



Masao Nakamura
President and Chief Executive Officer

We at NTT DoCoMo have developed the mobile phone from a device dedicated solely to voice communications, to one that has truly become a part of the “IT infrastructure” by enabling users to use e-mail and the Internet with the i-mode function. Now, as the mobile phone has become something people keep nearby constantly, 24 hours per day, we are proceeding to transform mobile phones into a “lifestyle infrastructure” with services that are increasingly essential to people’s daily lives.

The mobile phone is already starting to become a part of our lifestyle infrastructure. One example of that is the “Osaifu-Keitai*”, the number of enabled handsets for which has exceeded 20 million as of March 2007. In particular, the “iD” and “DCMX” mobile phone credit services, which can be used with Osaifu-Keitai handsets, also have been launched. In addition, many of the services which have previously only been available on PCs yet which have become essential in daily life, such as information search and music/video downloading functions, are now available on mobile phones. In order to provide an environment for our customers to use these services without concern for packet fees, we offer flat-rate billing plans, and as of May 2007, we exceeded 10 million flat-rate subscriptions. We anticipate gaining more subscribers to flat-rate plans in the future, and we will continue to develop new services while enriching the user environment.

Competition is intensifying in the Japanese mobile phone industry with new participants entering and the start of Mobile Number Portability (MNP). We at NTT DoCoMo will strive to constantly develop new services, not simply to match the competition but to keep our mobile phones one step ahead. We aim to live up to the high expectations for DoCoMo and the future of the mobile phone.



July 2007

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* A service that utilizes the FeliCa no-touch IC chip in enabled handsets to allow such functions as tickets and commuter passes for mass transit, electronic money, credit cards, club memberships and point cards.

Q1. Please tell us about your business performance in fiscal 2006.

A1. The results were an increase in revenues but a decrease in income. Nevertheless, we have established our business foundation for future development, including the migration to FOMA, for which our results exceeded our initial forecasts.

MNP was introduced in fiscal 2006, and while the cellular churn rate for the period increased slightly to 0.78% from the previous year (0.77%), the number of handsets sold increased to approximately 26 million from approximately 25 million in the previous year, due to an active mobile phone market overall. Under these circumstances, operating revenues increased by 0.5% from the previous year to ¥4,788.1 billion, but due to an increase in costs of equipment sold, operating income decreased by 7.1% from the previous year to ¥773.5 billion.

Although these results reflect a short-term decline in income, we have established the foundation for our business in the future through a smooth migration from mova to FOMA and by obtaining 700,000 more FOMA subscriptions than we had expected for the period.

Q2. How have you dealt with the impact of the introduction of MNP?

A2. While transfers of customers due to MNP were fewer than we had anticipated, we need to work on improving our image and our promotional activities related to our rates and network.

The net transfers of subscriptions due to the introduction of MNP in October 2006 were approximately 630,000 transfers as of the end of March 2007. Fewer customers utilized MNP than we had anticipated however, and the number of people utilizing MNP is declining gradually. Furthermore, the

number of additional new subscriptions with customers that did not utilize MNP increased steadily, and the total net increase of subscribers in fiscal 2006 was approximately 1.48 million.

We believe that customers that transferred out were not satisfied with our rates and network. Nevertheless, we are confident that even at the present levels our rates are competitive with those of other companies, provided customers select the optimal rate plan. However, it seems that customers have been influenced by the impression that DoCoMo's rates are high. Similarly regarding our network, it seems that the impression formed during the initial period of FOMA services that it is "hard to find a connection" remains, despite our efforts to improve the network by considerably expanding FOMA's coverage.

We will work to improve our approach to customers through a variety of strategies, including promotions to eliminate the image that DoCoMo's rates are higher and to promote the variety of our discount services. At the same time, we plan to further improve our network and constantly respond to new demands based on an understanding of the customers' point of view.

Q3. What business operations do you plan for fiscal 2007 and beyond?

A3. From now on we will offer new value in mobile phones with the mindset that we must stay "one step ahead," and strive to transform mobile phones into "lifestyle methods."

In fiscal 2007 and beyond we will move past the previous competition-oriented phase to directly take up the challenge of exploring new genres, developing cutting-edge handsets and providing a comfortable user environment. We intend to provide new value with mobile phones, ever conscious of the need to stay one step ahead. One of DoCoMo's strengths is its ability to link handsets, networks and

applications together based on its own R&D capabilities. We will continue to develop services capitalizing on that strength and make every effort to strengthen our core business and reduce costs.

We plan to transform mobile phones into “lifestyle methods”—in other words, multifunctional tools that are even more useful in users’ everyday lives through lifestyle assistance services such as iD and DCMX based on Osaifu-Keitai technologies, along with music and video services expanded in tandem with flat-rate services, and expanded international services.

