

Press Conference Announcing the Results
for the First Nine Months of the Fiscal Year Ending March 31, 2013 (FY2012/3Q)
(Minutes)

Date: January 30 (Wednesday) 2013, 15:00-16:00

【Comments by Kaoru Kato, President and CEO】

FY2012/1-3Q (Cumulative) Results Highlights

For the first nine months of the fiscal year ending March 31, 2013 (FY2012), the Company recorded an increase in operating revenues, but a decrease in operating income over the same period of the previous fiscal year. Operating revenues and operating income were ¥3,370.8 billion (an increase of 6.2% or ¥196.6 billion year-on-year) and ¥ 702.2 billion (a decrease of 5.6% or ¥41.6 billion year-on-year), respectively.

I would like to highlight the following four points concerning the results: (1) Packet revenues grew by 7.7% year-on-year to ¥1,476.9 billion, driven by the increase in the sales of smartphones and Xi-enabled devices and growth of data consumption; (2) The total number of handsets sold was 17.57 million units, up 14% compared to the same period of the previous fiscal year; (3) The number of smartphones sold was 9.69 million units, up 75.2% year-on-year, resulting in a steadfast expansion of smartphone user base; and (4) The number of Xi LTE subscriptions grew at a pace faster than expected, and reached 8.68 million, nearly quadrupling in the nine months from March 31, 2012.

Selected Financial Data

I already touched upon the operating revenues and income in the previous slide.

Net income for the first nine months of FY2012 increased by ¥21.9 billion compared to the same period of the previous fiscal year. This was due mainly to the impact of the reversal of deferred tax assets conducted in the previous fiscal year in response to the revision of taxation system.

Because of the decline in operating income despite the increase in revenues, EBITDA margin dropped by 3 points from the same period of the previous fiscal year. Adjusted free cash flow decreased by ¥286.6 billion due 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 LTE network facilities.

Key Factors behind YOY Changes in Operating Income

Let me explain the key factors behind the year-on-year changes in operating income.

On the revenue side, voice revenues (excluding the impact of “Monthly Support” discounts) decreased by ¥114.9 billion due primarily to the drop in billable MOU. Packet revenues (excluding the impact of “Monthly Support” discounts), in contrast, increased by ¥142.3 billion as a result of the increase in Xi subscriptions and smartphone sales as well as expanded data usage. The negative impact of “Monthly Support” discounts on our cellular services revenues increased by ¥128.6 billion. Other revenues recorded an increase of ¥69.1 billion owing mainly to the increase in the revenues of our consolidated subsidiaries and the subscriptions to the “Mobile Phone Protection and Delivery” service. Equipment sales revenues grew by ¥228.7 billion as a result of the increase in the number of devices sold and other factors. As a consequence, operating revenues recorded a year-on-year increase of ¥196.6 billion.

On the expenses side, equipment sales expenses (the sum of cost of equipment sold and commissions to agent resellers) increased by ¥116.3 billion in line with the growth in equipment sales revenues. Other expenses grew by ¥121.9 billion, of which the increase in subsidiary-related expenses resulting from the expansion of new businesses accounted for ¥51.8 billion, and the increase in depreciation/amortization totaled ¥30.7 billion.

As a result of the foregoing, operating income for FY2012/1-3Q dropped by ¥41.6 billion compared to the same period of the previous fiscal year.

Total Handset Sales

We sold a total of 5.73 million handset units in the three-month period of FY2012/3Q, and a cumulative 17.57 million units for the first three quarters of FY2012, making favorable progress toward our full-year target. We were able to expand the sales of smartphones and other devices leveraging the 2012 winter collection handsets that were released in time for the Christmas/new year sales season, combined with the various sales promotion measures. In FY2012/4Q, we will work to step up the sales of smartphones and tablets, mainly through the promotion of the new 2013 spring models, to achieve our full-year sales target of 23.8 million units.

Net Adds Acquisition/MNP Performance

The net outflows of subscribers using Mobile Number Portability (MNP) system for the months of October and November 2012 were worse than our expectations. The performance in November, in particular, was disappointing, which resulted in a net loss in our total subscriber count. Following the release of the winter collection handsets, however, we have seen signs of recovery because some of our key products have reported brisk sales due partly to the effects of various promotional measures.

