

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

Date: October 31, 2008 (Friday), 15:00-16:20

[Comments by Mr. Ryuji Yamada, President & CEO]

■ Financial Results of 2nd Quarter

Overall financial results for the six months of the fiscal year ending March 31, 2009: The financial results show an increase in income with decrease in revenue, with the operating revenue for the first half at ¥2,267.8 billion, a 2.5% year-on-year decrease, operating expenses at ¥1,690.8 billion, a year-on-year decrease of 11.8%, and operating income at ¥576.9 billion, a 41.2% increase. We have achieved 69.5% of the full-year target of operating income for the current fiscal year.

Some of the highlights of FY2008/2Q were that we were able to maintain a lower-than-expected churn rate at 0.51%, and with the robust packet ARPU we were able to keep the decrease in the aggregate ARPU smaller than originally projected – development of our “New Handset Purchase Methods” created overall favorable financial results.

We have seen in the past figures similar to 69.5% of the operating income target achieved around this time, but one of the reasons for this is that since DOCOMO is an infrastructure company, the expenses tend to be concentrated in the latter half of fiscal year.

Operating revenue: Due to the new discount services and wider adoption of “Value Plan” in our new handsets purchase methods, the ARPU for 2008/1H of fiscal 2008 decreased by ¥680, resulting in a cumulative decrease of ¥194.7 billion in the revenue from cellular phone business. On the other hand, since customers are buying handsets at full retail prices under the new handset purchase method, while the number of sales decreased, our revenue from equipment sales increased by ¥124.4 billion. Operating revenue for 2008/2Q was a cumulative decrease of ¥57.3 billion.

Operating expenses: Handset procurement cost had a year-on-year decrease of ¥161.4 billion, due in part to a decrease in the number of handsets sold, but the sales commission to distributors also had a year-on-year decrease of ¥66.4 billion, resulting in a major decrease of ¥225.8 billion in operating expenses for FY2008/2Q.

We were able to secure a year-on-year increase of ¥168.5 billion in operating income. What we didn't foresee was the reduction in handset sales, which also reduced the sales commission to distributors. The positive impact on the income from this decrease was around ¥40 billion, so the

remaining ¥130 billion was achieved through the change in business model, as well as lower churn rate.

We had a negative free cash flow is ¥64.6 billion, which was mainly due to an increase in deferred payments from customers incurred from growth in installment sales.

Business operations: “New Business Model” consists of new discount services and the new handset purchase methods, the “two wheels of a bicycle.” We have over 28 million customers who have signed up for new discount service, reaching over 50% of our subscriber base in roughly one year after introduction. In our new handset purchase methods, we are recommending “Value Course” to customers, and the uptake is about 94%, resulting in a healthy growth of subscriptions to this plan. Customers choosing Value Course enjoy reduced basic monthly charges. This results in a decrease of ARPU, but the strategy is to value the existing customers, which has resulted in a steady decline of churn rate.

ARPU: The aggregate cellular ARPU for FY2008/2Q was ¥5,860. Voice ARPU went down from ¥4,340 to ¥3,450, a year-on-year decrease of ¥890. This is in line with what we projected. Roughly half of ¥890 comes from expansion of new discount services and the Value Plan. Meanwhile the packet ARPU went from ¥2,210 to ¥2,410, an increase of ¥200 from the same period last year. This growth in packet ARPU contributed to the favorable result in the aggregate ARPU.

Churn rate: Churn rate in FY2008/2Q was 0.51%. As we pursued the change of business model, we have seen a drastic decrease of churn rate.

Total handsets sold and market share: Cumulative number of handsets sold up to FY2008/2Q saw a year-on-year decrease of 19.8%, from 12.8 million to 10.26 million. We will endeavor to increase sales in the latter half of fiscal year through further migration of mova customers to FOMA, as well as increased awareness of the new handset purchase methods. We are also planning to introduce new handsets and we project a decrease of roughly 15% in the total number of handset sales compared with last fiscal year.

FY2008 Financial Results Forecast: The full-year operating income guidance remains unchanged from the initial target of ¥830 billion. Some of the positive factors are an approximately 15% decrease from initial expectations for total number of handset sales and upward revision of aggregate ARPU. Negative factors include expenses relating to migration of mova customers to FOMA and advanced depreciation of mova-related assets, so the final result is the projection of operating income of ¥830 billion. We have reviewed operating income and operating expenses figures, incorporating the trend in the number of handset sales for the first half of the fiscal year as

well as favorable trend of ARPU.

