

Special Feature

DOCOMO's Strategies **Part 2 Strategic Direction**

With the mobile phone market facing a major turning point, DOCOMO has changed course and set a new strategic direction. We will get to know our 53 million customers as individuals, and build relationships with them. One by one. And we will make steady progress along that new course by strengthening ties among people and lifestyles.



Strategic Direction

We have made a major change in our strategic direction toward a focus on the establishment of long-term relationships with existing subscribers to realize our vision of being a “Relation Service Company” that strengthens ties among people and lifestyles.

NEW STRATEGIES

Shift to strategic focus on existing subscribers

We have made a major shift from a strategy with a focus on acquisition of new customers in the market expansion phase to a strategy, suitable for a mature market, with a focus on the length and depth of existing subscriber relationships, thereby increasing brand loyalty and securing a stable revenue foundation. Leveraging our base of 53 million existing subscribers, we intend to take advantage of growth opportunities in fields other than traditional mobile phone operations to diversify our revenue sources. This is DOCOMO's answer to the question “What strategy should the market leader follow in a mature market?”

We have already begun to take strides toward the establishment of a business system suitable for the pursuit of that strategy.

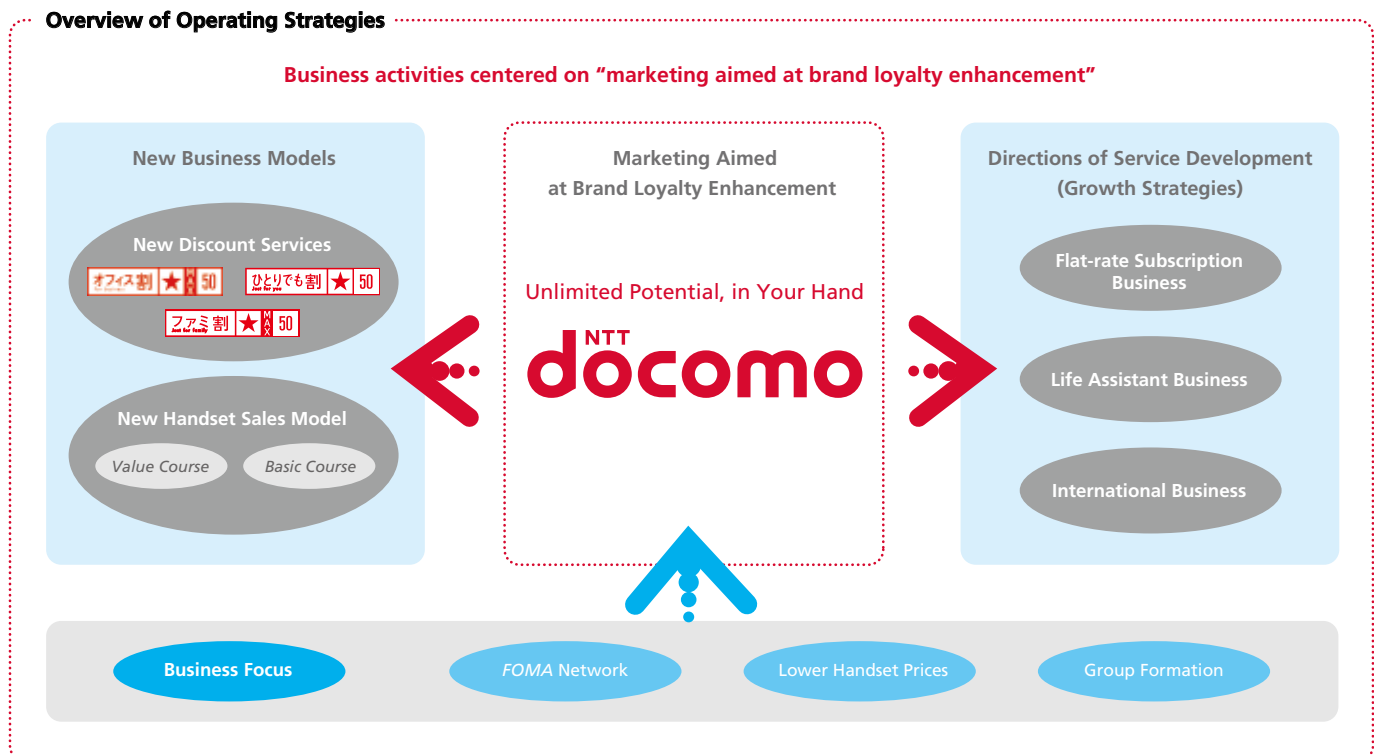
MARKETING TO INCREASE BRAND LOYALTY

Shift to differentiation based on service rather than functionality

With a mobile phone penetration rate of about 80%, the current mobile phone market presents diverse customer needs. Because mobile phone functionality has advanced, nearly all mobile phones meet customers' basic needs. In this type of market, aiming for differentiation based solely on technology and functionality is difficult, and it is important to accurately provide the value that customers demand.

