

**NTT DOCOMO Inc.**  
**FY2023/2Q Results : Analyst Meeting Q&A**

**Opening**

**MC:** From now we would like to start the briefing session on NTT DOCOMO Fiscal Year 2023 Second Quarter Financial Results.

This briefing session is streamed live. As well, it will be streamed on our website at a later date, so we seek your understanding beforehand. And regarding the materials for today, please refer to the presentation materials that are posted on our IR site.

Without further ado, We would like to explain the outline explanation. Mr. Ii, please.

**Presentation**

**Mr. Ii:** Thank you for joining us today. My name is Ii, President and CEO of NTT DOCOMO. Let me now talk about the results highlights for the second quarter of fiscal year 2023.

[#: indicates slide number]

**#2**

Please turn to page 2. This shows you the status.

Operating revenue increased by 46.5 billion yen and went up to 2,946.4 billion yen.

Operating profit increased by 4.3 billion yen and reached 580.8 billion yen.

So we recorded a year-on-year increase in both revenue and profit.

**#3**

Let me now talk about results by segment.

Operating revenue increased overall due to an increase in the growth areas of Enterprise and Smart Life segments, and this enabled us to absorb the decline in Consumer Communications segment.

We are making progress in line with our annual projection.

**#4**

Let me talk about the factors behind the increase or decrease in operating profit.

In Enterprise Business, although there was an increase in integrated solution revenue and existing business domain, operating profit decreased by 4 billion year on year due to an increase in cost of service associated with the revenue growth and upfront costs to realize future growth.

However, we expect an increase in profit during the second half as growth in integrated solution is expected to accelerate owing to strong orders and pipeline.

As for Smart Life Business, there is strong growth in our priority areas, such as finance/payment and marketing solutions, which enabled us to absorb negative factors, such as investment in new domains, so therefore, we were able to achieve a 200 million yen increase in operating profit.

We believe the impact from growth-related investment will be stabilized; therefore, we will be able to accelerate growth in the second half.

In Consumer Communications Business, Even we had programmed return benefits to customers, operating profit increased by 8.2 billion year on year due to upselling driven by delivering compelling services to customers and improved efficiency.

## #5

Let's now talk about each business, starting with the Enterprise Business.

Operating revenue increased year on year in this segment due to a steadfast increase in existing business areas, as well as growth in integrated solutions driven by growth in SASE solutions and mobile solutions.

For further growth in integrated solutions, which is the pillar for growth, we intend to provide zero trust security measures as a network service as there is a need and interest among customers for this service.

With regard to SASE solution, which would have required system integration in the past, we will launch this as a cloud-based integrated network service which can be completed over the web. This will be launched this month. We will be able to offer mobile and fixed line communication and cloud-based security as a package, and we will be able to construct an environment in a shorter period and also reduce relevant total cost as well.

## #6

Next, let me talk about our initiatives to realize DX of society and industries.

As the result of synergy created by integration of new DOCOMO Group, we can now provide a full lineup of IoT solutions covering devices, network and cloud. And the

number of projects which DOCOMO business is supporting in various domains is now increasing in number.

For example, LED lights and high-performance network monitor cameras are integrated. This is a solution which was adopted in the railway industry and this allows us to contribute to the monitoring of public transport. Also in the auto sector, we are accelerating global activities and entered into an agreement with BMW in July for global provision of mobile connectivity to vehicles.

In terms of services for SMEs, we added a new menu to “Total Business Support”. We will add improved efficiency for IT asset management and also security measures assistance and reinforce ICT environment support for SME users.

Going forward, we will continue to reinforce various services and solutions to improve the value offered to our customers.

## #7

Let me now talk about our Smart Life Business.

Finance/payment transactions increased 20% year on year and is enjoying very strong growth. In order to further enhance our finance services, we announced the conclusion of a capital and business alliance agreement with MONEX Group and are entering into investment in earnest in October.

By integrating business with MONEX, we were able to combine DOCOMO’s customer base and diverse set of data with MONEX securities knowhow in net-based securities and financial products, and therefore, we will be able to create new financial services, and therefore, we will be able to expand our business together.