Operating revenue: We have revised the aggregate ARPU upward by ¥70 due to robust growth of packet ARPU, which is expected to result in an overall increase of ¥44 billion. Our projection for the total handset sales is now about 22 million units, an approximately 15% decrease compared with last fiscal year. This is down by roughly 3.4 million units from our original projection, and as a result we are anticipating a decrease of ¥197 billion in operating revenue.

Operating expenses: Due to similar reasons as the decrease in equipment sales revenue, handset cost is also expected to be decreased by ¥194 billion. Sales commissions to distributors are down by ¥5 billion. Reduction of 3.4 million units in handset sales may have led one to expect a larger decrease here, but we are incorporating measures to promote migration of 7.5 million mova subscribers to FOMA, as well as sales promotion measures in the competitive environment that will exist 2 years after the introduction of MNP. In addition, in the current fiscal year we are planning to incur accelerated depreciation costs of mova-related assets of around ¥50 billion, resulting in an increase in depreciation and amortization expense of ¥31 billion. Termination of radio signal for mova service is planned for July, 2012, and while the specific date is not certain, we are planning to determine the timing of termination of mova service by the end of this fiscal year. If we make a decision during this fiscal year, there will be an advanced depreciation cost, but if not, we will do advanced depreciation either next fiscal year or one after next. So we would like to do this as a measure to contribute toward profits in the next fiscal year and beyond.

Based on these financial results, I believe we should carry out those measures that would contribute toward future profitability and growth of DOCOMO in the latter half of fiscal year. We are currently experiencing the positive impact of Value Course. I would like to see the growth beyond this and create a foundation for growth, including the build-up of our customer base.

Let me continue with the explanation of our plan on how we will continue to increase profit during next fiscal year and beyond.

■ DOCOMO's Change and Challenge to Achieve New Growth

The basic philosophy of "DOCOMO's Change and Challenge to Achieve New Growth" is, first of all, to pursue innovation in increasing the customer satisfaction level in the mature mobile communications market, based on the "New DOCOMO Commitments." The other is to challenge ourselves to improve quality in the mobile communications market, which is mature in terms of quantity, but still has opportunities for growth in terms of quality.

Mobile phone has features such as real-time immediacy, personal authentication and locating capabilities, and the mobile market still has a great potential for growth. With open-platform

handsets becoming widespread, a diverse range of global players can enter the market, bringing new services beyond boundaries of various business domains, and this will create a more sophisticated and diverse mobile market. DOCOMO views this as a great business opportunity, and we intend to continue innovations through partnering with a wide range of players, and endeavor to create new values by leveraging the infinite possibilities mobile phone has. We announced this “Change and Challenge” with the hope that we want to clearly spell out our future directions toward the fiscal year 2012.

DOCOMO’s change: Based on the “New DOCOMO Commitments,” we are in the process of reviewing everything including services, handsets and network from the perspective of the customer, implementing specific action with thorough focus on the importance of “hands-on approach to serving customers”. As part of these efforts, we have created the “New DOCOMO Commitments,” announced our new brand logo, and integrated regional subsidiaries.

Also, what DOCOMO should be is manifested in the slogan of “With each customer, we will strengthen ties, and open the door to the future.” The entire DOCOMO Group is moving in this direction and making an effort to “pursue marketing from the customer-focused perspective.”

First is to value customers who strongly support DOCOMO; second is to further enhance the quality of network coverage and after-sales service; third is to meet the satisfaction of customers in all points of contact; fourth is to select and propose services that match individual needs of each customer. We want to achieve all of these goals and be number one in customer satisfaction by fiscal year 2010.

In addition, we will steadily implement measures to enhance the level of customer satisfaction and will make further announcements regarding specific action, but one would be a review of handset line-up. We will also continue to further enhance quality of coverage and after-sales service.

DOCOMO’s challenge: Our challenge is how we can continue our commitment to creation of values, taking advantage of the unique mobile features such as real-time immediacy, personal authentication and locating capabilities.

Mobile phone started out from the world of telephone and communication, to which information access functionality, followed by functionality to assist with one’s daily life with such features as *Osaifu-keitai* e-wallet were added. From this winter’s models, we plan to install agent function providing daily behavior support.

