

**Press Conference Announcing the Results**  
**for the First Three Months of the Fiscal Year Ending March 31, 2009**  
**(Minutes)**

Date: July 30, 2008 (Wednesday), 15:00-16:00

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**[Comments by Ryuji Yamada, President and CEO]**

For the first three months of the fiscal year ending March 31, 2009 (FY2008/1Q), the Company recorded a decline in revenues but an increase in income over the previous fiscal year: Operating revenues and operating income were ¥1,170.2 billion (down 1.1% year-on-year) and ¥296.5 billion (up 45.4% year-on-year), respectively. The first quarter operating income achieved a favorable progress equaling 35.7% of our full-year target. Free cash flows fell to negative ¥105.6 billion primarily because large cash needs, such as corporate taxes, generally arise in the first quarter, and also due to an increase in installment claims payable to distributors.

**FY2008/1Q Results Highlights**

Operating income grew to ¥296.5 billion, up ¥92.6 billion compared to the same period of last fiscal year, when our performance had been relatively lackluster prior to the introduction of the new handset purchase methods.

Operating revenues dropped ¥12.6 billion year-on-year. Among the revenue items, cellular services revenues decreased ¥96.3 billion due mainly to the reduction of basic monthly charge revenues resulting from the expanded uptake of “Fami-wari MAX 50” and other new discount services as well as the widespread adoption of our new handset purchase method, “Value Plan”, which reduced basic monthly charge and which were also the major factors behind the decline in voice ARPU. Equipment sales revenues, on the other hand, increased by ¥72.2 billion year-on-year despite the decline in the wholesale shipment of handsets to distributors, because due to the launch of the new handset purchase methods, handset sales incentives —which are deducted from revenues under US GAAP— were reduced.

Operating expenses dropped ¥105.2 billion compared to the same period of the prior year, owing mainly to a decrease in revenue-linked expenses of ¥101.8 billion. The total number of handsets sold in FY2008/1Q was 4.95 million, dropping by 1.29 million units or approximately 20.7% compared to the 6.24 million units in FY2007/1Q. As a consequence, the cost of equipment sold and distributor commissions declined by ¥73.7 billion and ¥38.1 billion, respectively, from the same period of last fiscal year.

The main factors behind the increase in operating income from ¥203.9 billion in FY2007/1Q to ¥296.5 billion in FY2008/1Q include the following.

Cellular services revenues posted a year-on-year decline of ¥96.3 billion. As for the breakdown, voice revenues decreased ¥132.5 billion while packet revenues grew ¥36.2 billion. Among the ¥132.5 billion decline in voice revenues, the impact of “Fami-wari MAX 50” and other new discount services was ¥40 billion, and the decline in basic monthly charge revenues due to our new handset purchase method, “Value Plan” was ¥30 billion, for a total of ¥70 billion.

The profitability of our equipment sales-related business improved ¥184 billion compared to the same period of the last fiscal year, with equipment sales revenues increasing by ¥72.2 billion and the cost of equipment sold reducing by ¥111.8 billion. The reduction in depreciation also contributed to the improved results of equipment sales-related business.

### **ARPU**

The aggregate cellular ARPU for FY2008/1Q was ¥5,890, decreasing 10.2% year-on-year from ¥6,560 for FY2007/1Q. With respect to the breakdown of this decline, voice ARPU dropped ¥880 from ¥4,440 for FY2007/1Q to ¥3,560 for FY2008/1Q. Slightly over half of this drop resulted from the expanded uptake of the new discount services such as “Fami-wari MAX 50” and the “Value Plan”. Packet ARPU, on the other hand, grew to ¥2,330, up ¥210 compared to ¥2,120 for the same period of last fiscal year.

### **Market share of gross handset sales**

For your information, we have maintained our market share of gross handset sales at approximately 50%, which means that one out of two Japanese cellular subscribers bought our phones.

### **Principal actions taken in FY2008/1Q and their results**

The “New DOCOMO Commitments”, which were announced on April 18, 2008, to change DOCOMO from a customer perspective, has entered the execution phase. On July 1, 2008, we officially changed our corporate logo and made a transition to a nationwide operation by a single company after completing the integration of former regional subsidiaries.

This reform is an all-out effort involving all members of the company ranging from the top management to the rank-and-file employees. I visited all our regional offices taking the opportunity of the consolidation into a single entity, and told our staff that we have to move ahead with the reform bearing in mind that now is the time to start its execution.

