

# OVERVIEW OF OPERATIONS

DoCoMo plans to keep “one step ahead” with its mobile phone services. Through handsets with high-speed communication, video and global capability as standard features; strengthening a various range of content such as videos and games, that can be enjoyed on the flat-rate packet billing platform, eliminating without concern for packet fees; a network that users can comfortably make use of, with high speed and large volume capability, and high coverage area quality — In fiscal 2006 we solidified that foundation even further.

In this section we explain the actions we took to further strengthen our overall capability, such as (1) expansion of the coverage of FOMA services, (2) upgrade of network quality, (3) establishment of billing arrangements that satisfy our customers, such as the enhancement of our flat-rate services, (4) enrichment of our handset functions and lineup, and (5) R&D activities using the strength of our company, and the ability to conduct development in all of these areas in a coordinated manner.

Segment Information		Handsets		International Services		New Business	
P24	P26	P28	P30	P31	P32	P33	P34
	Network		Services		Rate Structure and After Sales Service		Research & Development

**Operating Revenues and Operating Income (Loss)  
by Business Segment**

		Millions of yen		
		FY 2004	FY 2005	FY 2006
Mobile Phone Business	Operating revenues	4,755,815	4,683,002	4,718,875
	Operating income (loss)	875,382	844,435	803,671
PHS Business	Operating revenues	63,095	41,741	23,429
	Operating income (loss)	(85,881)	(9,469)	(15,383)
Miscellaneous Businesses	Operating revenues	25,700	41,129	45,789
	Operating income (loss)	(5,335)	(2,327)	(14,764)

\* Due to a partial review of segment classifications carried out in FY2005, we have adjusted the figures for results in FY2004.  
 • Quickcast business which was recorded separately has been incorporated in Miscellaneous Businesses.  
 • International Services have been reclassified from Miscellaneous Businesses to the Mobile Phone Business.

**1. Mobile Phone Business**

**(1) Fiscal 2006 Overview**

**Overall Conditions**

The mobile phone business generated operating revenues of ¥4,718.9 billion (up 0.8% year-on-year) and operating income of ¥803.7 billion (down 4.8% year-on-year) in fiscal 2006.

While our strategic billing arrangements introduced in the past had a negative effect, efforts to strengthen the business overall were successful, and even after the introduction of MNP, the churn rate was maintained at a low level (0.78% for the entire year).

The average revenue per unit (ARPU) of voice services (FOMA+mova) continued its downward trend, falling 6.8% to ¥4,690. Meanwhile, while there was an increase in the user base of flat-rate packet billing plans, increased users of push type information distribution services such as “i-channel” and migration to FOMA increased packet ARPU (FOMA+mova) 6.9% to ¥2,010, and overall ARPU (FOMA+mova) decreased 3.0% to ¥6,700.

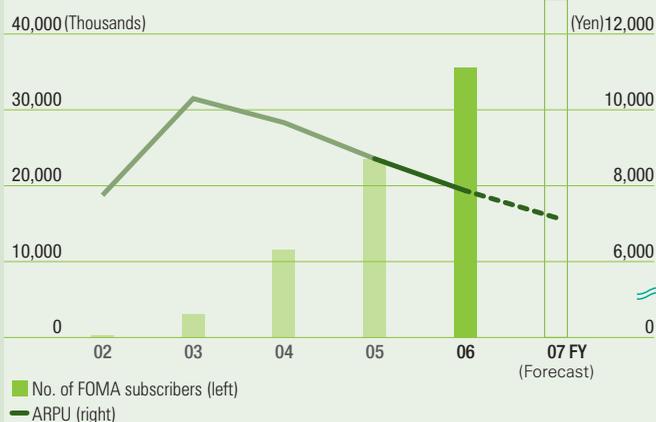
**Cellular (FOMA) services**

As a result of efforts such as the upgrade of FOMA network quality and the launch of the “FOMA 903i / 703i” series handsets, the number of subscribers at the end of March 2007 increased 51.4% year-on-year to 35.53 million subscribers, accounting for 67.5% of mobile phone subscribers at DoCoMo. Accordingly, revenues increased substantially with voice revenues rising 53.3% year-on-year to ¥1,793 billion, and packet communication revenues rising 58.5% year-on-year to ¥971.9 billion.

**Operating Revenues and Operating Income (Loss) for  
the Mobile Phone Business**



**Change in the Number of FOMA  
Subscribers and ARPU**



\* International services revenues have been included in the ARPU data calculations from FY2005 in view of their growing contribution to total revenues. For details, please see page 46.

However, voice ARPU for the full year of fiscal 2006 was ¥5,070, and packet ARPU was ¥2,790 so that aggregate ARPU decreased 9.7% year-on-year to ¥7,860.

### Cellular (mova) services

Along with the migration to FOMA services, the number of mova service subscribers decreased 38.3% to 17.09 million as of March 31, 2007. For fiscal 2006, voice ARPU for mova services was ¥4,190, i-mode ARPU was ¥990, and aggregate ARPU declined 13.2% year-on-year to ¥5,180.

### “i-mode” services

Improvements in search services in fiscal 2006 and the favorable reputation of the “i-channel” service, which was launched in September 2005 (10.58 million subscribers as of March 31, 2007), contributed to an increase in the number of subscribers by 2.6% year-on-year to 47.57 million.

### (2) Forecast for Fiscal 2007

We expect our aggregate number of cellular (FOMA+mova) service subscribers to rise 2.4% year-on-year to 53.89 million by the end of fiscal 2007.

