NTT DOCOMO, INC.
FY2025/3Q Results

◆Analyst Briefing _ Presentation
※Q&A only.

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Mr. Maeda：I am Maeda of NTT DOCOMO. As explained in NTT's financial results announcement earlier, DOCOMO's results showed an increase in operating revenue and a decrease in operating profit. We are in a difficult situation on the operating profit. However, this is because we are implementing measures that should be taken now and investing the necessary costs for future growth. Today, before going into the details of the 3Q financial results, I would like to first explain our thinking initiatives and results.

#1
For DOCOMO's medium-term growth, we believe it is essential to strengthen our customer base, which is the foundation for that growth. Therefore, we have positioned fiscal 2025 as a year of transformation for growth, and as two pillars of strengthening our customer base, we have focused on strengthening sales promotions and strengthening our network. These efforts will be painful in the short term, but over the past 2 years, we have been steadily achieving results, and we feel a positive response.

#2
Specifically, I will first explain our efforts to strengthen sales promotions. In addition to improving the attractiveness of “docomo MAX”, we are shifting to a highly engaged customer base by promoting cross-use with Smart Life Services. In addition, we have been working to strengthen our sales capabilities across channels, including events at retail facilities and online sales, as well as handset discounts. As a result, our sales capabilities have been steadily improving. As a result of these efforts, we are seeing steady results. MNP has increased for 4 consecutive months, “docomo MAX” is certain to achieve its annual target of 3 million subscriptions, and ARPU has increased steadily year on year.

#3
Next, I will explain network resilience. We have been accelerating the construction of base stations and the replacement of new equipment with new ones. As a result, download throughput is steadily improving in the center of major cities where the area is expanding where users can communicate comfortably. In the second half of this fiscal year, we are making steady progress according to plan toward building approximately three times as many base stations as in the first half. Through these efforts, by the end of

fiscal year 2025, the number of locations where you can enjoy more comfortable service will increase further, and we will continue this momentum into fiscal year 2026.

#4

As I have explained, based on the strong customer base that we have built by strengthening sales promotions and strengthening our network, we will expand the Smart Life Business and the Enterprise Business, which are growth areas, in order to achieve a shift to an increasing profit trend and medium-term growth. In addition, through our efforts to strengthen sales promotions, we are not only reinforcing our current customer base. Also improved our sales capabilities across channels, which will lead to improvements in sales efficiency going forward. With regard to our network, we are proceeding with both accelerating strengthening and structural reforms, and we expect the effects of cost efficiency improvements from fiscal 27 onward. On the other hand, although we have been working to raise the costs necessary to realize such a structural transformation with a view to medium- to long-term growth through various means, including cost efficiency improvements and the use of assets, we have determined that it is difficult to absorb all of them within our planned profit for this fiscal year. As a result, we have decided to revise our earnings forecast. I will explain the specific details of the revised earnings forecast at the end of this section.

#5

Now, I would like to explain the financial results.

#6

Operating revenue increased 92.4 billion yen from the previous year to 4,659.7 billion yen. On the other hand, operating Operation profit decreased 88.5 billion yen from the previous year to 745.4 billion yen.

#7

Next, operating revenue by segment. Operating revenue in the growth areas of the Smart Life Business and Enterprise Business increased significantly. On the other hand, Consumer Communications Business decreased.

#8

Next is operating profit by segment. The Smart Life Business and the Enterprise Businesses, both of which are growth areas, increased. On the other hand, Consumer Communications Business saw a significant decrease.

#9

Next, I will explain the main factors for the increase and decrease in operating revenue. First, regarding the Smart Life business, in addition to the continued expansion of transaction volumes in finance and payments, and the ongoing increase in contracts for “docomo Denki” from the third quarter, SBI Sumishin Net Bank, Ltd. was incorporated as a consolidated subsidiary. As a result, operation revenue increased by 107.4 billion yen. While, mobile communication service revenue continued to decline, but the amount of decline was steadily narrowing due to improvements in ARPU. On the other hand, equipment revenue decreased significantly due to an increase in new subscriptions to the handset purchase program and the return of handsets sold in the past due to initiatives to strengthen the customer base. This includes the impact of a review of reserves. In addition, sales of real estate assets contributed to an increase in revenue. However, overall Consumer Communications Business revenue decreased by 84.6 billion yen. Lastly, in the Enterprise Business, both for large companies and small to medium-sized enterprises, business expansion centered on solutions is progressing, and revenue continues to increase.

