make sure the bottom line before the fourth quarter, which is 4,020 yen, so we are hoping that this will be the bottom and we will be able to see an uptick.

Ahamo is very strong. We also mentioned that the uptick of mid to large bucket plans is very strong because of Gigaho and Baku Age. Young people who consume a large amount of data contents, we have very low share, but now we're going to take

share among those young and active customers. So I think not only net adds, we're beginning to see improvement in the quality of our customer base. But Kakehodai&Pakeaeru users are still there, and these users still stick to the low-price plan, and that impact has been shrinking to a two-third level every year. So I think at the end of the day, we'll be able to achieve what we want.

Mr. Tanaka: Okay, so 4,030 yen. I think you're still being very conservative. Am I wrong to have such an impression?

Mr. Kobayashi: Well, I think Gigaho users who are very bullish on younger users, we want to naturally achieve this level. Mr. Ii is saying that we don't want to go below 4,000 yen. We want to go above that. So in the marketing team we are making all-out efforts. So personally, I think it's a bit high, but, yes, it's to make sure that we do not go below 4,000 yen.

Mr. Tanaka : Okay, thank you very much for that. Let me turn to my second question. It's about OREX. You are aiming for 10 billion yen at an early stage for OREX. That's what you mentioned. But what about the timeline and the schedule?

And also, with regard to OREX business, can you give us an idea of whether this will be a recurring business when it becomes a 10 billion scale business, or whether it will be a one-off business and do about 10 billion pawns for now and then volatile after that?

Mr. Ii: Okay, the reason why we mentioned "at an early date" is because already we are in negotiations with five carriers, inclusive of non-Japanese carriers, so we want to realize this as soon as possible so that by fiscal year 2024 we'll be able to realize this.

But as you pointed out, yes, we were aiming for a recurring model. We want to provide operation support, so it's not just a one-off sale project, so we want to make sure that we are able to support the advancement of O-RAN sales which are introduced. And also the carriers, they don't want to shift to the Open RUN system all at once unless they are starting from scratch. They want to transition and migrate this more steadily and gradually. That's the model which they are following.

So therefore, they will continue to make introductions of new systems along the way. So it is a recurring model. That is what we have in mind.

Mr. Tanaka: Okay, thank you very much for that.

So what you're saying is that if we assume that you're in negotiation with five companies and if they are going well, I think 2 billion per company will seem too small, so if you begin in earnest, could the size be much larger?

Mr. Ii: Yes, that's what we want to do, but we don't want to make an excessive statement. So 10 billion yen, if we that 10 billion yen is the minimum, I'm sure that they'll do their best. Of course, we have to consider the budgets and the specific procedures for changing the network of other parties that we're in negotiation with.

Mr. Tanaka: What about the timeline of the introduction?

Mr. Ii: Again, we have to be mindful of the schedule on the part of the other partners. So we cannot start this all at once, all in one go if we want to expand the number naturally, and once they get in, then I think word of mouth will help to expand our activities and we should translate that into acquiring new customers and new partners.

So if DOCOMO can do this, DOCOMO is already using this for their internal purposes, and we're talking about 3G, 4G, 5G, the three generation networks are now being done, are being used in parallel all at once, and then we're still engaged in OREX, so as far as the user network carriers are concerned, they know that DOCOMO will help them based on their experience, and the advantage is maintaining a recurring relationship with DOCOMO. So that's what we're aiming for with the recurring model. Thank you very much.

Mr. Tanaka: So recurring, the operating margin should be high? Are we talking about 15%, 20%? Is that a possibility?

Mr. Kuriyama: Well, if it reaches 20%, this will exceed our operating margin. I don't think we're that lucky. But in any event, if we want to take a look at the overseas market, yes, there will be an opportunity. In the initial phase, naturally, it might be more of a challenge, but margins will improve. And this will increase in line with the accumulation of our know-how.

Mr. Tanaka: Thank you very much for that.

Mr. Ii: We will create bases to offer support outside Japan, so therefore, this will entail a bit of cost still. Thank you very much.

Mr. Tsuruo: Thank you for this opportunity. My name is Tsuruo. I have two questions. This is regarding the JTOWER carve-out mentioned before. I don't know how far you can discuss this, but please give us some information. Is there going to be an additional carve-out? Is that planned? And in terms of volume as well as timing, can you give us more details?

Otherwise, it's been six months or close to one year since it has started. So far, from your perspective, what kind of progress has been made? Please give us your evaluation for this.

Mr. Ii: We are planning to sell about 6,000 large towers based on a single contract. Couple of percentages of these stations have already been sold. We are considering selling some of the smaller towers and base stations in the future. So that is the progress made so far.

Mr. Tsuruo: So please review the past one year.

Mr. Ii: In fact, a different carrier president mentioned on this topic, that for infrastructure and facilities, there should be more collaboration amongst the carriers, not to have everything internalized, but there is a trend toward sharing. We should have mutual utilization for 5G, and especially 6G, since we need to have more density. So sharing is the right direction to pursue. Capex burden will be reduced for us, so we are glad that we have gone ahead with this. We would like to have a fourth company, a new entrant, also using this as well. I believe this is the right direction.

Mr. Tsuruo : Thank you. I have a second question regarding the fourth company. The "Strongest-Plan" has been presented by Rakuten but what is your take on this in terms of competition? Network quality, how is that going to change? Unlimited, at that price, how do you assess their plan and strategy? Regarding the ARPU forecast, how is that going to be impacted? Please elaborate as much as you can.