DoCoMo continues to strive to increase the number of subscribers by emphasizing the importance of customers and increasing our overall capabilities, but we assume that the slow downward trend in ARPU will continue and expect that operating revenues will decline 1.3% year-on-year to ¥4,728 billion. However, we anticipate that the number of handsets sold and procurement costs will decline and that capital investment to expand the FOMA service area has

peaked, resulting in the decline of capital investment, which we expect will result in an increase in operating income of 0.8% year-on-year to ¥780 billion.

### 2. PHS Business

Operating revenues in fiscal 2006 declined 43.9% year-on-year to ¥23.4 billion, with an operating loss of ¥15.4 billion. We ceased accepting new PHS subscriptions as of April 30, 2005, and we decided in April 2007 to terminate PHS service as of January 7, 2008.

We are continuously engaged in a campaign to encourage current PHS subscribers to migrate to FOMA services.

### 3. Miscellaneous Businesses

In fiscal 2006, miscellaneous businesses generated operating revenues of ¥45.8 billion (up 11.3% year-on-year) with an operating loss of ¥14.8 billion\*. In addition to increasing revenues through the launch of “Business mopera IP Centrex\*\*”, we expect to expand revenues through the development and sales of system solutions utilizing mobile technology.

Furthermore, we terminated our Quickcast service as of March 31, 2007.

\* Please refer to page 33 for more information regarding the progress of Osaifu-Keitai, iD, and DCMX services.

\*\* The service enables our corporate customers to make outbound calls or call extension numbers via IP Centrex devices on our network with a FOMA/wireless LAN compatible handset.

**Change in the Number of i-mode Subscribers and the Subscription Ratio**



**Operating Revenues and Operating Income (Loss) in the Miscellaneous Businesses**



In fiscal 2006, when MNP was launched, DoCoMo strengthened its efforts to expand the coverage of FOMA service to enhance the quality of our communication services and to respond to increasing traffic, with the goal of being the number one in mobile phone connectivity.

### 1. Expansion of FOMA Coverage

In fiscal 2006, DoCoMo actively worked to expand FOMA's coverage in order to increase its competitiveness in preparation for the introduction of MNP. As of the end of March 2007, DoCoMo was able to cover an area larger than initially planned, through 35,700 outdoor base stations (an increase of 11,700 base stations from the end of March 2006) and 10,400 indoor systems (an increase of 4,000 systems in the same period).

#### Achieving greater area coverage than "mova"

As of the end of March 2007, DoCoMo has achieved a nationwide population coverage ratio\* of 100% for the FOMA network. DoCoMo has achieved a greater level of coverage for FOMA than that for mova (digital), which was launched in 1993 by DoCoMo, having enhanced FOMA coverage in all JR Group railway stations, Michi-no-eki (roadside stations), and public service areas for automobiles, educational institutes (universities, junior colleges, technical colleges, and high schools) nationwide.

\* The population coverage ratio: Number of city halls, and town and village offices where a DoCoMo mobile phone can be connected / Number of city or town government facilities.

### Incorporating customers' requests in our coverage improvement efforts

DoCoMo strives to improve coverage area quality based on customer feedback and on daily surveys of quality of radio reception. Customers' comments are collected through call centers, DoCoMo shops and the DoCoMo website. Since DoCoMo opened a dedicated customer comment website in June 2006, it has collected approximately 106,000\* opinions and requests from customers via the site. Most of these pertained to indoor use, and in response to these kinds of customer comments DoCoMo is continuously working to improve coverage area quality. As a result, DoCoMo has received 4,300 positive responses, including comments such as, "Network quality has improved."

\* As of the end of March 2007, the number of comments received at NTT DoCoMo in a non-consolidated basis.

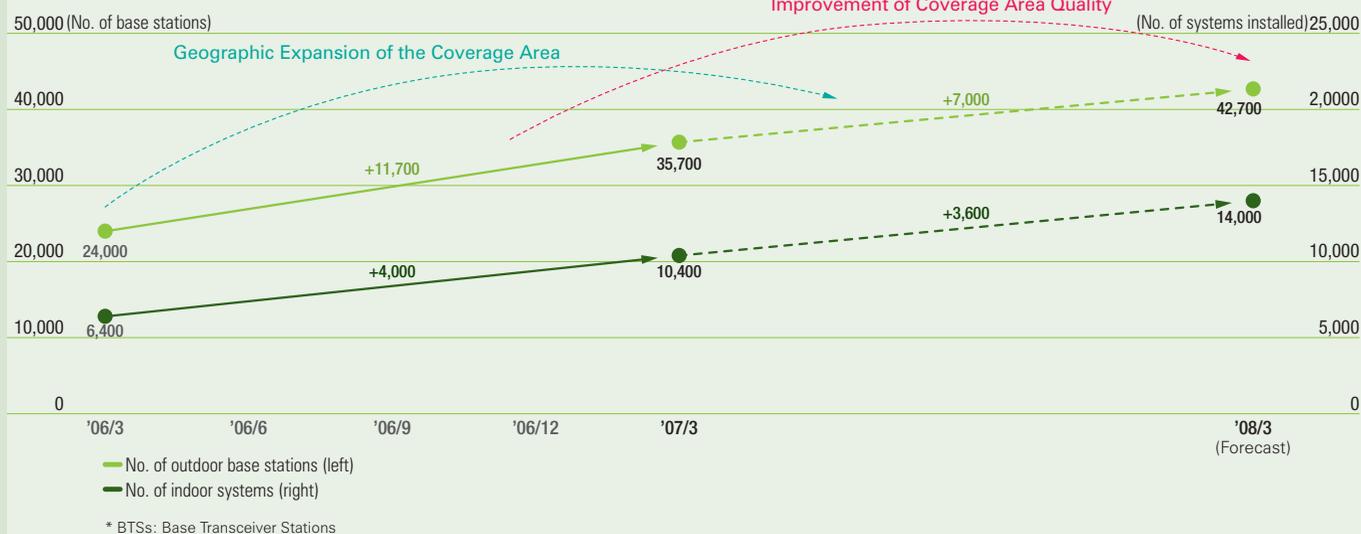
### 2. Building infrastructure to provide new services

DoCoMo concentrated on expanding its coverage in fiscal 2006, but in fiscal 2007 it will make qualitative improvements to further strengthen its response to customers' requests. DoCoMo will also concentrate on building an infrastructure to allow customers to utilize its high-speed large-volume data services smoothly as demand continues to grow in response to the spread of flat-rate packet billing plans.

