

CFO Message

Executing “Change” for Our Sustained Growth in the 2020s



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FY2018 marked the fourth consecutive year of achieving year-on-year gains in both revenues and profit, with operating revenues growing by ¥78.6 billion to ¥4,840.8 billion and operating profit by ¥26.7 billion to ¥1,013.6 billion, surpassing the ¥1 trillion-mark for the first time in 15 years.

With respect to the performance by segment, in telecommunications business, although we recorded a decline in mobile telecommunications services revenues due to the expansion of returns provided to customers, we secured an increase in both revenues and profit owing mainly to the growth of “docomo Hikari” optical-fiber service subscriptions and other factors. For the Smart life business, despite a decrease in revenues caused by the sale of our stake in Radishbo-ya Co. Ltd. in February 2018 and other factors, we recorded an increase in profit driven mainly by the favorable performance of our finance/payment services. Adjusted free cash flows dropped by ¥243.4 billion yen from the previous fiscal year due primarily to the impact of the receipt of arbitration award payment from Tata Sons Limited in FY2017 as well as the increase in installment receivables and income tax, etc. in FY2018.

DOCOMO positions FY2019 as the year to “execute ‘change’ to propel further growth.” While we expect to see a significant change in market conditions in FY2019, we still imposed a task to transform ourselves during this year to sustain our future growth. Specifically, we will provide returns to customers leveraging our new rate plans and propose the optimal plan for each user with the aim of further strengthening our ties with customers, thereby solidifying our customer base and boosting our revenues. Although we project a temporary drop in profit as a result of the stepped-up customer returns, we will aim for the earliest possible recovery making FY2019 the bottom year of profit.

| | FY2017 | FY2018 | | FY2019 |
|---|------------------|------------------|--------------------------|------------------|
| | Results | Results | Year-on-year comparison | Forecast |
| Operating revenues | ¥4,762.3 billion | ¥4,840.8 billion | +¥78.6 billion (+1.7%) | ¥4,580.0 billion |
| Operating profit | ¥987.0 billion | ¥1,013.6 billion | +¥26.7 billion (+2.7%) | ¥830.0 billion |
| Profit attributable to shareholders of NTT DOCOMO, INC. | ¥790.8 billion | ¥663.6 billion | -¥127.2 billion (-16.1%) | ¥575.0 billion |

* With the goal of improving the international comparability of financial information in the capital markets, among other reasons, we have adopted International Financial Reporting Standards (IFRS) in place of U.S. Generally Accepted Accounting Principles (U.S. GAAP) beginning with the fiscal year ended March 31, 2019 (FY2018). The results for FY2017 are also presented based on IFRS.

Scenario for Recovery

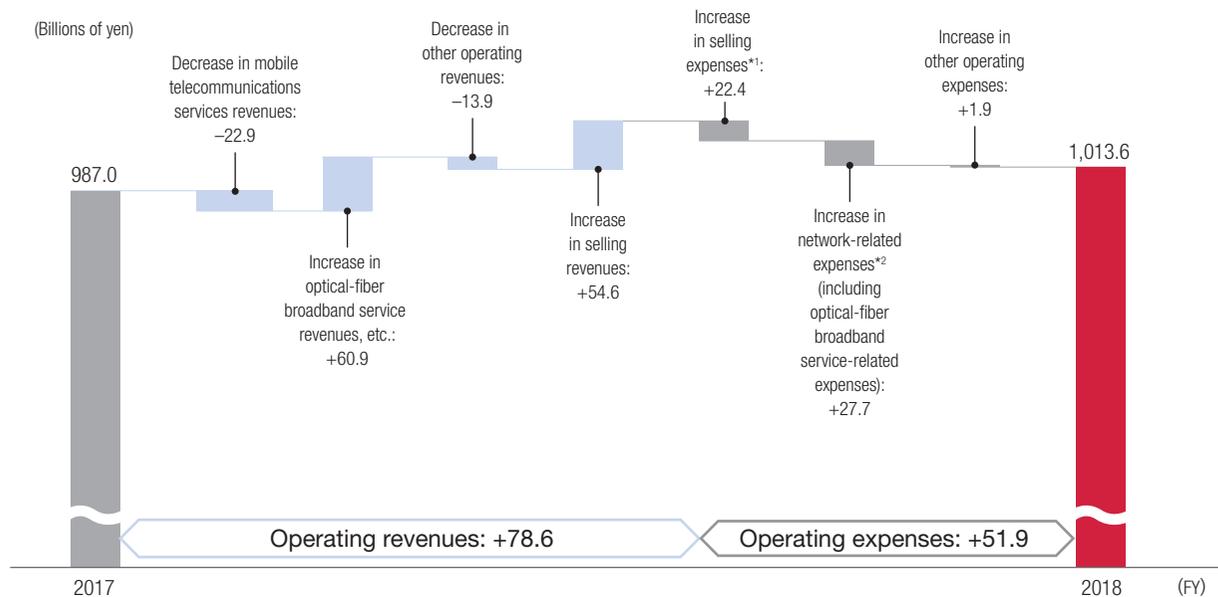
In October 2018, we unveiled our medium-term management strategy that is grounded in the two basic policies of “transformation into a business foundation centered on our membership base” and “5G rollout and business creation.” Through strategy, we will strive to expand our membership base, promote digital marketing, create revenue opportunities in the areas of smart life business, enterprise business and 5G business, while continuously addressing cost efficiency improvement toward the goal of achieving ¥5 trillion in operating revenues by FY2021 and ¥990 billion in operating profit by FY2023.

