

## Targeting Sustained Growth

As it conducts its business activities, DOCOMO maintains close relationships with an extremely broad range of stakeholders. Our mission is to faithfully meet the expectations of those stakeholders. In that way, we build and maintain close relationships with all stakeholders, which in turn support sustained growth for DOCOMO.



# Corporate Governance

**We will strive to achieve transparent, sound management and prompt decisions as we build an effective corporate governance system, thereby enhancing our corporate value.**

■ **Basic Policy** Recognizing the importance of having effective corporate governance to consistently enhance its corporate value, DOCOMO has been working to establish a governance system that allows us to make decisions without delay and to reinforce our audit and internal controls. This also allows us to improve our communications with shareholders to achieve the goal of ensuring promptness, transparency, and soundness in our business management.

■ **Overview of DOCOMO's Governance System** For the governance of our business operations, we have adopted a Board of Directors/Corporate Auditors system. There are two key reasons for the adoption of this system. First, we believe that directors should be involved in the decision-making process pertaining to important Company matters in order to facilitate business management from the customer's perspective. Second, we believe that, to ensure sound and efficient business execution, it is desirable to establish a structure in which Board members, assigned the responsibility for business execution, supervise each other, and corporate auditors including external auditors audit business management.

To further strengthen business execution and to enhance management supervision, we introduced the corporate officer system and transferred a portion of business execution authority from the Board to the representative directors, corporate officers, and other executives. We believe this allows flexible business execution by the responsible corporate officers. To enhance the management supervision function by bolstering the effectiveness of the mutual supervision of Board members in business execution, more than half of Board members are assigned the responsibility of serving concurrently as

corporate officers. One member of the Board of Directors is an external director (an employee of our parent company, NTT Corporation).

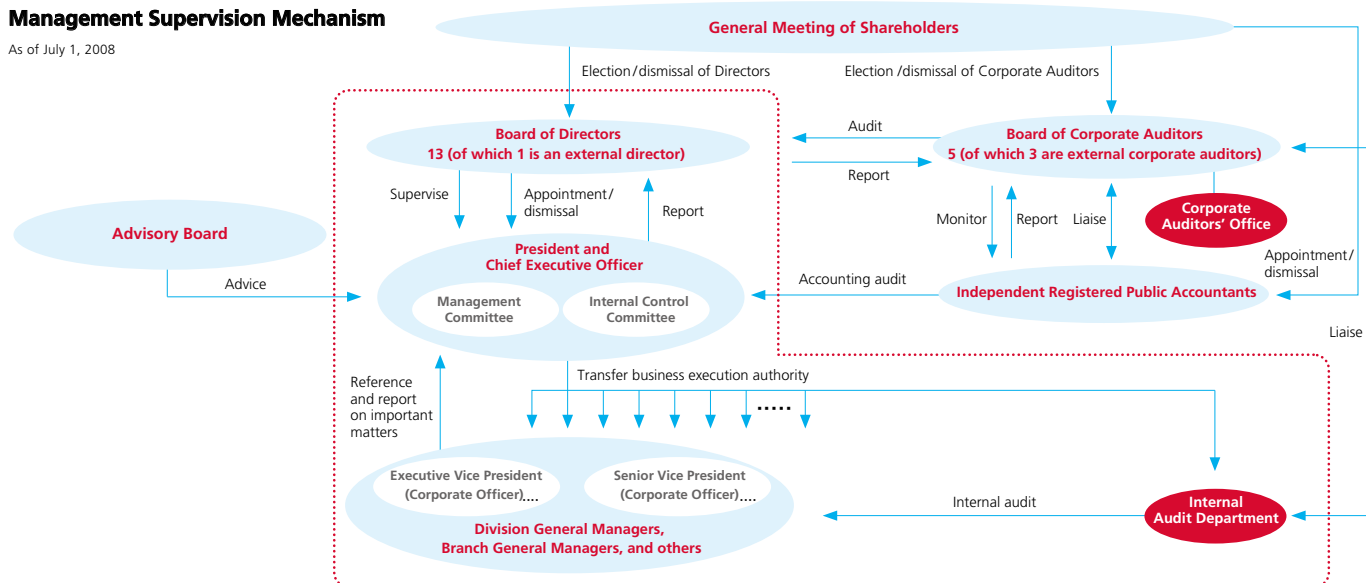
Our business execution and management supervision system is shown below.