### **New business models**

At DOCOMO, the new discount services, such as “Fami-wari MAX 50”, and the new handset purchase methods are called the “two wheels of a bicycle”. The combined number of subscriptions to “Fami-wari MAX 50” and other new discount services grew to approximately 25.9 million as of June 30, 2008. Of the users who bought a new handset using the new handset purchase methods, 97% chose the “Value Course” and the total number of “Value Plan” subscriptions topped 10 million as of July 26, 2008.

### **Churn rate**

Our cellular churn rate dropped to 0.51% for FY2008/1Q due mainly to the widespread adoption of the new business models, and it fell to below 0.5% for the months of May and June, 2008. We will strive to further improve our churn rate by executing our customer-focused reform initiatives.

### **Flat-rate subscription business**

The total subscriber base of “pake-hodai” rose to 13.4 million. The population coverage of HSDPA service expanded to 98%, and the number of contracts for compatible handsets reached over 9 million. The usage of “i-channel” and “Data Security Service” has also been growing.

We believe video content will hold the key to further expanding the flat-rate subscription business. Therefore, leveraging the new 906i series phones—which are called “all-round video phones”—we have started an active promotion of video services and contents. Subscribers who wish to enjoy video services without concerns about their bills are recommended to join a flat-rate service, and we will continue our endeavors to expand our flat-rate subscription business.

### **Life assistant business**

The total number of DCMX credit service subscribers reached 6.44 million and the number of iD payment terminals installed grew to 340,000. Our target is to increase the DCMX subscribers to 9 million by March 31, 2009. Toward this goal, we launched DCMX service in Guam and China in July 2008, deploying the “Osai-fu-Keitai” electronic wallet service for the first time in markets outside Japan. This is considered to become a convenient payment tool for users, enabling them to confirm their spending in an amount converted into Japanese yen via mobile handsets, and we hope this will further expand the usage of our credit service.

We also intend to grow GPS-based location information services. The user base of GPS-enabled handsets has grown to over 15 million, and we believe this, together with our “pake-hodai” and HSDPA service, will serve as the foundation for new value creation in the future.

### **International business**

International services revenues for FY2008/1Q increased 25% year-on-year to ¥12.9 billion. In June 2008, we established DOCOMO China, Co., Ltd, with the aim to expand the solution business to corporate clients. This subsidiary will mainly focus on providing mobile solutions to enterprise customers, consulting service and sales of telecommunications equipment. To seek additional revenues through overseas investments or alliances, we have decided to invest in TM International (Bangladesh) Limited (TMIB). As the Bangladeshi market offers great potential for growth, we made this decision adhering to our overseas expansion strategy to focus on the Asia Pacific region.

### **Network**

Because our FOMA network uses the 2GHz spectrum band, we received complaints from customers regarding connection difficulties in some areas especially in the early days after its service launch. As a result of our thorough efforts to eliminate this problem, our network quality has improved considerably. We have also been working meticulously to improve FOMA’s area coverage to enhance customer satisfaction. A new service in which we plan to send our field staff to customer’s premise within 48 hours after receiving complaints or inquiries regarding our coverage will shortly enter the execution phase, as we plan to launch this service starting with the Kanto-Koshinetsu region in October 2008. Meanwhile, we have completed the coverage improvement efforts in 57 tunnels of the Tokaido bullet train lines, and we will continue to work to improve our network quality and coverage

going forward.

### **Future network evolution plans**

In our field trial of LTE, which is called “Super 3G” at DOCOMO, we succeeded in delivering transmission speeds of approximately 250 Mbps downlink and 50Mbps uplink. The conversion of our existing infrastructure into an All-IP network is also underway.

As explained above, because our initiatives to transform our business model, which were initiated during the last fiscal year, began to deliver tangible results, we were able to achieve generally favorable results in the first quarter of FY2008.

The main factors behind the improvement of our financial results include the growth in revenues resulting from the steadfast increase of packet ARPU, and the expanded adoption of the new handset purchase methods, which allowed us to save distributor commissions and improve the profitability of equipment sales-related business.

For the revision of our full-year operating income guidance, we need to watch the market for a longer period to determine whether the trends in the first quarter will continue or not. At this juncture, we do not see the need to make a revision to our guidance.