Mr. Ii: Well, the fourth carrier will have to make capital expenditure going forward because they have to establish their proprietary network. That is the phase they're in. This is unavoidable as a carrier. After 5G, we have to make the transition to 6G. Slicing will also be required as well. And stand-alone will also be required. Therefore, investment is inevitable, and at the midpoint it might be reasonable to have a roaming contract with other carriers for the part cannot be covered. It is costly. Therefore, I believe that they will be having their own facility.

I don't know why this is the strongest plan. Is taking the market share, is this the strongest or are they poised to take the market share going forward? But to establish a good foundation for providing service is of utmost importance because the facilities will become old and new facilities will be required.

4G capacity could be in shortage. This is the continuous cycle for the four companies. We are in the same situation. And I think each company is doing what

is necessary for them. So it isn't necessarily that all of a sudden our subscribers will be lost to them. That is not the case.

Mr. Tsuruo : What about ARPU?

Mr. Ii: For ARPU, frankly speaking, the low-price competition is pursued by other companies, so it's not going to have an impact on ARPU.

Mr. Tsuruo : Thank you.

Mr. Moriyuki: Thank you. SBI Securities, Moriyuki is my name. Let me ask two questions.

First, it's about the consumer communication business. In the previous fiscal year, this was clear. I think cost reduction is one factor that increased operating profit. An important measure is the consolidated sales shop and also the progress in online shops. Can you give us your progress and update on these two fronts? And also, you have been doing this for the past two years. Are you changing your policy? That's my first question.

Mr. Ii: Thank you. Well, we had 2,300 shops, but we closed 150 out of that. By fiscal year 2025, we will be closing 600 shops, roughly. So, I think we are on track in terms of consolidated number of sales outlets.

Now we are closing the non-profitable shops, by the way, so these are shops which would have been incurring costs had they remained in operation. No, we are not cutting down, we are not reducing headcount. They have been moved to other shops or they have been moved to the online shop business as an operator. So, we will not reduce any headcount.

Now I talked about the traffic coming down in these shops. We want to make sure that we are able to approach the customers through the online shop, and we will be able to approach customers without their having to come into a shop. And the fact that we created this online channel is very important.

Therefore, people who were working in physical shops will be covered. Staff who worked in these physical shops, they will be shifting to the online channel. As far as the online channel is concerned, we will further advance the system in place for the online channel. This will be completed by the year end. Also we want to improve the tools that are introduced for the online channel services. So that being the case, I think the policies we introduced were not wrong.

Mr. Moriyuki: You talked about online. What about the progress of the online channel?

Mr. Ii: We don't see the percentage, we don't have a concrete percentage, but having said that, online reception and contact with customers online, we have counted the number of such contacts. Not all shops are now accommodating the online channel. Still the shops are steadily transitioning to the online channel. That being the case, we cannot give you a concrete number or percentage number at this juncture.

Mr. Moriyuki: Now the question as to whether or not you have changed your policy, so you have larger subscriptions, so you are now able to offer added value services. So maybe the importance of the shops is increasing. So I thought that you had changed policy or changed course.

Mr. Ii: Oh, I see. Sorry. I should explain the chart on the left-hand side. As I mentioned earlier, large shops no longer just handle handsets and networks. For example, SMEs can come to ask for support. And also, we want to make sure that the shops will be a place where smart life products can be experienced.

We want to change the nature and the nature of the services that are being offered by Docomo Shops. So, we want to make sure that these shops get actually involved in something called the smart life shop. We want to make sure that these shops really transform into communities' ICT support base, so we're not just intent on reducing the number. We want to improve the quality of the services.

Mr. Moriyuki: Can I expect such smart life shops open this year?

Mr. Ii: Yes, I'm rallying my colleagues to make the changes.

Mr. Moriyuki: Thank you very much. The second question, it's about the customer base. You mentioned that there was an increase in the take-up of large- and mid-data bucket plans. So, I think you are now going well with young people. But what about your rock-solid supporters in the middle age and senior age brackets? What about those ages? And also, what about the economy MVNO. You did not mention anything about economy MVNO. What about the evolution there?

Mr. Ii: Thank you for your question. We are focused on people who are young, who are in primary school and junior high school because most people already have smart phones. This also applies to other carriers, but I think the important strategy is to focus on young people. Now the decisions will be made by parents whether to purchase handsets. So, we have to take the perspective of people who are involved in childrearing. We needs to focus on these young customers and of course make sure that both parents and the child become fans.

You mentioned the senior citizens who are a rock-solid customer base for DOCOMO.

These senior citizens are actually making an outflow into cheaper plans. It's not that they all rush to the zero yen plan, but they were very, very mindful about pricing. So d Payment and d settlement, they were not very accustomed to this type of credit plan. We wanted to do something about that, and that's the policy which we are trying to introduce. Some people are able to communicate this, but how do we tackle people in the senior age bracket who are not very familiar with d POINT and d Payment programs. We want to introduce some mechanisms where we'll be able to gain traction for customers in this area.

Now economy MVNO, we can no longer attract customers just based on a very low price. And this will not actually contribute to ARPU because we are talking about very low price plans, like 980 yen per month. So, I think we should focus on cross-over to the high value-added plans. It's important that we gain customers who actually offer take-up of high value-added plans. That is why we do not focus too much on MVNO. That is why we did not talk much about MVNO today.

Mr. Moriyuki: I see. Is that an extension of your past policies or can we expect something new? For example, two years from now, 3G service will be suspended, and I think you need to take measures.

Mr. Ii: Well, 3G, as far as 3G is concerned, already we have begun to suspend services in certain areas. And when we do that, we try to migrate customers to smart phone but not everything will take place all at once in fiscal year 2024 and 2025.

Now there's a limit as to how much MVNO will be able to cover those customers, so what type of strategy are we going to employ? We are already making consideration. There is not much that I can share with you today at this juncture.

Mr. Moriyuki: Thank you very much.