

FY2021/2Q

Financial Results



November 10, 2021

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Good afternoon, this is Ii, and thank you very much for your time. I would like to provide you with a brief explanation on the overview of our financial performance at the outset.

FY2021/1H Results Highlights

IFRS

(Billions of yen)	FY2020/1H (1)	FY2021/1H (2)	Changes (2) - (1)	Changes (%)
Operating revenues	2,282.5	2,316.2	+33.7	+1.5%
Operating profit	563.6	496.3	-67.3	-11.9%
Profit attributable to shareholders of NTT DOCOMO, INC.	391.3	344.9	-46.4	-11.9%
Adjusted free cash flow	307.1	569.3	+262.2	+85.4%
Capital expenditures	206.1	248.7	+42.7	+20.7%

◆ 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.

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Page 1 provides a summary of our FY2021/1H results. Operating revenues grew ¥33.7 billion year-on-year to ¥2,316.2 billion. Operating profit dropped by ¥67.3 billion year-on-year to ¥496.3 billion. We thus recorded an increase in revenues but a decrease profit.

But the results were in line with, or even slightly better than our earlier projections.

We had anticipated the need upfront costs associated with the strategic initiatives we implemented. Last year, there was an irregular factor of ¥27 billion caused by accounting treatment. If this impact is excluded, the year-on-year decrease in operating profit would be limited to 40 billion yen (¥36 billion for FY2021/1Q and ¥4 billion for FY2021/2Q).

The accelerated execution of various cost reduction measures and brisk performance of Smart life business were the key factors that allowed us to suppress the year-on-year decline in profit to this level.

The revenue growth of ¥33.7 billion over the same period of last fiscal year was mainly driven by the expansion of equipment sales. The increase was impacted by the reaction from the sluggish sales during the same period of last fiscal year due to COVID-19 and the launch of “ahamo” plan this year, which stimulated handset upgrades to 5G and led to brisk equipment sales as this plan can also be applied to 5G devices.

Smart life and other businesses also achieved an increase in revenues when the impact of irregular factors was excluded, driven mainly by the expansion of finance/payment business. I will come back to this topic later in the presentation.

With respect to profit, the overall profit level of the Company recorded a decrease over the same period of the prior year, and the largest factor behind this was the investments for 5G network reinforcement. We started making these investments from around FY2020/2H, so this resulted in a marked year-on-year decrease in profit for this fiscal year.

As shown in the table, we spent a hefty amount for capital expenditures in FY2021/1H, which recorded a year-on-year increase of ¥42.7 billion yen, and the resulting increase in depreciation impacted our results.

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In addition, the R&D expenses for 6G/IOWN payable to NTT Holding Company has also posted an increase over the same period of last fiscal year.

But please note that this should be considered an upfront investment, which can be recouped after commercialization. If brisk sales are sustained throughout this fiscal year, we need to anticipate increased expenses associated with various discount programs.

But these expenses that are linked with our sales initiatives are already factored in our plan.

As for the outlook for the full year, we project a year-on-year increase in profit (including the impact of the ¥27-billion irregular factor). Concerning the breakdown of this projection, we plan to continue 5G network investments, but because this has been ongoing since FY2020/2H, it will no longer be a cause for year-on-year decrease in profit.

The write-off of 3G assets were brought forward and has been executed since last year, so it will not have a negative impact this year; it will rather bring about a year-on-year improvement in network costs. Sales costs will not be a negative factor either in the second half, as equipment sales in FY2021/2H are projected to be comparable to the level of FY2021/2H.

Meanwhile, we will promote DX (digital transformation) to trim our channel costs associated with the sales through distributors and shops.

This was one of the focus areas in our cost-cutting efforts this year, and will likely have a positive impact on profit. Through these undertakings, we would like to achieve an increase in our overall profit for the full year over the previous fiscal year, more than offsetting the irregular factor impact of ¥27 billion.

The improvement of free cash flow, as you may be aware, is largely attributable to the receivables liquidation.

