Financial Section

Financial Summary (U.S. GAAP)

NTT DOCOMO, INC. AND SUBSIDIARIES

Years ended March 31

			Millions of yen (excluding per share data)			Millions of U.S. dollars[1] (excluding per share data)
	2005	2006	2007	2008	**2009**	**2009**
Operating Results						
Operating revenues	¥4,844,610	¥4,765,872	¥4,788,093	¥4,711,827	¥4,447,980	$ 44,861
Wireless services	4,296,537	4,295,856	4,314,140	4,165,234	3,841,082	38,740
Equipment sales	548,073	470,016	473,953	546,593	606,898	6,121
Operating expenses	4,060,444	3,933,233	4,014,569	3,903,515	3,617,021	36,480
Operating income	784,166	832,639	773,524	808,312	830,959	8,381
Other income (expense)	504,055	119,664	(581)	(7,624)	(50,486)	(509)
Income before income taxes, equity in net income of affiliates and minority interests	1,288,221	952,303	772,943	800,688	780,473	7,872
Net income	¥ 747,564	¥ 610,481	¥ 457,278	¥ 491,202	¥ 471,873	$ 4,759
Per Share Data[2] (Yen and U.S. dollars)						
Basic and diluted earnings per share	¥ 15,771	¥ 13,491	¥ 10,396	¥ 11,391	¥ 11,172	$ 112.67
Shareholders' equity per share	84,455	91,109	95,457	100,321	103,966	1,048.57
Cash dividends declared per share[3]	2,000	4,000	4,000	4,800	4,800	48.41

1 Translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers by using the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2009, which was ¥99.15 to U.S.$1.00.
2 In the calculation of per share data, treasury stock is not included in the number of outstanding shares during or at the end of the year.
3 Cash dividends declared per share are presented in the fiscal year to which each record date for the dividends belongs.

	Millions of yen (unless otherwise specified)					Millions of U.S. dollars[1]
	2005	2006	2007	2008	**2009**	**2009**
Financial Position						
Total assets	¥6,136,521	¥6,365,257	¥6,116,215	¥6,210,834	¥ 6,488,220	$ 65,438
Total debt[4]	948,523	792,405	602,965	478,464	639,233	6,447
Total shareholders' equity	3,907,932	4,052,017	4,161,303	4,276,496	4,341,585	43,788
Cash Flows						
Net cash provided by operating activities	¥1,181,585	¥1,610,941	¥ 980,598	¥1,560,140	¥ 1,173,677	$ 11,837
Net cash used in investing activities	(578,329)	(951,077)	(947,651)	(758,849)	(1,030,983)	(10,398)
Free cash flows[5]	603,256	659,864	32,947	801,291	142,694	1,439
Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)[6]	1,003,583	510,905	192,237	442,410	93,416	942
Other Financial Data						
EBITDA[7]	¥1,625,661	¥1,606,776	¥1,574,570	¥1,639,096	¥ 1,678,422	$ 16,928
Capital expenditures[8]	861,517	887,113	934,423	758,743	737,606	7,439
Research and development expenses	101,945	110,509	99,315	100,035	100,793	1,017
Financial Ratios[9]						
Operating income margin[10]	16.2%	17.5%	16.2%	17.2%	18.7%	
EBITDA margin[7]	33.6%	33.7%	32.9%	34.8%	37.7%	
ROE	19.6%	15.3%	11.1%	11.6%	11.0%	
ROCE[11]	16.2%	17.2%	16.1%	17.0%	17.1%	
Equity ratio[12]	63.7%	63.7%	68.0%	68.9%	66.9%	
Debt ratio[13]	19.5%	16.4%	12.7%	10.1%	12.8%	