All of these features are advancing, and DOCOMO intends to continue our challenge of innovation with all functionalities. We will also continue our pursuit of further features.

Personalization of services: This is our endeavor to personalize services and features according to lifestyle and needs of individual customers, thereby enriching their daily life. We will make mobile phone evolving from a “phone capable of doing XX,” to a “phone that will actively do XX on behalf of customer.” This is my vision, but I am wondering if we can create a phone that is like Aladdin’s magic lamp – to strive to create the ultimate mobile phone.

Agent function is very useful in many aspects of our daily lives. For instance, your mobile phone would tell you if there was a problem with the train service you use.

We would also like to pursue more personalization, such as customizing the screen design or search function or creating a personal portal where you can securely store your important data that can be freely edited, processed or viewed also via PCs.

“Social Support Services”: As “Social Support Services”, we plan to launch businesses in fields such as environment, ecology, safety and security as well as health management for the sustainable growth of society and the creation of values in these new domains.

There are many social challenges that need to be resolved, and DOCOMO would like to leverage the 54-million-plus customer base and work toward helping to find these solutions.

There are five domains where mobile communication can make a major contribution – environment, health management, finance, education. In these domains, DOCOMO plans to provide a new platform, which DOCOMO calls a “Social Platform” for now, that we would like to build and capture relevant business opportunities.

One example would be providing support for health management. Customers interested in preventing illness or in regular exercise to prevent metabolic syndrome would access a database through “Social Platform” via mobile phone. A health management assistance service would then obtain advice from collaborating medical institution or doctors and send that back to the customer. There are isolated examples of this type of service already, but we would like to see if we can provide this for a larger social base.

Converged Services: These services provide convenient and user-friendly services by converging mobile phone with various life-assistance tools. We would like to provide an environment where customers can use mobile or fixed phones, broadcast and home networks seamlessly by converging mobile phones with fixed line, broadcasting, information appliances, ITS or industrial equipments.

These “Personalization of Services,” “Social Support Services,” and “Convergence Services” are the three major challenges for us with respect to services.

Fourth, evolution of video services: We believe the major focus of contents will be shifted to video.

We want to provide value-added video services unique to mobile phone through collaboration with content providers, thereby assisting in various activities in daily lives of customers.

Value –added video service unique to mobile phone means more personal type of video service matching the tastes and needs of customers. In order to obtain convenient and attractive video content, we would like to pursue investments into and alliances with content providers.

One example is route guidance by video. So far route guidance has been through still images, but video would be clearer and easier to understand for giving directions or tourist information. We also think this service could be used for remote emergency medical service as well.

In order to evolve video services and for customers to use them, we need to create an environment where customers can use services easily, and need to provide attractive content and develop advanced handsets. We also need to encourage customers to use the flat-rate billing plan, and we recognize that the network to support this would be critical.

Deployment of Mobile Broadband using LTE: We want to continue promoting mobile broadband using LTE. We have been engaged in LTE from the outset, and we are planning to introduce it in 2010, rolling out the high-speed, low-latency and large-capacity network.

In rolling out the network, we have a history of running ahead of the leading pack during introduction phase of W-CDMA. So with LTE, rather than trailblazing alone, we will introduce it as part of a leading group of operators in 2010. For this we want to collaborate with other leading carriers around the world.

Handset evolution: We will continue to provide handsets that meet customers' needs through adoption of open platform, advanced features of both hardware and software, as well as diversified design and user interface.

There are two trends in the evolution of handsets – one is with handsets provided by DOCOMO, in which we are creating DOCOMO's software package, separating the operator's pack from global applications. The other is to make the handset platform open and global through adoption of open platform such as Android and Windows Mobile.

Ideally, these two trends would converge in the future. Through wider adoption of open platform, we can encourage entry of diverse range of players, thereby creating an environment in which one can readily develop services and applications matching the needs of customers.

In addition, as advanced features we would like to continue our research in wireless technologies, input/output interface, 3D LCD, as well as electronic paper to challenge ourselves to provide such features to our customers.

Collaboration of handsets and networks: Presently all the functionalities are installed in the handset, but when LTE is implemented, handset and network will have a high-speed connection with low latency. Handsets no longer have to do all the processing, and we believe we will be able to provide services through processing functions of both handset and network.

Basic research aimed at new value creation: We would like to engage ourselves in research topics that would contribute toward creating the foundation that would serve to advance society and industries, and endeavor to make the use of the advantages of mobile communication for a better society.

