

Main Q&A (Analyst Meeting after the Results for FY2020/1Q)

Questioner No. 1	
Q1	I would like to ask about the trend of mobile communications services revenues. Your total communications revenues have been on a downtrend despite the firm ARPU performance. Please explain the factors behind this, including the impact of subscriber outflows to the competition (e.g., Rakuten Mobile, UQ Mobile and Y!mobile) and the revision of MVNO rates following the arbitration by the Minister of Internal Affairs and Communications.
A1	The factors causing a downward pressure on the projected full-year mobile communications services revenues include the revenue decrease resulting from the introduction of new rate plans in FY2019, and the negative impact from COVID-19 on our international roaming and other revenues, which is expected to become larger in the second half of the year. On the other hand, for the factors that could bring about upsides, the upsells leveraging the new rate plans are expected to have a positive revenue impact. The reduction of wholesale MVNO rates based on the arbitration by the Minister of Internal Affairs and Communications is projected to bring about a certain decrease in revenues. Overall, we believe the trend seen in the first quarter is expected to continue throughout the year.
Q2	Are you projecting a sluggish growth for mobile communications services revenues despite the favorable ARPU trend because of your conservative forecasts of DOCOMO brand users and MVNO subscriptions? Also, does your estimate factor in a certain number of Rakuten MVNO users switching to the MNO service operated by Rakuten?
A2	MVNO revenues are not accounted for in the ARPU calculation. However, it will have a negative impact on our overall revenues, which explains the difference between the ARPU and revenue trends.
Q3	Regarding the operating profit from Smart life business and Other businesses, you explained during the recent earnings call that while you achieved solid profit generation in FY2020/1Q, you plan to make various investments in and after FY2020/2Q for future business expansion. Please give us an explanation on the concrete promotions and investments you are contemplating.
A3	<p>The profit growth in FY2020/1Q was the result of not spending the entire amount of expenses earmarked for the measures planned for this period. We had planned to implement various campaigns to expand the user base of our credit card and “d Payment” services and to further develop our merchant network, but we decided not to execute them as many people refrained from going out after the state of emergency was declared by the government.</p> <p>From FY2020/2Q onwards, in our finance/payment business, we plan to implement the measures that have been put on hold to boost the usage of “d Payment” service and increase the member base of “d CARD” spending an appropriate amount of costs. In our content/lifestyle business, because we have been receiving various requests from artists for our 5G-based “Shintaikan Live CONNECT” service and other offerings amid a self-restraint from going out, we intend to roll out new content and services suited to the 5G era to materialize these new business opportunities.</p> <p>As for our existing offerings, services such as “d TV” and “d magazine” have recorded a slight net loss of subscribers partly due to the current difficulty of promoting sales at the shopfront. We plan to renew these services going forward and thereby boost subscriptions and usage.</p>
Questioner No. 2	
Q1	This is a question about your dividend policy. While you decided on a dividend increase of 5 yen this time around, do you foresee any possibility of reviewing the amount to a 10-yen increase per share depending on your financial performance for this fiscal year or beyond? Or, would you rather shifting your focus to share repurchases keeping the dividend increase at 5 yen per share?
