
FY2018/1Q

Results Presentation

NTT
docomo
August 2, 2018

Before explaining the results of Q1 of fiscal year ending in March 2019, I would like to express our sincerest condolences for the deceased in the heavy rain in July 2018, and our deepest sympathy for the people who are affected by the disaster.

DOCOMO has been trying its utmost in recovering the communication lines and supporting the affected areas.

Though in the Chugoku and Shikoku areas there were some difficulty in mobile connectivity, it has already recovered.

We wish the quickest and earliest recovery of the affected areas.

Now, we would like to present the financial results of the First Quarter of the Fiscal Year ending in March 2019.

FY2018/1Q Results Highlights



IFRS

YOY increase in both operating revenues/profit

(Billions of yen)	FY2017/1Q (1)	FY2018/1Q (2)	Changes (2) - (1)	Changes (%)
Operating revenues	1,133.7	1,176.7	+43.0	+3.8%
Operating profit	282.1	309.9	+27.8	+9.9%
Profit attributable to shareholders of NTT DOCOMO, INC.	199.9	218.3	+18.5	+9.2%
Adjusted free cash flow	86.5	47.2	-39.3	-45.4%
Operating FCF	286.5	304.3	+17.8	+6.2%
EBITDA	408.8	429.3	+20.4	+5.0%
Capital expenditures	122.3	124.9	+2.6	+2.1%

◆ Consolidated financial statements in this document are unaudited
 ◆ 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
 ◆ Operating FCF = EBITDA - capital expenditures

1

Here are the Q1 results highlights.

We have changed the accounting standard to IFRS from this time.

Operating revenues increased by ¥43 billion over the same quarter in previous fiscal year to ¥1 trillion 176.7 billion.

Operating profit grew by ¥27.8 billion to ¥309.9 billion.

We thus recorded an increase in both revenues and profit.

Also, the net profit attributable to our shareholders has increased by ¥18.5 billion to ¥218.3 billion.

Free cash flow has posted a decrease of ¥39.3 billion to ¥47.2 billion, due to an increase in corporate tax, etc.

Operating FCF increased by ¥17.8 billion to ¥304.3 billion.

Results by Segment

IFRS

(Billions of yen)		FY2017/1Q (1)	FY2018/1Q (2)	Changes (2)-(1)
Telecommunications business	Operating revenues	923.3	963.6	+40.3
	Operating profit	245.1	266.6	+21.6
Smart life business	Operating revenues	109.7	109.7	-0.1
	Operating profit	16.4	19.1	+2.7
Other businesses	Operating revenues	105.9	109.1	+3.1
	Operating profit	20.6	24.1	+3.6
<Ref.> Smart life business and Other businesses		215.7	218.7	+3.0
		37.0	43.3	+6.3

2

Here are the results by segment.

In *telecommunications business*, operating revenues grew by ¥40.3 billion, operating profit grew by ¥21.6 billion.

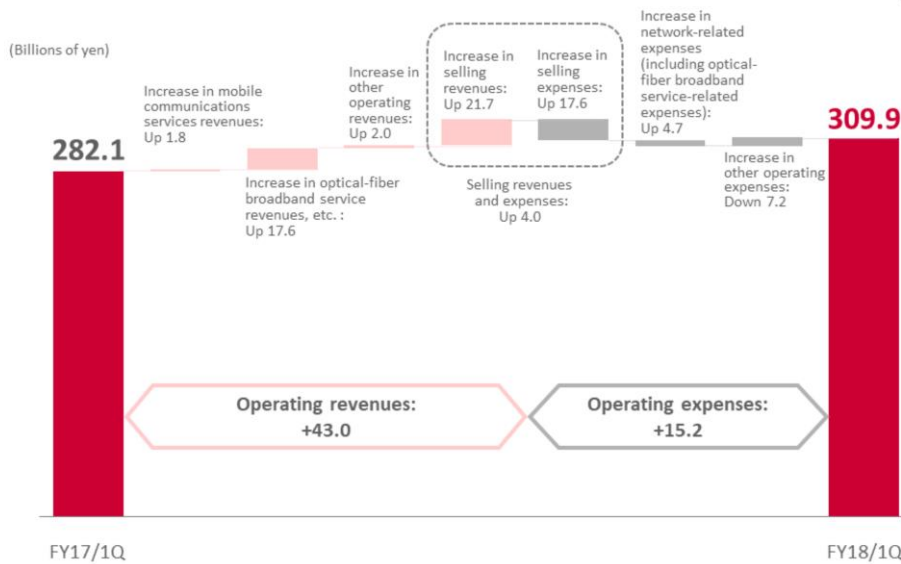
As for *smart life domain*, which is a total of *smart life business* and *other businesses*, operating revenues increased by ¥3 billion, operating profit grew by ¥6.3 billion, both recording growth.