Results by Segment

IFRS

(Billions of yen)		FY2020/1H (1)	FY2021/1H (2)	Changes (2) −(1)
Telecommunications business	Operating revenues	1,762.5	1,798.0	+35.5
	Operating profit	433.6	372.9	-60.7
Smart life business	Operating revenues	317.2	307.5	-9.7
	Operating profit	61.8	45.1	-16.6
Other businesses	Operating revenues	222.2	231.1	+8.8
	Operating profit	68.2	78.3	+10.1
<Ref.> Smart life business and Other businesses	Operating revenues	539.4	538.6	-0.9
	Operating profit	130.0	123.4	-6.6

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Page 3 shows the results by segment. I will skip details because they overlap with what I just explained, but if you look at the far-right column, the year-on-year changes, telecommunications business and Smart life/Other businesses recorded a decrease of ¥60.7 billion and ¥6.6 billion, respectively.

The irregular factor of ¥27 billion can be split into ¥8 billion and ¥19 billion between these two business segments.

When these impacts are eliminated, the decrease of ¥60.7 billion in telecommunications business would come down to ¥53 billion, and ¥6.6 billion in Smart life/Other business would turn to a profit increase of ¥12 billion.

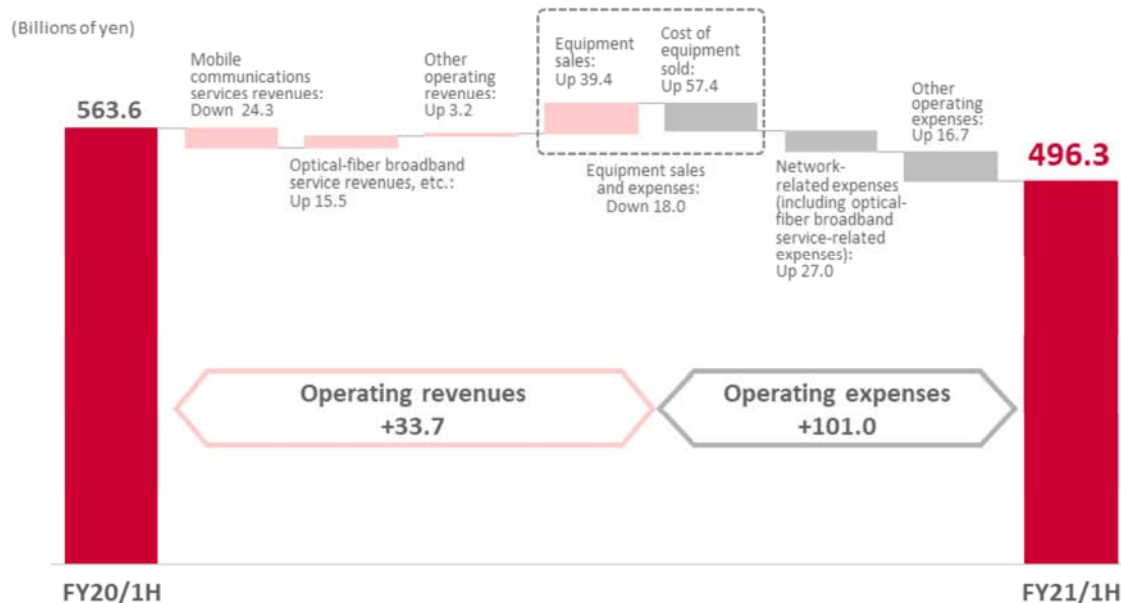
In other words, had it not been for the irregular factors, Smart life/Other businesses are already back on the growth track and we foresee further expansion in the second half of the year.

With respect to telecommunications business, as I mentioned earlier, as a result of our planned cost reduction initiatives and also because investments will no longer have a year-on-year impact in the second half, we project the year-on-year profit decrease for the full year could be trimmed to ¥11 billion, though it would be difficult to bring the net impact to the positive territory and achieve a year-on-year increase.

Our aim is to limit the year-on-year profit decline of telecommunications business to ¥11 billion and grow Smart life/Other businesses, thereby achieve an increase in operating profit in totality over the prior fiscal year.

Key Factors behind Changes in Operating Profit

IFRS



◆ Network-related expenses represent the sum of depreciation/amortization, loss on disposal of property, plant and equipment and intangible assets, and communication network charges.
 ◆ FY2020/1H results include irregular factors caused by accounting treatment of approx. 27.0 billion yen.

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Page 4, the key factors behind the changes in operating profit. To keep my comments brief, the decrease in mobile communications services revenues of ¥24.3 billion was largely affected by the revision of wholesale voice rates for MVNOs.

