

## NTT DOCOMO, INC.

### FY2024/2Q Results : Analyst Meeting Q&A

#### Opening

**MC :** Now I would like to start NTT DOCOMO's FY2024 Q2 financial results briefing session. I am Makaino from the IR office. I will be serving as the moderator today.

Today's briefing session is streamed live. Later on, we are planning to stream this on our website later. So we would seek your understanding beforehand.

As for today's materials, please refer to presentation materials posted on our company IR website.

First, I will introduce today's attendees. Mr. Maeda, NTT DOCOMO President and CEO, Representative Member of the Board; Mr. Kojima, NTT Communications, President and CEO, Representative Member of the Board; Mr. Saito NTT DOCOMO, Senior Executive Vice President, Representative Member of the Board; Mr. Kobayashi, NTT DOCOMO, Senior Executive Vice President, Representative Member of the Board; Mr. Sato, NTT DOCOMO, Senior Executive Vice President and Representative Member of the Board. Total of five will be attending today's session.

Next, I would like to explain the schedule for today. First, President and CEO, Maeda, will explain the outline of the financial results, followed by receiving questions from the floor. We plan to end this session at 5:35 PM Japan time.

Now we would like to explain the outline of the financial results. Mr. Maeda, please go ahead.

#### Presentation

[# : indicates slide number]

##### #1

**Mr. Maeda :** Thank you. My name is Maeda from NTT DOCOMO. I'd like to share with you the financial results for Q2 of FY2024.

##### #2

Let me start with the results highlights. Operating revenue increased JPY47.4 billion YoY and reached JPY2,993.8 billion. Operating profit went down by JPY27.4 billion YoY and went down to JPY553.3 billion. So, we recorded an increase in revenues and decrease in profit. But this is progressing in line with plan towards achievement of the full year guidance.

##### #3

Results for operating revenue by segment. So, Consumer recorded increase due to double-digit growth in Smart Life and increased by JPY48.1 billion. As for Enterprise, this is on par with the same period of the prior year despite the JPY24.6 billion negative impact from PSTN migration and one-time revenues.

##### #4

Now this shows you results by segment, operating profit. Smart Life profit increased significantly by more than 20%, but we recorded a decrease in both the Consumer and Enterprise.

**#5**

We talked about operating profit earlier. I mentioned that this increased JPY47.4 billion YoY, but the right graph shows the quarterly increase. In Q1 alone, we saw an increase of JPY19.1 billion and Q2 on a basis also recorded JPY28.3 billion increase in revenue. So, the size of the increase in revenue for Q2 is larger. We'd like to maintain this trend and hope for further increase in the revenue in Second half.

**#6**

Now what about the operating income? We saw it decline to JPY27.4 billion. However, on Q1 alone, negative JPY17.3 billion. Q2 alone was negative JPY10.1 billion, which means the Q2 decline is smaller. We'd like to maintain this positive trend and make a turn to increase in profit for the year.

**#7**

Let me now turn to increase in operating revenue. Smart Life was able to grow in Finance/payment and Marketing solution. So, if we exclude the special factors from FY2023 in, we see an increase of JPY88.8 billion in revenue. 3/4 of this increase is due to growth acquisition. With regard to Consumer Communication, we saw a rush of customers joining "irumo" earlier. As a result, we saw a decrease of JPY20.8 billion in revenue as a result of this. However, we were able to improve the channel enhancement measures to strengthen the customer base have been successful and we're able to improve the mobile number profitability. Also, the shift to "eximo" is increasing and the decline in ARPU is coming to a halt. In the second half of the fiscal year, we will further strengthen these initiatives and work to expand mobile number profitability plus and improve ARPU. As for Enterprise, we're now able to offset decline in PSTN migration and transient income to organic growth.

**#8**

Let me now show you some of the factors for operating profit. Smart Life saw increase as the operating revenue. If you exclude special factors, in essence, Smart Life would have increased JPY35.7 billion. 20% of the growth is due to growth in acquisition and the remaining 80% is due to organic growth. As for Consumer Communication, we saw a decline in mobile communication service revenue, and we also had to spend money to reinforce our market measures. So, we saw a decline of JPY47.2 billion in operating profit for Consumer Communication. For Enterprise, while there was organic growth, there's impact from PSTN migration. So, we saw a decline of JPY4.3 billion in operating profit. For second half, we'll continue to reinforce growth in Smart Life and also continue customer base for Consumer Communication, and we'll maintain the positive momentum to hold the decline in ARPU, and we'll make attempts to achieve the end of plan.

