

Review of Operations

DOCOMO strives to provide leading-edge functionality that adds convenience to people's daily lives, enriched content that fits diverse customer lifestyles, and high-quality networks that provide a comfortable usage environment. By soliciting and incorporating feedback from customers and providing value that exceeds expectations, we will further enhance the DOCOMO brand.



Review of Operations

>> STRATEGIES AND INITIATIVES BY BUSINESS FIELD

Basic Policy

SERVICES / CONTENT	Increase revenue and profit by soliciting customers for the <i>Pake-hodai</i> flat-rate packet billing plan and promote the retention of existing customers and the acquisition of new subscribers by providing enriched content and highly convenient services.
HANDSETS	Work to improve product competitiveness and profitability by taking steps to enhance our lineup of handsets to meet diverse customer needs and continuing to reduce handset costs.
NETWORK	Improve <i>FOMA</i> coverage area quality and heighten our ability to handle increased data-communications traffic.
RATE STRUCTURE AND AFTER-SALES SERVICE	Offer billing plans that will foster long-term relationships with customers and strive to enhance after-sales services to further improve customer satisfaction.
INTERNATIONAL	Increase revenues from international services by expanding the lineup of roaming-compatible handsets and increasing roaming areas. Secure growth opportunities through strategic investments and alliances.
NEW BUSINESS	Establish a revenue structure that is not dependent on traffic revenues by diversifying revenue sources, centered on the credit card business, through investments in and alliances with companies in other industries.
RESEARCH & DEVELOPMENT	Focus on the development of highly convenient services linking networks and handsets and of original technologies that will support the provision of appealing handsets.

Major Initiatives in Fiscal 2007

- The number of *Pake-hodai* subscriptions increased by approximately 3.18 million year-on-year, to 12.74 million.
- The number of *i-channel* subscribers increased by approximately 5.07 million year-on-year, to 15.65 million.
- Launched the *2in1* service.
- Took steps to expand rich content, such as enhancing the *Music & Video Channel* service.

- Launched 47 models in total; 19 new models in the *FOMA 9* series, 21 models in the *FOMA 7* series, and 7 models in other series.
- Launched *FOMA 905i* series handsets equipped with cutting-edge functions, such as international roaming, One-Seg, and HSDPA (*FOMA High-speed*).
- Launched *FOMA 705i* series, handsets offering slim bodies, unique designs, and a range of the latest functions.

- Focused efforts on improving *FOMA* coverage area quality. Reached 42,700 outdoor base stations and 15,100 indoor systems.
- Expanded HSDPA (*FOMA High-speed*) area. Achieved a population coverage ratio of 98%.
- Realized improved network reliability through rigorous data traffic management.

- Introduced billing plans that encourage long-term contracts, such as the *Fami-wari Max 50* and *Value Plan*.
- Announced that domestic calls to family members would be made free for *FOMA* customers that subscribe *Fami-wari Max 50*.
- Implemented measures to enhance after-sales services, such as upgrades to the *DOCOMO Premier Club* point program.

- Expanded lineup of handsets compatible with the *World Wing* international roaming service.
- Further expanded roaming areas.
- Introduced new data roaming service plan as one of the initiatives of the Conexus Mobile Alliance.
- Invested in Malaysian telecommunications operator U Mobile Sdh Bhd.
- Made additional investment in Philippines telecommunications operator Philippine Long Distance Telephone Company.

- Made progress in strategic alliances with companies such as major Japanese retail companies to expand the domestic *Osaifu-Keitai* usage environment.
- Number of *DCMX* members reached 5.64 million.
- Moved forward with installation of *iD* payment terminals. Increased the number of installed payment terminals to 300,000 at year-end.

- Implemented field testing for the Super 3G (LTE) system, and successfully achieved a download packet transmission rate of 250 Mbps.
- Developed Femto cell BTS ultra-small base station enabling coverage of areas that are difficult to reach.
- Developed the Lifestyle Support Recommendation System.

Key Strategies for Fiscal 2008

- Increase the number of subscriptions to the *Pake-hodai* and *i-channel* services by stimulating data communications demand.
- Provide new services offering heightened convenience, such as the *Pocket-U* and *Home-U* shared services with home electronic equipment, such as PCs.

- Enhance our lineup of handsets to meet diverse customer needs.
- Further open up the data communications market with abundant video services and content-compatible handsets.
- Encourage our *mov*a subscribers to migrate to *FOMA* services by offering inexpensive *FOMA* models.

- Continue to improve the quality of *FOMA* area coverage.
- Further expand HSDPA area and achieve a population coverage ratio of 100%.
- Respond to increasing data communications traffic and higher communication speeds.

- Focus on achieving longer contract periods by promoting subscriptions to the *Fami-wari Max 50* and *Value Plan*.
- Rigorously review the business management structure to provide a foothold for the integration of the eight regional subsidiaries into NTT DoCoMo, Inc.
- Strengthen back-up systems for customer support, such as support system for the *DOCOMO* shops, to further increase customer satisfaction.

- Promote our international roaming services and usage by using the opportunity presented by the Beijing Olympics.
- Focus on increasing revenues from international services by expanding the international roaming coverage area and enhancing the lineup of roaming compatible handsets, providing highly convenient services, and strengthening services for corporate customers.
- Pursue growth opportunities through investments and alliances, particularly in the Asia and Pacific regions.

- Further expand the *Osaifu-Keitai* usage environment and promote its popularization by bolstering alliances with partner companies.
- Work to achieve planned targets of 9 million members to the *DCMX* mobile credit service and 400,000 installed *iD* payment terminals.
- Continue investigation of business development utilizing One-Seg broadcasts.

- Continue Super 3G (LTE) field tests, aiming to complete development during 2009.
- Continue initiatives toward the international standardization of the fourth generation communication platform, IMT-Advanced (4G).

>> OVERVIEW

DOCOMO has introduced a new business model that fits the maturing Japanese mobile phone market, and we are making steady progress with the implementation of this model. Moreover, we have carried out initiatives targeting the promotion of data communications usage and the popularization of *Osaifu-Keitai*, paving the way for sustained growth.

*For a more detailed analysis of business results in fiscal 2007, see the Operating and Financial Review and Prospects from page 60 to page 80.

■ **Fiscal 2007 Overview** Operating revenues totaled ¥4,711.8 billion, down 1.6%, or ¥76.3 billion, year-on-year, and operating expenses were ¥3,903.5 billion, down 2.8%, or ¥111.1 billion, year-on-year. As a result, in fiscal 2007, operating income increased by ¥34.8 billion, or 4.5%, to ¥808.3 billion, and the operating income margin rose 1.0 percentage points, to 17.2%. The breakdown of operating revenues and expenses is shown on the right.

■ **Operating Revenues** An increase in packet communications revenues was offset by a decline in voice revenues, and as a result, wireless services revenues decreased by ¥148.9 billion, or 3.5%, to ¥4,165.2 billion. Packet communications revenues increased by ¥131.6 billion, or 10.6%, with support from growth in packet ARPU. However, voice revenues decreased to ¥2,645.1 billion, down 10.0%, or ¥295.3 billion, year-on-year, due principally to broad user acceptance of new discount services introduced in August 2007 and to the impact of a change in the previous year in the method of making estimates regarding revenue recognition of the portion of *Nikagetsu Kurikoshi* (Two-Month Carryover) allowances that are estimated to expire.

Equipment sales totaled ¥546.6 billion, up 15.3%, or ¥72.6 billion, year-on-year due to the introduction of a new handset sales model called *Value Course* in November 2007, which more than offset a decrease in the number of handsets sold.

■ **Operating Expenses** Depreciation and amortization increased to ¥776.4 billion, up 4.2% or ¥31.1 billion year-on-year, following intensive capital expenditures for expansion of *FOMA* coverage areas in the prior fiscal year.

Non-personnel expenses decreased to ¥2,434.4 billion, down 4.5%, or ¥114.9 billion, year-on-year. In addition to a decrease in the number of handsets sold, reduced procurement costs per handset and the introduction of the new handset sales model resulted in decreases in cost of equipment sold and commissions paid to sales agents.