A1	Our basic policy is to continue dividend increases, and we plan to adhere to this policy going forward. Please be advised that we made a slightly conservative decision this year due to the

	<p>uncertainties surrounding our business. In our medium-term dividend policy, we attach utmost importance on continuing dividend increases and we will strive to deliver on this. But, if we continue to raise our annual dividends at the current pace of 10 yen per share, our payout ratio, which already has reached over 70%, will soon exceed 100%. In the last several years, we provided dividend increases while suppressing the total dividend payment by controlling the total number of shares. We intend to continue dividend increases taking this point in to consideration.</p> <p>As to your question on the prospects of an additional dividend increase this fiscal year, we cannot provide any comments at this juncture as nothing is decided.</p>
Q2	<p>Is it correct to understand that DOCOMO is not so keen about Dynamic Spectrum Sharing (DSS), and you plan to pursue network rollout using the spectrum allocated for 5G?</p> <p>Other carriers have explained that they will expand the number of base stations using DSS, which may put DOCOMO in a competitive disadvantage in terms of area coverage from the viewpoint of consumers. What are your views on this?</p>
A2	<p>High-speed and large-capacity transmission are the basic properties of 5G. When DSS is employed, the network speed will be limited to a level comparable to LTE, meaning that we may not be able to fully deliver the speeds promised by 5G. We are not against the idea of using DSS per se, but we believe whatever that can be delivered on LTE should be provided via LTE, and we need to properly communicate this message to customers and gain their understanding. Further, if we use the same spectrum band as LTE for 5G when there are still many users on the LTE network, it will result in 5G burdening the LTE capacity. For this reason, we plan to roll out our 5G network as quickly as possible using the sub-6GHz spectrum instead of using DSS. It is very important to have customers understand that this is the authentic approach to building 5G.</p>
Q3	<p>I appreciate the approach you adopted is very sincere in that you are trying to deliver performances that can only be realized with 5G. But customers may not care so much about that. What do you think?</p>
A3	<p>We heard similar comments when we launched our LTE service. We will construct our 5G network in a faithful manner.</p>
Questioner 3	
Q1	<p>Can you give us a breakdown of the operating revenues from Smart life business and Other businesses by category (for both FY2020/1Q and the same quarter of the previous fiscal year)?</p>
A1	<p>The breakdown of operating revenues for FY2020/1Q was as follows: content/lifestyle accounted for approximately 35%, finance/payment approximately 15%, support services for customers' peace of mind approximately 30%, and enterprise solutions and others approximately 15%. As for FY2019/1Q, content/lifestyle contributed some 30%, finance/payment roughly 15%, support services for customers' peace of mind approximately 35% and enterprise solutions and others about 20%.</p>
Q2	<p>The figures for FY2020/1Q that you just explained do not add up to 100%. Is it because of the slight revenue discrepancies in the order of 5%?</p>
A2	<p>Your understanding is correct.</p>
Q3	<p>Concerning the key services in the content/lifestyle category, please share with us the elements that you think are superior to the competition and points that require further reinforcement.</p>
A3	<p>Content services that are uniquely available with DOCOMO, such as "Disney+," are enjoying great reviews from customers and we aim to further expand the user base of these services. We also plan to revamp the content of "d TV," "d magazine" and other conventional services to further increase their subscriptions. The "d magazine" service, in particular, carries larger number of magazine titles compared to similar services offered by the competition, so we aim to achieve further growth by developing a new mechanism.</p>
Q4	<p>Is it correct to assume that the number of "DAZN for docomo" subscribers increases during the sports seasons or when there are special events like World Cup game, but the number of cancellations grows once the season finishes?</p>
A4	<p>That is correct.</p>

Q5	Will mobile carriers be negatively affected by the introduction of local 5G by other players? Also, since you declared that you plan to support the buildout of local 5G, can you comment on the projected revenue size from this business?
A5	Local 5G is drawing attention as a solution to serve the current unmet needs in areas that have been covered by Wi-Fi so far. We believe it is difficult to cover such areas using our public 5G spectrum, so we will aim to coexist and co-prosper with local 5G to ensure the early take-off of 5G service. Leveraging our know-how and expertise in area construction that we have accumulated over the years, we plan to provide technical support to the enterprises and other organizations that received the allocation of local 5G spectrum, and thereby secure additional revenues. While we have not yet completed the estimation of the size of such revenues, we are already receiving many requests for buildout assistance from businesses and local governments.
Questioner 4	
Q1	You are projecting a year-on-year decrease in mobile communications services revenues for FY2020. However, given the uptrend of ARPU, do you foresee a revenue increase in the second half over the first half?