**#9**

Let me talk about Consumer.

**#10**

Starting with Smart Life.

**#11**

Smart Life has seen increase in all domains, inclusive of Finance/payment, Marketing solution and Entertainment. So, we saw an increase of JPY69.1 billion YoY in terms of operating revenue at Smart Life. As for Finance/payment, we saw growth through acquisition MONEX securities and ORIX Credit. we also saw increase in the "d CARD" subscriber base as well as increase in the card promotion usage. As for Marketing solutions, we saw growth through acquisition of Intage Holdings and Marketing DX revenue also expanded. As for Entertainment, "Lemino" and "d anime" and other video services are now very popular. Also, in first half, we held "Naoya Inoue

World Championship” in May and September, we also have made “Meiji Yasuda J.League World Challenge 2024 powered by docomo” with the increase through the implementation of these events, we’ve been able to see new revenue from Entertainment.

#### **#12**

Now let’s talk about Finance/payment which driving Smart Life. Finance/payment transactions and “d CARD” members are now expanding very smoothly as you can see. So, “d CARD GOLD” membership has exceeded 11 million as of end of October this year. With “d CARD PLATINUM”, it is expected that the annual membership fee income will be expanded, and the main card will be promoted by being able to use it at a great price, and the transaction volume will increase. In the second half of the year, we will also expand the number of “d CARD” members, aiming to increase revenue by more than 20% in the financial field for the year.

#### **#13**

Next, let me talk about the Marketing Solution. Revenue grew to 77.9 billion yen due to growth in existing businesses such as Marketing DX and the consolidation of INTAGE Holdings. As for expand Marketing DX, we see “DOCOMO Retail DX program” to the entire value chain of distribution and retail. And we also have been strengthening our solutions with the “docomo data clean room”, which allows us to combine various data held by DOCOMO and Intage with the data of our partner companies. And we’ve made efforts to further reinforce solutions as a result. So as a result, the number of stores that constantly link ID-POS data has increased by 170% year-on-year, and the number of stores has more than quadrupled year-on-year. We’re also offering a new platform called “ARUTANA” which is a platform for advertising for retail app members. And the number of applications that are now enabled is 33 and MAU has expanded to 32.5 million. So as a result of initiatives related to Marketing DX, we will be able to further expand Marketing Solution domain.

#### **#14**

Next, Consumer Communications.

#### **#15**

As for Consumer Communication, we saw an increase in both device unit price as well as the number of sales. So revenue from the balance of terminal equipment sales increased. However, as a result of introduction of “irumo” last year, many customers stretched to join “irumo”. So ARPU downward trend continues. So, in totality, we saw a decline of JPY20.8 billion overall. But through promotion migration to “eximo”, we believe the negative impact is now beginning to decline.

#### **#16**

Let me now talk about customer base and ARPU. Right now, the decline in population in Japan going forward, we want to make sure that we secure sufficient customer base so that we will be able to generate revenue in the future. We focus on expansion of market share, and that’s why we enhancement of sales promotion. So as a result, we see net increase of consumer’s handset getting better. In particular, mobile number profitability in October has exceeded our initial plan. In addition, the handset churn rate, which was already low compared to other carriers, improved from the first quarter and the second quarter is 0.6%.

#### **#17**

In particular, mobile number profitability performed well among young people, who will be the core of the future customer base and improved significantly in October compared to September. Now also, we’re increasing allocation of resources to shops. We’re also carrying out reinforcement of various events where customers come to commercial complexes. In addition, since we know that the churn rate of customers who use services such as “d CARD” in addition to

telecommunications is low, we have been working to strengthen proposals for various DOCOMO services at DOCOMO shops. So as a result of these efforts to reinforce customer base, we see good results. In the second half of the fiscal year, we intend to maintain this momentum and further strengthen and expand our initiatives to achieve even greater results than before.