Based on this understanding, DOCOMO has formulated a new marketing strategy suitable for its new business environment. Our vision is to be a “Relation Service Company,” that is, a service company that strengthens ties among people and lifestyles. This expresses DOCOMO's approach, which is based on the fundamental policy of pursuing hospitality as a service company rather than being limited to operating as a traditional mobile phone operator.

DOCOMO, based on its new marketing strategy, intends to accurately track the value demanded by customers, and build a system to provide it, thereby increasing the satisfaction of existing customers and building long-term relationships with them.



BUSINESS MODEL SUITABLE FOR A MATURE MARKET

Reinforcing business foundation through longer-term contracts and improved cost structure

DOCOMO has introduced a new business model, centered on new discount services launched in August 2007 and a new handset sales model commenced in November 2007.

The new discount services, including *Fami-wari Max 50*, are based on the precondition that customers will subscribe for two years. These services offer discounts of 50% on basic monthly charges, without regard to how long customers have subscribed in the past. The purpose is to build long-term relationships with customers and to stabilize the business foundation by preventing lost revenue from lost customers.

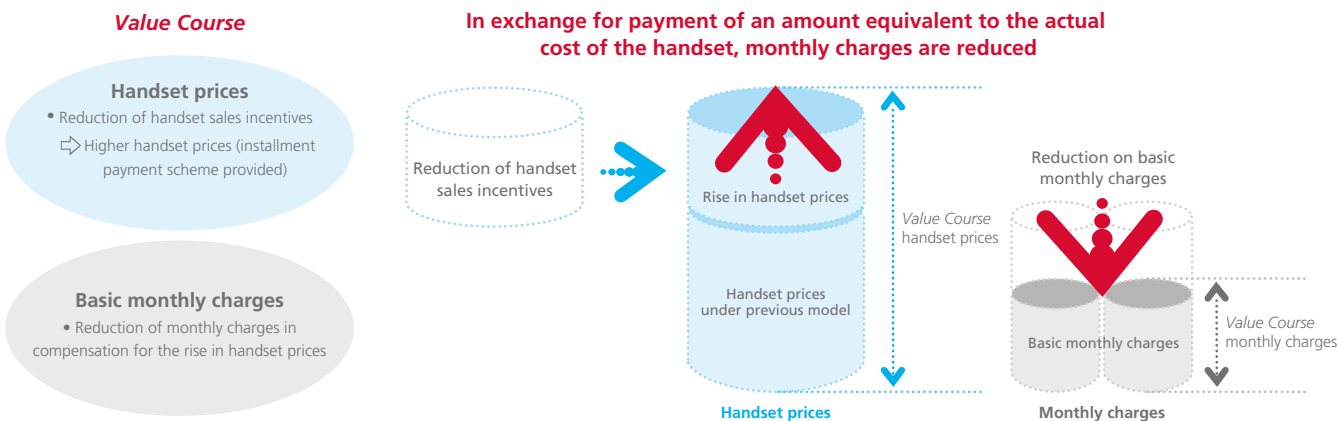
For the new *Value Course* handset sales model, we reevaluated the expanding-market business model, under which the major part of the cost of handsets to the customers was handled through handset sales incentives. Under the new model, the customers pay an amount equivalent to the actual cost of the handset.

Accompanying this change, the system of recovering handset sales incentives through voice and data communications charges became unnecessary, so for subscribers who take advantage of the *Value Course*, an amount corresponding to the handset sales incentive is discounted from their monthly charges. Also, with the objective of lightening the burden borne by subscribers accompanying the increase in handset prices, under the *Value Course* customers can choose to pay for the handset in 12 or 24 installments.

