

Q&A at Earnings Investor Briefing for Q3 FY2018

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Q1 Although your performance through Q3 FY2018 made a very good progress, you have not changed your earnings forecasts for the full fiscal year. Please explain what measures you have planned for Q4, and give us an idea of the financial scale related.

A1 We want to do whatever we can to prepare for the next fiscal year.

Q2 More than a month has passed since your IPO. Please tell us whether there have been any changes in your policy since then, from the impact on earnings perspective.

A2 Our earnings forecasts for this term were put together before the IPO. We believe that the scenario we laid out has been progressing well as expected. In particular, we think it is great that we were able to manage to bring the ARPU on the upward trend again.

Q3 Do the forecasts include costs that will be incurred if it becomes impossible to continue using Huawei equipment?

A3 Currently, our understanding is that immediate replacement of all the equipment we are using for 4G is unnecessary. Our CAPEX forecast is already inclusive of the investment of transferring from 4G to 5G, therefore we do not expect significant impact on total CAPEX. And regarding 4G equipment that could possibly have an impact on data, after the transfer to 5G, we plan to invest several billion yen to replace this equipment.

Q4 Please tell us what you mean by a “stable dividend per share?”

A4 Our dividend policy is a guideline payout ratio of around 85% on a consolidated basis. We will manage not to reduce the dividend even if our earnings should fall. We understand that people are expecting high dividends. For next fiscal year, we also plan to maintain or increase the dividend.

- Q5 Please give us a breakdown of solutions-related sales on a revenue basis, such as sales of solutions to corporate customers.
- A5 It is accumulated revenues from Cloud services, robotics, digital advertising, RPA and others.
- Q6 Regarding PHS, please tell us about your plans for the migration of the service and the trends of the customer churn.
- A6 We have stopped accepting new PHS subscribers. The impact on earnings will not be material.
- Q7 Please tell us the trends of fluctuation in each expense item.
- A7 We have declared to implement Growth strategy and Structural Reform. We are working on cost reduction continuously. In the area of sales promotion, we want to further increase efficiency on the operational side, but because there is intense competition, we will be keeping an eye on the competitive landscape. In the area of technology, costs are rising as we adopt new technology. We want to keep disciplined management on overall costs.
- Q8 Looking at the results for Q3 FY2018, the number of subscribers for *SoftBank Hikari* increased. But why have telecommunication network charges not risen accordingly?
- A8 Telecommunication network charges did increase in conjunction with increases in the number of *SoftBank Hikari* subscribers, but were offset by some temporary factors cause the decrease of expenses, making them appear not to have increased at the same pace as the increase in the number of subscribers.
- Q9 One of your competitors is putting out the message that it will increase both revenues and profits. Please tell us about your position for the next fiscal year.
- A9 We want to achieve both “growth” and “shareholder returns.”
- Q10 Please tell us why the ARPU for *SoftBank Hikari* improved in Q3 FY2018.
- A10 This was a temporary adjustment caused by a change in accounting treatment based on IFRS15.

Q11 When will the shift from the *SoftBank* brand to the *Y!mobile* brand peak out? And is it correct to assume that more people will switch from the *Y!mobile* brand to the *SoftBank* brand in the future, and that ARPU will increase?

A11 It depends on the situation. We do not believe that ARPU will keep rising indefinitely, but we think it is bottomed out.

Q12 There are dual shops that offer both the *SoftBank* brand and the *Y!mobile* brand. Please tell us what changes have resulted from offering two brands?

A12 Even though the number of MVNOs is increasing, the loss of contracts to other carriers is under control. By creating dual shops, we have been able to expand the areas in which the *Y!mobile* brand is offered.

Q13 Please tell us why the “ARPU before discount” is falling. Is “ARPU before discount” going to keep dropping?

A13 We forecast “ARPU before discount” to keep dropping. There are differences between *Y!mobile* and *LINE Mobile* ARPU. On the other hand, “Total ARPU” is improving as a result of an increase in 4-year installment plans as well as plans with separated service fees and handset payment. Though it depends on the competitive environment, I think this trend will continue for a while.