#10

Next, I would like to explain the main factors behind changes in operating profit. First, regarding the Smart Life business, in addition to sustainable growth centered on the financial business and profit improvement through cost efficiency, the consolidation of SBI Sumishin Net Bank, Ltd. led to a 33.5 billion yen increase in profit, excluding special factors such as upfront expenses for venue business. Next is Consumer Communications Business. In addition to the impact of the handset purchase program, I mentioned earlier, the increase in sales promotion costs due to intensified and prolonged competition in the MNP market, as well as the increase in costs associated with network reinforcement, resulting in a 128.6 billion yen decrease in operating profit. Lastly, as for the Enterprise Business, in addition to the increase in operating profit due to increased revenue, we also made progress in our cost efficiency initiatives, resulting in a 21.2 billion yen increase in profit.

#11

From now on, I will explain the initiatives of each business, starting from the Consumer Business.

#12

The operating revenue of Consumer Communications Business is as I explained earlier. The decline in mobile communication service revenue has been steadily narrowing each quarter.

#13

Next, I will explain our customer base. Since the second half of last fiscal year, we have been working to strengthen our customer base and respond to the intense and prolonged MNP competition. As a result, the number of port-ins has increased significantly. As a result, MNP in the third quarter remained positive for four consecutive months until January. Looking at the breakdown of port-ins, large and medium capacity plans are growing in particular. On the other hand, the churn rate has remained low compared to other companies. However, it has worsened year-on-year due to the impact of MNP competition. From now on, it will be stronger than I will explain later. We will aim to further reduce the churn rate through initiatives to evolve into a solid customer base.

#14

Next is ARPU. Large-capacity plans steadily expanded due to increased acquisition of “docomo MAX” and other factors, and ARPU grew by 50 yen from the previous fiscal year to 3,990 yen. Even excluding the increase in revenue from “poikatsu,” the year-on-year decline in ARPU was smaller. Excluding special factors, we expect growth within the fiscal year. Migration customers who old plan to new plan has been a significant increase in the average amount of money. We will continue to expand the number of customers who switch to and join “docomo MAX” and aim to achieve our annual plan.

#15

“docomo MAX” has exceeded 2.5 million subscriptions, and the conversion rate from the previous Plan has increased to 60%. The goal of 3 million contracts per year is expected to be reliably achievable and is steadily expanding. On February 25, “docomo MAX” will evolve into a plan that include contents such as music, drama, and anime, responding to a wider range of needs. In addition to “DAZN”, “NBA”, which are exiting docomo's monthly selection benefits, the new “Lemino” and “d anime store” will be added, allowing customers to select two of the four services each month at no additional cost. Prior to this launch, “Lemino” has already begun exclusive streaming of “BTS” live videos and “d anime store” has already started offering exclusive distribution content by DOCOMO and “ABEMA”. In addition, regarding “special experience value”, we are also offering some of them ahead of others and will further enhance their attractiveness.

#16

Next, I will explain our efforts to evolve into a strong customer base. DOCOMO shall provide “d POINT”. It has been 10 years since the launch of “d POINT”. To date, we have provided various “good deal” through the expansion of “d POINT” member stores, integration with “d CARD” and “d-Barai” and the “poikatsu” Plan. This time, in order for even more customers to feel the unique benefits of DOCOMO in their daily lives and to build a highly engaged customer base, we will offer the “d Value Pass” starting from March 1. With “d Value Pass”, customers can use coupons at three major convenience stores. In addition, by linking your Amazon account with your “d ACCOUNT” and subscribing to “Amazon Prime”, you can receive various benefits, such as d points up to 5 times on the 5th of every month, unlimited use of “CHARGE SPOT”, and point bonuses when using “d-Barai”.

#17

In the Smart Life Business, revenues for all 3 businesses categories which are Finance, Marketing Solutions and Entertainment increased.

#18

First, financial operating revenue was 417.7 billion yen, increasing 25% year-on-year, due in part to the consolidation of SBI Sumishin Net Bank, Ltd. In the Credit Card, “d CARD PLATINUM” recorded 1 million contracts. In addition, the number of “poikatsu” subscribers has been steadily increasing, and the finance/payment transactions have remained strong. In the banking, the deposit balance at SBI Sumishin Net Bank, Ltd. has been steadily increasing. From now on, this banking business will serve as a hub, and we will seamlessly connect financial services such as settlement, investment, lending, and insurance with telecommunications services. We aim to create a future where there are no boundaries between people's lives and finance.

#19

Next is the Marketing Solutions. Operating revenue from this business as a whole have increased. Initiatives that combine the strengths of “INTAGE HOLDINGS Inc.” and DOCOMO are growing steadily. As a result, synergy operating revenue expanded approximately four times year-on-year.