4 Total debt = Short-term borrowings + Current portion of long-term debt + Long-term debt
5 Free cash flows = Net cash provided by operating activities + Net cash used in investing activities
6 Irregular factors represent the effects of uncollected revenues due to bank closure at the end of periods. Changes in investments for cash management purposes were derived from purchases, redemption at maturity and sales of financial instruments held for cash management purposes with original maturities of longer than three months. For the reconciliations of these Non-GAAP financial measures, see page 115.
7 EBITDA = Operating income + Depreciation and amortization + Losses on sale or disposal of property, plant and equipment
EBITDA margin = EBITDA / Total operating revenues. For the reconciliations of these Non-GAAP financial measures, see page 115.
8 Capital expenditures are calculated on an accrual basis for the purchases of property, plant and equipment, and intangible and other assets.
9 ROE and ROCE are calculated using the simple average of the applicable year-end balance sheet figures.
10 Operating income margin = Operating income / Operating revenues
11 ROCE (Return on capital employed) = Operating income / (Shareholders' equity + Total debt)
12 Equity ratio = Total shareholders' equity / Total assets
13 Debt ratio = Total debt / (Shareholders' equity + Total debt)

Operating and Financial Review and Prospects

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements and the notes thereto included in this annual report.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this annual report.

We will discuss the following matters in this section:

A. OPERATING RESULTS

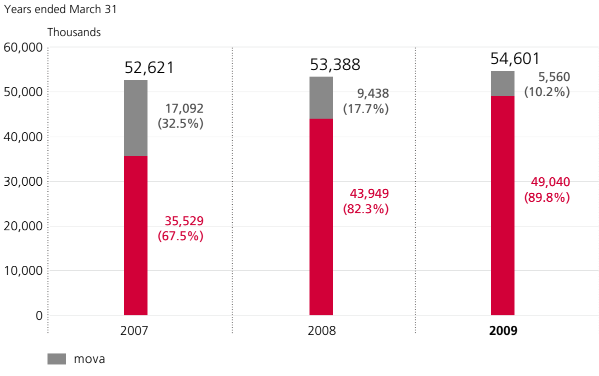
■ Our Business

We are the largest cellular network operator in Japan in terms of both revenues and number of subscriptions. As of March 31, 2009, we had approximately 54.60 million subscriptions, which represented 50.8% of all cellular subscriptions in Japan. We earn revenues and generate cash primarily by offering a variety of wireless voice and data communications services and products. In cellular services, which account for the majority of our revenues, we provide voice communication services as well as "i-mode" services, which enable our subscribers to exchange e-mails and to access various sources of information including the Internet via our nationwide packet communications network. In addition to cellular services, we presently provide wireless LAN services nationwide, a mobile credit payment platform and mobile credit payment services.

We have been the market leader in the Japanese mobile communications industry as the demand for mobile communications has grown very rapidly. Now that a cellular phone has already become a part of daily life in Japan, it is difficult to duplicate the speedy growth we experienced in the first decade of our operations. However, in order to achieve sustainable growth and establish new sources of revenues, we are committed to upgrading our cellular communications services from a telecommunication infrastructure to a lifestyle infrastructure so that cellular services will be rooted even more deeply in the daily lives of our subscribers and further enrich their lives and businesses.

Number of Cellular Subscriptions

Years ended March 31



■ Trends in the Mobile Communications Industry in Japan

According to a release from the Telecommunications Carriers Association, the mobile communications market in Japan saw a 4.71 million net increase in cellular and PHS subscriptions for the year ended March 31, 2009. As of March 31, 2009, the total number of wireless subscriptions including cellular and PHS reached 112.05 million and the market penetration rate reached 87.7%. The annual growth rate of cellular subscriptions dropped to 4.6% for the year ended March 31, 2009 after a temporary rebound in a recent downward trend from 5.4% to 6.2% for the years ended March 31, 2007 and 2008, respectively. However, given the maturity of the market and the declining population trend, we expect that the growth rate of cellular subscriptions in Japan will be limited in the future.

As of March 31, 2009, cellular services were provided by four network operators including us and their subsidiaries in Japan. In addition to providing cellular services, the network operators also collaborate with handset manufacturers to develop handsets compatible with the specifications of their wireless services and then sell them primarily to agent resellers, who in turn sell such handsets to the subscribers. As for cellular services, since the year 2001, when we first launched "FOMA" services, our third generation ("3G") cellular services based on W-CDMA technology, our competitors have followed us in the launch of their 3G services. The network operators have been in an intense competition in pursuit of the acquisition of new subscribers and the migration of their current subscribers to 3G services. As of March 31, 2009, the number of 3G service subscriptions in Japan reached 99.63 million, which represented 92.7% of the total number of cellular subscriptions.

