

Press Conference Announcing the Financial Results
for the Fiscal Year Ended March 31, 2008
(Minutes)

Date: April 25, 2008 (Friday), 15:00-16:00

[Comments by Masao Nakamura, President and CEO]

For the fiscal year ended Mar. 31, 2008, the Company recorded a decline in revenues but an increase in operating income over the previous fiscal year: Operating revenues and operating income were ¥4,711.8 billion (down 1.6% year-on-year) and ¥808.3 billion (up 4.5% year-on-year), respectively. As for the forecasts for the current fiscal year ending Mar. 31, 2009, we are expecting an increase in both operating revenues, which are projected to rise 1.2% year-on-year to ¥4,768 billion, and operating income, which is forecast to grow 2.7% from the prior year to ¥830 billion. Free cash flows as of Mar. 31, 2009 are estimated at ¥80 billion, posting a decrease compared to the level as of Mar. 31, 2008. This is mainly due to the temporary factor of an increase in installment claims payable to distributors resulting from a growth in the number of users choosing to spread out their handset payments in installments.

FY2007 Results Highlights

Operating income for FY2007 grew ¥34.8 billion from the prior fiscal year to ¥808.3 billion, which was approximately ¥30 billion higher compared to our previous forecast of ¥780 billion. Operating revenues, on the other hand, decreased ¥76.3 billion year-on-year due primarily to the expanded uptake of “Fami-wari MAX 50” and other new discount services launched in or after August 2007, which resulted in a reduction of cellular services revenues.

Operating expenses dropped ¥111.1 billion year-on-year mainly because distributor commissions and other revenue-linked expenses decreased significantly as a result of the introduction of new handset purchase methods.

FY2008 Financial Results Forecasts

Operating income for FY2008 is expected to increase approximately ¥22 billion from the previous fiscal year to ¥830 billion. Operating revenues are estimated to reach ¥4,768 billion, posting a year-on-year increase of ¥56 billion. Because the new handset purchase methods and new discount services launched in FY2007 are expected to be adopted by broader user segments, cellular services revenues and equipment sales revenues for this fiscal year are likely to show a significant change compared to the prior year: while cellular services revenues are projected to decline by some ¥400 billion year-on-year due to the discounts on basic monthly charges and other factors, equipment sales revenues are forecast to grow as a result of a broader uptake of the new purchase methods.

On the expense side, although other non-personnel expenses are expected to increase due to the implementation of measures aimed at brand loyalty enhancement, network costs are likely to decrease as a result of reduced capital expenditures. Total operating expenses for FY2008, therefore, are estimated to remain nearly unchanged from the previous fiscal year.

Principal Actions Planned for FY2008

One of our focus areas for this fiscal year is new marketing strategies. As we announced on Apr. 18, 2008, we have decided to adopt new marketing strategies in view of the changes in the market environment. With the total number of mobile phone users already exceeding 100 million, Japan's cellular phone market has entered a mature phase. We are strongly aware that "the age led by carriers" based on technologies and functions is already over, and on the back of diversified consumer needs, the tide has changed to "a new era led by customers", in which customers make their choices based on service quality and performance. We must listen to our customers' voices and understand their demands. And most importantly, we must work to enhance the satisfaction of each and every subscriber of DOCOMO. We would like to refine our brand by strengthening our ties with customers, and for this purpose, we drafted the "New DOCOMO Commitments".

In concrete terms, we will adopt a marketing strategy aimed at "enhancing the satisfaction of all 53 million DOCOMO subscribers". To achieve this, we will employ new marketing approaches targeted at enhancing a customer's brand loyalty. Traditionally, new subscriber acquisition and prevention of churns were the primary focus in our marketing activities. Going forward, however, we will more strongly emphasize the "depth and length of our relationship with customers". We have already established 25 different projects internally to revise all core business processes from a customer-centric viewpoint.

FY2008 Business Strategies

Marketing for brand loyalty enhancement will become the centerpiece in all of our future business activities. We introduced "Fami-wari MAX 50" and other new discount packages as well as new purchase schemes, i.e., "Value Course" and "Basic Course", with the goal to have our customers use our services for a longer period of time, and we expect these packages and purchase schemes will deliver synergies with the measures aimed at brand loyalty enhancement. Our service development efforts in the fields of flat-rate services, life assistant services and international businesses will also be promoted in accordance with this marketing principle.

