Press Conference Announcing the Results
for the First Three Months of the Fiscal Year Ending March 31, 2010
(Minutes)

Date: July 30, 2009 (Thursday), 15:00-16:00

[Comments by Ryuji Yamada, President and CEO]

FY2009/1Q Financial Results

For the first three months of the fiscal year ending March 31, 2010 (FY2009/1Q), the Company recorded a decline in both operating revenues and income over the prior fiscal year: Operating revenues and operating income were ¥1,084.8 billion (down 7.3% year-on-year) and ¥251.8 billion (down 15.1% year-on-year), respectively. The progress of FY2009/1Q operating income vis-à-vis our full-year forecast was in line with our expectations at 30.3%. We achieved an operating income of ¥296.5 billion in the same period of the prior year, which equaled 35.7% of our FY2008 full-year operating income of ¥831 billion. This was because we generated a large amount of income in the first half of the fiscal year due to extraordinary factors such as the income-boosting effect resulting from the introduction of the new handset purchase method and the accelerated depreciation of mova-related assets carried out in the second half.

FY2009/1Q Financial Results Highlights

The subscription count of "Value Plan" launched in November 2007 grew by 2.7-fold year-on-year to approximately 24 million as of June 30, 2009. As this billing plan offers discounts on basic monthly charges, it has resulted in a decline in voice ARPU and voice revenues.

The number of "Pake-hodai double" subscriptions increased steadily following the revision of its minimum rate to ¥490/month from May 1, 2009 and also due to the enrichment of our video content portfolio. Its subscription rate rose to 43% of total FOMA i-mode subscribers, which resulted in an increase in packet ARPU.

The total number of handsets sold decreased by approximately 600,000 units, or 12%, from 4.95 million units in FY2008/1Q to 4.34 million units in FY2009/1Q. Our handsets sales recorded a slight year-on-year increase in April, but a slight decrease in May and a 30% year-on-year drop in June. As a consequence, our total handset sales for FY2009/1Q fell approximately 12% compared to the same period of the prior year. We believe the primary reason for the significant decline in June was because some customers had waited for the release of our new handset models, which were originally scheduled to be released for mid-June but was delayed to late June owing to malfunctions found in some models. But sales have recovered considerably from July to roughly 10% lower than the level for the same month of last fiscal year.

Meanwhile, the handset wholesale price and procurement cost have both declined by a few thousand yen per unit, which resulted in a decrease in equipment sales revenues of ¥49.8 billion. This, however, did not have a significant impact on income, because the decline in revenues is offset by the reduction in costs.

Let me give you an explanation of the factors behind the decline in operating income from ¥296.5 billion in FY2008/1Q to ¥251.8 billion in FY2009/1Q. First, with respect to the decrease in voice revenues, one of the major factors was the ¥30 billion negative impact resulting from the expanded uptake of “Value Plan”. Decrease in voice MOU also diluted the voice revenues. Voice ARPU decreased by 550 yen year-on-year, which resulted in a ¥79.7 billion decrease in voice revenues. As for the breakdown, in voice ARPU, the impact of the new handset purchase method accounted for ¥200, the decrease in voice MOU accounted for ¥200 and other factors accounted for ¥150 of the ¥550 decrease in voice ARPU.

On the other hand, packet revenues recorded an increase compared to the same period of last fiscal year owing to the growth in the number of “i-concier” subscriptions and our efforts to enrich our video portfolio with the addition of “BeeTV” mobile-only television service, “Amalfi Begins” promotional film and other content, which resulted in a faster-than-expected growth of “Pake-hodai double” subscriptions. As a result of the foregoing, in FY2009/1Q, our packet ARPU grew by ¥100 year-on-year, leading to an increase in total packet revenues of ¥25.2 billion over the same period of last fiscal year.

Other revenues also posted a growth due to the inclusion of Oak Lawn Marketing in our consolidated accounting and the expanded uptake of the insurance service on lost or damaged handset. This, on the other hand, resulted in an increase in other expenses.

