Press Conference Announcing the Results for the First Six Months of the Fiscal Year Ending March 31, 2011 (Minutes)

Date: October 28, 2010 (Thursday), 15:00-16:00

[Comments by Ryuji Yamada, President and CEO]

FY2010/1+2Q (cumulative) Financial Results and FY2010 Full-Year Forecasts

For the first six months of the fiscal year ending March 31, 2011 (FY2010/1H), the Company recorded a decrease in operating revenues and a decrease in operating income over the same period of the previous fiscal year. Operating revenues and operating income were ¥2,138.2 billion (a year-on-year decrease of 0.4%) and ¥5,315.0 billion (a year-on-year increase of 9.5%), respectively. Although we made a slight downward revision to our full-year operating revenues forecast from previously ¥4,222.0 billion to ¥4,209.0 billion, due to the projected decline in equipment sales revenues resulting from a reduction in the average handset sales prices per unit, the operating income forecast remains unchanged at ¥840.0 billion.

FY2010/1+2Q (cumulative) Financial Results Highlights

I would like to comment on four points. (1) As a result of our measures to address new markets such as smartphones, PC data devices and digital photo frames, we acquired a total of 810,000 net additional subscribers in FY2010/1H, achieving a favorable increase of 230,000 subscribers over the same period of the previous fiscal year. In addition, our total handsets sales recorded a year-on-year increase for the first time in three years. (2) The growth of packet ARPU accelerated due to the expansion in the number of packet flat-rate services and smartphone subscriptions. Packet ARPU for the three months of FY2010/2Q grew by ¥90 compared to the same period of the previous fiscal year. As a result, our total packet revenues for FY2010/1H increased by 6.2% year-on-year to ¥49.1 billion. (3) We secured a favorable growth in new business domains. Thanks to the contribution of net mobile AG, our subsidiary that engages in overseas platform business, and Oak Lawn Marketing, Inc., our subsidiary offering online shopping services, other revenues expanded by ¥36.4 billion compared to the same period of the previous fiscal year. (4) Our ongoing efforts for the improvement of network-related cost efficiency and reduction of general expenses resulted in a ¥53.9 billion decrease in operating expenses.

Key Factors behind Year-on-Year Changes in Operating Income
(FY2009/1+2Q: ¥485.2 billion -> FY2010/1+2Q: ¥531.5 billion)

With respect to operating revenues, voice revenues dropped by ¥79.8 billion, of which the impact of Value Plan accounted for ¥55.0 billion. Packet revenues, on the other hand, increased by ¥49.1 billion compared to the same period of the last fiscal year. Other revenues also expanded by ¥36.4 billion. Equipment sales revenues decreased by ¥13.4 billion in spite of an increase in the total number of devices sold, due mainly to a decline in the average handset sales price per unit. As a result of the foregoing, operating revenues posted a slight decline of ¥7.7 billion compared to the same period of the previous fiscal year.

On the expenses side, equipment sales expenses dropped by ¥29.4 billion due to a reduction in distributor commissions and cost of equipment sold. Network-related costs also decreased by ¥36.5 billion owing mainly to a decline in depreciation costs. On the other hand, other expenses grew by ¥12.1 billion. As a result, total operating expenses for FY2010/1H decreased by ¥53.9 billion compared to the same period of the previous fiscal year.

In summary, operating revenues decreased by ¥7.7 billion, but because operating expenses dropped by a larger amount of ¥53.9 billion, we secured ¥531.5 billion in operating income for FY2010/1H.

50%-Off Monthly Charge Discount Plans and "Value Plan"

Because the combined number of subscriptions to "Fami-wari MAX 50" and other plans which provide 50%-discounts on basic monthly charges grew to over 80% of our total subscriber base, their negative impact on revenues is expected to become negligible in the future. The subscription rate of "Value Plan" has also grown to 65%, so we believe its negative impact on our revenues—as the expanded uptake of "Value Plan" has a dilution effect on our voice ARPU—will subside in 1-2 years time.