New Handset Purchase Methods

To explain the concrete results of the new business models, the combined subscriptions to "Fami-wari MAX 50" and other new discount services grew to approximately 22 million as of Mar. 31, 2008, and the number is expected to reach approximately 31 million by the end of March 2009. Among the users who purchased a handset using the new purchase methods, 96% chose the "Value Course" and the number of "Value Plan" subscriptions topped 5 million in March 2008.

Our cellular churn rate increased after the launch of Mobile Number Portability (MNP) and remained at around 0.9% in the subsequent 1-year period. However, it began to decline sharply from the second half of FY2007 following the introduction of new business models, and was 0.68% for the fourth quarter of FY2007, improving 0.3 points from the same quarter of the previous fiscal year. We intend to implement various measures going forward to further decrease our churn rate.

Directions of Service Development

Our goal to transform cellular services from a mere telecommunications infrastructure into what we call a

“lifestyle infrastructure” serving individual needs remains intact. To achieve this, we will continue to cultivate the three key domains of flat-rate subscription, life assistant and international businesses.

Three key business domains

As for our future revenue model, the usage-based revenues from the telecommunications infrastructure business are expected to shrink gradually as more users migrate to the flat-rate platform in the future. By diversifying our revenue models, we intend to secure new revenue sources that can replace usage-based revenues.

In the flat-rate subscription business, we will seek revenues from subscription fees and content usage charges based on individual contracts for the use of services like “pake-hodai” or “i-channel”. In the life assistant business, we will pursue revenue sharing opportunities and commission income from mobile credit and advertisement services. In the international domain, now that our international roaming services have been enhanced considerably, we will work to expand our international services revenues.

Flat-rate business

The subscriber base of the “pake-hodai” service, the foundation of our flat-rate business, has grown to 12.74 million, driven by the enrichment of music, video and other content offerings. Starting in April 2008, we renewed our i-menu site by significantly reinforcing its portal functions to allow the provision of more practical information and enhanced search capabilities, in a bid to increase its value as an advertisement media. Furthermore, in FY2008, we are planning to add more HSDPA-enabled handsets supporting transmission speeds of up to 7.2Mbps, so that users can access richer contents more speedily using our flat-rate platform.

Home Areas

In FY2008, we will also step up our efforts to offer mobile services in “Home Areas”. Our plan is to launch Wi-Fi-based services in the first quarter ahead of the competition as a first step, and introduce services using Femto cell BTSs sometime in the future.

While the detailed service offerings are intended for future study, users will be able to enjoy high-speed, large-capacity services in a stress-free environment, because in a “Home Area”, a small number of users can use a base station exclusively for themselves. We expect this will lead to the development of a host of new services, such as automatic downloading of large-capacity contents or home server-type usage.

Life assistant business –credit

Our main focus in the life assistant domain is the mobile credit business. The total number of “DCMX” mobile credit payment users grew to 5.64 million as of Mar. 31, 2008, and the installations of iD payment terminals reached 300,000 units, making progress as planned in line with the increase in the number of merchants. In FY2008, we will aim to further grow the user base of DCMX service and the number of iD payment terminals installed to 9 million subscribers and 400,000 units, respectively, by the end of March 2009.

International Business

In international business, we will aim to expand our business by focusing on the following three areas: (1) improve our international roaming services for travelers, (2) provide one-stop enterprise solutions mainly targeted at Japanese companies with operations in foreign markets, responding to their communication needs both in Japan and overseas, and (3) seek opportunities for business deployment through investments in or alliances with partners mainly in the Asia Pacific region. In particular, we plan to further reinforce our alliance in Asia centered on the Conexus Mobile Alliance.

International services revenues have grown steadily in recent years and are expected to reach the upper ¥50-billion level in FY2008. Thanks to the release of the FOMA 905i handsets, which carry 3G and GSM roaming capabilities as a standard feature, we believe an increasing number of users may now appreciate the convenience of roaming service. Our latest model in the Raku Raku Phone series featuring easy operability, dubbed “Raku Raku Phone Premium”, is also compatible with international roaming services.

Projected growth of each business domain

The revenue size of the flat-rate subscription business is expected to reach approximately ¥750 billion in FY2008, nearly doubling from FY2006. Even when the subscribers migrating from usage-based billing to flat-rate service are subtracted, a revenue growth of approximately ¥100 billion is projected.