We will support the money affairs of individual customers by proposing services related to investment, financing and insurance, by leveraging our payment services, such as d CARD and d Payment.

## #8

Next is the marketing solutions initiatives.

Marketing solutions revenue is growing favorably to 46 billion yen, up 17% year on year. The company aims to achieve revenues of more than 100 billion yen in fiscal year 2023 for the full year.

In the marketing solutions area, DOCOMO combines partner’s data with DOCOMO’s data and has been steadily expanding the business by rolling out sector and business specific solutions, such as manufacturing, distribution, retail, and finance.

And to further enhance our value proposition, we welcomed INTAGE HOLDINGS, which has a strong client based and data analysis capabilities, into DOCOMO Group, and we'll work to support the entire marketing value chain, enhance analysis and sales promotion support, and expand into other industries. While continuing to expand d Point and d Payment partners, we will continue to expand our business with a focus on full funnel marketing support that leverages the strengths of IID.

## **#9**

Next is the Consumer Communications Business.

DOCOMO has been strengthening its service mix proposals suitable to customer's lifestyles, and as part of this effort, we launched eximo and irumo in July, the new rates plan. And we are getting the desired results.

First, with the increase in awareness of the new rate plan, the percentage of customers choosing eximo increased and upselling was strengthened due to this. Also for cross-selling, compared to the previous plan, the subscription rate of the key services in the new plan increased. Moreover, with the introduction of irumo, we have also seen port-out improvements in the lower usage customers.

The new plan has triggered an increase in the number of customers visiting Docomo Shops, and this has been contributing to an increase in device sales. We will continue to improve the customer experience by transforming services, devices, and channels in an integrated manner.

## **#10**

Next is our efforts in network advancement.

First is regarding the non-terrestrial network. In addition to the geostationary satellite, Widesat III, which has been provided since October, the low earth orbit satellite, Starlink Business, will also be available within this year. We will provide services in areas with the best mix of terrestrial and non-terrestrial networks.

Also, in September, as an open RAN service provider, the OREX service lineup was announced.

First, we will use it internally and steadily improve the efficiency of network-related costs. As well as, We will monetize DOCOMO's know-how regarding open RAN utilization through support for overseas carriers. And we are aiming to achieve 10 billion yen sales as soon as possible.

## **#11**

Next is regarding improving the user experience when using mobile applications.

To improve the user experience, we repeatedly and thoroughly check quality and consider countermeasures. Information is collected from a variety of sources, including customer claims, social media information, traffic and application data, and analysis of that uses AI and other methods to identify areas that require countermeasures. For even higher quality data acquisition in the future, we plan to increase the number of DOCOMO apps from which quality information can be obtained.

Next, after identifying the areas to be addressed, the specific improvement efforts include promoting the enhancement of functions to increase communication speed and capacity through Multi-User MIMO and to improve the quality of 5G uplink communications. These focused initiatives will be implemented at more than 2,000 spots nationwide, mainly in the major cities of Tokyo, Nagoya, and Osaka, as well as along the railway lines, and we'll proceed to complete 90% of the measures by December and 100% by March next year.

For these measures, we will invest approximately 30 billion yen, which also takes into account increased demand.

In terms of the user experience of using our apps, we will not stop at catching up with other companies. We will continue to improve the user experience of our apps to the satisfaction of our customers.

## #12

Lastly is our sustainability initiatives.

NTT Group has declared net zero emissions by 2040. And DOCOMO, together with many of our partners, recognizes the importance of reducing greenhouse gas emissions throughout the supply chain to virtually zero.

As part of this initiative, NTT Communications has been providing "CO2MOS", a tool for visualizing greenhouse gas emissions, since September, and is also planning to start providing the ultra-energy-saving data center "Green Nexcenter" in FY2024.

Furthermore, as an initiative to promote behavioral change among consumers and employees, the company offers the "Caboneu Record" and the "Green Program for Employees". We will continue to work together with our customers and partners to reduce greenhouse gas emissions and achieve net zero emissions by 2040.