Cellular (FOMA+mova) ARPU

Aggregate ARPU for FY2010/2Q dropped to ¥5,200 compared to ¥5,420 for the same period of the previous fiscal year, posting a decrease of ¥220 year-on-year. Voice ARPU recorded a decline of ¥310, from ¥2,970 for FY2009/2Q to ¥2,660 for FY2010/2Q, of which the impact of the expanded uptake of "Value Plan" accounted for approximately ¥150, and the reduction in billable MOU accounted for approximately ¥100. When the impact of "Value Plan" becomes negligible in about 2 years from now, we believe the voice ARPU will be affected only by the decline in billable MOU. On the other hand, packet ARPU increased by ¥90 from ¥2,450 for FY2010/2Q to ¥2,540 for FY2010/2Q. This growth was attributable to the expanded adoption of smartphones and PC data devices and the effects of the measures we implemented to boost i-mode usage. Currently, the expansion of packet ARPU is the primary focus in our corporate management, and we set a target to achieve an increase of ¥110 for the full year of FY2010. While this is a very challenging target, we will devote ourselves toward its achievement. The increase recorded in FY2010/2Q was ¥90, so we will need to accelerate the growth and achieve a year-on-year increase of over ¥110 year-on-year in the second half of FY2010.

Total Handset Sales

The total number of handsets sold in FY2010/1H was 9.24 million units, up 5% year-on-year. After a constant decline since FY2007/3Q, our total handset sales began to recover in FY2010/1Q and marked a year-on-year increase for FY2010/1H (1Q+2Q combined). The main drivers behind this growth include the brisk sales of smartphones and data communications devices, and the strong replacement demand among users who purchased a handset upon the introduction of the new handset purchase methods over two years ago. In view of the recent trend, we made a slight upward revision to our full-year handset sales forecast from previously 18.20 million units to 18.70 million units.

Churn Rate

Churn rate for FY2010/1H was 0.46%, maintaining a low level comparable to the number for the full year of FY2009. The churn rates for FY20101/1Q and 2Q were 0.44% and 0.49%, respectively.

Number of Net Additions

The total number of net additional subscribers acquired in FY2010/1H was 810,000, recording a remarkable growth compared to 550,000 in FY2008/1H and 590,000 in FY2009/1H. This was attributable to the favorable increase in the subscriptions to smartphones, PC data devices and digital photo frames. We revised our full-year net additions forecast to 1.77 million, up 400,000 compared to the initial forecast of 1.37 million.

Subscriber Migration to FOMA

Some 790,000 subscribers switched from mova to FOMA in FY2010/1H, and the percentage of mova subscriptions decreased to 3.4% of total subscribers.

Principal Actions and Results

Customer Satisfaction Improvement

Our program for responding to area quality-related inquiries from customers by dispatching field staff within 48 hours after setting up an appointment in principle has been well received, and those who have used this service have shown a high level of satisfaction. In FY2010/1H, we made 31,000 customer visits under this program, and the cumulative number of visits since its launch reached 99,000. The “Battery Pack *Anshin* Support” program, under which we give away battery packs or portable battery chargers, was used by some 4.21 million users in FY2010/1H. Our data restoration service of water-logged handsets is also enjoying a good reputation. As a result of these customer loyalty enhancement measures, we received the No. 1 ranking in J.D. Power Asia Pacific Business Mobile Phone/PHS Service Customer Satisfaction Index Study for two straight years. We were also awarded the highest score in the customer satisfaction survey on mobile data communications services users by Nikkei BP Consulting for two years in a row. We are committed to continuing our endeavors toward our goal of receiving the No. 1 ranking in the general consumer segment.

Growth of Packet ARPU

Packet ARPU posted a year-on-year increase of ¥80 in FY2010/1Q and ¥90 in FY2010/2Q. Both the number of subscribers and subscription rate of packet flat-rate plans increased: some 3.14 million subscribers joined the flat-rate service in FY2010/1H, and the packet flat-rate subscription rate grew to 58%. Our target is to raise this number to 63% by March 31, 2011.

i-mode Packet Usage Expansion

Expansion of i-mode packet ARPU is a critical challenge for our business. Currently, the majority of our smartphones users are those with relatively high IT literacy, and they have contributed to the increase in packet ARPU. Meanwhile, we have also implemented various measures to expand i-mode usage. For example, we launched what is called the “docomo map navi” service, which allows users to view a map of the neighborhood of their current location instantly by clicking the map button contained in the iMenu. This is a convenient service, providing very easy-to-use search, display and route guidance to the destination. As a health management service, we launched “i Bodymo” service, and the total number of subscriptions topped 500,000. The service helps users manage their own help with fun, using the mobile phone carried by the user all the time. We also started a promotional offer called “*docomo-no-omake*” in which we provide original content as a complimentary gift. All these efforts have led to an increase in packet ARPU.