The subscriber base of DCMX service, the main pillar of our life assistant business, is forecast to grow to 9 million by Mar. 31, 2009.

The revenues from international business, including international services revenues, dividends from overseas investees and revenue contribution of overseas affiliates accounted for by equity method, are estimated to reach ¥100 billion in FY2008, growing steadily into one of our major revenue sources for the future.

FOMA network

Capital expenditures for FY2008 are projected to decline approximately ¥40 billion, or 5% year-on-year, to ¥719 billion. The horizontal coverage expansion of the FOMA network has already passed its peak, and we are currently focusing on meticulous area quality enhancements, capacity build-up to accommodate the growth in traffic resulting from the expanded uptake of flat-rate packet access service, and the conversion into HSDPA.

Operator Pack

For the development of handsets, we are planning to provide manufacturers with what is called “Operator Pack”. In the traditional handset development approach, we have adopted a software structure comprising an operating system (OS), a common area above the OS, and an area reserved for manufacturer’s proprietary implementation on top of the common area. In this structure, however, services unique to Japan such as i-mode became an obstacle for foreign manufacturers, and on the other hand, Japanese manufacturers are required to exert additional efforts to develop handsets for overseas markets. To address these issues, we have decided to adopt a new structure, which is divided into the “global applications part” comprising standard applications that can be used commonly across the world and the “Operator Pack” accommodating i-mode and other DOCOMO-specific applications, and offer them to handset manufacturers in a package. We believe this will make it easier both for Japanese manufacturers to enter markets abroad and foreign

vendors to enter the Japanese market. Through this method, we aim to increase the commonality of handsets and reduce the cost of handsets in return. But it may take a little while before we start the actual implementation on FOMA handsets, which is currently expected to begin from the second half of FY2009, or about one and a half years from now.

Group formation

As we announced today (Apr. 25, 2008), we plan to integrate our eight regional subsidiaries into a single entity under NTT DOCOMO, Inc. effective July 1, 2008. Also, as a result of a review on the organizational structure of our head office, we have decided to abolish the existing divisional system and replace it with a new flatter structure starting July 1. Through this exercise, we aim to further improve our customer services, speed up our decision making and improve the efficiency of our group management.

With regard to the projected benefits of group reorganization, as a first step, we will integrate the eight regional subsidiaries, and then in the next phase, we will make further studies over the next 12 months concerning how to streamline other indirect subsidiaries affiliated with the regional DOCOMO subsidiaries that are engaged in sales or after-sales support-related activities, aiming to integrate the currently independent call centers or distribution centers sometime around the summer of next year or beyond. Through this group reorganization, we would like to achieve cost savings on the order of tens of billions of yen, while it may take two or three years for the results to become visible.

Return to shareholders

We plan to maintain the annual dividend for the fiscal year ending Mar. 31, 2009 at ¥4,800 per share. For share buy-back, we will seek authorization at the upcoming general meeting of shareholders in June to repurchase up to 900,000 shares for up to ¥150 billion. Our free cash flows as at Mar. 31, 2009 are projected to decline to approximately ¥80 billion due to a temporary rise in outstanding installment accounts receivable owing to the introduction of "Value Plan". In spite of the decline in free cash flows, we intend to properly reward our shareholders by adhering to our policy to continue stable dividend payments and repurchase of shares.

[Questions and Answers]

Q: Operating income for FY2007 was ¥28.3 billion higher compared to your full-year forecast. Was the reduction in revenue-linked expenses owing to the introduction of new handset purchase methods the largest reason behind the better-than-expected result?

A: When we announced our results for the first three quarters of FY2007, we did not change the full-year operating income guidance of ¥780 billion, as we had predicted an increase in handset sales during the high sales season in March 2008. However, the handset sales did not grow as much as we had expected. Other major factors behind the increase include the smooth transition to a new purchase method facilitated by its higher-than-expected uptake, and reduction of distributor commissions achieved through successful elimination of old models in inventory without subsidizing them with hefty sales incentives.

Q: You mentioned that free cash flows as of Mar. 31, 2009 are projected to decline significantly due to the growth of installment payments. How sizable is the impact of installment payments?

