
FY2017/1Q
Results Presentation

NTT
docomo

July 27, 2017

FY2017/1Q Results Highlights

Favorable progress toward full-year guidance

◆ Financial data		Year-on-year
➤ Operating revenues:	¥1,136.7 billion	(Up 2.5%)
➤ Operating income:	¥278.3 billion	(Down 7.0%)
➤ Operating FCF:	¥284.0 billion	(Down 10.1%)
EBITDA:	¥404.9 billion	(Down 1.9%)
Capital expenditures:	¥120.9 billion	(Up 24.5%)
◆ Operating income by segment		
➤ Telecommunications business:	¥241.4 billion	(Down 10.7%)
➤ Smart life business:	¥16.7 billion	(Down 3.1%)
➤ Other businesses:	¥20.2 billion	(Up 73.1%)

Selected Financial Data

U.S.
GAAP

(Billions of yen)	FY2016/1Q (1)	FY2017/1Q (2)	Changes (2) – (1)
Operating revenues	1,108.7	1,136.7	+28.0
Operating expenses	809.4	858.4	+49.0
Operating income	299.3	278.3	-21.0
(Excluding irregular factors ^{*1})	(274.3)	(269.3)	(-5.0)
Net income attributable to NTT DOCOMO, INC.	206.9	189.9	-16.9
Capital expenditures	97.1	120.9	+23.8
Adjusted free cash flow ^{*2}	34.9	86.0	+51.1

*1: The impact on operating income caused by the change in depreciation method, etc.

*2: Adjusted free cash flow is calculated excluding the effects of changes in investment derived from purchases, redemption at maturity and disposals of financial instruments held for cash management purposes with original maturities of longer than three months.

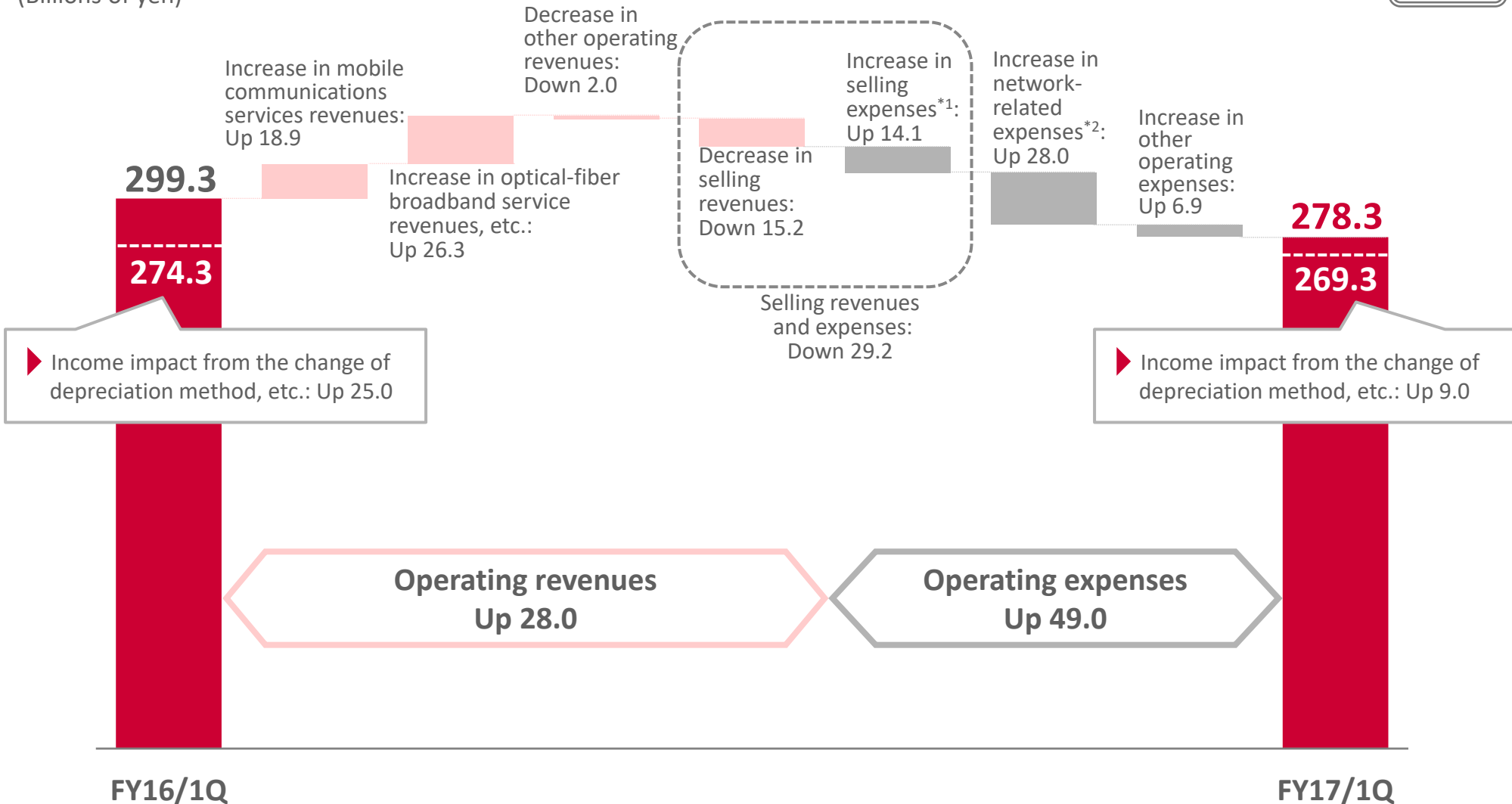
Results by Segment

(Billions of yen)		FY2016/1Q (1)	FY2017/1Q (2)	Changes (2) – (1)	
Telecommunications business	Operating revenues	894.9	924.3	+29.4	
	Operating income	270.4	241.4	-29.0	
Smart life business	Operating revenues	125.2	113.5	-11.7	
	Operating income	17.2	16.7	-0.5	
Other businesses	Operating revenues	94.8	106.6	+11.8	
	Operating income	11.7	20.2	+8.5	
<Ref.> Smart life business and Other businesses		Operating revenues	220.1	220.1	0
		Operating income	28.9	36.9	+8.0