“i-concier”

“i-concier” is a typical service that contributes to increasing the packet ARPU, and it is enjoying good reputation by the users. Its total subscriptions exceeded 5.40 million, and the number of content sites provided by “i-concier” has also increased steadily. “Pre-Colle” Premium Collection is an example of “i-concier” content, which automatically delivers information pertaining to new products, sales and presents of prominent brands. We also started providing content hosting service with “i-concier” to allow individual retailers such as bakeries and restaurants who find it difficult to set up servers on their own to easily provide content based on a B-to-B-to-C model. The use of this service is expanding, as it helps individual retailers attract customers through easy delivery of information at the reasonable rate of ¥630 per month.

Smartphones

We believe smartphones will become the main driver for the expansion of packet ARPU. Today, we started marketing GALAXY S, and we plan to release GALAXY Tab in late November 2010. GALAXY S is a feature-rich smartphone, equipped with the Android 2.2 operating system, Flash Player 10.1 and multi-touch functionality. As for services, in addition to the “docomo market” which is already provided on a commercial basis, we commenced a new trial electronic book service today. Going forward, we plan to further enrich the product lineup and content services for smartphones. While Xperia™ is currently the best seller among our smartphone products, we plan to add seven new models, including GALAXY S that went on sale today, as part of our 2010 winter/spring lineup, and some of these models will be compatible with the “*Osaifu-Keitai*” e-wallet and/or one-segment broadcasting services. As similar to Xperia™, GALAXY S has been enjoying a very good response among the consumers even before the launch of the product, generating similar amount of purchase applications as that of Xperia™. The subscriber count of “sp mode” launched on September 1, 2010, grew to 340,000.

PC Data Communications

After a temporary drop in May 2010, the number of PC data plan subscriptions has increased steadily following the launch of a promotional campaign in June 2010. The total number of data plan subscriptions is projected to reach approximately 1.50 million by March 31, 2011. Our PC data service was awarded the No. 1 customer satisfaction score for the second year in a row. Recently, as a new data product, mobile Wi-Fi routers are attracting a lot of attention. Using a mobile Wi-Fi router, users can connect various devices like a Wi-Fi-enabled iPad to DOCOMO’s 3G network. In the future, we plan to offer international roaming-enabled mobile Wi-Fi routers. We are also moving ahead with the development of dual-mode mobile Wi-Fi routers compatible with both LTE and 3G, which are planned for release early next fiscal year.

LTE

We are making steadfast progress in the preparations for the commercial launch of LTE scheduled for December 2010. Its new service brand, “Xi”, is gradually gaining recognition among the public. Within FY2010, we plan to complete the installation of some 1,000 LTE base stations in Tokyo, Osaka and Nagoya. After starting the service with data-only devices, we plan to release handset-type devices in the second half of FY2011. We brought forward our LTE construction schedule, so we now plan to spend capital expenditures totaling ¥35.0 billion in FY2010, ¥100.0 billion in FY2011 and ¥170.0 billion in FY2012 for the roll-out of LTE.

E-Book Service

Electronic books are expected to become a killer content after video. As announced in August 2010, we decided to ally with Dai Nippon Printing Co., Ltd. for the provision of a hybrid service that offers both physical books and electronic content. We would like to have customers access this service from various devices. Today, we launched the e-book service on a trial basis offering approximately 50 titles of novels, magazines and comics, and we intend to increase the number of titles progressively. In this trial service, electronic book content will be provided free of charge until December 31, 2010. The feedbacks obtained from the trial will be reflected in the commercial service to be launched in the future.

docomo Drive Net

In November 2010, we plan to launch an information service for car navigation systems, “docomo Drive Net”. To this end, we are currently developing navigation systems with a built-in communication module and car-mount cradles that will allow smartphones to function as a car navigation system. We would like to invigorate the wireless navigation market by further advancing the features of “docomo Drive Net” through the convergence with various other mobile services.