Operating revenues recording a slight decrease due to the impact of the sale of *Radish Boya*, a subsidiary, in February, 2018.

Key Factors behind Changes in Operating Profit

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IFRS



◆ Selling expenses represent the sum of cost of equipment sold and commissions to agent resellers
 ◆ Network-related expenses represent the sum of depreciation/amortization, loss on disposal of property, plant and equipment and intangible assets, and communication network charges

3

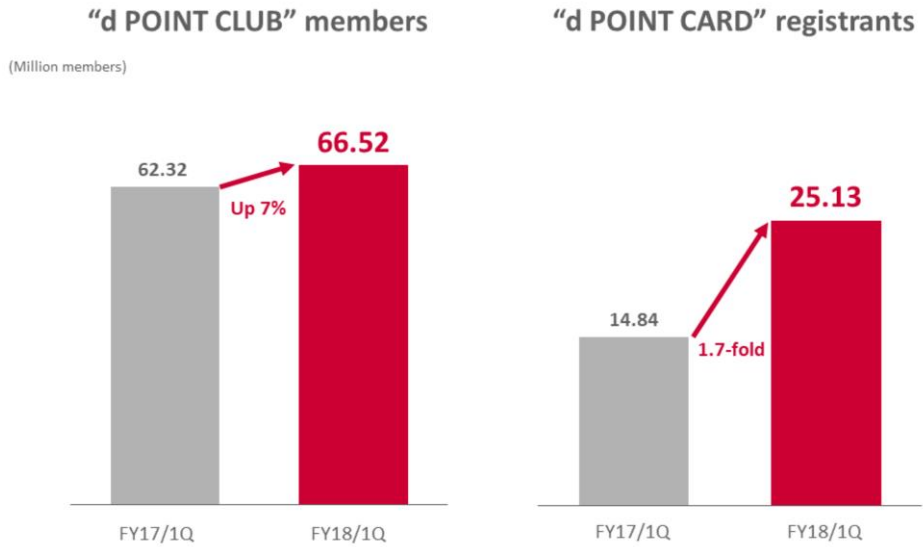
This explains the key factors behind the year-on-year change on operating profit.

Operating revenues grew by ¥43 billion. The key factors behind this include an increase in mobile telecommunications service revenues of ¥1.8 billion, an increase in optical fiber broadband service of ¥17.6 billion, and an increase in other sales revenues of ¥2 billion.

Operating expenses increased by ¥15.2 billion.

As a result of the foregoing, operating profit posed an increase of ¥27.8 to ¥309.9 billion.

“d POINT CLUB” Members



* “d POINT CARD” registrants indicate the number of users who can earn and use “dPOINTS” at participating stores by registering their personal information

On d POINT club members:

In the fiscal year 2018 we endeavor to expand our customer base through *membership*, and the number of d Point club members reached 66.52 million at the end of June.