A1	Mobile communications services revenues are expected to record a decrease at a constant pace throughout this fiscal year. To comment on the individual elements, the baseline revenues have been on a growth trend as we have successfully curbed churns by promoting the migration to our new rate plans and upselling users to higher plans using 5G as a trigger. However, these improvement trends will likely be offset by the negative revenue impact caused by the lowered MVNO voice rates in compliance with the arbitration award by the Minister of Internal Affairs and Communications as well as irregular factors such as a drop in international roaming revenues. Accordingly, we are projecting a constant decline in revenues throughout the year. The reduction of international roaming revenues is expected to become steeper in the second half, because, in usual years, we record a high amount of roaming revenues toward the month of March when there is an increase in the number of people travelling overseas.
Q2	During your recent earnings call, you mentioned that Smart life business and Other businesses will be the main driver to achieve your operating profit target of 990 billion yen in FY2023. To deliver on this target, you will have to expand the profit from Smart life business and Other businesses by approximately 100 billion yen over the next three years. Please elaborate on the profit growth projected for each category of Smart life business and Other businesses. In particular, I am keen to know how long you will continue making advance investments for finance/payment business, and when they will start generating additional profits.
A2	The biggest contributor for the profit growth of Smart life business and Other businesses is expected to be finance/payment category. With cashless payments being promoted by the whole nation, we have achieved a steadfast increase in the number of “d Payment” and “d CARD” users. Furthermore, we will implement various measures to boost transactions and expand revenues even further, which will become the key driver for the profit growth of Smart life business and Other businesses. Additionally, although the marketing solutions category accounts for less than 5% of Smart life-related revenues today, we have a plan to grow the profit from this category by rolling out advertisement businesses leveraging our owned media and providing CRM solutions to merchants. Meanwhile, we will also aim to expand the profits from our content/lifestyle offerings for consumers (e.g., the “Shintaikan Live CONNECT” service) as well as our enterprise solutions by promoting solutions that are catered to the needs of a remote-style society. While we would like to reserve our comments pertaining to the profit outlook for finance/payment business, we plan to make aggressive advance investments through FY2020 so we do not lag behind other payment service providers. From FY2021 onwards, we plan to suppress the amount of investments to make this business deliver profit contributions, keeping an eye on how the competitive environment unfolds.
Questioner No. 5	
Q1	As Executive Vice President Hiroi was appointed as the CFO, I would like to take this opportunity to confirm DOCOMO’s policy concerning the allocation of managerial resources. Will there be any

	changes in your approach to M&A? Will there be any areas where your ties with NTT become closer? And how will they be reflected in your financial strategies?
A1	It has been 1.5 months since I took the current position at DOCOMO. By engaging myself in actual business, I gained good visibility over many things, which has been a fresh experience to me. To share my personal view on the allocation of managerial resources, I believe the Smart life business and Other businesses offer very promising prospects as we have already build a solid foundation in finance/payment business, etc. As for the network, which provides the base of our revenues, although the competition among the three mobile network operators remains harsh, I believe we are well positioned to effectively make use of our technical and managerial resources especially because the social structure is currently going through a major transition due to the COVID-19 outbreak and other factors. In fact, I have high expectations for the enterprise solutions and other initiatives that we are currently promoting on a company-wide basis. On the other hand, the perspective on efficiency is also important. NTT holding company has already introduced efficiency indicators like ROIC. While DOCOMO has powerful managerial resources, we need to devise creative ideas to more effectively produce returns with smaller investments.
Q2	Please share with us your basic policy for acquiring financial resources and your views on leveraging?
A2	While we currently have no leverage, we do not rule out the possibility of raising our leverage ratio. If we find a good opportunity for growth investment that can generate proper returns, I believe we should actively make investments. The actual execution will be determined by the content of our growth strategy.