#20

Next is the entertainment. The entertainment business as a whole saw an increase in operating revenue. The content distribution such as “Lemino” and “d anime store”, IP production, and venue business saw a 12% increase from the previous year. For “Lemino” and “d anime store”, we are continuing to expand content. In the venue business, “IG Arena”, which opened in July last year, achieved early profitability in the third quarter. In February, we will also take on the challenge of providing a new live experience utilizing “IOWN” technology.

#21

Next is the Enterprise Business.

#22

Operating revenue in the Enterprise Business was driven by the expansion of integration and platforms, which are growth areas. Operating revenue increased by 86.4 billion yen from the previous year. For large enterprises, operating revenue has been steadily growing due to the expansion of DX and security-business in the public, manufacturing, and distribution industries. In addition, there has been an increase in contact center projects in the CX area. The business for SMEs continues to grow, led by projects for regional banks and credit union as well as “DOCOMO Business Package”. Going forward, we will continue to provide in-depth solutions for our customers' business domains while responding to firm ICT needs. We will further expand this business.

#23

The CX business for large enterprises, which I mentioned earlier, grew 15% from the previous year. Contact Centers in the CX Business, the backdrop of labor shortages and the increasing complexity of business operations, there is a growing need for the use of AI. NTT DOCOMO BUSINESS provides contact center solutions that incorporate AI to improve the quality of customer service. By shortening the response time and improving the efficiency of after-call work, it contributes to cost savings for companies that have introduced it.

#24

As I mentioned earlier, AI-powered solutions will continue to expand into various fields and drive the growth of Enterprise businesses. In this context, we are strengthening our efforts in the field of physical AI, which is attracting attention globally. In December, NTT DOCOMO BUSINESS launched “docomo business SIGN”. It is a new IoT platform that connects such as social robots, industrial robots. And connects various things and comes with security features as standard. Also We have started strategic collaborations with Kawasaki Heavy Industries, Ltd. and Mujin, Inc.. Through this collaboration, we will build an environment where various robots can be deployed on the “AI-Centric ICT platform”. Through this, we will work to create new values, such as solving labor shortages and improving productivity.

#25

Next is the Network.

#26

As mentioned at the beginning, we are further accelerating network enhancements centered on the construction of 5G base stations to improve customer-perceived quality. The large-scale base station construction that has been progressing so far is expected to be completed sequentially from the second half of this fiscal year, enabling approximately three times the number of base stations compared to the first half of FY2025. Furthermore, we expect to maintain the same high construction pace throughout the year in FY2026 as in the second half of this fiscal year.

#27

In addition, the perceived quality is steadily improving. In the central areas of major cities nationwide, download throughput of over 100 Mbps is being achieved even during peak times in 90% of the areas. Furthermore, from February 2026 onward, large-scale 5G deployment will be promoted on Tokyo Metro lines. By around April, 5G will be introduced in more than 60% of underground stations, and by expanding equipment capacity by 1.5 times, a more comfortable and smoother communication environment will be realized even in underground spaces. Going forward, we will continue constructing 5G base stations at a high pace and make every effort to further improve the perceived quality for our customers.

#28

Finally, I would like to explain the revision of the forecast for FY 2025.

#29

As shown here, operating profit is revised downward by 83.0 billion yen from the 966.0 billion yen announced in May last year. It is now 883.0 billion yen.

#30

I would like to explain the main reasons for the revision of the forecast. First, it is due to the intensification and prolongation of MNP competition. Higher than expected competitive environment continues, sales promotion enhancement expenses are expected to increase by more than 113 billion yen from the initial forecast. Next, I would like to talk about the handset purchase program. As we are working to strengthen our customer base, the number of subscribers and exercisers of the program is increasing. In light of this situation, we forecast a profit decline of 30 billion yen due to factors such as a revision of the estimated refund amount incurred at the time of exercise. On the other hand, in response to these factors, SBI Sumishin Net Bank, Ltd. consolidated impact of 10 billion yen and an improvement of 50 billion yen from asset sales and other factors are factored in. However, we judged that it would be difficult to cover all of this, so we revised our operating income forecast to 883.0 billion yen. we are positioning this fiscal year as a "year of change" for shifting to an increasing profit trend and achieving medium-term growth. Going forward, by increasing the number of customers who will continue to use DOCOMO services for a longer period of time, we will further reduce the churn rate and improve the efficiency of sales promotion expenses, thereby ensuring growth in fiscal 26 and 27.

#31

This concludes my explanation of the financial results for the third quarter of fiscal 2025. Thank you for your attention.