This will conclude the explanation of FY2023 second quarter financial results. Thank you for your kind attention.

## Q&A

**Mr. Kikuchi:** Thank you very much. My name is Kikuchi from SMBC Nikko Securities. Thank you so much. I would like to ask two questions.

My first question relates to your Enterprise Business. I saw a chart earlier about the Enterprise Business. Now during the first quarter and the second quarter, if you compare the two quarters, it seems that in the second quarter your profit seems to be on a downward trend. You mentioned that this is probably due to upfront costs. In the first quarter, sales increased by 20 billion yen. This time, the cumulative total is 34.4 billion yen, so the increase in sales in the second quarter is shrinking. In the first quarter, an 18.9 billion cost increase was seen; therefore, the increase in costs is generally similar, but the second quarter figure looks like a decrease in revenue growth and profit. But then you mentioned that the reason for the decline in the operating profit is due to the upfront costs.

So can you explain this matter? That's my first question. It's about your Enterprise Business.

**Mr. Maruoka:** Yes, thank you for your question. So if you do a comparison between the first quarter and the second quarter, well, in terms of the trend as far as the profitability is concerned, again, there are variances from quarter to quarter. I think that things are going well throughout the year, including the overall pipeline situation.

As for the cost, From July onwards, especially in the context of the second quarter, we took various measures at that time. For example, the step 3 for DCC, that was also conducted. When we conduct enterprise business with various other companies, we have had very close relations with large companies. And I think the impact of our preparation vis-à-vis large companies emerged earlier, but I think one of the challenges we face is in relation to SMEs.

So with that as the backdrop, in July this year, we established a Solution Consulting Department within the SM Headquarter (Solution & Marketing), which looks after SMEs. we know are able to offer various solutions to the SMEs because the solutions required by SMEs are different from those required by large companies, so we now have a group that is responsible for developing services for SMEs.

Also, we are maintaining communication with various customers throughout Japan. But still, as far as the employees of DOCOMO are concerned, they see the product as being an NTT Communications product, and also, vice versa. The know how between the former employees is not yet totally shared. So therefore, we now have a section and team which offers support for NTT Com employees and NTT DOCOMO

employees to understand respective products. So I think that function now has been established. So that is one point.

And also, this was covered in the presentation. The SASE model, this is going to translate into service. This will be presented not just to large companies. This will be also offered to SMEs as well because they are very much interested in the SASE model, and there is demand for the service.

Up until now, this was done in the context of the system integration division, but as we explained earlier, we are going to simplify the process concerned. And as a result, the time and cost for the service solution will be reduced. And also, the SASE model can now be also delivered more to the SMEs, so it will be really a good development. And also, by the this month, we will be able to launch. But then, we had a great organization and there was cost involved with the team that can offer such services. This is an upfront cost. Therefore, if you compare the first quarter and the second quarter, I think it was more costly in the second quarter as a result.

**Mr. Kikuchi:** Okay, thank you for that.

**Mr. Kobayashi, Senior Vice President:** You asked about profitability, so let me follow up.

In the first quarter, the sales of revenue from NTT COMWARE, this was included in the first quarter, so the integrated solutions business did not enjoy that much growth in the first quarter, but we have begun seeing growth in the second quarter. So I think the substance has improved. So if you exclude the situation NTT COMWARE, I think we are more confident about the profitability in the second quarter.

The reason that this has not led to increased profits is that, as Mr. Maruoka just explained, we are incurring various upfront costs.

**Mr. Kikuchi:** Okay, thank you very much for that response.

Now on the other hand, you talk about the costs required to create a framework for that. That's probably a fixed cost, right? In the case of the second quarter, this fixed cost cannot be absorbed by your growth and profitability, so during the second half, I don't think you'll be able to drive profitability unless you're able to expand your profit because cost reductions will not be sufficient.

Do you believe that you will be able to have a positive trend in terms of your profit in the second half?