A: For the year ended Mar. 31, 2008, the installment payment scheme had a cash outflow impact of approximately ¥110 billion. In the fiscal year ending Mar. 31, 2009, its cash outflow impact, though the actual number may vary depending on our handset sales performance, is estimated to be roughly ¥450 billion. Accordingly, the negative cash impact is expected to be more than ¥300 billion greater as compared to last fiscal year. While there are other variable factors, such as tax payments, etc., the impact of the installment payment scheme will be the largest factor for the projected drop in free cash flows as of Mar. 31, 2009 to ¥80 billion.

Q: You explained you plan to continue providing shareholder returns despite the projected decline in free cash flows to ¥80 billion. How do you plan to procure the funds to finance your dividend payment and repurchase of shares?

A: We need to employ some financing measures to procure the required funds. Whether to use short-term or long-term borrowings and the timing to make such borrowings will have to be decided based on the available interest rates and our financial condition at that time, and we have not made any decisions on these issues at this point. This fiscal year, we will have to manage our business taking into consideration our need to procure funds in one way or another.

Q: Depreciation/amortization for this fiscal year is expected to decline sharply due to a reduction in capital expenditures. Please explain the outlook for capital expenditures for the fiscal year ending Mar. 31, 2010 and beyond.

A: We believe the downtrend in capital expenditures will continue in the fiscal year ending Mar. 31, 2010.

Q: Explain the projected impact of installment payments on your cash flows for the fiscal year ending Mar. 31, 2010 and beyond?

A: The outstanding installment accounts receivable in the fiscal year ending Mar. 31, 2010 are expected to increase slightly compared to the level of the fiscal year ending Mar. 31, 2009 of ¥450 billion.

However, because the collection of installment accounts receivable will also progress, we do not foresee that our cash position will become any tighter (from the level in the fiscal year ending Mar. 31, 2009). Our cash flow position as of Mar. 31, 2011 is expected to recover to the level of approximately ¥400-¥500 billion.

Q: It seems that the provision of a software package like the “Operator Pack” could limit the areas where each manufacturer can demonstrate their ingenuity. What will you be expecting from manufacturers going forward?

A: We believe manufacturer-unique portions that are developed based on their proprietary inventions will continue to be important in the future. The “global applications” comprise the basic functions of the handset, while the “Operator Pack” mainly consists of i-mode and other know-how owned by DOCOMO, and these will be packaged together and offered to manufacturers. We believe there is still plenty of room left for manufacturers to devise creative solutions based on this new concept, such as the ease of use and handset design, etc.

Q: Does it mean you expect manufacturers to exert creativity more on the hardware side (than on software)?

A: Even today, manufacturers are devising various ingenious solutions, as exemplified by the different text conversion functions for e-mail messages, etc. In the future, the need for touch panel input, for example, is expected to grow. We believe the areas that require focus are now shifting to ease of use of handset, hardware design and other factors.

Q: You explained that the projected benefits of introducing the “Operator Pack” are the reduction in handset prices, entry of Japanese manufacturers into foreign markets and overseas manufacturers’ participation in DOCOMO’s business. Which of these three do you emphasize most?

A: Among the three, our primary target is to facilitate the entry of Japanese manufacturers into overseas markets. We would of course like to seek a reduction in handset prices, but we think the “Operator Pack” would be of great assistance for Japanese manufacturers to enter markets abroad.

Q: For the provision of “Home Area” services, I believe dual-mode handsets supporting 3G and Wi-Fi connections will be required. Do you plan to offer such handsets in the future?

A: Dual-mode 3G/Wi-Fi devices are already offered to our enterprise clients. We are planning to make them available for consumers, too, in the future.

Q: When do you plan to introduce Femto cell BTSs?

A: We already started installations of Femto cell BTSs that are installed by DOCOMO (as part of our own facilities). The timing to introduce Femto cell BTSs for general households is not decided yet.

Q: Please give us the actual number of HSDPA-enabled handset users as of Mar. 31, 2008, and the forecast as of Mar. 31, 2009.

A: The user base of HSDPA-enabled handsets as of Mar. 31, 2008 was approximately 6.1 million. The number is expected to grow to approximately 10 million by the end of March 2009.

Q: You are projecting a year-on-year increase in both revenues and income for the fiscal year ending Mar. 31, 2009. Please give us a breakdown of individual items that are expected to increase or decrease.

A: To explain the items that are likely to change significantly, cellular services revenues are projected to decrease due to a decline in ARPU resulting from the discounts on basic monthly fees. On the other hand, operating revenues are estimated to grow by approximately ¥56 billion owing to a projected increase in equipment sales revenues due to a broader adoption of new handset purchase methods. Operating income is expected to increase by approximately ¥22 billion due to a reduction in network costs and other factors, despite an increase in expenses related to the consolidation of regional subsidiaries and change of corporate logo.

