

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

Date: January 29, 2010 (Friday), 15:00-16:00

[Comments by Ryuji Yamada, President and CEO]

FY2009/1-3Q (cumulative) Financial Results

For the first nine months of the fiscal year ending March 31, 2010 (FY2009/1-3Q), the Company recorded a decline in both operating revenues and income as compared with the prior fiscal year. Operating revenues and operating income were ¥3,242.4 billion (a year-on-year decrease of 4.0%) and ¥702.7 billion (a year-on-year decrease of 5.9%), respectively. This was mainly because a large amount of income was generated in the first half of the prior fiscal year due to the income boosting effects of the new handset purchase method and other factors. The progress of FY2009/1-3Q cumulative operating income vis-à-vis our full-year forecast was in line with our expectations at 84.7%. For the single quarter of FY2009/3Q, we secured growth in operating income of 28% year-on-year.

FY2009/1-3Q (cumulative) results highlights

Cellular services revenues decreased from the same period of the prior fiscal year due to a decline in voice revenues resulting from the expanded uptake of “Value Plan”. On the other hand, packet revenues—which is key to offsetting the decline in voice revenues—posted a steadfast growth as a result of an increase in of the number of flat-rate billing plan subscribers and our efforts to boost the usage of video and other content services.

To cope with the decline in cellular services revenues, we have strategically reduced our capital expenditures and other costs. However, our financial results were also affected by other factors, such as the “Mobile Phone Protection and Delivery” service and other customer loyalty initiatives and inclusion of Oak Lawn Marketing, Inc. in our consolidated accounts.

Key factors behind year-on-year changes in operating income

Operating income for FY2009/1-3Q decreased to ¥702.7 billion compared to ¥746.8 billion for the same period of last fiscal year. Voice revenues recorded a year-on-year decrease of ¥187.5 billion due primarily to the widespread adoption of “Value Plan”, which resulted in a year-on-year decrease in voice ARPU of ¥450. Packet revenues, on the other hand, increased by ¥59.2 billion yen, due to a growth in packet ARPU of ¥70 compared to the same period of last fiscal year. Equipment sales revenues recorded a drop of ¥84.8 billion because of a decline in the total number of handsets sold of 1.77 million units, but the cost of equipment sold also declined by ¥99.6 billion. Network-related costs decreased by ¥90.6 billion as a result of our efforts in recent years to improve the efficiency of capital expenditures as well as the accelerated depreciation of mova-related assets during the last fiscal year as well as other factors. Other revenues

increased by ¥76.6 billion due to the integration of Oak Lawn Marketing, Inc. in our consolidated accounts and other factors, but other expenses also grew by ¥98.0 billion. As a result of the foregoing, operating income for FY2009/1-3Q (cumulative) was ¥702.7 billion.

Analysis

Regarding our financial results, we provide a more detailed analysis on the following three points: (1) packet revenues growth, (2) cost reduction, and (3) other year-on-year changes.

(1) Packet revenues growth

We believe the growth of packet revenues is one of the most important challenges for our business. Following the introduction of the “Pake-hodai double” two-tier flat-rate plan in October 2008, we lowered its minimum monthly rate in 2009. This resulted in a migration of subscribers from the conventional “Pake-hodai” and “FOMA Packet Pack” packages to “Pake-hodai double”, which had a short-term negative impact on our revenues of approximately ¥20.0 billion. Against this backdrop, we have worked to expand users’ packet usage by enriching the content portfolio of “i-mode” and other video services. Packet revenues grew by approximately ¥60.0 billion compared to the same period of the last fiscal year as a result of an increase of subscriptions and packet usage. In addition, the rise in the number of smartphone/PC data card subscribers and the upward revision of i-mode monthly charge each contributed to boosting our revenues by ¥10.0 billion.

(2) Cost reduction to cope with decline in aggregate ARPU

Cellular services revenues dropped ¥128.3 billion from the same period of the prior fiscal year. To make up for this decline, we (i) reduced our network-related costs by enhancing the efficiency of our network, and (ii) improved the profitability of equipment sales business. But we have not been able to completely offset the decline of cellular services revenues, so we will continue our cost-cutting endeavors in FY2009/4Q.