Key Factors behind Changes in Operating Income

U.S. GAAP

(Billions of yen)



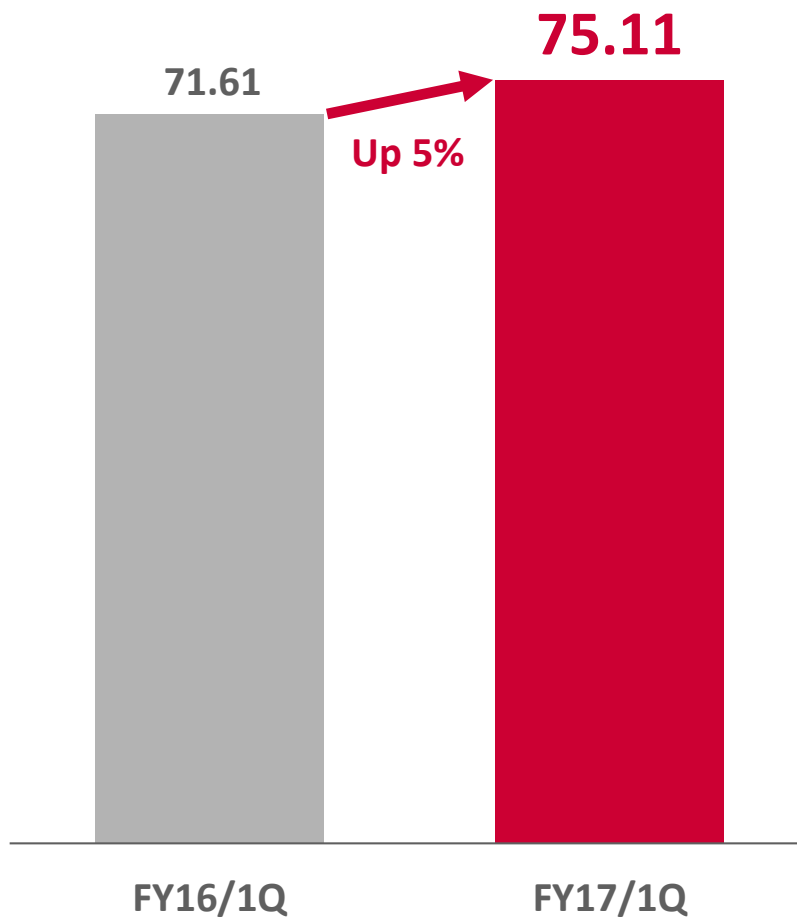
*1: Sum of cost of equipment sold and commissions to agent resellers

*2: Sum of depreciation/amortization, loss on disposal of property, plant and equipment and intangible assets, and communication network charges

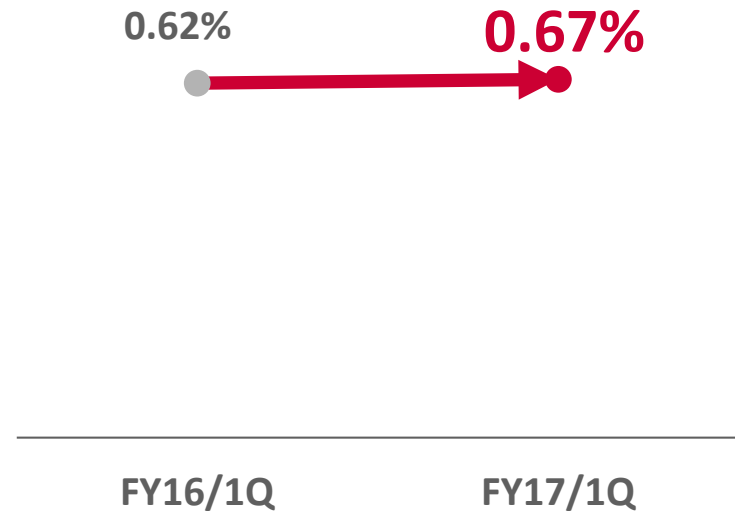
Operational Performance (1)

(Millions subs)

