

NTT DOCOMO, INC.

FY2023 Financial Results and FY2024 Guidance : Analyst Meeting Q&A

Opening

MC : we'd like to start the presentation of the fiscal year 2023 financial results and the 2024 Guidance by NTT DOCOMO. My name is Akaishi from the IR office. I will be serving as the facilitator today.

Today's presentation is streamed live, and it is scheduled to be streamed on our website at another date, so we seek your understanding beforehand.

And regarding today's information, please refer to the presentation briefing materials that are posted on our Company IR website.

Let me introduce the attendees from our side.

- Mr. Ii, Member, Representative Member of the Board, President and CEO of NTT DOCOMO;
- Mr. Maruoka, Representative Member of the Board, President and CEO of NTT Communications;
- Mr. Tamura, Representative Member of the Board, Senior Executive Vice President of NTT DOCOMO;
- Mr. Kuriyama, Representative Member of the Board, Senior Executive Vice President of NTT DOCOMO;
- Mr. Maeda, Representative Member of the Board, Senior Executive Vice President of NTT DOCOMO.

Next is regarding the proceedings for today. From the President and CEO, Mr. Ii will be giving you the brief explanation of the financial results, etc. And followed by a Q&A. We are planning to close this session at 5:05 p.m. Japan time.

Now we would like to explain the outline of the financial results, etc. Mr. Ii, please.

Presentation

[#: indicates slide number]

#1

Mr. Ii : Thank you for joining us today. My name is Ii. I am the President and CEO of NTT DOCOMO. I'd like to talk about financial results highlights for fiscal year 2023 and talk about key actions planned for each business for the 2024 guidance.

#2

Let me start with the results highlights.

#3

As you can see, we have seen a year-on-year increase in both revenue and profit.

Operating revenue, operating profit and net profit and EBITDA, all achieved record highs.

#4

Please turn to the following page 4. This shows you the results by segment.

As you can see, Enterprise and Smart Life Business have shown steadfast growth. And they increased both operating revenue and operating profit.

As for Consumer Communications business, operating profit and operating revenue were on par with the previous year.

The details of each business segment will be explained in the following pages.

#5

So this shows you the contributing factors by segment.

In Enterprise Business, although there was a decrease in profit due to PSTN migration, this was more than offset by the expansion of integrated solutions, and also asset utilization resulting from the integration of NTT DOCOMO, NTT Communications, and NTT COMWARE (DCC integration). Operating profit also increased significantly, by 41.6 billion yen.

In Smart Life Business, we were able to absorb the negative impact from initiatives for future growth through the growth of business, primarily in the finance/payment, and also, as well as marketing solutions. We were able to achieve 9.2 billion yen growth year on year in operating profit.

In Consumer Communications Business, we were able to cover the downward impact of Mobile Communications Service revenue through improved equipment balance of payment and cost efficiency improvements. It will be able to keep the drop in operating profit at about 200 million yen. We were able to maintain the prior level primarily.

#6

Let's talk about the overall KPI. As for integrated solutions, solutions for large enterprises performed well. This was an increase of 9% year on year and reached 733.7 billion yen. The ratio of Enterprise Business revenue to total revenue also

rose to 39%. we are making strong strides to have a 2 trillion medium-term target of enterprise revenue for fiscal 2025.

#7

As for “d POINT Club” membership, we have achieved 100 million. Going forward, we intend to not only increase membership but also improve active usage and support our customers and build point programs that bring satisfaction.

#8

Next, I'll talk about finance/payment transactions.

We have already topped 13 trillion yen, so this is strong growth. Both credit card and QR code payments are being used by a very large number of customers, as you can see.

#9

“d CARD” program. “d CARD” membership is getting stronger and “d CARD GOLD” subscribers have topped 10 million. We believe that we offer value to customers that exceeds the membership fee. And also, the position among all cards reached 60% for the GOLD card, so GOLD card is making a positive contribution to revenue growth as well.

#10

As for marketing solutions, again, we have strong, very strong growth in revenue. Through the steady expansion of marketing DX that supports manufacturers, retailers, distribution, and restaurants, and the capital and business alliance with Intage Holdings Co., Ltd., we were able to increase sales by 40% year on year to 130 billion yen.

Also, we announced the expansion of “the DOCOMO Retail DX program” in October 2023. And we will also try the reinforcement of Group sales structure for synergy creation with INTAGE HOLDINGS, Inc. With that, we want to further growth.