Q3	DOCOMO has been strongly focusing on the creation of B2B business leveraging 5G, and I believe the number of organizations participating in the DOCOMO 5G Open Partner Program already exceeded 3,400. How do you think the number of partners will change in the future in view of the impact of COVID-19 as some companies may no longer have the capacity to tackle 5G? On the other hand, various new business opportunities may arise based on the request from society. I would appreciate your comment on this, including the outlook for the next 2-3 years.
A3	It is difficult to assess how COVID-19 will affect the number of entities participating in the DOCOMO Open Partner Program. When we single out FY2020/1Q only, COVID-19 seems to have had a slightly positive impact on the number of entities, but it is difficult to make a prediction for the full year. What is more important than the impact on DOCOMO Open Partner Program is how we can properly respond to the structural transition to a remote-style society induced by COVID-19. The services and solutions offered via our 5G network are truly the early forms of capturing of the demands of a remote-style society. We should actively bring forward the timing of materializing the solutions that had previously been planned for introduction 2-3 years ahead to within 6-12 months from now. We will contribute to these growing needs, e.g., by offering telemedicine and assisting remote operations or the introduction of remote work and remote study etc., through our 5G network. The opportunities to contribute to realizing a remote-style society are now emerging, and we are now given the chance to deliver results earlier than initially anticipated.
Questioner No. 6	
Q1	You explained that Smart life business, particularly the finance/payment category, will become the main driver for your operating profit recovery to 990 billion yen by 2023. Does it imply that you will be able to achieve your target operating profit by growing the profits generated by the finance/payment services through the expansion of “d CARD” and “d Payment” services as well as the “d POINT” economic sphere tied to those payment solutions? Or do you also contemplate non-organic growth including the enrichment of other fields like banking and brokerage services? Please explain your views.
A1	In broad strokes, our plan is to increase the total transactions processed by “d CARD” and “d Payment” as we enlarge their ecosystems, while also expanding the advertisement business and marketing solutions by enhancing their value as a media. In our current projections, the contribution of FinTech to our FY2023 operating profit will still be insignificant, but it has the potential for growth over the medium to long term.

Q2	According to the recent results announcement by SoftBank, their subscriber outflows to Rakuten MNO service for the April-June quarter was almost comparable to the number of outflows to Rakuten MVNO service. Did you experience a similar trend? Do you think consumers simply did not attach a strong priority to replacing their mobile phone during the months of April-June due to the COVID-19 outbreak, and Rakuten's MNO service will be a more serious threat once the COVID-19 impacts subside? Or do you view that Rakuten's current rate plans and communication quality still do not pose a threat to you because of your superior network quality and the benefits of "docomo Hikari Set" discount, etc.? Please let us know if there are any changes to your assessment compared to the previous quarter.
A2	The number of outflows of DOCOMO brand subscribers to Rakuten MNO in FY2020/1Q was within the range of our expectations, and it has not caused any significant impacts on our business. And this remained unchanged even in July and August after the shops resumed their normal operations. We believe most of Rakuten MNO subscribers have signed up for the service to obtain a second mobile device, and we believe this trend will continue for the near term.
Questioner No. 7	
Q1	Your competitors have announced their medium-term targets of achieving an unprecedented level of profit in FY2023. DOCOMO, in contrast, merely set a target to recover your previous level of profit. Because the same regulations are applied equally, I consider all carriers are living under the same circumstances, so I must say that the message that you are communicating to investors and shareholders are inferior to the competitions'. The fact that you set a medium-term target to recover the past profit level is problematic from the viewpoint of an investor. If you consider yourself as a growth company, don't you think it is about time that you send a message to demonstrate that?