Mobile telecommunications service subscriptions



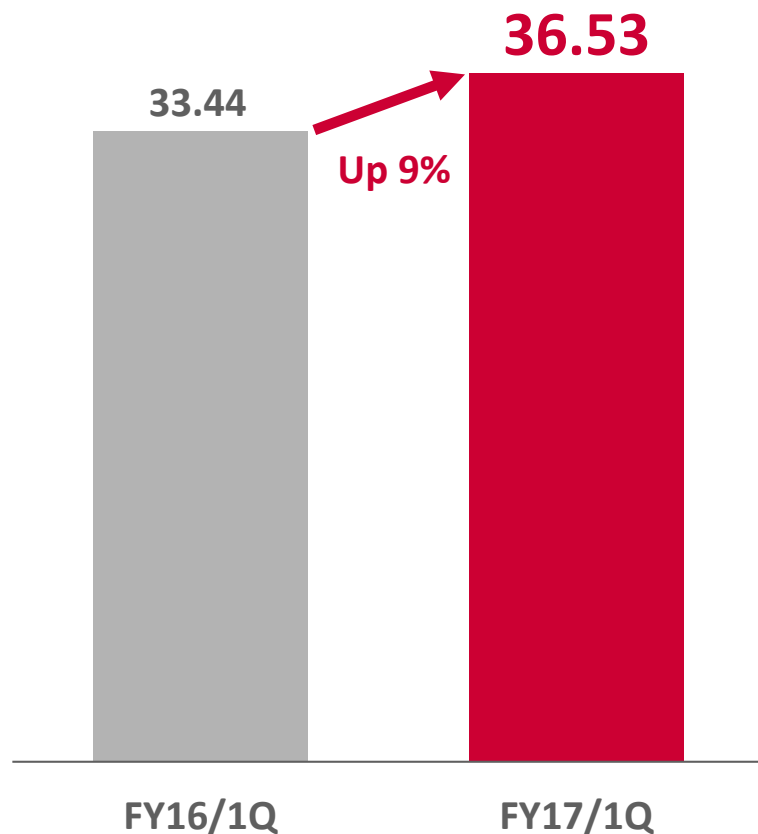
Churn rate



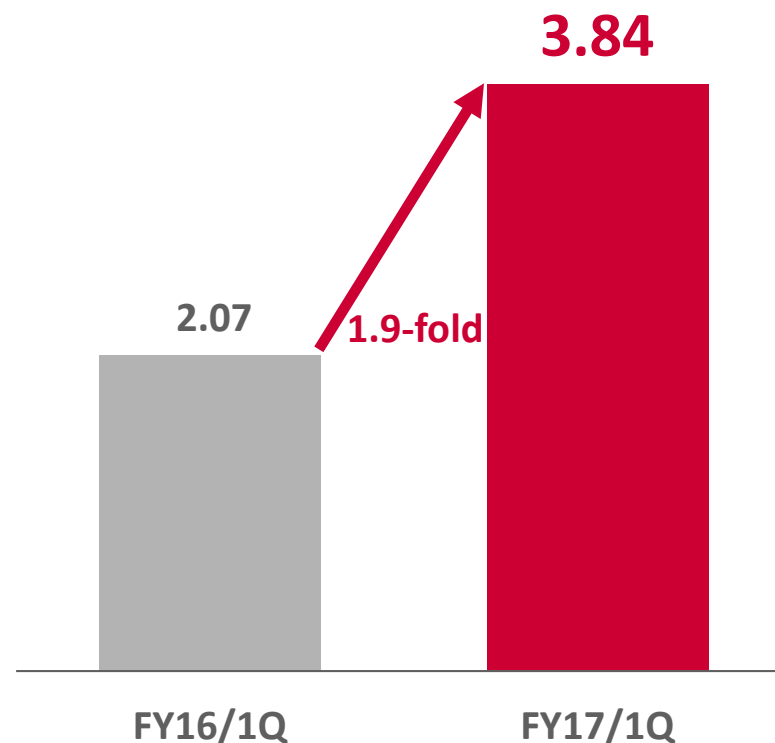
Operational Performance (2)

(Millions subs)