#11

5G surpassed 30 million subscriptions at the end of April. And the 5G subscription rate, excluding modules, also exceeded 40%.

Going forward, we will further accommodate the requirements of customers and communicate the advantage of the usage of 5G. We want to translate that into an increase in data traffic and also expansion of the medium and large volume plan, and also, just like that, to increase ARPU as well.

#12

Now let's talk about mobile communication ARPU.

Annual ARPU for fiscal 2023 was 3,980 yen. We did not reach the guidance of 4,030 yen, due to the impact of the strategic sales promotion for “irumo”. But upselling is going well through the expansion of medium- and large-capacity plans, including “eximo” and “ahamo”, and service mix proposals such as “Hikari Service” and “Baku Age Selection”.

When we compare with competitors over the years, DOCOMO’s ARPU have been relatively strong.

#13

Let’s now talk about the key actions plan for each business.

#14

Based on “d POINT”, which can be conveniently accumulated and used, and “d CARD” and “d-Barai”, which support daily life, we have provided a variety of services while staying close to our customers, such as mobile and In-house services, entertainment, finance, and shopping.

In 2024, the Group will continue to promote initiatives to further improve the customer experience. That is what we are planning.

#15

Specifically, we will strengthen customer-oriented marketing. We believe marketing is very important, so we need to focus on our customers. Not just launching new services, it’s important that we utilize multi channels and shops online, in media, and have seamless communication based on customer understanding.

And we’ll stand close to each customer and set up a service mix proposal which is optimal and which caters to individual needs. They will be able to enhance customer experience as a result and expand revenue of Consumer Business and expand the customer base by capturing non-DOCOMO mobility users as well. That is what we are aiming to achieve through these initiatives.

#16

Now I’m going to talk about EC.

We recently announced an alliance with Amazon Japan G.K. quite recently. Through this cooperation with Amazon.co.jp that operates a comprehensive online store used for a very large number of customers, “d POINT” become a point program that is even closer for customers’ daily lives. DOCOMO and Amazon will leverage our service strength and offer an exciting shopping experience to our customers going forward.

#17

Next will be regarding entertainment and finance service. Video service “Lemino” gained over 6 million MAUs, and the “d anime store” has over 3 million subs. So the entertainment business is steadily expanding.

In the investment area, we were thinking of how we can combine DOCOMO’s “d CARD” and “d POINT” with MONEX services, and we have plans to combine them for even more convenient and easier use.

In the area of loans, we will have ORIX Credit’s know-how and a further strengthened “d smartphone loan”. While our financial business is steadily expanding, we’re also strengthening our governance structure, such as expanding an organization dedicated to financial risk management. So we will strive to provide financial services that can be used safely and stably.

#18

Next is marketing solution initiatives.

The number of “d POINT” partner stores has exceeded 3 million, and “d POINT” can now conveniently be used in most convenience stores, drugstore chains, restaurant chains and others, and a variety of situations closely related to customers’ daily lives.

We will continue to provide marketing DX of partners in various industries, including retail distribution, manufacturers and others, with their customers, and contribute to enhancing the presence of our partners. And through these initiatives, we would like to increase the number of opportunities to accumulate and use “d POINT” and promote the improvement and expansion of the attractiveness of this economic sphere.

#19

Next is service mix proposal.

We are strengthening service mix proposals that combine services that match the usage status and needs of each individual customer in a way that makes them feel it is convenient and a great deal.

For example, “Baku Age Selection” is offered to customers who want to enjoy videos and music, and for customers who want to have even more great deals with cashless shopping, we offer “docomo poikatsu plan”, which was announced in March, and it is being well received.

So, through proposing these types of mix of services, we believe that improving the customer's experience like this, it's going to contribute to the expansion of our revenues and customer base.

#20

I have been explained the initiatives for service mix proposals. In order to promote these initiatives, it is more important than ever to treat each customer with sincerity, deepen their understanding, and be able to propose an attractive service mix at optimal customer contact points. To strengthen these obvious efforts, we will establish a customer service organization in July to consolidate our consumer oriented organizations.

And we aim to further expand our Consumer Business by integrating our consumer organizations, enhance the customer experience and improve the efficiency of business operations.

