

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

Date: January 30, 2009 (Friday), 15:00-15:50

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

**FY2008/1-3Q Results Highlights**

For the first three quarters of the fiscal year ending March 31, 2009 (FY2008/3Q), the Company recorded a decline in revenues but an increase in income over the same period of the prior fiscal year: Operating revenues and operating income were ¥3,378.8 billion (down 4.1% year-on-year) and ¥746.8 billion (up 19.5% year-on-year), respectively. Operating income for the first three quarters achieved a favorable progress equaling 90% of our full-year target. In FY2004, we have achieved a similar progress in operating income vis-à-vis our full-year target in the first three quarters of over 90%.

Net income has not grown as fast as operating income because the economic slowdown began to impact our business. In concrete terms, due to the decline in the value of stocks and foreign currencies we own, we recognized impairment losses in securities, etc. We regret to say that we believe it would be difficult to recover all these losses in FY2008/4Q.

Free cash flows were ¥167.3 billion yen, down 53.7% year-on-year, due to the year-on-year increase in installment claims resulting from the growth in the number of subscribers choosing to pay for a handset in installments.

**Operational Results**

**New Business Model**

The combined subscription count of new discount services, which offer a 50% discount on basic monthly charges, grew to over 30 million as of December 31, 2008, accounting for 56% of our total cellular subscriptions. Among the users who purchased a handset using the new handset purchase methods, more than 90% have chosen the Value Course, which provides subscribers with discounts on communication charges in return for asking them to pay the full price of the handset. The total number of Value Plan subscriptions reached 16.48 million as of December 31, 2008.

**ARPU**

The aggregate cellular ARPU for the first three quarters of FY2008 was ¥5,820, decreasing ¥650, or 10%, from the same period of last fiscal year. ARPU for FY2008/3Q was ¥5,730, down 8.9% year-on-year.

To explain the factors behind the year-on-year decrease in FY2008/3Q ARPU, voice ARPU declined to ¥3,340, down ¥750 or 18.3%, from ¥4,090 for FY2007/3Q. We believe that roughly half of this decline in voice ARPU resulted from the expanded uptake of the new discount services and Value Plan. Packet ARPU, on the other hand, posted a favorable increase ¥190, or 8.6% year-on-year, from ¥2,200 for FY2007/3Q to ¥2,390 for FY2008/3Q.

### **Churn Rate and Mobile Number Portability**

As a result of the widespread acceptance of the new business model introduced in November 2007 and the various measures we implemented to improve customer satisfaction, our cellular churn rate for FY2008/3Q reached 0.44%, the lowest rate since DOCOMO's inception. The cumulative churn rate for the first three quarters was also low at 0.49%.

With respect to the monthly MNP subscriber acquisition performance, in December 2008, we registered net inflow for the first time since the system was introduced in 2007, with the number of port-in subscribers outnumbering port-outs by 1,200.

### **Total Handset Sales**

Due to the impact of the new handset purchase methods, consumers' general reluctance to spend and other factors, the cumulative number of handsets sold in the first three quarters decreased to 14.78 million, down 4.54 million units, or 23.5% compared to 19.32 million for the same period of last fiscal year.

As we are committed to continuing our endeavors to sell handsets in the fourth quarter, particularly toward the high sales season in the spring, we currently estimate the total number of handsets to be sold for the full year of FY2008 to be approximately 20 million units, but it may end up slightly below 20 million depending on the market circumstances.

We are planning to shoulder a portion of manufacturers' handset development costs, to offer attractive handsets at adequate prices in a timely fashion under the current market environment and thereby maintain and improve the competitiveness of our products. At this point, we are planning to bear development cost worth ¥10 billion, and in return own the intellectual property rights with respect to the applicable portion. This is expected to result in lower handset procurement costs. Because of this, our full-year capital expenditures are projected to end up approximately ¥10 billion higher than our earlier forecast.

### **Subscriber Migration to FOMA**

The total number of FOMA subscriptions reached 47.49 million, or 87.7% of our total cellular subscription, as of December 31, 2008, but the pace of growth is slower than what we had expected partly due to the decline in overall handset sales.

As we plan to terminate mova services at the end of March 2012, we intend to step up our efforts to facilitate the migration of subscriber in the fourth quarter and beyond.

### **FY2008/1-3Q (Cumulative) Financial Results- Key Factors**

#### **FY2008/1-3Q Operating Income**

I would like to explain the key factors behind the increase in operating income, which posted a year-on-year growth of ¥121.8 billion to ¥746.8 billion, compared to ¥625 billion for the same period of last fiscal year.

#### **Operating Revenues**

Cellular services revenues decreased by ¥269.5 billion due mainly to a decrease in voice ARPU of ¥840, despite the positive factors of growth in packet ARPU and reduced churn rate. Equipment sales revenues, on the other hand, increased by ¥104.3 billion, because sales incentives are in principle abolished under the new handset purchase method, and customers are required to pay the full price of the handset.