Smartphone Sales

We have been stepping up our marketing efforts for smartphones, attaching the highest priority to the expansion of smartphone user base in our business agenda for FY2012, in light of its importance for our future packet revenues expansion and medium-term income growth. We sold some 3.25 million units of smartphones in FY2012/3Q and a total of 9.69 million units for the nine months through December 31, 2012. Our cumulative smartphone sales for the current fiscal year topped 10 million on January 6, 2013, making a favorable progress vis-à-vis our full-year sales target of 14 million.

Expansion of Xi Subscriptions

Subscriptions to Xi LTE service were at 8.68 million as of December 31, 2012, and surpassed the 9 million mark on January 9, 2013. While we revised our full-year Xi subscriptions forecast upward to 11 million upon the announcement of our FY2012/1H results, the recent pace of growth is even faster than what we had assumed in the revised forecast. This was driven mainly by the popularity of Xi-enabled smartphones in our 2012 winter collection, and the demand spurred by various discount programs, e.g., “Xi Smartphone Discount”.

Xi Packet Flat-Rate Services

We launched a new billing plan, “Xi Pake-hodai Light”, in October 2012, after terminating the “Xi Start Campaign 2” on September 30, 2012. With the addition of the new plan, we prepared an environment that allows customers to choose an option that best suits their usage style from the three different packages of “Xi Pake-hodai Flat”, “Xi Pake-hodai Light” and “Xi Pake-hodai Double”. As for the subscription breakdown of the three different plans, “Xi Pake-hodai Flat” had the highest subscription rate as of December 31, 2012. In addition, according to our survey that compared Xi subscribers’ average packet consumption for the months of August and November 2012, subscribers’ usage has increased by approximately ¥700. Recently, the percentage of subscribers choosing the “Light” option has grown to nearly 60%, increasing slightly from the level in October when this billing option was introduced. We believe customers will choose the optimal plan for their individual needs going forward.

Expansion of Packet Revenues

Due to the increase in Xi subscriptions and data usage as well as the expanded adoption of smartphones as a result of our aggressive promotion and other factors, packet revenues for FY2012/3Q (three months) recorded an increase of ¥36.1 billion (or 7.8%) year-on-year, surpassing the ¥500 billion mark for the first time on a quarterly basis. We will continue our endeavors to expand our smartphone user base to boost the packet revenues even further.

Historical Growth of Smart ARPU

The smart ARPU for FY2012/3Q (three months) was ¥420, up ¥60 compared to the same period of the previous fiscal year. The year-on-year increase has been growing quarter by quarter. We believe that this is an indication that the services introduced in new business domains, such as the “dmarket” portal, are beginning to deliver results.

Future Focus

With respect to our core mobile phone business, although we have achieved favorable progress in total handset sales, smartphone sales and Xi subscriptions, the circumstances remain severe with churn rate deteriorating due to the larger-than-expected MNP outflows. On the other hand, as far as the initiatives employed in the new business areas are concerned, our “dmarket” portal and some other new services have got off to a good start, which is reflected in the growth of smart ARPU.

In light of the prevailing circumstances, we decided to attach highest priority to the reduction of churn rate by refining our comprehensive strengths, i.e., the devices, network and services. The focal points for enhancing our competitiveness include, as far as the devices are concerned, the optimization and streamlining of product lineup through a review on the number of models and functionality of smartphones, and reinforcement of product appeal. In the area of network, we will work thoroughly to build up our competitive advantage leveraging the LTE network. As for services, we will improve the ease of use of our e-mail, phonebook and other basic services, while steadily expanding the services in new business areas in parallel.

2012 Winter Models: Sales Performance

As you may be aware, we struggled considerably against the competition in the months of October and November 2012. However, after the key models in the winter collection became available in December, the impact from customers who had waited for the release of the new models subsided, and our market share of smartphones sold at mass retailers improved to 51%.