We launched our new rate plans, “Gigaho” and “Gigalight” in June 2019. The stepped-up customer return measures including this price revision are expected to cause a negative revenue impact of approximately ¥200 billion in FY2019. However, we will endeavor to recover the profit from telecommunications business by abolishing “Monthly Support”—a program that we introduced in the past to provide customers with discounts on their monthly communications charges, facilitating upsell by boosting data usage through the provision of compelling content services and accelerating users’ migration from feature phones to smartphones to solidify our customer base.

In our Smart life business and Other businesses, we will work to further expand our finance/payment offerings as well as our enterprise IoT and other solutions, and enrich our portfolio of services that capitalize on the strengths of 5G.

Meanwhile, by executing marketing enhancement and operational reform leveraging AI, Big Data and other technologies, we will aim to deliver a ¥400 billion cost efficiency improvement by FY2023 compared to the level of FY2017 to secure funds for our future growth investments. Through these undertakings, we will aim to achieve the operating profit target for FY2023 stated in our medium-term management strategy at the earliest possible timing.

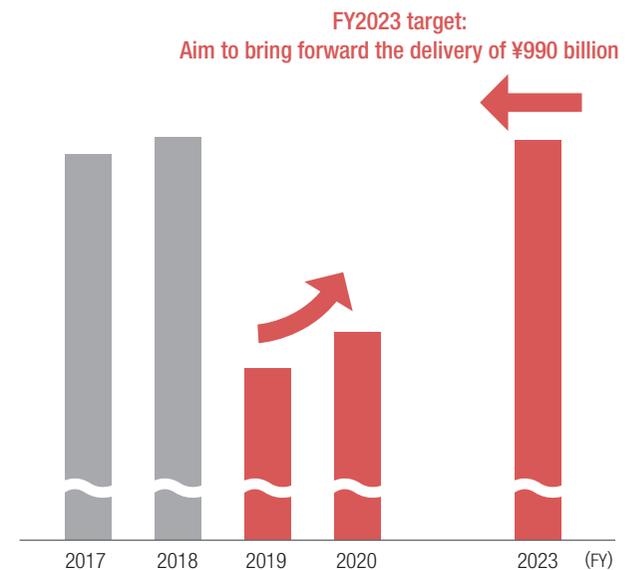
Key Factors behind Changes in Operating Profit (FY2017-FY2018)



*1 Selling expenses represent the sum of cost of equipment sold and commissions to agent resellers.

*2 Network-related expenses represent the sum of depreciation/amortization, loss on disposal of property, plant and equipment and intangible assets, and communication network charges.

Planned Recovery of Operating Profit (Illustrative)



Mid- to Long-Term Investment and Capital Policies

Our basic capital policy is to achieve a sustained growth in our enterprise value by pursuing financial soundness, improved capital efficiency and reinforcement of shareholder returns in a well-balanced manner. For shareholder returns, as stated in our medium-term management strategy announced in October 2018, we set out a policy to accelerate the returns to shareholders through continuous increase in dividends and opportunistic share repurchases.

Meanwhile, we plan to maintain our annual capital expenditures at the current level. We will ensure proper management by proactively making investments required for our sustainable growth in the 2020s, while consciously monitoring their efficiency using ROI and other indicators.

As for the prospects of free cash flows, because of the negative impacts from the new rate plans and other measures aimed at strengthening our customer returns as well as the projected increase in working capital associated with the growth of credit card business, we forecast a temporary reduction in free cash flows for FY2019. However, we aim to achieve a recovery thereafter in line with the improvement of profits.