◆Analyst Briefing _Q&A

Mr. Kikuchi of SMBC Nikko Securities：The first question is about your outlook for the next fiscal year. I think the plan will be made from now on, but I think there will be some factors to increase or decrease, so please let me confirm. First of all, I was not sure whether you will increase or decrease the sales promotion expenses other than the “Itsudemo Kaedoki Program”. For other companies, the impact of the “Itsudemo Kaedoki Program” peaks at some quarter. When will it peak at your company? Please tell me if the impact of the program will continue next fiscal year. Regarding network cost, please allow me to clarify if my understanding is correct that capital investment will peak this year, but PL impact will peak next year and decrease the following year? Is asset sales 1 item? Or are other items included? Also, will profit increase next year even without asset sales?

Mr. Kobayashi：Thank you for your question. First of all, I am very sorry to our investors for the downward revision. We do not fix a business plan for next year, but I would like to talk about our current thinking carefully. I would like to talk about it in depth, including the parts that were revised downward. First of all, the injection of sales promotion expenses is the biggest part of this downward revision. In the second quarter financial results announcement, as I mentioned that sales promotion expenses have increased significantly, the MNP market competition volume has increased by about 20% compared to the previous year, and it has become more intense. We are tackling this competition while looking at other companies, such as in-store prices. It is not that we are doing something ahead of ourselves, but unfortunately, I think that the entire market environment is very intensive. In this environment, the new customers who join the “Itsudemo Kaedoki Program” also increase in proportion to the increase in total sales. In addition, port-outs are also increasing by about 20%, the same as in the MNP market, so we are reflecting all of these factors. As for the customers who are subscribing, as shown in the financial results presentation, ARPU has started to turn around very firmly. I think this is very important. Mr. Kikuchi has been saying that we are continuing to attract unfavorable users, such as 0.5GB of “irumo”. There was a question about expanding MNP sales in this situation, but I would like to say two things. First, we discontinued “irumo” and created “docomo mini”. As for whether there is an overwhelming flow to “docomo mini”, the acquisition rate of “docomo MAX” is higher in new markets than “eximo”, which is previous large amount plan. In addition, for the question if “irumo” members are flowing to “docomo mini”, I would like to let you know that there is a significant increase in the number of subscriptions of “ahamo,” mid-capacity and mid-price range. In other words, “docomo MAX” is designed to be stickier than “eximo”, and which can attract more customers. Therefore, we judged that it would be better to continue to inject promotional expenses into MNP. In the materials this time, there is less improvement in revenue and expenditure due to asset sales and other factors compared to the increase in promotional expenses, but we have seen some LTV contributions for our enterprise value in the medium term even if promotional expenses are injected, so we have made a downward revision this time. We have not yet decided whether we will increase or decrease promotional expenses next year, but if the current competitive environment continues, we would like to use promotional expenses steadily in the same way. To put forward various positive and negative factors, we strengthened promotional expenses especially in the second half of fiscal 24, but when we opened the lid in fiscal 25, the market was even more intense. If this situation continues in fiscal 26 and the MNP market expands, we will see an increase in promotional expenses. At the same time, in terms of properly communicating our values to customers, we are catching up with other companies in terms of the sales capabilities of our staff, the number of staff, and the number of supervisors at mass retail stores other than “docomo Shops”. I think we will be able to create a system completely similar to other companies in fiscal 26. On the other hand, although we are behind other companies in terms of the number of shops that we have in commercial complexes, we are catching up with them, and we have established a system to conduct on-site sales at venues where we do not have any. Therefore, if there are places where we are spending a little too much on promotion expenses or lowering prices as a result of steadily improving our sales power in this area, I think we can partially review those places. If this becomes possible, I think that sales promotion expenses will decrease. Therefore, I think that we will have to spend sales promotion expenses basically in the same way as this fiscal year. On the other hand, of course, the “Itsudemo Kaedoki Program” is linked to the number of sales, but we made various adjustments including reserves. This is taking into account the current situation. However, for outstanding customers, the use of the program will peak around next year as a whole, and among them, the peak for those who joined this fiscal year will come sequentially next year and the year after that, so I think there will be a certain amount of reserves again. It does not mean that reserves will be made in one time this fiscal year and become lighter next year, but on the other hand, we are looking at the level of reserves for this fiscal year to some extent, so I do not think that reserves will significantly increase again next year in the same way as this year. I think that there is a slight tendency to increase, but I do not think that we have to revise it downward. As for the balance of payments for this fiscal year, we expected that the “Itsudemo Kaedoki Program” would worsen by about 20 billion yen, but it worsened by about 30 billion yen more, so we are reviewing it this time. This time, we are looking at the next fiscal year with a firm expectation of trends. We do not expect the revenue and expenditure for the next fiscal year to deteriorate significantly, including sales promotion expenses and the “Itsudemo Kaedoki Program”. We originally stated that the number of base stations for the network would exceed that of other companies in the 2 years of fiscal 25 and 26. Since we have about 1.3 times the number of users of other companies, if that amount of investment is necessary, we will increase our investment in fiscal 25 and 26 by about 50 billion yen per 1 year compared to other companies we benchmark. That's 100 billion yen for 2 years. Amortization expenses naturally have a long amortization period, so I don't think it will significantly change the network cost. On the other hand, we are replacing equipment with poor performance that was launched in the early days of the introduction of 5G, so there is a retirement cost. I think this retirement is also on the scale of 50 billion yen in fiscal 25 and 26, respectively. It will come and go a little depending on the process, so please imagine that it is on the scale of 50 billion yen. We are no longer replacing the network, and we have started to procure new equipment and globally competitive equipment at globally competitive costs, so we are quite competitive. I believe that the timing will be around fiscal 27 when only those things will be put in place and nothing will be left out, so I think that retirement cost will decrease and amortization will increase slightly. By the way, the reason why the retirement cost in the past was 50 billion yen and has not moved smoothly is that we started strengthening the network ahead of fiscal 24, so there is some retirement. Please think of it as a balance with that. Depending on how far base station construction progresses, retirement may be slightly delayed to fiscal 27, but it will not increase significantly, and I believe that the overall network cost will decrease from fiscal 27. I mentioned that the current cost balance and fiscal 26 will not change much, and besides that, there may be a slight increase in sales promotions, but what we are looking at in terms of design is how growth areas will grow. This is about 30 billion yen per year each for Smart Life Business and Enterprise Business, and I believe that there is a definite power of 50 billion yen to 60 billion yen increase in combined profit, so I am wondering if it will fall within that range. Lastly, regarding asset sales, I would like you to spare me the details of the breakdown, but 50 billion yen is included this time for asset sales, etc. I believe that asset sales are the most common, including those in the 3rd quarter and those in the 4th quarter. However, as you pointed out previously, this is not just for profit. If we sell the leasehold land of a network node building, should we keep the network equipment in the leasehold land where the market value is high? Considering things like ROA based on the market value, if it can be further reduced, it will definitely improve efficiency in the long term. In that regard, we will think about improving efficiency while looking at technological innovation, as well as the spread of APN and photonics networks and the downsizing of equipment. This is not just for this fiscal year, but we started it when real estate prices have risen considerably, so I think there will be a certain amount in the next fiscal year. Other than that, I said that we will do all kinds of things in terms of securing profits, and we are working on improving cost efficiency by introducing AI, which is generally quite effective, but what we are working on more than that is reviewing services in the Smart Life Business field. We are starting to do a lot of things, including stopping money-losing services and possibly selling businesses. At the moment, expenses actually come out first, so it has not been factored into this improvement in income and expenditure, but I think it will work in an improving direction from next fiscal year. Including these things, if possible, I would like to do things such as asset sales, without saying that they will be a temporary increase this fiscal year and there will be nothing next year, so there will be a reactionary decrease.