Models such as “AQUOS PHONE Zeta” and “Xperia AX”, in particular, have been enjoying great reviews. Both are equipped with features that are highly sought by Japanese consumers, such as waterproof casing and one-segment TV compatibility. In addition, “AQUOS PHONE Zeta” carries an IGZO LCD screen featuring low power consumption. “Xperia AX” has been favored for its stylish design. Each of these models sold over 400,000 units in about two to two and a half months.

Boosting Packet Usage on Smartphones

The expansion of smartphone user base is currently the top priority in our business agenda. We have seen a significant increase in subscribers' packet consumption in line with the proliferation of smartphones. Our recent survey shows that user's migration from a feature phone to a smartphone results in an average packet usage increase of approximately 11-fold, which translates into a ¥2,100 monthly bill increase.

2013 Spring Collection (1)

We recently unveiled our latest 2013 spring handset collection comprising a total of 12 different models, including 9 smartphone models. The new lineup of high-spec phones features high-resolution screens, high connection speeds and ultra-fast processing. Additionally, many models are equipped with a large-capacity battery underpinning such high-spec capabilities. In addition, we also developed a special smartphone customized for preteens, dubbed "juniSma".

2013 Spring Collection (2)

During the recent new product presentation, I strongly promoted "Xperia Z" as one of the most recommended models. "Xperia Z" comes with a full-HD display and packs a large number of high-performance features in its slim 7.9 mm-thick body. The tablet device built on the same design language, "Xperia Tablet Z", is also very lightweight, and it is the world's slimmest among the tablets of the same size category with a thickness of 6.9 mm.

The functional linkage between "Xperia Z" and "Xperia Tablet Z" is another compelling feature: For example, the user can transfer web pages or photographs between the two devices very easily using NFC wireless connection, simply by holding "Xperia Z" smartphone close to "Xperia Tablet Z". We have high expectations for these models among our 2013 spring lineup.

2013 Spring Collection (3)

"MEDIAS W" is a model that was covered in various media reports following our recent new product presentation. The phone has a very novel design, carrying two screens that are hinged on the side. When folded, the device appears like an ordinary smartphone handset; but when unfolded, the two screens can work together as one dedicated 5.6-inch screen, giving it a tablet-like look and feel. The two screens can also work independently of each other, e.g., putting up different images on each screen or using the bottom screen as a keyboard to write an email. We intend to actively propose these innovative models to customers.

“docomo Smart Home”

During the recent new product presentation, we unveiled the new “docomo Smart Home” initiative—a service that seamlessly links smartphones, tablets and other mobile devices with a wide variety of home electronics for digital content sharing.

“dtab” is a Wi-Fi-dedicated tablet equipped with a special user interface (UI) for hassle-free use of various “dservices”. As we plan to offer this device at a special promotional price of ¥9,975 per unit upon its launch, please look forward to its sales performance. As we explained on a separate occasion, “docomo Smart Home” also provides linkage with others services such as “dstick”, “Twonky Beam” and the “HIKARI TV” service offered by NTT Plala, Inc.

Future Device Development Plans

Reinforcement of our competitiveness through a “select and concentrate” approach will hold the key to our future device deployment. Specifically, we will focus on the following four points:

- (1) Aggressive promotion of key models: We will heavily promote key products, such as “Xperia Z” in our 2013 spring collection to maximize the effects of the promotion.
- (2) Narrow down product lineup: We intend to reduce the variety of products, weighing each model differently from the viewpoint of customer demand, sales/procurement costs and other factors.
- (3) Release attractive lineup of latest models ahead of the competition: We intend to introduce compelling, much-talked-about models ahead of the competition, in order to respond to customer requirements in a timely manner.
- (4) Introduce devices with distinctive properties tailored to varying needs of each segment: In order to address the needs of diversified user segments, we plan to continually introduce products with distinctive features, such as the “juniSma” smartphone for preteens, “Raku Raku PHONE” and “Raku Raku Smartphone”.

Spring 2013 Promotional Campaigns

Toward the spring sales season, in addition to the release of attractive devices, we implemented a number of sales promotion measures primarily targeting students to assist with their new lives. On January 18, 2013, we launched the “Ouen Student Discount” and “Student-Family Bundle Discount” programs to create an environment in which both students and their families will find it easier to use our services. In addition, through the ongoing “Thank you 10-year Xi smartphone discount” program, we are providing privilege discounts to subscribers who have been using DOCOMO service for over 10 years. We hope that they will continue to favor us going forward.