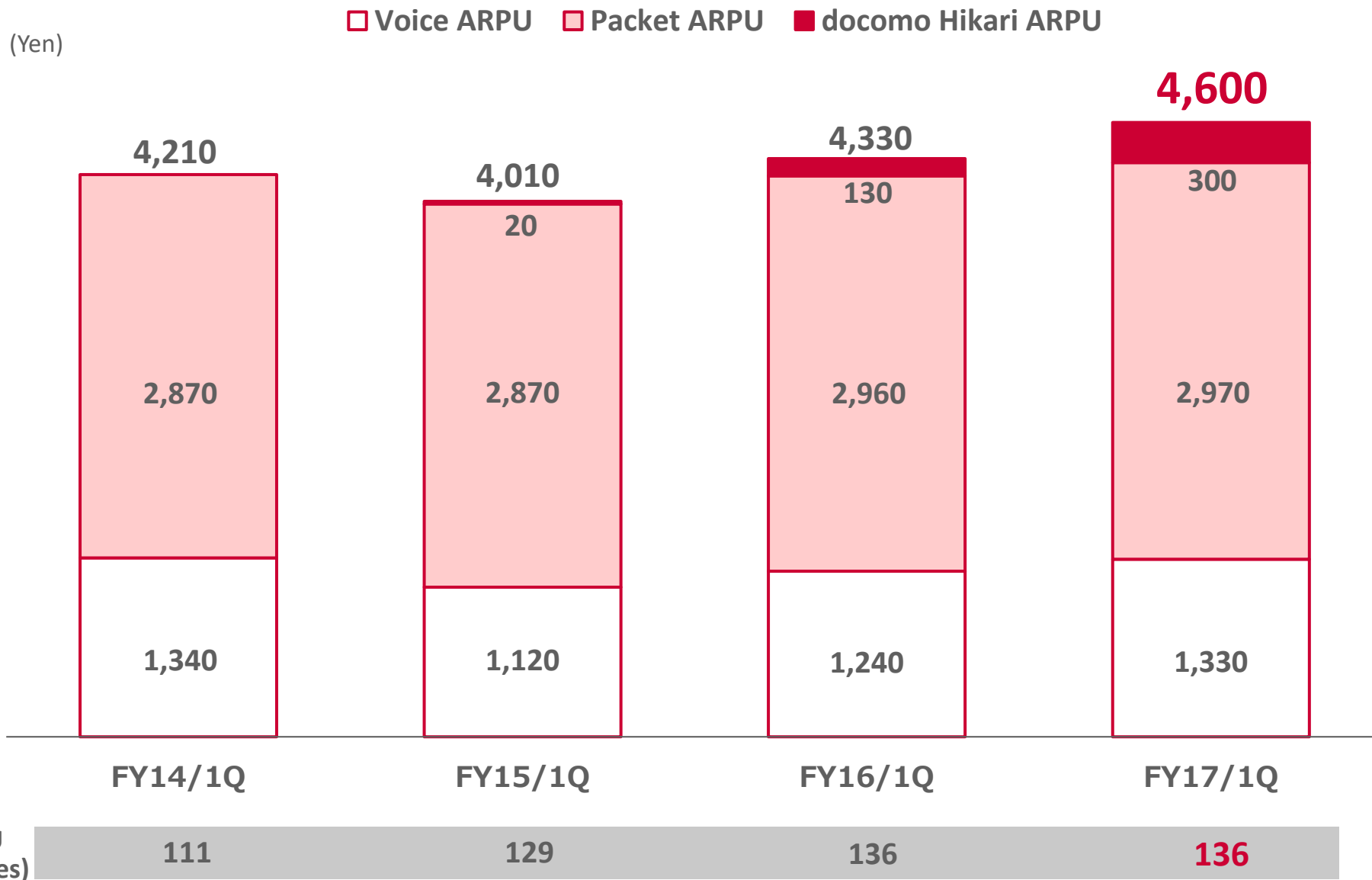
Total smartphone/ tablet users



“docomo Hikari” optical-fiber broadband subs

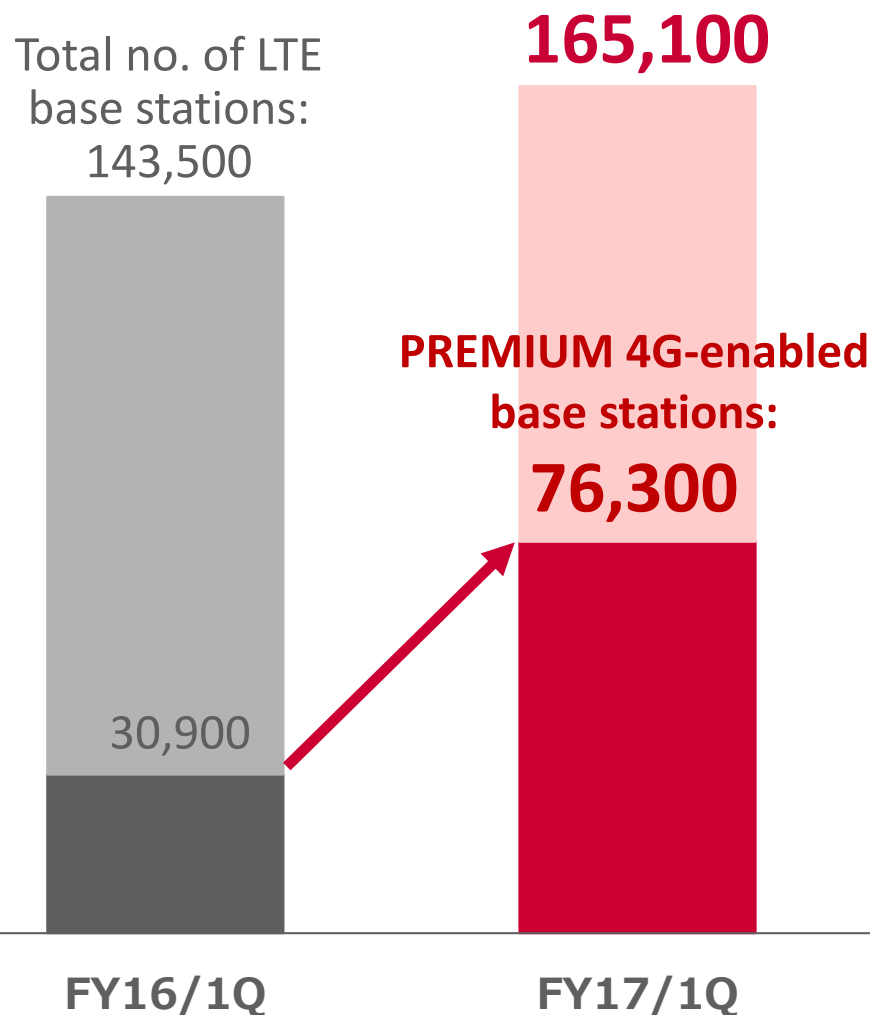


ARPU/MOU



◆ For an explanation on ARPU and MOU, please see the slide “Definition and Calculation Methods of ARPU and MOU” in this document.

LTE Network



PREMIUM 4G™

Japan's fastest **788Mbps** service to start in August 2017

Enhanced telecommunications environment at Mt. Fuji:

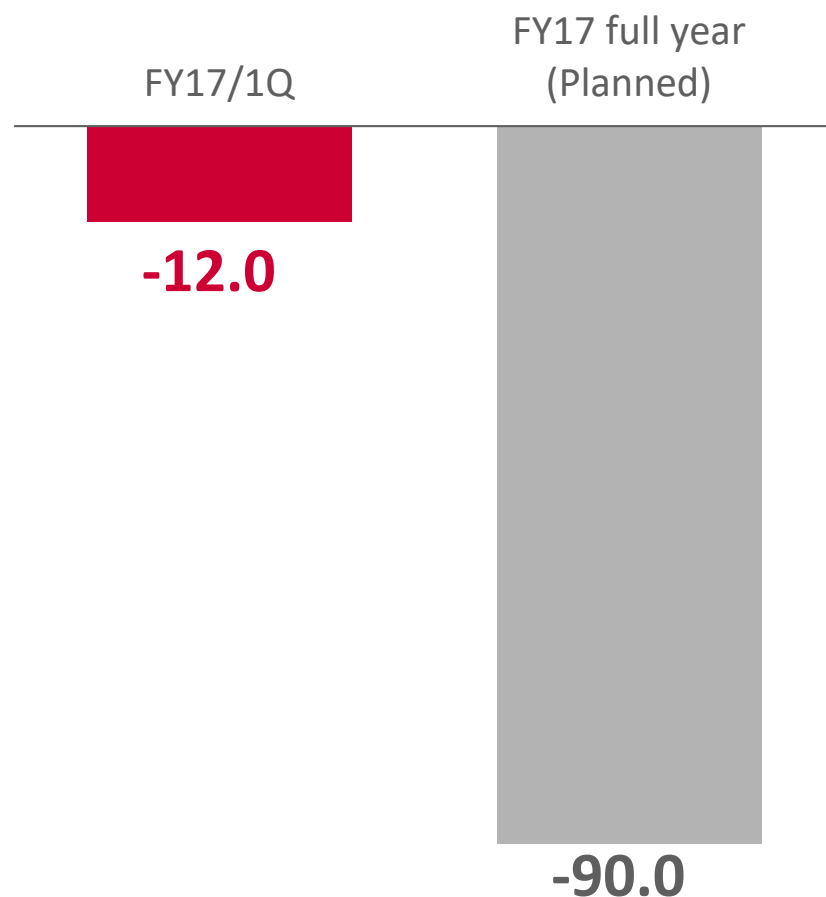
Started **682Mbps** service at the summit of Mt. Fuji

◆ The transmission speeds described herein are theoretical maximum downlink rates specified in the technical standard and the actual rate may vary depending on the propagation conditions, etc. The description "Japan's fastest" is as of June 30, 2017.
 ◆ Two frequency bands of 3.5GHz and 1.7GHz are used for the provision of 788 Mbps and 682Mbps services.

Cost Efficiency Improvement

Progressing steadily toward full-year target

(Billions of yen)



Focus areas:

【Network】

Capital expenditures, maintenance outsourcing cost, etc.