#### **#18**

Next is ARPU. This Q2's ARPU was the same as in Q1 of 2024 at JPY3,910. It had been on a downward trend since the introduction of "irumo" in July 2023. However, we have managed to stop the decline. The migration rate from old rate plans such as "Gigaho" and "Gigalight" to "eximo" was able to achieve Q4 target of 60% ahead of the plan in Q2. As a result, the average unit price when migrating from old plans to "eximo", "ahamo" and "irumo" increased, and a positive result was achieved on average for all plans. In addition, the amount of data used by customers is increasing. Along with this, customers tend to move to the one with the larger data capacity in tiered pricing plans based on the amount of data used, such as "irumo" and "eximo", and even with the same rate plan, the single price is rising in YoY. We have confirmed several positive factors for future ARPU improvement.

#### **#19**

Next is Enterprise.

#### **#20**

In the Enterprise, there was a decrease in revenue due to one-off factors such as PSTN migration and the introduction of systems for the NTT Group. However, this was covered by organic growth by factors such as the expansion of integrated solutions. And revenue was in line as the previous year.

#### **#21**

In the business for large corporations, the solution business, including contact center solutions, SASE, managed and security, etc., is continuing to perform well as it did in the previous year. We are aiming to expand our business in the DX field and other areas by continuing to incorporate mobile and generative AI and other technological elements into each solution. In addition, in September, as an industry-wide initiative aimed at creating DX and GX and solving social and industrial issues, we launched a "Smart city digital implementation community" in collaboration with experts from the construction and real estate industries. We will contribute to the creation of smart building best practices and the social implementation of cutting-edge digital technologies and to the creation of green and sustainable cities.

#### **#22**

For SME companies, we are steadily increasing orders for packaged products that support resolving issues with high market needs in each business and industry. In particular, the "communication package", which utilizes the high market share of handsets in the corporate segment to help with smartphone as extensions and remote work. Also "Bizinesumahopakku" is performing well which is set solution such as smartphone security, mobile phone warranty and employee benefits. Here are contributing to increased profits and ARPU. In the future, we will continue to strengthen our packages that solve common business issues in industries such as transportation, manufacturing, construction as well as industries such as accounting and marketing in order to further solve customer issues and increase revenues.

#### **#23**

Next, I will talk about our Network initiatives, which are the foundation of all of our business activities.

#### **#24**

We are widely expanding sub-6 coverage, mainly in urban areas, and our own research shows that we have the highest sub-6 area coverage rate in the country. Until now, DOCOMO has been expanding sub-6 widely focusing on areas with high traffic volume. We will continue to expand sub-6 and also utilize 5G areas using 4G bands to create an even thicker network and provide a quality of experience that exceeds customer expectations. As one external indicator of our achievements, we aim to become number one in the Open signal.

#### **#25**

First, I would like to talk about our efforts to pursue greater breadth and thickness. We are expanding the sub-6 coverage nationwide. In particular, in densely populated urban areas, mainly in Tokyo and three prefectures, both the number of Sub6 base stations and the number of 5G base stations on the 4G frequency increased by 10% from April to September 2024. By the end of FY2024, the number of sub-6 base stations is planned to expand by 30% and the number of 5G base stations using 4G spectrum plan to expand by 40%.

#### **#26**

Secondly, I'll talk about our initiatives in major urban areas and railway lines, which are heavily used by customers as we pursue further thickness. We plan to increase the number of sub -6 base stations in the central areas of major cities such as Tokyo, Nagoya and Fukuoka by 30% between April and September of 2024 and to 90% by the end of FY2024. One example is that we have confirmed an average throughput increase of 10% at Shibuya station, 20% at Osaka Station and 40% at Nagoya Station between April and September of this year. The number of sub-6 base stations on major railway lines such as the Yamanote Line and the Osaka Loop Line has also increased by 20% between April and September of 2024 and is planned to increase further to 70% by the end of FY2024. Especially on the Yamanote Line, average has increased by 20% between April and September of this year.

#### **#27**

In addition, we are also focusing on event measures. From April to September this year, we have expanded event measures to 178 events, which is about double the number of events compared to the previous year, and we are providing an environment where customers can enjoy themselves comfortably.

#### **#28**

Lastly, I would like to talk about the new Brand Slogan for NTT DOCOMO Group.