DOCOMO's Technologies Underpinning Xi LTE Service

Here, I would like to highlight the technologies underpinning DOCOMO's Xi LTE service.

In the course of LTE's global standardization activities, DOCOMO made significant contributions to the development of LTE specifications, actively submitting technical proposals from the early phase. As a result, we currently own 204 essential patents for LTE—the largest ownership among the world's telecom carriers. Moreover, during this process, we have proactively accumulated expertise pertaining to LTE's technical specifications.

In Japan, we commenced the commercial service of LTE about two years ago ahead of other carriers. During the last two years, we obtained know-how pertaining to its operation methods and parameter optimization that lead to the accumulation of know-how for meticulous network construction as well as efficient and stable network operation. Specific examples of such know-how include, among other things, "PS handover", "LTE-enabled Femto cells" and "6-sector LTE BTS" for system capacity enhancement. We also obtained know-how on on-site network equipment tuning. On the foundation of these technical capabilities, we currently serve over 9 million subscribers via our Xi LTE network. Going forward, we will continually work on the improvement of our network reliability and quality toward the goal of constructing an infrastructure capable of accommodating 50 million smartphones.

Further Expansion of Xi LTE

Let me provide an explanation on Xi's future development plans from the two different angles of "faster connection" and "broader coverage".

First, a few selected models in our 2013 spring collection support downlink speeds of up to 112.5Mbps. We plan to make this high-speed service available in 22 cities by March 31, 2013 and in 50 cities by June 30, 2013. Furthermore, we plan to enhance the maximum downlink speed of our LTE network to 150Mbps within FY2013.

As for the expansion of areas supporting maximum downlink speed of 75 Mbps, we plan to increase the number of compatible cell sites to 4,000 within March and to 10,000 by June 30, 2013.

Meanwhile, we have progressively expanded Xi's area coverage. We plan to roll out the service prioritizing the areas where there is strong demand, such as the top 50 airports in Japan, nine major JR routes in Tokyo, Osaka and Nagoya regions and all 97 Shinkansen (bullet train) stations, in an effort to further improve the convenience of our customers.

Expansion of "Shabette Concier"

Our "Shabette Concier" voice agent service—which you may be familiar with from TV commercials—is enjoying great reviews. The service has garnered a cumulative 280 million times of use, and has been installed in some 7 million handsets.

The “Shabette Chara” characters launched in November 2012 have recorded 90,000 downloads. Among the various characters, “Himitsu Kessha Takanotsume: Yoshida-kun” and “Chibi Maruko-chan” enjoy the greatest popularity. The character of “Naomi Watanabe” has also recorded a large number of downloads.

“Shabette Chara” characters are provided as a paid service, and we would like to further expand this new content market in cooperation with the content providers.

I hope services like “Shabette Concier” or “Shabette Chara” will function as a lead wire to guide customers to other easy-to-use and convenient services offered on our “dmarket” portal, and stimulate the use of various other services that I will touch upon in the following few slides.

“dvideo”

Among the various services offered on our “dmarket” portal, “dvideo” is doing particularly well. The total number of subscriptions topped 3.7 million on January 14, 2013. The store currently offers some 7,000 titles and 60,000 content. We will work to further enrich the assortment of content and promote the service with an eye toward surpassing our full-year target of acquiring 4 million subscribers.

“dgame/dshopping”

Here, I will explain our “dgame” gaming platform and “dshopping” online shopping service launched in December 2012.

The total number of registered game users on “dgame” exceeded 300,000 as of January 27, 2013. For content upon the launch of the service, we provided 15 different gaming titles, including three exclusive titles, and we will continue to add more variety to the lineup going forward. It has also been reported that the provision of in-game items is likewise progressing favorably.

The “dshopping” online shopping service garnered a total of some 1.5 million visitors as of January 27, 2013, with users’ average spend amounting to approximately ¥3,500 per transaction. The store currently handles approximately 100,000 merchandise items.

