

CFO's Comments on DOCOMO's Results and the Medium-Term Management Plan



We are committed to reaching our medium-term target of operating income of ¥820.0 billion, and we are determined to achieve results that demonstrate DOCOMO's true strengths.

Hirotaka Sato

Executive Vice President
Chief Financial Officer
Managing Director of Accounts and Finance Department

Analysis of Results in Fiscal 2014 and Future Outlook

In fiscal 2014, operating revenues were down 1.7% year on year, to ¥4,383.4 billion, and operating income declined substantially, decreasing 22.0%, to ¥639.1 billion.

The principal factors for the decline in operating income were the new billing plan and the "Monthly Support" discount program*, which had adverse impacts of ¥107.0 billion and ¥117.0 billion, respectively. We did our utmost to offset these effects through cost-efficiency measures including the streamlining of capital expenditures, and as a result, the total amount of cost savings in fiscal 2014, in comparison with the previous fiscal year, exceeded the planned amount and reached ¥120.0 billion. However, this could not completely offset the lower revenues, and as a result, we recorded a decline in operating income. [See pages 60-61](#)

Moving forward, we expect to see improvement in the adverse impacts of the new billing plan and the "Monthly Support" discount program. The negative impact of the new billing plan already bottomed out in November 2014, and we will strive to make the plan's impact turn positive on a single-month basis in fiscal 2015. We also anticipate improvement in the impact of the "Monthly Support" discount program. Due to efforts to reduce handset prices and other initiatives, we expect the adverse impact of this program to grow at a more moderate rate from fiscal 2016.

* A service under which a portion of the cost of purchasing mobile phones, principally smartphones, is deducted from the monthly usage charges for up to 24 months. (See page 59)

Financial highlights of FY2014

(Billions of yen)

	FY2013	FY2014 plan	FY2014 results	YOY		vs. plan	
				Billions of yen	%	Billions of yen	%
Operating revenues	4,461.2	4,400.0	4,383.4	-77.8	-1.7	-16.6	-0.4
Operating expenses	3,642.0	3,770.0	3,744.3	102.3	2.8	-25.7	-0.7
Operating income	819.2	630.0	639.1	-180.1	-22.0	9.1	1.4
Net income attributable to NTT DOCOMO, INC.	464.7	420.0	410.1	-54.6	-11.8	-9.9	-2.4
Capital expenditures	703.1	690.0	661.8	-41.4	-5.9	-28.2	-4.1

Achieving Medium-Term Targets

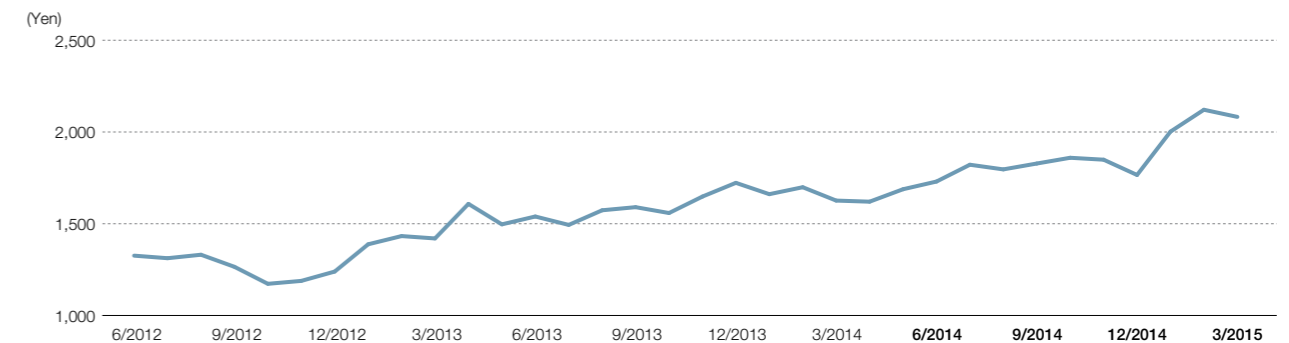
Looking at revenues, we will work to reduce the negative impact of the new billing plan, control the impact of the "Monthly Support" discount program by implementing handset streamlining and other initiatives to further reduce handset prices, and pursue strengthened competitiveness in the telecommunications business through "docomo Hikari" sales. In addition, along with our announcement of the profit target for the Smart life business and Other businesses segments, we will rigorously step up profit management on a service-by-service basis.

Looking at costs, we will continue to move forward with measures to improve cost efficiency, in order to achieve our medium-term target of "over ¥400.0 billion in cost efficiencies in fiscal 2017 in comparison with fiscal 2013." In capital expenditures, we have set a goal to control this

at under ¥650.0 billion a year. We see this figure as the minimum amount that we must achieve, and we will continue to search for additional cost efficiencies. Cost efficiencies generate profits, and working on cost efficiency measures presents us with an opportunity not only to expand those profits but also to reexamine operations that have become routine. We have fostered a sense of urgency among all of our employees, and that urgency is generating increases in productivity. The core of our financial strategy for achieving our medium-term targets is the rigorous implementation of the principle of controlling our expenses in accordance with our revenues.

Going forward, we will strive to increase the EBITDA margin and ROE by achieving more than ¥820.0 billion in operating income in fiscal 2017, a medium-term target.

Stock price changes on Tokyo Stock Exchange



Note: Stock prices take into account the stock split (1:100) conducted on October 1, 2013

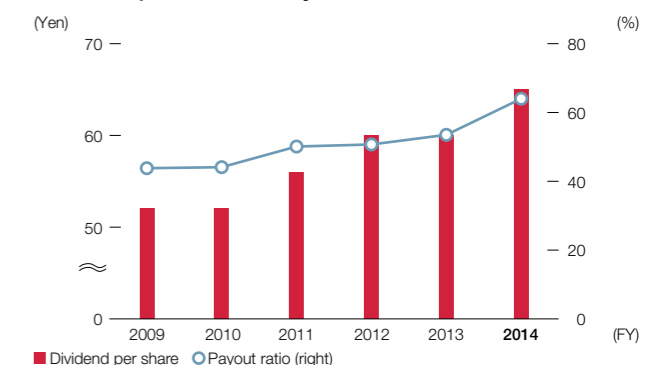
Strengthening Shareholder Return and Increasing Corporate Value

Despite our current unsatisfactory results, many people have high expectations for DOCOMO's future and continue to support the Company. To reward these supporters, our policy is to reinforce our shareholder return through increased dividends and share repurchases in the period through fiscal 2017. In accordance with this policy, for fiscal 2014, we paid dividends of ¥65 per share, an increase of ¥5 year on year, for a dividend payout ratio of 64.0%. At the same time, to further strengthen shareholder return and increase capital efficiency, we implemented a large-scale share repurchase totaling ¥473.0 billion. As a result, including both dividends and share repurchases, our total return ratio was 177.5%.

As CFO, I am determined to achieve a growth in earnings in fiscal 2015. Also, I will do my utmost to earn our shareholders'

recognition of the Company's commitment to change by making sure that we meet our medium-term targets.

Dividend per share* / Payout ratio



* Graph data takes into account the stock split (1:100) conducted on October 1, 2013.