Personnel expenses were ¥233.4 billion, down 8.2%, or ¥20.9 billion, year-on-year, due to the transfer of substitutional obligation and related plan assets to the government by NTT Employee's Pension Fund. The transfer resulted in a settlement gain, which was recognized as a decrease in personnel expenses.

Operating Revenues

Years ended March 31

	2007	2008	Increase (Decrease)
Wireless services	4,314.1	4,165.2	(3.5)%
Cellular services revenues	4,182.6	4,019.0	(3.9)%
Voice revenues	2,940.4	2,645.1	(10.0)%
of which: <i>FOMA</i> services	1,793.0	2,084.3	16.2%
Packet communications services	1,242.2	1,373.9	10.6%
of which: <i>FOMA</i> services	971.9	1,254.6	29.1%
PHS services revenues	23.0	9.5	(58.8)%
Other revenues	108.5	136.8	26.0%
Equipment sales	474.0	546.6	15.3%
Total operating revenues	4,788.1	4,711.8	(1.6)%

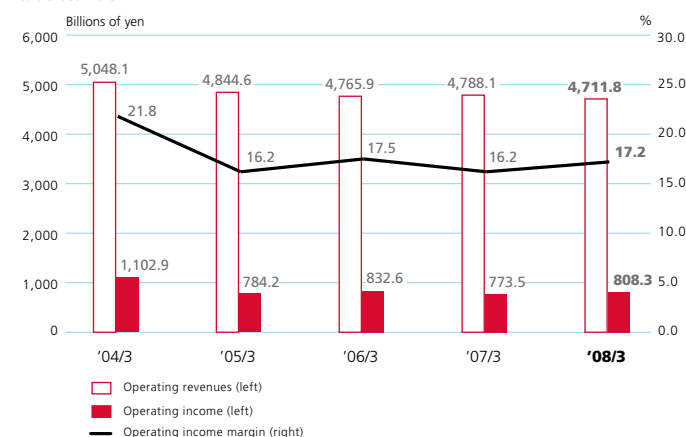
Operating Expenses

Years ended March 31

	2007	2008	Increase (Decrease)
Personnel expenses	254.3	233.4	(8.2)%
Non-personnel expenses	2,549.3	2,434.4	(4.5)%
Depreciation and amortization	745.3	776.4	4.2%
Loss on disposal of property, plant and equipment and intangible assets	73.1	75.4	3.1%
Communication network charges	356.1	345.1	(3.1)%
Taxes and public dues	36.4	38.8	6.5%
Total operating expenses	4,014.6	3,903.5	(2.8)%

Operating Revenues, Operating Income and Operating Income Margin

Years ended March 31



■ Mobile Phone Business

Number of subscriptions and churn rate

The aggregate number of cellular (*FOMA + mova*) service subscriptions rose by 0.77 million from a year earlier, to 53.39 million as of March 31, 2008. The number of *FOMA* subscriptions increased by 8.42 million, to 43.95 million at the end of the fiscal year, as a result of the migration of subscribers from the *mova* service.

The churn rate for the fiscal year increased by 0.02 percentage points, to 0.80%, due to the influence of Mobile Number Portability (MNP), but we nonetheless maintained the lowest churn rate in the Japanese cellular market. In particular, following the introduction of new discount services and new billing plans, the trend improved markedly. The trends in number of subscriptions and churn rate are shown in the graphs to the right.

Penetration of new discount services and *Value Course* handset purchase model

New discount services, such as *Fami-wari MAX 50* and *Hitoridemo Discount 50*, which were launched in August 2007, surpassed 22 million subscriptions by the end of March 2008. Moreover, the *Value Course* new handset sales model, which was introduced in November 2007 in conjunction with the launch of the *FOMA 905i* series handsets, exceeded 5 million subscriptions by the end of the fiscal year. The new business model that was introduced by DOCOMO in the fiscal year ended March 2008 is making rapid gains. The trends in the number of subscriptions to new discount services and to *Value Course* are shown in the graphs to the right.

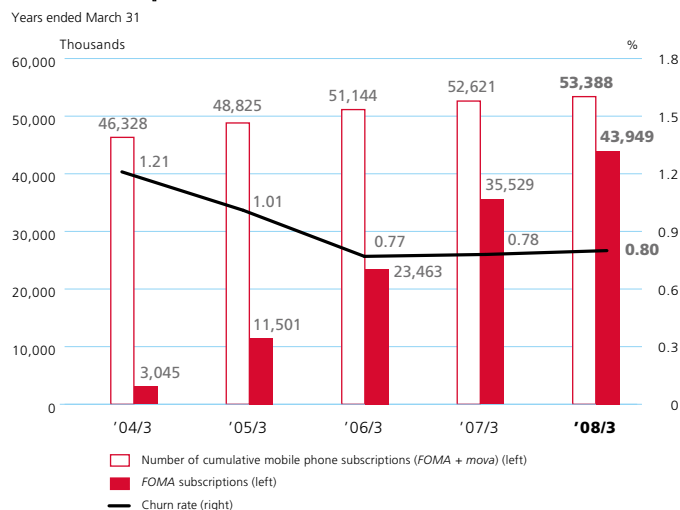
ARPU

The aggregate ARPU (*FOMA + mova*) of cellular service decreased by ¥340, to ¥6,360. The packet ARPU rose ¥190 from a year earlier, while the voice ARPU declined ¥530. The decline of the voice ARPU was due in part to the introduction of new discount services, such as *Fami-wari MAX 50*, and to the continuation of the long-term downward trend in MOU (minutes of usage). Initiatives to increase ARPU made steady progress. The number of subscriptions to the *Pake-hodai* flat-rate billing plan increased by approximately 3.18 million, to 12.74 million, and the number of subscriptions to the *i-channel* service rose by approximately 5.07 million, to 15.65 million. The breakdown of ARPU changes by service is shown on the right:

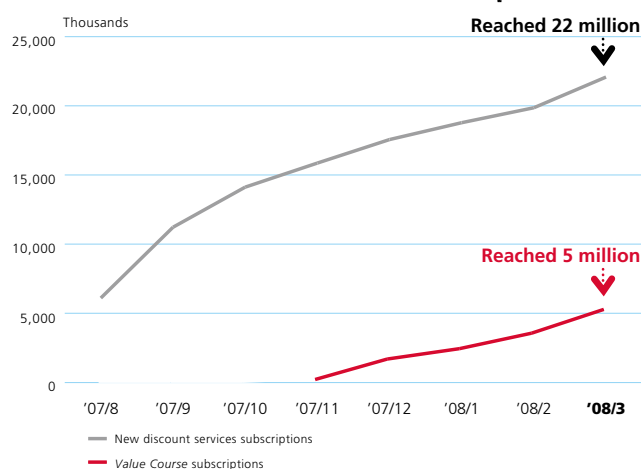
■ **PHS and Miscellaneous Businesses** In our PHS Business, operating revenues totaled ¥10.0 billion, down 57.5%, or ¥13.5 billion, and operating loss was ¥30.0 billion, compared with ¥15.4 billion a year earlier. We terminated our PHS services on January 7, 2008.

In miscellaneous businesses, operating revenues totaled ¥54.7 billion, up 19.6%, or ¥9.0 billion, and operating loss was ¥19.9 billion, compared with ¥14.8 billion a year earlier. The number of members for *DCMX* mobile credit services has exceeded plans by a substantial margin, reaching 5.64 million, and the number of installed *iD* payment terminals also exceeded plans, surpassing 300,000.

Number of Cumulative Mobile Phone Subscriptions (*FOMA + mova*), *FOMA* Subscriptions, and Churn Rate



New Discount Services and *Value Course* Subscriptions



ARPU

Years ended March 31

	2007	2008	1Q	2Q	3Q	4Q
Aggregate ARPU (<i>FOMA + mova</i>)	6,700	6,360	6,560	6,550	6,290	6,050
Voice ARPU	4,690	4,160	4,440	4,340	4,090	3,780
Packet ARPU	2,010	2,200	2,120	2,210	2,200	2,270

>> SERVICES / CONTENT

DOCOMO aims to increase revenue by enhancing user convenience and promoting packet usage through provision of services and content that meet the diverse needs of customers.

