

Press Conference Announcing the Results
for the First Six Months of the Fiscal Year Ending March 31, 2013 (FY2012/2Q)
(Minutes)

Date: October 26, 2012 (Friday), 15:00-16:00

【Comments by Kaoru Kato, President and CEO】

FY2012/1H Results Highlights

For the first six months of the fiscal year ending March 31, 2013 (FY2012/1H), the Company recorded ¥2,207.3 billion in operating revenues, which were 4.5% (or ¥94.3 billion yen) higher than the same period of the previous fiscal year. Operating income, in contrast, dropped by 7.4% (or ¥37.4 billion) from the same period of the previous fiscal year to ¥471.1 billion. Despite the year-on-year decrease in operating income, we were able to achieve a favorable increase in operating revenues.

To introduce some of our concrete achievements in FY2012/1H, the total number of handsets sold increased by 14% year-on-year to 11.84 million units. Smartphones, in particular, recorded brisk sales totaling 6.44 million units, which was 77.6% higher than the same period of the previous fiscal year. The number of Xi LTE subscriptions has been growing at a significantly faster pace than our earlier expectations and reached 6.20 million as of September 30, 2012, up 178.6% compared to the number as of March 31, 2012. On account of our having secured a solid subscriber base of smartphones consisting mainly of Xi LTE users, our packet revenues posted a steady increase of 7.6% year-on-year to ¥975.6 billion.

Adjusted free cash flow decreased by ¥216.6 billion compared to the same period of the previous fiscal year owing primarily to the increase in the number of users purchasing a new handset using the installment payment scheme and the outlays required for the reinforcement of Xi network facilities.

Key Factors behind YOY Changes in Operating Income

A key factor behind the year-on-year changes in operating revenues was a decrease in voice revenues (excluding the impact of “Monthly Support” discounts) by ¥80.8 billion due primarily to the drop in billable MOU. On the contrary, packet revenues (excluding the impact of “Monthly Support” discounts) increased by ¥87.9 billion as a result of our active promotion of smartphones and Xi devices. The negative impact of “Monthly Support” discounts on our cellular services revenues was ¥71.8 billion. Other revenues and equipment sales revenues recorded an increase of

¥31.9 billion and ¥127.2 billion, respectively. As a consequence, our operating revenues grew by ¥94.3 billion compared to the same period of the previous fiscal year.

On the expenses side, the total operating expenses for FY2012/1H rose by ¥131.7 billion over the same period of the previous fiscal year as a result of a ¥64.4 billion increase in equipment sales expenses and a ¥67.4 billion increase in other expenses.

As a result of the foregoing, operating income for FH2012/1H dropped by ¥37.4 billion year-on-year to ¥471.1 billion.

Total Handset Sales

We sold a total of 6.67 million handset units in the three-month period of FY2012/2Q. As a result, the total number of handsets sold in FY2012/1H grew to 11.84 million units, up 14.4% year-on-year. We believe that this was favorable progress toward our full-year sales target of 23.8 million units.

Smartphone Sales

Regarding our smartphone sales, we sold a total of 2.49 million units in FY2012/1Q and 3.95 million units in FY2012/2Q. Accordingly, the total number of smartphones sold in the six months of FY2012/1H reached 6.44 million, up 77.6% from the same period of the previous fiscal year. In light of the brisk sales in FY2012/1H, we decided to revise our full-year sales target upward by 1 million units to 14 million. Xi LTE handsets accounted for approximately 70% of the total smartphones sold during FY2012/2Q, increasing significantly from around 40% for FY2012/1Q.

Market Share of Smartphones Sold

Our market share of smartphones sold at mass retailers during the three-month period of FY2012/2Q was 55%. As a result of our endeavors to enrich our product lineup, we are now seeing tangible results in our sales performance.

Expansion of Packet Revenues

Due to increased smartphone sales and other factors, packet revenues for FY2012/2Q (three months) posted a steady growth of 6.3% year-on-year to ¥490.5 billion. Through stepped up promotion of smartphones, we will aim to maintain this growth trend of packet revenues.

MNP Performance

The number of port-in subscribers using Mobile Number Portability (MNP) systems marked a significant year-on-year increase both in FY2012/1Q and 2Q. As a result, the total number of port-in subscribers for FY2012/1H grew by 60% compared to the same period of the previous fiscal year.

Our net MNP in/outflow performance showed a gradual improvement in the several months after April 2012, but the competition has intensified once again since September 2012.