### Strengthening facilities to respond to increasing data volume

In order to meet the jump in data transmission volume

FOMA COVERAGE: No. of Outdoor BTSs\* and Indoor Systems Installed



since the introduction of flat-rate packet billing plans, DoCoMo has increased the number of “i-mode” servers and at the same time has further advanced the introduction of new types of base stations capable of responding to a variety of frequencies. Furthermore, DoCoMo is already introducing an IP router network for its backbone network that has greater cost efficiency and that can handle high-speed, large-volume data transmissions.

### Expanding HSDPA as the foundation for providing advanced services

“HSDPA (FOMA high-speed area)”, which DoCoMo deployed in August 2006, is technology with a transmission speed (maximum 3.6Mbps) that is approximately 10 times as fast as the existing FOMA. HSDPA will serve as the foundation for the provision of high value services such as video download. The coverage area for HSDPA in March 2007 had a population coverage ratio of 80%, and DoCoMo plans to expand it to 90% by March 2008.

### Improving Coverage Area Quality by Four Ways

#### Improve quality (area depth)

- Improve signal reception within the area  
Expand indoor use by improving signal reception  
Actively introduce dedicated indoor use base stations
- Increase the coverage ratio of facilities  
Increase coverage in underground shopping areas, high-rise condominiums and shopping malls

#### Optimize coverage areas

- Adjust existing base station signals  
Prevent wave interference by adjusting base station frequency range
- Adjust antenna and base station configuration  
Select antenna and base station configurations that are appropriate for their locations

#### Volume measures

- Ensure traffic by increasing equipment installation  
Increase the number of channels
- Disperse outdoor area traffic with dedicated indoor use base stations
- Ensure capacity with new frequency bands

#### Further expand areas (area breadth)

- Increase the area coverage ratio  
Expand the coverage area geographically
- Increase coverage ratio of leisure areas  
Increase coverage at hot springs, ski resorts, leisure facilities, and golf courses

### Improving area coverage quality incorporating customers' requests

#### Hiroshi Kobayashi

Senior Manager  
Radio Access Network Engineering Department, Network Division  
NTT DoCoMo, Inc.

The big issue in fiscal 2006 pertaining to the FOMA coverage was to improve area coverage quality based on comments from customers. DoCoMo has reviewed its cost structure for coverage improvements in order to efficiently respond to more customer requests, and by introducing more economical base stations, it has built a more efficient network. DoCoMo has received comments from customers recognizing its improvement, such as, “Network quality has improved”, and in the future we would like to respond to even more customer requests.

### “Feel the Connection!” Comments from Customers\*

#### Sagamihara, Kanagawa Prefecture

“I changed from mova to FOMA, and now I can have conversations even indoors.”

#### Fujisawa, Kanagawa Prefecture

“The last time I reported there were certain rooms that were out of the service area. Then, at some point, reception was up to three antenna bars\*\* in those rooms. I haven’t changed my handset but I think antennas have increased. Thank you.”

\*\* “Antenna bars” are shown on the handset screen to show network connection strength, with three bars being the highest.

#### Hodogaya-ku, Yokohama, Kanagawa Prefecture

“I have been using your service for more than 10 years, since mova, and I can finally use it without being cut off. Thank you.”

#### Matsudo, Chiba Prefecture

“JR’s Shinyahashira station was a dead space where I couldn’t make phone calls or get email, but after making numerous requests in the “Tell us! FOMA signal condition” program, my reception is up to 3 bars! This is thanks to DoCoMo. I really thank you!”

#### Gyoda, Saitama Prefecture

“The signal condition has improved rapidly since April. Also, the FOMA battery lasts about twice as long. When I had mova it would cut off intermittently, and so it wasn’t useful, but with FOMA I can finally have a continuous conversation. I feel like the quality has gone up remarkably. I am grateful for DoCoMo’s efforts in this respect.”

#### Namegata, Ibaraki Prefecture

“When I came back from a trip I was surprised to find that an area where there had been no service before now had a 3-bar signal! Thank you.”

\* Customers’ comments, presented uncut and unedited.



While DoCoMo has further expanded its handset lineups to meet the diverse needs of a broad range of customers, we are striving to improve profitability by reducing costs related to handset development and procurement.

### 1. DoCoMo's handset lineup

DoCoMo released a total of 48 models of new FOMA handsets in fiscal 2006.

#### 9 series

DoCoMo's high-end models, FOMA 9 series, are equipped with state-of-the-art technology. First we introduced the 902iS series, which focused on music functions, followed by the 903i series, which features a full range of service capabilities including entertainment (music, Mega i-appli, One-Seg, etc.) and security (bio-identification, handset search service, etc.) in addition to navigational capability with a GPS function.

In addition, the FOMA 904i series, released in May 2007, offers a variety of functions such as the "2 in 1" service that combines the capabilities of two handsets in a single unit, "Chokkan Games" which are played using intuitive motion like tilting or waving the handset, and "Uta-hodai" service, which provides downloading of full music tracks for a flat monthly fee.