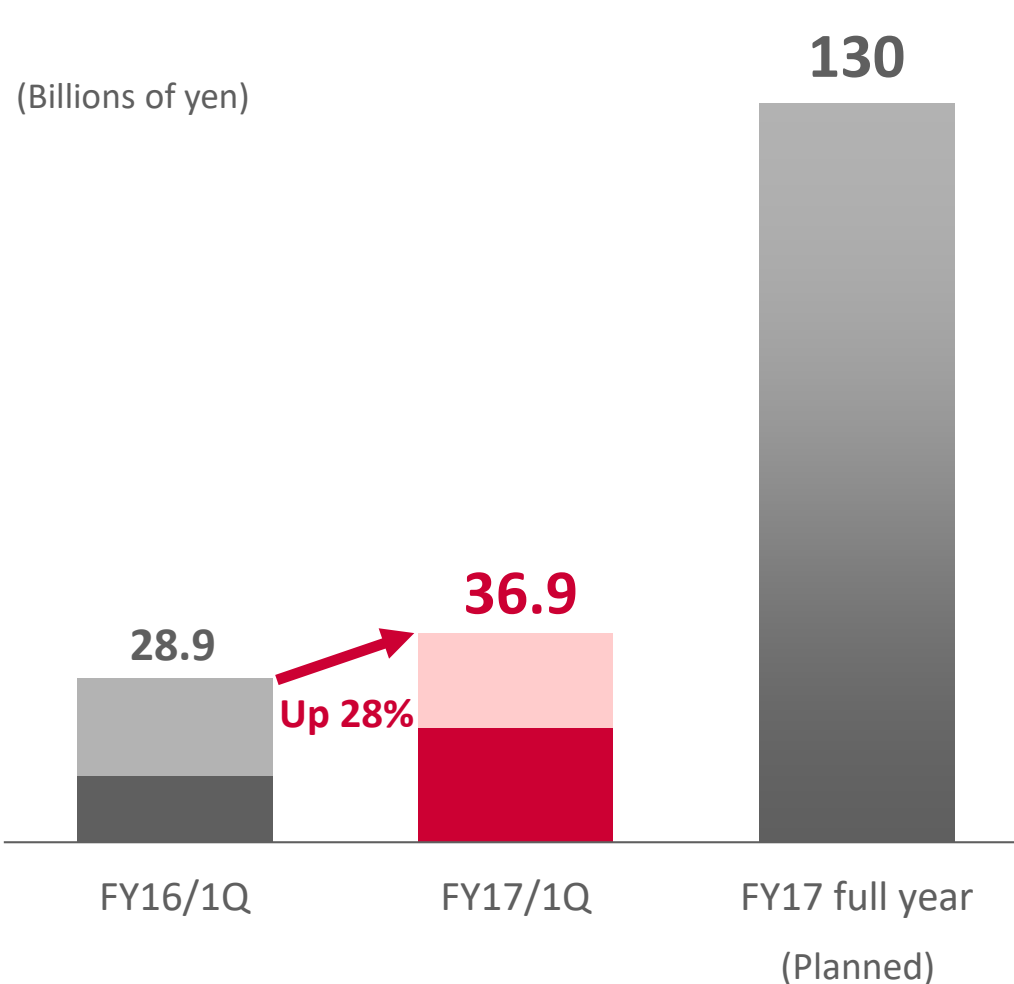
【Marketing】

Sales tools, handset repair, etc.

【Other】

R&D, information system, etc.

Smart Life Business & Other Businesses: Operating Income



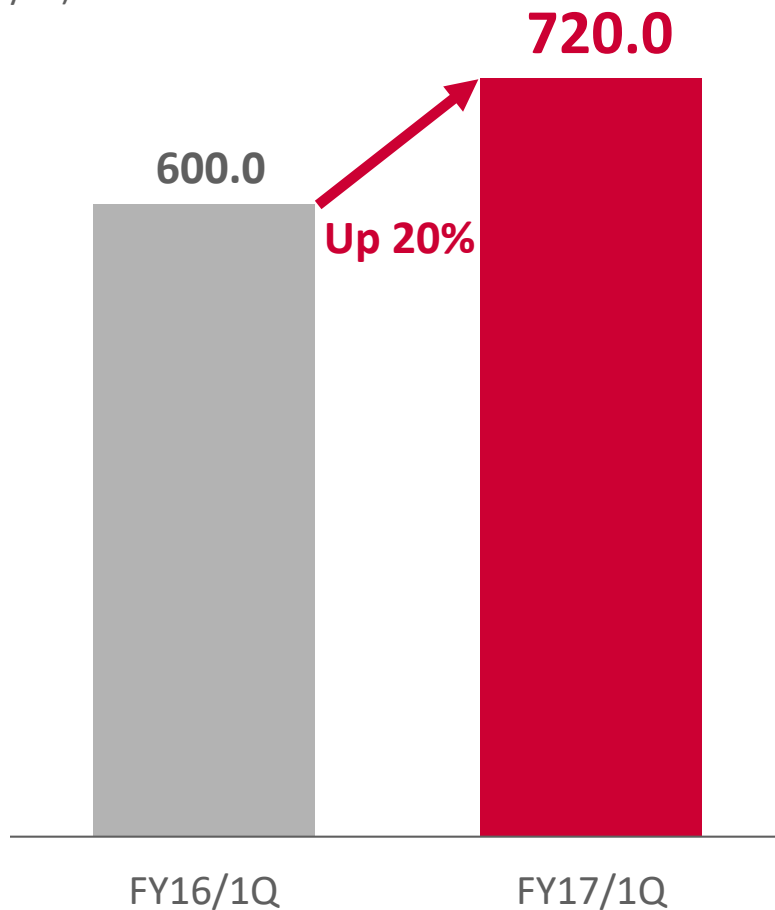
Principal services

- Smart life business
 - Content/Commerce
 - Finance/Payment
 - Lifestyle
- Other businesses
 - Enterprise solutions
 - Support services for customers' peace of mind