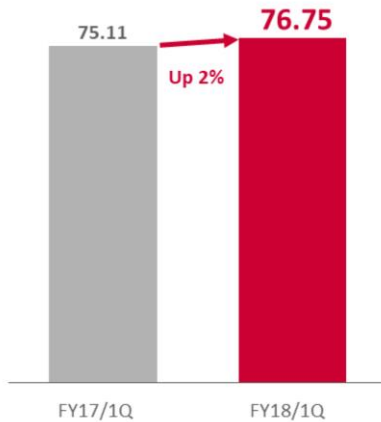
Within it, the number of d Point card registered that can be used in merchants in town, has recorded an 1.7 times increase, reaching 25.13 million.

Telecommunications Business Operational Performance (1)

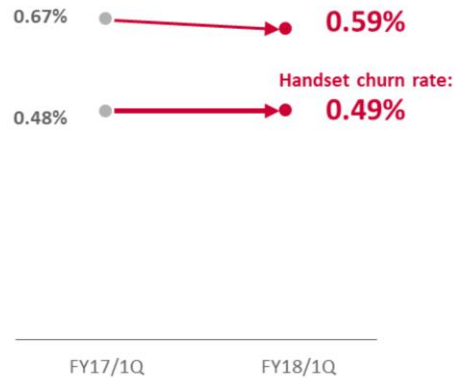


Mobile telecommunications service subscriptions

(Millions subs)



Churn rate



◆ Handset churn rate indicates the combined churn rate for smartphones and feature phones

5

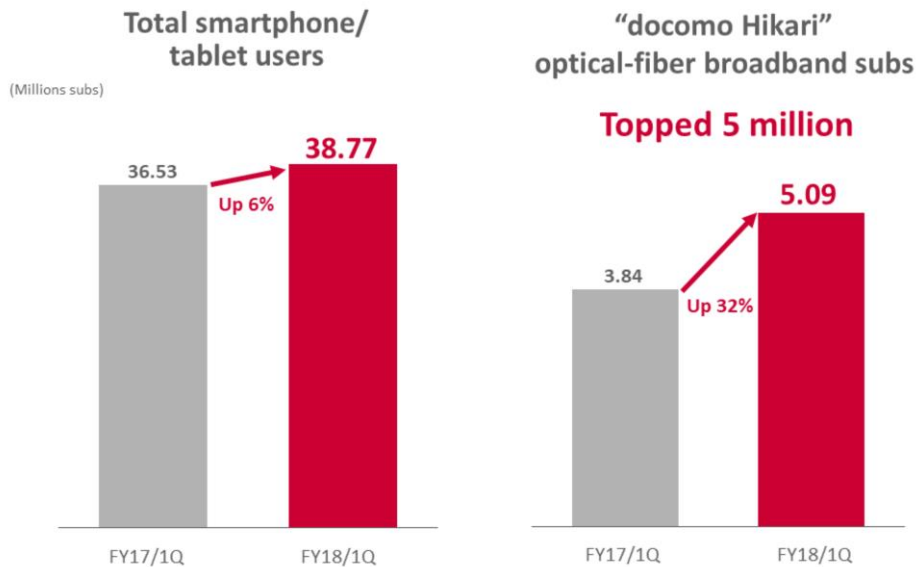
Operational performance of telecommunications business:

Our total mobile telecommunications service subscription increased by 2% to 76.75 million. Churn rate was 0.59%, and handset churn rate was 0.49%.

We will continually strive to curb churns by stepping up our customer returns and other measures.