FY2012 Forecasts <Revised>

In our business management in FY2012/2H and beyond, we will attach the greatest priority to expanding our smartphone user base in a continued effort from FY2012/1H. We believe the most important issue for our business management, for the near term, is the expansion of packet revenues from our core mobile business; and, for the medium term, it is laying the foundation for the growth of new businesses that we plan to operate leveraging “docomo cloud.”

Under this policy, we revised our full-year smartphone sales target from the previous 13 million units to 14 million units, and raised our full-year operating revenues forecast to ¥4,520 billion, up ¥70 billion from the initial guidance.

In contrast, our operating income forecast was revised to ¥820 billion, down 80 billion from our initial projection. This is because we decided to spend over ¥80 billion as additional expenses for the measures to reinforce our competitiveness and expand our smartphone sales in order to grow our smartphone user base as quickly as possible. Please note that the revised income forecast factors in the decrease of cellular services revenues resulting from the lower-than-expected net additions caused by the outflow of MNP subscribers during the first half of 2012, but this is expected to be nearly offset by a decrease in expenses of almost the same amount through additional cost-cutting measures. Therefore, the downward revision to the operating income forecast was basically caused by the decision to inject additional expenses to boost our competitiveness.

Meanwhile, we decided to raise our full-year capital expenditures forecast by over ¥14 billion compared to the initial budget to ¥749 billion, as we decided to bring forward the coverage expansion plan of LTE service toward the goal of improving customer convenience. Simultaneously, in order to improve cost efficiency, we will implement group-wide initiatives to make drastic structural reforms in our core mobile business in an effort to strengthen our managerial foundation even further.

The forecast for net income attributable to NTT DOCOMO, INC. was revised to ¥507 billion, down 9% or ¥50 billion compared to the initial projection. However, this is still 9.3% higher than our net income for the previous fiscal year. Although the competitive environment remains harsh, we are committed to doing our utmost to expand our smartphone user base toward our future growth.

DOCOMO's Competition Strategies

We believe we have our own unique strengths in each element of our business, i.e., devices, network and services. On account of our offering a product lineup that is “Uniquely DOCOMO from DOCOMO” we are the front-runners in LTE in the Japanese market and provide a wide range of

services through “docomo cloud.” We intend to drive these innovations as the source of our competitive advantage.

Product Lineup “Uniquely Available” from DOCOMO

In regards to our product lineup, cumulative sales of GALAXY S III handsets topped 800,000. The Raku Raku Smartphone is also enjoying brisk sales, with sales surpassing 300,000 units already. Both of these models are equipped with features receiving favorable reviews by Japanese consumers and adopt various “DOCOMO-specific” cutting-edge technologies. Going forward, we would like to continue the development of handsets that can meet the requirements of customers.

Regarding our latest product series, all eleven smartphone models in our recently unveiled 2012 winter collection are Xi LTE-enabled. We prepared a lineup comprising models developed in pursuit of superb basic performance and ease of use, so that customers can choose a model that best suits their own lifestyle needs.

Further Evolution of Xi as the Front Runner of LTE

As for the roll-out of Xi LTE service, we already achieved 100% population coverage in all ordinance-designated cities across Japan in March 2012. We also decided to bring forward Xi’s coverage expansion, increasing the number of base stations to be installed before March 31, 2013 to 23,000 compared to the initial plan of 21,000, and bringing forward coverage to 75% instead of the 70% in the initial plan.

We will also raise the maximum transmission speed of Xi service to 112.5Mbps within this fiscal year, which will put our LTE service one step ahead of the competitions’.

Growth of Xi Subscriptions

The total number of Xi subscriptions reached 6.2 million as of September 30, 2012, growing at a pace faster than our earlier predictions. Accordingly, we decided to raise our full-year subscriptions forecast to 11 million from the previous 10 million. Our medium-term Xi subscriptions target, which was included in the “Medium-Term Vision 2015” announced last year, was also revised upwards to 41 million as of March 31, 2016, compared to the initial projection of 30 million, in light of the rapid increase in the variety of Xi-enabled devices and customers’ favorable acceptance of Xi service.

Expanded Adoption of “Xi Talk 24”

“Xi Talk 24” is a flat-rate billing plan offering unlimited domestic voice calls between DOCOMO subscribers for ¥700 per month. The total number of subscriptions to this package grew steadily to over 3 million as of September 30, 2012, and is expected to reach some 6 million by

March 31, 2013. According to our recent statistics, more than 70% of our Xi comprehensive billing plan subscribers have joined “Xi Talk 24.”