Finance/Payment Services

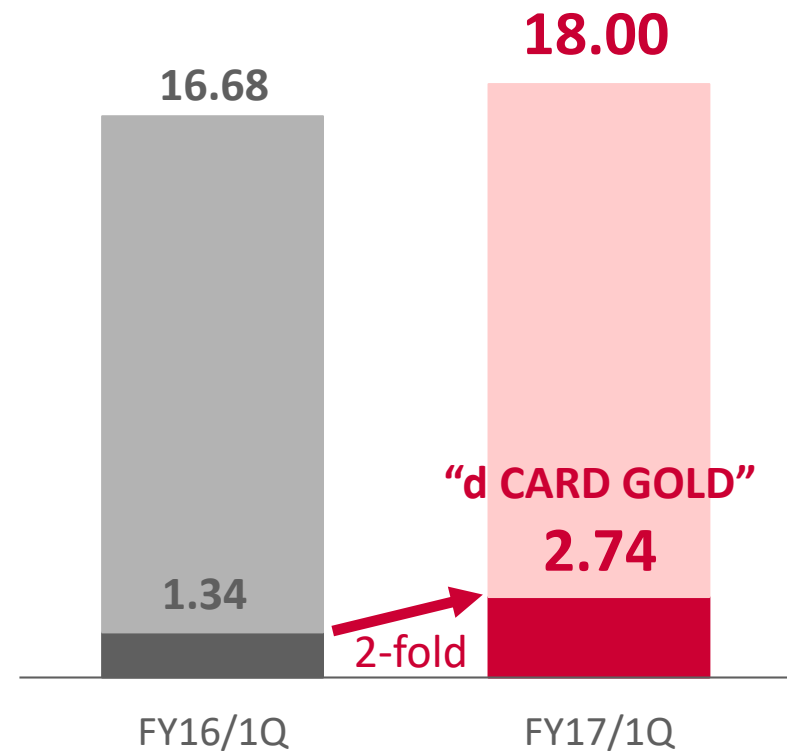
Transactions handled

(Billions of yen)



“d CARD”

(Million subs)



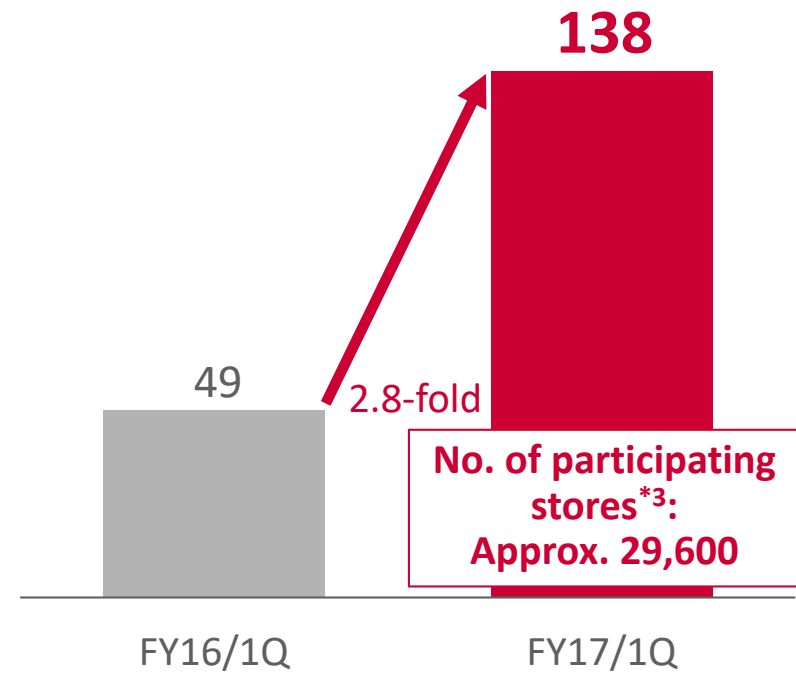
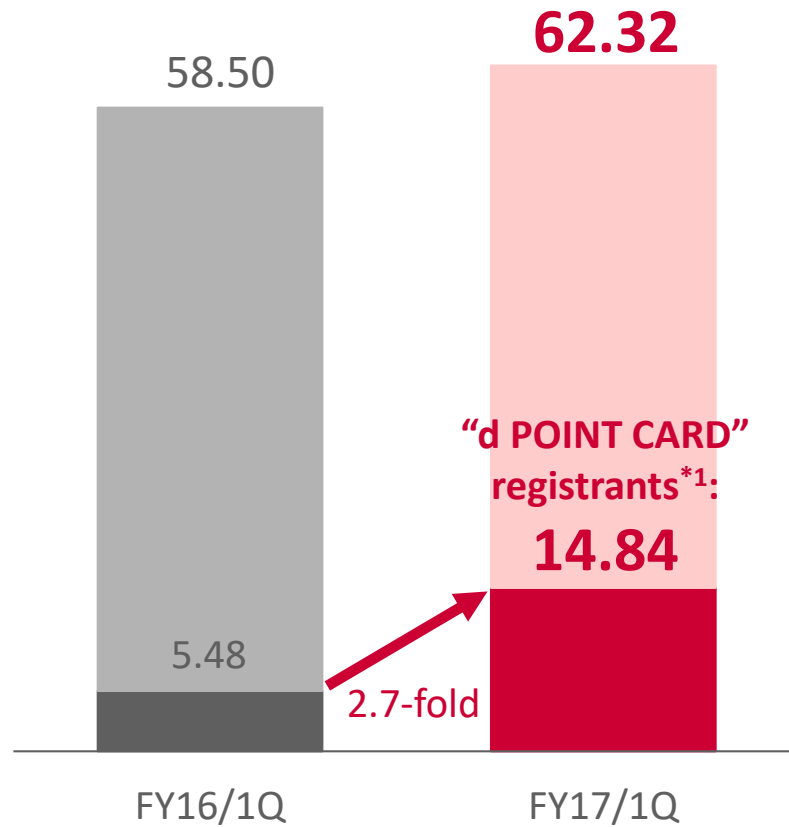
- ◆ The amount of transactions handled includes the transactions handled with “d CARD,” “d CARD mini,” “iD,” proxy bill collection service and “d Mobile Payment Plus” services, etc.
- ◆ The total “d CARD” subscriptions represent the combined subscriptions to “d CARD” and “d CARD mini.”