■ **Business Execution and Management Supervision** The Board of Directors has 13 members, including one external director. In principle, the board has regular meetings once a month, and extraordinary meetings are convened if necessary. In this way, decisions are made on important business matters, status reports are received as needed from Board members assigned the responsibility for business execution, and management supervision is implemented. We have established the Management Committee, which includes representative directors, executive vice presidents, and full-time corporate auditors. In principle, the committee has regular meetings once a week, and extraordinary meetings are convened if necessary. In this way, we support flexible, rapid decision-making on important matters related to business execution.

■ **Audit Structure** The Board of Corporate Auditors consists of five members, including three external auditors. The Board of Corporate Auditors typically has a meeting once a month to make decisions on audit policies, plans, methods and other important issues relating to the audit of the Company, as well as to report on the status of audits carried out. Corporate auditors ensure the effectiveness of audits by collaborating and exchanging information on audit plans and results with the Internal Audit Office, an independent unit established to perform internal audits of the Company, and our registered public accountants on a regular basis. Furthermore, corporate

## DOCOMO's Business Execution and Management Supervision Mechanism

As of July 1, 2008



auditors reinforce audit systems by improving the communication with corporate auditors of the Company's subsidiaries.

■ **Advisory Board** To receive objective input pertaining to managerial challenges facing us from experts representing various fields, we set up Advisory Boards in Japan and the United States. The members of the two Advisory Boards are comprised of experts from various fields, and the advice and suggestions obtained from them are reflected in our management.

■ **Internal Auditing** The Internal Auditing Department, which is independent from other business execution, tests and evaluates the effectiveness, efficiency, and status of regulatory compliance in each of the divisions and branches of the Company's headquarters. This process is conducted in accordance with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. Accordingly, we conduct internal auditing to improve internal control.

■ **Investor Relations Activities** We are aggressively implementing investor relations (IR) activities to facilitate close communications with shareholders and investors. Our efforts to achieve transparency in management include timely and fair disclosure of management information, which is enabled by developing disclosure controls and procedures. We are also working to create opportunities for direct communication between our top management and investors through opportunities such as presentations for institutional investors in Japan and overseas and IR seminars targeted at individual investors. The opinions of shareholders and investors are duly considered in the management of the Company and are also widely shared internally to improve our services and operating results.

We are also putting efforts into disseminating IR information through the Internet. In addition to the provision of a variety of materials regarding our business operations and financial results, we are paying close attention to fair disclosure by offering live coverage of analyst meetings via our IR Website.

## Message

### Message From External Corporate Auditor

Corporate Auditor

**Takaaki Wakasugi**

Co-director, Mitsui Life Financial Research Center,  
Stephen M. Ross School of Business at University of Michigan

Director and General Manager,  
Japan Corporate Governance Research Institute, Inc.

Professor of Finance, School of Business Administration,  
Tokyo Keizai University

Professor Emeritus, University of Tokyo



#### The Responsibilities of External Corporate Auditors

I would like DOCOMO to be a "good company" that seeks profits in a sound manner. It is the responsibility of directors and corporate auditors to enhance corporate value, and this is the same for external corporate auditors as it is for other management team members.

However, DOCOMO is a special company that its parent company, Nippon Telegraph and Telephone Corporation (NTT) owns approximately 60% stake, and that situation implies an important role for an external corporate auditor. It is possible that NTT demands DOCOMO operate in a way that gives priority to the interests of the NTT Group. When there is a potential conflict between the interests of the parent company and other shareholders, an important issue is how to secure the interests of stakeholders other than the parent company. I would like to provide DOCOMO management with frank suggestions from the viewpoint of all shareholders.

#### DOCOMO's Corporate Culture

DOCOMO has a democratic corporate culture that permits the exchange of straightforward opinions. Japanese companies' board of directors meetings are sometimes said to be formalities, but DOCOMO's board of directors meetings have comparatively active discussions, with sound decision-making conducted following proper deliberation.