However, because we recorded an increase in the total number of subscriptions thanks to the introduction of “ahamo” and other new rate plans, our telecommunications services revenues were not so significantly impacted. Having said that, however, the revised wholesale charges for MVNOs will have a full-year impact, and will continue to be a revenue-diluting factor. The adoption of optical-fiber broadband service has already started to saturate, but is still growing.

The newly launched “home 5G” service that provides wireless access at home will also be included in this category, and we expect to generate incremental revenues from both these services. Equipment sales was brisk, but due to the discounts we provided, equipment sales-related P/L recorded a decrease of ¥18 billion yen.

In addition, the network-related costs shown on the right side of the page, which include depreciation and write-off expenses that I alluded to, were a major factor that impacted the results for FY2021/1H.

Key Operational Indicators (1)

	FY2020/1H	FY2021/1H	Changes
"d POINT CLUB" members (Million)	78.15	85.54	+9%
"d POINT CARD" registrants	46.76	54.33	+16%
"d POINTs" used (Billion points)	115.3	136.1	+18%
"d POINTs" used at partners' stores, etc.	80.5	103.3	+28%
Mobile telecommunications service subscriptions (Million subs)	80.99	83.45	+3%
5G subscriptions	3.8	6.94	-
(Incl.) home 5G subscriptions	-	0.08	-
Churn rate (%)	0.46	0.56	+0.10pt
Handset churn rate	0.38	0.47	+0.09pt
"docomo Hikari" subscriptions (Million subs)	6.80	7.21	+6%

- ◆ "d POINT CARD" registrants indicate the no. of users who can earn and use "d POINTs" at participating stores by registering their personal information.
- ◆ "d POINTs" used and churn rate represent the cumulative data for FY2021/1H.
- ◆ Handset churn rate indicates the combined churn rate for smartphones and feature phones.

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As for operational indicators (1) on page 5, all "d POINT"-related indicators made a favorable progress, and the expansion of point usage at partners' stores was particularly a good development. As I pointed out earlier, we saw increased upgrades to 5G devices following the launch of "5G Gigaho Premier" and "ahamo" plans. The total number of 5G subscriptions topped 7 million.

We are confident about the attainability of our fiscal year-end target of 10 million 5G subscriptions. The "home 5G" service also enjoys great reviews for the high transmission speed it delivers. The percentage of new customers is relatively high with this service, making positive contributions to our net additions.

Key Operational Indicators (2)

	FY2020/1H	FY2021/1H	Changes
Finance/Payment transactions handled (Billions of yen)	3,180.0	4,090.0	+29%
“d CARD” transactions	2,410.0	3,060.0	+27%
“d Payment” transactions	332.0	548.0	+65%
“d CARD” members (Million members)	13.55	15.07	+11%
“d CARD GOLD”	7.34	8.48	+15%
“d Payment” users (Millions)	29.99	39.43	+31%
Locations where payment/point service can be used (Million locations)	2.66	3.71	+39%

◆ The amount of transactions handled represent the cumulative amount for FY2021/1H, which includes the transactions handled with “d CARD,” “iD,” “d Payment,” direct carrier billing and “DOCOMO Mobile Payment Service,” etc.

◆ The amount of transactions processed with “d Payment” represents the cumulative amount of payments made with “d Payment” (code and online payment) and “d Payment (iD)”.

◆ The number of “d Payment” users represents the sum of total number of “d Payment” app downloads and “d Payment (iD)” members.

◆ Locations where payment/point service can be used represents the combined no. of locations where “d POINT,” “iD,” and “d Payment” (code and online payment) services can be used.

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Among the Smart life-related operational indicators (2) on page 6, the finance/payment transactions handled grew to over ¥4 trillion in FY2021/1H.

With “d Payment” transactions also increasing by 65% over the same period of the previous fiscal year, we feel that the service at last has been adopted by an increasing number of users.

However, the transaction amount is still limited to only about a quarter of “PayPay”, so we still have a long way to go. Meanwhile, the total “d CARD” members exceeded 15 million, and we will strive to further expand its uptake.