“d POINT”

“d POINT CLUB” members

“d POINT” partners*2·3

(Millions subs)



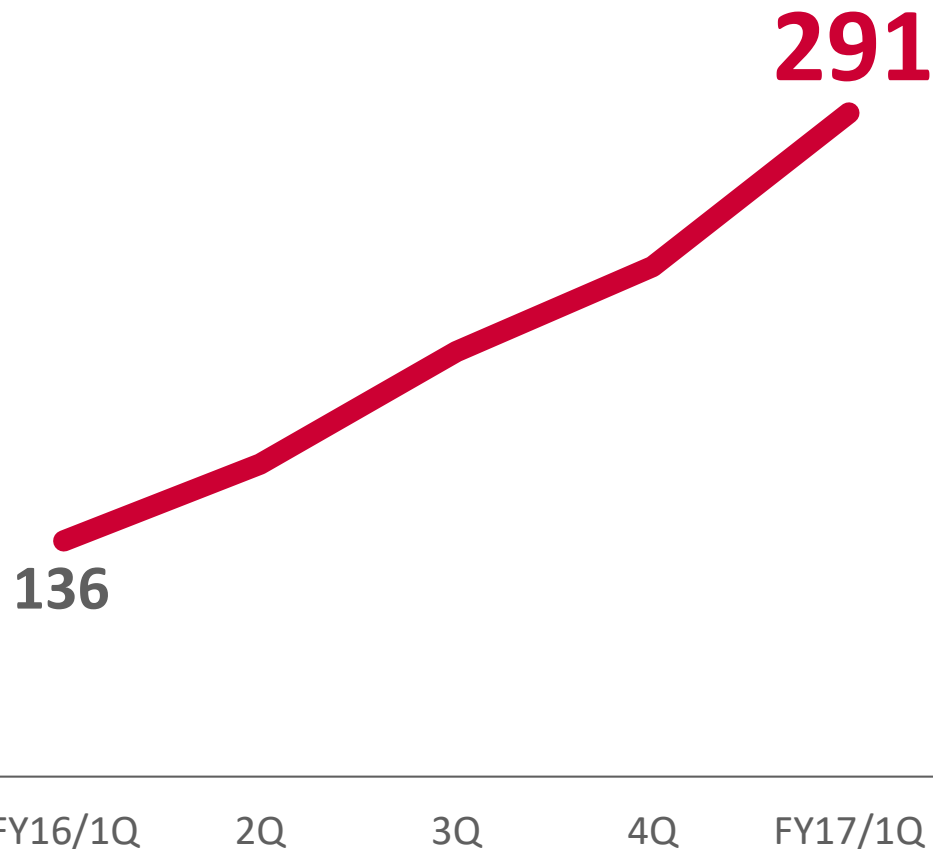
*1: The number of users who can earn and use “d POINTs” at participating stores by registering their personal information

*2: The total number of brands/sites where users can earn or use “d POINTs”

*3: Including stores where the service is planned to be introduced

Promotion of +d

No. of +d partners growing steadily



* No. of "+d" partners: The number of partners that have jointly created new value by integrating DOCOMO's business assets with their own assets

“Declaration beyond”: Actions Taken (1)

Declaration 1

Market leader

Increased customer returns

- **“Simple Plan”**

Started accepting applications from May 24, 2017

- **“docomo with”**

Started accepting applications from Jun 1, 2017

- **“Ultra Share Pack 30”**

Started accepting applications from May 24, 2017



“Declaration beyond”: Actions Taken (2)

Value & excitement to customers

Declaration 1

Market leader

Launch of “**docomo Smart Island Project**” (Phase 1)

Announced May 24, 2017
Started June 28, 2017

Roll out “d POINT” participating stores in Guam and start providing free access to DOCOMO PACIFIC Wi-Fi service via “d ACCOUNT” to expand our global service offerings

Declaration 1

Market leader

Provision of “**Japan Welcome SIM**”

Announced June 26, 2017
Started July 1, 2017

Provide great value prepaid SIM service at affordable rates to foreign travelers visiting Japan who have viewed advertisement videos, etc., prior to their arrival

Declaration 2

Style innovation

Declaration 6

Partner
business
expansion

Development of “**AI Agent API**”

Announced June 23, 2017
Planned to start releasing API from Aug. 2017

Promote “**docomo AI Agent Open Partner Initiative**” aimed at encouraging new service co-creation by making the API openly available



“Declaration beyond”: Actions Taken (3)

Value co-creation with partners

Declaration 4

Industry creation

Launch of “5G trial site”

Started May 22, 2017

Jointly create with partners advanced examples of new services & content that take advantage of the unique properties of 5G and provide an opportunity to have people experience them in person

HERE COMES

»5G

JAPAN 2020

Declaration 5

Solution co-creation

Joint planning & operation of “LANDLOG”

Announced July 19, 2017
Planned to start Oct. 2017

A new platform that connects every “thing” relevant to the production process in construction business

Declaration 2

Style innovation

Declaration 4

Industry creation

Declaration 5

Solution co-creation

Establishment of “DOCOMO Innovation Fund II, L.P.”

Announced July 27, 2017

Provide support and strengthen collaboration with ventures that own innovative technologies or novel business models, thereby realizing “Declaration beyond”



FY2017/1Q Summary

- ▶ Recorded ¥278.3 billion in operating income, making favorable progress toward full-year guidance.
- ▶ Continued aggressive customer returns while successfully reducing “Monthly Support” discounts and increasing “docomo Hikari” optical-fiber broadband subscriptions, which resulted in ARPU growth.
- ▶ Made further advancements to our “PREMIUM 4G” service in view of the future 5G era. Japan’s fastest 788Mbps service to start in August 2017.
- ▶ Continued cost efficiency improvements, making tangible progress toward full-year guidance.
- ▶ FY2017/1Q operating income from Smart life business and Other businesses: ¥36.9 billion, making steadfast progress toward full-year guidance.
- ▶ No. of +d partners increased to 291. Accelerated actions toward the delivery of Medium-Term Strategy 2020 “Declaration beyond”.

