

Q&A at Earnings Results Briefing for Q1 FY2019

Date: Monday, August 5, 2019 4:00pm – 5:30pm

Speakers: Ken Miyauchi (President & CEO),
Junichi Miyakawa (Representative Director & CTO),
Kazuhiko Fujihara (Board Director, Executive Vice President & CFO)

Q1 What factors underpinned the relatively good performance in Q1 FY2019?

A1 All business segments delivered good results. In particular, the number of smartphone subscribers was very favorable driven by the popularity of the SoftBank brand “Ultragiga Monster Plus” plan, an unbundled plan that separates handset payments from service fees, among young adults and businessmen. The number of subscribers for Y!mobile brand also increased steadily. In the Enterprise segment, the number of subscribers grew smoothly and revenue from Business solution and others rose significantly. Revenue growth was also strong in the Distribution segment.

Q2 What factors drove the increase in ARPU?

A2 ARPU before discount declined due to an increase in composition ratio of Y!mobile and LINE MOBILE subscribers, as well as the introduction of unbundled plans. Meanwhile, the decrease in Discount on ARPU was considerable due to the sale of smartphones via four-year installment payment contracts and the introduction of unbundled plans. As a result, Total ARPU, which is the net of ARPU before discount and Discount on ARPU, improved 120 yen.

Q3 I understand you did not revise your full fiscal year earnings forecast. What is your outlook for the competitive environment in 2H FY2019?

A3 Some forecasts cite a decline in handset sales from October 2019 in tandem with revisions to the Telecommunications Business Act. However, we believe that smartphone sales should continue to grow moving forward. One notable example is the solid trend in demand for the Smartphone Debut Plan, which is outperforming expectations. Subscriber numbers are expected to grow, mainly in the SoftBank and Y!mobile brands.

- Q4 How do you evaluate your price competitiveness regarding new entrant into the mobile communication business?
- A4 Rakuten Mobile, Inc. is going to announce new price plans. We plan to consider our prices while monitoring trends after their announcement
- Q5 At SoftBank World 2019, CTO Miyakawa said that you aim to have a 5G network in place by 2021. Do you think it is possible to achieve nationwide coverage in 18 months or so?
- A5 We believe that a lineup of major handsets will be available in the market by 2021. We estimate that by then more than 90% of the current 4G service area will have 5G coverage. Given the characteristics of the 5G spectrum we were allocated this time, we plan to build many small cells. We plan to achieve 90% coverage by FY2021.
- Q6 What are your plans for the SoftBank brand Half Price Support plan? If you terminate this plan, what type of discounts do you plan to offer in its place?
- A6 We plan to terminate the current Half Price Support plan, which requires customers to purchase a handset and service plan together, at the end of September 2019. We are considering ideas that would make it easier for consumers to purchase a handset in a fashion that would completely separate handset payments from service fees.
- Q7 Regarding the Ministry of Internal Affairs and Communications' request to limit cancellation fees to 1,000 yen, what is your opinion on the way this is being decided and what impact do you forecast?
- A7 I am not in a position to express an opinion on how this is being decided. As this could potentially mobilize customers, it would be an opportunity for us to skillfully leverage our three brands to secure customers from the competitors. As for handset sales going forward, I believe it is important to implement segmentation for marketing from low-end products all the way through high-end price range products.
- Q8 What is your sales plan for Huawei new model smartphones? Also, what is your outlook for the handling of Huawei-brand equipment used in base stations?
- A8 Sales were postponed but we are currently working toward the release of new models. It is our policy not to utilize Huawei products for our 5G network. We have started construction to replace the core network in the existing 4G network.