Growth of Smartphone Packet Usage

We currently offer two types of full flat-rate billing options for Xi service, each set with different thresholds for monthly data usage: One is called “Xi Pake-hodai Light” which offers unlimited data access up to 3GB, and the other is “Xi Pake-hodai Flat” offering unlimited data usage up to 7GB. Compared to a year ago, the number of users with usage exceeding the monthly thresholds has increased for both bucket plans (3GB and 7GB). In particular, the number of users with monthly usage in excess of 3GB is growing at a faster pace relative to the number of users with usage in excess of 7GB. Currently, users with packet data usage exceeding 3GB per month account for more than 20% of our total smartphone subscribers.

At present, approximately 40-45% of the users newly subscribing to Xi service choose the “Pake-hodai Light” package, which was lower than our earlier assumption. As it turned out, a greater-than-expected number of users have opted for the “Xi Pake-hodai Flat” package.

“docomo cloud” Platform Enrichment

“docomo cloud” is the brand of the cloud services operated by DOCOMO. The “dmarket” portal, various intelligent services and storage capabilities that we operate on top of “docomo cloud” are enabled by the “docomo ID authentication platform,” which performs user authentication and billing/payment processing, and the “personalization platform,” which controls customers’ purchase log and other data. These platforms make it possible for us to provide storage services, multi-device access and multi-platform support, and enables the use of Bigdata and the like.

“docomo cloud”—3 Key Directions

The three key directions that we intend to pursue leveraging “docomo cloud” are the “dmarket” portal, intelligent services and storage capabilities.

For “dmarket,” close on the heels of the recent launch of the ANIME Store, we plan to commence “dgame” and “dshopping” sites shortly. As part of our cloud-based intelligent services, we already launched “Shabette Concier” voice agent function and various types of translation services. For storage service, we already started “Photo Collection” service. Further down the line, we plan to introduce “docomo denwacho” (phonebook data storage) and “docomo mail” (email storage service) to add cloud-based data backup to these basic mobile phone capabilities.

Evolution of “dmarket”- Expansion into Retail Business

We already handle a wide variety of digital content such as music, books, ANIME and videos

on our “dmarket” portal. Going forward, we plan to start “dshopping” service to add physical merchandise to our offerings. In the area of life-support services, we are planning to enrich our service content with the addition of education and healthcare services. In the field of digital content, we plan to launch a gaming store. With these expansions, we plan to broaden the portfolio of our offerings from digital content to physical merchandise.

Furthermore, because “Shabette Concier” service can function as an instrumental tool for searches, we intend to make better use of this voice agent capability by properly linking it with the abovementioned services.

“dgame”

We plan to provide 15 game titles from nine different companies upon the launch of our “dgame” gaming platform in November 2012. We will aim to expand the revenue size from “dgame” to ¥15 billion in two years.

“dshopping”

“dshopping” online shopping service is planned for launch in Mid-December 2012. The slide here describes the merchandise to be handled on “dshopping” platform in a jigsaw puzzle format. The primary merchandise, i.e., the products that we plan to offer upon the launch of service, are depicted in red. The products in blue represent the merchandise that we are currently preparing to handle, and that which is in green is the merchandise that is planned for in the future. The items in the diagram depict the merchandise that is currently being contemplated in our plan, but we will seek to add more variety to the merchandise on an ongoing basis without being confined to the areas listed here. Our goal is to grow the transaction volume of “dshopping” service to some 20 billion two years after launch.

VIDEO Store

After its launch in November 2011, VIDEO Store has enjoyed good reviews and expanded its subscriber base to nearly 2.8 million as of October 2012, approaching the 3 million mark. The subscriber count is expected to reach 4 million by March 31, 2013. Because this service is offered for ¥525 per month, we expect to generate some ¥25 billion in revenues from this service for the full year of FY2012.

ANIME Store

Although ANIME is a niche market, we aim to grow the number of subscribers to this store to some 300,000 by March 31, 2013. The estimated full-year revenues based on that subscriber projection are approximately ¥1.5 billion.

“dmarket” Revenues Growth

We aim to grow the annual revenues from “dmarket” to approximately ¥20 billion within this fiscal year (FY2012), and to some ¥100 billion for the fiscal year ending March 31, 2016 (FY2015).

Intelligent Services

With respect to our intelligent services, as a new feature of our “Shabette Concier” voice agent function, we introduced 35 new “Shabette Chara” interactive avatars, including Chibimaruko-chan, Hello Kitty, and Naomi Watanabe, and we plan to progressively add more characters going forward.