Mr. Kikuchi：My second question. The impact of DOCOMO SMTB Net Bank is 4.6 billion yen in profit, and 10 billion yen for the full year, which is included in the upward revision, so you say that it will be about the same for 4Q. How does this figure come to 4.6 billion yen? With this amount of profit and this amount of depreciation, can we expect the same for next fiscal year? Or can we expect it to increase more as the effects of various measures come out from next fiscal year?

Mr. Kobayashi：I think the number factored into this fiscal year is small. In the case of acquisitions, there may be assets that need to be written off early because of our purchase price allocation. There are some cases where there is a premium for acquisitions, so there is a significant impact in the first year. Please forgive us for the amount, but the margin of increase for next fiscal year is not simply a full-year increase, but I think there will be a little more.

Mr. Kikuchi：I see. Even if the business does not grow, there are technical expenses that will decrease in accounting, so is it correct to say that there will be more impact on the increase in profits next fiscal year?

Mr. Kobayashi：That's right. Of course, we would like to expect synergies, and we would like to work together. For example, we will increase the number of accounts, and I think we will improve the figures from this fiscal year.

Mr. Kikuchi：I see. Is that quite big?

Mr. Kobayashi：It depends on how large it is, but I think it is fairly large.

Mr. Kikuchi：For example, is the annual profit about 30 billion yen?

Mr. Kobayashi：I would like to disclose the information at the end of the fiscal year, because only individual parts will live on their own.

Mr. Kikuchi：Thank you very much.

Mr. Tokunaga of Daiwa Securities：The first one. How do you view pages 10 and 30 of the explanatory materials? Is it fair to say that mobile communication services and network strengthening expenses have progressed as planned? Also, given that the 113 billion yen increase in sales promotion enhancement expenses in the downward revision, , how much will sales promotion enhancement expenses increase this fiscal year compared to the previous year? How do pages 10 and 30 correspond to each other?