In addition, in order to expand our commerce business by adding fashion items, we passed a board resolution today for the launch of a public tender offer to acquire the issued and outstanding common shares of MAGASseek Corporation, the operator of the MAGASEEK fashion-goods shopping website. By expanding the variety of merchandise handled on our shopping platform, we would like to enrich our offerings and make them more relevant to customers’ everyday lives.

Growth of “dmarket” Revenues

Our “dmarket” portal has steadily grown into a new revenue source, generating some ¥6 billion in revenues for FY2012/3Q (three months) and some ¥14 billion for the nine months through

December 31, 2012. We will endeavor to further enrich its services and content, aiming for a revenue size of over ¥20 billion for FY2012.

Progress in New Business Areas

The revenues from new non-core businesses grew from ¥220 billion for the first half of FY2012, to ¥370 billion for the first nine months of FY2012. Going forward, through organic growth and strategic alliances, including possible mergers and acquisitions, we will work to accelerate the growth of these new businesses toward the revenue targets of ¥520 billion for FY2012 and 1 trillion yen for FY2015.

Service Development for Realizing “Smart Life”

“docomo cloud” services consist of the three service fields of “storage”, “intelligent services” and “dmarket”. Through mutual linkage of these elements, we intend to provide customers with a wide range of services—from digital content to life-support services to physical commerce—that can enrich their lives.

Meanwhile, we will also work to link the services in the eight new business areas with the cloud services, thereby proposing new lifestyles to customers and making “smart life” a reality.

Priority Project: Healthcare

Among the various services in the new business areas, we are currently focusing on health-related initiatives as high-priority projects for our future business.

In cooperation with Omron Healthcare, Co., Ltd., we established a joint venture, docomo Healthcare, Inc., to move ahead with studies on the services that can help customers maintain their health.

Specifically, we plan to provide total support for customers’ wellness by offering a comprehensive set of services, such as storage and management of healthcare data obtained from various measurement equipment used by customers on a daily basis; delivery of healthy food from Radishbo-ya, or sales of exercise machines from Oak Lawn Marketing based on the healthcare data obtained; and, the provision of DOCOMO’s insurance and medical care services. All these different service elements will be linked to each other to provide customers with total wellness support. By making recommendations on new lifestyles based on actual healthcare data, we plan to offer services that are closely tied to their everyday lives.

Reinforcement of Business Foundation

As we explained upon the announcement of FY2012/1H results, we will aim to improve our cost efficiency by ¥200 billion as early as possible to strengthen our managerial foundation.

Immediately after the FY2012/1H results announcement, we launched a number of structural reform projects within the Company to conduct a thorough review on all areas of operation.

To give you some concrete examples, the principal activities subject to review under this exercise include, among other things, network construction efficiency improvement, reduction of shop counter/call center operations through the use of online shops and other measures, review of service lineup, reduction and optimization of development items in R&D activities, and lowering procurement costs through a review of handset planning/procurement methods.

Return to Shareholders

As we have stated on a number of occasions, we intend to provide our valued shareholders with returns primarily by continuing stable dividend payment and maintaining the highest level of payout ratio in Japan. There are no changes to the plan of paying an annual dividend of ¥6,000 per share for FY2012.

To Reinforce Competitiveness

That's all for my presentation on the results for the first nine months of FY2012.

We believe we achieved a certain degree of progress toward our full-year operating income target of ¥820 billion, steadily expanding our smartphone user base and making progress in cost reduction.

Having said that, however, the competitive environment remains very fierce, and we are fully aware of the need to manage our business with a strong sense of crisis.

Toward a full-scale recovery of our competitiveness, we will tackle the following challenges assigning them highest priority in our business agenda: the expansion of the smartphone user base through accelerated subscriber migration to smartphones and Xi service; revamping of our comprehensive strengths in the core mobile phone business comprising the devices, network and services; cost efficiency improvement aimed at strengthening our managerial position; and, steadfast execution of structural reform projects.

By going all out on these measures, we would like to aim as early as possible for an income level of ¥900 billion, which was the initial target for FY2012.