(3) Other year-on-year changes

The user base of “Mobile Phone Protection and Delivery” service reached some 24 million as of Dec. 31, 2009, posting an increase of approximately 10 million in the last 12 months. This resulted in an increase of revenues and expenses, which both grew by approximately ¥30.0 billion compared to the same period of last fiscal year. The consolidation of Oak Lawn Marketing, Inc. also resulted in an increase of related revenues and expenses. In addition, handset repair-related costs increased due to a 50% year-on-year growth in the number of handsets submitted for repair. Because customers now have to pay full price to buy a new handset, many customers have chosen to repair their handsets instead of buying a new one, which resulted in a 50% increase of repairs. This, together with the revision of repair allowances, increased our repair-related costs by approximately ¥20.0 billion compared to the same period of the prior fiscal year. But we consider them necessary expenses to enhance customer satisfaction.

Changes in operating income

The chart compares the quarterly operating income performance for FY2009 with that of FY2008, which was boosted due to the effects of the introduction of “Value Course”. Operating income for the single

quarter of FY2009/3Q recorded a year-on-year growth of 28%, and we believe we have achieved steadfast progress toward the full-year income target of ¥830.0 billion.

Operational performance

New business model

Because the combined subscription count of “Fami-wari MAX 50” and other new discount services reached approximately 34.6 million, we believe its growth has nearly reached the ceiling. Its negative impact on our revenues is therefore expected to moderate in the future.

The number of “Value Plan” subscriptions grew to 29.7 million, and the “Value Course” selection rate remains high. Over 95% of customers who bought a new handset using the new handset purchase methods chose the “Value Course”.

Cellular (FOMA+mova) ARPU

Our aggregate ARPU for FY2009/1-3Q dropped to ¥5,440, down ¥380 from ¥5,820 for the same period of last fiscal year. Voice ARPU declined ¥450 year-on-year, of which ¥200 was attributable to the expanded uptake of “Value Plan”, and the reduction of billable MOU accounted for another ¥200. On the other hand, packet ARPU grew by ¥70 compared to the same period of last fiscal year, and we will strive to further grow our packet ARPU.

Churn rate

We successfully kept our churn rate low at 0.45% for the first nine months of FY2009. Although there was a temporary rise in September 2009 due to an increase in the number of discount service contracts coming up for renewal, the situation has already stabilized and the churn rate for the third quarter of FY2009 maintained a low level of 0.45%.

Total handset sales

The total number of handsets sold in FY2009/1-3Q was 13.01 million units, down 12% compared to the same period of the previous fiscal year. However, the year-on-year decline in the single quarter of FY2009/3Q was limited to 6.9%, which makes us believe that the downtrend has begun to halt. We sold a large number of “905i” and “705i” series handsets in December 2007 and March 2008, and those customers who bought a handset then are likely to replace their phones shortly. We will continually enhance our efforts to strengthen our sales to meet our full-year target.

Market share of net additions/MNP

The total number of net additions we acquired during FY2009/1-3Q grew 8.9% year-on-year to 835,000. Our market share of net additions improved from 24.7% for the same period of last fiscal year to 26.7%. There was a slight increase in the number of MNP outflows in September 2009 as many “Fami-wari MAX 50” and other new discount service contracts came up for renewal after their introduction two years ago, but we believe the situation has already stabilized.

Subscriber migration to FOMA

The number of subscribers who migrated to FOMA in FY2009/1-3Q reached 1.85 million, or 80% of our full year target. We will continually encourage existing 2G subscribers to switch to FOMA service with an aim of raising the percentage of FOMA users to 95% of our total by March 31, 2010.

Principal actions and results

Expansion of packet usage

How to raise packet ARPU is one of the top priorities in our business management. Toward this goal, we plan to offer a comprehensive product lineup of i-mode handsets, PC data cards and smartphones to our customers. With respect to i-mode, in particular, among the three categories of heavy, medium and light users, how to raise the packet usage of medium and light users is our biggest challenge.

Expansion of packet usage-heavy/medium users

Heavy users are already using video and other content services quite heavily. Among the various types of content services, “BeeTV” service continues to enjoy high popularity. Leveraging the new program planned to be distributed from February 2010, we intend to further expand the uptake of this service. Recently, we decided to establish a joint venture with DeNA Co. Ltd. Combining the strengths of the two companies, we will endeavor to boost customers’ usage, leading to a growth of packet ARPU.

Expansion of packet usage-medium/light users

To expand the packet usage of medium and light users, we would like to first encourage them to join the “Pake-hodai double” package to allow them to use video or other everyday life-oriented content without concerns about their phone bills. We will work mainly on two fronts, i.e., encourage the subscription to “Pake-hodai double” and improve the ease of use and convenience of everyday-life content to boost usage. We will also create a scheme to support this effort, such as configuring the initial settings at docomo Shops on behalf of the users.