Cellular (FOMA+mova) ARPU

The aggregate cellular ARPU for FY2009/1Q dropped to ¥5,440, down ¥450 from ¥5,890 in FY2008/1Q. Voice ARPU was ¥3010, posting a larger-than-expected decrease of ¥550 from ¥3,560 for the same quarter of last fiscal year. To provide a breakdown of the ¥550 drop, the impact of the new handset purchase method accounted for ¥200, the decline in MOU ¥200, and the incremental discount rates of various discount packages ¥150.

Packet ARPU for FY2009/1Q was ¥2,430, increasing ¥100 from ¥2,330 for the same quarter of last fiscal year, due primarily to the growth in the uptake of “Pake-hodai double” and other flat-rate plans.

New Business Model

The number of “Value Plan” subscriptions grew to 24 million as of June 30, 2009, and the percentage of users choosing to purchase a handset using the new purchase method “Value Course” has been maintained at over 95%. The combined subscription count of “Fami-wari MAX 50” and other new discount services reached 34.25 million, or 62% of our total cellular subscriptions, as of June 30, 2009.

Churn Rate

Our churn rate for FY20009/1Q was 0.44%. Going forward, we plan to continually employ initiatives aimed at earning long-term loyalty from our customers, so that we can reduce our churn rate even further.

Net Additions/MNP

The number of our net additional subscriptions has been increasing steadily. While there was a net outflow of approximately 160,000 subscriptions in FY2008/1Q, we succeeded in trimming the number for FY2009/1Q to approximately 50,000, or 1/3 the level of the same period of last fiscal year. In fact, we registered a net inflow of MNP subscriptions in December 2008 and January 2009.

Subscriber Migration to FOMA

In view of the planned termination of mova (2G) services on March 31, 2012, we have been requesting existing mova subscribers to switch to FOMA. In FY2009/1Q, over 800,000 subscribers migrated to FOMA, which equaled approximately 35% of the planned migrations for the full year of FY2009, progressing at a pace nearly 20% faster than our plan.

FY2009 Principal Actions and Results

Improvement of Customer Satisfaction

In FY2009, we will work to enhance customer satisfaction while expressing our gratitude to all of them. As part of our field staff dispatch program, in which we dispatch field staff in principle within 48 hours after setting up an appointment with customer, our staff made a total of 24, 000 visits to customers following the launch of the program in the fall of 2008, including 11,000 visits in FY2009/1Q and 13,000 visits in FY2008. Some 80% of these cases resulted in an immediate improvement of area quality and significant enhancement of customer satisfaction. Also, in an effort to further improve our after-sales support, we commenced “Mobile Phone Inspection Service” from July 1, 2009 to provide free basic after-care, including checkups, minor repairs and consulting by professional staff at docomo Shops.

Expansion of Packet Usage

To have our customers use our services more comfortably without worries about their phone bill, we have decided to lower the minimum rate of “Pake-hodai double” two-tier flat-rate service to ¥390/month from ¥490/month starting August 1, 2009. Recently, DOCOMO has gained recognition for its outstanding video offerings, and a large number of customers are now enjoying “BeeTV” and various other video services. Going forward, we will continually promote the superiority of our video portfolio to encourage more customers to join the flat-rate service and enjoy video services. “Pake-hodai” subscription rate has grown significantly, reaching 43% as of June 30, 2009.

Among our video content, the new “BeeTV” service has acquired over 550,000 subscriptions after its launch on May 1, 2009. In this service, after the expiry of the 1-week free trial period, users are given the option to decide whether to join the paid service or not, and some 75% of free trial users have joined the paid service so far, marking an extraordinarily high rate of subscription compared to various conventional paid services.