**Mr. Maruoka:** As far as the profitability is concerned, our pipeline is actually even stronger compared to the previous year. Of course, whether or not we will be able to realize all the projects in the pipeline during the second half is another matter. But it just so happens that last month we hosted a major forum, and at that forum, we carried out a survey among the clients. Their interest is very much high when it comes to DX. Digitization and smartization, and of course AI in particular, are hot topics these days, but I think there will continue to be a strong need for ways to upgrade the basic business based on these things. Therefore, I believe that sales will reach a promising level in the second half as well. And there is robust demand among clients for those services. So for the second half as well, we can expect very strong revenues and sales.

As for profit, in the second half of the previous year, we had a very large amount of expenses that needed to be spent, this being step 2, and of course DOCOMO employees had come together with NTT Com, so at that point, when this team came together, the regional headquarters and buildings were consolidated, and in conjunction with that, we also had to renew the systems.

So the second half of the previous year actually ended up spending a lot of cost for us. So the costs for starting DCC will no longer apply in the second half of this year. So the cost, that part of the cost will be declining for this fiscal year. So that being the case, I think we can expect improvement of the profitability in the second half of this year.

**Mr. Kikuchi:** Okay, thank you for that. Let me turn to my second question.

In the first half, in particular in the second quarter, you had the acquisition of INTAGE and also MONEX. Is this really going to be beneficial? Unless the combination with INTAGE and MONEX translates into an increase in revenue, you're not going to be able to justify your investment.

So MONEX and INTAGE, turning these two companies into subsidiary, what impact will this have in terms of increasing your profitability? I'd appreciate it if you could explain whether or not it was worth the amount of cash your company spent, as I don't think it's clear and I don't understand it either.

**Mr. Ii:** Okay, let me respond to your question.

In the case of MONEX, this involves an area of securities business which we were not involved in up until now. So securities and investment, these were missing pieces in the puzzle, so as a result of the acquisition, we were able to add to these businesses. And also, MONEX, they were saying that because our base was not expanding, that is why they expect a lot from NTT DOCOMO's customer base.



So in the press conference, they were saying that they want to double their customer base in three years' time, so Mr. Seimei, the President of MONEX, made a presentation about expanding the customer base. So MONEX, they want to see the expansion of their customer base, so that is going to translate into an increase in profitability for them. As far as we are concerned, now that we're able to offer an improved service mix, we will be able to guide customers to take up these products.

In the case of INTAGE HOLDINGS, this relates to marketing solutions. This is a company that has concrete knowhow in this area. So if you compare the situation whether we have this combination or not, if you compare the two, I believe that as result of combination we will be able to double our profitability in this area in three years' time.

Mr. Maeda, would you like to add?

**Mr. Maeda:** Thank you. This is Maeda here. Let me add some comments.

With regard to our partnership with MONEX, as Mr. Ii just mentioned, MONEX had seen their revenue being flat for some time before this partnership. As you are aware, there is now shifting, the Japanese public is shifting from savings to investment. So therefore, inclusive of those with NISA accounts, various financial providers are competing over customer base.

Against that backdrop, DOCOMO has the d POINT and payment customer base, and this is going to be very meaningful in this competition. So that being the case, I believe we will be able to see, even we will be able to improve profitability, and we will be able to more than double our customer base in this area. And also, we will be able to deliver new investment services, which means that our profit-generating opportunities will increase.

Now with regard to INTAGE Group, we talk about 1 ID full funnel, we have been able to obtain data on member's behavior, especially in point payments, such as which member stores they shop at, when and for how much, so we develop marketing solutions based on this data. We have been providing this for a long time.

The breadth of the marketing solutions delivery, we will be able to leverage the knowhow of INTAGE. And also, we'll be able to create new solutions which will help us to also increase our profitability. As far as INTAGE is concerned, they have a very close relationship with many manufacturers. So that being the case, we believe that we will be able to approach their manufacturers, and I think we will have increased opportunities to provide various services to those manufacturing customers. And also, we will be able to offer ICT solutions together with our colleagues at NTT Communications as well.