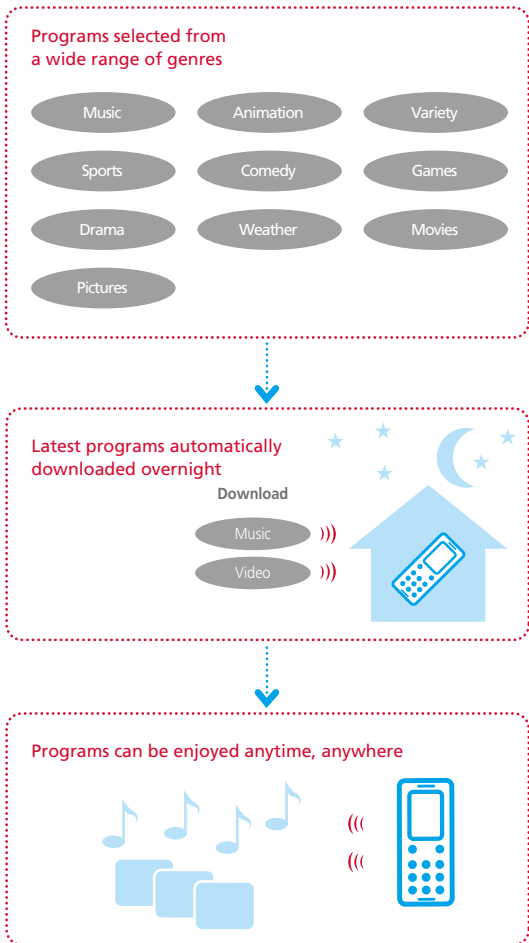
■ Major Initiatives during Fiscal 2007

Enhancing services and content to increase packet usage

The number of subscriptions to *Pake-hodai*, which enables subscribers to enjoy unlimited *i-mode* access without having to worry about how much it is going to cost, totaled 12.74 million at the end of March 2008.

The *i-channel* service is a convenient and easy-to-use information push-delivery service that automatically delivers the latest news, weather reports, and other useful daily information. It is expanding our base of customers for packet services, and we are making strong progress in developing it into a source of revenue. Since the service was introduced in September 2005, the number of subscriptions has grown dramatically, reaching 15.65 million at the end of March 2008.

Music & Video Channel



The Company has also been pushing ahead with initiatives to enhance rich content, including music- and video-related content, which are linked to increased packet usage. In May 2007, we launched the *Uta-hodai* service, which offers music downloads for a flat rate. Timed to coincide with the November 2007 launch of the *FOMA 905i* series handsets, we also significantly upgraded the content available to customers of the *Music & Video Channel*. Subscribers can select programs that they like from a wide variety of high-quality offerings in 100 different channels, such as music, drama, animation, movies, and comedy, and programs can be automatically downloaded overnight. The convenience of this service has been highly evaluated, and the number of subscriptions is increasing steadily.

We have also been working to further enhance the convenience of our *i-mode* service. For example, in March 2008 we launched *i-mode.net*, which enables subscribers to access their *i-mode* e-mail from their PCs.

Topic

AGREEMENT REACHED WITH GOOGLE FOR A BUSINESS TIE-UP FOR MOBILE INTERNET SERVICES

In January 2008, DOCOMO and Google Inc. agreed on a business tie-up covering a range of areas, including the implementation of search services and search-linked advertising and the provision of applications. Both companies are pushing forward with specific tie-up initiatives. In April 2008, we upgraded our *iMenu* service, and as a result of our alliance with Google we added the Google search function to the *iMenu* top-screen to maximize user convenience. In addition to the search results generated from conventional *i-mode* menu sites, the service can now also display results from general sites for mobile phone users and from sites for PCs. In these ways, the search service has been enhanced and, at the same time, we commenced search-linked advertising through Google's advertising distribution platform. In the future, we intend to investigate the *i-mode* compatibility of applications and the continued enhancement of *i-mode*, including applications on handsets for the use of Google services, such as Google Maps, and the commercialization of Google's Android mobile phone software platform for our handsets.

Strengthening highly convenient services

We continued to improve our services in accordance with the concepts of safety and security. In October 2007, we commenced the *imadoco kantan search* service, which enables subscribers to search for someone using GPS and base stations and confirm their location on a map. Further, in December 2007 we launched the *Area Mail* Disaster Information service. This service makes it possible for subscribers to receive emergency warnings and disaster information, such as the earthquake early warnings issued by the Japan Meteorological Agency, without being affected by network congestion. In addition, we took steps to strengthen our spam countermeasures, including the provision of the *Simple Mail Settings* function.

In addition, in response to customer needs for separate mobile phone numbers and e-mail addresses, we commenced the *2in1* service in conjunction with the launch of the *FOMA 904i* series in May 2007. This service allows users to have the functionality of two handsets in one—with two telephone numbers, e-mail addresses, and phone books on a single handset.

Its convenience has earned it strong support, and by the end of March 2008 we had acquired 240,000 subscribers. Against a backdrop of rising consumer demand for the ability to separate phone functions according to the setting in which the subscribers use their phones, we expect this service will continue to grow in popularity.

■ Policies Going Forward

We intend to incorporate feedback from customers, provide services with enhanced convenience and respond to diversifying customer values. In these ways, we will promote packet usage. Specifically, with the May 2008 announcement of the latest *FOMA 906i* series handset dubbed the *All Round Video Mobile Phone*, we bolstered handset functionality targeting the full-fledged adoption of video services. Moving forward, we will roll out fresh initiatives to enhance our services, such as launching a new lifestyle support service and introducing a service to further increase compatibility and connectivity between mobiles phones and PCs.

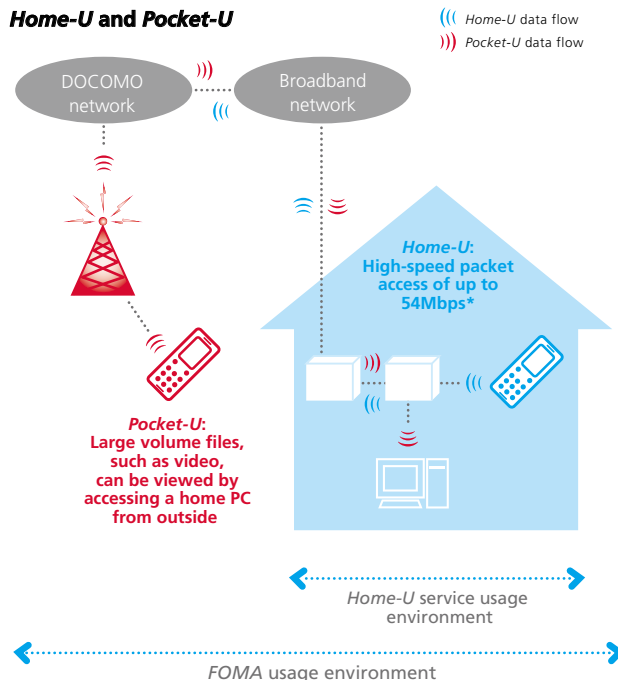
Topic

LAUNCHING HOME-U AND POCKET-U SERVICES TO PROVIDE NEW WAYS TO USE MOBILE PHONES

Mobile phones, which are commonly used while outside, have also become personal tools that are routinely used even while at home. Accordingly, we are providing the *Home-U* and *Pocket-U* services, which increase convenience in customers' home areas.

Home-U, a service that enables, high-speed, large-volume packet communications in the home area, as well as reasonably priced voice communications, was launched in June 2008. We expect this to result in increased subscriber convenience in the home area and distribution of the load on the DOCOMO network due to the use of customers' broadband circuits. In the future, we will work to increase customer convenience. We are considering the provision of area-linked services that provide automatic distribution of the latest information when a subscriber enters their home area and the utilization of Femto cell BTS.

