

FEATURE

Partnership and Promise in India

DOCOMO caught the mobile industry’s attention in November when it announced its 26% stake in Tata Teleservices Ltd. (TTSL) worth US\$2.7 billion. Even though TTSL is India’s fastest-growing pan-India wireless mobile telecom operator, some wondered why DOCOMO would invest billions in a market so unlike the Japanese market during a global downturn.

The answer is that DOCOMO seized an opportunity to leverage its considerable experience for long-term growth, says Toshinari Kunieda, Senior Vice President and Managing Director of DOCOMO’s Global Business Division.

“TTSL is a quality partner with a premium brand in a market that is consistently delivering huge subscriber growth. Now matched with DOCOMO’s technological prowess, this is indeed an ideal marriage,” he says.

Embedded Management is the Key

The new partnership includes a strategic provision for DOCOMO to take an active, direct role in TTSL’s management, which will result in a synergistic relationship for mutual long-term benefit, says Kunieda.

The arrangement also includes the formation of a Business & Technology Cooperation Committee, where DOCOMO and TTSL executives will pursue collaboration in areas including roaming, handset co-development and corporate services.



“The Tata brand and DOCOMO’s leading technology will create a powerfully complementary team.”

This embedded management style pays dividends, says Kunieda. Over the last three years, DOCOMO has used it with great success in forming partnerships with KTF in South Korea and PLDT in the Philippines, as well as partnerships in Guam and Malaysia.

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“Rather than merely buy a stake in a new company, we become deeply involved in the partner’s operations and strategic decision-making, including business plans, sales and investment. We are deeply committed to TTSL’s ongoing management,” Kunieda notes.

Synergizing Technology & Brand Power

With a market share of about 10%, TTSL—India’s youngest mobile operator—is poised to grow. Reflecting its commitment to quality, the company was rated by the Telecom Regulatory Authority of India as having the least congested network in 2008. It also has a nationwide sales network of 3,500 outlets, the industry’s largest. Moreover, the Tata brand is a household name with a 140-year history and a reputation for quality and reliability.

“TTSL is keen to maintain quality, so our pairing has been a true meeting of like minds. Next year, besides rolling out a GSM network, TTSL will prepare to develop its own 3G W-CDMA network, a field in which DOCOMO boasts world-class expertise and experience. The Tata brand and DOCOMO’s leading technology will create a powerfully complementary team,” Kunieda says.

Potential-laden Indian Market

The Indian market is staggering by any measure: a population of 1.15 billion with just 30% mobile phone penetration, and forecasts for about 100 million new subscribers annually over the next three to four years.

“India added eight million new subscribers in August, nine million in September and more than 10 million in October. In comparison, Japan has averaged about five million net additions per year, a figure that India can duplicate in two weeks,” Kunieda points out.

Equally surprising is the fact that handsets for prepaid accounts (still the norm) cost only US\$20 to US\$30, and they generate just US\$5 to US\$6 per month in average revenue per user (ARPU).

Under such conditions, can DOCOMO really achieve an attractive return on its investment over the medium to long term?

“We certainly think so,” says Kunieda.

While it may be possible to sell value-added services such as music downloads and video streaming to India’s urban rich, the backbone will be voice and SMS for the next three to four years. But this is exactly the segment in which DOCOMO and PLDT have formed a highly profitable partnership in the Philippine market, which bears a strong similarity to India in terms of low monthly ARPU and overwhelmingly popular prepaid accounts.

“Having succeeded in a market of \$30 phones and US\$5 ARPU, DOCOMO has become quite well versed in the concepts of pricing, tariffs and promotion in such markets. We will now combine this know-how with our other expertise to form a winning, long-term partnership with TTSL in the world’s second-largest market,” says Kunieda.

Strategic Alliance with Tata

DOCOMO, Tata Teleservices Limited (TTSL) and Tata Sons Limited formed a strategic alliance in November 2008 to give DOCOMO a 26% stake in TTSL for 130.7 billion Indian rupees (US\$2.7 billion). Mumbai-based TTSL is a telecommunications unit of Tata, India’s largest industrial conglomerate based on operating revenues. TTSL covers nearly all of India with high-quality wireless networks as well as extensive retail stores and customer-service outlets. With a subscriber base that now exceeds 30 million, it is rapidly increasing its share of the fast-growing Indian mobile market.



DOCOMO PARTNERS

DOCOMO Europe Supports Japanese-language Mobile Service



berry mobile

DOCOMO Europe Limited has entered into an agreement with a2network Corporation (a2n) to provide advertising and other marketing support for the berry mobile service, which a2n launched in the United Kingdom on December 1.

Berry mobile enhances mobile experiences for Japanese speakers living in the U.K. by enabling them to use selected Nokia mobile phones for services in Japanese, such as SMS, e-mail and a portal. The portal provides useful information for Japanese customers, such as news updates in Japanese from NHK, Japan's public broadcaster. Another berry mobile convenience is full customer support available in Japanese.

Berry mobile is also available in Germany, Belgium and Thailand.

The a2n company functions as a Mobile Virtual Network Operator (MVNO) when offering services such as berry mobile to general users, and it also functions as a Mobile Virtual Network Enabler (MVNE) to provide other MVNOs with support.