[Questions and Answers]

Q: Regarding your MNP performance, you recorded a net outflow of approximately 130,000 subscribers for the month of December. How do you view this situation?

A: In the third quarter of FY2012, the competition was particularly tough in the months of October and November 2012. Our sales performance recovered slightly in December, but still fell short of the desired level. The situation remains extremely harsh.

Q: You mentioned that you will aim to “introduce compelling, much-talked-about models ahead of the competition”. Will there be a significant change to this policy if you decided on the introduction of the iPhone?

A: Naturally, we have an ambition to introduce attractive products ahead of other carriers. While it is difficult to make a comment based on the hypothesis of introducing the iPhone, in any event, whether we can release attractive devices ahead of the competition will be determined on a case-by-case basis based on our bilateral ties with each manufacturer, and the outcome may change from time to time. Through mutual consultation with the manufacturers, we would like to agree on the supply of competitive devices and move ahead with the studies on their release timing and other details.

Q: When we look at your recent activities, including the proposed acquisition of MAGASeek and other things, it seems that you are pouring considerable effort into the new business areas. In your future business management, will you attach a higher priority to the expansion of new business over your core business?

A: As we have stated in the past, in our future policy, establishing a solid user base of smartphones is considered to form the foundation of every aspect of our business. We will therefore work to expand the uptake of Xi-enabled devices and other smartphones as broadly as possible, and offer various services such as online shopping on our “dmarket” portal. In addition to smartphones, we will also introduce new devices like “dtab”, which was unveiled in the recent new product presentation for spring 2013, to stimulate users’ service usage at home, thereby invigorating the “dmarket” portal.

As with our “dgame” gaming platform, in some cases we may offer the service not only to DOCOMO subscribers but also to the customers of other carriers. Even if sophisticated performance/features are built into smartphones, tablets or other devices, the attractiveness of the device could be undermined if there is a restriction on the service compatibility or accessibility of each model. That is why we believe it is important to polish up all three fronts of the devices, network, and services in a comprehensive manner.

Q: You are achieving a favorable increase in total handset sales, smartphone sales and Xi subscriptions. Do you foresee any possibility of making upward revisions to their forecasts?

A: We already made an upward revision to our full-year sales forecast upon the announcement of our FY2012/1H results, so we do not have any plans for further revisions at this juncture. Especially, given the current pace of growth, there is a good possibility that the total number of Xi subscriptions will beat the revised full-year target of 11 million. We do not, however, have

any plans to make another upward revision at the moment.

Q: Your churn rate has been deteriorating. What is your target level of churn rate? Your churn rate for the same period of the previous year was 0.5%. Are you targeting around that level?

A: Churn rate is significantly affected by the MNP performance. While our churn rate deteriorated to approximately 0.8% at present, we would like to lower it as much as possible to somewhere close to the previous level of 0.5%. Although we have not set any official target within the company, we will try to achieve an early recovery, initially aiming for around 0.6%.

Q: You mentioned that approximately 60% of the users have chosen the “Xi Pake-hodai Light” package in the recent months. How does this rate compare to your initial projections?

A: Regarding the selection rate of “Xi Pake-hodai Light” plan, we have been carefully monitoring the trends of subscriber migration from the “Xi Pake-hodai Flat” to “Xi Pake-hodai Light” package since October, following the termination of “Xi Start Campaign 2” the previous month. As it turned out, the number of subscribers who switched to the “Light” package was lower than our earlier projections. Though we had been prepared for a slightly higher rate, recently, the selection rate of the “Light” plan increased to some 60%. This was more or less in line with our expectations. If the selection rate remains at the current level of 60%, the proportion of “Xi Pake-hodai Flat” subscribers (currently accounting for approximately 70% of the total Xi subscribers) is expected to become relatively smaller, suggesting that the subscription breakdown will be more evenly distributed.

Q: Concerning the planned provision of a maximum downlink speed of 150Mbps on Xi LTE service, which spectrum band in your possession will be used for this service? Will you be converting the spectrum bands currently used for FOMA? Or do you plan to deliver this speed through the use of “carrier aggregation” technology?