#### 7 series

DoCoMo released the 703i series following the FOMA702i S series. The FOMA 703i series features advanced design, which is represented by the N703iµ and P703iµ models, the slimmest clam-shell type 3G handset in the world. In addition, certain models have increased functionality, with five models in the series having "Osaifu-keitai" functionality and seven models having "Chaku-Uta Full" capability.

### SIMPURE series

In the SIMPURE series, which features compact sizes and simple function, DoCoMo has released the compact and light N<sup>1</sup> handset with basic functions and the more advanced L<sup>1</sup> and L<sup>2</sup> handsets that are capable of 3G/GSM roaming.

### Concept Models

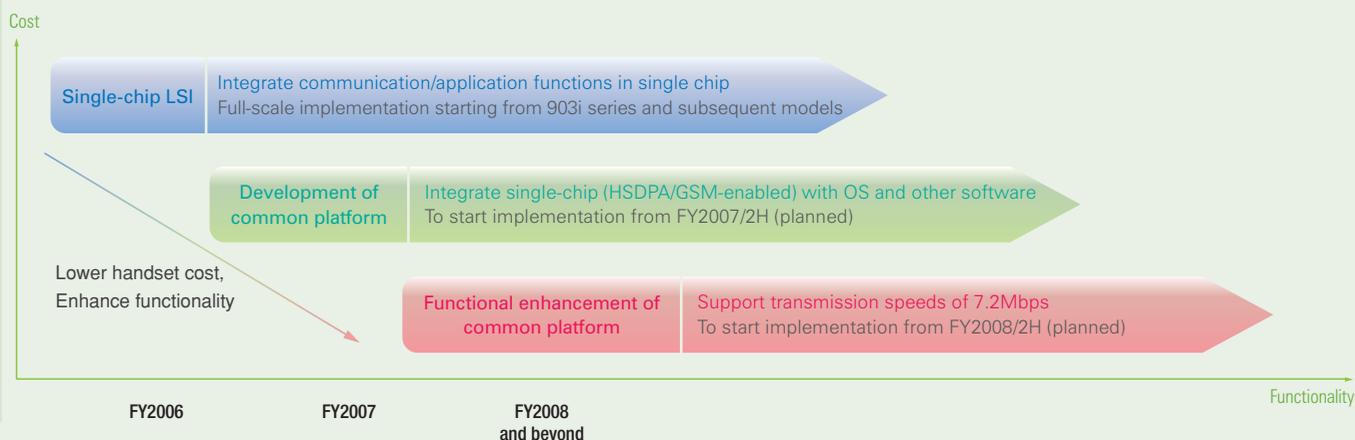
The "Raku Raku Phone" series has gained support among middle-aged and older users, with large and easy-to-read buttons, one-touch dialing and voice activated functions. Its cumulative sales exceeded 10 million handsets in April 2007. In addition, we have released the "Kids' PHONE" series with functions for the protection of children, and have released the FOMA D800iDS with dual screen, on which users can change the operating method to a touch panel for stylus input allowing them to choose the type of operation they prefer.

### 2. Looking towards the future

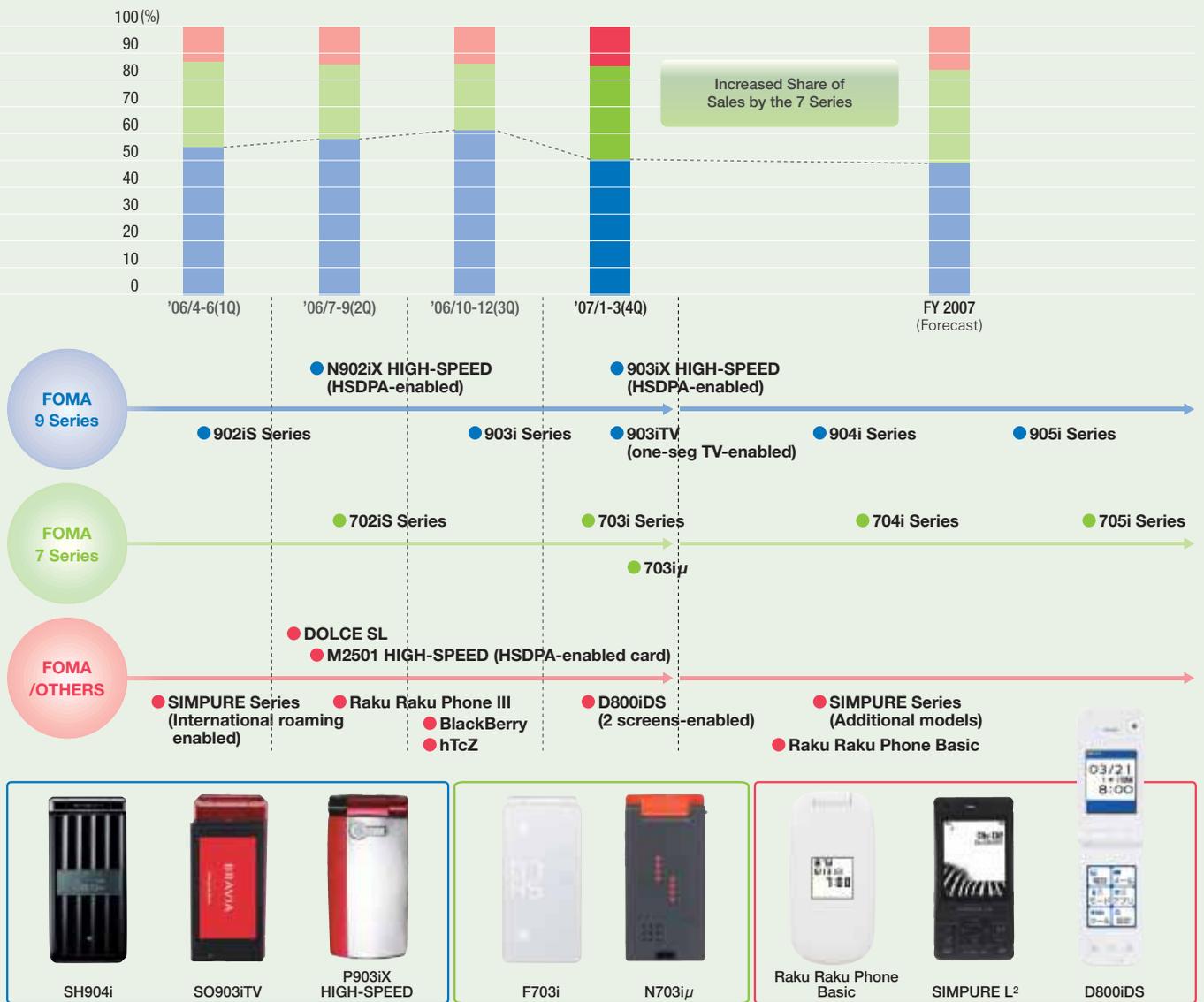
DoCoMo will further enrich our product lineup in fiscal 2007 by introducing as early as possible, state-of-the-art technologies in the 9 series that will appeal to those who seek innovation, equipping the 7 series with modern functions, services and designs that match user preferences, and continuing to pursue simplicity in the SIMPURE series.