Competition among the network operators in Japan has become more intense under present market conditions as the needs of subscribers diversify and growth in new subscriptions slows. The network operators in Japan have been eager to differentiate themselves as they pursue the acquisition of new subscriptions and encourage the migration of their current subscribers to 3G services. The differentiation efforts include:

- Offering of free voice calls among family members under the same discount account with the same operators, free voice calls among subscribers under the same corporate subscription account with the same operators, introduction of new discount services to cut basic monthly charges by half upon commitment of long-term subscriptions, and introduction of packet flat-rate services;

- Introduction of installment sales for handsets and mobile phone protection and delivery service;
- Launching of new services such as providing mobile credit payment services, music downloading, video downloading and streaming, news casting, customized information delivery service, web-browsing filtering, location information services and high-speed data transmission;
- Equipping new handsets with various new functions including a TV tuner, radio tuner, music player, video player, contact-less IC (Integrated Circuit) chip capability, GPS (Global Positioning System), enlarged memory capability, compatibility with GSM network or security function; and
- Partnering with entities of different industries including retail, manufacturing and financial institutions.

Recently, domestic deregulation of the industry has accelerated competition among cellular network operators, who have already implemented discounts in their service charges. Mobile Number Portability, which enables subscribers to switch subscriptions from one operator to another without changing their telephone numbers, was introduced in October 2006. In September 2007, the Mobile Business Study Group, which was appointed by the Ministry of Internal Affairs and Communications, concluded a report in which it proposed certain actions to be taken by regulatory authorities including (1) reformation on methods of cellular handset sales, (2) promotion of new MVNO entrants to the market and (3) development of the market environment to invigorate the mobile business. Although some of these proposals have been already implemented, further implementation of these proposals by the regulatory authorities is expected to change revenue structures and business models of incumbent cellular network operators including us.

It is possible that innovations in Internet technology will have a material impact on the mobile communications industry as well. IP (Internet Protocol) phone, voice communications based on IP technology, is becoming a popular means of fixed line communications as a result of the penetration of local broadband access. If IP phone technology is applied to the mobile communications field, we expect that it will have a material impact on the current revenue structure of the mobile communications industry. The penetration of local broadband access and cellular phones has produced an expectation for new services in the future, converging fixed and mobile communications. A “Fixed-Mobile Convergence” concept has already been partially realized when some network operators issued a single bill for both fixed and mobile subscriptions or others enable their subscribers to access common contents or e-mail accounts via both a PC and a cellular phone. The demand for a seamless service between the fixed and mobile network and a common handset compatible with both fixed and mobile network service will possibly increase in the future. In the field of high-speed wireless networks, WiMAX has been standardized by the Institute of Electrical and Electronic Engineers in the United States. In Japan, two network operators were licensed to operate a 2.5GHz wide-band wireless broadband system in December 2007 and plan to launch commercial services during the year 2009.

Thus, we expect that the competitive environment for the mobile communications market will become increasingly severe in the future due to market, regulatory and technology changes.

■ Operating Strategies

We recognize that the cellular market in Japan has already entered into a phase of saturation as total cellular subscription exceeded 100 million in December 2007. In a phase of saturation, it is necessary to attract subscribers of competitors as it is difficult to rely on those who have not owned a cellular phone as a driving force of acquisition of new subscriptions. It is also indispensable to minimize the loss of subscriptions to competitors subsequent to intensified competition. As a market leader, we have put a top priority on the retention of our current subscriptions.

In November 2007, we abolished “handset sales incentives”, which were one of the components of commissions we pay to agent resellers, and introduced a new handset sales method or “Value Course”, and a discounted billing plan or “Value Plan”. Subscriber acquisitions by offering inexpensive discounted handsets by applying the “handset sales incentives” was an adequate business model for the penetration of cellular subscription in a growing market. However, as the market has moved into a matured phase, such business model lacked transparency on the cost allocation of handsets and network services, brought about unfairness on cost allocation among subscribers dependent on the duration of subscriptions and put downward pressure on the operating income of network operators.

