

## Interview with the President



**Ryuji Yamada**  
President and Chief Executive Officer

## RESULTS FOR FISCAL 2009



**DOCOMO designated fiscal 2009 as “a year for loading the pipeline” for its medium-term vision. How would you summarize the results?**



**We have been making a concerted effort to enhance customer satisfaction, and this began to produce results during the year. We also made steady progress in setting the stage for the generation of new sources of revenues.**

As a result of our continuing effort since fiscal 2008 to revise all aspects of our services from a customer-oriented perspective, including services, pricing, transmission quality and after-sales services, we acquired the No.1 net increase in market share for fiscal 2009 and achieved our lowest-ever churn rate of 0.46% for the year. Our efforts are starting to show results in other areas too: DOCOMO topped the mobile phone/PHS service customer satisfaction index survey for enterprises by J.D. Power Asia Pacific, Inc., and was ranked first in an assessment of customer satisfaction with PC data communications conducted by Nikkei BP Consulting, Inc. Fiscal 2010 will be the year when we achieve our goal of obtaining the “No.1 ranking in customer satisfaction in fiscal 2010.” We will not content ourselves with our current situation, but will continue our efforts to enhance customer satisfaction.

DOCOMO has identified three areas as new sources of revenues: personalization of services, social-support, and converged services. We have been steadily sowing the seeds for these fields, including exploring new services and searching for tie-ups with a range of various partners, with the aim of reaching our target of ¥100.0 billion in revenues in each field in fiscal 2012. Certain businesses in these fields have already grown into saplings, helping to prepare the groundwork for meeting our target of “operating income of more than ¥900.0 billion in fiscal 2012.”

While fiscal 2009 was the year in which we established a foothold for achieving our medium-term vision, fiscal 2010 will see us move to the implementation phase. We will steer a steady course to consistently meet our current challenges, including further increasing packet usage, raising customer satisfaction, and focusing more intently on balancing business costs.

## DOCOMO's Change and Challenge to Achieve New Growth



## MARKET PERCEPTION



The penetration rate for Japan's mobile phone market has exceeded 90%, and some observers have said it is at saturation point. Where will DOCOMO seek growth? Also, new players around the world continue to enter the market. Is this a threat to DOCOMO?



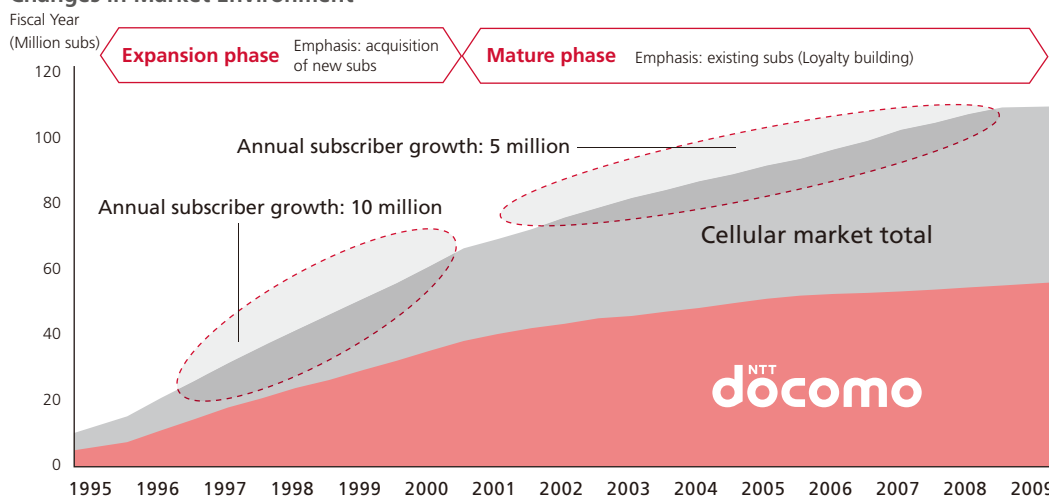
In terms of the penetration rate, the Japanese market certainly appears to have reached maturity. However, demand for second handsets is growing, led by PC data communication devices and smartphones. We believe that there are also services that are only possible in an era when every person has a mobile phone. The evolution of services and technology is changing the business environment for the mobile phone market on a daily basis. DOCOMO sees this new evolution as a driving force, and we intend to harness it to realize even greater growth.

In recent years, there has been much attention focused on the emergence overseas not only of smartphones, but also of various types of terminals such as tablet PCs and e-book readers. The distinctive characteristic of these new devices is that a central company promotes a platform that serves as a foundation for services, which then draws together a variety of companies. Once this type of business model becomes common in Japan, DOCOMO plans to leverage the expertise it has acquired through the *i-mode* business to further invigorate the market, and boost its revenues.