Q: You are targeting to secure net additions of 1.08 million in FY2008. Why have you developed a plan to acquire a larger number of net additions compared to FY2007 when you are trying to shift your primary focus to existing subscribers in your business strategies?

A: The main focus of our future strategies is to value our existing 53 million customers to have them use

DOCOMO services “deeply over a long period of time”. In numerical terms, this ambition can be translated into a reduction of churns, but it does not mean that we will abandon our efforts to acquire new subscriptions. In addition, the net additions forecast also includes the number of FOMA subscriptions required for subscribing to the “2in1” service, which we recently started to include in the calculation of net additions.

Q: Please give us guidance concerning the number of handsets to be sold in FY2008.

A: We are expecting to sell slightly over 25 million units during FY2008.

Q: What kind of strategies do you plan to employ to address the enterprise market this fiscal year?

A: While the competition in the corporate market is fierce, we intend to propose handsets in combination with enterprise systems leveraging our solution development capabilities. We also intend to release a considerable number of smart phone-type devices this fiscal year.

Q: You explained you aim to save tens of billions of yen in costs in the next 2-3 years through the reorganization of the group structure. In concrete terms, through what kind of measures do you plan to achieve such cost reduction?

A: We do not plan to cut costs through the attrition of human resources. Human resources freed up through the integration of administrative and common operations and elimination of redundant operations will be transferred to branches or other areas close to the field to strengthen our customer contacts. Currently, each regional subsidiary owns its own call center or logistics functions. These will be integrated on a nationwide scale in the optimal way, in order to achieve cost reduction on the order of tens of billions of yen. We are now pursuing studies on this matter with the goal to execute this integration in about one year from now.

Q: Can you elaborate on the reasons why you decided to abolish the divisional system, renew your corporate brand and reorganize your group formation?

A: We decided to abolish the divisional system to make our organizational structure flatter, so that decisions can be made basically by the CEO and Senior Executive Vice Presidents to speed up our decision-making process.

With respect to the group reorganization and renewal of brand, for instance, we used to have independent marketing functions in the Marketing Division and Products and Services Division, respectively, but these were integrated into a single team under the Corporate Branding Department, and we are also planning to integrate the regional subsidiaries to pursue our marketing strategies in a uniform fashion listening to the requests of customers.

Q: Regarding the operating revenues for FY2008, what are the reasons behind the increase of equipment sales revenues from ¥546.6 billion in FY2007 to ¥965 billion in FY2008?

A: Due to the introduction of a new purchase method, “Value Course”, the handset sales incentives are basically eliminated, which allows us to sell handsets at prices nearly equal to their cost of procurement. Accordingly, equipment sales revenues are expected to grow by an amount equaling this difference.

Q: What are the factors behind the projected ¥720 year-on-year decline in ARPU for FY2008?

A: The factors that will negatively affect the ARPU include, among others, discounts on basic monthly charges offered under the “Value Course”, new discount services such as “Fami-wari MAX 50”, and the incremental discount rates offered in proportion to the length of subscription by our “Ichinen Discount” package.

Q: You mentioned that packet traffic has been rising in line with the growth in the uptake of flat-rate packet access service. Please explain the size of growth in quantitative terms.

A: The volume of packet data traffic per day per subscriber as of Mar. 31, 2008 roughly doubled compared to the level as of Mar. 31, 2007. We would like to facilitate the conversion into HSDPA to prepare the necessary facilities to accommodate the growth in traffic.

Q: DOCOMO is expected to go through a major change going forward, with the launch of new purchase options last year, and change of brand logo and group structure in July. Can you share your views and expectations regarding how the awareness of employees will change under these circumstances?

A: Mobile Number Portability has had a significant impact on the mindset of employees. We believe many of our 20,000 employees developed a stronger sense of awareness that we cannot stay on the conventional track and a change of course is necessary. Through extensive discussions on how to overcome the current situation, we reached a consensus to drastically change all of our business practices to become more customer-oriented and renew our brand.

We carried out internal promotions for our own employees and those of regional subsidiaries during the three-month period from January to March this year. We believe we have spent considerable efforts to raise the awareness of our employees, and we will continue these endeavors going forward.