Expansion of Customer Base

Enriched lineup of rate plans from a customer-first perspective

Freely selectable plans from large to small capacity

Large capacity	 5G Gigaho Premier  Gigaho Premier
Middle capacity	  Gigalight  Hajimete Sumaho Plan
Small capacity	 DOCOMO's Economy MVNO

Enriched rate plans for young users



5G-enabled home router service



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Regarding the expansion of customer base on Page 7, we at last prepared a complete lineup of rate plans ranging from large to small capacity.

Although it took us a long time to roll out the economy plan, recently, increasing number of elderly users, who previously had not been able to access the less expensive, small-capacity rate plans offered by MVNOs that we previously offered only through online channels, because our shops are now helping the promotion of this plan.

Because approximately 70% to 80% of customers in their 60s and 70s purchase services at shops, the collaboration with shops turned out quite effective. However, as this is an MVNO service, we cannot expect to generate a huge amount of revenues and profit from telecommunications business per se, thus we must consider how to attach value-added services on top of it.

For this reason, we have designed a business structure centered on “d POINT” membership and coordinating via “d POINT” program will become very important.

The right side of this page describes the initiatives we have implemented to acquire young users, which has long been our challenge. After the introduction of “ahamo,” we also launched the “U15 Hajimete Sumaho Plan” targeting first-time smartphone users of age 15 and under, because we will not have a future in our business unless we capture users at this age.

This discount package and “U30 Long Wari” discount service are both quite popular, and allowed us to acquire increased number of users in their 20s and 30s as well as teenagers. Furthermore, as I touched upon earlier, the “home 5G” service has been recording brisk sales.

Because we have abolished cancellation fees effective October, while there are views that this will make it easier for subscribers to port out to other service providers, we will thoroughly pursue customer-first so that customers will continue to choose DOCOMO for our attractive rate plans and meticulous customer care.

Growth of Smart Life/Other Businesses

-Medical Domain-



Propelling growth of medical business through promotion of medical/health care DX centered on online treatment

Online treatment

Promote adequate proliferation of online treatment through joint operation of CLINICS

Medical care utilization support services

Aim for early rollout of new services through collaboration

Online treatment/medication guidance



NTT docomo



MEDLEY

E-commerce of general pharmaceuticals
Online support



Started free-of-charge provision of online treatment system to COVID-19 patients treated at home from September 2021



+ minacolor

*Jointly acquired shares of minacolor, inc. on October 29, 2021.

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Regarding the growth of Smart Life/Other businesses on Page 8, we cannot rely solely on finance/payment services, so we finally embarked on the expansion of medical domain.

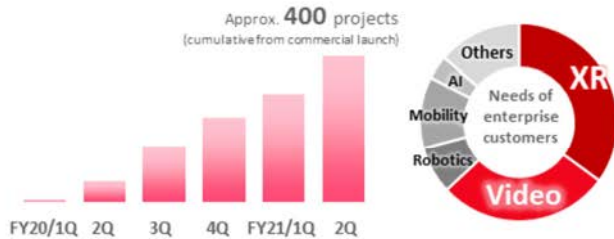
We will start offering online treatment through our alliance with Medley, and plan to launch e-commerce for general pharmaceuticals jointly with our partner, minacolor, sometime in FY2021/3Q. Online sales of general pharmaceuticals can be provided without having to wait for the commencement of online electronic prescriptions.

By offering medication guidance via online channels, we believe we can generate sales and profits from commodity sales. As we wanted to launch this service as early as possible, we made a decision to press forward.

Expansion of Enterprise Business ^{NTT} docomo

Enrichment of 5G solutions and DX support for local communities

Received over 400 orders for 5G solutions



Expand services mainly around “XR” and “Video” and respond to requirements of remote style society

Medical



Remote medical support using smart glasses

Tourism



Online VR sightseeing tour

Education



Remote classes using multi-perspective video

Marketplace for businesses to start in December

(To be announced shortly)

Strengthen proposal-making/support for SMEs, and assist business management reform through DX

Peace of mind



Simple and easy-to-use offerings

Good value



Accessible prices also for SMEs

User friendly



Total support from introduction to mastering use

Examples of selected lineup that assists DX

Online sales	Web conference, meetings
Work from home	Remote desk top
Labor management	Attendance management/ Payroll accounting etc.
Employee benefits	Discount/privileges, etc.