Mr. Kobayashi：As for the network, it is as planned because we are considering future investments. As for mobile communication service revenues, ARPU is starting to improve, and MNP is also steadily increasing, so we are not too far from our expectations. Sales promotion expenses are having an impact of tens of billions of yen, even if we missed our expectations. For example, the addition of "docomo MAX" may have increased the value of DAZN, or various sales promotion channels may have been strengthened a little earlier. To put it simply, I would like you to think that this 113 billion yen is mainly due to sales promotion expenses.

Mr. Tokunaga：I thought the cost of strengthening sales promotions would be flat for the full year, but is it correct to say that it has become a negative 113 billion yen? Or is it a factor that slightly decreases profit or increases profit for the full year?

Mr. Kobayashi：I think I mentioned at the time of the year-end financial results that we strengthened sales promotions considerably in the second half of last year. In the first half of last year, we did not strengthen sales promotions because we did not have much of a sales promotion system, so we assumed that the base for FY 25 would be to continue to some extent what we strengthened in the second half compared to the full year of FY 24, and we made some reductions, including attracting customers through content such as “docomo MAX”. Therefore, compared to FY 24, we thought that the amount that decreased in the first half would increase, but would decrease a little due to efficiency improvements. In contrast, it increased by about 100 billion yen.

Mr. Tokunaga：Do you mean that the revised plan has a large budget that can be used for the 4th quarter?

Mr. Kobayashi：No, our policy is not to prepare a large budget. In order to compete, we prepare as much as we can to compete with what other companies are doing now. We did the same in the second half of last year. As I mentioned earlier, the MNP market is about 1.2 times larger, and you have about 1.2 times the budget.

Mr. Tokunaga：Thank you. The second is the churn rate. As you can see on page 13, your company's churn rate is increasing due to the worsening competition. However, looking at the current increase in “docomo MAX”, I think your company is doing its best to attract users with low churn rates. So, how soon do you think the churn rate will improve compared to the same period last year?

Mr. Kobayashi：As for the absolute level, we are concerned that it is getting worse, but as you said, “docomo MAX” is winning, 0.5GB of “irumo” is being discontinued, and there are still a lot of OCN Mobile ONE, so I think it will start to go down when things settle down. In that sense, next fiscal year, I hope that it will go down if possible. On the other hand, there is a balance with sales strategies, so please wait until the next quarter for guidance.

Mr. Tokunaga：I understand. Thank you very much.

Mr. Masuno of Nomura Securities：There are two major points. One is to confirm the details of profit changes. Expenses for network related disposal were 50 billion this year, and 50 billion in fiscal 26 and next year. Is it correct to assume that there will be no increase? As for the 50 billion yen including asset sales, there will be some assets next year, and some other cost will disappear due to upfront costs, so this 50 billion yen will decrease, so is it correct to say that there is no significant negative impact?

Mr. Kobayashi：I think you are very concerned, so I will be more precise. First of all, when I said 50 billion yen for disposal, that is the overall design. However, considering the delay in the process, looking at the progress at the moment, I think that in some cases it may decrease a little more this year and increase next year. However, as a big trend, for example, the 50 billion yen this time will not disappear next year, and it will not increase again by 50 billion yen. In that sense, we have slightly increased investment in the network cost itself, and I think that the largest amount in the disposal process will probably be in FY26, so I think that there will be a slight deterioration in the network cost, but I think that it will be 10 billion yen or 20 billion yen, and it will not be 50 billion yen anymore at the moment. However, I would like to say this again based on the relationship of trust with everyone, but we have not made a plan for next year, so that is how we see it now. This is even more true for assets, and this is my personal opinion as the CFO, but as I mentioned earlier, I think that we can increase profits by 50 billion to 60 billion yen in total in the Smart Life Business and Enterprise Business. If this is the most organic base, I would like to keep the negative in the Consumer Communications Business to less than that. As I mentioned earlier, sales promotion expenses will not increase much further. The network will not increase much. Then, I think the key is whether we can keep it within this 60 billion yen, including the decrease in mobile communications service revenue. If possible, even if there is a backlash, including this time's amount of 50 billion yen including asset sales, etc., we would like to continue to generate various profits, essentially contributing to the medium term as much as possible. So, at this point, we would like to aim for an increase in profit even in the final balance, although it may be for the appearance, without decreasing so much from these 50 billion yen. We have not yet designed any further details, so I have answered the above two points as a way of thinking.