We offer community-specific content and hobby/practical information as part of the everyday life-related content available on i-mode. We will work steadily to enrich the variety of such content.

To give an example of such life-related content, there is a service called “*Gomi-kare*” service, which contains information on the garbage collection dates in 32 different prefectures in Japan. There is another service called “*Shufu-mo*”, which delivers store bargain information on mobile phones. In the area of hobby/practical information content, we would like to offer more information in video formats via “*GourNavi*” (*Gourmet Navigator*) service.

Improved ease of use and convenience

Because many light users feel reluctant to voluntarily access the network to fetch information, we believe it will be effective to deliver information through PUSH mail. We intend to explore various measures, such as delivering weather forecasts, train transfer guide and other information via PUSH mail, or providing users with tips on where they can find free “Deco-mail” animation materials through mail magazines.

Enrichment of i-mode packet flat-rate services

After achieving our initial full-year flat-rate subscription rate target of 47% in September 2009, we set

a higher target of 55% and have worked toward its achievement.

As I mentioned earlier, we would like to first encourage customers to join the flat-rate package, with its appealing low rate that starts from ¥390 per month. To boost their actual usage, we intend to increase the variety of life-oriented content that can help make their lives even richer.

PC data communications

We believe PC data cards and smartphones will become the two new major pillars to achieve growth in packet usage in the future. Our network quality enjoys a very high reputation. The sales of PC data cards are gaining momentum following the downward revision of its flat-rate monthly charge.

The sales of data card devices have also grown to approximately 50,000 units per month. Our market share has also expanded to nearly 30% in the recent months. We are now offering a wide array of PCs with built-in communication modules, which is another area that we intend to strengthen going forward.

Smartphones

Last week, we unveiled the new smartphone Xperia™. While the availability of high-quality products like Xperia™ is a necessary condition to boost the sale of smartphones, it is also important to broaden the sphere of the market. We would like to create an environment where not only users of high IT literacy but also general users and first-time smartphone users can try these products easily and conveniently. The flat-rate billing plans and the “docomo market” are expected to play an important role to achieve this.

The above were the items that affect our ARPU.

Service personalization –i-concier

The number of “i-concier” subscriptions topped 3.1 million. We intend to further promote this service leveraging the auto-GPS feature which became available from the 2009 winter model handsets.

Another important element is the type of information delivered via “i-concier”. In large cities like Tokyo or Osaka, there is plenty of information to offer. However, in smaller local cities, we need to provide information tailored to local needs. Therefore, we are currently working diligently to expand the variety of local content. We believe our ability to deliver content precisely catered to the needs of each region will hold the key to growing “i-concier” subscriptions.

Social support

On January 20, 2010, we launched the commercial service of our environment sensor network. On January 6, 2010, we entered into a capital alliance with Weather Service, Inc. to start the delivery of pollen information, etc.

We also decided to commence a bicycle sharing service, enabling users to find where they can rent a bicycle and how to reach there using their mobile phones. Users will be able to pay for the rental charges using FeliCa electronic money. The verification trial of this service is scheduled to start in June 2010 in Hokkaido. These social support services are only beginning to sprout, and we will strive to further develop these services.

Converged services

We launched “MyArea”, a Femtocell BTS-based home area service, and “*Otayori Photo*” photograph-transmission service using wireless photo frames as part of our convergence services. “*Otayori Photo*” has been on sale from before, but only on a limited basis, so this is our first full-scale launch of this product. “MyArea” service has been receiving inquiries from customers following its launch in November 2009. We plan to further expand the sale of convergence services.

Handset lineup

The new winter/spring model handsets, which were unveiled in November 2009, made a good debut, reporting higher sales than the 2009 summer models. Recently, the percentage of “STYLE” series to total handset sales has been rising, accounting for nearly 60% of the total. This is expected to contribute to lowering the unit cost of our handsets.

Global expansion

The primary focus in our recent overseas activities is the GSM service in India offered under the brand name of “TATA DOCOMO”. Our Indian partner TTSL had the No. 1 market share of net additions in India for five straight months from August to December 2009. The number of net additions acquired by TATA DOCOMO alone averages approximately 4 million per month, compared to 17-19 million for the entire Indian market. The cumulative subscriber base of TTSL exceeded 57 million, and their subscriber market share grew to over 10%, which makes us believe that the service has gotten off to a good start. Furthermore, TTSL launched “i-channel” in June 2009 and a mobile comic delivery service in January 2010 as part of their value-added offerings.