So I think our partnership with INTAGE Group will also be contributing to increased revenue as well as increased profit at the end of the day.

**Mr. Kikuchi:** So you're talking about doubling in three years' time, the marketing solution revenue will double in three years' time? Is that the case?

**Mr. Maeda:** Yes.

**Mr. Kikuchi:** Okay.

**Mr. Maeda:** That's in comparison with this fiscal year.

**Mr. Kikuchi:** Okay. I apologize for being very lengthy in my question.

So your partnership with MONEX, yes, I think that might be a viable transaction. But then, I think there is talk that maybe the nature of the user base is actually quite different.

So MONEX is working with PayPay Securities and Kabukomu securities. So why do you believe that MONEX can be a good partnership for you?

**Mr. Maeda:** I think there's a question of timing. It just so happens that as we mentioned earlier, it just so happens that the Japanese public as a whole is now shifting from savings to asset accumulation through investment, so we were able to assist timing so I think that presented a major opportunity because of the timing in the overall society of Japan.

Of course having said that, we want to leverage their know-how, and hopefully they will be able to also make full use of our assets as well. So the knowhow of MONEX, we hope we will be able to leverage the knowhow of MONEX so that we will be able to grow together.

**Mr. Kikuchi:** Okay, thank you very much.

**Mr. Tanaka:** Mitsubishi UFJ Morgan Stanley Securities. This is Tanaka speaking. I have two questions, so from the first question.

Regarding the Smart Life Business, the second quarter three months, when we look at that, there is a decline in the revenue is my understanding. And also, the categorization of the sales of Smart Life Business, can you explain that? And which part declined, how much, and due to what reason? Can you elaborate more on this?

**Mr. Kobayashi:** This is Kobayashi. I would like to answer that question.

The My Number Point business, last year in the first quarter we didn't have that. This year we pretty much did that. Also last year in the second quarter did that. So, in the first half of this year, sales decrease, and I think that was the biggest impact.

**Mr. Tanaka:** So, by the way, Could you tell me the breakdown ratio?

**Mr. Kobayashi:** Kobayashi would like to answer that question.

First of all, within the revenue, Finance/Payment Services is 30%, Marketing Solutions is 5%, Content/Lifestyle Services is 35%, Anshin-related support/other is 30%. The profit, Finance/Payment Services is 40%, Marketing Solutions 5%, Content/Lifestyle Services is 5%, Anshin-related support/other is 50%. We are making various efforts in the contents/lifestyle part as an upfront investment. so we have this ratio.

**Mr. Tanaka:** Thank you very much. And my second question.

The net addition is 544,000, but excluding module, it's a 45,000 net decline, so I believe the handset sales are declining as well. How come it became this situation, and what is the outlook moving forward?

**Mr. Tamura:** This is Tamura speaking. I would like to answer that question.

Where it seems like it's a net decrease, it's probably we had a churn of the enterprise customer, large-account enterprise customer.

**Mr. Tanaka:** Okay, understood. How much of that?

**Mr. Kobayashi:** Kobayashi would like to answer that question.

We often get asked whether the ISP connection number is probably equal to the handset. This time, the part that appears as a negative number in the number of ISP connections is Enterprise. But it's not a decrease. They are removing the SP mode and that becomes a factor of the negativity, so as a movement, it is weak.

And for Others, MNP compared to the previous fiscal year, there is no change, but data plan churn, there are ups and downs for that, so there is some impact from that side as well is how we understand this.

**Mr. Tanaka:** Okay, understood. That's all. Thank you.

**Mr. Moriyuki:** Thank you. Moriyuki here.

So this is a follow-up to the previous question. The increase in profit in consumer communications was small, and looking at the breakdown, I think improvements in equipment balance of payments and cost efficiencies have slowed considerably in 2Q compared to 1Q.

I think this is a strong factor that will push up profits even more, and the main focus was on lowering commissions to sales agents, but I guess that's starting to run out of steam. Or is this because there were special factors in 2Q?