#### DOCOMO's Corporate Governance

Corporate governance is ensuring good management from the viewpoint of shareholders. Of course, the overwhelming presence of the parent company

affects DOCOMO's corporate governance, but, on the other hand, the intensely competitive environment promotes stronger governance by management.

Also, from the viewpoint of internal control, DOCOMO is an exceptional company. The use of IT is an effective means of spreading internal control, and in its internal administrative tasks DOCOMO has advanced the use of IT to a high level, and that contributes to making DOCOMO's internal control effective. Also, a system for the rapid discovery of problematic behavior by employees and for the correction of any problems before they become serious is functioning effectively.

#### DOCOMO's Challenges Related to Corporate Governance

For DOCOMO, which has an exceptionally influential parent company, there are extremely difficult aspects to governance. In a service business environment, competent managers and a system that motivates the managers are essential, but the degree of freedom that DOCOMO has in regard to the treatment and compensation of directors and corporate auditors seems to me to be limited. In ensuring the effective functioning of governance in this situation, it is important that all directors are conscious of the interests of the shareholders as a whole, that there are clear performance objectives, and that there is a system for assigning responsibility for achieving those objectives.

I would like to continue to serve the Company to review management from the viewpoint of achieving management that pursues continual enhancement of corporate value.

# Internal Control

## Basic Frameworks for Internal Control and Fiscal 2007 Activities

We employ the COSO Framework for the design, operation, and evaluation of our internal control system. Also, we established the Internal Control Committee to enhance the internal control system in a Company-wide manner, evaluate its effectiveness, and make any necessary improvements.

For DOCOMO groupwide matters that require strict management, such as information security control, all Group companies implement audits using standardized audit items, and to enhance the quality of internal auditing, we conduct internal auditing reviews of Group companies.

The full-fledged entry into new fields of business has led to changes in business risks. In response, from fiscal 2007 we are implementing audits that take into account risks inherent to credit business operations.

**Risk Management** We strive to strengthen risk management with the basic policy of identifying and responding to business risk as early as possible. Specifically, we have formulated Risk Management Principles, and in accordance with those principles, the Internal Control Committee periodically takes steps to identify business risks, designate risks that require Company-wide management, and formulate management policies for those identified risks. In addition, through standing committees, we have a system to monitor identified risks, to prevent risk events from occurring, and to take rapid countermeasures in the event that they do occur.

**Ethics and Legal Compliance** Each of our employees is instructed to follow the "NTT DOCOMO Group Code of Ethics." Ensuring that activities are based on high ethical standards is the foundation of our compliance management.

In addition, in order to increase effectiveness, we set up a compliance promotion system centered on Compliance Promotion Committees, chaired by the presidents and other executives of each of the Group companies, and are building an information consultation system and an internal control system pertaining to compliance with ethics and laws. In addition, all Divisions have employees with responsibility for compliance promotion, and at least once a year we implement employee education and training in ethics and legal compliance related to the work of each department. In fiscal 2007, we continued to implement initiatives to enhance awareness of compliance on a Company-wide basis, such as compliance video training over the Company's intranet, which was conducted four times.