At the same time, platform standardization is occurring at a global level. We have enhanced efficiency in handset development since our winter 2009 models through use of *Operator Packs* that allow common functions to be realized. We also participated in the Wholesale Applications Community (WAC), a common platform for applications that has attracted many of the industry's major players, to create and establish an eco-system for the application market in an open organizational structure.

We consider these global developments to be an opportunity for DOCOMO to provide new added value on a worldwide scale. We will continue to closely monitor market trends and the moves of other companies, and steadily steer our business toward growth.

### Changes in Market Environment



## GROWTH STRATEGIES



**What are DOCOMO's priority issues for achieving the target in its medium-term vision of "operating income of more than ¥900.0 billion in fiscal 2012?"**



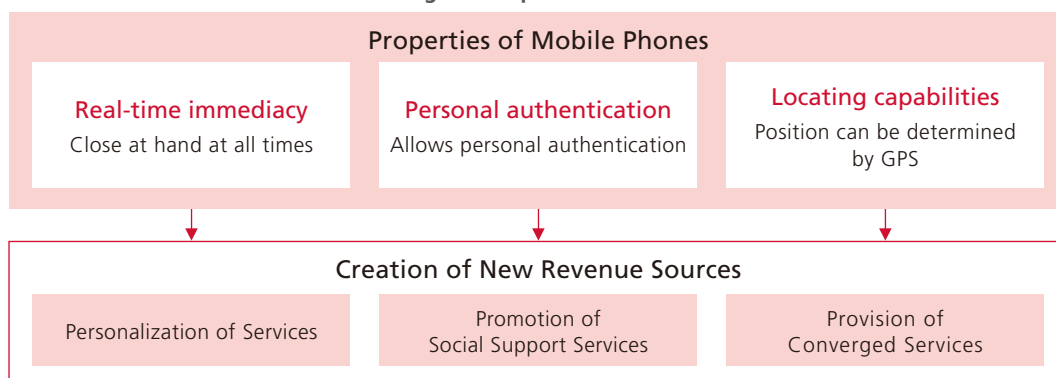
**The current focus is on how to increase packet ARPU. We also consider generating new sources of revenues to be important for medium- to long-term growth.**

Particularly important factors of achieving the operating income target in our medium-term vision are 1) increasing packet ARPU, and 2) generating new sources of revenues outside the mobile phone business. To increase packet ARPU, by fiscal 2012 we plan to raise the flat-rate services subscription rate to 70%, and the proportion of subscribers who reach the upper limit in their contracts to 50%. This should provide year-on-year growth in packet ARPU of around ¥100 in subsequent years. We should see the first results of such measures for "loading the pipeline" in the packet ARPU for fiscal 2010. We plan to increase packet ARPU through such measures as promoting use of video services, stimulating demand among seniors and other "low end" users, and expanding use of smartphones and PC data cards.

We also plan to generate new sources of revenues by drawing on the unique properties of mobile phones including real-time immediacy, personal authentication, and locating capabilities to evolve more sophisticated and convenient services. Specifically, we are working to advance service evolution in the three areas of personalization of services, social-support, and converged services. For personalization of services, we will provide new services and functions tailored to each customer's lifestyle and needs, centered on "behavior support" services such as *i-concier*. For social support, we plan to use mobile phones to help resolve issues related to the sustainable growth of society, focusing on such areas as environment and ecology, financing and payments, and healthcare and medicine. DOCOMO has already begun creating infrastructure for services based on sensing and transmitting atmospheric data, and offering such services as *docomo Mobile Remittance Service*, and the *MD+*, information service for medical professionals. Finally, in converged services, DOCOMO will offer highly convenient services by linking and integrating the functions of mobile phones with a range of lifestyle tools, such as femto cells, household information appliances, and intelligent transport systems.

We expect these new sources to increase revenues by approximately ¥300.0 billion in fiscal 2012.