#21

Next is regarding our Enterprise Business initiatives. For large enterprise customers, we are providing solution services, leveraging advanced technologies. I would like to introduce two of these initiatives.

In the field of generative AI, we will utilize “tsuzumi” to provide total support, from implementation to operation, in three areas of strong demand. We have already seen more than 200 consultations from customers regarding the implementation, and we will provide solutions that utilize the most appropriate AI technology to meet their needs.

In addition, as an initiative to enhance the value of IoT solutions, we have started offering “docomo business private 5G”, a comprehensive 5G consulting services. Based on customer requests and user conditions, DOCOMO will provide an optimal environment for various use scenarios by combining various menus, such as “docomo MEC” and local 5G.

As part of this menu, DOCOMO has launched “5G Wide”, a mobile network service that provides stable communications even in congested areas and during busy times. Our service provides a more stable communication environment suitable for real-time monitoring and live distribution.

#22

This page is showing initiatives for medium-sized companies and SMEs.

So first is the aim to resolve the regional issues. “The Local Government Platform (LGPF)” is one of the solutions aimed at resolving the regional issues ahead. We are working on projects with more than 130 municipalities, and five municipalities have

already implemented and are offering this “LGPF”. we support the promotion of data-based policy planning through analysis and visualization of acquired data.

We will expand “the DOCOMO Business Package” menu to help solving the problems of SMEs customers. That package is solving ICT infrastructure issues, such as network and security, which are the most well-received and popular ones.

However, in addition to that, we will expand the range of packages that support solving high-demand issues by business and industry. And in addition, we will also enhance the menu to support achieving mastery or being able to use our services to help customers solve their business issues.

#23

Next is regarding the network.

The network is an important pillar of our business, so in FY2024, we will continue our efforts to enhance the quality perceived by our customers. Our network is exposed to various environmental changes, especially in urban areas, and in order to promptly respond to these environmental changes, we will build a network that is resilient to environmental changes by strengthening the ability to track and predict customer experience using apps and introducing multi-user massive MIMO.

In particular in high traffic areas, such as urban centers, we plan to construct a more capacity-enhanced network in anticipation of future traffic growth.

Next is strengthening of the resilience of the network. We had the Noto Peninsula earthquake, and reflecting on that, we will further promote the construction of a disaster-resistant network, including the use of multiple transmit routes, and we will build a system that enables prompt emergency restoring in the event of a disaster.

#24

Next, is initiatives for revenue-generating using DOCOMO’s network assets. This is about Open RAN.

The market is expected to expand worldwide, and DOCOMO will accelerate its overseas expansion with “OREX”. OREX SAI, INC. was established in April, and starting from this company, DOCOMO is proceeding with technical verification through PoC and field trials with several overseas telecommunication carriers, and we’ll provide commercial services as soon as possible.

#25

Next is regarding expansion of the global business.

NTT DOCOMO GLOBAL, Inc. will be established in July to expand global business across the DOCOMO Group. We are comprehensively developing our business in the Application Service Business such as Web3 by NTT Digital, Inc. and the Carrier Enabling Business such as overseas expansion of Open RAN by OREX SAI, INC., and will consider expanding into other businesses in the future.

And as a result of this, we will be able to create new lifestyles, and through this, transform the structure of society and industry, aiming to realize more affluent lifestyles and societies for our customers around the world.

#26

And last, this is regarding our efforts to promote sustainability.

In 2021, DOCOMO Group announced its goal of becoming carbon neutral by 2030, and in November last year, we announced our goal of becoming net zero by 2040. By reducing network power consumption and utilizing renewable energy, we are steadily reducing greenhouse gas emissions and increasing the ratio of renewable energy. In fiscal 2024, we will continue to work to reduce greenhouse gas emissions by introducing new off-site PPAs for solar power generation and biomass power generation, with the aim of further reducing Scope 2.

In order to achieve net zero emissions by 2040, we will work with our supply chain partners to reduce emissions through providing NTT Communications' "CO2MOS", a tool for visualizing greenhouse gas emissions, and "Green Nexcenter", which is a green data center.

#27

The last section is regarding the fiscal year 2024 guidance.

#28

The overall situation is an increase both in revenue and profit. Especially for the operating revenue, it will be up by approximately 100 billion yen. We will be taking on the challenge.

#29

As I mentioned before, we have made a Consumer Business and Enterprise Business. In the Consumer Business, we have the Smart Life Business and the Consumer Communications.