Pocket-U was introduced in June 2008 as a service that enables subscribers to use their mobile phones to listen to or view content on their home PCs – such as videos, music, photos or documents – while they are away from home. Subscribers are able to listen to music while commuting to work or school, watch home videos while on break or waiting for someone and look at photos taken on a digital camera on their mobile phones. This service makes it possible to easily use the content on your home personal computer at any time and any place. In the future, so that *Pocket-U* can be used more comfortably and conveniently, through new software versions, we intend to add various functions and will strive to increase customer convenience.



Voice communication charges with non *Home-U* mobile phone or other phone: 30% discount from *FOMA* voice communication charges
 Voice communication charges between *Home-U* subscribers: Free, 24 hours

>> HANDSETS

We always take the customer's point of view as we strive to provide attractive handsets suited to diverse customer needs while taking steps to reduce handset costs. In this way, we endeavor to improve product competitiveness and profitability.

■ Major Initiatives during Fiscal 2007

Enhancing our lineup of handsets to meet a broad range of customer needs

We are enhancing our lineup of handsets to meet the various needs of our diverse customer base. In fiscal 2007, we introduced a total of 47 new models: 19 in the *FOMA 9* series, 21 in the *FOMA 7* series, and 7 in other series, including the *Raku Raku PHONE* series.

> **FOMA 9 Series**

The *FOMA 9* series handsets are DOCOMO's flagship handsets intended for high-end users, and each handset is equipped with cutting-edge functions.

The *FOMA 904i* series, introduced in May 2007, is available for our *2in1* service, which enables users to choose between two different phone numbers and e-mail addresses according to the person they are communicating with.

The *FOMA 905i* series, released in November 2007, is compatible with W-CDMA, the international standard third-generation telecommunications systems, and also with GSM, the second-generation mobile communication system that can be used in many countries. As a result, they offer improved international roaming functionality. In addition, almost all of the handsets in the series come with nearly all of the latest state-of-the-art functions installed, such as HSDPA (*FOMA High-speed*), the *Osai-fu-Keitai* service, and One-Seg. Despite their advanced functionality, they are the same size and weight as conventional mobile phones, and they have been highly evaluated since their launch.

Moreover, the distinctive product strengths of the *FOMA 905i* series are helping to ensure a smooth introduction of our new handset sales model, which was introduced when the series was launched, and to accelerate the transition to our new business model.

> **FOMA 7 Series**

The focus in the *FOMA 7* series is on a wide range of choices to meet the needs of customers who emphasize design and price over the latest functions.

We launched the *FOMA 704i* series in July 2007 and the *FOMA 705i* series in January 2008. We provided a distinctive lineup that matches diverse user lifestyles by offering functions to meet each subscriber's specific needs, while differentiating the series from other products through appealing design and reasonable pricing.

> **Other Series**

We introduced the latest models in the *Raku Raku PHONE* series, which is popular among middle-aged and older users for its ease-of-use and large, easy-to-read screen and buttons, and the latest models in the child-friendly *Kids' PHONE* series, which features functions such as a protection alarm and GPS to enable parents to locate their children.



N705i

P905i

■ **Policies Going Forward** Because the handset upgrade cycle for customers is expected to lengthen, we believe that it is essential to provide customers with handsets that are tailored to their lifestyles and preferences with enhanced levels of precision. Accordingly, to promote our video services, in May 2008 we announced 8 models in the *FOMA 906i* series that feature strengthened video-related functionality. We also announced 11 models in the *FOMA 706i* series, each offering a slim and sophisticated design with a diverse range of features, such as One-Seg, waterproof, and health management functionality.

We intend to phase out *mova*, our second-generation mobile phone service, within a few years. Therefore, we think it is essential to provide customers currently using the *mova* service with a wide choice of *FOMA* compatible handsets to ensure their smooth migration to the *FOMA* service. Accordingly, we will continue working to enhance our handset lineup.



F906i

SH706iw

Topic

INITIATIVES TO REDUCE HANDSET PROCUREMENT COSTS

Constituting roughly 30% of our operating expenses, handset procurement costs substantially affect not only profitability but also the price competitiveness of products. Therefore, we consider the challenge of reducing these costs to be a key strategic issue.

We are constantly striving to reduce total handset procurement costs in response to the constant upward pressure on handset procurement costs against a backdrop of the widespread adoption of handsets with state-of-the-art functionality.

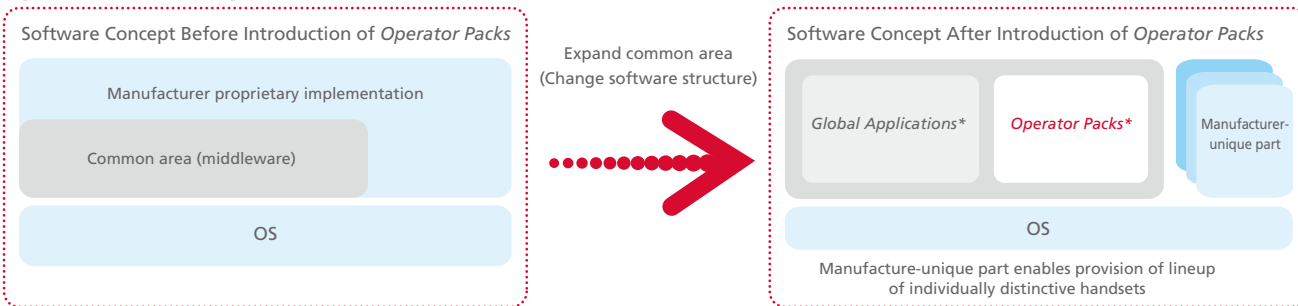
Specifically, we launched the *FOMA 7* series targeting customers who prioritize attributes such as design and price. Intended to optimize our product mix, the handsets in the series offer individuality in such areas as design, while maintaining economical prices as a result of their streamlined functions.

Next, we have been advancing single-chip solutions. In recent years, due to such factors as heightened handset functionality and the resulting increased power consumption, advanced ICs have had to meet increasingly advanced specifications. As a result, the development cost of advanced ICs has been rising each year. In response, we developed single-chip advanced ICs together with partners, such as Renesas Technology Corp., and have been progressively installing these ICs since fiscal 2006.

We are also working to heighten software development efficiency and promote standardization. In operating systems, we adopted Linux and the Symbian software platforms from the *FOMA 903i* series, supporting increased efficiency for handset manufacturers software development activities. In middleware, we intend to carry out initiatives to separate global application software, which can be used throughout the world by most mobile phone operators, from exclusive operator packs.

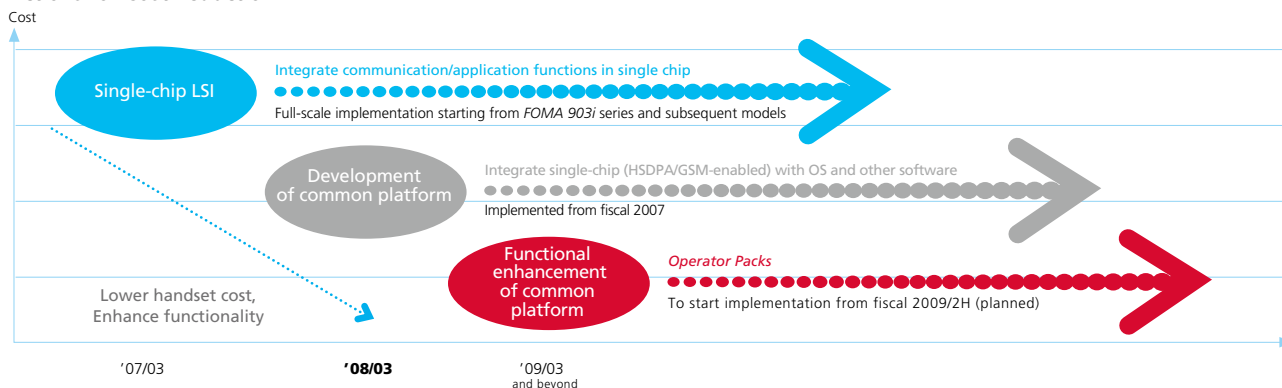
Through standardization of software development, *Global Applications* help reduce software development costs. Meanwhile, by providing *Operator Packs* – operator packs as DOCOMO exclusive application sets – we help manufacturers to reduce handset development costs as a whole. As a result, manufacturers are encouraged to provide handsets for DOCOMO. In addition, by leaving room for handset manufacturers to leverage their particular strengths, we have enabled them to focus their efforts on developing attractive products. We plan to install *Operator Packs* – packaged application sets exclusive to DOCOMO – on our handsets in stages from the second half of fiscal 2009.