Q4. There are concerns that growth has peaked, so how will you increase sales in the future?

A4. We aim for new growth by focusing on increasing subscription revenues* based on the spread of flat-rate services and developing non-traffic businesses, including the credit business, as well as by increasing international services.

The penetration rate of mobile phones in Japan is already at 75%, and our company alone exceeded 52 million subscribers as of March 2007. However, many of those customers are still using only voice communication and e-mail. We believe we can increase sales by offering customers, including those just described, a variety of mobile phone services.

The spread of flat-rate services is closely linked to increased use of various services. By subscribing to flat-rate services, customers can use a variety of services without being concerned about packet fees. In fact, even among customers who have not used many such services, increasing number customers are now subscribing to flat-rate plans to use services without being concerned about the frequency of their monthly use. The entry of these customers into flat-rate plans raises packet ARPU. Furthermore, we believe that accelerating network



speeds and providing rich music and video content will improve sales through an increase in the use of content and subscription revenues.

In addition, we are moving forward with our non-traffic businesses that do not rely on voice or data traffic revenues. The credit business is one example, and as of the end of March 2007, we attained 2 million subscriptions for the mobile credit service DCMX and more than 150,000 iD payment terminals (reader/writers) are in place. Fiscal 2007 will be an important year since this credit service will be come available in most major convenience stores and large supermarkets, and we expect an expansion to 4 million subscriptions for DCMX and 250,000 iD reader/writers to be put in place by the end of that fiscal year. In addition to the credit business, we are working to pioneer businesses in peripheral fields to assist users’ lifestyles through the offering of handset functions such as GPS, “Osaifu-Keitai” and “ToruCa**”.

We expect another pillar for new growth to be international services, where we expect early growth in sales. The increased sale of handsets with roaming capabilities means that more people are using their own handsets for communication while overseas, and in fiscal 2006, international

service revenues grew by 36% to about ¥34.0 billion. We anticipate continuing growth in international services as we intend to include roaming as a standard function in our major handset lines in the future.

* Revenues from services where subscribers pay a flat fee.

** A function that allows the download of coupons by holding the mobile phone up to a reader/writer terminal.

Q5. Please discuss your efforts to reduce costs and your projections for the future.

A5. We are seeing real results in cost reduction, particularly for costs related to the network and handsets.

DoCoMo's major costs are those related to building and maintaining the network and for the procurement and sales of handsets, and we anticipate that both of these will decline in the future.

Regarding the network, we are working to further reduce costs by converting our network into an IP-based network and by taking the base station network in-house. At the same time, we are introducing economical new equipment, reducing the costs of parts procurement and improving design and installation methods. As for capital expenditure, we expect a decline this year from ¥934.4 billion in fiscal 2006, as our efforts shift from horizontal coverage expansion to handling of a higher speed, larger volume network to accompany diversifying services and the spread of flat-rate services, and to further improvements of area coverage. We expect that capital expenditure in fiscal 2007 will decrease by ¥184.4 billion from the previous year to ¥750.0 billion.

In the past, handset costs tended to increase with the ratio of FOMA sales. However, since the FOMA sales ratio exceeded 90% in fiscal 2006, we can expect to restrain the increase in handset costs as there is now little room left for an increase of that ratio. In addition, we plan to

reduce manufacturing costs by combining telecommunications LSI and application LSI in a single chip, in addition to controlling software development and testing costs by introducing a common platform. Furthermore, the ratio of sales of less expensive handsets has increased as a result of greatly improving the features of the "7 series", which is less expensive than the "9 series", by emphasizing their appealing features, including FOMA handset functions, thinness and design. We are also seeing a reduction in handset procurement costs due to the improved product mix.

Q6. Please explain your policy on returning profits to shareholders.

A6. We will increase our dividend to ¥4,800 per share in fiscal 2007, and will repurchase shares as well.

DoCoMo's management believes that returning profits to shareholders is one of the most important management issues, and we have based our policies on the two elements of payment of dividends and repurchase of shares.

In fiscal 2007, we are planning to increase dividends by 20% to ¥4,800 per share for the period, placing even more importance on dividends. We project that the dividend payout ratio will be 44% as a result. In addition, the general meeting of shareholders in June 2007 approved a framework for the repurchase of shares of up to ¥200 billion, or up to 1 million shares, and we plan to repurchase shares within that framework in fiscal 2007.

Meanwhile, we believe it is important to invest for further growth in order to meet the expectations of our shareholders. It is our strong belief that our responsibility is to maximize our corporate value while balancing the return of profits and investment for growth.

I would like to thank shareholders for your continued understanding and support.