### **Operating Expenses**

Because of the 23.5% year-on-year decline in the number of handsets sold and the abolishment of sales incentives, operating expenses decreased by ¥326.6 billion compared to the same period of last fiscal year. With respect to its breakdown, handset procurement costs and distributor commissions declined by ¥249.3 billion and ¥77.3 billion, respectively, while depreciation grew by ¥24.3 billion. We have been cutting our capital expenditures since FY2007, and depreciation for FY2008/1-3Q would have been reduced by ¥22.5 billion, but because of the accelerated depreciation of mova-related assets totaling ¥46.8 billion, we posted a year-on-year increase of ¥24.3 billion. We expect to record some ¥60 billion for accelerated depreciation of mova-related assets for the full year of FY2008, of which approximately ¥13 billion will be incurred in the fourth quarter.

As a result of the aforementioned factors, operating income for the first three quarters of FY2008 posted an increase of ¥121.8 year-on-year.

### **Principal Actions**

As part of our “Change” program, we have decided to review every aspect of our business operations from customers’ perspective, and various initiatives have been undertaken to achieve a higher level of customer satisfaction.

### **New Handset Lineup**

We released a new handset lineup comprising the “docomo STYLE series”, “docomo PRIME series”, “docomo PRO series” and “docomo SMART series”. The new lineup is recognized by approximately 70-80% of our customers. We believe these new handsets are enjoying good reputation, with 6 models raking among the market’s top 10 sellers for the months of December 2008 and January 2009.

### **Services**

We are currently promoting the newly launched “i-concier” service, which delivers personalized information to each user. According to our recent data, some 45% of those customers who purchased a compatible handset have joined this service. The subscriber base of “i-concier” exceeded 400,000 as of January 19, 2009, enjoying a faster pace of growth than “i-channel” immediately after its launch.

### **Flat-Rate Services**

In October 2008, we launched “pake-hodai double”, a two-tier flat-rate plan, and the combined subscription count of our flat-rate services reached 15.75 million as of December 31, 2008. We aim to expand its uptake even further by enriching our video service portfolio.

## **Network**

The population coverage of HSDPA service reached 100% in December 2008. To improve our service area quality, in October 2008, we started a service to visit customers within 48 hours after receiving a request for quality improvement. An improvement in usage environment has been achieved in approximately 70-80% of the cases through the use of boosters or indoor antennas, or by changing the tilt angle of outdoor base station antennas. Going forward, we will continually strive to respond sincerely to customers' request for quality improvement.

## **International Services**

International services revenues for the first three quarters of FY2008 grew 19% year-on-year to ¥40 billion. The number of international roaming service users exceeded 1 million in both the second and third quarters due mainly to the growth in the percentage of roamers with their own handsets to over 90% of the total. However, the number of Japanese travelling abroad has been declining due to the economic slowdown and we understand that some companies have imposed restrictions on business trips, which resulted in a slower growth of international roaming usage. We therefore need to keep a close eye on the future trends.

## **FY2008/1-3Q Results Summary**

To provide a summary of the results for the first three quarters of FY2008, we are beginning to sense that we are regaining our competitiveness, after successfully reducing the churn rate to a record low and achieving a significant improvement in MNP subscriber acquisition performance and area service quality. We believe the financial results for the first three quarters were on the whole favorable.

However, it is also true that our operating income was partly boosted by the decrease in the number of handsets sold resulting from the worsening economic conditions. We are alarmed by the decline in total handset sales. We have begun to see a slowdown in the pace of subscriber migration from mova to FOMA as handset sales have declined, and we would like to consider taking some measures for handset manufacturers and distributors.

The economic slowdown has also impacted many other areas, for example, reduced international roaming usage among corporate clients or a decline in enterprise system integration (SI) sales. In view of various factors, we have decided not to change our full-year operating income guidance of ¥830 billion.

To show our gratitude to our customers who are kindly using our service despite the harsh market and economic conditions, we would like to further strengthen our initiatives aimed at enhanced customer satisfaction.

## **[Questions and Answers]**

Q: You mentioned that the total number of handsets to be sold during FY2008 is estimated to be approximately 20 million units. What is your projection for next fiscal year?

A: We will develop the handsets sales estimate for next fiscal year after observing our sales performance during the high sales season in March and other factors.

Q: In some cases, you are selling outdated models at a price of ¥1, which gives an impression that you are returning to the old handset sales model. How do you think this trend will fare going forward?

A: We do not intend to change the basic structure of the Value Course—that is, to offer discounts on communication charges in return for asking the customers to pay the full price of the handset. In some cases, our handsets are sold at discounted prices, but such discounts are provided only for a limited number of models in order to eliminate excess stock. We have no intention to go back to the sales incentive model.