#### **#29**

This is the Group vision that we announced at IR Day the other day, and it shows in more concrete terms how the DOCOMO Group wants to realize a certain kind of society in the future.

「Bridging worlds with technology and integrity to inspire value creation and fill the world with happiness.」 With this vision, the DOCOMO Group will work collectively as one to demonstrate its value and continue to grow.

#### **#30**

And here is the new brand slogan for the DOCOMO Group, 「Bridging Worlds for Wonder & Happiness」 When considering the new brand slogan, I was especially particular about the words bridge and wonder, which are the heart of our vision. When customers come into contact with the value provided by the DOCOMO Group, they experience innovation which is 「the pleasant surprise of encountering something new」, and this feeling becomes established, making the world a happier place. This is a slogan that unites the entire group in working to create such a future. With the slogan, we will work together with consumers, corporate

customers, communities and DOCOMO Group partners to create the value by bridging and make it the norm around the world.

**#31**

With this concludes the explanation of Q2 financial results for FY2024. Thank you very much.

## **Q&A**

**Mr. Masuno :** My name is Masuno from Nomura Securities. I want to ask about Enterprise and Consumer. Let me start with a question about the Enterprise. So, if you take a look at Q2 alone, operating profit has shown a decline, although the decline is quite slight. The PSTN impact is larger compared to the drop in Q1. That's the factor behind the decline in your operating profit. And going forward, as you move towards Q3 and Q4, and by the way, last year, I think you saw some decline in Q4 alone. In what way do you see the decline in PSTN revenue, and do you really think that corporations will start to increase their profits at some point? Also, when you take a look at the integrated solutions business, yes, there's growth in this sector. That is true. But I think if you exclude PSTN migration impact the communication and other are still on downward trend. So how do you see the timing in which the Enterprise can really begin to generate profit? I would appreciate your thoughts.

**Mr. Kojima :** Thank you for your question. Let me first address the full year outlook. Now the decline in PSTN, yes, that is a negative trend. As we head to Q4, we believe that the impact will no longer be there because we already saw impact in the previous Q4. At the same time, though, the temporary expenses pertain to systems, and that was constrained in first half. So that will not be the case in second half. As for improving profit, we scrutinized the various factors for each segment in each channel. We found that in the case of large-scale large companies, we are seeing increase in their business. The general market growth rate is 5%, but the large companies are showing even higher growth. In the case of SMEs, they have not yet reached our expectation. That is true. But we take a look at the past three months, we have really addressed these challenges. We're taking measures to counter these measures these issues. And we have seen uptick in the various indicators starting from September. So, we want to maintain this momentum for second half. And also, the DOCOMO and Communications are now integrated, we believe that as a result of this integration, we will be able to further improve profitability as a result.

**Mr. Masuno :** Okay. Let me ask about Q4. Yes, the impact will no longer be there for Q4, I agree. But then will there be impact for Q3?

**Mr. Kojima :** Yes, there will still be some impact in Q3.

**Mr. Masuno :** But will the impact be smaller than Q2?

**Mr. Kojima :** Yes, it will be smaller.

**Mr. Masuno :** Okay. Let me ask my second question. This relates to your Consumer. You're trying to reinforce your marketing and sales. So, you have increased you have topped up the giga plan as well. I understand the various measures you have taken. But at the same time, for example, in October, you increased the plan for "ahamo", but then your competition followed suit in November. So, I think in October very well. But then in November, I'm sure the competitive landscape would change. So, I think we'll see some response of the customers in response to the various new programs we launched. So, I think this up down season will continue going forward.

Is that the case, do you believe? At some time, do you believe that you'll be able to say they'll be able to hold the downward trend in the revenue? I suppose if you are the only player, you can realize linear improvement in linear fashion. But since there's competition, it's very difficult for you to project the timetable for the improvement in your performance. Can you talk about this, please?