Operator Packs (conceptual)



* *Global Applications*: Standard applications that can be used globally
Operator Packs: Suite of DOCOMO-specific applications

Actions for Cost Reduction



>> NETWORK

To achieve a communications infrastructure that can be used comfortably by customers, we are undertaking initiatives to improve the quality of our FOMA area coverage and to respond to increases in data traffic in the future.

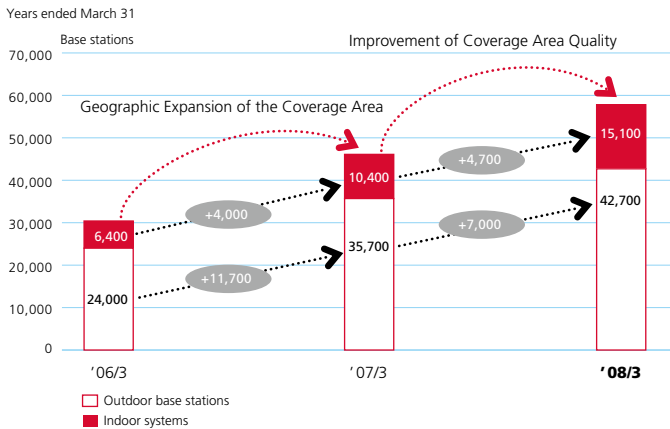
■ Major Initiatives during Fiscal 2007

Steadily improving the quality of our FOMA area coverage

As we had already achieved a population coverage ratio* of 100% by the end of March 2007, we had predominantly completed the geographic expansion of our FOMA area coverage during the previous fiscal year. Therefore, for fiscal 2007, we concentrated on improving the quality of our FOMA area coverage. Initiatives included installing indoor systems in the lower floors of buildings in commercial districts and underground areas. In addition to expressways and railways, we also implemented area improvement initiatives with consideration for pedestrian flow, and we focused on bolstering our ability to respond to expanding data communication traffic. In addition, we continued to work on network controls, such as congestion countermeasures. As a result, at the end of March 2008, we had increased the number of outdoor base stations by 19.6% year-on-year, to 42,700, while the number of indoor systems had grown 45.2%, to 15,100.

* The population coverage ratio: Number of city halls and town and village offices where communication using a DOCOMO mobile phone is possible / Number of city or town government facilities.

FOMA Coverage: No. of Outdoor Base Stations and Indoor Systems Installed



Steadily creating communication networks to support evolving high-speed data communication services

During fiscal 2007, we focused on expanding the area covered by our HSDPA (FOMA High Speed) network. Consequently, we increased our FOMA High-speed population coverage ratio to 98% by the end of March 2008, compared with 81% at the end of the previous fiscal year.

Since the launch of the FOMA 905i series handsets, which include the FOMA High-speed data communication function, the burden on our communications networks from data communications traffic has steadily increased. In addition to upgrading our i-mode server, we have created and are continually strengthening our broadband IP router network, achieved by combining an IP router with optical transmission. In this way, we are bolstering our network infrastructure to increase its capability of effectively transmitting large data packages.

Realizing heightened network reliability through data traffic management

We monitor the status of our countrywide communication networks and facilities 24 hours a day, and have created systems capable of responding immediately to data traffic congestion, network trouble, and natural disasters. Moreover, in order to deal with the enormous volume of data traffic, which, at this point, normally totals 75,000 server accesses per second, or approximately 6.5 billion per day, we have the i-Mode Center, which is one of the largest systems in the world utilizing the most up-to-date open architecture. Also, we respond to such societal problems as spam e-mail. In this way, we aim to create a communications infrastructure that can be used comfortably while employing strategies to improve the quality of our area coverage.



At the DOCOMO Network Operations Center, base stations and circuits are monitored and controlled 24 hours a day, 365 days a year.

■ **Policies Going Forward** The creation of high-quality networks is both a foundation for our business development and an element that differentiates our services from those of other companies. For DOCOMO, which has the largest customer base among Japanese cellular companies, the provision of a comfortable communications environment that lets people connect anytime, anywhere, and with anyone is also one of our social responsibilities. In the future, we

intend to continue to improve FOMA area network quality. At the same time, in preparation for the full-scale penetration of video services, we intend to respond to increased data communications traffic and to higher communications speeds, the foundation for video and other large-volume content, by further strengthening our network, which is the backbone of all of our services.

Topic

OUR RESPONSE TO THE NIIGATA EARTHQUAKE

10:13 a.m., July 16, 2007. That was when Niigata Prefecture was hit by an enormous earthquake, registering a magnitude of 6.8. Following the earthquake, some media reported on the earthquake-resistance of DOCOMO's communication networks.

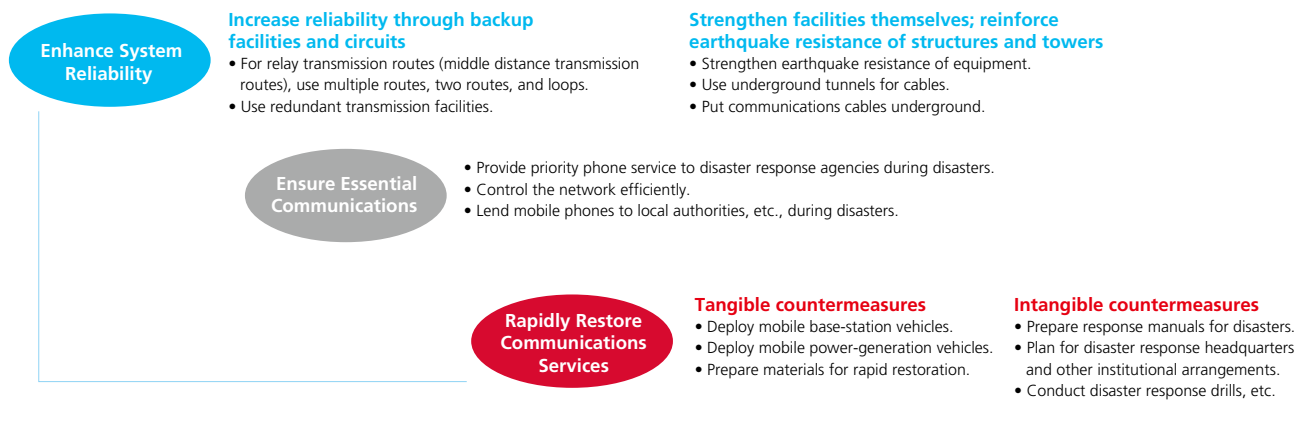
The background to this strength can be traced back to approximately three years ago to the lessons we learned following another major earthquake in the same region. The impact of the earthquake on our communication networks was substantial, resulting in serious data traffic congestion affecting our base stations and switching equipment, and forcing us to temporarily suspend base station services due to power cuts and other factors.

Taking into account this experience, in preparation for a large-scale disaster, we are working to create communications networks capable of withstanding disasters and to increase the security and reliability of our networks in accordance with our Three Principles of Disaster Damage Prevention.



Restoration of base stations through mobile power generation vehicles

Three Principles of Disaster Damage Prevention



>> RATE STRUCTURE AND AFTER-SALES SERVICE

We place top priority on building long-term relationships with our customers and establishing an environment that encourages them to subscribe to our highly convenient services for extended periods of time. To those ends, we are introducing and enhancing a range of billing plans and services.