Mr. Masuno：Thank you very much. Another one is SBI Sumishin Net Bank, Ltd. It is a matter of course that they will make a profit because they reduced their investment ratio and paid 370 billion yen in the end, but NTT paid 110 billion yen to SBI Holdings, Inc. and made a tremendous effort to clear the relationship. After clearing the relationship, Sumitomo Mitsui Trust Bank, Limited came to us and said that they wanted our company, so I feel that it was a waste of money because of the sweat. In addition, I think that they will be managed as very good financial professionals, but originally, professional finance people have become professional finance groups, and I feel that the room for your company to operate and manage finance is decreasing. From an accounting point of view, it is a matter of course that money comes in, and I think we can cooperate in sending customers, but I don't think we are in the mood to manage finance. Will this change if we become a holding company?

Mr. Kobayashi：I can assure you that it will. What is happening, of course, is that we have made some adjustments to deepen our relationship with Sumitomo Mitsui Trust Bank, Limited. But in essence, we believe that this advanced online bank is the piece that we need, and we have been doing this since the beginning. I don't think that the design has changed in any way from the perspective of DOCOMO. Even if NTT invested in this, from the perspective of NTT, I think that this was really the optimal investment for the entire group. We are doing this for both of us, and what we are going to do in the future is to introduce AI and turn it into an agent. I think that for customers, it will become unnecessary to set up agent services for each financial service separately. This naturally includes things like "d-Barai" and "d

CARD". At that time, professional financial groups are great, of course, but we also see a lot of customer behavior. Designing the lives of our customers while incorporating such knowledge is truly a mutual love and a mutually indispensable existence. Furthermore, what SBI Sumishin Net Bank, Ltd. is very strong in is BaaS. When we are doing this BaaS, NTT Group originally called it B2B2X business, but we are promoting B2B2C business in cooperation with Center B. I think the strongest company in that case is our NTT DOCOMO BUSINESS, Inc.. Including those companies, I think we have been able to get the necessary missing pieces together. In order to accelerate that, although we have not officially announced it, we are in the process of developing a system to make decisions quickly through a financial holding company, which our head also talked about. We will do our best to meet Mr. Masuno's expectations.

Mr. Masuno：Excuse me. In that case, for example, will 5 or 10 executives or department managers be sent to an online bank?

Mr. Kobayashi：Please　kindly refrain from mentioning the detailed structure.. We will make sure that we can form a solid structure.

Mr. Masuno：I feel that we cannot manage unless we have people in the organization.

Mr. Kobayashi：Yes, of course, we are planning the organization with that in mind, so I would like to receive your valuable opinion today, but I would like to make sure that we do it.

Mr. Masuno：Thank you very much. I look forward to it. That is all.

Mr. Tanaka of Goldman Sachs Securities：I have two questions. The first is your approach to promotional expenses. You originally said that you would spend quite aggressively in the second half of the year, and I believe that is true. What changes have you seen in your company's approach to spending promotional expenses compared to three months ago? Also, are there any signs of changes in the industry environment or movements of competitors as a result of your company spending more on promotional expenses in the second half of the year?

Mr. Kobayashi：We haven't really changed our approach to our company's sales promotion expenses. We focus on how the MMP market is moving and how other companies are pricing. Also, as I mentioned earlier, we had strong and weak sales channels, so we have been supplementing them with money. In that sense, in the first half of the year, we tried to see if we could compete with a little bit of a pull back, but from the middle of the year until now, we are thinking of taking a close look at the competitive environment and competing firmly. As for MNP, we are keeping a close eye on where we can maintain positive growth and controlling various channels, so I don't think there has been much change.

Mr. Tanaka：Thank you very much. Has there been any change in the industry environment or the competitive environment itself as your company has become more proactive in this area?

Mr. Kobayashi：As far as I can see right now, I don't think there has been much change in our prices compared to other companies' in-store prices. We will keep a close eye on it because it is a shopping season, but we will not rush into it alone. We are now in February, but from my perspective, there has not been much change.

Mr. Tanaka：Thank you very much.

The second question is about your approach to network investment. First of all, what is your focus on improving network quality? When procuring base stations, I believe that NEC Corporation, which has been an important supplier, has announced that it will withdraw from base station hardware. I assume that your company still procures mainly from overseas, so there is no particular problem with its base station procurement strategy.

Mr. Kobayashi：In conclusion, as you said, there is no problem. We have established a system to appropriately purchase globally competitive products. Furthermore, we are in the stage of strengthening our network as the last to do so. Taking advantage of the benefits of being the last to do so, I think we are starting to procure base stations at a fairly low price. I believe we can continue to do well with 5G, especially with Sub6. Furthermore, I believe that we will make considerable progress in fiscal 26 in terms of how to change the 700Mhz band and other existing frequency bands. We have already made a structural shift here, and we are firmly heading in the direction we should be doing. All that remains is to do it. About half of the number of base stations for this fiscal year will be completed between February and March, and we are working closely with construction companies to maintain this momentum in the first half of next fiscal year. I think we are changing considerably from the previous phase of "we will do it, we will do it."