**Mr. Maeda :** Yes. We increased the giga and other companies competition followed suit. In the case ahamo 30 GB really did produce results and be able to deter the port out of customers. Also increase port in as a result. And this also had a positive impact in the mobile number portability performance as well. Now as for November, the good momentum seems to continue. Of course, it's true that the competition may follow suit. They may react to our new performance. Also in the sales channel, they're carrying a discount in the equipment, they're also increasing personnel allocation as well. I think our efforts has really helped to increase market share. We really are confident about the results of these efforts. And of course, this will be a time-consuming process, we understand. But as we have mentioned, by inviting customers to use a lot of different services, customers will be stickier, if you will. For example, the "d CARD GOLD" and Hikari service etc. are able to reduce the churn rate down to 0.2%. So, reducing churn rate will be very positive for us. So, I think overall, our performance can expand and improve as a result of all these measures.

**Mr. Masuno :** The "UQ Mobile" starting from next week, will probably top off their plan. So, I think you see action on the competitive landscape towards second half. So, at the outset, you mentioned about the holding company. And of course, NTT Holding Company said that despite the competition following, they will continue until equipment can be reached. What about your thoughts?

**Mr. Maeda :** Yes, it can be difficult. It's very challenging at times is true. But then if we do nothing, then our customers will simply be lost, and we will see a decline in the customer base. As Mr. Shimada mentioned earlier, it's important that we improve business opportunity through the service delivery. But if a customer base is eroding, it's very difficult to introduce new services and revenue will continue to be on downward trend. So, we need to really invest cost so we're able to stop the downward trend. So, we want to increase our customer base through these efforts.

**Mr. Kikuchi :** Thank you very much for today. Before to Mr. Shimada and Mr. Hiroi, well, I spoke to them and they said that you have to secure the profit and you cannot decline capex that much, but the acquisition expense is increasing. And ARPU seems that it may have settled down a bit. However, I want to talk to the IR people later. However, The "Poikatsu" effect is also quite supportive, and the price of a 3,000 yen increase is probably the reason why "eximo" is supported. The average price of "Poikatsu" is 3,000 yen, which is enough to increase the maximum. But the actual communications revenue and for your profit, something that has a negative impact is supporting that. You are experiencing continued decline of the communications revenue. So, within the situation, maintaining the profit level, I think it's quite of a tall order for you. But you, Mr. Maeda and Mr. Shimada, Mr. Hiroi, are all three of you aligned or have the same way of thinking? Or internally, do you think that it's difficult? Are you giving it up inside yourselves? Just calculation-wise, no matter how we calculate it, we think that it's difficult. So maybe you're thinking that way. But what's Mr. Hiroi and Mr. Shimada are saying, because you're listening to it, you're saying this, but is such operation actually feasible and possible is my first question.

**Mr. Maeda :** First of all, we are not revising the plan at all. And as I have mentioned before, we are seeing a good flow. For example, Smart Life is increasing quite a bit. And also, regarding Enterprise, there is the PSTN impact. However, towards the larger Enterprises, we are

performing steadily. And the asset part, we may be able to utilize that side as well, and we have a positive effect. And in terms of improving efficiency, last fiscal year, Smart Life, in a way, in order to solidify the profit, we have improved the efficiency quite a bit, and we were able to achieve that. We have done between JPY30 billion and JPY40 billion. And as an organization, the Smart Life and Sales Headquarters is now combined. So, we would like to broaden the range of improving efficiency, and we're working on it. And by implementing various initiatives, we have not given up of achieving the targets, as we speak. So of course, I may be saying similar things to what Mr. Shimada said. However, this fiscal year we need to solidify the foundation that will support our future growth. So, in that way, we need to see our efforts through to firmly solidifying our customer base and further improving our network.

**Mr. Kikuchi :** Thank you. And the second question is related to the fair competition working group meeting that was held the other day, the reorganization was subjected to the scope of screening. In 2022, two years ago, the DOCOMO and Communications and Comware integration, well, you already did that, and you can't really undo that. However, moving forward, you -- well, you have DOCOMO and the Communications, you hold 100%, but it's a different company and working together or shuffling out businesses in and out businesses, when you do that, it may actually be subjected to these regulations is how we can think of. Well, the function reorganization has settled. The Consumer and Enterprise, it's nicely sorted out. But in the regular diet session regarding the fair competition council result, maybe it will be made into regulations as well, this is allowed, or this is not allowed. If that happens, within the same entity or within the same -- being in the same DOCOMO Group, it seems that there's no reason for it or benefit of that if such regulation is going to be imposed. So, looking at the report of that working group, your company, DOCOMO, Communications and Comware, the business operation of these entities, is that going to be impacted as a result? Or do you think that there's no impact?