A1	Our ambition is not simply to recover the past level of profit. We have achieved operating profit exceeding 1 trillion yen several times in the past, so it could be viewed as if we are trying to return to that level, but our true goal is the transformation of our business structure itself. Hitherto, telecommunications business formed the core of our operations, but in the future, we will aim to generate profits by combining telecommunications with various other assets and creating new value in collaboration with a wide range of partners. For example, in Smart life business and Other businesses, we are beginning to strengthen our focus on data utilization business. For 5G, we have no intension of providing only the communications network; instead, we will integrate cloud services as a set to propel changes in the industry structure. Our operating profit is projected to return to 990 billion yen, or reach a level even higher, as a result of these undertakings. The profit level per se is not our strong objective. We rather attach emphasis on changing the society through our business structure transformation and contributing to the benefit of society. In this context, too, we do not have any intension of just returning to the past.
Q2	Social contribution is a splendid idea, but the only thing DOCOMO has committed to investors in your communication so far is dividend increase. If you are to raise your dividends, I believe it is also necessary for you to present your future directions using numerical financial indicators, e.g., medium-term DPS or EPS targets. Otherwise, investors will lose the interest to follow you. Please explain your views about adopting medium-term financial targets.
A2	We anticipate a rapid change in social structure going forward, and we aspire to meet user requirements by delivering a wide variety of services responding to the changes in society, which we believe will lead to our corporate growth. While we are aware that the investors' assessment are mixed, frankly speaking, it is somewhat sad to hear you got the impression that we have only committed to dividends increases. We will try to get across the message to investors that we intend to drive corporate growth. People's values have been changing, and a stronger emphasis is now attached to ESG and sustainability rather than short-term operating profit growth. In our dialogue with investors, we notice that their investment decisions are not necessarily driven by the operating profit for the next 3-5 years, and they now view things over a longer time horizon. Since I believe increasing number of investors judge companies' sustainability based on their ability to provide services that satisfy the needs of society capturing the changes in social structure and value, we would like to properly address this point and drive our corporate growth, so we can live up to the expectations of investors.

Q3	About the outlook of your subscriptions, the total number of i-mode and sp-mode subscriptions has been recording net losses. With the availability of increased options, such as Rakuten's entry in the mobile communications market, MVNOs offer various plans at a low price and second brands operated by mobile carriers, the needs of consumers have diversified, but I believe you are continuing to lose subscribers because you have not been able to adapt to this change. Do you think it is right to continue on the current avenue? Or do you see the need of changing the way of your business? Please share with us your thoughts from the viewpoint of subscriber acquisition.
A3	The total number of i-mode and sp-mode subscriptions recorded a slight decrease in FY2020/1Q. An analysis dividing the subscription count between handsets and data plans shows that we recorded a certain number of churns among data plan subscriptions. To respond to your suggestion that we have not been able to respond to the demands of customers as well as our rivals, we believe our new rate plans are well designed to accommodate the diverse requirements of customers. By also combining the various pricing measures targeting each segment, we believe we can meet the diverse needs of customers and garner their satisfaction.
Questioner No. 8	
Q1	You said the total number of "d CARD" members topped 13 million. However, the user base of PayPay has already grown to over 30 million, marking a 3.5-fold increase in just one year. As your competitors are also moving much faster in the development of merchant network, it seems that you are left behind in this race. Isn't it possible for you to act more quickly?
A1	I believe your comment refers to our QR code payment service, "d Payment", as opposed to "d CARD." We admit that PayPay is ahead in terms of the number of participating stores and customers' usage frequency. According to various data, "d Payment" is the second most heavily used payment service after PayPay, and we would like to catch up and even takeover PayPay as quickly as possible. This fiscal year, we intend to tackle usage promotion and merchant network development at a faster speed.
Q2	Should I anticipate that you will raise the bar as you push forward your initiatives going forward? Because the first mover always gets the advantage in this kind of business, are you beginning to sense any improvements in your speediness?
A2	We will improve the speed of execution. As we have entered into a partnership with Mercari, we will alter the way of merchant acquisition and other joint efforts while speeding up the process. Our near-term target is to increase the number of locations where our payment and point service is available to 2 million locations, and we will strive to achieve this target earlier than planned.
Q3	A question about 5G. Your competitors said they will pursue "private 5G" as an offering that sits between public and local 5G services. As I do not think carriers must always stick to the local 5G approach, I would like to hear your views on this.