Partners

Aidma Holdings

SUPPORT

jinjer

RELO CLUB

Common authentication ID for enterprise customers

Convenient & secure

“Business d Account”

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Concerning our enterprise business on page 9, one and a half year has elapsed after the commercial launch of 5G in March 2020.

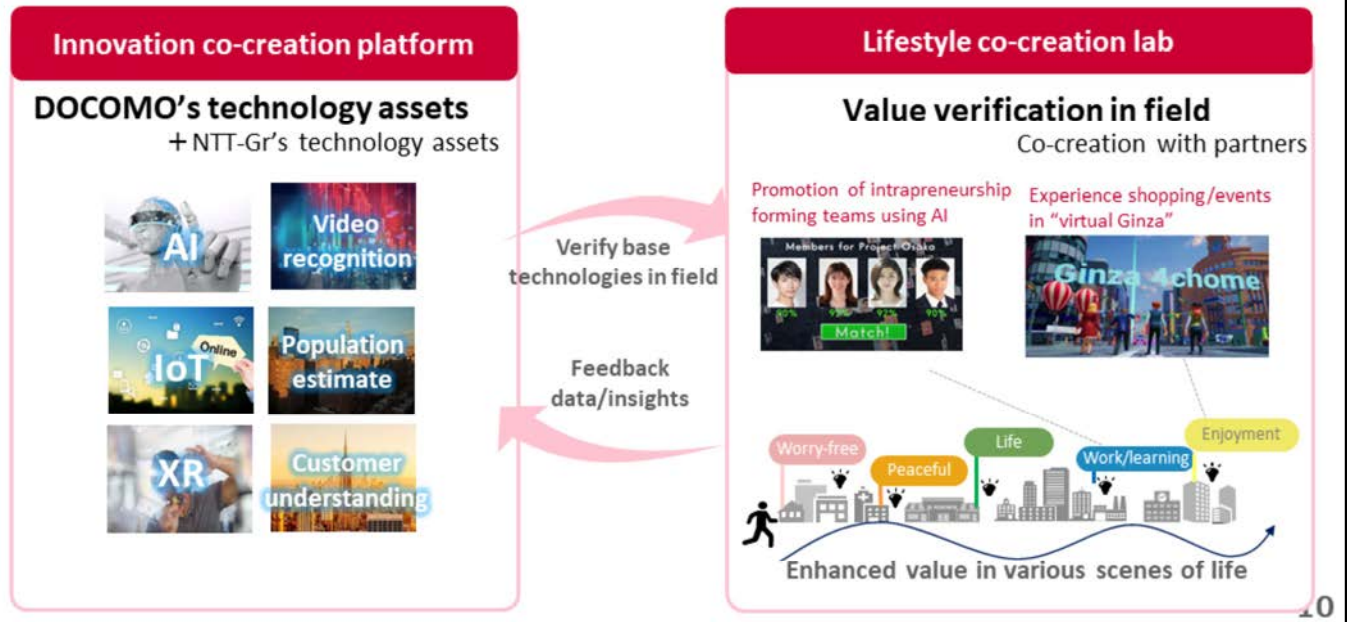
We have already received some 400 orders for our 5G solutions. We see a very strong demand for XR and video-related solutions, so going forward, we would like to increase video and XR-based solution offers in such fields as medicine, tourism and education.

As you can see on the right-hand side of the slide, we plan to shortly launch a marketplace for small and medium-sized enterprises (SMEs). Starting December, without waiting for the formal integration of DOCOMO, NTT Communications and NTT Comware, we will start operating the marketplace with the aim of offering solutions for SMEs as early as possible.

Because there are huge number of SMEs, door-to-door sales would be costly. We give thought to the optimal approach and arrived at a conclusion to develop a marketplace.

Meanwhile, we set a target to acquire 4 million accounts with our “Business d Account” launched this year, which is designed to be easily accessible for SMEs. In addition to selling circuits, we will also provide after-sales support to deliver value-added services.

**Create new lifestyles with state-of-the-art technologies.
Co-create richer everyday life experience through
virtual/physical convergence**



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With respect to our R&D activities on page 10, we have hitherto split roles between NTT and DOCOMO, with NTT labs pursuing basic research and DOCOMO responsible for research and development aimed at commercialization.