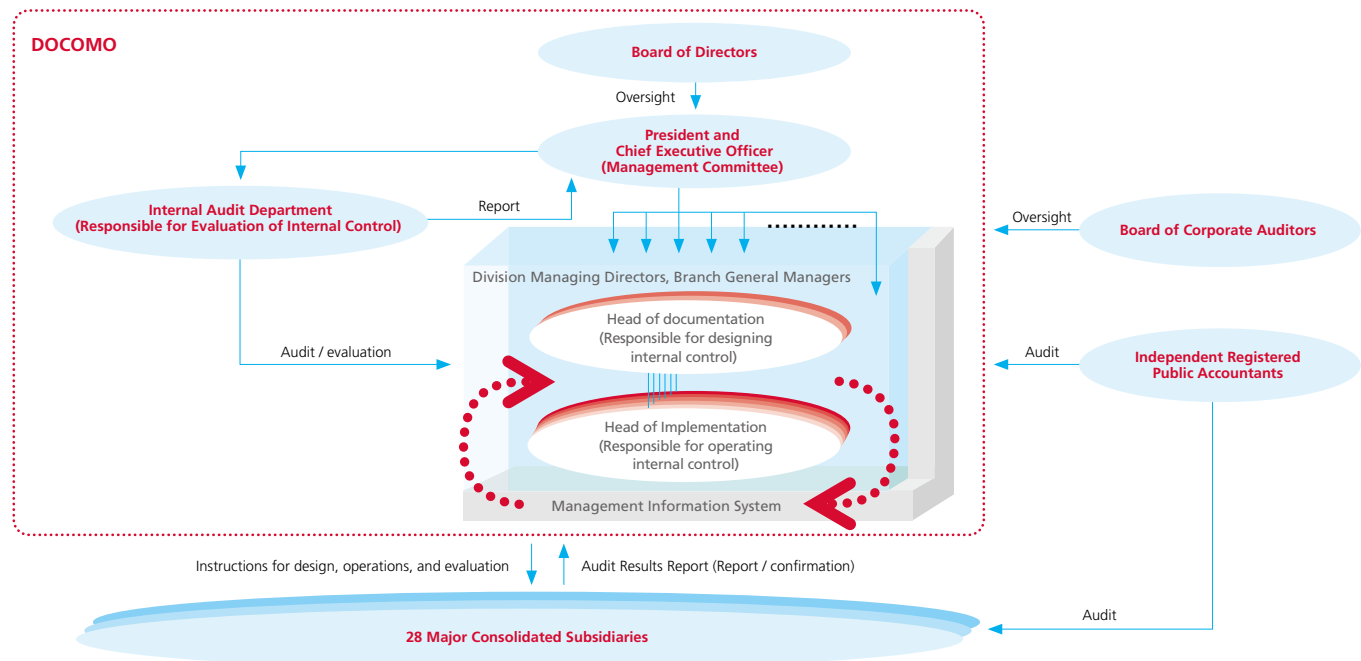
## Ensuring Reliability of Financial Reporting (Responding to the SOX Act)

In fiscal 2007, to meet the requirements of Section 404 of the SOX Act that management evaluate the effectiveness of a company's internal control over financial reporting, we evaluated the Company and 36 of its major consolidated subsidiaries (28 in the fiscal 2008, due to the consolidation of regional subsidiaries into the parent company), and concluded that internal control over financial reporting was effective.

**Protection of Personal Information** We strive for the complete protection of personal information in all of our business processes under the supervision of the Chief Privacy Officer (CPO), from administrative departments (including the preparation and improvement of internal regulations and the strengthening of technical security checks by management) to branches (including the control of terminals that handle personal information and the education of employees) and to the management and supervision of companies handling work under outsourcing arrangements.

## SOX Act, Section 404 Organization Chart

As of July 1, 2008



# The DOCOMO Group's Corporate Social Responsibility (CSR) Activities

**Connecting people with each other and opening up the door to the future. That is the mission of DOCOMO, which endeavors to be a "Relation Service Company." DOCOMO's corporate philosophy is to create a new world of communications culture and that approach is the foundation of our CSR activities.**

■ **DOCOMO's CSR Activities and Corporate Strategies** In April 2008, we announced the New DOCOMO Commitments: Our Vision for Transformation, which will reinforce our ties with our customers. These commitments incorporate stronger ties with each customer. This is DOCOMO's fundamental approach to CSR – sincere face-to-face interaction with individual customers. We aim to contribute to society by carrying out our business activities with integrity.

## CSR Message of NTT DOCOMO

**We connect people to people, and people to their world. We open the door to the future.**

**Any time, any place, we connect people to people, and people to the future. That is our mission at DOCOMO, in our aim to be a "Relation Service Company." We listen to each individual customer and to society.**

**We innovate toward the future.**

**We create abundance and convenience in life and culture.**

**We address issues of the global environment and society, as part of our commitment to contribute to sustainable development of the society.**

### Working for the individual user

We carefully design our services so that all of our customers will find them convenient and easy to use.

### Reliable quality

We provide stable communications quality everywhere and at all times, and offer critical communications functions even in disasters and other emergency situations.

### Safe and secure

We make a serious effort to deal with information security and other issues that arise in society as a result of the use of communications technologies.

### Protecting the global environment

We reduce environmental impacts in each process of our business activities, and work closely with our customers to protect the global environment.