In the Consumer Business, although mobile communication service revenues will continue to decline, we will expand business in growth fields such as finance, strengthen service mix proposals, achieve business growth by improving customer experience, and streamline business operations through integrated organizational

management. Through these measures, we aim to increase sales and profits in the Consumer Business as a whole.

And as for the Enterprise Business, we aim to increase sales and profit.

PTSN migration and its impact will continue, but we plan to cover it through business growth across the Enterprise Business, including the expansion of integrated solutions.

#30

This is the operating profit comparison from FY23 to 2024.

In fiscal 2023, as a result of DCC integration, we sold some assets that were no longer needed, contributing to increased profits. Excluding this temporary impact of asset utilization, we plan to aim for profit growth over the previous year in fiscal 2024 due to business expansion in growth fields such as corporate and smart life.

DOCOMO will continue to create new daily life values and lifestyles and promote initiatives that will significantly change the society.

That concludes my explanation. Thank you very much for your kind attention.

QA

Mr. Kikuchi : Thank you so much. My name is Kikuchi for SMBC Nikko Securities. I would like to ask two questions about Enterprise Business and also Consumer Business, one question at a time.

With regard to the Enterprise Business, you talk about PSTN migration. The impact from PSTN migration, this could be larger compared to the previous year. That's my understanding. So how much impact do you envision from the impact of PSTN migration this fiscal year?

Also, the negative territory is likely to be offset by others, and I think you have a plan regarding increasing operating profit. But the impact of PSTN migration will be quite high, especially when it comes to marginal profit.

So, I would imagine that you probably have set a very large marginal profit so they will be able to reach profit. But how do you intend to improve your profitability? So can you talk about the impact from PSTN migration and also how you intend to offset that?

And also, maybe you have set the marginal profit to be quite high for those elements that will offset your loss. So, can you talk about this particular point first, please?

Mr. Maruoka : Yes, thank you for the question. Let me talk about the PSTN migration.

The impact for fiscal 2024 will be around 20 billion. Previously, it was 10 billion, so, yes, the impact will be two-fold. As far as the topline and profit are concerned, this is going to be a continuous program, I would add, but I think it's basically how we can reduce the cost of new Integrated Solutions. The percentage is quite high.

As the weight of existing integrated solutions increases, we are changing our internal PM system in order to increase productivity. We are making various efforts in this way, and we are improving by 1 to 2 points, so we are anticipating improvements like that.

Also, regarding the existing part, it will continue to be a core asset, but we will move from old services to new services, or switch within existing services, so of course we will increase the total profit margin. I would like to move forward in a way that increases this.

Mr. Kikuchi : Okay, thank you. That's very clear. Thank you. I would like to ask about the Consumer Business.

I think ARPU and telecommunications revenue is a concern for us. ARPU, over the long term, it's not falling compared to competitors, but I think there are signs that there could be a downward trend in your ARPU going forward. Maybe the brand strategy and ARPU strategy are causing some confusion for users. Therefore, ARPU seems to be going down a bit. I think there are various views about this, but you have a top share and the number of long-term loyal users is overwhelmingly higher than other companies. So, I think the ideal strategy is to reduce liquidity and increase ARPU.

So DOCOMO's strategy should be completely different from that of the No. 2 place company and the No. 3 place company. It doesn't make much sense for "irumo" to participate in the battle between Y mobile and UQ mobile half-heartedly. Maybe there is confusion on your part. You are not carrying out very active promotion of "irumo" at all. So maybe you have a haphazard strategy. So, what do you want to do about the brand? I think the competition of your main brand is overwhelmingly strong for DOCOMO. I think the question is how to protect that and how to increase the ARPU of Smart Life.

So, my question is as follows. What do you want to do about branding strategy because you're causing confusion among the customers? What is that about the branding strategy? And what do you intend to do about ARPU? Other companies are maintaining flat and they are showing some improvement. In your case, there could be a potential downward trend in your ARPU, so what is your present ARPU strategy? I would appreciate your information on these two.

And if possible, if you could ask Mr. Maeda to talk about your thoughts about your Smart Life Business going forward. How will you improve profitability for Smart Life?

Mr. Ii : Yes, thank you very much for those questions. I think your question really represents the voice of the users. Thank you so much for your input.