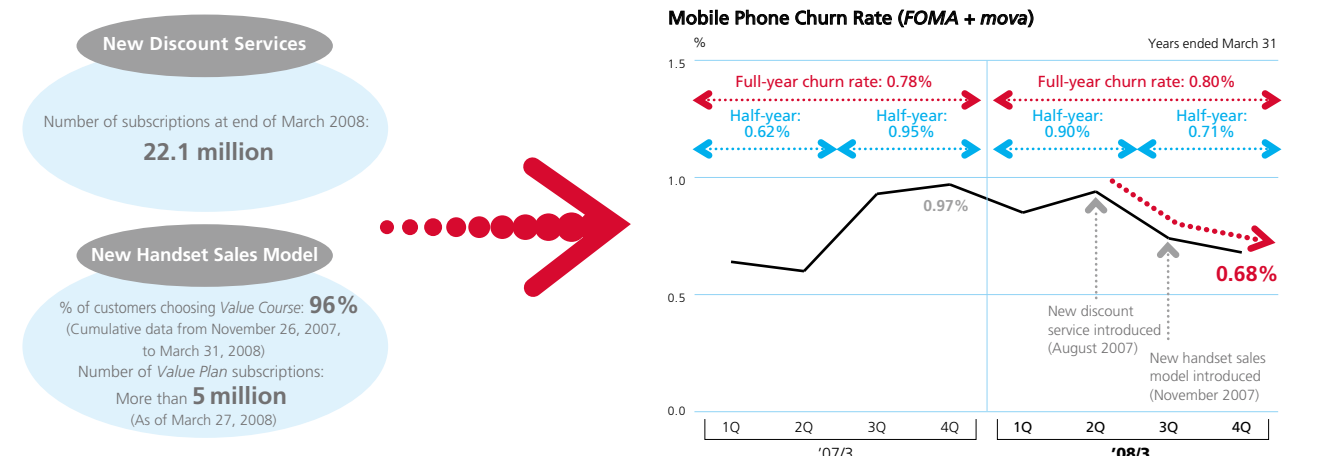
As a result, the burden of mobile phone handset sales has been significantly lessened, and DOCOMO's cost structure has been transitioned to a format more suitable for a mature market.

At the end of March 2008, the number of subscriptions to the new discount service had reached 22.1 million, with 96% of those who purchase handsets choosing the *Value Course*. The new business model has earned the support of customers and is making favorable progress. This is demonstrated by the declining churn rate.

New Two-Pronged Business Model – New Handset Sales Model and New Discount Services



New Discount Services and New Handset Sales Model Are Steadily Earning the Support of Subscribers



PURSUIING NEW GROWTH OPPORTUNITIES

From communications infrastructure to “Lifestyle Infrastructure”