**Creating abundance and convenience in life and culture**

■ **For A Safer and More Secure Mobile Society** In recent years, the number of children with mobile phones, including elementary and junior high school students, has been increasing, and these phones offer the convenience of enabling communications with family members at any time and of protecting children's safety. On the other hand, there has also been an increase in cases of children accessing harmful information and becoming involved in problems. In consideration of this situation, we are implementing educational and other activities. For example, to realize a secure, safe mobile society, we held approximately 2,400 sessions of the "Mobile Phone Safety Program" nationwide during fiscal 2007. In addition, we strengthened links with local governments and with the police. Furthermore, in addition to efforts to increase awareness about the *Harmful Access Blocking* service, from February 2008, the service has been made the default setting for new subscriptions for minors, unless parents indicate that it is not necessary. Also, for existing subscribers who are less than 18 years old, the blocking service is planned to be activated unless parents explicitly express that the service is unnecessary.



Mobile Phone Safety Program

■ **Wide-ranging Disaster Countermeasures** It is during times of disaster that the greatest demands are made on the stability and reliability of a communications network.

DOCOMO is devoted to the establishment of a highly safe and highly reliable communications network that supports mobile phone connections even in times of disaster, such as earthquakes. We decided on the Three Principles of Disaster Damage Prevention, and we have been acting on them: 1. Enhance System Reliability, 2. Ensure Important Communications, and 3. Rapidly Restore Communications Services. Specifically, we equipped mobile base-station vehicles with satellite circuits and built a system to more rapidly secure communications in affected areas. Also, we are working to minimize the influence of a disaster on our operations. For example, we have formulated the Business Continuity Plan. This plan comprises measures that will help each organizational unit in the DOCOMO Group to continue operations and to rebuild quickly.

■ **Key Initiatives in DOCOMO's CSR Activities** DOCOMO's CSR activities include initiatives to realize a secure, safe mobile society, diverse responses to earthquakes and other natural disasters, and actions against global environmental concerns. In addition, we are implementing a range of initiatives in focused areas, such as the provision of products and services that are easy to use for all customers (advancing universal design).



**■ Global Environmental Conservation Initiatives** To minimize the environmental burden of our business activities, we are implementing multifaceted environmental conservation initiatives. In June 2007, we formulated the DOCOMO Global Environmental Charter, which has three fundamental elements: 1. Conduct Business with the Environment in Mind, 2. Strengthen Environmental Management, and 3. Promote Environmental Communication. The entire Group is working together to implement an array of environmental conservation initiatives.

DOCOMO's emissions of CO<sub>2</sub> and other greenhouse gases are growing each year, driven by growth in the number of mobile phone contracts and the installation of additional network facilities in response to customer needs. Electricity accounts for about 88% of our greenhouse gas emissions, and accordingly we are taking steps to reduce energy consumption in network facilities, such as the introduction of optical fiber connection base stations, high-efficiency electrical power supply equipment, and high-efficiency air-conditioning systems.

We are also aggressively implementing recycling of mobile phones in order to effectively utilize these valuable resources. We are strengthening our customer awareness and PR campaigns and, in response to customers who have cooperated, we are directing a portion of the revenue from recycling to overseas reforestation efforts.

In fiscal 2007, we expanded our recycling bases, installing recycling boxes in six mass appliance retailers and 50 convenience stores.

**■ Promoting Universal Design Products and Services** DOCOMO uses the term *Hearty Style* for its universal design initiatives, which make products and services easy to use for all customers. In 2007, to expand universal design products, we formulated the Universal Design Guidelines, developed mobile phones that are easy for all customers to use, and introduced the *Hearty Discount*. In addition, we offered seminars for people with disabilities on the use of mobile phones. Moreover, we took steps to make DOCOMO shops barrier-free, and we introduced sign-language-support videophones for customers with hearing disabilities. Our universal design initiatives have been highly evaluated, and in December 2007 we were awarded the Prime Minister's Prize at the 2007 Barrier-Free Contributor's Awards.