“Value Course” is a new handset sales method, where purchase of a handset not discounted by the “handset sales incentive” awards the subscriber with a subscription to a billing plan with discounted basic monthly charges called “Value Plan”. Payment in installments is available for purchase of a handset in this “Value Course”. If a subscriber chooses to make installment payments, under agreements entered into among the subscriber, the agent reseller and us, we provide financing by paying for the purchased handset to the agent resellers and include the installment charge for the purchased handset in the monthly bill for network usage for the installment payment term. Because equipment sales are recognized upon delivery of handsets to agent resellers, the advance payment for the purchased handset to agent resellers and the subsequent cash collection of the installment receivable for the purchased handset from subscribers do not have an impact on our equipment sales, but do have an impact on cash flows from operating activities. While we simultaneously introduced another handset sales method called “Basic Course”, where a subscriber purchases a handset discounted by our direct subsidy specifically designed for “Basic Course” and undiscounted billing plans are applied, more than 90% of subscribers opted for “Value Course” under the new handset sales method and the number of subscribers to “Value Plan” exceeded 20 million as of March 31, 2009.
In August and September 2007, we also introduced new discount services called “Fami-wari MAX50”, “Hitoridemo Discount50” and “Office-wari MAX50” (“new discount services”), all of which discount basic monthly charges by half upon the commitment of a two-year subscription, and more than 60% of our subscribers utilized these new discount services as of March 31, 2009. We expect to realize the extension of subscriptions of current subscribers and a continued decline in our churn rate through these new handset sales methods and new discount services. Please refer to “B. Liquidity and Capital Resources” for the impact of the introduction of “Value Course” on our financial position.

In April 2008, we announced "New DOCOMO Commitments" re-positioning where we will stand in the future, and, taking this opportunity, changed our corporate branding. We reorganized our group structure in July 2008 by integrating eight regional subsidiaries for the purpose of enhancing the speed and effectiveness of our operations. We also announced our future business direction based on a new action plan "DOCOMO's Change and Challenge to Achieve New Growth" in October 2008. "DOCOMO's Change" includes concrete actions to revisit every aspect of business from the customer's perspective from customer relations to handsets and networks based on a thoroughly hands-on approach to serving customers at all levels of our group under "New DOCOMO Commitments". "DOCOMO's Challenge" includes action plans to drive innovation in collaboration with a wide range of partners, committing us to take on the challenges of creating new value by leveraging the virtually unlimited potential of mobile phones by responding to further advancements and diversifications in the mobile market, where development of services that take advantage of unique mobile properties such as real time immediacy, personal authentication, and GPS capabilities in conjunction with the evolution of networks and handsets, as well as new services that transcend conventional boundaries through the increasing adoption of open-platform handsets and entry of new global players are taking place.

■ Operating Trends

This section describes our operating trends from the perspectives of revenues and expenses.

Revenues

Wireless Services

We earn our wireless services revenues primarily from basic monthly charges, calling charges for outgoing calls, revenues from incoming calls including interconnection charges and charges for optional value-added services and features. Cellular services, which earn the majority of our overall revenues, consist of the third generation FOMA services, the second generation mova services and other services. FOMA's packet transmission technology allows our subscribers to transmit more packets per minute and the per-packet charges for data communications of FOMA services are set lower than those of mova services. As mova subscribers have been steadily migrating to FOMA services, we have decided to discontinue mova services on March 31, 2012 and focus our business resources on FOMA services. We will continue our efforts to induce existing mova subscribers to migrate to FOMA services.

