Hi.
Tokyo?

ADR?

- American Depository Receipts
  - Foreign shares traded on American markets
  - Examples:
    - Nokia (NYSE:NOK)
    - Vodafone (NYSE:VOD)
    - Royal Dutch Petroleum (NYSE:RD)
    - NTT (NYSE:NTT)
The Company.

Everywhere

Do communications over the mobile network.
### About

- Created in 1952 for post-war Japan
- Monopoly until the 1990s
- Broke off from NTT in 1992
- NTT has 67% ownership

- Cellular phones
- Personal Handyphone systems (PHS)
- Paging
- Satellite mobile communication
- Wireless Private Branch Exchange system services

### Yesterday

- **PDC (1993)** → Personal Digital Cellular
- **PHS (1995)** → Personal Handyphone Systems
- 1996: Paging services reached its peak
- 1996: Launched satellite-based mobile phone system
- 1998: $18 billion IPO on the TSE
Today

**i-mode**
- i-mode subscribers
  - 28.5 million
- Japan’s population
  - 127 million
- 1 of 5 have been *i-moded*
- 9.6kbps
- Mostly used for text messaging
- Also used for browsing

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Tomorrow

DoCoMo is going 3G in Tokyo.

*October 1, 2001.*
3G | FOMA

- FOMA (Freedom of Mobile Multimedia Access)
  - First Third Generation to be conclusively deployed
  - 384kbps Speed (40x i-mode)
  - Movies, Video Clipping and Television
  - Music Downloads
  - Data and Voice simultaneously
  - “Anywhere, Anytime”
  - Utada Hikaru

Problems?

- Connectivity rates improved from 50% to 95%
- Noise and no sound problems that plagued the service at the outset have been resolved
- Call drop rates have been almost halved since the outset
- 71 new base stations added to support increased traffic and/or problems
Expansion

• Europe
  – 15% of KPN (13.5 million subscribers)
• USA
  – 16% of AT&T Wireless (16.4 million)
• Asia
  – 42% of AOL Japan
  – 21% of KG Telecom in Taiwan (4.1 million)
  – 25% of Hutchison in Hong Kong (5.9 million)

Future
Valuation.

Versus

NYSE:NTT  TSE:9432
Graph

Performance

- CAGR of Operating Revenue (1997-2001) – 24.3%
- CAGR of EBITDA (1997-2001) – 29.0%
- Operating Income Change (3/00 – 3/01) – 42.4%
- EBITDA Change (3/00 – 3/01) – 23.4%
Projections

- Operating Income Change (3/01 – 3/02) – 18.9%
- EBITDA Change (3/01 – 3/02) – 13.2%
- Cellular Subscription Change (3/01 – 3/02) – 11.9%
- i-mode Subscription change (3/01 – 3/02) – 37.4%

Dividend Discount Model

<table>
<thead>
<tr>
<th>Current Year EPS</th>
<th>¥42943.29</th>
<th>$363.93</th>
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</thead>
<tbody>
<tr>
<td>Next year EPS</td>
<td>¥50638.38</td>
<td>$429.14</td>
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<tr>
<td>Indicated Annual Dividend</td>
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<td></td>
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<tr>
<td>Growth Years</td>
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<td></td>
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<tr>
<td>Transitional Years</td>
<td>10</td>
<td></td>
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<tr>
<td>Long Term Growth Rate</td>
<td>23.78%</td>
<td></td>
</tr>
<tr>
<td>Closing Price</td>
<td>¥1550000</td>
<td>$13,135.59</td>
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</tbody>
</table>

| Bond Rate        | 2.41%     |
| Country Premium  | 7.31      |
| Applied Beta     | 1.1       |
| Risk Premium     | 8.04%     |
| Payout at Maturity | 45.00%  |
| Growth Rate at Maturity | 5.74% |
| Currency         | Japanese Yen |

Computed Values based on above assumptions

| Theoretical Price | ¥1686412 | $14,291.63 | Data from Bloomberg |
Risks

• 3G has yet to succeed.
  – Needs specific phones.
  – Needs support.
  – Is it really necessary?
  – Fad or for real?
  – Is 2.5G just bloody fine?

Conclusion

Scheduled for listing on NYSE soon.

Buy ➔ When listed, if undervalued by more than 4%. If not ➔ Wait until it meets the criteria.

Interesting company. It will have an effect on how we live our lives in the future. Keep an eye on it.
The End.