Personalization

Following its launch in November 2008, the subscription count of “i-concier” service reached over 1.8 million as of July 2009, and the variety of content provided through this service has also expanded. Going forward, we plan to make functional enhancements by linking the service with location data in conjunction with the release of 2009 winter models. For example, we plan to offer a service that delivers information on limited-time bargain offers of a supermarket when the user passes by the store, or a service that reminds user of the time of the last train departing from the closest railway station. Also, because most of the tips currently provided through “i-concier” relates to large cities like Tokyo and information pertaining to local communities are limited, we intend to deliver more local information such as tips on local shopping centers using the B-to-B-to-C model in the future.

Social Support

As part of our plan to develop social support services, we are now considering the possibility to develop businesses in the fields of environment, health care, finance, education and safety and security, utilizing our 55 million cellular subscriber base as a platform. In the field of environment/ecology, we are looking into the possibility to develop a wide variety of services collaborating with companies engaged in weather business, by constructing a sensing platform to collect environment-related data. In the area of health and medical care, we have already started services by implementing a “wellness support” service in approximately 10 companies. As part of finance/payment business, we launched a mobile remittance service on July 21, 2009, providing an easy solution for remitting money through mobile phones. More recently, we established a joint venture, AEON Marketing Co. Ltd., in order to study mobile CRM solutions.

Converged Services

From the fall of this year, we plan to introduce Femtocell BTS, which was showcased at the Wireless Japan exhibition. The Femtocell BTS virtually creates a personal base station environment at individual customer's home to enable dedicated use of bandwidth. Furthermore, various types of life/behavior support services would be provided when the Femtocell BTS detects that the customer has returned home. We are also looking into ways to use Femtocell BTS in conjunction with other home appliances.

Global Expansion

Following our announcement to invest in India's TTSL, we have elected three board members and seconded nine expatriates to India. After unveiling the new service brand for GSM, "TATA DOCOMO", in June 2009, the commercial service was launched on June 24, 2009, in the southern part India. Out of total 22 areas, TTSL has so far commenced GSM service in five areas, and acquired over 1.8 million subscriptions in just one month after service launch, securing a market share of 50% of the net additions in the areas covered by TTSL. We believe this is a very good start. The trial service of "i-channel" was also launched simultaneously. Other than the above, we have cooperated with Spain's Telefonica for testing of handsets for the procurement of T-01A model. We also started Japanese "*manga*" comic delivery service from our wholly-owned subsidiary DOCOMO Netherlands using Bouygues Telecom's (of France) network. However, international roaming revenues declined by 13% year-on-year due to the impact of economic slowdown.

Attractive Handset Lineup

We announced 18 models of our 2009 summer handsets which come in 56 different colors. We regret that we inconvenienced some customers due to the malfunction found in some models, but our sales have been brisk after solving the problem and resuming sales from mid-June. The cumulative sales of the four new model series introduced from the winter of 2008 reached 6.5 million units.

LTE

After receiving approval of our implementation plan on June 10, 2009, we have been moving ahead with the preparation for the launch of LTE scheduled for December 2010. We plan to roll-out LTE using an overlay approach to the existing 3G coverage, first from areas where there is a strong demand for high-speed service, with a goal to deploy approximately 20,000 base stations to cover 50% of the populated areas in Japan by March 31, 2015. The total capital expenditures for the next five years are currently estimated to be ¥300-400 billion, but the actual amount may vary depending on the size of demand. Initially, we plan to use the 2GHz band spectrum and eventually add the 1.5GHz band. The handsets are planned to be dual-mode devices compatible both with 3G and LTE. Upon the initial launch, we plan to start with data-only devices and release handset type devices from FY2011.

Our primary goal for FY2009 is to enhance the satisfaction of all customers using our services. At the same time, we will prepare to make progress on our "Challenge" initiatives to achieve new growth envisaged in our medium-term vision.

While we are still at a preparatory phase toward this vision, some services, such as "i-concier" or video delivery, are beginning to deliver tangible results. As a result of these efforts, we achieved results more or less as planned in FY2010/1Q. We have also steadily improved our operational performance, which is most conspicuously demonstrated by the successful reduction of churn rate and improved MNP subscriber acquisition performance. Under the banner of "Change and Challenge", our employees are committed to continue working together towards our vision.