Before we launched “irumo”, we were completely losing the competition in the price range of 800 yen, 900 yen for 3GB. And we had an outflow of customers who were interested in low usage, and those low usage customers were being catered to by OCN, it's MVNO. As for market promotion and marketing costs, we cannot use too much in the MVNO, so it's important that we had our own low usage customer type of product because this is when we launched “irumo” because we wanted to stop this outflow of customers.

But the risk about “irumo” is because this is low price, this could have a downward trend on ARPU. Then we could of course stop the outflow of customers. But if “irumo” customers increased, then our ARPU will be coming down. On the other hand, we can't afford to let the customer base continue to disappear, so we have a new three-tier strategy, “irumo”, “ahamo” for young people, and “eximo”, which are a little expensive but have a large capacity. We divided them into these segments and hit them.

But we found that “irumo” was much more popular than we had initially anticipated. So, we have new customers as a port in. We were hoping that customers would flock to “eximo”. That was not the case. So we are not carrying out active marketing for “irumo” because if we promote “irumo” too much, this is going to create downward pressure on our ARPU, but then we have, if we have customers coming in because of “irumo”, then we'll be able to promote upselling.

So eventually, once we are able to lock in those customers, they will be able to switch to a higher data bucket. We wanted to stop the outflow of customers.

The next one to come in is “ahamo”. “ahamo” and “irumo” are under 4,000 yen plan and ARPU. So if we want to attract new customers, we found that because we need to compete on low price, so that is now a dilemma which we are finding.

So again, we want to reinforce our customer base. Mr. Shimada, the holding President and CEO, talked about this. It's important that we maintain the customer base. We have to stop the outflow of customers. So if any telecommunications ARPU is to be sacrificed, it's important that we were able to get a customer base so that the customers would eventually be able to move on to the Smart Life Business, intake, uptake. So that was the strategy.

Mr. Maeda, any comment, please?

Mr. Maeda : Yes, thank you very much. I think firstly expand the customer base and then how to increase revenue. Naturally, with regard to telecommunication service customers, we invite them to join the “d CARD”, “d CARD GOLD” program. Recently, with “Baku Age Selection”, a distribution service. These services are also sold by other companies, but we have been selling our services, “Lemino” and “Disney+” which is our partner's service.

This time, we are talking about integrating a new organization, but in terms of our organization, which sells telecommunications services, the sales headquarters, and the Smart Life Company, which provides other services. They were working independently, separately. They were recarrying out marketing separately from one another naturally. And the marketing budget was controlled by each separate division. And that was mostly inefficient.

As mentioned earlier by the press conference, we need to focus on the customer's perspective. We need to understand the issues of our customers. It's important that we meet and provide services that cater to the requirements of each given individual customer. So, we want to reinforce that part going forward. Now “docomo poikatsu plan” will be one case in point.

Our EC has been said to be weak, but we had an alliance with Amazon Japan G.K.. So I believe that as a result we'll be able to offer greater convenience to our customers. We'll be able to increase our opportunities to increase revenue as a result.

Mr. Kikuchi : Thank you very much. So at the end of the day, it's a matter of telecommunications service revenue will increase or decline. I think your telecommunications service revenues seem weaker compared to your competition. That seems to be the trend at this moment. So I think you need to make adjustments along the way. That was the background behind my question. Thank you. That is all. Thank you very much for responding to my questions.

Mr. Kuriyama : May I add something? As far as ARPU is concerned, I think we are not yet bottomed out. We still have, relatively we have a high level, although we have not yet bottomed out. In the case of KDDI, it is personal segment, so it is only

individual. We have numbers including enterprise solutions, Enterprise Business. If we exclude Enterprise, then we have higher ARPU.

Also, with regard to the alliance with Amazon Japan G.K., in the EC sector, we believe that the line value will increase as a result. Poikatsu plan can also provide a service that will increase the value of our line as a result by combining points and financial settlement.

So, through those activities, we believe that we will be able to reinforce our service delivery abilities. Thank you.

Mr. Masuno : Masuno from Nomura Securities. I have two questions.

The first is, this time the Enterprise Business, and you have separated the Enterprise Business and the Consumer Business, and I think such a formation is a good one. And having said that, as a telecommunications company, the profit lies in the Consumer Telecommunications Business, so the increase and decrease of this part, everybody's way of looking at you will change. If you look at the Consumer Telecommunications segment, KDDI announced their results, and this fiscal year is an increase in profit for them, and for your company, if it's just consumer telecommunications, this fiscal year it still has a decline.