Over the last five years, we repurchased shares worth over ¥1,800 billion in aggregate without increasing our interest-bearing liabilities. We also plan to redeem our interest-bearing liabilities sequentially at maturity in order to secure flexibility in our future financing activities. This is expected to significantly benefit us in terms of our agility in business execution and become one of our strengths for our sustained

growth in the 2020s.

If the need for considerable financing arises in the future, we will look into the possibility of using conventional means of borrowings as well as the option of using cash made available by improving the efficiency of our balance sheet through securitization of receivables or other methods.

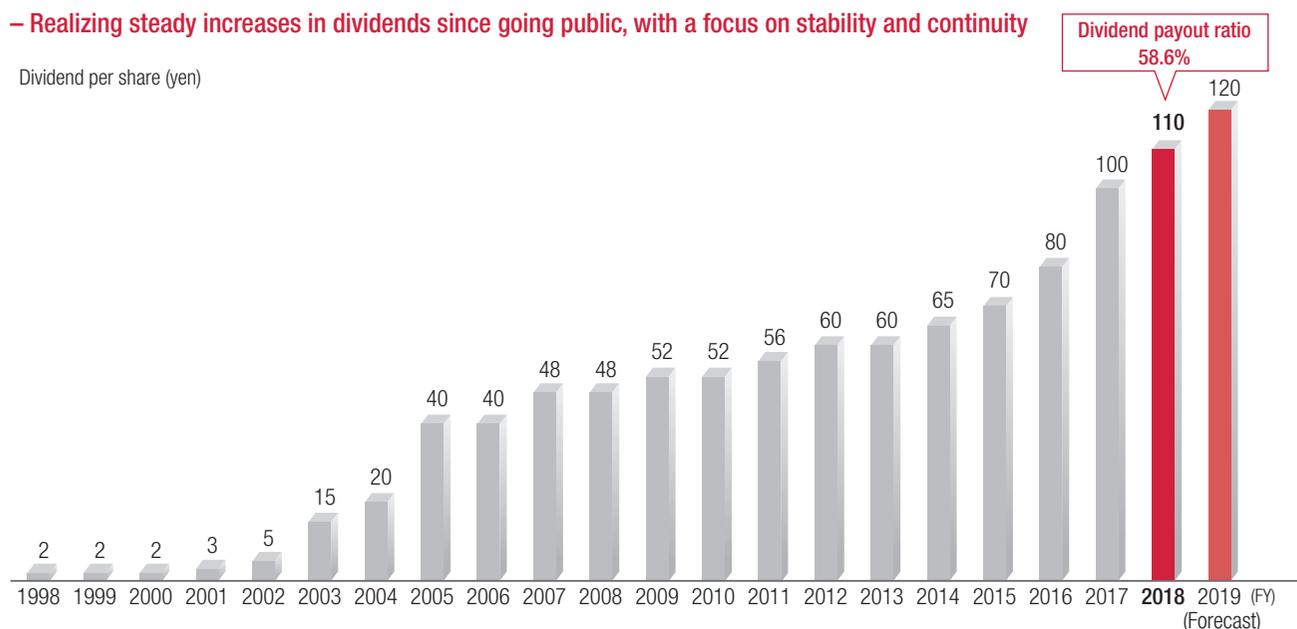
Continuous Returns to Shareholders

We will strive to live up to the expectations of our shareholders attaching a strong emphasis on continuity and stability of our shareholder returns. We raised the annual dividend for FY2018 by ¥10 from the previous fiscal year to ¥110 per share and we are planning on another ¥10 increase in FY2019 to ¥120 per share. We aim to continuously raise our dividends with a view to achieving a moderate linear increase going forward.

Historical Trends of Dividends

– Realizing steady increases in dividends since going public, with a focus on stability and continuity

Dividend per share (yen)



* Amounts of dividend are adjusted for the stock splits carried out in FY1999, FY2002 and FY2013

Dialogue with Investors

In our dialogue with investors, analysts and shareholders, I try to hold interactive communications as much as possible putting myself at the forefront so I can engage with them in good faith to hear their various requests and opinions.

Recently, it has become necessary to provide opportunities to explain not only our financial data but also our enterprise value that is not directly expressed on the balance sheet. In the future, to respond adequately to the questions and requests from investors and analysts, we plan to more proactively communicate the enterprise value of DOCOMO by disclosing, for example, our human resource strategy and other non-financial information in close coordination with relevant business departments.