Mobile Multimedia Broadcasting Service

After participating in public hearings, etc., we received the approval for building the infrastructure for multimedia broadcasting service for mobile devices on September 9, 2010. We will now start the preparations toward its service launch scheduled for April 2012.

Global Expansion—India

The subscriber base of our Indian partner, TTSL, grew to over 80.00 million in a very short period time, compared to approximately 35.00 million when we made the investment. As a consequence, TTSL became the fourth largest mobile operator in India by subscriber market share. TTSL also plans to launch 3G services on November 5, 2010, ahead of other carriers who won licenses in the recent 3G spectrum auction.

The above is the overview of the results for the first six months of the fiscal year ending March 31, 2011. This fiscal year is positioned as the year to execute the “Change and Challenge” action plan that we presented in our medium-term vision, and the first half results made us feel that we are making a steadfast progress toward its achievement. In terms of equipment sales, due to the brisk sales of smartphones, PC data devices and Wi-Fi routers, we recorded a larger number of net additions compared to the same period of the previous fiscal year. At the same time, we achieved a steadfast increase in our packet revenues and an expansion of new business fields. We successfully reduced our equipment procurement costs and other expenses. As a result of these efforts, our operating income increased by ¥46.2 billion compared to the same period of the previous fiscal year. With respect to customer satisfaction, we received the No. 1 ranking by both enterprise and mobile data communications users for two consecutive years, and we will continue to strive to receive the highest satisfaction score by general consumers. We set a major target to increase our packet ARPU by ¥110 for the full year, and we are committed to devoting ourselves toward its achievement. We will work to further improve our network through the launch of LTE and step up our efforts in new business fields such as electronic books and car navigation services.

[Questions and Answers]

Q: What was the contribution of smartphones among the 810,000 net additions you acquired in FY2010/1H? Can you also give us an outlook concerning the number of smartphones included in the new full-year net additions forecast, which was revised upwards by 400,000? There is a view that the ownership of conventional mobile phones is approaching saturation. What is the significance of reinforcing the sales of smartphones for your corporate management in the current environment?

A: We cannot give a breakdown of the net additions by the type of devices, but we sold approximately 600,000 units of smartphones in FY2010/1H, of which new subscriptions accounted for roughly 20%, and the remaining 80%—which was higher than our earlier expectations—were the replacements by existing subscribers. Reinforcing smartphone sales is very important for our corporate management, because the use of smartphones generally results in an increase of ARPU. But we are also taking various measures to boost the packet ARPU of i-mode users.

Q: Can you elaborate on the contribution of net mobile and Oak Lawn Marketing to the increase in other revenues? Also, with respect to GALAXY S, it is concerned that there is a shortage in the supply of organic EL screens. Will this have any impact on your procurement?

A: Other revenues for FY2010/1H amounted to over ¥160.0 billion, posting an increase of some ¥35.0 billion compared to the same period of last fiscal year. This was an element that underpinned our top line growth. Of the total other revenues, the contribution of the revenues from affiliated subsidiaries accounted for approximately ¥12.0 billion. We included net mobile in our consolidated accounts from this fiscal year, so their entire revenues directly contributed to the year-on-year growth in other revenues. The revenues from Oak Lawn Marketing, which was consolidated last fiscal year, posted an increase of a few billion yen compared to the same period of last fiscal year.

It is true that there is a global shortage in the supply of organic EL. Because GALAXY S is enjoying a very good response among Japanese consumers, we are requesting additional supply to Samsung. We believe GALAXY S is enjoying great acceptance similar to that of Xperia™, which was purchased by very many customers, as we already received more than 50,000 purchase applications for GALAXY S. Although we secured sufficient inventory for product delivery within 2010, we are currently requesting Samsung additional supply for the delivery in January and February 2011. It will be very unfortunate if we had a shortage of supply when there are many customers who wish to purchase the product, so we would like to maintain close contact with the manufacturer.