Barrier-free layouts are built into DOCOMO shops



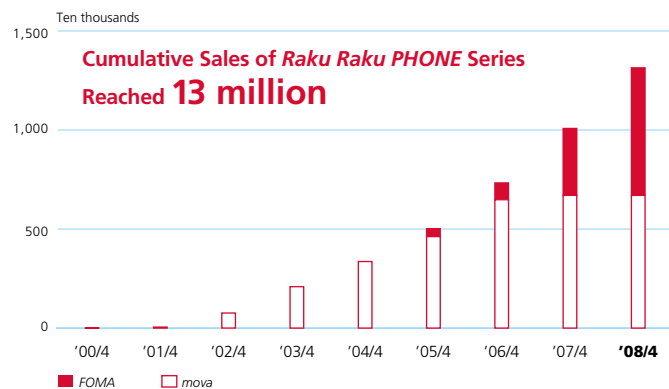
Sign-language-support videophones

## Column

### Raku Raku PHONE Series

Available since 1999, the Raku Raku PHONE series has earned broad support as a mobile phone that is easy for anyone to use. Nine models are available, including both FOMA and mova models, and sales are growing, especially among seniors. Cumulative handset sales surpassed 10 million in April 2007 and 13 million in April 2008. The Raku Raku PHONE IV, with GPS functions, was launched in August 2007. When the one-touch buzzer installed on the phone is used, *Ima-doko Search* subscribers, such as family members, can be notified of the user's location. Basic functions have been enhanced, such as *Yukkuri Voice*, which enables the speed of the other party's voice to be reduced, and *Super Hakkiri Voice*, which automatically increases the volume of the other party's voice if it is low. Through these initiatives, we have improved usability and developed new subscribers among senior citizens, a customer segment in which mobile phone penetration had previously been relatively low.

#### Cumulative Handset Sales



## A Strong Financial Base Supporting Corporate Strategies

**A sound financial position is one of DOCOMO's competitive advantages. A strong financial position supports sustained growth by facilitating a stable supply of low-cost funds needed for business activities and by enabling the pursuit of diverse growth opportunities.**

■ **Basic Policy** The domestic mobile phone market is mature. In this setting, to secure continued competitive advantages and achieve sustained growth in the years ahead, we are reinvesting the funds that are steadily generated by the mobile phone business into mobile phone network facilities. By building a high-quality communications network and responding to steadily growing demand for data communications, we are working to further enhance our competitiveness.

In the use of free cash flows, we have given the highest priority to investment in growth opportunities, such as in peripheral businesses from which synergies with the mobile phone business can be expected as well as international services. Our basic policy is to pursue the optimal balance between providing a return to shareholders and maintaining a strong financial position, while monitoring changes in the operating environment and capital markets.

■ **Initiatives Targeting Further Gains in Competitiveness** To enhance competitiveness, in the past we directed capital investment toward the expansion of FOMA service area coverage, and that investment has achieved a greater level of coverage. Accordingly, we have shifted our investment emphasis to service area quality enhancement measures, such as area tuning and installation of indoor systems, in the year under review. In addition, we invested in expanding HSDPA (high-speed downlink packet access) areas and in responding to increased data volume accompanying the penetration of our flat-rate billing services. Overall, capital expenditure in fiscal 2007 declined 18.8% year on year, to ¥758.7 billion. In fiscal 2008, we plan to curb network-related investment while continuing to focus our investment on the enhancement of service area quality. We expect capital expenditure to decline 5.2% in fiscal 2008, to ¥719.0 billion.

■ **Financial Policies for the Development of New Businesses** We have positioned investment in growth opportunities to create new sources of revenue as our highest priority for the use of free cash flows. In implementing strategic alliances, we choose the optimal format from a broad range of possibilities, including equity investment, while considering the strategic importance of each alliance to our operations and the funding needs of the partners.

In fiscal 2007, with the objectives of enhancing the *Osaifu-Keitai* usage environment and developing *Osaifu-Keitai*-linked services, we entered into a capital tie-up and strategic alliance with FamilyMart Co., Ltd., and established a joint venture with McDonald's Holdings Company (Japan), Ltd. Also, targeting the development of a mapping application for mobile phones and the provision of new services based on the combination of mobile phone location information and a cartographic database, we entered into a business and capital alliance with ZENRIN DataCom Co., Ltd.