Telecommunications Business Operational Performance (2)

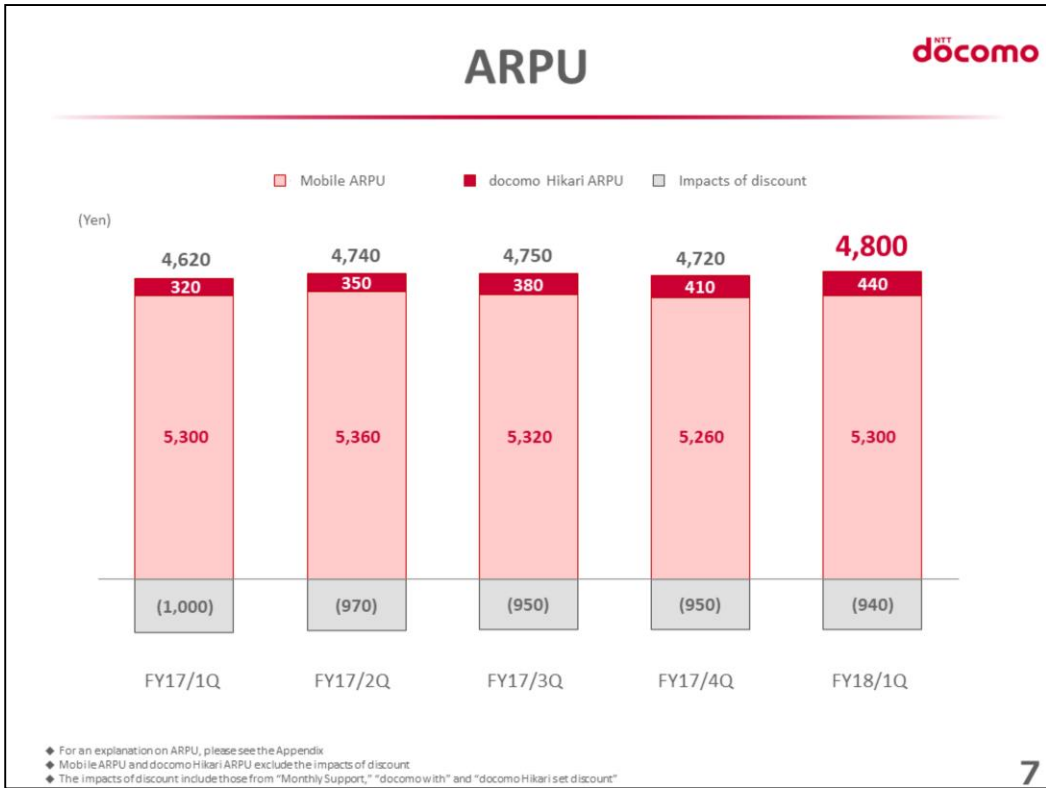
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6

The total number of smartphones and tablet users increased 6% to 38.77 million. We will continue to promote migration from feature phones to smartphones, and tablet sales.

It is worth mentioning that among the total smartphone/tablet users and feature phone users, already over two-thirds are using smartphone/tablets. The total number of *docomo Hikari* optical fiber broadband service subscriptions topped 5 million on June 3, reaching 5.09 million, a 32% increase.



The ARPU trends:

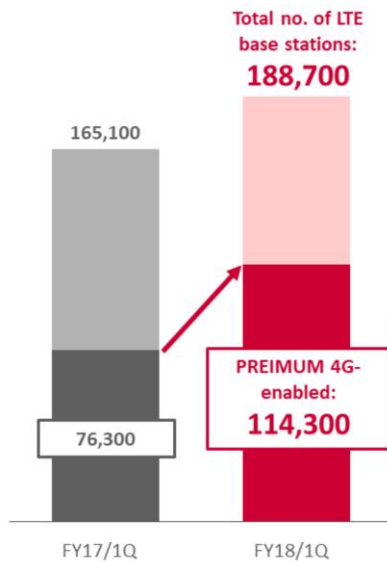
From this report, voice ARPU and packet ARPU are combined to mobile ARPU. Further, we have changed to list the discounts applied, and also from comparing the same periods in the past 3 years to comparing with quarters of the past one year.

Overall ARPU in the first quarter, including the impact of the discounts such as Monthly Support, had an increase of ¥80 to ¥4,800 compared with the pervious quarter.

While we maintain proactive customer returns, ARPU is steadily increasing, due to a decrease of Monthly Support, and an increase of *docomo Hikari* subscriptions.