#### Creation of New Revenue Sources Using the Properties of Mobile Phones



## GLOBAL BUSINESS DEVELOPMENT



## What were the highlights of DOCOMO's global business development in fiscal 2009?



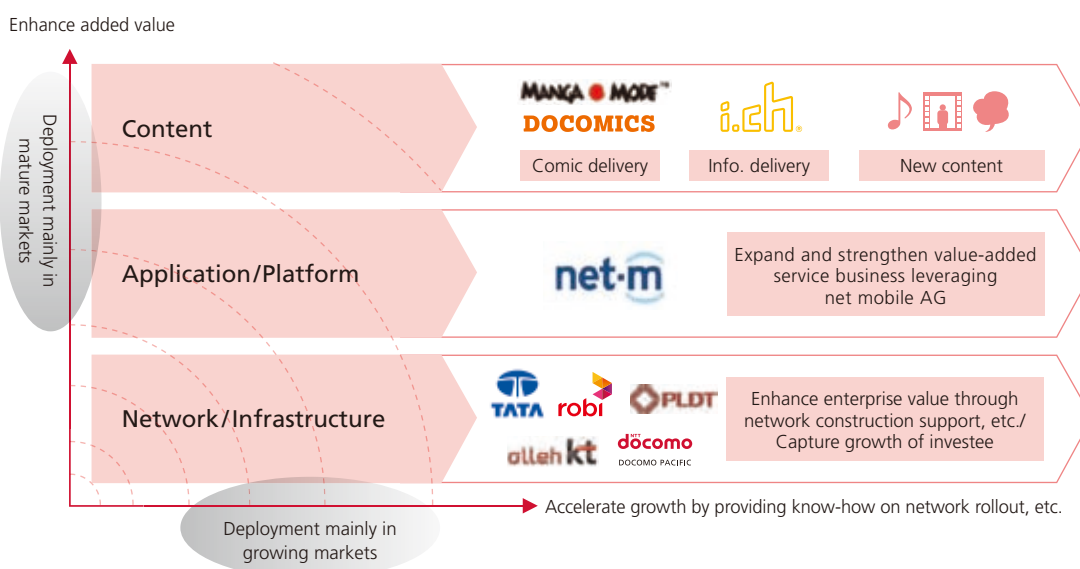
**We developed businesses in networks, applications, content and others at layers suited to the individual characteristics of each region. These activities made for a successful year.**

In growing countries DOCOMO is pursuing market expansion through the business development of investee companies, mainly by providing them with expertise in network infrastructure and other areas. The Indian companies Tata Teleservices Limited (TTSL) and Tata Teleservices (Maharashtra) Limited (TTML), in which DOCOMO invested in March 2009, have grown rapidly since the introduction of the GSM service, *TATA DOCOMO*, in June 2009. TTSL/TTML now have the fifth largest subscriber base in India, with approximately 66 million contracts as of the end of March 2010. This number of subscriptions shows that the company has achieved remarkable growth—surpassing DOCOMO in subscriptions.

In countries with mature markets and an advanced network infrastructure, DOCOMO is pursuing business development through collaboration in content and other upper layer businesses. In November 2009 we invested in the German firm, net mobile AG, a leading company providing a content distribution platform for mobile phones. Drawing on the experience and expertise we have acquired in a range of mobile businesses in the Japanese market, and utilizing net mobile's platform, we have already begun delivering *manga* content and offering *i-channel* services through carriers, mainly in Europe.

We will continue to explore ways to utilize DOCOMO's strengths to suit different regions as we work to grow our global business.

### Global Business Development on Several Layers



## LAUNCH OF LTE SERVICE



**DOCOMO had plans to begin offering LTE services during fiscal 2010. Will these services be available as planned?**



**We are steadily making preparations to begin providing the service in December 2010.**

DOCOMO has been actively involved in establishing standards and commercializing the LTE (Long Term Evolution) mobile system. Mobile services using the LTE system are expected to be adopted by countries around the world, and we believe that being one of the leaders in offering this service is significant in terms of our competitive status in a globalized market.

We plan to begin by installing approximately 1,000 base stations during fiscal 2010, overlaying existing 3G coverage and concentrating on the areas around Tokyo, Nagoya and Osaka where the greatest demand is anticipated. Similarly for devices, initially we will offer data cards, for which there is the greatest demand for high-speed transmission, and then gradually expand our lineup.

## CAPITAL EXPENDITURES



**While we await the launch of LTE services, providing support for the rapid increase in data traffic has become an issue for the industry. What is your forecast for capital expenditures over the medium term?**



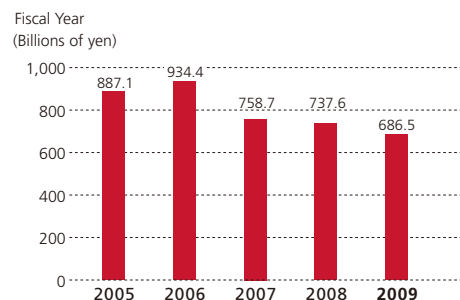
**We plan to keep total capital expenditure below ¥700.0 billion, including investment in LTE.**

We have seen a rapid rise in data traffic in recent years following the introduction of rich content such as video services and the spread of PC data cards and smartphones. We expect this trend to continue in the future.