DoCoMo has been working to reduce handset procurement costs, including (1) promoting a one-chip LSI through joint development with Renesas Technology Corporation and other companies, (2) improving efficiency and promoting common use in software development by using Linux and Symbian platforms, and (3) improving the product mix through sales of the 7 series and the SIMPURE series. In fiscal 2006, we were able to reduce the costs and shorten the term for handset development by equipping some of the FOMA 903i series handsets with one-chip LSIs. We will continue these types of efforts to reduce the costs of handsets in fiscal 2007.

### Actions for Cost Reduction



## Ratio of Handset Sales by Series, and Handset Lineup



### Delivering to customers the feeling of satisfaction and surprise with cutting-edge features

**Yoshiaki Hiramatsu**  
 Manager  
 Product Department, Products & Services Division  
 NTT DoCoMo, Inc.

DoCoMo is taking one step ahead after another, offering mobile phones that have functions such as music, "One-Seg" digital terrestrial TV broadcasting service, GPS, HSDPA, "2 in 1", and "Chokkan (intuitive) games." We are also preparing a lineup with features such as, compact design, waterproofing, and senior-friendly features to meet a variety of lifestyle needs. We are working hard to appeal to and satisfy all age groups.

In the future, we would like to keep one step ahead in terms of technology, functions, and design, and deliver satisfaction to all our users.

While flat-rate packet billing plans have become more widespread, DoCoMo aims to increase packet usage among low traffic users (“light users”) and is focusing its efforts on developing services that will increase demand and ensure revenues.

## 1. Content and progress of services

### (1) Expansion of PUSH-type information distribution service

DoCoMo started offering “i-channel” in September 2005 to increase utilization among light users and it has grown at a much faster pace than we anticipated.

Most customers like the convenience of automatic delivery of the latest news and the user-friendliness of being able to obtain more detailed information with one touch of a button. The number of subscribers increased to 10.58 million by the end of March 2007. In the future, in addition to increasing the number of subscribers, we aim to further increase “i-mode” revenues by promoting usage of “Okonomi Channel” among this base of customers and by leading them to IP sites.

### (2) Solid expansion of music services

DoCoMo introduced the music-related service “Chaku-Uta Full\*” in fiscal 2006, and by the end of the fiscal year, average monthly download per user was 5 songs. With regard to “Music Channel\*\*”, the number of subscribers is growing steadily along with the sale of an increased number of service-compatible handsets.

In October 2006, we released several FOMA compatible with “Napster”, the first PC flat-rate music downloading service in Japan. In addition, we launched the “FOMA 904i” series handsets which supported the flat-rate mobile phone music downloading service “Uta-hoda” in May 2007. In this manner we are working to further improve our services.

\* Started in June 2006, a service where users can download entire songs to their mobile phones.

\*\* Started in August 2006, this service downloads up to one hour of a music channel automatically during the night.

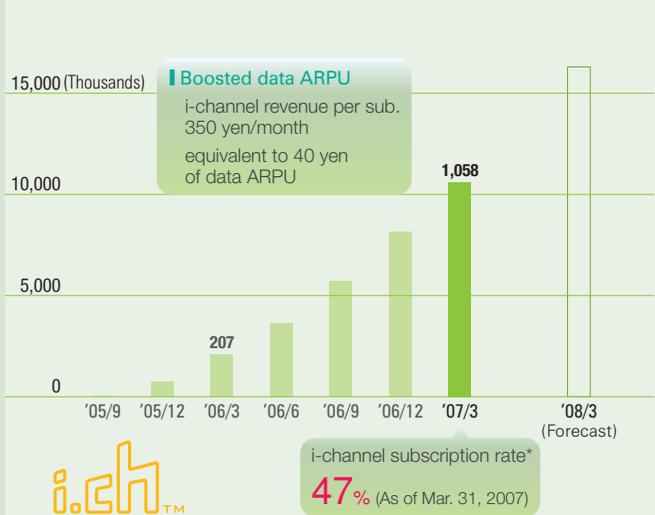
### (3) Search service

In October 2006, DoCoMo teamed up with 13 search sites to offer and added to our i-mode range of services the “i-mode search service”, a service that allows users to search non-i-mode menu sites as well as i-mode menu sites by keywords. In addition, we introduced search-related advertising in May 2007 to contribute to revenues.

## 2. Direction of future service offerings

DoCoMo intends to not just respond to diversifying customer needs, but to also stimulate further demand by developing and providing new services a need of the industry.