Meanwhile, we launched and completed the TOB for net mobile AG, a mobile content distribution platform company based in Germany. In markets like Europe where the network business is already mature, we will focus on the delivery of higher-layer services. We intend to establish and strengthen the foundation of overseas platform business to offer higher layer services created in Japan.

The above were the explanation on the financial results for the first three quarters of FY2009 and the principal actions undertaken during this fiscal term.

We have been working toward the realization of our medium-term vision, “Change and Challenge” announced a year ago, and these actions have delivered tangible results in such areas as the increase of net additions, reduction of churn rate and improvement of customer satisfaction. With respect to our financial performance, the operating income for the single quarter of FY2009/3Q posted a year-on-year increase of 28%. We are confident that we are well positioned to achieve our full-year operating income target set in the beginning of this fiscal year. We will spare no efforts toward the achievement of our full-year target of ¥830.0 billion.

As exemplified by the recent announcement of “iPad” and other new developments, the environment surrounding our business is changing dynamically. We will respond swiftly to these new trends, and take on new challenges and execute them believing that change offers a chance to win.

[Questions and Answers]

Q: Please explain the changes you made to the accounting method of “*Nikagetsu Kurikoshi*” (two-month carry over) service.

A: Our billing plans bundle free communication allowances. In accordance with the US accounting rules, unused communication allowances carried over to the following month are required to be subtracted from revenues. This time around, we reviewed the estimation method of the amount subtracted. For example, our “Plan M” package (priced at ¥6,600/month) includes free communication allowances worth ¥4,000. When discounts such as the “Value Plan”, “Fami-wari MAX 50” or others are applied, the effective monthly charge of “Plan M” is lowered to below ¥3,000. Previously, we had estimated the unused portion of the free communication allowances of ¥4,000, and carried over the estimated amount to the following month. However, there was a significant increase in the number of cases in which we carried over ¥4,000 as unused communication allowance when we were receiving a monthly charge of only ¥3,000 after the application of discounts. This caused a question concerning the adequacy of the amount carried over. Two years have elapsed following the introduction of “Value Plan”, “Fami-wari MAX 50” and other discount services, and because we have accumulated a sufficient amount of data as to the actual amount of unused free communication allowances that were carried over, we decided to change the method of estimation. With respect to the financial impact of this change, the carried over allowances that were deemed excessive were reimbursed to the revenues for FY2009/1-3Q, which resulted in an increase of ¥18.2 billion in voice revenues. In terms of ARPU, this had an impact to increase our ARPU for the nine-month period of FY2009/1-3Q by approximately ¥40.

Q: Can you give us an outlook on the impact of the “Mobile Phone Protection and Delivery” service to your financial results?

A: The revenues and expenses of “Mobile Phone Protection and Delivery” service almost balance out. We charge ¥300 per month as the compensation premium for mobile phones, which is treated as our revenues. Expenses are the cost required to offer a replacement phone for the handset submitted for repair. Currently, the repair-related expenses are calculated using a formula similar to that of compensation premium, based on which we currently charge a monthly rate of ¥300 for this service. Unless this balance changes, we believe the revenues and expenses will continue to cancel each other out in the future. Potential risks for the future include the possibility of changing the compensation premium due to a sudden increase in the number of repairs, but at this juncture, we are maintaining a constant balance between the revenues and expenses. Therefore, we do not foresee any significant impact to our financial results.

Q: Please give us an outlook on the operating income for next fiscal year?

A: While we intend to further raise our packet ARPU, unfortunately, we are foreseeing a continual decline in aggregate ARPU. We will try to offset the decrease of voice ARPU by increasing the packet ARPU and total cellular subscriptions. The question is whether we can completely offset the decline of voice revenues through these measures. Therefore, we will aim to generate additional revenues by working on the new “Challenge” programs and facilitating further cost reduction. For FY2010, we will aim to achieve a growth in operating income, even by a small margin, compared to FY2009.

Q: Please explain the reasons behind the drop in packet ARPU from ¥2,450 for FY2009/2Q to ¥2,440 for FY2009/3Q.

A: As you can see from the performance of the last fiscal year, the ARPU for the second quarter is usually higher compared to the third quarter. This is a seasonal factor resulting from, among other things, the number of business days or holidays in the quarter. The trend for the full year shows that our packet ARPU has been rising constantly.

Q: Please explain the aim of introducing a discount package for students in February 2010 and its impact on ARPU.