A: “Carrier aggregation” is one of the key techniques of the next-generation LTE-Advanced system that is currently under development. Because we plan to start offering maximum downlink speed of 150Mbps on Xi service within FY2013 prior to the introduction of LTE-Advanced, we will naturally need to use 20MHz of bandwidth from the spectrum band that is currently allocated for FOMA service.

Q: Can you give us a more detailed explanation on the operating income for FY2012/3Q?

A: Regarding the operating income for FY2012/3Q, because of the brisk handset sales and increase in Xi subscriptions, which resulted in a significant growth in packet revenues, there was a greater income-boosting effect compared to FY2012/2Q. Meanwhile, we achieved a steady progress in

cost reduction, cutting our costs by approximately ¥10 billion.

Q: Your cellular services revenues continue to record year-on-year decrease. When do you think you can reverse this downtrend? Please also comment on your current assessment of the impact of free voice applications.

A: Our aggregate ARPU has been declining due to the significant negative impact from the “Monthly Support” discounts. When calculated excluding the “Monthly Support” impact, we can fairly say that the aggregate ARPU is basically flat or started to rebound. However, the impact from the growing adoption of free voice applications (VoIP) is beginning to appear in the form of a reduction in billable MOU. We will keep a close eye on the future trends.

Q: Please comment on the outlook for your cellular services revenues excluding the impact of “Monthly Support” discounts.

A: In our business plan for FY2012, our cellular services revenues excluding the impact of “Monthly Support” are estimated to be ¥70 billion higher compared to the level of the previous fiscal year. Because the negative revenue impact from “Monthly Support” is expected to increase by ¥200 billion compared to the previous fiscal year, our cellular services revenues inclusive of the impact of “Monthly Support” are expected to drop by ¥130 billion year-on-year.

Q: I have an impression that it will be very difficult for you to achieve your net additions target for the current fiscal year. What kind of sales promotion measures are you planning to implement toward the spring sales season? Please also comment on the possibility of introducing any additional measures.

A: We cannot be optimistic about the progress of net additions vis-à-vis our FY2012 full-year target. While I would like to reserve my comments concerning the possibility of implementing additional measures, toward the spring sales season, we have already employed measures targeted at students and their families to help them start a new stage in life. We will strive to thoroughly communicate these measures with the aim of achieving favorable results in the peak sales season in the fourth quarter.

Q: You explained earlier that you do not plan to make any upward revisions to the Xi subscriber forecast of 11 million as of March 31, 2013, despite its faster-than-expected growth. Why are you not making any revisions?

A: The decision to forgo a revision was made not because we foresaw any potential risks, but because it was difficult to determine whether the upsides would be sizable enough to justify a revision. Thus, we decided to make a judgment after taking into consideration our sales

performance in the spring. We are pretty confident about the achievability of our FY2012 target of 11 million.

Q: Is it correct to understand that you will not make any changes to your Xi subscriptions target of 41 million for FY2015?

A: The 41 million target for FY2015 will be reviewed carefully based on the results as of March 31, 2013.

Q: Can you give us a more concrete explanation concerning how you plan to narrow down the variety of models in your lineup going forward?

A: We introduce new products to the market mainly through the biannual release timing in the summer and winter. We already started the planning for the 2013 summer collection in the direction of a slight reduction of variety in the lineup from the current level. While the full-fledged effects of this exercise are expected to become visible when we introduce the 2013 winter collection, we have not yet made any decision concerning the specific number of models. So far, because the smartphone market was still in its nascent stage and the product performance was in development phase, we prepared a relatively large lineup comprising about 20 models in an effort to respond to users' diversified requirements. Going forward, however, we will take a more selective and targeted approach prescreening products to focus on strong-sellers, thereby increasing the procurement volume per model and limiting the variety in the lineup. However, we are not contemplating a radical reduction, such as slashing the number of models by half immediately.

Q: To counter au's "Smart Value" service, do you have any plans to bundle your service with other NTT Group services similar to the initiative announced the other day to provide linkage with "HIKARI TV"?

A: At present, it is in effect difficult for the NTT Group to provide any service that can counter the "Smart Value" service head on. Although we announced the Wi-Fi-based linkage with "HIKARI TV" for homes, the scheme does not include the bundling of charges.