A3	We will steadily expand our public 5G coverage, and aim to increase the number of subscribers rolling out new solutions and enriching our device lineup. As a mobile operator, we cannot provide local 5G itself. Accordingly, local 5G is not a primary focus in our business. We have been pushing forward our coverage buildout tracking the population coverage and other indicators as in the past. In the case of 5G, however, we are taking a two-pronged approach by also addressing specific enterprise demands for stadium solutions, etc., in addition to the conventional way of rollout. When there are private demands for 5G coverage, we respond to them by constructing service areas based on specific needs from corporate clients.
Q4	Is DOCOMO in a more advantageous position in terms of the average data usage of customer, or do your competitors have an edge? Going forward, as the migration to 5G makes progress, what kind of measures do you plan to implement so that you can secure an advantage in data capacity? One of your competitors often claims that they have an advantage because their customers' average data usage has grown larger as a result of the introduction of Giga Monster package.
A4	At present, our "5G Gigaho" plan offers 100GB of monthly data allowances, which is expanded even further to unlimited access during the campaign period. After the launch of 5G service in March, we have seen heavy data users switching to 5G service. The majority of 5G users have selected the "Gigaho" package, which makes us believe that customers have chosen this plan finding attractiveness in the unlimited data offer. We will continue building the 5G network to

	respond to this data demand. We will deepen our analysis on the actual usage behavior of 5G customers and make our services even more compelling.
Questioner No. 9	
Q1	Can you give us an indication on the number of 5G base stations that will use DSS? And how do you plan to manage the spectrum in these base stations?
A1	<p>We do not have any intension of denying DSS itself. In fact, we also would like to adopt DSS, but it can be rolled out only in FY2021 or beyond. As for spectrum management, a possible solution is to use the 2GHz band for DSS, and gradually increase the bandwidth allocated for 5G by migrating LTE subscribers to 5G over time. In any event, we will prioritize network construction using the sub-6GHz band and also explore the use of the millimeter wave in limited areas such as stadiums. The procedures to convert existing LTE base stations into 5G are already in place. Once we reach the timing of expanding the bandwidth allocation for 5G after the number of LTE subscribers starts decreasing, we will perform a tune-up of our existing LTE base stations. This will allow us to deploy a considerable number of 5G base stations.</p> <p>For your information, we currently operate a total of some 230,000 LTE base stations, of which the stations that operate on the 800MHz band account for slightly less than 70,000.</p>
Q2	Each carrier has been promoting non-telecommunications business, offering them to their existing telecommunications customer base. Among the various non-telecom offerings, carriers seem to have achieved a success in areas that offer great affinity with their telecommunications customer base. Do you have any plans to strengthen certain areas that are deemed to have good affinity with your telecommunications business, learning from the successful cases of other carriers? Or do you have a policy to make decisions solely based on your own strategy? For example, I believe KDDI's Jibun Bank, one of their financial businesses, has established a strong presence in the market. Furthermore, SoftBank has also commenced electricity retail business. Do you have any plans to roll out power business?
A2	<p>As far as the finance business is concerned, we would like to incorporate good examples learned from other companies, while also pursuing our own agenda that is aligned with our strategy. Previously, we conducted business centered on our own subscriber base, but we altered our approach to address a broader membership base. Our member base has now grown to 76 million, but we would like to expand this to the size of Japan's population, assuming it is 100 million. Our basic approach is to offer mobile communications as well as various other services to our membership base, while also providing referrals of the 100 million members to external partners, and secure profits as we expand the overall flows of transactions.</p> <p>For electricity business, we conducted a review on our possible entry in the power retail business when the electricity market was liberalized, but it did not materialize. Other than retail, we are aware that there are various other opportunities in electricity business. But at this point, we do not have any plans to directly enter this area as each company within the NTT Group are assigned different roles to fulfill.</p>