■ Major Initiatives during Fiscal 2007

Stepping up measures to encourage long-term subscriptions

In fiscal 2007, we launched a number of billing plans that are designed to encourage customers to maintain subscriptions for long periods of time. In August 2007, for example, we introduced new discount services, such as *Fami-wari MAX 50*, a plan that offers a discount of 50% on basic monthly charges on the precondition of a two-year continuous subscription. In November 2007, we introduced the *Value Course*, a new handset sales model that includes *Value Plan*, a billing plan that offers a discount of ¥1,680 on basic monthly charges. In April 2008, for *FOMA* subscribers to *Fami-wari MAX 50*, we made domestic voice calls among family group members free of charge 24 hours a day.

Moreover, we took steps to enhance our services in order to ensure that our customers can use our mobile phone handsets with peace of mind for long periods of time. We are working to enhance our after-sales services. In November 2007, we enhanced our after-sales services with the launch of *Keitai Anshin Pack*, a package of existing services that is highly effective in the event that a mobile phone is lost or stolen. These services include *Omakase-Lock*, which offers remote locking of a mobile phone that has been lost, and *Keitai Osagashi*, which confirms the approximate location of a mobile phone.

In November 2007, we also announced an upgrade of the point program, which is effective from April 2008. The changes were designed to enhance the satisfaction of long-term customers. For example, the length of continuous usage will be added to the criteria that are used to determine the point acquisition rate.

DOCOMO is committed to being a company that earns a broad range of support from its customers by continually implementing initiatives to enhance customer satisfaction. We believe that these initiatives will not

only stabilize the customer base but also raise the value of the DOCOMO brand and bolster our competitiveness over the medium to long term.

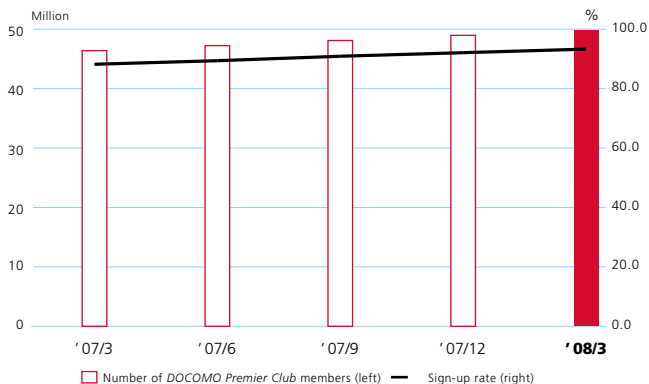
■ Policies Going Forward By promoting new discount services, such as *Fami-wari MAX 50*, we intend to further foster longer relationships with our customers. On the other hand, we intend to also further enhance the environment so that customers can use DOCOMO services with peace of mind for long periods of time. In October 2008, we plan to launch a new service for *DOCOMO Premier Club's Premier Stage* members. Under the new service, these members will be provided free battery packs if they continue to use the same *FOMA* handset for more than one year. We will also take steps to provide meticulous service to further enhance customers satisfaction, such as strengthening the support system for DOCOMO shops and information centers, which are key contact points for our customers. In these ways, we will work to strengthen our ties with customers.

Topic

INITIATIVES FOR IMPROVING COVERAGE AREA QUALITY IN RESPONSE TO CUSTOMER FEEDBACK

In April 2008, we renewed the DOCOMO brand and announced the New DOCOMO Commitments – Our Vision for Transformation, which heralds our commitment to strengthening ties with customers. As one specific initiative that is based on this new vision, we promise to quickly visit customers who have problems in getting mobile phone connections. In these ways, we have prepared a system for instituting area improvements in response to customer feedback and clearly outlined our customer-focused approach.

Number of DOCOMO Premier Club Members and Sign-up Rate



DOCOMO Premier Club Structure

Stage Determination Criteria		Stage	No. of points per ¥100 of usage fees
Usage Period	Average Monthly Usage (cumulative annual stage points)		
More than or equal to 10 years	or monthly average of more than ¥20,900 (2,500 or more annual stage points)		5 points
More than or equal to 8 years	or monthly average of more than ¥12,500 (1,500 or more annual stage points)		4 points
More than or equal to 5 years	or monthly average of more than ¥8,400 (1,000 or more annual stage points)		3 points
Less than 5 years	and monthly average of more than ¥8,400 (less than 1,000 annual stage points)		2 points

* For members with usage of 10 years or more and 2,500 or more annual stage points, 7 points are received for each ¥100 of usage fees.

>> INTERNATIONAL

DOCOMO is growing revenues from international services by expanding its lineup of roaming compatible handsets and increasing the span of countries and areas where international roaming services are available. In addition, we are cultivating new sources of revenue through strategic investments and alliances.

■ Major Initiatives during Fiscal 2007

Steadily increasing revenues from international services

In November 2007, we commenced sales of the *FOMA 905i* series. Almost all of the handsets in the series are compatible with W-CDMA, the international standard for third-generation 3G mobile services, and also with the GSM second-generation mobile communication system that is used in more than 100 countries throughout the world, including North America and Europe. In addition, all handsets in the *FOMA 705i* series, launched in January 2008, are compatible with W-CDMA international roaming. We also launched the *Raku Raku PHONE PREMIUM*, the newest handset in the *Raku Raku PHONE* series, which is popular with middle-aged and elderly customers and is the first handset in the series that is *WORLD WING* compatible. In this way, we took steps to meet the international mobile communication needs of middle-aged and elderly customers, who account for about one-third* of all Japanese people traveling abroad.

In regard to international roaming services, our roaming areas already covered many of the common destinations of Japanese travelers. Through new roaming contracts concluded with overseas mobile phone operators, we have further enhanced our area coverage.

The Conexus Mobile Alliance was formed in 2006 by DOCOMO and other mobile phone operators in the Asia-Pacific region. The alliance has taken steps to increase customer convenience in the region, such as jointly starting a new service. This is an example of how we have worked to enhance customer service in this region.

In addition to strengthening the foundations of these services, in fiscal 2007 we also targeted the creation of highly profitable services. To that end, we took aggressive steps to reduce the cost of providing international roaming and international communication services.

We are investing in and creating alliances with mobile operators in the Asia-Pacific region to develop a seamless usage environment and to cultivate new revenue streams. For example, since January 2007, we have invested

a total of ¥98.9 billion in the Philippines telecommunications operator, Philippine Long Distance Telephone Company. Also, we have invested ¥11.0 billion in U Mobile Sdn Bhd. of Malaysia.

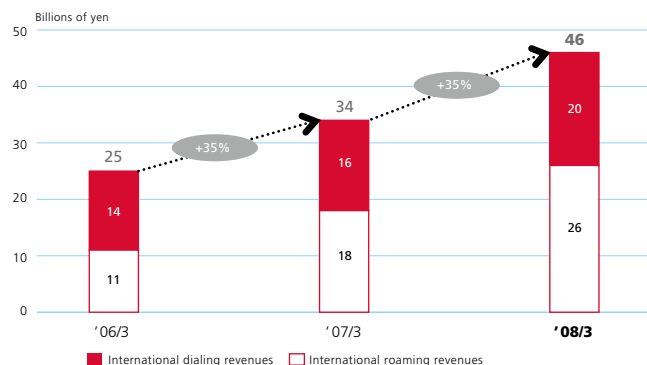
During fiscal 2007, we recorded steady growth in the number of subscribers using our international roaming services and in the percentage of own-handset roamers. Revenues from international services increased 35% year-on-year, to approximately ¥46 billion.

* Source: Immigration Bureau of Japan, Ministry of Justice

■ **Policies Going Forward** DOCOMO's *iD* mobile credit platform has been available in Guam from July 2008, marking the first time that one of Japan's contactless IC electronic money systems has been available overseas. As a result, with international roaming capable *Osai-fu-Keitai*, a single handset can be used overseas for phone calls, data transmissions, and payments for purchases, offering substantially enhanced convenience. DOCOMO intends to continue to accelerate these types of initiatives, expanding international roaming services and further increasing the added value of our handsets.