When do you think you will be able to increase profits in Consumer Telecommunications Business? I know you have various strategies. You have the ARPU strategy. You have the strategy to strengthen your customer base. But how long do you think it will take to increase profits?

Mr. Ii : Instead of myself answering, it seems that it's better that Mr. Maeda will answer, so Mr. Maeda, please answer that question.

Mr. Maeda : This time, to expand the customer base, including the "irumo" mentioned before and as Mr. Kuriyama mentioned before, slightly the ARPU will still remain weak. However, as I mentioned before, by proposing various services, the streamlining service included, have the customers or the subscribers join an even higher price plan is what we're thinking of. To see the positive effect from that, it is going to require a certain amount of time. So, at this point, I cannot say anything for certain, but by around 2027, we'd like to bring it on the turnaround trajectory.

Mr. Masuno : And the next question is about the two businesses that you operate in: Consumer Business and Enterprise Business. This is a question I asked the holding company as well before. Probably what you, Mr. Ii, are thinking is that it's better to summarize it in this way, but if we pursue this, DOCOMO and NTT

Communications as an organization should be together more and work as one is going to become stronger. And from the position that you've been working on this integration for this long, how are you looking at this point?

Mr. Ii : We had the TOB, and when we combined DOCOMO and NTT Communications and NTT Comware, we were able to do that. Maybe you will become what you're saying, but at that time, what we were thinking is that NTT Communications had their own large-size enterprise customers and we wanted to use that brand thoroughly. And also, having the two companies merge once again, the procedures are going to require time, so that is what we thought at that time.

And we have spent some time, and this is going to involve the government as well. So spending the time and sorting it out nicely. Instead of that, we wanted to generate the integration synergy, so we moved around the people inside. From DOCOMO, we sent out to Enterprise and we had some network people come from NTT Communications to us. Therefore, in order to reorganize quickly, we decided at that time that we should not be so concerned about the company structure.

Mr. Masuno : Thank you very much.

Mr. Tokunaga : Thank you. Tokunaga from Daiwa Securities. Thank you for this opportunity. Earlier in the press conference, you talked about Smart Life ARPU. You mentioned that growth in Smart Life ARPU was very important. That is my understanding. Because Smart Life ARPU, I think there are various items such as compensation, content, finance and payment.

Can you talk about what expectation do you have in expanding your Smart Life ARPUs? That's my first question. How do you intend to expand and strengthen your Smart Life ARPU?

Mr. Maeda : All right. Thank you very much. I think there will be a basic expectation, especially in the finance sector. We talked about this in the previous slide, especially when it comes to payments services. We believe that transactions volume has reached 13 trillion yen. And compared with the growth in the marketplace, I think 18% growth is very strong if you compare the growth in the marketplace. So, it is important that we maintain this pace of growth. We want to maintain this momentum, and hopefully it will further strengthen that. The market itself will be growing and we believe that our revenue will also be increasing, so I think that's one area that we need to focus on.

And we have done acquisitions along the line, be it securities, be it loan. I think that by aiming to have people use services in other fields of finance cross-functionally, this will also be a field where we can grow significantly.

Having said all this, there are others as well. For example, in the area of entertainment for example, distribution services will be interesting. We are also focused on creating IP. This type of business, this is very important, and we have begun to tackle that in a significant manner since previous year. And it is now increasing its revenue, so we will try expectations for this segment as well.

Mr. Tokunaga : Okay, thank you very much. As a follow-up question, you talk about the finance/payment transactions. How do you intend to monetize the increase in transaction volume? Is something like a simple merchant fee a monetization point?

Or will increasing things like loans have an effect on take-rates or operating profits? What is your strategy?

Mr. Maeda : The biggest element will be, yes, the commission. So it is important that we expand and increase our revenue from the commission.

Aside from that, right now, “d CARD”, our credit card, is very significant in volume, and one major feature for our service is that we have a 17 million customer base. GOLD accounts for roughly 60% of that. So roughly 10 million are actually GOLD Card customers. The annual fee is going to be a major source of revenue for us.

I think it's growing by about 800,000 this time, but I think it's going to grow at a pace of about 700,000 or 800,000 after this, so I think it's going to be a big accumulation because it's simply the number of users × the amount of membership fees.