The “Hanashite Hon’yaku” automatic speech translation service, planned for launch in November, received the Grand Prize of CEATEC Japan 2012 US Media Panel Innovation Award. The “Utsushite Hon’yaku” augmented-reality text translation service using word recognition camera is already in commercial service.

Growth of New Businesses

In our “Medium-Term Vision 2015” announced last year, we presented eight new business areas that we plan to tackle as part of our transformation into an Integrated Services Company. The circles in the slide represent the different business areas, with their size indicating the scale of revenues from each business. Our core mobile phone business (voice and packet) is already in the harvesting phase. In contrast, those businesses that are still in the market injection phase are relatively smaller in scale. Media/content businesses such as “dmarket,” as well as commerce businesses that encompass Radishbo-ya, Oak Lawn Marketing and Tower Records Japan, are currently in the growth phase. Leveraging our strength of having a huge subscriber base and allying with various external players, we will aim to expand the scale of each business so they can advance to the next phase in the development cycle.

Target Revenues from New Businesses

Our goal is to expand the revenues from new non-core businesses to ¥1 trillion over the medium term, while seeking upsides wherever possible. For the current fiscal year, we expect to generate a total of ¥520 billion in new business revenues—slightly over half the size of our FY2015 revenues target—which consist primarily of the revenues from media/content, commerce and finance/payment businesses. Because we hear many requests for the disclosure of concrete revenue size of individual business areas that we address for the transition into an Integrated Services Company, I would like to provide you with an explanation on the major items using the following slides.

Media/Content Business

The revenues from media/content business have increased steadily and are estimated to be ¥90 billion for FY2012. We will aim to grow the number to some ¥300 billion for FY2015.

Commerce Business

Commerce business revenues for FY2012/1H were approximately ¥45 billion, and are projected to grow to nearly ¥120 billion for the full year of FY2012. The revenues target for FY2015 is ¥300 billion.

Finance/Payment Business

Because the finance/payment business has already grown to a certain scale, the projected growth rate in the period through FY2015 is slightly gradual compared to media/content and commerce businesses. Our target is to expand its revenue size to approximately ¥250 billion for FY2015 from approximately ¥200 billion for the current fiscal year through a steadfast growth of our credit business and proxy bill collection service.

Global Revenues from New Businesses

I would also like to provide an explanation on the size of each of the eight new business areas that we are tackling for the transformation into an Integrated Services Company from the viewpoint of global contribution. Please take note that the global contribution herein is a reclassification of the amounts already included in the total ¥1 trillion new business revenues target for FY2015. The overseas contribution to the total new business revenues for FY2012 is estimated to be roughly ¥40 billion. We plan to further expand the overseas contribution using the aggregation/platform businesses of Buongiorno and net.mobile as the main driver, while looking into mergers and acquisitions if there are good opportunities. Although this will be challenging, we will aim to boost the contribution of global business to approximately ¥200 billion in FY2015.

Establishment of DOCOMO Innovation Fund

As explained earlier, the businesses in the abovementioned new areas vary in scale and level of development (harvesting/growth/market injection phases). We decided to set up the ¥10-billion DOCOMO Innovation Fund to make venture investments and launch an incubation program. The DOCOMO Innovation Village incubation program will offer, among other things, office space and technical assistance by making APIs publicly available. If there are novel business models or great ideas, DOCOMO intends to provide support in the form of investment to propel their growth; and, it will be even better if we can capture the results of such development activities in the services we

offer in new business areas.

New Growth Indicator: “Smart ARPU”

We have hitherto used voice and packet ARPU as one of the indicators to present the performance of our mobile business. This time around, we decided to introduce a new concept, “smart ARPU.” Traditionally, the revenues from “i-channel,” “i-concier” “map navigation” and other non-communication services were included in the packet ARPU. However, in light of the recent increase in the revenues from “dmarket” and other new sources as a result of the expansion of non-core businesses, we decided to define a new benchmark, “smart ARPU,” which bundles together in the numerator all the revenues that are dependent on the devices (mainly smartphones) as revenues associated with our core mobile phone services.

In the new arrangement, voice and packet ARPU will represent the respective revenues from the mobile voice and packet data business. On the other hand, “smart ARPU” will only cover the revenues that are associated with mobile services among all of the items comprising the revenues from new businesses. Accordingly, revenues from physical commerce services, such as those offered by Radishbo-ya, Tower Records Japan, or other subsidiaries, will not be included in the “smart ARPU” calculation.