International Services Revenues

Years ended March 31



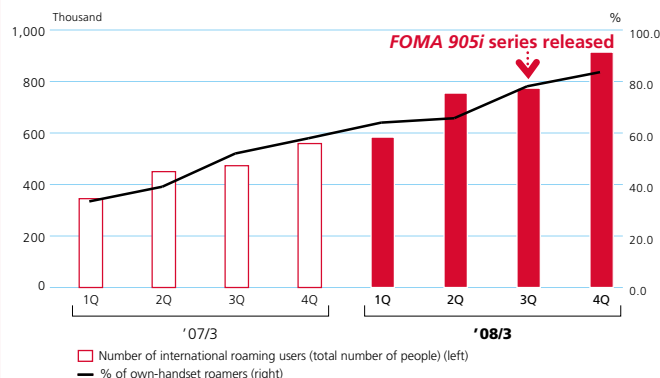
Topic

INCREASED REVENUES FROM INTERNATIONAL ROAMING THROUGH THE LAUNCH OF THE *FOMA 905i* SERIES

Not only are practically all of the handsets in the *FOMA 905i* series W-CDMA and GSM international-roaming compatible, they also come with a range of highly useful applications that can be used when traveling overseas, such as a translation application. The popularity of these handsets is reflected in the increased number of subscribers who use them for international roaming and in the growing percentage of own-handset roamers. The *FOMA 905i* series has made a significant contribution to increased revenues from international roaming.

Number of International Roaming Users and % of Own-handset Roamers

Years ended March 31



>> NEW BUSINESS

Against the backdrop of its dominant customer base, DOCOMO is aiming to create a business model that is not dependent on traffic revenues by diversifying its sources of revenues in fields that can be expected to offer synergies with its core mobile communications business.

■ Major Initiatives during Fiscal 2007

Building the foundation for the diversification of revenue sources

Osaifu-Ketai mobile phones with contactless IC cards play a central role in our efforts to develop non-traffic businesses. We expect credit services that utilize mobile phones to be a central pillar of our revenue diversification, and accordingly we are actively promoting the widespread use of mobile phone credit.

In fiscal 2007, we worked to expand the network of stores where our mobile credit services could be used by developing our alliances with major domestic retail companies, such as FamilyMart Co., Ltd., Aeon Co., Ltd, and McDonald's Holdings Company (Japan), Ltd. As a result, at the end of March 2008, the number of installed *iD* payment terminals was approximately 300,000, doubled the number of 150,000 a year earlier.

Due to these convenience-enhancing initiatives and to an increase in the number of mobile credit compatible handsets, the number of members in DOCOMO's *DCMX* mobile credit service has increased. In the approximately two years since the service was introduced, the number of *DCMX* members has reached about 5.64 million, compared with approximately 2.09 million members at the end of the previous fiscal year. Of that total, approximately 4.78 million members, or about 85%, utilize *DCMX mini*, which can be used as *Osaifu-Keitai*. Against a backdrop of steady growth in the number of members, we are continuing to expand the number of *DCMX* transactions and the transaction volume.

Moreover, in collaboration with Fuji Television Network, Inc., Nippon Television Network Corporation and KADOKAWA GROUP HOLDINGS, INC., we are moving ahead with preparations for a new business leveraging One-Seg. A certain amount of time will be required before a full-fledged service is launched, but we are presently working with our partner companies to explore a range of possibilities.

■ **Policies Going Forward** In the credit business, we will continue to enhance our lineup of handsets that are compatible with mobile credit services and expand the network of payment terminals. Integrating our in-house credit business related functions in the reorganization in July 2008, we will further strengthen our mobile credit business management systems. Under the new system, we will strive to reach approximately 9 million *DCMX* members and 400,000 installed *iD* payment terminals by the end of March 2009. In addition, we intend to make steady progress by researching growth possibilities in new fields, such as as One-Seg.

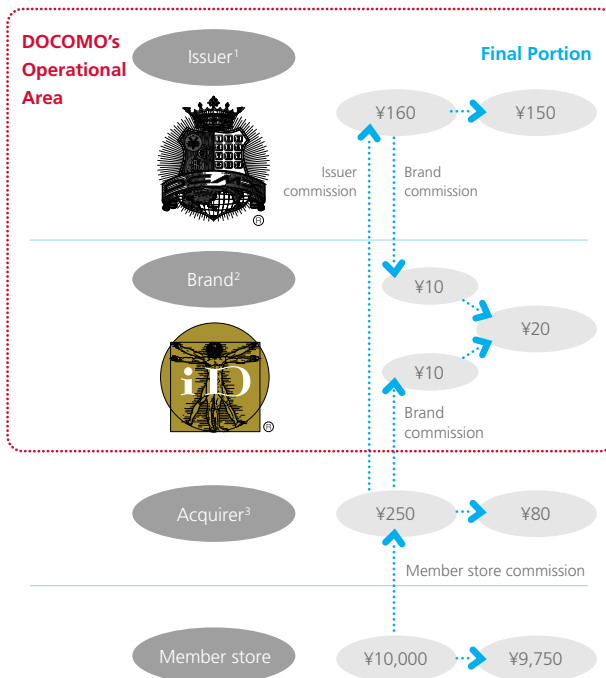
Topic

MOBILE CREDIT SERVICE BUSINESS MODEL

The *iD* credit brand, launched in December 2005, has provided an open platform on which credit companies can provide unique mobile credit services. As a result, we have secured a new revenue source in the form of brand commission fees, and *iD* has also contributed to the rapid penetration of *Osaifu-Ketai*. The *DCMX* mobile credit service was launched by DOCOMO on the *iD* platform in April 2006. In addition to brand commission fees from *iD*, *DCMX* enables DOCOMO to earn such revenues as issuer commissions and interest revenues from member users. *DCMX* is a core service in DOCOMO's strategic pursuit of diversified revenue streams.

Flow of Funds

Example: Customer spends ¥10,000
(The figures used are examples and may differ from actual figures.)



1 Company handling credit card issuance operations
2 Company handling specification formulation and maintenance for settlement platform
3 Company handling member store acquisition

>> R&D AND INTELLECTUAL PROPERTY

The introduction of the world's first W-CDMA network. The creation of the *i-mode* service. The launch of *Osaifu-Ketai*. DOCOMO's R&D accomplishments have widened the scope of possibilities in mobile communications.

Research and Development

■ Basic R&D Policies and Structures DOCOMO's R&D activities extend over a wide range of areas, from increasing our competitiveness to basic research focused on future developments in the telecommunications industry. We have built an R&D system that covers all aspects of mobile communication systems, from networks to handsets. This facilitates coordinated R&D in networks and handsets in line with our operational strategies in each of these fields. As a result, we are developing original technologies linked to the provision of highly convenient and attractive handsets and services that will be closely linked to both infrastructure and handsets.

Our R&D activities are principally conducted at our domestic DOCOMO R&D Center and at three overseas facilities. The DOCOMO R&D Center at the Yokosuka Research Park (YRP), which is our core R&D facility, conducts original research in a wide range of mobile communications fields. In addition, to establish new research fields through integration with other fields, the center actively collaborates on joint research projects with other R&D institutes and university laboratories. In addition, our research centers in the U.S., Germany, and China enable us to keep up to date with the latest international trends in leading-edge technologies and to work towards the standardization of mobile communications systems.