### **[Questions and Answers]**

Q1: Please give us your evaluation concerning the results for FY2008/1Q.

A1: We successfully maintained our churn rate at considerably low levels in the first quarter. Our packet ARPU has also been growing.

Q2: If you had not introduced the installment payment scheme under the new handset purchase method, “Value Course”, how much do you think your operating income would have been?

A2: We have been working to expand the adoption of our new handset purchase method, “Value Course”. We successfully reduced our sales incentives by promoting the new handset purchase methods, which resulted in the increase of operating income. We have not calculated our financial results based on a hypothetical condition without the installment scheme.

Q3: Until when do you have to wait and see the market trends to decide on making revisions to your full-year guidance?

A3: We have to evaluate the results of the second quarter to determine whether we need to revise our full-year forecasts or not.

Q4: You mentioned 97% of users who purchased a new handset using the new handset purchase methods chose the “Value Course”. What percentage of them has chosen to spread out their payments in installments, and how does that compare to your initial forecast?

A4: Of those users who bought a handset using the “Value Course”, approximately 50% chose to spread out their payments over 24 months, 25% over 12 months, and the remaining 25% paid in

lump sum, which was almost in line with our earlier projections.

Q5: How has the installment scheme impacted your free cash flows in FY2008?

A5: Due to the increase in the installment claims payable to distributors, the cash outflow during FY2008/1Q increased by approximately ¥93 billion year-on-year. Its full-year cash-out impact is estimated to be approximately ¥450 billion. However, because the actual handset sales have slightly underperformed our expectations, the number of users choosing to pay in installments also remained lower than the level we had expected. The negative cash impact, therefore, may end up slightly smaller than our forecast.

Q6: Do you foresee any need to employ additional financing measures in the future?

A6: With the issuance of ¥80 billion of corporate bonds in June 2008, we have sufficient funds in hand at the moment, and we do not foresee any shortage of funds for the near term. However, in our long-term financing strategies, we would like to seek various opportunities taking the market conditions and other factors into consideration. We therefore cannot provide you with a definitive comment regarding the possibility of additional financing at this point.

Q7: You mentioned your handset sales in FY2008/1Q dropped 20% compared to the same period of the prior year. Do you think this trend will continue in the second quarter and beyond? Please explain your views on the future outlook of handset sales.

A7: In the first quarter of last fiscal year, we sold some models at the price of ¥0 under the conventional handset purchase method. Under the "Value Course", the retail price of our handsets has risen to approximately ¥50,000, which we believe dampened the willingness to buy a new handset among some users. The deceleration of the economy may have also affected the sales in the market across the board, because our competitors have also reported a similar decline in handset sales.

With respect to the outlook for the second quarter and beyond, we do not necessarily think that our handset sales will continue to drop at a rate of 20% year-on-year as in the first quarter. In the first quarter of last fiscal year, we had been very aggressive in our promotion, selling more than 6 million units of handsets in total. Our promotional activities returned to the normal state from July 2007. Therefore, we will be able to compare our sales performance under the same conditions from the second quarter of this fiscal year.

Q8: How did iPhone, which was released on July 11, 2008, impact your handset sales?

A8: With respect to the impact of iPhone, our sales following its release have been almost comparable to or slightly higher than the numbers for April and May of this year. We therefore believe many may want the iPhone as a second phone. This is what we have learned in the less than 2-week period after the release of iPhone on July 11, 2008, and we will keep a close eye on the future trends.

Q9: Please comment on your schedule for introducing the filtering service to prevent young users from accessing harmful sites.

A9: There are two methods; (i) a service which eliminates sites designated by a third party from those contained in a black list, and (ii) a service which only allows access to sites permitted by parents. We believe we can introduce both filtering capabilities within this fiscal year.

Q10: If your handset sales remain sluggish going forward, how do you think that will impact the manufacturers and your distributors? What measures are you planning to take to respond to this issue?

A10: We will keep a close eye on our future handset sales performance. If it plunges steeply, we will have to employ various countermeasures.

With respect to manufacturers, we may look into the possibility of changing the development cycle of handsets from the current frequency of releasing new models every 6 months, and making our handsets more globally common through the introduction of Operator Pack, etc.

As for distributors, we may study together with them, for instance, ways to reduce their operational costs. We may also look into the possibility of providing them with incentives for receiving customers, as opposed to the current approach of paying incentives based on sales of handsets. These are all mere possibilities, and the concrete measures will have to be studied and decided from now onwards.