Growth of Smart ARPU

The amount of “smart ARPU” is expected to mark a steady increase as the total new business revenues grow from ¥400 billion in FY2011 and ¥520 billion in FY2012 toward our FY2015 target of ¥1 trillion. Our goal is to achieve a two-fold increase in “smart ARPU” for FY2015 from the level of FY2011. Our current estimate suggests that we will likely fall short of this FY2015 target at the current pace; however, we will endeavor to bring the actual result as close to double the level of FY2011 as possible through the introduction of new services and the enrichment of other offerings. Needless to say, smartphones will serve as the fundamental building block for this expansion, so we will strive to increase our smartphone sales and boost our competitiveness.

Reinforcement of Business Structure

To strengthen our managerial position, we will initiate a program to reduce our costs by ¥200 billion compared to the level of FY2011. Reinforcement of our competitiveness and reallocation of managerial resources to new business areas are the main rationales behind this initiative. When we announced our medium-term action plan in FY2008, we declared a ¥200-billion cost reduction and successfully delivered on this promise much ahead of the original schedule. This fiscal year, we decided to launch another round of cost-cutting measures, which are officially scheduled for completion in FY2015, but we will try to bring forward their implementation as much as possible.

Improved Efficiency of Capital Expenditures

We intend to reduce our annual capital expenditures to below ¥700 billion over the medium term, and we will start taking actions toward this goal from the next fiscal year. The CAPEX for this fiscal year has increased slightly due to the necessary outlays to ensure smooth subscriber migration to Xi LTE network. However, we will try to offset such increase in Xi-related expenditures by adjusting the amount of FOMA investments in the future.

Balancing Business Expansion and Shareholder Return

It goes without saying that we need to achieve a good balance between business expansion and shareholder return. While generating stable cash flows, we will seek growth mainly through aggressive investments in new business areas, including potential mergers and acquisitions, and at the same time provide our valued shareholders with returns primarily through stable dividend payments.

Return to Shareholders

Despite the downward revision of the full-year operating income forecast to ¥820 billion, the planned dividend for this fiscal year remains unchanged at ¥6,000 per share.

Actions for Further Growth: Overview

To summarize, let me give you an overview concerning how we plan to expand our business for further growth. Our basic strategy remains intact, i.e., we will compete against our rivals leveraging our comprehensive strengths in network, devices, services and other elements.

As far as the network and devices are concerned, we will promote Xi as our mainstay offering. In addition, we will work on speed enhancement as well as reliability improvement of our network. With respect to reliability improvement, we are already seeing good prospects for the resolution of the series of service disruptions that occurred since last year.

As for our service offerings, “docomo cloud” that is built upon our network and devices as the base, and the “dmarket” portal, storage and intelligent services sit on top of this platform. And we will expand the lineup of services on an ongoing basis.

As shown in the diagram, we set a target to boost the new business revenues to ¥1 trillion in FY2015. We expect that roughly half of this will come from “dmarket” and the other revenues accounted for in “smart ARPU.” The size of such “smart ARPU”-related revenues for FY2015 is projected to be ¥520 billion; the remaining ¥480 billion of new business revenues are expected to be generated from the physical commerce businesses of Tower Records Japan, Radishbo-ya, etc.

We will aim to expand the amount of packet revenues—which comprises a portion of the

mobile business revenues, to ¥2.7 trillion in FY2015, up 1.5-fold compared to the level of FY2011. To this end, we will encourage customers to join Xi flat rate billing packages, such as “Xi Pake-hodai Flat” or “Xi Pake-hodai Light,” to boost their data usage. If these users start using various other supplementary services, it will lead to an increase in packet consumption as well as “smart ARPU.” Again, these higher-layer services are provided on smartphones, so securing a solid user base of smartphones mainly consisting of Xi subscribers is currently the top priority in our business agenda.

Key Indicators: Medium-Term Targets (for FY2015)

Let me present our medium term targets for FY2015. Many of them remain unchanged from the numbers presented in the “Medium-Term Vision 2015” announced last year. We will aim to increase the number of smartphone users to 40 million. The target number of Xi subscriptions is set higher at 41 million, but this is because it includes the subscribers of Xi-enabled data-only devices such as data cards. We will also work to increase our packet revenues by 1.5 times compared to FY2011 to ¥2.7 trillion. The current target for new business revenues is set at ¥1 trillion, but we will try to seek some upsides. We will strive to double the amount of “smart ARPU” compared to the level of FY2011.