DOCOMO DATA

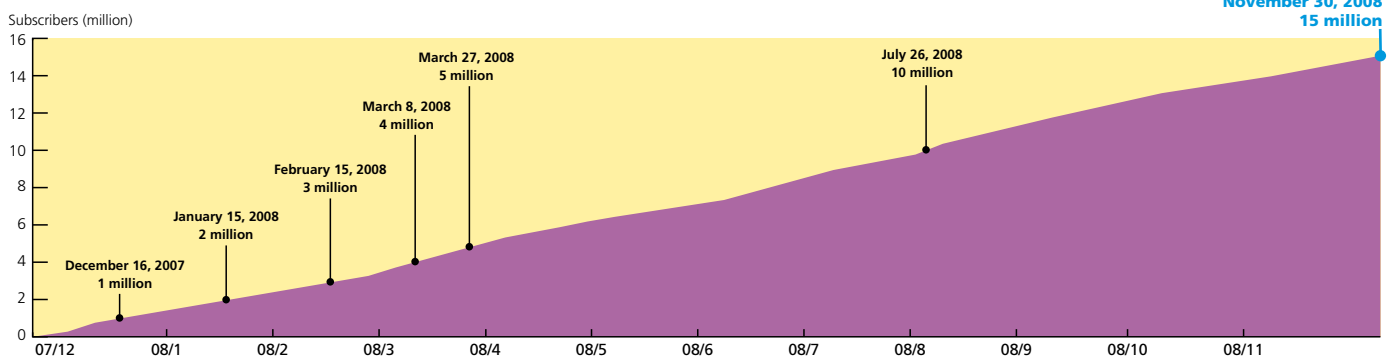
Value Course Subscribers Surpass 15 Million

DOCOMO's popular Value Course discount billing plan recorded its 15 millionth subscriber on November 30, about one year after launch.

The Value Course offers a basic monthly charge that is cheaper by 1,680 yen (about US\$17) than DOCOMO's conventional plans, and that's before other discounts are applied. As part of the new plan, subscribers in principle pay nonsubsidized prices for their new handsets, but are welcome to spread out these costs for up to two years, free of any interest or special handling charges.

Although operator-provided subsidies have been the norm in Japan's mobile phone market, the Value Course's attractive monthly discounts have enjoyed strong acceptance ever since the plan was launched together with a number of handsets in November 2007. Subscription growth has been remarkably steady (see graph). More than 90% of all DOCOMO customers who have purchased handsets since the launch series have chosen the Value Course, and the figure is expected to continue growing.

Huge Subscription Increase in Just Two Years



New Handset Lineup Fits User Lifestyles

DOCOMO announced on November 5 a new handset lineup comprising four new series attuned closely to the latest lifestyles of mobile phone users in Japan.

The previous lineup of handsets, mainly the 900i and 700i series (latest: 906i and 706i), was grouped according to handset functionality, but after thoroughly reviewing its customer base DOCOMO created four all-new series of handsets grouped by lifestyles:



docomo STYLE series

Distinctive mobile phones, designed like accessories and offered in a wide variety of fashionable designs and colors, for individuals who want to project a trendy "look."

docomo PRIME series

Full-feature mobile phones for the maximum enjoyment of video, games and other entertainment by people who love to explore the latest multimedia.

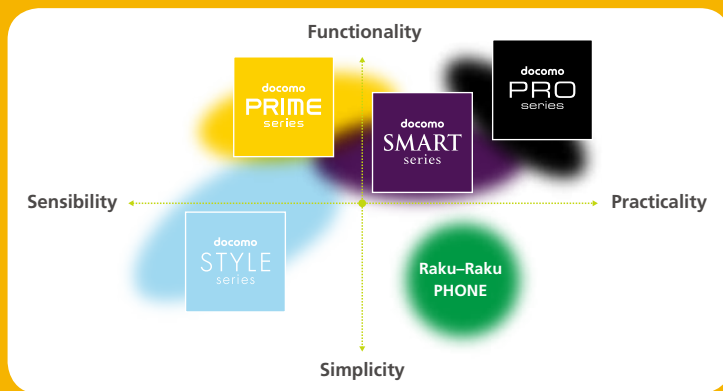
docomo SMART series

Sophisticated mobile phones for busy people who want to intelligently manage their professional and private lives for greater productivity.

docomo PRO series

The most advanced high-spec mobile phones for those who love cutting-edge digital tools and can't get enough of the newest, hottest technology.

At a time when the mobile phone market has become highly matured and user needs have greatly diversified, DOCOMO expects to exceed its customers' expectations with these four innovative series of lifestyle-oriented handsets.



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DOCOMO DATELINE

October 16, 2008 DOCOMO, Renesas Technology, Fujitsu and Sharp will develop the SH-Mobile G4, a single-chip LSI device, and its associated platform to support the HSPA/HSDPA/W-CDMA and GSM/GPRS/EDGE (2G) mobile telephony standards, targeting completion by the first quarter of 2010.

October 31, 2008 In the six months that ended on September 30, DOCOMO's net income rose nearly 41% to 346.7 billion yen on operating revenues of 2,267.8 billion yen, which were down 2.5%. Operating income rose 41% to 576.9 billion yen and income before income taxes also climbed 36% to 560.2 billion yen.

October 31, 2008 DOCOMO announced new strategies for changes and challenges through March 2013, which will enable the company to support society's sustainable development and achieve significant new growth by leveraging the unique properties of mobile services, including the capability to assist customers' personalized needs and behavior on the go.

November 5, 2008 DOCOMO will introduce 22 handsets in four new series to be launched on or after November 19, reflecting the strengthened customer-oriented approach in all facets of DOCOMO's business since introducing new branding and rededicating the company to full customer satisfaction in April (see article on this page).

November 11, 2008 DOCOMO Europe Limited, a wholly owned subsidiary of DOCOMO, will partner with a2network in the UK to provide marketing and sales support for "berry mobile," which will be launched on December 1 to provide Japanese-language mobile services such as texting, e-mailing and browsing, as well as user support in Japanese.