Network

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PREMIUM 4G™

Mobile transmission speed
approaching “Gigabit age”

Japan’s fastest 988Mbps service

Service at Mt. Fuji summit started on Jul. 17

◆ The transmission speed described herein is the theoretical maximum downlink rate 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 Jun. 30, 2018
◆ Two frequency bands of 3.5GHz and 1.7GHz are used for the provision of 988 Mbps service

8

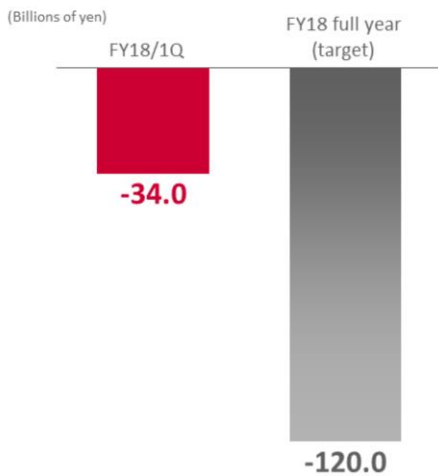
Some comments about the network:

The total number of LTE base stations is 188,700, of which PREMIUM 4G-enabled stations accounted for 114,300.

We also commenced provision of 988Mbps, fastest down-link throughput in Japan from May, and we started providing the service on top of Mt. Fuji on July 17.

We will continue to enhance our network even further, looking towards the introduction of 5G.

Cost Efficiency Improvement



Focus areas

- ◆ **Network**
Outsourcing cost, improved investment efficiency, etc.
- ◆ **Marketing**
After-sales support, sales promotion measures, etc.
- ◆ **Other**
R&D, information systems, etc.

◆ The numbers above are the amount of cost reduction compared to FY2017

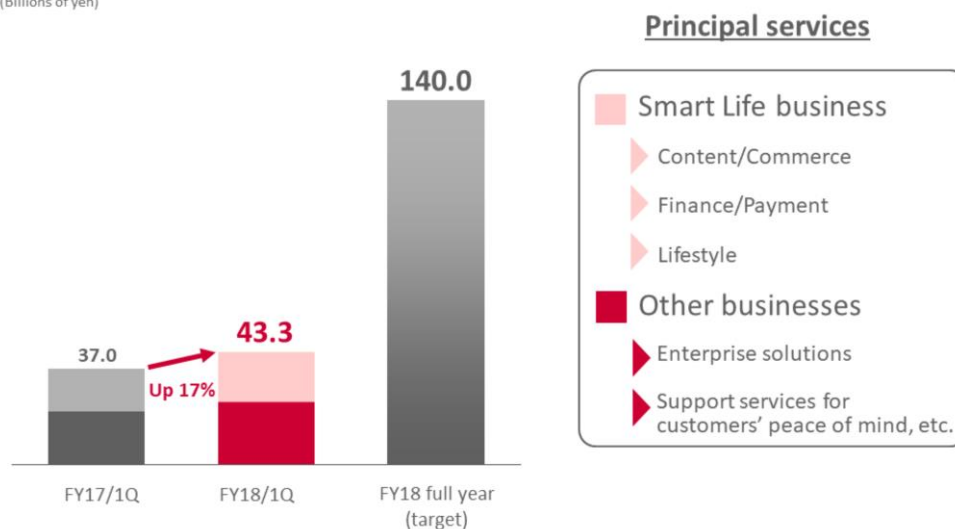
About cost efficiency improvement.

We achieved cost efficiency improvement totaling ¥34 billion in Q1.

We are making a steady progress toward achieving the full year target of ¥120 billion.