[Questions and Answers]

Q: How do you view your handset sales performance, which has been continuously declining since last fiscal year?

A: In FY2009/1Q, our handset sales declined by 12% year-on-year. We believe our sales were slightly impacted by those customers who had waited for the release of new products. In our initial plan, we had anticipated a 2-3% decline from the level of the same period of last fiscal year, but it turned out to be approximately 10% lower. We would like to keep an eye on the future trends because sales have picked up slightly from July.

Q: Please give us a breakdown on the year-on-year changes in expenses, such as cost of equipment sold and distributor commissions, etc.

A: Cost of equipment sold declined from approximately ¥240 billion for FY2008/1Q to ¥200 billion for FY2009/1Q. This was due mainly to the decreased handset sales, which resulted in a decline in the number of handsets procured, as well as a reduction in the procurement cost per unit of a few thousand yen.

The procurement cost per unit decreased for two main reasons: our continued efforts to bring down the overall cost including development cost, and a rise in the percentage of customers purchasing less expensive models. Our cost of equipment sold dropped by approximately 20% as a consequence.

Distributor commissions remained almost unchanged from the same period of last fiscal year. There was a rise in operating expenses in April and May 2009, when we stepped up our efforts to migrate mova (2G) subscribers to FOMA. Therefore, relative to the decrease in the total number of handsets sold, the decline in distributor commissions was limited, and the total commissions for FY2009/1Q were almost comparable to the level of the same period of last fiscal year.

Other expenses were almost flat at ¥200 billion. As for the breakdown of these other expenses, we significantly reduced our advertisement expenses to save on our daily expenses. On the other hand, because the number of consolidated affiliates increased, our expenses grew slightly as a result of reflecting the expenses of such consolidated affiliates in our accounts. Overall, however, we have been cutting down our expenses considerably.

Q: According to your forecast, a considerable amount of income is planned to be generated in the second half of the fiscal year. In the previous years, however, you have generally increased your commissions in the fourth quarter. How do you plan to control your income under such circumstances?

A: We will endeavor to improve our churn rate and grow our net additional subscriptions, and at the same time, take proper initiatives to enhance our operational efficiency. The largest element contributing to improving efficiency is depreciation. The accelerated depreciation of mova-related assets carried out during the last fiscal year is expected to have a positive year-on-year impact in the second half of this fiscal year.

Q: Can you give an outlook concerning the expenses associated with the migration of mova subscribers to FOMA?

A: We already have certain knowledge on the attributes of subscribers who are still using a mova handset, and we will continue to carry out intensive promotions of products for each segment at appropriate times such as certain seasonal events, etc., because we believe this approach is more effective. The number of subscribers switching from mova to FOMA has declined in May and June compared to April 2009, when subscriber movement in the market was high, and we will continually control the expenses required for subscriber migration without decelerating the pace of migration.

Q: Can you comment on the outlook of the decline in handset cost, including your views on the possibility of shifting emphasis towards low price handsets?

A: It is difficult to give a definitive comment, because this will be affected by customers' preferences. Since last year, we have been working to bring down the procurement costs of all handsets including both low- and high-price range handsets, and we believe these efforts will gradually deliver results. Some of our high-price range models are sold at approximately

¥50,000, while other models in the low range are priced at ¥30,000 to ¥40,000. The weighted average of the entire mix has a larger impact on our overall costs than cost-cutting of individual models. In other words, even the product belongs to the low-price category, if it gains the acceptance of customers for its design or quality, its volume of procurement will increase, contributing to raise the percentage of low-price handsets to total sales and a reduction of average cost per unit. We have been advertising and promoting our products aiming to achieve this, but the average cost per unit will be determined by customers' acceptance.

Q: You mentioned the percentage of low-price range handsets to total sales is increasing. Does it mean these less expensive models are more popular than "STYLE" or "PRIME" series handsets? Also, was this in line with your expectations?