Mr. Tanaka：I understand. Thank you. That's all from me.

Mr. Tsusaka of Morgan Stanley MUFG Securities：There are two things. One is when will Consumer Communications revenue increase? If you don't increase revenue, we will have to solve a very complicated puzzle and figure out what will happen to your business performance. I also think that your company won't be able to focus on growth areas. I think the most important thing is to increase revenue in a sound manner. At what point will you have a structure where mobile communication service revenue will increase and not decline? I think you said that you are not yet going to shift to increasing revenue next fiscal year. I think the PL structure is not safe. Please tell us about it. The second point is the role of the DOCOMO organization toward the NTT Group. I think DOCOMO creates cash and the NTT Group allocates that cash to growth areas. I feel that the current decline in cash generation is hindering the growth strategy of the entire group. What do you think about this?

Mr. Kobayashi：First of all, I think you are absolutely right. I am keenly aware that if we do not grow, we will become extremely poor, and I think that is very important. In that sense, if we look at mobile communication ARPU in the Consumer Communications Business, I am sorry to say that I have not disclosed it in detail, but it has finally turned positive compared to the previous year. In the first, second, and third quarters, it is growing, although there are seasonal fluctuations. Not only ARPU that is increasing due to “poikatsu”, etc., but also the portion that is subtracted from it is finally starting to increase.

Our goal is to continue this, but in terms of guidance for the next fiscal year, it is very difficult to show a positive increase in mobile communication service revenue due to the impact of 3G outage, etc. In addition, “d CARD PLATINUM” is doing very well, and from our accounting perspective, we are subtracting points from mobile communication service revenue, so I think it sounds a little bearish. ARPU of the Consumer Communications Business, which is the base, is finally starting to turn around, and the biggest challenge is whether we can increase so-called total ARPU by using this as a driving force and piling up various service groups including “docomo MAX”. Therefore, while trying to stop the decline in mobile communication revenue, I think there is a good reason to win over users. In that sense, I would not say that we will be able to afford it, but I think that we are getting out of the simple problem of how to deal with a continuous decline in revenue. I think that we are making a structural transformation here as well. The second point, to generate cash more and more, is one of our major roles within the NTT Group. At the same time, it is also our role to strive for growth. Especially in Japan, the growth in the Smart Life Business and Enterprise Business is what enables the NTT Group to maintain its presence in Japan. I think we need to keep an eye on that balance. In that sense, as with the acquisition of SSNB this time, while we are investing within the group, NTT has of course told us to grow in our field, so we will do our best in terms of cash generation capacity, but we will also do our best to grow while investing in growth. Mr. Tsusaka may be asking this question because he thinks so, but I really mean it, so we will do our best.

Mr. Tsusaka：Thank you very much.

Mr. Okumura of Okasan Securities：I have one question. What do you think about the base price increase for mobile phones at this point? If Softbank decides to raise the base price from next fiscal year, what kind of management decision is your company likely to make? I don't think we can say definitively, but could you comment on your policy?

Mr. Kobayashi：Thank you very much. It is difficult to say definitively what we think. The first thing we are most concerned about is that we want to continue to secure the largest user base for the NTT Group, so we do not want to see the number of users decrease gradually while improving our revenue and expenditure in the short term by simply raising prices. In that sense, we need to keep an eye on the competitive environment.

However, we do not think that the competitive environment is such that we can simply win alone. As costs are rising, it is natural for other companies to follow suit while keeping an eye on them. As I mentioned earlier, our ARPU has started to rise, so I would like to add that we are not considering a simple price increase right now. We have a lot of old pricing plans, so do we have to simplify them and push through with them even if it results in a slight price increase? We are considering this internally. We would like to maximize our profits by taking these into account.

Mr. Okumura：Thank you very much. I understand why only one company is hesitant to raise its prices, but depending on the amount of your company's price increase, I think it is not unusual for it to increase profits by tens of billions of yen. When other companies are raising their prices and you choose not to do so, are you weighing the possibility that there might be more value or effect in terms of acquiring customers?

Mr. Kobayashi：As you said, as I mentioned earlier about total ARPU, what we provide to our customers is not only mobile communications, so we would like to do what has the greatest growth potential, including effects in other areas. However, when other companies are raising their prices, and everyone's perspective is the same and we think we should do it, we do not intend to stubbornly not raise our prices and fall into a situation where we cannot maximize profits or the value of use. We would like to carefully consider the competitive environment. Sorry if that sounds negative. That's not what I meant.

Mr. Okumura：Thank you very much for your thorough explanation. That's all.

［END］