

Hi.



NTT DoCoMo

Tokyo Stock Exchange: 9437 | Rahat Ahmed | Investment Analysis Group | September 28, 2001

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)



Everywhere

Do communications
over the mobile network.

A diagram consisting of a vertical line of small black dots. At the top of the line is a larger solid black dot labeled "B". At the bottom of the line is another larger solid black dot labeled "A". To the left of the line, a vertical arrow points upwards from the level of "A" towards the level of "B".

NTT Do Co Mo

STERN IAG

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

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



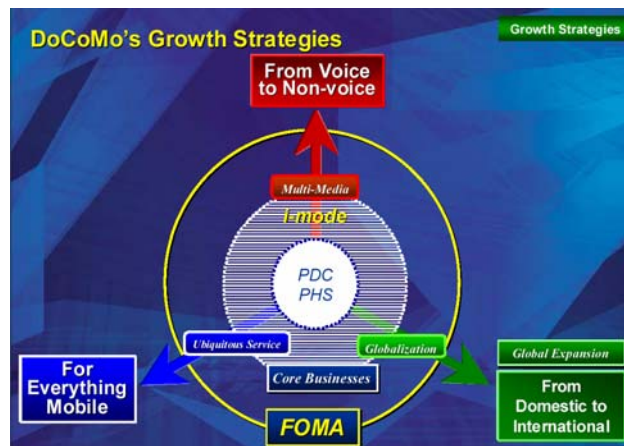
Problems?

- 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




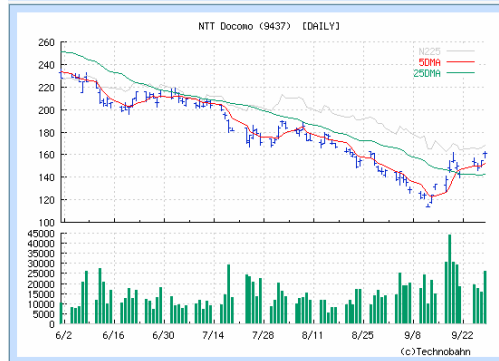
NYSE:NTT



TSE:9432

Graph

NTT Docomo	1,610,000 	+60,000	
9437 Tokyo Stock Exchange	09/28	+3.87%	
Open	1,610,000	Previous Close	1,550,000
High	1,630,000	YTD High (05/07)	2,900,000 -44.49%
Low	1,570,000	YTD Low (09/12)	1,140,000 +41.23%
Volume	26,140	YTD Change (%)	-21.84%



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

Current Year EPS	¥42943.29	\$363.93	Bond Rate	2.41%
Next year EPS	¥50638.38	\$429.14	Country Premium	7.31
Indicated Annual Dividend	1000		Applied Beta	1.1
Growth Years	7		Risk Premium	8.04%
Transitional Years	10		Payout at Maturity	45.00%
Long Term Growth Rate	23.78%		Growth Rate at Maturity	5.74%
Closing Price	¥1550000	\$13,135.59	Currency	Japanese Yen

Computed Values based on above assumptions

Theoretical Price	¥1686412	\$14,291.63
Percent Change from Current Price	8.80%	
Internal Rate of Return	10.70%	

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.