A: Previously, we sold our handsets with a clear demarcation between the function-rich, expensive "90X series" and the less expensive "70X series". When we developed the new series, these were blended together and redefined into the four new categories. For instance, even in the same "PRIME" category, we have a lineup of handsets ranging from relatively low price models to expensive ones, so that customers can make a choice based on their own preferences. As a consequence of this change, we believe such products that are affordable, yet offer reasonable level of features, drew the attention of customers, and motivated customers to purchase a handset without being bound by the price or functions. This is believed to have resulted in the change in the proportion of low-price range handset sales.

Q: Please elaborate on your policy concerning share repurchases for this fiscal year.

A: After a comprehensive review on various factors, including the concern against a steep decrease in the number of floating shares, we decided not to continue the share buy-back program in the size as before, but instead carry out share repurchases more flexibly based on a resolution of the Board of Directors. We have not repurchased any shares in FY2009/1Q. In our current business plan, we are projecting free cash flows generation of approximately ¥380 billion for the full year, and if this is achieved as planned, there is a possibility that we end up having extra cash in hand. But it is difficult to make a commitment at this point as to the amount of cash to be allocated for share buy-back, because it will be affected by the amount we appropriate for investments in growth opportunities.

Q: MOU has been declining as a long-term trend. Are you planning to take any measures to extend voice minutes? Why do you think people are spending less time for voice calls?

A: The wide acceptance of communication via e-mail is considered to be the major reason for the decline in MOU in Japan. It is difficult to find a "killer solution" at this time, but we will continually endeavor to develop measures that can boost MOU.

Q: Can you explain the performance of your enterprise business in FY2009/1Q? Please also comment on its future prospects.

A: As we mentioned earlier, the revenues from our corporate accounts posted a year-on-year decrease of 20-30% in FY2008/4Q. The downtrend has continued in FY2009/1Q, as our orders for solutions dropped by 30% compared to the same quarter of last fiscal year. Many corporate clients have requested to postpone the introduction of a new system, as opposed to a complete cancellation, and this trend is likely to continue for some time.

Q: With respect to video service—one of your focus areas for this fiscal year, how do you think video will contribute to improving your profit level, given its huge load on network and significant capital expenditures requirement?

A: We aim to achieve a rebound in our aggregate ARPU in FY2011, by growing the packet ARPU to a level higher than voice ARPU. To realize this target, we need to have approximately 70% of our total subscribers join the flat-rate service, and half of them are required to use packets up to the monthly upper limit. Toward this goal, we intend to offer a wide array of high-quality video content including entertainment, tourist service and health information, etc.

Q: What were the effects of reducing the minimum rate of your two-tier packet flat-rate service from previously ¥1,029 to ¥490 per month in May 2009?

A: We have been reported from our staff at our retail sales locations that customers' response improved considerably and increasing number of subscribers have joined the flat-rate package, saying "¥490 is an affordable proposition". In addition, the actual packet consumption has also risen—if not up to the monthly upper limit—because we have added a wide variety of enjoyable video content, including "BeeTV" and "Amalfi Begins", etc. We believe we have successfully created a virtuous cycle.

We would like to observe the trend for a little while before commenting on the impact of the price reduction on our financial results, as the application of the new rate started only in May 2009. According to our preliminary data as of July 29, 2009, subscriber count reached 7.8 million, and the pace of growth has been accelerating. We believe the price reduction made customers feel more comfortable subscribing to the two-tier flat-rate package.

Q: You announced that you will further lower the minimum monthly rate of your flat-rate package to ¥390. This raises the concern against reoccurrence of a price war, in which the winner of competition will be determined by the financial strength of the carrier. What are your views on this issue?

A: We aim to establish our reputation around outstanding video service by providing a wide array of attractive video content that customers can enjoy. To achieve this, we want to have more subscribers join our flat-rate service. We decided to lower the minimum rate to respond to customers' requests for an inexpensive rate for months of low usage, because their actual usage varies by month. Going forward, we will continue to offer plans so that customers can feel easy to join and use our services without worries about their bills.