This means to capture and analyze the trends of mobile phone users, and pursue research and experiments in collaboration with governments and industries in order to support advancement of society and industries and to create safe, comfortable and environmentally-friendly towns and cities. We do need to form a consensus on issues such as how we deal with the information regarding the users' trends.

Expansion of international businesses: We will continue our engagement in international businesses, with international roaming, international solutions for enterprises, and establishment of overseas business foundations as three cornerstones.

Investment and alliances in Japan: We intend to strengthen our core businesses, and we will continue pursuing investment and alliance opportunities, as we need collaboration with many entities in order for us to provide evolved video services, as well as to implement "Social Support Services" in connection with creation of new businesses.

Action to strengthen core businesses: Our target is to increase the packet ARPU through wider uptake of video services and flat-rate plan. Voice ARPU is declining while packet usage is increasing, but not sufficiently enough to compensate for the decline of voice ARPU. We continue to make efforts to increase the packet ARPU to surpass the voice ARPU, and aim to halt the decline of aggregate ARPU in the year 2011.

Improvement of cost efficiency: We continue our efforts to make ourselves more cost efficient, aiming to reduce costs relating to integration of regional subsidiaries, SG&A, network and sales by more than 10%.

Corporate Social Responsibility (CSR) activities: We continue to find ways that are unique to DOCOMO, including reduction of greenhouse gasses focused on the network, recycling handsets as well as expansion of "DOCOMO Woods."

DOCOMO would like to continue these endeavors, and we have created a project team to review how we can specifically get involved.

Overall target: We are aiming for operating income of over ¥900 billion in the fiscal year ending in March 2012. We are seeing a positive impact on the income from the new handsets purchase methods, but that will decrease going forward. We want to push up the declining profit through

new endeavors – we will simply continue our persistent efforts.

Return to shareholders: We want to maintain a dividend ratio that is among the top level in Japan, and continue providing stable dividend.

[Questions and Answers]

■ Financial results of FY2008/2Q

Q1: What are some of the factors contributing toward downward revision of projected net income for fiscal year 2008?

A1: Though we have not changed the projection for operating income, we did revise the projected net income by about ¥8 billion this time. One reason is that we had impairment of securities in the first half of fiscal year, which was posted as non-operating loss. The after-tax impact of this is roughly ¥8 billion.

Q2: Recently you have won the court case on PHS with National Tax Agency. How much of the refund has been posted in non-operating income?

A2: Approximately ¥7.9 billion including interest will be refunded to DOCOMO. This financial result did not post refund to non-operating income, but rather treated it as reduction of corporate tax.

Q3: What are the reasons for the increase in cash flow projection for the fiscal year?

A3: We believe the annual cash flow will increase from the original projection of ¥80 billion to approximately ¥130 billion. The biggest reason is the decrease in the number of customers using installment payment, due to the overall decrease of handset sales.

Q4: You mentioned that the reason for handset subsidies for fiscal year 2008 not decreasing as much as the handset sales was your intention to put efforts in sales promotion. Does that mean you would be increasing sales incentives in the latter half?

A4: Rather than increasing sales incentive, we are planning to promote “Value Course” of the new handsets purchase methods, and measures such as providing direct discount for expediting migration from mova to FOMA.

Q5: What are some of the impact of decline of handset sales on the manufacturers? Also, please tell us about measures to boost sales going forward.

A5: Sales of handsets is 20% down, so I think this is a difficult situation for manufacturers. We are in frequent consultation with them regarding use of the same parts from older models, as well as longer product development periods. In addition, we are introducing operator’s pack, so we

can create an environment where it would be easier for Japanese manufacturers to venture out to overseas markets. We will continue these efforts in collaboration with them.

Though there was a year-on-year decrease of 20% in the first half, the projection for the fiscal year 2008 shows approximately 10% decrease in the latter half, so the annual projection is an approximately 15% decrease. The reason for the 10% decrease in the latter half is that it is actually a comparison with last fiscal year when the new handsets purchase methods were launched in November, that the current new models provide an attractive line-up of handsets with agent functions that will strengthen sales and we will expedite measures to migrate mova customers to FOMA. Through these efforts, we are planning to keep the decrease down to approximately 10% in the latter half.

Q6: What is your projection of operating income for the fiscal year ending in March 2010 at this point?