**Mr. Kobayashi:** Thank you. Kobayashi here. If you take a look at the overall situation, about two years ago, we were generating a deficit when we sold handsets, up until two years ago. But as the industry as a whole began to improve the situation, we were able to sell handsets at a profit. And I think the second quarter from the previous year, we saw the establishment of this trend.

The company did not make much profit in the first quarter of the previous fiscal year, but now, after the change in the model, we are able to generate profit as a result of handset sales. So, I think the second quarter of this year has improved slightly compared to last year. Of course, I think the improvement is small compared to the first quarter, but I think we will still see improvement in the second half.

**Mr. Moriyuki:** The Ministry of Internal Affairs and Communications will implement a review of the upper limit on discounts when selling devices in the fall, but what will be the impact?

**Mr. Kuriyama:** Thank you. Kuriyama here. You talked about handset sales and the change in the policy sales. Now, as far as we are concerned, we have consistently avoided using assistive sales incentives in selling handsets. We wanted to make sure that customers accept our values. So as a result, our gross profit for handsets is improving.

And also, as far as the service mix is concerned, I think credit cards and home services and other types of values are being recognized by the customers. And as a result, we are able to improve our various offers to customers. And we are able to set more reasonable prices. So the change in the sales policy is not going to have an impact on our business and the way we conduct business.

**Mr. Moriyuki:** Okay. So for the second half, the level will be more in line with the second quarter rather than the first quarter?

**Mr. Kuriyama:** Yes, that's the case. Our sales shops are very important partners for us. Inclusive of the replacement of handsets, docomo Shops offer very important

sales channels. We want to take care of those sales shops, sales channels as we try to expand our business.

**Mr. Moriyuki:** Okay, thank you. That is all from my side. Thank you.

**Mr. Masuno:** Nomura Securities. My name is Masuno. I have two questions. The first is for the Enterprise Business. You did mention previously, in the second quarter there was an increase in revenue, and the first quarter year on year is 1%, the second quarter was plus 4%, and the breakdown detail, etcetera, you mentioned, but can you elaborate which part showed an increase?

At an Enterprise business Small Meeting, Docomo said that it is making steady progress toward its goal of significantly increasing the number of integrated solutions over the medium term, and that it will absorb the transition to NTT East and West's IP networks and the decline in voice revenue next fiscal year. However, it was explained that it will continue to increase steadily.

What is increasing, and from next fiscal year, what is going to become more of a driver?

**Mr. Maruoka:** Thank you very much. I did mention previously about the overall trend that we are seeing. Last fiscal year, since integration of DCC, the fixed and mobile convergence and the cross-sale to customers is something that we have been working on. And with the major corporations, we are seeing a certain outcome of those activities, and we believe that this is going to continue to increase as well.

On the other hand, when we think about the future, from now onwards, by the customer group, we believe that the trend differs or the area that we place a focus on will differ. The major corporate customers will be AI or DX. It will be a type of self-improvement or will require DX or IT support to self-improve their business.

And also, representing IoT cases, we believe that the market, that is going to increase. Put aside those subscriber numbers related to IoT, but what IoT creates, the value that is created or improving that and increasing that value is important, so having the IoT as a hook. For example, various corporate activities and lifestyles are rapidly changing based on IoT, including Smart Cities. I think May Mobility, which was announced today by NTT, will help in this regard. I think there is a strong interest in new social transformations centered on IoT and mobile.

So major enterprise customers, the contact point with their customer base, how much more they can advance that is the entrance. Insurance companies are already advancing the sophistication of various contact centers, but as recently announced

by NTT, further reforms and improvements are expected through the new LLM, and I think the number of such areas will increase.

SMEs, within the SMEs, the larger corporations, but they are trying to advance their system using IT or they have an entrance toward security matters. Therefore, as the countermeasures support that, to make SASE into the service is what we are working on, and we believe that that is going to continue to grow. And globally, we are seeing similar trends, so we will be catching up with that or we want to catch up with that.

And for SME customers, the smaller SME customers, they want more simple business improvement, meaning being able to do various business process improvement on their smartphones. Therefore, we are strengthening our “Total Business Support” services to support the ICT environment.