**Mr. Maeda :** Regarding that point, our understanding is that there's no impact. We are now in a group. However, it's not that regulation will be imposed on the Group to begin with. So, we believe that in the future, such thing will not occur either. It's been about three years since the Communications and Comware and us became together as a group. After three years, still, there's more room to generate more synergy amongst us. However, due to the regulation from the outside, there's no such cases that is difficult for us to conduct activities. We believe in the future; such thing will not happen as well.

**Mr. Tokunaga :** I have two questions. The first question relates to the profit in first half. You've tried to reinforce customer acquisition. So, at first glance, as Mr. Masuno mentioned, it seems as though the operating profit is lower as a result of these efforts. We disaggregate this, can you talk about which business segment did well? What business segment didn't that well? So, can you give us some more details on the progress of operating income in the first half?

**Mr. Kobayashi :** Myself, Kobayashi would like to respond. The progress, operating profit actually exceeded our internal plan for the first half. The major factors are due to the increase in profit at Smart Life. We already provided the annual plan, and I think that the progress of the Smart Life looks much better when you look at it. As for Consumer Communication, we want to make sure that we do not lose any more users. We want to increase the number of users. But please do not misunderstand. We're not talking about spending more money than our competitors to acquire users because it may be less efficient. That's not the case. So, we want to make sure that we're able to match the handsets with our competition. As is concerned, we want to make sure that we are competitive. We will match the competition as far as the pricing is



concerned. So, we don't needlessly reduce our profits in order to acquire customers. That's not the case. We want to go after the young customers. These are the customers who use a lot of different services and can expect a return. So, I believe that market is not on par with the competition. So, I guess our reinforce measures had a good outcome with the acquisition of customers. In October, we did well in MNP, and the momentum continues in the month of November as well. So it is that we sustain this positive trend going forward. We're not going to sacrifice profit, so it's just for the sake of gaining customers sake. But having said that, how are we going to address the Consumer Communication because of the downward trend? As far as ARPU is concerned, actually, the impact of "Poikatsu" was very little in Q2. So that being the case, as Mr. Shimada mentioned, people who migrate from old plan to new plan, we take a look at the transition in Q2, we find that ARPU has improved and when customers move to a different plan, they're not so. And "Poikatsu" will help to encourage more customers to join the higher plan. So, I think we need to focus on this in second half. As for first half, it is true. The ARPU did come down. And what about the commission? What can we do when it comes to second half as far as the Consumer side of the business is concerned? We're changing the way in which we pay commissions. So, we have to make sure that we're increasing our marketing expense reinforcement, but we're also focused on cost efficiency improvement as well. As Mr. Maeda mentioned, we want to make sure that we tackle cost efficiency at the same time. This has to be pursued at the same time. So, we want to reduce the downward trend in mobile communication revenue as much as possible. As for Enterprise, yes, once we see an uptick, I think Enterprise can be a driver for growth in the future. So, we're hoping that the Enterprise will be leading the way in the growth of Smart Life. So that then we will be back on growth track. So that's what we want to focus on.

**Mr. Tokunaga :** Thank you. If I could ask a follow-up question. On page eight, you talked about the tiered plan, tiered in the Consumer Communication. If you compare Q1 to Q2, it's important that handset reinforcement has shown JPY12 billion improvement in Q1 alone. That was the trend in Q2 as well. So, if that is the case, if the improvement in handset sales were to continue, will this have a positive impact on second half? And also, what about the impact on the next fiscal year? Can you talk about that point as well?

**Mr. Kobayashi :** With regard to marketing enforcement, I think since we have -- we will not be relaxed because of the need to compete in second half. Now as for first half, handset sales did enjoy as a result, enjoy growth because of the growth in the marketing measures. That had an impact. So that impact is there. Can this momentum be maintained into Q3? Maybe improvement in hand sales may not improve that much in the quarter. But smartphones also are increasing in shop floors. So that being the case, I do not think that this area will show a decline. We will continue to improve efficiency improvement. Now for second half, the handsets will be much larger than first half. As for the distributor commission, we have to revisit this. But again, we want to naturally as the CFO, we want to decrease the commission, but then we don't want to erode the momentum. So, we need to design in a good way so that we'll be able to maintain increase decrease in cost.