A6: We would like to refrain from commenting on figures for the fiscal year ending in March 2010.

Q7: We are told that depreciation expense will increase due to accelerated depreciation of mova assets. What is the impact of this on the fiscal year ending in March 2010?

A7: There are common equipment for both mova and FOMA, so it is rather difficult to calculate the impact accurately – as a result this is only a hypothetical, but if we were to announce that “we are terminating mova service at the end of fiscal year 2011,” then there will be additional depreciation expenses related to expedited depreciation of approximately ¥50 billion in the fiscal year 2008.

We roughly estimate the unamortized balance of mova equipment is currently ¥90 billion to ¥100 billion, and if we are to make the decision to terminate mova service sometime during this fiscal year and accelerate depreciation, most of it will be expensed during this fiscal year. Even if additional costs are incurred during the next fiscal year and beyond, they will probably be in the order of several billions of yen.

Q8: Can we assume dividend will be maintained at the current level?

A8: The basic concept for our dividend is to maintain a dividend ratio that is among the top level in Japan, and to provide stable dividend; we will determine actual amounts after considering the cash flow, as well as the balance with buy-back of stocks.

Q9: What is the level of operating income of your international businesses? What is your prospect for the future, considering current economy and exchange rate?

A9: The major portion of international businesses is the revenue from roaming - approximately ¥50 billion. In terms of foreign exchange risk, the only assets in foreign currency is the investment we made – for the investments, we do write-down as needed, and if there any unrealized loss it

will be reflected on our balance sheet. If we are to do overseas investment in the future, we will obtain foreign currency with hedging as needed, to pay for such investment. We will closely observe the foreign exchange market in that process.

Q10: In overseas investment, would you invest in a carrier that has a small share of subscribers? Also, do you have specific policy about the ownership stake?

A10: We are reviewing prospects regardless of the market share. Investment requires a partner, and it really depends on what kind of conditions we can agree on. The regulatory environment is also different in each country. Whether it is majority or minority stake, we want to proceed in a way that can create a win-win relationship. We also need to consider their growth potential. Even with minority investment, for example with KTF, we have various business and technology committees, and we are jointly conducting investment and procurement. We also saw the rollout of W-CDMA at KTF was expedited.

Q11: There is a rumor that you are negotiating with a carrier in India. Are there any progress?

A11: We are holding discussion with many overseas carriers, but we would like to refrain from making comments on specific cases.

■ DOCOMO's Change and Challenge to Achieve New Growth

Q12: Operating income is projected to be over ¥900 billion, but what is the operating revenue you base this on?

A12: We anticipate approximately ¥4.7 to 4.8 trillion excluding overseas investments.

Q13: What is the size of businesses in the "New Challenge" category such as social support services?

A13: We would like to have Personalization of Services, Social Support Services, and Convergence Services to grow to about ¥100 billion in revenue each in the fiscal year 2012.

Also, by way of evolved video services and its expanded usage, we would like to see the ARPU increase by about ¥100 billion above what would be projected naturally. .

Q14: Would you delay the introduction of LTE if other carriers delay their introduction? Or would you stick to you plan of introduction in 2010?

A14: We are proceeding with standardization so that DOCOMO alone would not have to go ahead, so it depends on the progress of this effort. If the standardization is completed, then DOCOMO would like to introduce LTE.

Q15: With regards to fixed/mobile convergence services, other carriers are starting free call service between fixed and mobile phones. What do you think of providing a discount for calls between DOCOMO and NTT East/West?

A15: The biggest demand for fixed/mobile convergence services comes from enterprise customers, and we do make proposals in collaboration with NTT Communications and other data-related companies when we roll out ICT bases for enterprise customers. For individual customers, we would be utilizing femto-cells and Home U service.

Q16: What do you envisage as the size of investment, both domestic and overseas, in the next five years leading to fiscal year 2012?

A16: It would be difficult to give you specific figure, as where and how much we would invest in Japanese or overseas companies would largely depend on the size of collaboration and how we would be doing business together.

Q17: What is your plan for CAPEX in the next five years?

A17: We would like to maintain the level of around ¥700 billion, even with introduction of LTE.

Q18: In pursuing your new challenges, do you plan to increase the number of employees, or maintain the same level – what is your plan for hiring?

A18: In principle we would like to do scrap and build for the endeavors aiming for new growth. We want to make our work more efficient, create human resources, and pursue new challenges.