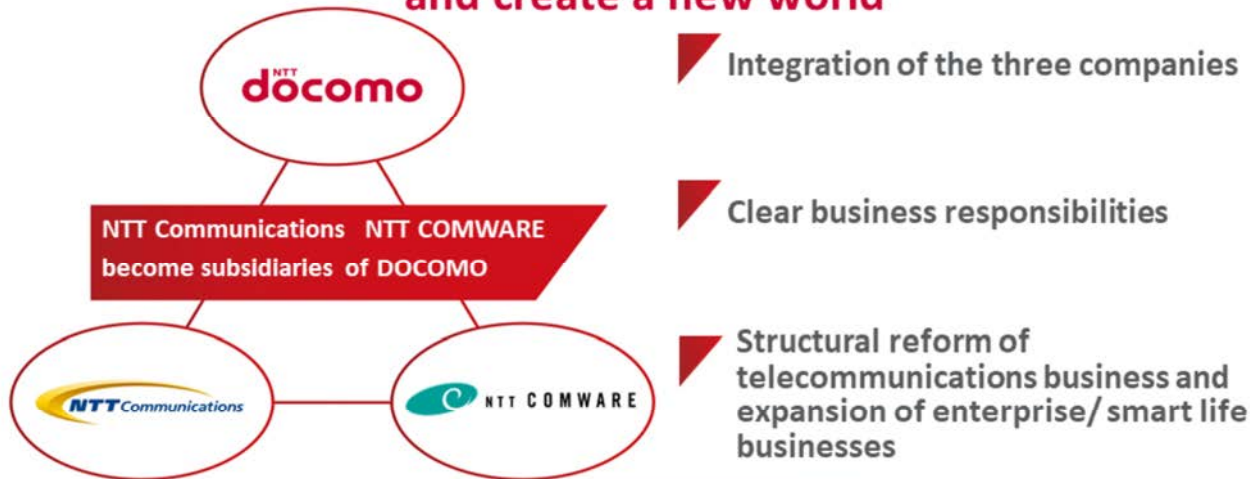
The left hand-side of the slide expresses our intent to make the technical assets owned by the two parties openly available as a foundation of competitiveness.

The right side shows the concept of our "co-creation lab", where we will create tangible new services in collaboration with partners.

Already nine verification trials are in progress, creating new values by making use of virtual space in various formats such as "Virtual Ginza".

Challenge of New DOCOMO Group ^{NTT} docomo

As the New DOCOMO Group, we are expanding our business domain to encompass mobile, services, and solutions and create a new world



STEP1 (January 2022): **Two companies become subsidiaries of DOCOMO**

STEP2 (around FY2022/2Q) : **Integration and clear business responsibilities**

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Last but not least, the challenge of new DOCOMO group.

We will sort out the capital relationship between the entities in January 2022, and start doing whatever we can from around that timing.

We plan to execute a structural reform in the summer of next year, which will allow us to start offering collaborative plays.

The highlight is the reinforcement of enterprise business, i.e., how we can incorporate mobile solutions for the large corporations served by NTT Communications, and how we can provide not only devices but also easy-to-sell solutions to SMEs that do not require a heavy touch post sale, like the marketplace approach that I just talked about.

We would like to start taking actions now.

That's all for my presentation and thank you for your attention.

Changing worlds with you.

^{NTT}
docomo

Appendix

Principal Services, etc., Included in Each Reportable Segment

Telecommunications business

Mobile communications services

• 5G 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/ Lifestyle services

• “dTV” “d hits” “d magazine” “d shopping” “d healthcare” etc.

• NTT Plala Inc. • Oak Lawn Marketing, Inc. • Tower Records Japan Inc. etc.

Finance/Payment services

• d CARD • d CARD GOLD • iD • d Payment • Fintech etc.

Other businesses

Support services for customers peace of mind

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

Enterprise solutions

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

Special Note Regarding Forward-Looking Statements

All forward-looking statements and projected figures concerning our future performance contained or referred to in this document are based on a series of assumptions, projections, estimates, judgments and beliefs of the management that have been made in light of the information currently available to it. 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 projections and estimates may be affected by our future business operations, the state of the economy in Japan and abroad, possible fluctuations in the securities markets or other changes in circumstances that could cause the actual results to differ materially from the forecasts contained or referred to herein.

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