Q: Please explain the number of handset carried in inventory at the end of each quarter.

A: We had approximately 3.8 million units at the end of the first quarter, and a similar level at the end of the second quarter. As of December 31, 2008, we had roughly 3.2 million units, so there has not been a significant change in inventory level. It is difficult to provide you with a projection on the number as of March 31, 2009, because it will vary depending on the sales performance in March.

Q: How do you plan to assist your distributors as the total number of handset sold decreases? For example, do you plan to shift to a commission system emphasizing the retention of existing subscribers as opposed to a system emphasizing the number of handsets sold?

A: To bring down the operational costs of distributors, we have taken various steps, including the establishment of a nationwide common activation center and deployment of a system that enables reallocation of handset inventory in the distribution channel on a nationwide scale. We are also planning to carry out a review next fiscal year on a commission system that place greater emphasis on enhancing customer loyalty.

Q: How many shops do you have right now? Do you plan to increase the number going forward?

A: Different approaches will be taken depending on each location. We plan to open more shops in areas where we don't have enough, while we may close some shops in areas where there are too many. But the total number of shops is unlikely to decrease. As of December 31, 2008, we had slightly over 2,300 shops, up roughly 100 compared to December 31, 2007.

Q: You mentioned that you plan to shoulder a portion of manufacturers' handset development costs and acquire the applicable intellectual property rights. What kind of benefits do you think you can enjoy from this arrangement?

A: There are two benefits: (1) the cost of handsets we traditionally procured from manufacturers included a portion for the development cost of software we requested to be embedded in our handsets. With the acquisition of intellectual property rights with respect to such software, we can expect a reduction in handset costs for that portion. (2) The acquisition of intellectual property rights is expected to make it easier for us to incorporate Operator Pack in the handsets.

Q: How will such handset development assistance to manufacturers be treated accounting wise?

A: Because we will basically purchase a portion of software developed by manufacturers as our assets, it will generally be accounted for as capital expenditures. However, the actual accounting procedure may vary

depending on the provisions of each contract, so it is difficult to give you a generalized comment.

This amount is not included as expenses in our full-year P/L forecast. It will probably appear as an increase in capital expenditures of approximately ¥10 billion in our full-year financial statements for the fiscal year ending March 31, 2009.

Q: Do you plan to continue the financial assistance for manufacturers' handset development next fiscal year and beyond?

A: At this point, this is considered as a measure implemented in the current fiscal year ending March 31, 2009, and we will decide on our plans for next fiscal year after observing the situation, etc.

Q: Please elaborate on your progress toward the commercial introduction of LTE.

A: We plan to introduce LTE together with other early adopters in the world. We are making steadfast progress collaborating with various vendors, with the aim of completing technical development within the year of 2009 and introducing the system in the year of 2010.

Q: The Ministry of Education, Culture, Sports, Science and Technology is expected to issue a policy to prohibit elementary and junior high school students from bringing cell phones to schools. Do you think this will have an impact to your sales in the spring?

A: The use of mobile phones can have both positive and negative effects. We have been studying how to minimize the negative impacts, for example, by introducing access restriction functions on our mobile phones, and we have no objections against the idea of putting a ban on mobile phone usage at schools. We believe the impact from the Ministry's policy to our sales will be minimal.

Q: How much do you plan to spend for the migration mova subscribers to FOMA?

A: We believe the percentage of expenses needed for the migration of subscribers from mova to FOMA will become larger going forward. It is difficult to provide you with a concrete number with respect to the cost of migration, because it depends on the degree to which the various cost items—such as costs related to the provision of call center/ after-sales services, and retirement of mova facilities—will be calculated as relevant migration expenses.

Q: How much do you plan to spend for the promotional campaign, and other measures to accelerate the migration of mova subscribers during FY2008?

A: Those expenses for the current fiscal year ending March 31, 2009 are estimated to be ¥10+ billion.

Q: Please explain the reason why you increased the amount of accelerated depreciation of mova-related assets by ¥10 billion yen from the ¥50-billion guidance you provided at the time of FY2008/1H results announcement.

A: At the time of FY2008/1H results announcement, the precise value of mova-related assets was not identified. After subsequent scrutiny towards the end of 2008, it became clear that the total value of mova assets subject to depreciation grew to slightly less than ¥90 billion. We also found the need to earmark depreciation cost of ¥5 billion for the asset retirement obligations (approximately ¥6 billion in

total for FY2008). As a consequence, the total accelerated depreciation previously estimated to be ¥50 billion was revised upwards to approximately ¥60 billion.

Q: Please let us know the total size of valuation losses you incurred in the first three quarters with respect to shares held and the principal share issues whose values were marked down.