This concludes my presentation on the FY2012/1H results. This fiscal year, we will be thorough in addressing competitiveness, and aim to expand our smartphone user base as quickly as possible. We will then promote the deployment of new services offered via “docomo cloud.” Our immediate focus will be the “dmarket” portal, and we will strive to diversify its service portfolio. In addition, we will also step up our sales activities and thoroughly hone our comprehensive offerings of network, devices and services.

While the competition in the market is expected to remain fierce for the time being, we will carry out a drastic structural reform and cost efficiency improvement program in an all-out effort to maintain our competitiveness in the core mobile phone business. We already started up a project for this purpose, under which every aspect of our business, including operational processes, will be subject to review. Through this exercise, we will aim to improve our cost efficiency by ¥200 billion. Also, although we unfortunately made a downward revision to our operating income guidance this time around, we would like to aim for an income level of ¥900 billion as early as possible.

[Questions and Answers]

Q: Regarding the downward revision of operating income forecast, you mentioned that you are planning to use the additional expenses to boost your competitiveness. Can you provide us with a

breakdown of these expenses?

A: Regarding the breakdown of the ¥80-billion additional expenses, for one thing, we launched the “Xi smartphone discount” campaign on October 18. Subscribers purchasing a new Xi smartphone under this campaign will basically be exempted from the basic monthly fee payment of ¥780 for 12 months. Long-term users subscribing to DOCOMO for over 10 years are also eligible for the combined application of “Thank you 10-year Xi smartphone discounts,” which will exempt them from basic monthly fee payment for another 12 months. Prior to launching this campaign, we introduced various other promotional campaigns such as “Family Set Discount.” Going forward, we plan to blend a number of initiatives, such as packages that offer monthly fee discounts and those offering discounts for the purchase of a new handset, to find out what will be the best mix for the customers. Although I cannot comment on the details concerning the new discount measures to be introduced in the future, we plan to carefully observe the trends and respond flexibly to the circumstances. Also, because some of our promotional measures are not widely recognized by our customers, we plan to make a stronger appeal.

Q: You made an upward revision to your full-year capital expenditures guidance. Does this imply you are planning to bring forward your LTE coverage expansion plan from the schedule that was already announced?

A: On the occasion of our 2012 winter handset collection presentation on October 11, we announced our plan to bring forward our coverage expansion schedule, in which we raised the planned population coverage as of March 31, 2013 to 75% instead of the initial target of 70% by increasing the cumulative number of base stations to 23,000 from the initial plan of 21,000. No further changes have been made.

Q: Concerning your MNP (Mobile Number Portability) subscriber acquisition performance, you said that the number of port-ins grew by 60% year-on-year, but can you provide more details, such as the number of port-outs?

A: Our MNP performance deteriorated in April, when the number of net MNP outflows increased to nearly 100,000. In the subsequent months, we have seen a gradual improvement every month, and the number of net losses was trimmed to approximately 40,000 for the month of August. In September, the moves of our competitors had a certain impact on our performance, with the number of net losses climbing again to slightly below 100,000. When we make a comparison between the first and second quarters of FY2012, the number of net outflows decreased from about 250,000 in FY2012/1Q to approximately 190,000 in FY2012/2Q. We will keep a close eye on the trends in October and the subsequent months.

Q: Regarding the downward revision of your operating income forecast, can you explain the changes from your initial business plan, including the additional ¥80-billion expenses and planned cost reduction?

A: Cellular service revenues is expected to drop by approximately ¥50 billion due to the lower-than-expected number of net additions caused by the MNP outflows and other factors, but we will try to offset this decline by employing measures for cost efficiency improvement. In addition, there are various other changes including temporary expenses amounting to ¥10-20 billion that were not included in the initial plan. Factoring all these into the revised plan, we decided to spend ¥80 billion for the full year for the initiatives to counter the competition.

Q: Can you comment on the possibility of revising your net additions forecast for FY2012?

A: We already decided to make a downward revision to our net additions forecast from initially 2.8 million to 2 million.

Q: Earlier, you raised a target “to limit the net MNP outflows to 400,000 in FY2012,” but your net losses for this fiscal year already exceeded that number. Does this mean that the competition in the market has become much more severe than what you had expected?