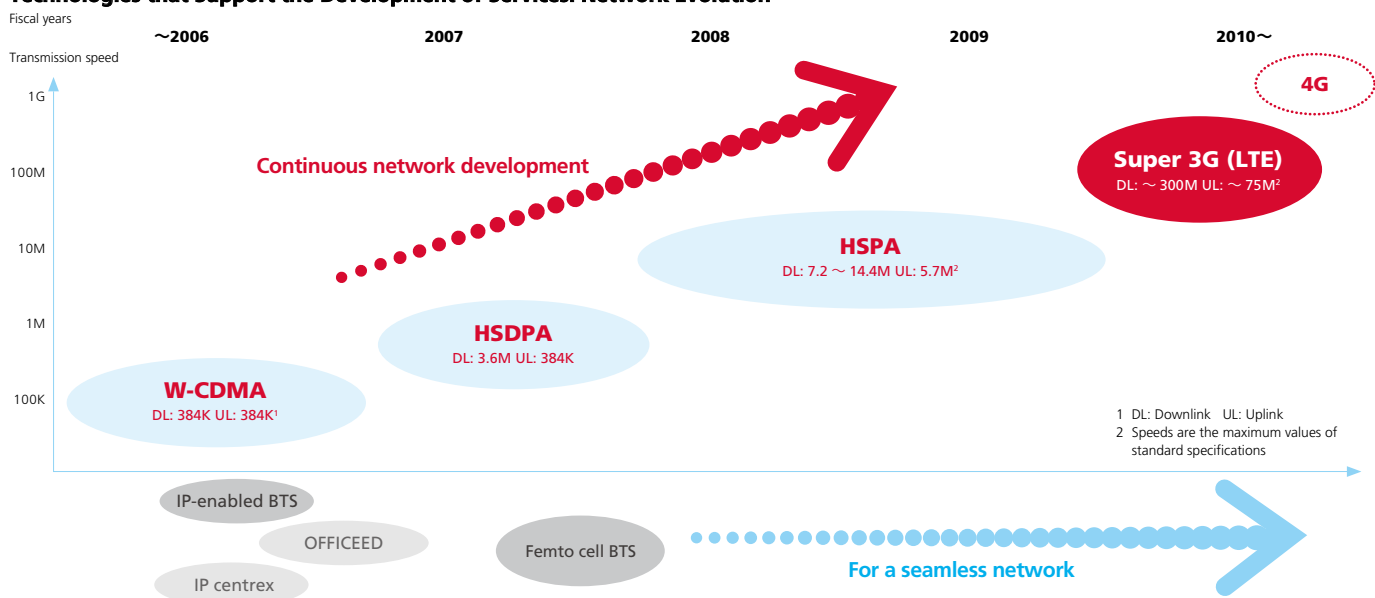
■ Major R&D Initiatives and Accomplishments in Fiscal 2007 To prepare for the high-speed communication networks of the future, in July 2007 we began indoor testing of Super 3G (LTE) targeting confirmation of basic functionality and system optimization. In addition, from the end of February 2008 we commenced outdoor tests of a Super 3G system and successfully achieved a downlink transmission rate of 250Mbps. We will continue tests targeting the commercial launch of a Super 3G service, and we will endeavor to complete the development of a commercial Super 3G system during 2009.

As part of our efforts to further improve area quality, we developed an ultra-small base station, known as the Femto cell BTS, to facilitate coverage of areas not readily reached by radio waves, such as inside homes and stores. Through the use of the Femto cell BTS, we expect to be able to provide low-cost area coverage, and to further improve FOMA indoor area quality, we plan to progressively develop this technology.

Initiatives promoting the transition to Lifestyle Infrastructure include the commencement of development testing of new sampling advertising methods using One-Seg, conducted in collaboration with Nippon Television Network Corporation. Another initiative has been the development of the Lifestyle Support Recommendation System, which utilizes the activities recorded in subscribers' mobile phone schedulers to automatically provide information that is useful throughout their daily lives.

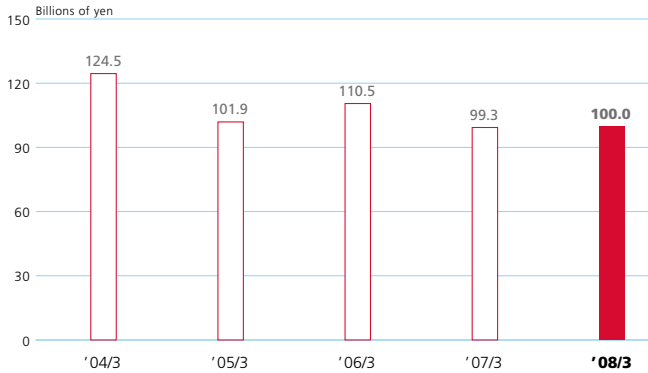
In fiscal 2007, our R&D expenses were ¥100.0 billion, about the same as the previous year's level of ¥99.3 billion.

Technologies that Support the Development of Services: Network Evolution



Research and Development Expenses

Years ended March 31



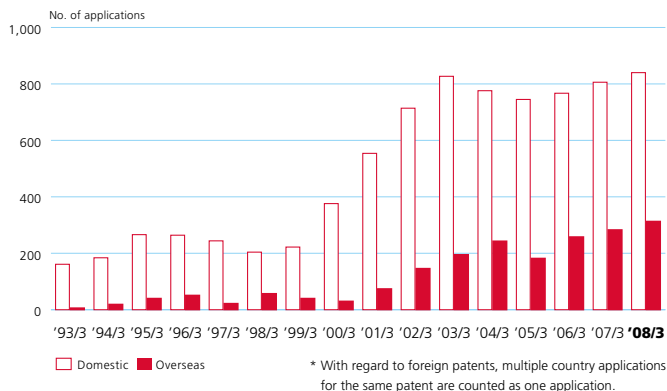
Topic

DOCOMO SUCCESSFULLY DEMONSTRATES THE WORLD'S FIRST MOLECULAR DELIVERY SYSTEM FOR MOLECULAR COMMUNICATION

DOCOMO has successfully demonstrated the world's first molecular delivery system for molecular communication in experiments carried out jointly with Professor Kazuo Sudo of the Department of Life Sciences, the University of Tokyo, and Associate Professor Shoji Takeuchi of the Institute of Industrial Science, the University of Tokyo. Molecular communication is a new communication paradigm in which molecules are used as a communication medium. By combining communications technology and biochemistry, molecular communication can transmit information about the biochemical conditions of living organisms, such as excitement, emotion, stress, or disease, a task that has previously been difficult. The commercialization of this technology may make it possible to diagnose diseases or identify stress by directly analyzing biomolecules in a drop of sweat or blood using a mobile phone equipped with a biochip. The system could be used, for example, for remote health checks or preventive medicine.

Number of Patent Applications

Years ended March 31



Intellectual Property

Basic Policy and Systems Our basic policy for intellectual property activities is to build, manage and utilize strategic and effective intellectual property portfolios as well as avoiding infringement on the intellectual property rights of other companies. Through cooperation with the R&D departments and business departments, we aim to enhance the comprehensive strength of our intellectual property through such initiatives as effectively managing the overall process of applying for, obtaining, managing, and utilizing patents and trademarks, as well as by implementing measures to avoid infringing on other companies' rights.

Strengthening Intellectual Property In fiscal 2007, DOCOMO submitted approximately 840 patent applications in Japan and approximately 300 patent applications overseas. Since fiscal 2004, we have submitted a steadily growing number of patent applications each year in Japan and overseas centered on technologies for which we are conducting research and development, including technologies to make networks faster, such as Super 3G (LTE) and IMT-Advanced (4G), and to support new services.

In fiscal 2007, we secured approximately 350 patent registrations in Japan and approximately 1,100 overseas. Also, accompanying the confirmation of the specifications for Super 3G, we expect the number of our Super 3G-related patent registrations to increase in Japan and overseas. In the future, we will continue to bolster our intellectual property and thereby boost our competitiveness in Japan and overseas.

Strengthening Risk Management To prevent the occurrence of violations of other companies' intellectual property rights, DOCOMO works in coordination with the R&D and business departments to implement seamless patent clearance activities from service planning to service introduction, thereby preventing patent or trademark violations. Whenever we receive a warning, the Intellectual Property Department acts as a consultation center for the entire Company and responds in close cooperation with related departments (technical departments, business departments and legal departments) and with lawyers and patent attorneys to respond quickly and accurately. In addition, we are strengthening measures to prevent leaks of intellectual property, such as technical know-how acquired in joint R&D with other companies. We are also avoiding the risk of violation of copyrights and trademarks through educational activities and training within the Company.

Number of Patents Filed

Years ended March 31