Q: What are your views concerning the significance of i-mode in the future, as the demand for smartphones expands? What will be the elements deciding the competitiveness of carriers amid this trend of expanded smartphone adoption?

A: Our phones are currently used by 56 million subscribers comprising broad age groups including young and senior users, and not necessarily all of them may be interested in smartphones. As a general trend, the adoption of smartphones is expected to expand. However, senior users who are currently using models like the “Raku-Raku PHONE” are most likely to continue using i-mode, so we need to brush up the capabilities of i-mode on a continual basis going forward.

To give you a concrete idea about our initiatives, we are planning to launch the “i-mode version of docomo market” in early December 2010, in order to incorporate the open applications environment in i-mode so that end users can have access to the applications developed by individual creators, thereby enhancing the attractiveness of i-mode. In our forecast, the proportion of i-mode handsets and smartphones in our total annual device sales is expected to be 50% each in 3-4 years from now. Even at that point, the cumulative number of i-mode users will be much larger than cumulative number of smartphone users, so we need to make sure that these i-mode users will be able to utilize our services conveniently.

With respect to the factors that affect the competitiveness of each carrier in the future, in addition to the network quality such as area coverage and transmission speeds and the quality of after-sales support, we believe the ability to provide services that enhance the value of the network will be important. We therefore intend to install in our smartphones a wide array of services that can be provided only by a carrier. We believe the Android OS currently offers the best environment for this, though we expect many other operating systems will become available in the future. We believe providing carrier’s original services in this area will be an element determining carrier’s competitiveness.

Q: Can you explain the main reasons behind the decline in equipment sales revenues? Was it mainly due to the increase in the sales of low-price handsets or the general reduction in the average sales price of your conventional handsets?

A: One of the reasons was the decline in the average sales price per unit resulting from the increase in the percentage of STYLE series phones to the total number of handsets sold. Another reason was the recent increase in the sales of PC data devices and mobile Wi-Fi routers, which are less expensive than mobile phones. The costs of smartphones are more expensive, but we provide sales incentives to sell them at affordable prices. Under the US accounting standards, we are only allowed to record sales revenues after the discounts are applied, which makes the unit sales price of smartphones look cheap. The sales price of our handsets has declined for these reasons.

Q: Specifically, what kind of content do you plan to offer in the “i-mode version of docomo market”?

A: The “i-mode version of docomo market” was designed to allow individual creators to provide gaming and various other applications to the end users. We started soliciting content from August 2010, and already acquired several hundreds of content. By providing music, books and various other content services through the “i-mode version of docomo market”, we believe users will appreciate that they can enjoy these content services and applications even with i-mode phones.

Q: The number of “sp mode” subscriptions does not match the total number of Xperia™ devices sold. Do you think this gap will narrow in the future as the number of users who wish to use i-mode features on smartphones increases?

A: We believe many of those users who will switch from i-mode handset to smartphone in the future will use the “sp mode” service. Fresh subscribers joining our service by purchasing a smartphone may also be interested in using i-mode mail address. We believe the subscription rate of “sp mode” will increase in the future.

Q: TATA DOCOMO is scheduled to launch 3G services shortly. Do you plan to procure handsets jointly with your Indian partner?

A: We would like to study the possibility of joint procurement of devices such as smartphones, etc.

Q: Currently, the iPhone is the best selling smartphone product and other foreign vendors are also gaining momentum with the release of GALAXY S and Xperia™, but domestic handset manufacturers are struggling. Going forward, what do you think will be the opportunities for the

Japanese vendors to turn around the situation?

A: We believe Japanese manufacturers lagged behind in the development of smartphones and Android OS. With respect to their opportunities, we believe devices customized for the Japanese market, such as smartphones equipped with "*Osaifu-Keitai*" e-wallet, one-segment broadcasting and other features tailored to the Japanese users, will become the primary source of their strength. In other words, they will be able to exert their strength by offering localized features for Japanese customers and supplying devices on a global scale after removing the features localized for the Japanese market.