Number of “i-channel” Subscribers



\* i-channel subscription rate: No. of “i-channel” subscribers/Total users of compatible handsets



### We want to provide service that is convenient and attractive.

**Hiroshi Tawarayama**  
Multimedia Services Department, Products & Services Division  
NTT DoCoMo, Inc.

We take into account user preferences for contents and design, usability of, handset functions, and other factors in our production of the “i-channel” service. We strive to satisfy as many customers as possible with our i-channel service over the long term by re-launching the service annually. The success of the i-channel is the result of these efforts, and we continue to focus on providing convenient and attractive services based on an accurate understanding of our customers’ needs.

## INTERNATIONAL SERVICES

DoCoMo is expanding its international services in order to improve convenience for customers and increase revenues. Revenues from international services in fiscal 2006 grew significantly, by 36% year-on-year, to ¥34 billion due to the expansion of roaming areas and the introduction of roaming-compatible handsets.

### 1. Enhancement of International Services

As of the end of March 2007, the number of countries and areas where international roaming services were available expanded to 151 for voice calls and SMS\*, 97 for packet communications services, and 34 for videophone calls. In particular, voice calls and SMS coverage expanded to 99.8% of the popular destinations for Japanese tourists. In addition to increasing the number of "9 series" handsets compatible with "WORLD WING," we started to offer overseas support services such as indemnification for a lost rental handsets during a trip, shipment of replacement handsets, and partially toll-free call support for users that

are overseas.

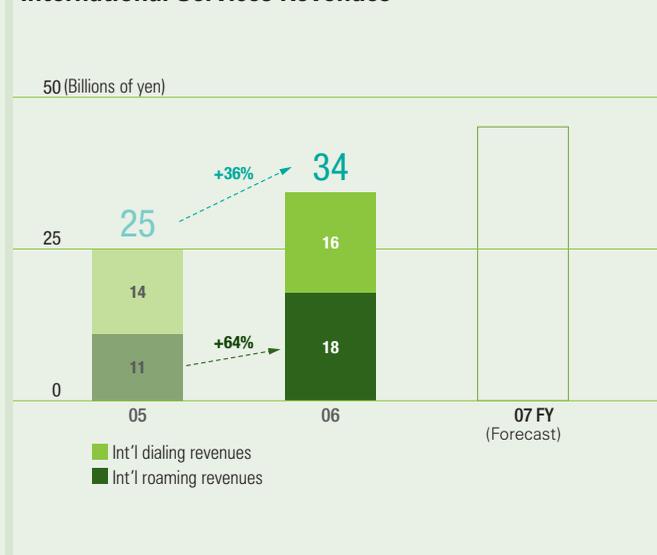
\* SMS: Short Message Service

### 2. Improving Customer Convenience through Investments and Alliances

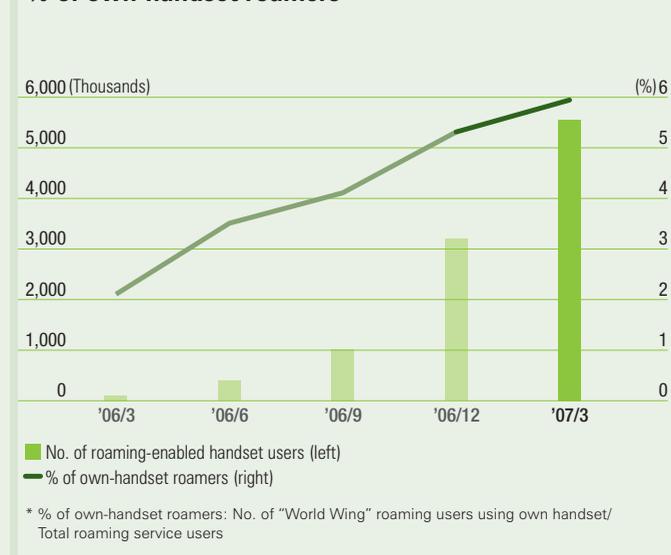
DoCoMo is striving to expand its international roaming coverage area by promoting W-CDMA services through telecommunication operators overseas in which we have invested. KT Freetel Company Limited, a Korean operator in which we invested in December 2005, completed the nationwide introduction of W-CDMA in March 2007. Guam Cellular & Paging (Guam and Saipan), which we acquired in December 2006, also plans to launch W-CDMA services gradually after fiscal 2008. In addition, with the aim of cooperating to enhance international roaming services and corporate services, DoCoMo joined the "Conexus Mobile Alliance\*" in December 2006 with seven other Asian mobile operators.

\* The alliance was formed with 6 operators excluding DoCoMo in April 2006. In December 2006, one more operator joined, for a total of seven, and the official name of the alliance was decided.

#### International Services Revenues



#### % of own-handset roamers\*



### Providing even more reliable and convenient international services

**Mamiyo Adachi**  
 Assistant Manager  
 Global Service Department, Global Business Division  
 NTT DoCoMo, Inc.

Going forward, international roaming will be a standard feature of our mobile phones. With this feature, people will be able to use their own mobile phones around the world, and overseas mobile phone services will become more convenient. We also intend to expand usage of Videophone calls and high-speed data transmission overseas.

As we expand our international roaming coverage areas and strengthen "i-mode" content, DoCoMo plans to continue to strengthen alliances with telecommunications operators overseas and to provide ever more reliable and convenient international services.



To encourage our customers to use a variety of content and services without concern for packet fees and to continue to use DoCoMo for a long period of time, we have launched attractive billing plans such as flat-rate plans, and we are promoting after-sales services such as DoCoMo Premier Club.