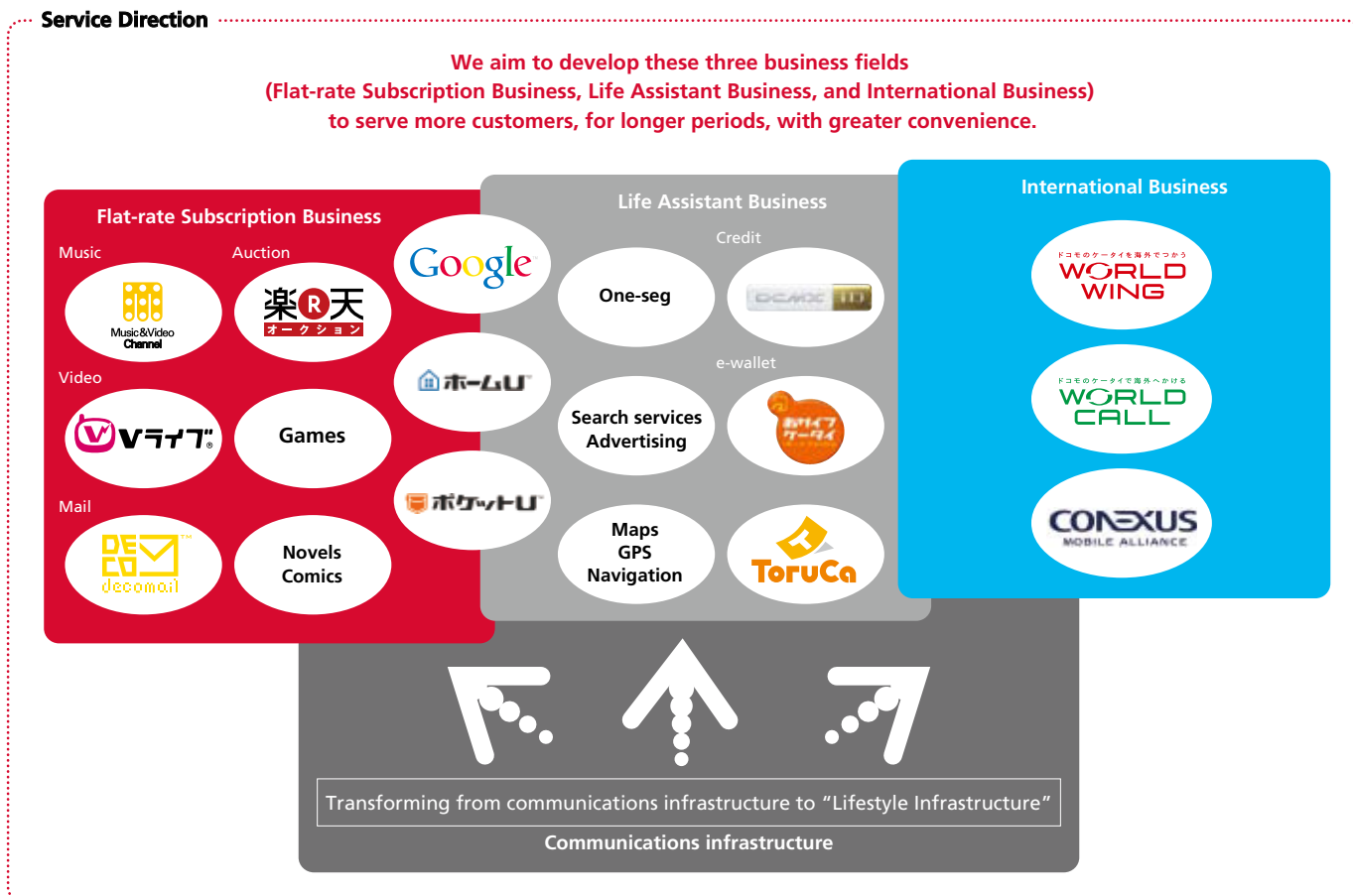
DOCOMO, on a foundation of relationships of trust with customers, intends to build a strong customer base and at the same time reduce handset procurement costs and increase the efficiency of organizational and administrative systems, thereby building a more solid platform for operational activities. In addition, by transitioning mobile phones from a communications infrastructure to a “Lifestyle Infrastructure,” we will pursue new revenue opportunities targeting further growth.

This growth strategy will leverage a strong customer base to develop closer ties between mobile phones and lifestyles. It draws on DOCOMO’s ability to coordinate mobile phones, networks, applications, and content on a foundation of world-class R&D capabilities.

Accordingly, DOCOMO intends to develop three fields of businesses:

- (1) Flat-rate subscription business, where a wide range of customers use appealing services and content and we strive to expand flat-rate revenues.
- (2) Life assistant business, where we advance the role played by mobile phones in subscribers’ daily lives and seek new sources of revenue in non-traffic fields, such as the credit business.
- (3) International business, where we seek overseas revenue opportunities through international roaming services and investments in and alliances with overseas partners.

In these three fields of businesses, we intend to develop and provide new services based on customer needs. By cultivating new sources of revenue that do not depend on traffic revenues, which have been the principal source of revenues, we will strive to diversify our revenue structure.



FLAT-RATE SUBSCRIPTION BUSINESS

Promote *i-mode* usage among a broad range of customers and develop new sources of revenue

The number of *i-mode* subscriptions had reached about 90% of all subscriptions as of the end of March 2008. With full browsers, music, and enriched content, such as video and games, an environment for the enjoyment of the mobile Internet is steadily taking shape. On the other hand, there are many subscribers whose usage is limited to voice communications and e-mail. The flat-rate subscription business entails the provision of value, in exchange for a flat-rate fee, that meets the needs of a wide range of customers, including such subscribers, through the diversification of services and content that can be used on a mobile phone. This business is designed to secure new sources of revenue.