Smart Life Business & Other Businesses: ^{INT}docomo Operating Profit

(Billions of yen)



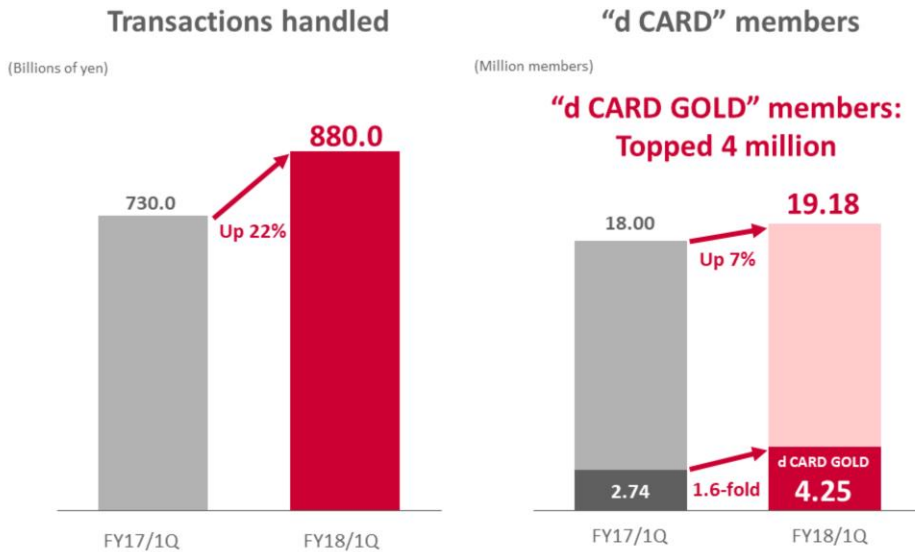
10

Operating profit from smart life domain:

In Q1 it increased 17% year-on-year to ¥43.3 billion.

We are making a steady progress toward achieving the full-year guidance of ¥140 billion. The major components contributing to this operating profit of ¥43.3 billion include: Support services for customers' peace of mind, e.g. the Mobile Device Protection Service, which accounted for approx. 40%; Content/Commerce services such as *dTV* and *DAZN for docomo* which accounted for some 20%; and Finance/Payment service, e.g. *d Card* and *d Payment*, which accounted for roughly 20%.

Finance/Payment Services



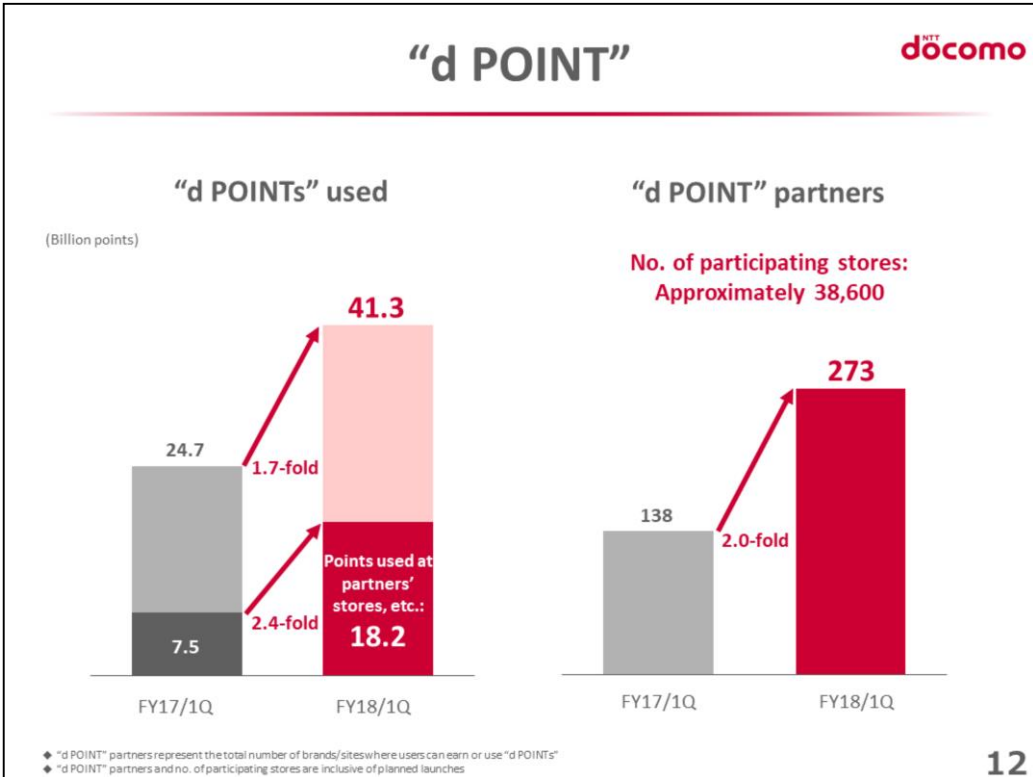
◆ The amount of transactions handled includes the transactions handled with "d CARD," "d CARD mini," "iD," proxy bill collection and "d Payment" services, etc.
◆ The total "d CARD" members represent the combined members of "d CARD" and "d CARD mini"