**Mr. Tokunaga :** Next question is about the KPI. In the case of net adds for personal, net adds for personal equipment sales has been improving on a QtoQ basis. But then in the data sheet, when we take a look at the data sheet, we see overall net decrease trend. So, going forward, the handset, should we follow the handset subscription numbers? And also, we want to follow MNP, there's an uptick in MNP, there's improvement in individual sales. Is that the number we should follow? So, can you talk about the KPIs so that we can follow the improvement in your sales?

**Mr. Kobayashi :** There are a lot of requests from your side. And from Mr. Maeda, we wanted to explain handset sales in more detail in these meetings. Now we also see KPIs such as MNP and

market share. It's important that these shares do not decline because there's going to be a population decline. So, handset sales cannot increase exponentially in NP. We can expect that because of the population trend. So, we need to make sure the handset sales are in the positive territory, but we're focused on MNP in the first phase. And also, we see the population trend. And also, the user mix is very important as well. We need to focus on the middle age as the younger age bracket. These are the age brackets. They use a lot of services. Once they use services, this will increase our revenue. Also, the churn rate will decline because they use a lot of services. So, these age brackets are the key. So, these are the important KPI. We're not able to show details of all these KPIs, but these are the numbers that we follow.

**Mr. Tokunaga :** Thank you.

**Mr. Tsusaka :** My name is Tsusaka from Morgan Stanley. How you're going to complete moving forward is what I'd like to know. If the other company, if it's SoftBank, in order to increase the subscriptions, they are strongly pushing out "Y! Mobile". And as a result, number of subs on an annual basis increased by about 2%. They have come out with that result. So, there's a company like that. And in your company's case, in order to protect your market share, you are reducing the prices. So, it's difficult to see where you're heading towards. You're told or instructed to absolutely protect your share. But "ahamo" churn rate is quite high, so lower the price, and so you lower the price. So, from the overall industry perspective, it seems that DOCOMO is actually stirring up the market is the opinion held by the industry. So, we don't know what you want to do. It seems that your strategy is always falling behind and don't have the measures, that many measures. It's not clear what you want to do. What would you like to do is what I want to know.

**Mr. Maeda :** Instead of protecting the share, it's more of increasing the number of customers. As a result of that, the share will increase. However, you mentioned about reducing prices. But "ahamo", since its launch, we've been providing that service for a while. So, year after year, considering the increase of traffic of the customer side, we were at the timing of renewing the plan, and we're not able to thoroughly respond to that needs. That is why we're seeing an outflow of the customers, and we want to stop that. In addition to increasing the customers, there is a finance, as I have mentioned. In fact, the telecommunications business customer base, at the same time, we place importance on the finance business customer base as well. So, by increasing that, we would like to increase the businesses opportunities and services. Also maintaining the share, increasing the number of customers and let's sell various things.

**Mr. Tsusaka :** So, you have availability of a variety of services. However, each one of them within the industry, you have many second-tier or third-tier services. So many consumers will select the top-tier services. I'm just wondering if your services will be chosen by the consumers. For example, KDDI, it's not that they have a top-tier service. So, each carrier has their own portfolio. However, in your company's case, the non-telecommunications services within the industry, can you make that a top-tier service? And also, what is your feeling of doing such a thing?

**Mr. Maeda :** Well, what we're working on right now, it's not top tier. However, what we're doing well the most is the payment service. And in order to increase that, the telecommunication in order to have the impact of that, we have the shared points. And at this point, Rakuten is a giant player. So, catching up with them requires a lot of work. However, for example, "PayPay" that SoftBank is doing for the barcode payment, we're a bit behind. But for the credit card payment, we're in line with them. So overall, increasing the customer base and by concentrating there, the customer number will increase, and the customers will use the service to other related service. So, by moving this closer to the top-tier service, they think the payment service becomes as

important. So as the President and CEO, you have about four years of period that you will be serving, and the investors have the shares of NTT. And it all boils down to profit that they're aiming for. So, regarding the profit, you have this fiscal year's planned numbers and whether that is going to be achieved or not, we won't know until you do it.