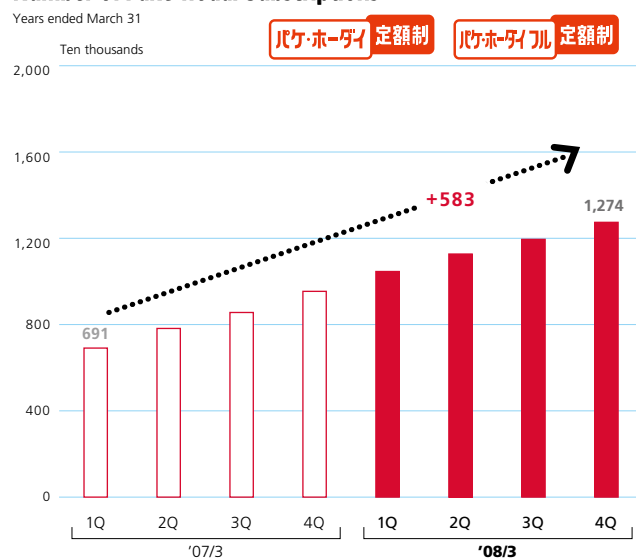
Subscribers who use data communications services include those who want to use the services comfortably without worrying about usage fees. *Pake-hodai* is a flat rate packet service that we are promoting to meet these types of needs. This service offers unlimited use of *i-mode* and e-mail for ¥3,900 a month¹. The service lineup has been successfully expanded, and as of the end of March 2008, the number of subscriptions had reached about 12.74 million. Since its introduction in June 2004, it has made favorable progress among customers.

i-channel, which is a framework for promoting packet usage and subscriptions to more advanced services, such as *Pake-hodai*, serves to attract customers among whom *i-mode* usage was low to the world of the Internet with low monthly charges of ¥150 and push-type information distribution. This service has earned support for its ease-of-use by subscribers and for its distribution of information convenient for their daily lives. Since it was introduced in September 2005, in just two and a half years, it has shown dramatic growth, with more than 15.65 million subscriptions.

Furthermore, targeting the full-fledged diffusion of video services, we will promote video content services, such as the *Music & Video Channel*, and work to expand flat-rate subscription revenues. Moreover, in June 2008, in conjunction with the launch of the *FOMA 906i* series, we commenced new services that enabled new methods of using mobile phones for a flat-rate. *Pocket-U* enables customers to access their home PCs while outside their homes, and *Home-U* provides high speed wireless communications and IP telephony services using the home wireless LAN environment. The revenue foundation for the flat-rate subscription business is expected to expand further in the future.

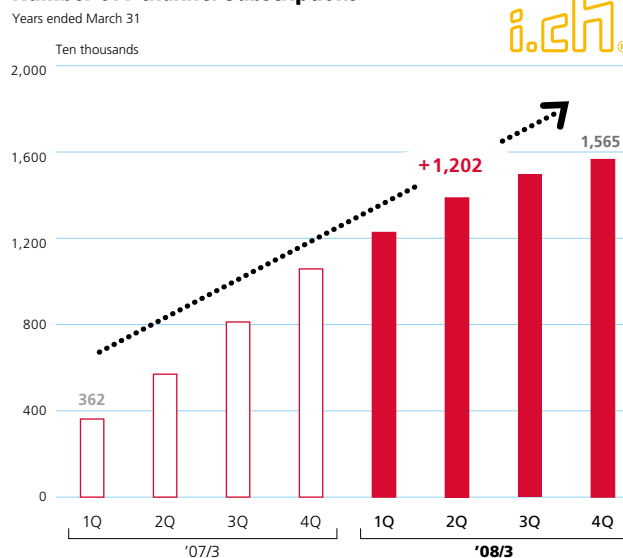
¹ ¥4,095, including consumption tax.

Number of *Pake-hodai* Subscriptions*



* Total for *Pake-hodai* and *Pake-hodai Full*

Number of *i-channel* Subscriptions



LIFE ASSISTANT BUSINESS

Creating a revenue structure that does not depend on traffic revenues

The life assistant business is oriented toward the provision of services that make customers' daily lives more comfortable. The goals are to generate synergies with the core business of mobile phone operations by locking in existing subscribers and acquiring new subscribers and to establish sources of revenue other than traffic revenues.