**1. Further Enhancement of billing arrangements**  
**Completing the flat-rate billing services**

As of March 31, 2007, the number of subscribers for "pake-hodai", our optional flat-rate packet billing plan for unlimited "i-mode" usage for FOMA services (including pake-hodai full), increased to 9.56 million (an increase of 71% year-on-year) which constituted 27% of FOMA subscribers. This is due to the extension in March 2006 of in services for which there are flat-rate plans available, and the increased usage of services as a result of more comprehensive service menus, including the addition of "i-channel" service and music-related services.

With an eye towards the upcoming full-fledged introduction of HSDPA and more comprehensive music and video content DoCoMo is working to establish a more comprehensive flat-rate billing plan in order to enable customers to use richer content without concern for packet fees. For instance, in addition to the full browser flat-rate plan "pake-hodai full" that was introduced in March 2007, the smart phone flat-rate plan "Biz-hodai" was introduced in April 2007. Moreover, we decided to implement a packet flat-rate billing plan\* for connection PCs in the fall of 2007.

\* Limited to 64 Kbps.

**Future Developments**

We plan to expand rich content such as video and music to increase usage among light usage customers and therefore create an increase in revenues in the future. At

the same time, we intend to promote the further expansion of pake-hodai subscriptions. In addition, we plan to establish an environment in which customers can use full browser content without concern for packet fees by offering pake-hodai full and Biz-hodai.

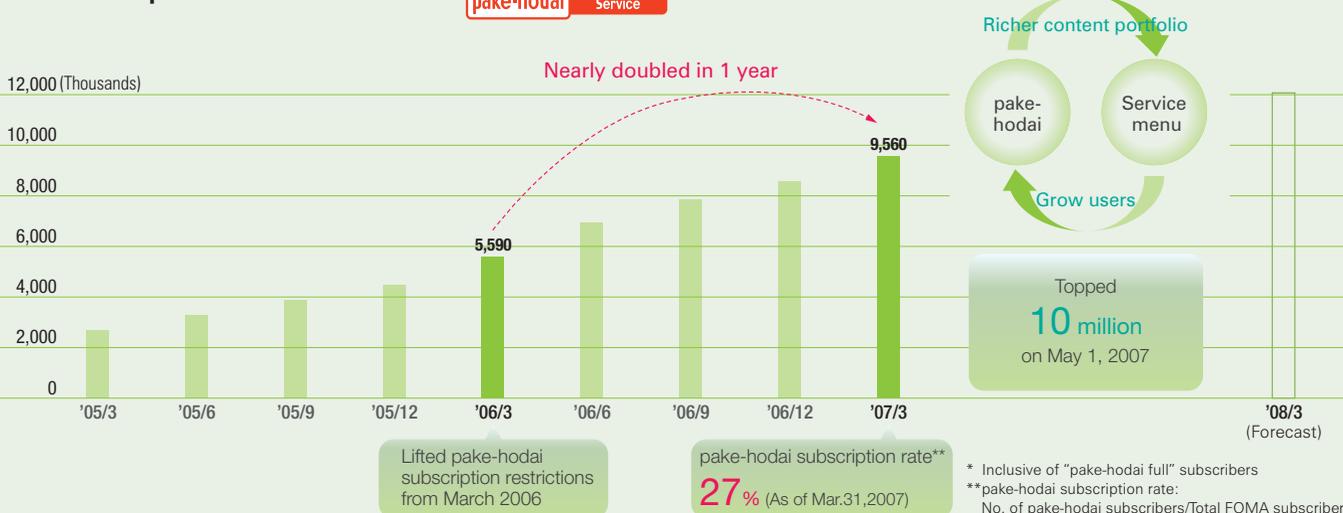
**2. Preferential Services for "DoCoMo Premier Club" Members**

In addition to special services for club members such as free repair service and complimentary battery packs for handsets and the "Handset Replacement and Delivery Service", we are also making greater efforts to offer various preferential services to members of the DoCoMo Premier Club through affiliated shops. We plan to also offer a bonus point service giving 2 to 5 times more points than the regular point system, depending on the usage amount.

**Number of DoCoMo Premier Club members and sign-up rate**



**Number of "pake-hodai" subscribers**



Lifted pake-hodai subscription restrictions from March 2006

pake-hodai subscription rate\*\*  
**27%** (As of Mar.31,2007)

\* Inclusive of "pake-hodai full" subscribers  
\*\*pake-hodai subscription rate:  
No. of pake-hodai subscribers/Total FOMA subscribers

DoCoMo aims to establish a new business model which does not rely on traffic revenues by providing users with services that will transform mobile phones into an essential part of users' daily and business life ("lifestyle infrastructure" strategy).

**1. Promotion of the Fast Growing Credit Business**

Credit in small-amount payment market\* is an area where we expect growth in the future. The number of "Osaifu-Keitai" compatible handsets grew to approximately 20.8 million as of March 31, 2007, and the combined user base of mobile credit services "DCMX" and "DCMX mini" has grown steadily to more than 2 million in approximately one year after their launch, and has entered a significant growth phase.

One factor driving this is that the number of installed "iD" payment terminals (reader/writers) increased to about 150,000 as of March 31, 2007. We aim to have about 4 million DCMX subscriptions and 250,000 iD reader/writers by the end of fiscal

year 2007. To that end, iD reader/writers were installed in all "Lawson" and "am/pm" chain convenience stores nationwide during fiscal 2006, and installment in all "FamilyMart" and McDonald's stores, as well as introduction of internet settlement functions, are planned to be completed during fiscal 2007.