Mr. Tokunaga : Thank you very much for that. If I could go on to my second question. I would like to ask about you Capex. In the Enterprise segment, I think you have plans for a significant increase in Capex. Can that break down the increase in detail? Maybe this is in relation to the reorganization of your structure.

Mr. Maruoka : Alright, let me talk about that. Yes, with regard to Capex in Enterprise Business, for one thing, we need to invest based on the requirements of our customers, so that's one element. And also, we need to make investments to realize future growth. So that's the other category, so we are investing in IoT and also AI as well.

Then we have launched “tsuzumi” which NTT Group has created a major foundation. NTT Communications will be responsible for handling this foundation, so that is why the investment has increased as a result. Thank you.

Mr. Tokunaga : Okay, thank you for that. You mentioned, what type of investment do you do based on your customer requirements?

Mr. Maruoka : Well, it depends on the system integration which is requested by our customers. Then we could have our own facilities. We are able to launch, provide services based on the in-house development.

Mr. Tokunaga : As you are going forward, will this element be increasing do you think, going forward?

Mr. Maruoka : Well, let me see. Whether this type of format of investment will increase, well, on this point, this is not going to have a significant impact on profit level. It changes from customer to customer. Some customers want to do their own investment. So, there are two types of customers.

But with the advent of cloud in the marketplace, the requirement has been declining. So maybe overall, we are likely to see a downward trend.

Mr. Tokunaga : I think you are very clear. That is all for my question. Thank you very much.

Mr. Tsuruo : Thank you very much for the opportunity. This is Tsuruo from Citi Securities. I have two questions.

The first is the quality of the network. Also, it was asked by Mr. Kikuchi. The branding is not solid. The cause of that is the network. Last year, you struggled regarding that. As a result of that, you needed to invest 30 billion ahead of the original plan. And as a result of that, currently, how is it?

And in addition to that, this year's Capex, at the Consumer Business side, it seems that it is going to decline. With this investment level, do you think that will suffice? Can you share your comments?

Mr. Tamura : Regarding the quality part. To begin with, in FY2023, what we have been planning as an initiative to be implemented, that has overall been completed, and we did get on the trains and did the train running test or we went to the congested areas, like Shibuya, and we measured the result. We did implement the network improvement measures, we are seeing the positive effect of that.

But having said that, this fiscal year, if we were to construct a new base station, we have to have a negotiation with the land owner, and there are several base stations where we are having difficulty in the negotiations, but if we can resolve that, we will be able to complete the quality level that we have originally planned for. However, in like Shibuya, the cities are changing on a daily basis, and then those

areas, the network, or if the city changes, the traffic flow of the people will change, so of course we would like to promptly respond to that.

Mr. Tsuruo : Thank you very much. My second question is regarding Smart Life. Operating profit, this year you are going to increase by 30.6 billion. How much of these 30.6 billion yen do you expect to contribute to the profits of the company you acquired last year?

So moving forward, if you can comment, what is the image of the budget for M&A or the area that you believe is necessary to acquire? I would like to receive some clues from you.

Mr. Maeda : Well, this fiscal year, in the inorganic growth, well, last year we conducted an M&A, and the profit from that is about half. That's the image that I would like you to think of. And moving forward, of course we would like to thoroughly proceed in the M&A activities.

The finance area, when today we have been talking about the finance business area, we believe that we can pursue further growth in the finance area. And we are considering various options that we can take. And of course, and the other business areas, we would like to think about M&A as well.

Last fiscal year, the growing area was marketing solutions, so we have acquired INTAGE, inc. And we believe that there are still opportunities remaining in this area as well. And also, ARPU may have a positive impact too. So the entertainment areas is also an area we would like to consider as well. So we would like to consider it in the broad sense.

Mr. Ii : We're not thinking about having a budget about it that much, meaning that what will be the cap of the budget or how much we'll be using this fiscal year. We are imagining the business plan, and in order to secure that profit level of the business plan, how much can we invest is the way of thinking. And Mr. Shimada, the holding President and CEO, is saying that they would like us to proceed in M&A. And then for our own, too, we need to work on the M&A by working on the financing. And how much needs to be used or what is the maximum we can use, instead of thinking that in order to achieve the medium-term plan inorganically or organically, how much can we do and it also depends on how much possible deals are out there. So it's not that we were restricted by a budget. It's more finding the right deal.