**Mr. Tsusaka :** But while you are at the position of President and CEO, how much do you want to increase the profit? And to the shareholders of NTT, the Company NTT DOCOMO, can they contribute to the increase of profit? If you have any thoughts regarding this, I would like to know.

**Mr. Maeda :** How long I will last, that will depend on when I can be at this position. But to begin with, what we have showed you is in the medium term, we'd like to increase the profit by more than JPY100 billion. So, I would like to achieve that between JPY100 billion to JPY200 billion implementing various initiatives. We have to do that or else as you have mentioned, top tier or second tier, we will not be able to leave a certain impact of what we're doing. So, we need to be ambitious. We would like to conduct the measures in an ambitious way.

**Mr. Tsuruo :** My first question is a very general question, but please bear with me. On page six, the drop in operating profit has become smaller. But when do you see the uptick as you move toward Q3 and onwards, how do you see the trend of the operating profit going forward? Do you put the Consumer, are you going to have to spend additional money? Can you share with us your projection for the operating profit trend going forward? That's my first question.

**Mr. Kobayashi :** The biggest factor is in relation to the ARPU, Consumer in first half. Yes, there was a very significant drop in profit. How do we see that? Situation. First of all, in the quarter, it's important that we reach the ARPU level comparable with the previous year. Of course, the impact of "Poikatsu" has to be included in Q4. We want to make sure that we exceed the previous period. So, in first half, revenue declined by JPY35 billion, but we want to have the decline in operating profit for the Consumer in second half. And of course, with regard to competition, it's important that we compete very hard in the shop floor. But also, we need to work on the cost efficiency. We are not consolidating the centers. So that effect has to be implemented. We need to envision various cost efficiency improvement measures as well. And also, we see improvement in fiber service as well. So inclusive of that, it's important that we continue to make efforts to improve Consumer in Q3 and Q4. The momentum from first half cannot be maintained in second half, but that's what we want to achieve as well. In the case of Enterprise, as was mentioned by Mr. Kojima earlier, PSTN migration, that impact will evaporate in Q4. So, I think the Enterprise will do probably better in Q4 compared to Q3. This is a very rough response from my side.

**Mr. Tsuruo :** Are you talking about ARPU revenue?

**Mr. Kobayashi :** No, I was talking about ARPU, of course, revenue is probably commensurate with that, we're focused on ARPU. There's still decline. But in the recent we see ARPU becoming flat. Hopefully, that trend can be maintained. That's my outlook.

**Mr. Tsuruo :** My second question relates to the communication quality, efforts to improve the network quality and also the financial impact as a result of those efforts. I think you're very rapidly moving to improve the network quality. I understand those efforts. But at the same time, though, Capex, it doesn't seem that Capex has been increasing YoY despite those efforts. And also, improvement in network quality. It's a new phenomenon, I believe. So, will that have an impact on your Capex? Will that lead to increase in expenses? So, can you talk about your thoughts, if you will?

**Mr. Kobayashi :** With regard to network, yes, we have been reinforcing network quality. But as you pointed out, as far as Capex is concerned, we're not seeing significant growth in Capex. For example, we're simply shifting the LTE investment to network quality improvement. Now as far as the process to improve network quality is concerned, yes, the expenses are rising. But overall, the impact is quite negligible. Now as for the other part, yes, we need to replace equipment. That will happen. So, I think retirement, I think retirement-related expenses will come into the picture. But again, for this fiscal year, on a short-term basis, the cost will be higher than our competition in terms of the replacement.

**Mr. Tsuruo :** Going to newspaper, I understand that you're carrying JPY100 billion investment over a two-year period. How should we understand that article? Is that true? Or do you believe you'll be able to address the situation with the increase in your Capex?

**Mr. Sato :** Yes, you saw the newspaper report. I understand the newspaper report indicated that JPY100 billion will be spent over a two-year period. But I can assure you this is not something that we announced from our side. So, with regard to procurement of base stations, we're increasing percentage of overseas vendors. So that's where the JPY100 billion number came from. But again, this is not by our company. Regardless of domestic or global, we want to procure equipment that are in the cost. The policy has not changed. We will produce -- rather procure for vendors that offer the best quality at the lowest price. But again, that cost will not be in the range of JPY100 billion, although I cannot give you concrete numbers.

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