A: In FY2008/1H we recorded approximately ¥20 billion of valuation losses in the shares we own, and an additional ¥8 billion in the third quarter. We cannot comment on the specific shares.

Q: Please explain the progress of your capital alliance with India's Tata and your future plans.

A: Our alliance with Tata is a significant business investment amounting to nearly ¥300 billion. We believe that TTSL's expansion will lead to our growth, and we are committed to fully supporting this collaboration. A 28-member delegation from DOCOMO, including myself, visited India in early January 2009 to discuss how DOCOMO should back up TTSL's business. We would like to be of assistance to TTSL's expansion. With respect to the progress of the deal, the two sides have already agreed on the terms and conditions of the contract, but we are still waiting for clearance by the Indian government, securities exchange, etc.

Q: The Japanese currency remains relatively strong against other foreign currencies. Do you plan to take this opportunity to accelerate your overseas investment? Please elaborate if you have any concrete plans.

A: Overseas investments have to be discussed and agreed with a local partner. As always, we would like make overseas investments, if we can find a good partner and if synergies can be expected.

Q: Please explain your employment plans, including new hires, for FY2010.

A: Currently we recruit approximately 300 new employees per year for the entire DOCOMO group. For FY2010, we would like to increase this number by approximately 20%. We are also planning to convert more non-regular workers as regular employees. So far, approximately 80 non-regular workers per year have switch to regular employees. For FY2009, we intend to double this number to approximately 160.

Q: What are the background and philosophy behind your intention to hire more new employees and convert more non-regular workers as regular employees?

A: The primary reason why we are planning to increase the number of new recruits from approximately 300 to 360 is because we want to ensure that our technologies and sales/marketing strategies are properly transferred to the younger generations. We are planning on an increase particularly because the number of new recruits at our group companies has been kept extremely low in the past years, which is making it difficult to ensure the transfer of technologies and know-how.

The planned increase in the conversion of non-regular workers to regular employees is because many of our non-regular workers who are working at our call centers or 113 centers have voiced wishes to continue to work for DOCOMO, and we wanted to give more opportunities for them to work with a strong motivation.

Q: How many non-regular workers do you have today? For which job categories do you plan to give the

opportunity for regular employment?

A: We currently have approximately 22,000 non-regular workers, of which contract workers account for approximately 5,000, and temp staff comprises the remainder.

We have established an examination system for conversion into regular employment, and we plan to choose from the contract workers who wish to become a regular employee, taking into consideration their length of employment and skills. Although we have not limited the job category, supervisor-level staff at operation centers or those staff playing a central role at DOCOMO Shops will likely be the main candidates for conversion into regular employment.

Q: Have you seen an increase in churns, for example, of corporate subscriptions due to the economic slowdown?

A: We have seen some cancellation of contracts for low-usage phones as part of the efforts to improve operational efficiency by some corporate clients.

Q: Please give us a year-on-year comparison regarding your performance in the number of corporate SI project orders you received during this fiscal year. And what is the outlook for the full year?

A: On a cumulative basis for the first three quarters, SI orders we received from enterprise clients dropped by approximately 20% year-on-year. While it is difficult to give a precise outlook for the full-year, it may end up with a similar rate of decline.

Q: What kind of measures are you contemplating to reinvigorate the corporate market?

A: We would like to propose mobile solutions, as opposed to mere standalone phones, appealing that they could bring benefits to customers, such as improved business efficiency and reinforcement of sales, etc.

Q: As part of the licensing policies for multimedia broadcasting on mobile phones, there is a discussion to prohibit hardware operators operating the platform from also supplying programs as a content provider. What kind of impact will this have on your business?

A: We would like to discuss this issue as the studies are performed going forward. If the Ministry of Internal Affairs and Communications issues a pro-competition policy, we would like to study what kind of business model we can develop under the Ministry's policy.

Q: What are your views concerning the possibility of reducing interconnection charges? Do you foresee the possibility to reduce your communication charges if interconnection charges are decreased?

A: We would like to study the possibility to reduce interconnection charges in a positive way. In terms of accounting, the accounting rules for telecommunication services has been changed from this fiscal year under the guidance of the Ministry of Internal Affairs and Communications, which sets forth that only the cost required for the maintenance of network shall be included in the interconnection charge calculation and all other costs shall be excluded. We will also closely examine which cost items should be included or excluded in interconnection charges in order to come up with a cost-based calculation. Because we expect that costs relating to the sales of handsets will be excluded, the interconnection charges will be likely lowered in proportion to this amount.



The communication charges we charge to customers are set uniformly regardless whether the call uses only our network or other carrier's networks as well. Therefore, please understand that the proportional reduction of communication charges resulting from the reduction of interconnection charges, as with the case between NTT and other fixed-line operators, will not apply to our rates.