The size or the environment where our customers are placed will differ. However, overall, we believe that we will be able to increase the value proposition of ours.

And from next fiscal year onwards, the voice service was mentioned briefly. For NTT Communications, PSTN migration, that is going to have an impact. For this fiscal year, the top line is about 20 billion negative impact that exists. We intend to offset the impact of the decline in sales through the initiatives I just explained.

PSTN migration will be completed by the end of this year, so I think you're right that the impact will be even greater in the next fiscal year. However, since there are quarterly impacts and PSTN demand is down in the first place, the impact is not simply proportional, but we had originally anticipated such an impact.

The PSTN migration means that the number of “MYLINE” customers will decrease, so we will provide customers with IP-based voice services and DOCOMO’s “home denwa”. We believe that we can cover the impact of the migration and proceed with proper management.

**Mr. Masuno:** The other day, the LLM “tsuzumi” was announced by NTT, and President and CEO Shimada said that the target is having 100 billion yen sales by 2027, and NTT Communications will be leading that together with NTT East and West is what was mentioned. Excluding the solution part, the pure service itself is 100 billion yen as a target figure. And of course this is not just a recent topic, but moving forward, NTT Communications, how are you viewing this?

**Mr. Maruoka:** Well, utilizing AI, from the NTT Communications perspective, there are two points. The first is that up until now there was “COTOHA”. We’ve been working on this AI service, and we call it communications AI. Well, it’s not

“tsuzumi”; however, NTT’s R&D capability is used for the foundation, plus the Japanese language analysis, it has strength in it. And about 800 enterprise customers are using this type of service. So, in a way, this is a service that we have been enhancing by task. And regarding NTT’s LLM, that is going to match well with what we have been doing.

And from the general public customers’ perspective, as we see in ChatGPT, it’s a general purpose type of a service. As DOCOMO LLM value-added platform, we are working on providing an environment where we can provide a peace of mind environment when using LLM to the customers. This platform is being used by three companies in the DOCOMO Group, and they are also holding in-house contests like many other companies do. So we have these two points.

So NTT’s LLM, that can be applied to both sides, and as NTT Communications, responding to the content that is sought from our customers, which LLM are we going to propose of course is something that we will be working on as well, but we would like to move forward with this effort.

And from NTT, there was an announcement as such, and even before that, proceeding with collaborations with them, we have been in contact with them from the past. And we have many customers that have high expectations toward us. Therefore, as NTT Communications we would like to respond so we can contribute to the customers’ DX.

**Mr. Masuno:** At the press conference, Mr. Ii, you said the Consumer Communications Business profits were steady.

I think there are many positive aspects to the introduction of the new rate plan, but what do you think of the trends? You have always said that ARPU will bottom out at 4,000 yen, and if this trend continues, I think that means revenue will increase next fiscal year. What do you think?

**Mr. Ii:** Well, the Consumer Communications Business, a boosting driver, we are increasing the number of medium-sized bucket and large-sized bucket customers, and that is because we have video contents or the required rate plan selling is the assumption to experience that, but that is being a driver.

Additionally, our equipment balance has improved significantly, and this is because we have suppressed discounts. Therefore, although the number has not increased and the net addition has decreased slightly, we have increased the profit margin and are making a profit, so it is very difficult to maintain this balance.

Of course, if you want to sell more units, we can sell at a cheaper price, but that’s not going to generate profits. So we changed that to a way to sell in a way we can secure the profitability, and that is becoming the source of our profit.

We believe these two will be the drivers. And the other is the cost reduction efforts are going to continue. So in terms of sales and profit increase, the key is how we are going to be able to grow these two.

**Mr. Masuno:** So the mobile service revenue increasing, that will come to be an increasing trend?

**Mr. Ii:** Well, we do have that plan, so we would like to go into the growing trend, but the number of Japanese population is declining. So we cannot have high expectations for that part. Rather than the consumer communications business itself, it will likely not grow unless it sells value-added services as a set.

**Mr. Masuno:** Okay. Understood. Thank you.