A: We would like to reserve our comments concerning the target number of MNP subscribers. In the past, we expressed our ambition to “halve the number of net MNP outflows in FY2012 from approximately 800,000 in FY2011.” We admit that it would be difficult to achieve this ambition, given that we already recorded a considerable number of net outflows in FY2012/1H. However, our total handset sales and number of new subscriptions are by no means inferior to those of our competitors, and the number of MNP port-ins has been growing. In a nutshell, we are struggling to curb the number of port-outs. This leads to the question of our assessment on the impact of iPhone5 to the port-outs from DOCOMO. In fact, the impact of iPhone5 was slightly more severe than what we had anticipated. To comment on the impact of iPhone4S, we believe our summer collection handsets, comprising GALAXY S III and a wide variety of other models that went on sale in and after June 2012, offered a certain degree of competitiveness; and, our “Family Set Discount” and other promotional campaigns were also effective, because the number of net MNP outflows gradually improved in the months after April 2012. In November, we will release the 2012 winter collection handsets that are equipped with even more powerful features. Further, we will thoroughly review our pricing schemes, promotions, sales activities and other procedures to enhance our competitiveness.

Q: With regard to the iPhone and iPad, KDDI decided to start handling the iPad, which will likely intensify the competition even further. How do you plan to respond? Please also comment on

your views as to the possibility of introducing the iPhone.

A: In the tablet market, devices with a screen size of around 7 inches are planned to be introduced by Amazon, Google, Microsoft and Apple. The 7-inch screen devices are considered to become the main battlefield in the future, and each model has its own distinctive characteristics such as compatibility with 3G or only Wi-Fi as well as the differences of the operating system. We will keep a close eye on the developments in the market.

Basically, there are no major changes to DOCOMO's views concerning the introduction of the iPhone. It is undoubtedly a very attractive product, but we are studying the directions we can pursue in order to develop new services into a success leveraging the combination of our network, smartphone user base and "docomo cloud." I believe we have some more room for further study. On the other hand, the advancement of new technologies such as HTML5 may bring about new breakthroughs, so we will closely monitor the trends in technical development.

Q: Regarding your overseas strategies, what kind of companies are you currently eying as possible M&A targets?

A: We own the "docomo cloud" and other platforms that can lead to the blossoming of new services. To deploy such new services in overseas markets based on a B-to-B-to-C or B-to-C model, we already acquired companies like Buongiorno and net.mobile; however, I believe we need to strengthen our international service deployment a little further. For any service that is offered on a global scale, some degree of customization is always necessary to respond to the local requirements of each market. We would like to look into the possibility of conducting mergers/acquisitions or forming alliances if we find an adequate vehicle to address such local customization needs. Let me reserve further comments on the concrete M&A plans for the future.

Q: What are your views on SoftBank's proposed acquisition of Sprint?

A: I believe SoftBank decided on the acquisition in the pursuit of scale. The strong Japanese currency and other factors might have also played a role behind the decision. We, DOCOMO, will look into potential mergers/acquisitions in areas where we can expect synergies with our own services and the platform business that allows us to deploy services originated in Japan to other markets for the purpose of enhancing the convenience of our customers in Japan. Regarding our relationship with other carriers, we formed the CONEXUS alliance in Asia and invested in the local carriers of India, Bangladesh and other markets. Should there arise a good opportunity to invest in carriers that can deliver synergies with our own services, we will not rule out the possibility of making investments.

Q: You explained that you will bring forward your LTE coverage expansion schedule to achieve

75% population coverage by March 31, 2013. Other carriers are using a different indicator called “effective population coverage” to actively promote their service coverage. What do you think about your way of presentation, i.e., 75% population coverage as of March 31, 2013? Please also comment on the possibility of significantly bringing forward your capital expenditures plans.

A: Regarding of the method of presenting coverage, some people may wonder why DOCOMO’s coverage is still limited to 75% when other carriers claim to have covered over 90% based on a different indicator called “effective population coverage.” To be honest, I do not precisely understand how this “effective population coverage” is calculated. In the case of DOCOMO, we have constantly been using the same benchmark—the population coverage based on the conventional definition. Although the number 75% may appear to be small, we believe we are ahead of the competition in terms of the ease of use of service in areas already covered by the LTE network. While the definition is not totally clear, if we calculated our service areas using the same yardstick of “effective population coverage,” I can surely say that our coverage would not be any inferior to that of our competitors. Having said that, however, I do not think it is constructive to argue about the adequacy the new calculation method or the definition of the numerator/denominator. Either way, our goal is to build a network that can gain the confidence of our customers. I hope you will also consider the fact that our Xi LTE Networks has over 6.6 million subscribers as one of our competitive advantages.

Regarding the possibility of significantly bringing forward our CAPEX plan, I believe we have achieved a certain milestone with the past rounds of accelerated roll-out, but we will look into the possibility of further expediting Xi-related investments.