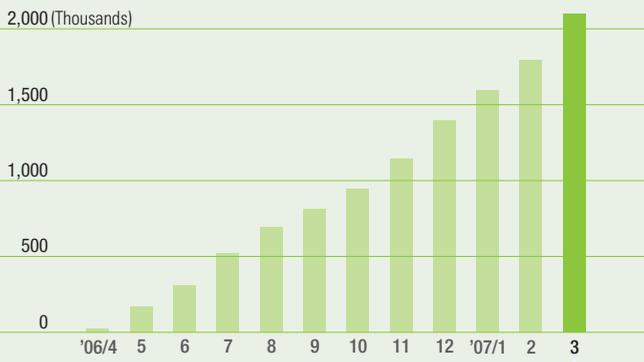
\* Settlement market of ¥3,000 or less, which is expected to have a market size of about ¥57 trillion.

**2. Efforts in Broadcasting and Video Content**

DoCoMo is working on services that link Osaifu-Keitai services and broadcasting related with the launch of "One-Seg\*" service, and is investing in the creation of TV programs, movies and other content with an eye towards the development of mobile content in cooperation with Fuji Television Network, Inc., Nippon Television Network Corporation and Kadokawa Group Holdings, Inc.

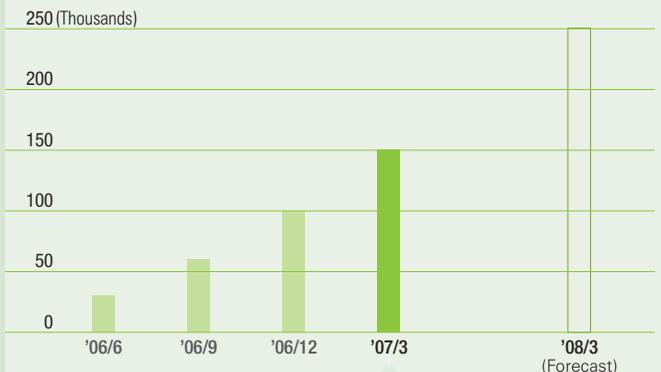
\* One-segment terrestrial digital broadcasting for mobile units such as mobile phones, begun in April 2006.

Number of DCMX members



As of Mar. 31, 2007 : Over **2 million**  
 Targets as of Mar. 31, 2008 : **4 million**

Number of installed iD payment terminals



As of Mar. 31, 2007: Approx. **150,000**  
 Targets as of Mar. 31, 2008: Approx. **250,000**



**Our mobile services are completely changing the customs of payment in Japan**

**Manabu Moriya**  
 Director, Head of Credit Business, Multimedia Services Department, Products & Services Division  
 NTT DoCoMo, Inc.

I think the introduction of DoCoMo's mobile credit service set the stage for electronic money settlement to grow rapidly in Japan. Already the number of places where iD can be used has outstripped the number of other electronic money facilities, and combined with the increase in subscriptions for Osaifu-Keitai, memberships and transactions are both growing solidly. iD can be used without concern for the balance and points and mileage can be earned with use just as with credit cards. We are already at the stage of asking what other services we can provide users and member shops beyond simple transaction settlement. DoCoMo's credit service will continue to make further progress as we draw out more of the advantages that only mobile phones can offer; for example, as a marketing tool in combination with "ToruCa\*", or as a means of putting credit card billing details on the Web.

\* The function that enables users to download promotional coupons and store information onto mobile phones.

From the improvement of our competitiveness in our current business to basic research for the future of the mobile communications industry, we are advancing R&D in a variety of fields.

### 1. R&D Structure

DoCoMo's R&D is characterized by development of services to provide high-level functions that closely link both infrastructure (wireless and networks) and handsets.

Our R&D expenditures were ¥99.3 billion in fiscal 2006 and emphasized three areas: (1) enhancing FOMA service, (2) transitioning to IP-based networks and high-function "i-mode" services, and (3) fundamental research for mobile

communications of the future. DoCoMo's R&D organization consists of the NTT DoCoMo R&D Center, seven research and development departments, and three overseas research laboratories.

### 2. R&D to Increase Competitiveness

We aim to increase our competitiveness through our "lifestyle infrastructure," strategy, and to this end we actively promote R&D in a variety of technologies that can be used in mobile phones. One example of that R&D is the development of Music OFDM\* technology in April 2006. OFDM technology, which is used in wireless transmissions, is applied to the field of music. For example, a website URL for a TV or radio program can be embedded in the sound of a broadcast, enabling the audience to receive the URL in their mobile phones and access the website.

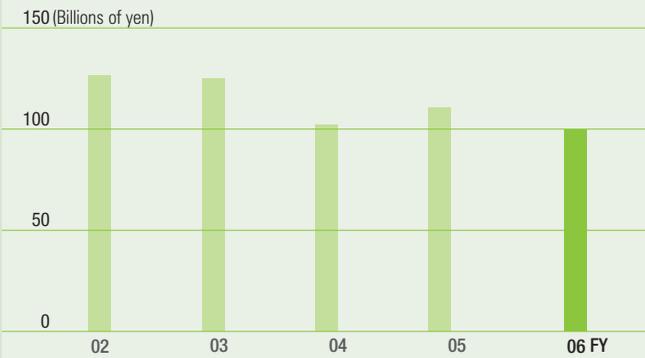
\* OFDM (Orthogonal Frequency Division Multiplexing): a method to transmit information at high speeds by improving the efficiency of frequency division by using multiple closely spaced carrier waves.

### 3. Major R&D Accomplishments in Fiscal 2006

We made progress in R&D, particularly related to networks, in fiscal 2006.

While we have been working on developing faster HSDPA, in addition to handsets and base stations that can handle Japan's first HSDPA service, we began development of "Super 3G" to achieve even faster communications in the future. In December 2006, we conducted outdoor tests of fourth generation mobile communications (4G) systems, and successfully achieved the world's first maximum download packet signal transmission of 5Gbps.

### Research and Development Expenses



### Planned Network Evolution