On Finance/Payment services:

The total amount of transactions handled increased 22% year-on-year to ¥880 billion. The number of *d CARD* members is 19.18 million, of which *d CARD Gold* members increased 1.6 times to 4.25 million.

As the number *d CARD* members increases, the amount of transaction in our Finance/Payment service is steadily increasing.

“d POINT”



About the *d POINT* program:

This time we newly disclose the use of d POINT – 1.7 times year-on-year to 413 billion points. Within that, the use of d POINTs at partners accounts for 2.4 times at 18.2 billion points. The number of brands and sites where users can earn or use d POINTs has increased two fold to 273, and the number of participating stores has expanded to around 38,600 shops.

Going forward, we will proactively seek initiatives to make our point program attractive and convenient for d POINT club members and partners.

Promotion of +d

No. of +d partners growing steadily



Partnership for connected cars

Announced Apr. 12



Expansion of "d Payment" partners

Announced Apr. 19



Community development leveraging ICT

Announced May 10



Maebashi City

Agreement for collaboration in 6 areas, e.g., industrial promotion

Announced May 23



Osaka Prefectural Government

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

Further pursuit of +d:

+d partners continues to expand.
The number of partners has reached 553.

Going forward, we will accelerate endeavors to co-create through +d initiatives with our partners.

Medium-Term Strategy

“Declaration beyond”: Actions Taken (1)

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Value & excitement to customers

To start Sep. 1

Declaration 1
Market leader

Provision of “docomo Hikari Renewal Loyalty Points”

To be launched in September in light of the growth of “docomo Hikari” subscriptions to over 5 million.

Started May 30

Declaration 2
Style innovation

Delivery of optimal information/services through “my daiz”

Achieved 3.5 million downloads (as of Jul. 26).

Declaration 3
Peace of mind and comfort support

Expansion of “docomo Smartphone Class” across Japan

Over 80% of docomo Shops organizing 3 or more sessions per week (as of Jun. 30)

14

Initiatives for mid-term strategy *beyond Declaration*:

In the initiatives for ‘Value and Excitement for Customers,’ as [Declaration 1], at the occasion of *docomo Hikari* topping 5 million subscribers, we will start giving away thank you points for renewing *docomo Hikari* subscription from September 1, giving 3,000 d POINTs every time our customers renews the two-year contract.

As [Declaration 2], we have started to offer an AI agent service ‘*my daiz*’ from May 30. As of July 26, 3.5 million downloads have been made. We will continue to polish up the service.

As [Declaration 3], we are fortifying our initiative of smart phone class. Over 80% of the docomo shops hold Smartphone Class more than three times a week, bringing the total participants in the first quarter to 300,000.