We plan to make appropriate upgrades to our equipment and to build the LTE network infrastructure to handle the increasing data traffic.

Over the medium term, we expect to keep total capital expenditure below ¥700.0 billion through progress in network IP conversion, by building efficient networks.

### Capital Expenditures



## OUTLOOK FOR FISCAL 2010



What are the focus points of your earnings forecast for fiscal 2010?



As outlined in our medium-term vision, fiscal 2010 will be the year when we raise customer satisfaction even higher through progress in our reforms and achieve our goal of obtaining the "No.1 ranking in customer satisfaction." It is also the year when we will move to the implementation phase for increasing packet revenues and other challenges to lay the foundations for "operating income of more than ¥900.0 billion in fiscal 2012." We will steadily manage our business to achieve these goals.

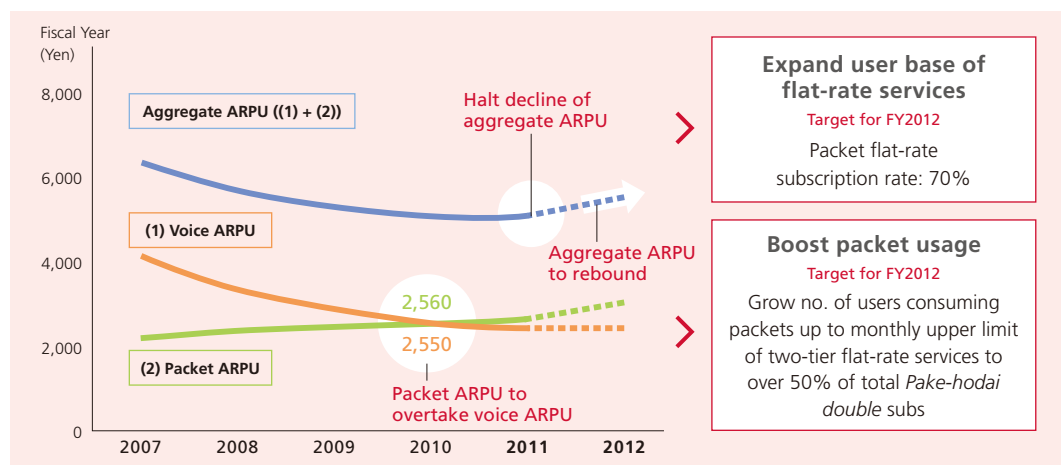
The two main points in our earnings forecast are as follows:

- We expect packet revenues to increase ¥110.0 billion as a result of ongoing efforts to raise *i-mode* ARPU, and measures to increase the number of smartphone and data plan users.
- We expect to realize approximately ¥100.0 billion in cost reductions from greater efficiency in network and general costs.

We anticipate that these measures will offset a ¥200.0 billion decline in voice ARPU, and allow us to secure a year-on-year increase in operating income to ¥840.0 billion.

Due to the rapid growth in packet ARPU, we expect packet ARPU to exceed voice ARPU for the first time in fiscal 2010. The main reasons for the current decline in voice ARPU are the impact from the *Value Plan* introduced in 2008, and the decrease in billable MOU (minutes of usage). We anticipate that the effect of these factors will level out going forward, and stem the decline in aggregate ARPU over the medium term.

#### Packet ARPU to Overtake Voice ARPU in FY2010





## SHAREHOLDER RETURNS

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What are your policies regarding shareholder returns?

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**We consider the distribution of profits to shareholders to be a priority management issue, and will maintain a positive stance toward the matter, while remaining mindful of our medium-term vision.**

DOCOMO paid an annual dividend of ¥5,200 per share in fiscal 2009, for a payout ratio of 44%. We intend to go on maintaining one of the leading payout ratios in Japan, and will strive to provide a stable dividend.

DOCOMO also made changes to its policies regarding acquisition of treasury stock since fiscal 2009. With the changes, the Board of Directors is now allowed to execute an acquisition of treasury stock when they deem it appropriate. As a result, during fiscal 2009 we acquired approximately 150,000 shares at ¥20.0 billion, and retired 160,000 shares at the end of the fiscal year. The total value of treasury stock acquired was less than the total of ¥135 billion acquired based on a resolution of the Ordinary General Meeting of Shareholders in fiscal 2008. We will continually provide an appropriate return to shareholders while prioritizing free cash flow for investment in growth fields.