A: We can expect long-term contracts from young users like students. Also, to compete favorably against other carriers, we thought it would be nicer to have a student discount service for our shop staff to recommend our phones to students when they start school.

The student discount will be offered to those who have agreed to subscribe to the “*Mail Tsukai-hodai*” (unlimited domestic i-mode mail service), and their monthly rates will be reduced from ¥780 to ¥390 per month. This is a limited-time offer, and only students or the student’s family member newly joining our network can apply for this discount service. The discount will be provided for only up to 37 months, so we believe its impact to our revenues and voice ARPU will be negligible.

Q: In your analysis, why do you think you have not been able to acquire the No. 1 market share of net additions?

A: Of course, we aim to acquire the largest market share of net additions, but it does not mean that we will try to achieve it at any cost. We rather feel content if we can acquire the No. 1 share in the period when we step up our sales efforts. We intend to comprehensively strengthen the sales of a wide array of products, including data cards and digital photo frames.

Q: Do you think the decline of handset sales has bottomed out due to circumstances unique to your company, i.e., the strong replacement demand of “905i” and “705i” handset users, or do you think this reflects a change in the market environment or consumers’ mindset?

A: Not only DOCOMO but the whole industry has shifted to a new model which requires customers to pay the full price of a handset. As a consequence, many users have chosen to use the same phone a little longer than before because they have to spend a larger amount of money to buy a new phone. However, this does not mean that customers will not replace their phones forever; it is just that they postponed the timing of replacement by 6-7 months. The number of mobile phone users remains constant, and they will eventually buy a new phone. Although we saw a temporary drop in the total number of handsets sold, we believe it will recover at some point.

Q: What are your views on your current share price and the possibility of share buy-back?

A: Our position remains unchanged from the time of our FY2009/1H results announcement. We will consider share repurchases flexibly, keeping an eye on our share price.

Q: Please give us a breakdown of the sales of the four new handset series of docomo “STYLE” “PRIME” “SMART” and “PRO” series.

A: Of the cumulative number of handsets sold in the three-month period from October to December 2009, “STYLE” series accounted for approximately 60%, “PRIME” approximately 28%, “SMART” approximately 9% and “PRO” approximately 3%.

Q: How many models of smartphones do you plan to release during the next fiscal year?

A: Many different types of smartphones, such as the next model of “BlackBerry”, are expected to be added to our lineup. In FY2010, we currently plan to release around 5 models.

Q: Please elaborate on your plans for “iPad”, “Kindle” or other electronic book-type devices.

A: “iPad” is a SIM-free device, and we will positively look into the possibility of handling this product. We are now seeing many new trends caused by the emergence of “Kindle” and “iPad”, and we are currently studying how we should respond to these new developments. Although we have not reached a final conclusion yet, we would like to meet the challenge afforded by these new opportunities, including electronic books.

Q: How do you plan to market “Nexus One”, “iPad” and other SIM-free devices?

A: We have not yet made any decisions as to their business model or marketing method.

Q: It seems that you have been strengthening your smartphone business, but what are you planning to do with i-mode going forward?

A: We would like to further improve, among other things, its convenience, content portfolio and search engine. “BeeTV” is one of the content provided via i-mode, and the number of official i-mode sites is continuing to increase. We also hear strong requests from developers to authorize their content as official i-mode sites.

Q: You added the auto-GPS feature to the “i-concier” service. What are your thoughts on the possibility of generating revenues by using “i-concier” as a mobile advertisement platform linked with location data?

A: We believe this service can serve as a new advertisement medium and develop into a large pillar of our revenues, if we can successfully expand its subscriber base. The auto-GPS-enabled “i-concier” is linked with location data, which enables timely delivery of information that can guide user’s behavior. However, the auto-GPS capability was added from the 2009 winter models, and the number of compatible handset users is still limited. When we discuss with retailers and other potential content providers, the limited user base of auto-GPS-enabled “i-concier” often becomes the bottleneck. We will first have to work to familiarize customers with “i-concier” service, and after its user base grows to a certain level, we would like to reinforce its mobile advertisement service.

Q: You mentioned that your target is to expand the user base of “MyArea” Femtocell BTS-based home area service to 20,000 by March 31, 2010. How many subscribers have you acquired so far?

A: We are receiving inquiries, but it takes a while for us to install the equipment after receiving an inquiry from the customer, because we need to investigate the environment and complete certain procedures, as this equipment is treated as a wireless base station. While there are inquiries, the actual number of equipment activated is still limited.