The new of today, the norm of tomorrow

NTT
docomo



Anniversary

Appendices

Services, etc., Included in Each Reportable Segment

Telecommunications business

Mobile communications services

- Xi services (LTE) • FOMA services (3G) • International services • Sales of handset/equipment for each service, etc.
-

Optical fiber broadband service and other telecommunications services

- Optical-fiber broadband services • Satellite communications services etc.

Smart life business

Content/Commerce services

- “dTV” “d hits” “d magazine” “d shopping” “d travel” • “DAZN for docomo” • Tower Records Japan Inc. etc.
-

Finance/Payment services

- “d CARD” “d CARD mini” “iD” • Proxy bill collection • “d Mobile Payment Plus” etc.
-

Lifestyle services

- “d healthcare pack” “d gourmet” • “Photo Collection +” • OAK LAWN MARKETING, INC. • ABC Cooking Studio Co.,Ltd. etc.

Other businesses

Enterprise solutions

- Enterprise IoT solutions • System development/sales/maintenance services etc.
-

Support services for customers’ peace of mind

- “Mobile Device Protection Service” • “Anshin Remote Support” etc.

Definition and Calculation Methods of ARPU and MOU

i. Definition of ARPU and MOU

a. ARPU (Average monthly Revenue Per Unit):

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to designated services on a per user basis. ARPU is calculated by dividing telecommunications services revenues (excluding certain revenues) by the number of active users of our wireless services in the relevant periods, as shown below “ARPU Calculation Method.” We believe that our ARPU figures provide useful information to analyze the average usage per user and the impacts of changes in our billing arrangements. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations.

b. MOU (Minutes of Use):

Average monthly communication time per user.

ii. ARPU Calculation Methods

Aggregate ARPU = Voice ARPU + Packet ARPU + “docomo Hikari” ARPU

- Voice ARPU : $\frac{\text{Voice ARPU Related Revenues (basic monthly charges, voice communication charges)}}{\text{No. of active users}}$

- Packet ARPU : $\frac{\text{Packet ARPU Related Revenues (basic monthly charges, packet communication charges)}}{\text{No. of active users}}$

- “docomo Hikari” ARPU : $\frac{\text{“docomo Hikari”-related revenues (basic monthly charges, voice communication charges)}}{\text{No. of active users}}$

- In addition, the sum of Packet ARPU and “docomo Hikari” ARPU is referred to as Data ARPU.

iii. Active Users Calculation Method

Sum of No. of active users for each month $((\text{No. of users at the end of previous month} + \text{No. of users at the end of current month}) / 2)$ during the relevant period

Note:

- The number of “users” used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:
 - Subscriptions of communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver” and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs); and
 - Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for “Xi” or “FOMA” services in his/her name.
- Revenues from communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver” and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs) are not included in the ARPU calculation.

◆ ARPU and MOU calculation method were changed beginning with the results presentation for the first three months of the fiscal year ended March 31, 2016. Conventional ARPU calculation method is as below:
ARPU(conventional calculation): $(\text{Voice revenues} + \text{Packet revenues} + \text{Revenues accounted for in Smart ARPU}) / \text{No. of subscriptions after subtracting communication modules and MVNO subscriptions, etc.}$

Special Note Regarding Forward-Looking Statements

This presentation contains forward-looking statements such as forecasts of results of operations, management strategies, objectives and plans, forecasts of operational data such as the expected number of subscriptions, and the expected dividend payments. All forward-looking statements that are not historical facts are based on management's current plans, expectations, assumptions and estimates based on the information currently available. Some of the projected numbers in this presentation were derived using certain assumptions that were indispensable for making such projections in addition to historical facts. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. Potential risks and uncertainties include, without limitation, the following:

- (1) Changes in the market environment in the telecommunications industry, such as intensifying competition from other businesses or other technologies caused by Mobile Number Portability, development of appealing new handsets, new market entrants, mergers among other service providers and other factors, or the expansion of the areas of competition and an increase in mobile communications operators entering into and collaborating with other industries could limit the acquisition of new subscriptions and retention of existing subscriptions by our corporate group, or it may lead to ARPU diminishing at a greater than expected rate, an increase in our costs, or an inability to optimize costs as expected.
- (2) If current and new services, usage patterns, and sales schemes proposed and introduced by our corporate group cannot be developed as planned, or if unanticipated expenses arise the financial condition of our corporate group could be affected and our growth could be limited.
- (3) The introduction or change of various laws or regulations inside and outside of Japan, or the application of such laws and regulations to our corporate group, could restrict our business operations, which may adversely affect our financial condition and results of operations.
- (4) Limitations in the amount of frequency spectrum or facilities made available to us could negatively affect our ability to maintain and improve our service quality and level of customer satisfaction and could increase our costs.
- (5) Other mobile service providers in the world may not adopt the technologies and the frequency bands that are compatible with those used by our corporate group's mobile communications system on a continuing basis, which could affect our ability to sufficiently offer international services.
- (6) Our domestic and international investments, alliances and collaborations, as well as investments in new business fields, may not produce the returns or provide the opportunities we expect.
- (7) Malfunctions, defects or imperfections in our products and services or those of other parties may give rise to problems.
- (8) Social problems that could be caused by misuse or misunderstanding of our products and services may adversely affect our credibility or corporate image.
- (9) Inadequate handling of confidential business information including personal information by our corporate group, contractors and others may adversely affect our credibility or corporate image.
- (10) Owners of intellectual property rights that are essential for our business execution may not grant us a license or other use of such intellectual property rights, which may result in our inability to offer certain technologies, products and/or services, and our corporate group may also be held liable for damage compensation if we infringe the intellectual property rights of others. In addition, the illicit use by a third party of the intellectual property rights owned by our corporate group could reduce our license revenues actually obtained and may inhibit our competitive superiority.
- (11) Events and incidents caused by natural disasters, social infrastructure paralysis such as power shortages, the proliferation of harmful substances, terror or other destructive acts, the malfunctioning of equipment, software bugs, deliberate incidents induced by computer viruses, cyber-attacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks, distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.
- (12) Concerns about adverse health effects arising from wireless telecommunications may spread and consequently adversely affect our financial condition and results of operations.
- (13) Our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), could exercise influence that may not be in the interests of our other shareholders.