Investments in international services included the provision of funding as one part of a cooperative venture with AT&T Mobility, LLC, of the U.S.,

targeting the construction of a W-CDMA network covering the U.S. state of Hawaii. Moreover, we made an additional investment in the Philippines telecommunications operator, Philippine Long Distance Telephone Company, and, in cooperation with KT Freetel Co., Ltd. of South Korea, we invested in U Mobile Sdn. Bhd. of Malaysia. In these ways, we enhanced our seamless mobile-use environment and paved the way for incorporating the growth of Southeast Asian countries.

■ **Shareholder Return Initiatives** We recognize that providing returns to our shareholders is one of management's highest priorities. In determining the level of shareholder return, we take into account the level of cash flows, the consolidated results, and the consolidated dividend payout ratio as well as the need to strengthen our financial position and maintain adequate internal reserves. We intend to provide a shareholder return by continuing to flexibly repurchase our shares and to pay dividends in accordance with the principle of stable dividend payments.

The Company paid a total annual dividend of ¥4,800 per share for fiscal 2007, comprising an interim dividend of ¥2,400 per share and a year-end dividend of ¥2,400 per share. In fiscal 2007, we repurchased ¥173.0 billion worth of shares (approximately 970,000 shares) based on a resolution of the Ordinary General Meeting of Shareholders. In addition, we repurchased ¥50 billion worth of shares (approximately 310,000 shares) from April 1, 2008 to the end of June 2008. Furthermore, the Ordinary General Meeting of Shareholders, which was held in June 2008, approved our repurchase of up to ¥150.0 billion worth of shares (900,000 shares) within a period of one year, beginning from the date following the close of the Ordinary General Meeting of Shareholders. The Company intends to hold the repurchased shares as treasury stock and, in principle, to limit the amount of such treasury stock to approximately 5% of total issued shares. Holdings in excess of this level will be retired at the end of the fiscal year. In fiscal 2007, the Company retired 1.01 million shares at the end of the fiscal year (about 2.2% of the total shares issued prior to the retirement).

■ **Initiatives to Strengthen Financial Position** We are reducing total debt to ensure capacity for future financing, while considering the balance between the reduction of total debt and the reduction in shareholders' equity stemming from the provision of returns to shareholders. Consolidated debt declined by ¥124.5 billion, from ¥603.0 billion at the end of March 2007 to ¥478.5 billion at the end of March 2008. In May 2007, our long-term issue and issuer credit ratings were raised to AA by Standard & Poor's. Also, we maintain an Aa1 rating assigned by Moody's. Accordingly, among telecommunications companies around the world, we continue to maintain one of the highest credit ratings.

# Board of Directors and Corporate Auditors

As of June 23, 2008



## President and Chief Executive Officer

Ryuji Yamada<sup>1</sup>

## Senior Executive Vice Presidents

Kiyoyuki Tsujimura<sup>1</sup>

Masatoshi Suzuki<sup>1</sup>

Hiroshi Matsui<sup>1</sup>

## Executive Vice Presidents

Harunari Futatsugi

Bunya Kumagai

Kazuto Tsubouchi (Chief Financial Officer)

Kaoru Kato

Mitsunobu Komori

## Senior Vice Presidents

Takashi Tanaka

Katsuhiro Nakamura

## Corporate Advisor and Member of the Board

Masao Nakamura

## Member of the Board

Hiroshi Tsujigami<sup>2</sup>

## Full-time Corporate Auditors

Haruo Imai<sup>3</sup>

Kenichi Aoki

Shunichi Tamari

Kyouichi Yoshizawa<sup>3</sup>

## Corporate Auditor

Takaaki Wakasugi<sup>3</sup>

From left

**Senior Executive Vice President**

Masatoshi Suzuki

**President and Chief Executive Officer**

Ryuji Yamada

**Senior Executive Vice President**

Kiyoyuki Tsujimura

**Senior Executive Vice President**

Hiroshi Matsui

<sup>1</sup> Representative Directors

<sup>2</sup> External director pursuant to Article 2, Paragraph 15 of the Japanese Corporate Law

<sup>3</sup> External corporate auditors pursuant to Article 2, Paragraph 16 of the Japanese Corporate Law