Medium-Term Strategy

“Declaration beyond”: Actions Taken (2)

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Value co-creation with partners

Declaration 4 Industry creation	Accelerate service creation through “DOCOMO 5G Open Lab” Provide partners* with a free environment for 5G technical verification (Yotsuya, OSAKA) No. of organizations participating in DOCOMO 5G Open Partner Program: 1,538 No. of organizations utilizing DOCOMO 5G Open Lab, Yotsuya: 59 (As of Jun. 30)	Yotsuya: Opened Apr. 22 OSAKA: To open in September
Declaration 5 Solution co-creation	Partnership agreements with local governments (Maebashi City, Osaka Prefecture, Hiroshima Prefecture) Support attractive local communities through regional revitalization	Announcement Maebashi: May 10 Osaka: May 23 Hiroshima: Jun. 5
Declaration 6 Partner business expansion	Launch of global IoT solution for enterprises, “Globiot” One-stop offering of connectivity, operations and consulting.	Launched Jul. 2

15

Initiatives for ‘Value co-creation with partners’:

As part of [Declaration 4], DOCOMO 5G Open Lab will be inaugurated in Osaka, after the one in Yotsuya, Tokyo. In this Lab, we will provide 5G technical verification environment to currently over 1,600 participating companies in DOCOMO 5G Open Partner Program, all free of charge.

In addition, as part of [Declaration 5], among various initiatives in local revitalization that are taking place, DOCOMO has signed agreements with Maebashi City, Osaka prefecture and Hiroshima prefecture. We will continue our endeavor to revitalize communities and improve our services of local residents.

As part of [Declaration 6], we started offering ‘Globiot,’ an IoT solution for enterprises. We will integrate our global business development know-how in the past, providing connectivity, operation and consulting at one stop.

In addition to the initiatives mentioned, we are implementing a wide range of endeavors, and we will accelerate initiatives to execute the ‘beyond Declaration,’ and to realize a bright future full of richness.

FY2018/1Q Summary

- ▶ Recorded an increase in both operating revenues and profit, with operating profit reaching ¥309.9 billion.
- ▶ No. of “d POINT CLUB” members grew to 66.52 million. No. of “d POINT” partners and point usage also continued to expand
- ▶ “docomo Hikari” subscriptions topped 5 million, contributing to retention and upsell of mobile users.
- ▶ Further advanced PREMIUM 4G launching Japan’s fastest 988Mbps service.
- ▶ Cost efficiency improvement was ¥34.0 billion, making steady progress toward full-year target.
- ▶ Operating profit from Smart life and Other businesses was ¥43.3 billion, making steady progress toward full-year target.
- ▶ No. of organizations participating in “DOCOMO 5G Open Partner Program” exceeded 1,500. Accelerated collaboration with partners for creation of new services.

Fiscal Year 2019, First Quarter financial results summary is as shown.



Under our business slogan,
'Always chosen, to sustain connections, as your robust ICT service partner,'
we will manage our business, and do our utmost to endeavor to steadily execute and pursue
'beyond Declaration,' and to build a new business foundation based on membership,
toward achieving our annual goals.

The new of today, the norm of tomorrow

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Appendix

Services, etc., Included in Each Reportable Segment

Telecommunications business

Mobile communications services

• LTE (Xi) services • 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 Payment” etc.

Lifestyle services

• “d healthcare” “d gourmet” “d photo” • 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

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.

ii. ARPU Calculation Methods

Aggregate ARPU = Mobile ARPU + "docomo Hikari" ARPU

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

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

*ARPU excluding the impact of discounts are calculated without including the amounts of discounts applied in the relevant revenues.

iii. Active Users Calculation Method

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

Note:

1. The number of "users" used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:
 - a. Subscriptions of communication modules 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
 - b. 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.
2. 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), and impact on revenues from "dPOINT" program, etc., are not included in the ARPU calculation.

Special Note Regarding Forward-Looking Statements

All forward-looking statements that are not historical facts are based on management's current plans, expectations, assumptions and estimates based on the information available as of the filing date of this document. Some of the projected numbers in this report 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. With regard to various known and unknown risks, uncertainties and other factors, please see our latest Annual Securities Report and Quarterly Securities Reports.

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