Q11: Following the introduction of “Value Course”, it seems the gap between the sales performance of popular and less popular models has widened, and the build-up of dead inventory is becoming a problem. How do you plan to cope with this issue going forward? Have you considered about, for example, changing the structure of your product lineup?

A11: As at June 30, 2008, we carried handsets worth about ¥190 billion in inventory, which was slightly higher level than that of June 30, 2007, but not high in our standard. The number of 90X series phones carried in inventory increased significantly, because we needed to build up our stock to prepare for the release of the new 906i series in late June, so it may appear that we have built up excess inventory of 90X series.

To respond to the issue of the difference of sales volume by model, we will carry out marketing surveys beforehand, and flexibly adjust our purchase quantity at the time of procurement consulting with each manufacturer. Inventory adjustments between different distributors and regions are expected to improve significantly in the future as a result of the consolidation of the regional subsidiaries into a single entity.

Fundamentally, we must strengthen our marketing capabilities so that we can develop products that sell well.

Q12: What measures are you planning to take to further raise your data ARPU?

A12: Considering the convenience of customers, particularly those who wish to use video services, we are studying the introduction of a two-tier flat-rate service which sets a lower limit.

Q13: You explained that the migration of subscribers to the new “Value Plan” has been progressing as planned, but this has clearly affected your ARPU. If its subscriptions continue to grow at the

current pace, its downward pressure on your FY2008 full-year ARPU may become greater than your projections. How do you plan to react to the decline in ARPU caused by the “Value Plan”?

A13: We are aware that the discounts on basic monthly charges offered by the “Value Plan” will gradually diminish our ARPU. However, it would not make any sense if the system were designed in such a way that its cost-saving effects are completely offset by the discounts included in the package. We introduced the new handset purchase methods taking into consideration that they will help us lower the churn rate, retain existing subscribers and extend the usage period of the same handset, which will translate into a reduction in our overall costs.

The negative impact of the discounts on the monthly fee offered by the new scheme is estimated to be ¥200-300. In addition to this, ARPU has been declining by several hundreds of yen per year due to the “Ichinen Discount” service, which offers incremental discount rates in accordance with the length of subscription. While the decline in aggregate ARPU is likely to continue, we are not foreseeing a steep decline in the future, because the new discount packages are expected to absorb the negative impact caused by the “Ichinen Discount” and other billing plans. We will also strive to sustain the aggregate ARPU by boosting our packet ARPU.

Q14: Please explain why you began to emphasize your market share of gross handset sales as an indicator this time around. Does it mean you will attach greater emphasis on the share of gross handset sales rather than the share of net additions in the future?

A14: Our phones are chosen by one out of two mobile phone users in Japan, indicating that our handsets account for approximately 25 million of the total 50 million handsets sold in one year. According to a survey on consumers’ preferences for digital devices conducted by a newspaper publisher in September 2007, approximately half of the respondents answered that they intend to choose DOCOMO again the next time they purchase a new handset.

We do not intend to attach higher priority on the share of gross handset sales over the share of net additions. As we are currently focusing on marketing aimed to enhance customers’ brand loyalty, we attach the highest priority on customer satisfaction, and churn rate is therefore an important indicator. We will of course pay attention to the number of net additions as well.

Q15: iPhone drew a high amount of attention and also stirred arguments about the incentive-based handset sales model. What are your views on this matter?

A15: It might be acceptable to sell smart phones or other new type of devices that are different from conventional handsets with the incentive model, but as far as the 90X and 70X series handsets are concerned, we will basically promote the “Value Course” to expand its adoption.

Q16: Do you have plans to offer iPhone via DOCOMO in the future?

A16: We are sorry but we would like to reserve our comments on this matter.

Q17: Please explain how you evaluate foreign manufacturers and your plans concerning the procurement of foreign vendor’s products in the future.

A17: We have been marketing handsets and devices from foreign manufacturers such as the PRADA

Phone and BlackBerry, etc. We will start marketing BlackBerry, which has so far been offered only to enterprise customers, to individual consumers from August 1, 2008.

In a mature market, it becomes important to make products wanted by customers readily available at the right timing. We will therefore work to further enrich our product lineup. If we find good products from foreign vendors, we would like to include them in our portfolio.