Q: You revised your Xi subscriptions target for FY2015 from previously 30 million to 41 million. Will this have any positive impacts to your CAPEX plan such as accelerated depreciation of the existing 3G facilities?

A: To answer to your question as to whether the upward revision of Xi subscriptions forecast from 30 million to 41 million will facilitate subscriber migration from FOMA to Xi and result in the accelerated write-off of FOMA facilities, I believe that is the general direction; but, I cannot comment on any specific numbers at this point. Previously, we had anticipated that we will need to make additional investments for the reinforcement of the FOMA network at some point in the future. However, if subscriber migration to the Xi LTE network progresses rapidly due to the availability of a rich lineup of Xi-enabled smartphones or other factors, we will be able to reduce our FOMA investments slightly and use those savings for Xi-related capital expenditures.

Q: You set a medium-term target to increase your packet revenues by 1.5-fold in FY2015 compared to the level of FY2011. How do you forecast the packet ARPU trend for the periods through

FY2015?

A: Because there is a slight impact from the “Monthly Support” discounts, the packet ARPU trends may be somewhat difficult to understand. We currently estimate, however, the full-year packet ARPU for FY2012 to be ¥2,740. It is projected to rise over the ¥3,000 mark to somewhere close to ¥3,400 in FY2015. When this is multiplied by the total number of subscribers, we can expect that our total packet revenues will be 1.5 times higher compared to the level of FY2011. As for the specific services that have the effect of boosting packet ARPU, our VIDEO Store, for example, offers unlimited access to a wide range of videos for a flat monthly rate of ¥525, and once customers get accustomed to viewing video, their usage can easily exceed the monthly thresholds of 3GB or 7GB. This, in turn, has the effect of boosting our packet ARPU. If we can stimulate usage in this way, it can lead to an increase in not only the smart ARPU, but also the underlying packet ARPU. In addition, since our packet flat-rate billing plans for Xi service require subscribers to pay additional charges if their monthly data usage exceeds the predefined threshold of 3GB or 7GB, this will also help us achieve a further increase in ARPU.

Q: I believe DOCOMO is providing the connection for the Kindle Paperwhite device unveiled by Amazon. Can you elaborate on its business model?

A: Kindle Paperwhite is based on a B-to-B-to-C model. Amazon made an arrangement that will allow customers purchasing Kindle Paperwhite to utilize the device free of any concern about the communication charges. And for that purpose, Amazon kindly selected DOCOMO as the network provider. DOCOMO sells the SIMs in a B-to-B wholesale arrangement to Amazon, so our sales are recorded and new subscription contracts are established at the point when the wholesale delivery of SIMs is made to Amazon.

We feel extremely honored that Amazon selected DOCOMO, because we believe this reflects Amazon’s appreciation of the strength, depth and breadth of our network.

Q: Following SoftBank’s decision on the acquisition of Sprint, do you have any plans to raise your stake holding in TATA DOCOMO?

A: With respect to TATA DOCOMO, the environment surrounding mobile phone business in India is going through a change with recent new decisions pertaining to the handling of spectrum. Some reports suggest that the total number of subscriptions in India began to decrease as a result of operator streamlining efforts in light of the cancelation of licenses, re-auctioning of spectrum and the transition to a new allocation method that is different from the conventional approach based on the number of subscribers. Under such circumstances, we need to keep a very close eye on what will happen and how each of the 10+ mobile operators in India will respond in the future.

Q: Windows 8 was released recently. When do you plan to introduce a Windows Phone 8?

A: In our capacity as a carrier, it is difficult to answer whether we have any plans to introduce Windows Phone 8. Microsoft supplies the operating system (OS) and manufacturers build smartphones/tablets or PCs equipped with this OS. Therefore, the introduction has to be decided primarily through the negotiations between the manufacturer and Microsoft. And, as it was written in some press reports, I hear that it will take some time before Windows Phone 8 makes its commercial debut.

On the other hand, a large number of the PCs used by corporate clients are Windows OS-based, and they will likely migrate to Windows 8 eventually. I assume Microsoft is envisioning a world consisting of its own tablet, Surface, and other Windows 8-enabled tablet devices, as well as smartphones equipped with Windows Phone 8.

Q: How many net MNP outflows are you projecting for the full year?

A: I cannot comment on the specific numbers at this point, but we already delivered a message that we intend to counter the competition using the additional expenses that we secured by lowering our full-year operating income guidance. We will endeavor to turn around our MNP performance leveraging these expenses.