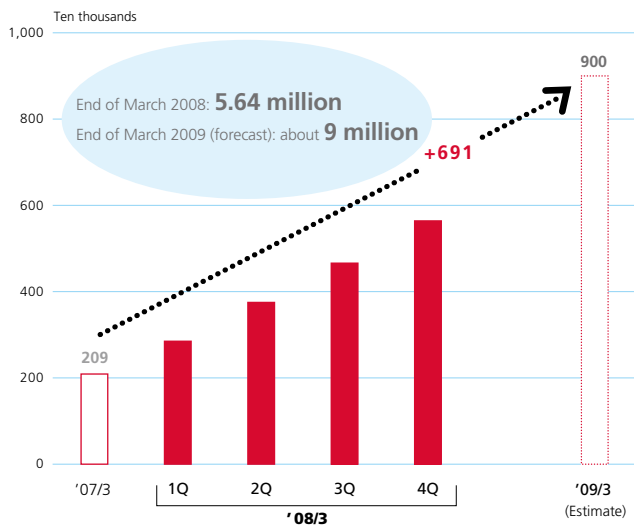
A particular focus is strengthening the credit business using contactless IC card functions for settlement. Credit cards already constitute a massive market in Japan of about ¥30 trillion. Considering that the percentage of consumer spending accounted for by credit cards is low in comparison with that in the U.S. and other countries, we believe that the latent growth potential is high. We have decided to target the market for small cash payments, which has a scale of about ¥60 trillion. Using mobile phones, which are increasingly linked closely to subscriber lifestyles, and the Company's customer base as tools, we are working to promote the use of mobile phones for credit payments and to cultivate non-traffic revenues, such as those from commissions.

In 2004, we started the *Osaifu-Keitai* service, which uses contactless IC cards installed in mobile phones. In 2005, the *iD* credit business platform, which enables mobile-phone-based credit services from each credit card company, was commenced. In 2006, we introduced a credit card that we issued ourselves, *DCMX*. Currently, to further reinforce our foothold for strategic development, through alliances with a variety of companies in the retail and other industries, we are working to expand installations of *iD* payment terminals and to increase the convenience of credit services.

In working to generate synergies with our core business of mobile phone operations, we intend to provide high value-added services that take full advantage of the "mobility" of mobile phones, thereby pursuing customer convenience. The *i-area* service is one example. In accordance with customer position information, this service provides area-specific information, such as more accurate weather reports, map information, nearby transportation information, and store information. Furthermore, we are also considering the introduction of new services that leverage position information and activity history, such as services that suggest possible activities for customers and advertising businesses that are linked to position information. DOCOMO will continually work to differentiate its services centered on customer lifestyles.

Number of DCMX Members

Years ended March 31



INTERNATIONAL BUSINESS

Seeking Additional Sources of Revenue Overseas

DOCOMO is promoting and working to expand its international business in three areas—international services for travelers/visitors, enterprise solutions, and overseas business deployment, mainly in the Asia-Pacific region.

In regard to international services for overseas travelers/visitors, until now, against a background of different communications standards and a shortage of compatible handsets, the environment for the provision of services meeting customer needs was not sufficiently developed. By adding international roaming compatible handsets and expanding roaming areas through international business collaborations, we will work to remove the factors that had impeded the use of international roaming and to grow our international business.

In 2007, the number of Japanese who traveled overseas was near a record high, about 17.3 million². In the future, as members of the baby boom generation begin to retire in full force, overseas travel demand is expected to remain strong. For some time, many overseas travelers have wanted to use the same mobile phone overseas that they use at home. DOCOMO, in addition to 3G roaming compatible handsets using W-CDMA, also intends to expand handsets compatible with GSM, which is used in Europe and North America. At the same time, through alliances with overseas carriers, we intend to expand roaming areas, thereby meeting these subscriber needs and further increasing the convenience of international services.

Enterprise solutions for multinational corporations are also a growth field. Leveraging our strengths in the domestic corporate market, with Japanese enterprises that are advancing overseas as the principal customer target, we intend to propose seamless solutions that cover domestic and overseas bases while at the same time working together with overseas operators that participate in the Conexus Mobile Alliance. In this way, we intend to create new sources of revenues such as those from solution or consulting businesses.

In the Asia-Pacific region, there is substantial personal and economic interaction with Japan. Through investments in and alliances with local operators, we intend to smoothly advance the preparation of a seamless usage environment. At the same time, DOCOMO intends to establish a foothold that it can utilize to benefit from the region's growth through both higher corporate values for the companies that we invest in and the receipt of revenues in the form of dividends.

International service revenues in fiscal 2007 were up 35%, to approximately ¥46 billion. The scale of revenues from international business as a whole, including dividends and equity in earnings from companies in which we have invested, doubled from the previous fiscal year, to approximately ¥80 billion. In fiscal 2008, we will further accelerate these initiatives, and we are forecasting growth in international services revenues to approximately ¥56 billion, and in revenues from international business overall to approximately ¥100 billion.

² Source: Immigration Bureau of Japan, Ministry of Justice