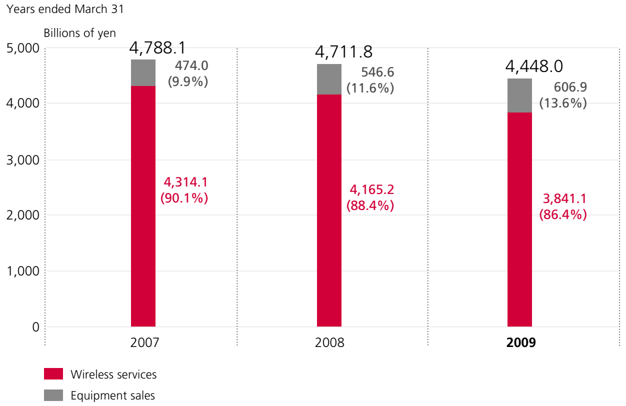
As of March 31, 2009, the number of FOMA subscriptions reached 49.04 million or 89.8% of our total number of cellular subscriptions, the largest number of 3G subscriptions among cellular operators in Japan. Cellular services revenues include voice revenues and packet communications revenues. Voice revenues are derived from a combination of basic monthly charges for service and additional calling charges depending on connection time. Our packet communications revenues, which are currently dominated by i-mode revenues, accounted for a greater portion of our wireless services revenues for the year ended March 31, 2009, representing 39.4% of wireless services revenues, as compared to 33.0% and 28.8% for the years ended March 31, 2008 and 2007, respectively. As a result of the continued migration of mova subscribers to FOMA services, the portion of FOMA packet communications revenues increased to 95.9% of the total packet communications revenues for the year ended March 31, 2009 from 91.3% and 78.2% for the years ended March 31, 2008 and 2007, respectively.

Our top operational priorities include maintaining our current subscribers and the level of our average monthly revenue per unit ("ARPU") despite the increasingly competitive market environment in which we are operating after the introduction of Mobile Number Portability. Our cellular services revenues are essentially a function of our number of active subscriptions multiplied by ARPU.

Our number of subscriptions continues to grow while the growth rate of subscriptions has declined. Our subscription churn rate, or contract termination rate, is an important performance indicator for us to achieve retention of our current subscriptions. The churn rate has an impact on our number of subscriptions and in particular affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our revenues by decreasing the amount of revenues we are able to collect from each subscriber on average. In order to keep our churn rate low, we have focused on subscriber retention by implementing certain measures including offering discounts for long-term subscribers. During the year ended March 31, 2009, we have taken

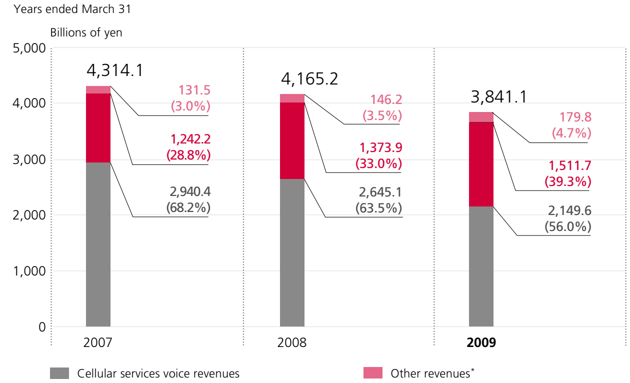
Operating Revenues

Years ended March 31



Revenues from Wireless Services

Years ended March 31



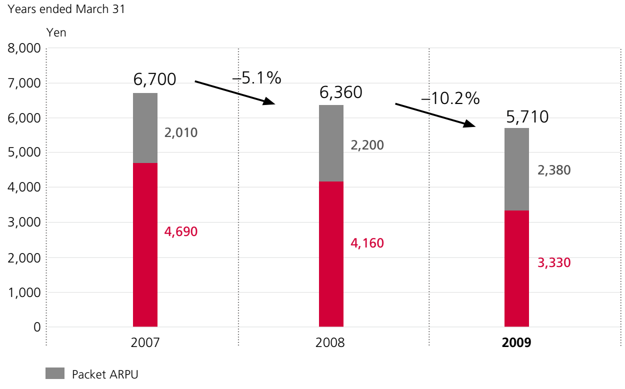
* "PHS services revenues" for the years ended March 31, 2007 and 2008 has been reclassified into "Other revenues."

measures such as lowering basic monthly charge of "Type SS Value" billing plan, introduction of new packet flat-rate services "Pake-hodai double" and "Biz-hodai double", enhancement of services for the loyalty membership program "docomo Premier Club", rollout of newly organized handset series, expansion of FOMA high speed areas (achieved 100% POP coverage) and on-site visits and investigations in response to customers' claims for network area quality, normally within 48 hours of contacts from our investigation staffs. We also continued to release handsets such as "Kids' PHONE" designed specifically for children and "Raku-Raku PHONE PREMIUM", "Raku-Raku PHONE V" universally designed for elderly users in an effort to pioneer such new market segments.

ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as basic monthly charges, calling charges and packet communications charges, from designated services by the number of active subscriptions to the relevant services. ARPU is another important performance indicator for us to measure average monthly revenues per subscription. Accordingly, the calculation of ARPU excludes revenues that are not representative of monthly average usage such as subscription activation fees. We believe that our ARPU figures calculated in this way provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations. ARPU (FOMA+mova) has fallen over the past few years, due to an increase in the number of subscribers to "Value Plan", under which discounted monthly basic charges apply and new discount services, as well as a gradual increase in the discount rate of basic monthly charges according to an increase in the number of years of subscriptions under long-term subscription discount. In order to boost ARPU, we have been actively involved in the promotion of services including "Pake-hodai double", our optional packet flat-rate service for unlimited i-mode usage, "i-channel", a convenient and easy-to-use information push-delivery optional service, and "i-concier", an automated information delivery service that is customized to suit each individual's preferences and living area as if one's own butler or concierge would provide the service. We also introduced more handsets compatible with international roaming service in order to increase roaming revenues. Furthermore, we are promoting cellular usage other than voice calls such as downloading of music or video-clips.

Aggregate ARPU (FOMA+mova)

Years ended March 31



For the year ended March 31, 2007, although the decline in ARPU continued, growth in the number of subscriptions, combined with our recognition as revenue of the portion of "Nikagetsu Kurikoshi" (2 Month CarryOver) allowance, a deferred revenue account, that was projected to expire, resulted in an increase in cellular services revenues. Cellular services revenues declined again during the year ended March 31, 2008 due to a continued decline in ARPU as a result of the penetration of discount services newly introduced for subscriber retention purposes. For the year ended March 31, 2009, cellular services revenues continued to decline from the prior year due to the penetration of "Value Plan" and new discount services, as well as a decrease of access charge revenues that we receive from other operators for their network usage. We expect that the positive effects of the moderate growth in the number of subscriptions and increase of packet communications revenues will be more than offset by the negative effects from the continued penetration of "Value Plan" and new discount services, and thus cellular services revenues will consequently decline for the year ending March 31, 2010. Although ARPU has been on a declining trend, our target is to halt the decline in fiscal year ending March 2012 when the effect of an increase in packet ARPU overtakes the effect of a decrease in voice ARPU. We intend to achieve sustainable growth by increasing revenues from non-traffic business while we maintain the current level of revenues through marketing activities with more focus on brand loyalty in the cellular business.

Equipment Sales

We collaborate with handset manufacturers to develop handsets compatible with our cellular services, purchase the handsets from those handset manufacturers and then sell those handsets to agent resellers for sale to our subscribers. We had been offering handset series mainly comprising "FOMA 9 series", which are equipped with most advanced functions, and "FOMA 7 series" which feature a sophisticated balance between unique designs and functionalities. Starting from November 2008, as a response to market changes such as maturity of the mobile phone market and diversification of customer needs, we started to offer handsets in newly organized four series which are closely attuned to the latest preferences and lifestyles of mobile phone users – "docomo STYLE series", "docomo PRIME series", "docomo SMART series" and "docomo PRO series".

Revenues from equipment sales, primarily sales of handsets and other telecommunications equipment to agent resellers, accounted for 13.6% of total operating revenues for the year ended March 31, 2009. We adopted Emerging Issues Task Force ("EITF") Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," and therefore account for a portion of the sales commissions that we pay to agent resellers as a reduction in equipment sales revenues and selling, general and administrative expenses. As a result, structurally, the cost of equipment sold has exceeded equipment sales revenues, and thus the sale of an extra handset has had a negative impact on our operating income. However, with the introduction of "Value Course" in November 2007, the amount of sales commissions deducted from equipment sales revenues decreased significantly, and the effects of pushing down operating income through the sale of handsets has lessened. During the year ended March 31, 2009, equipment sales revenues before the deduction of sales commissions to agent resellers decreased due mainly to the significant decrease in the number of handsets sold to agent resellers affected by the economic downturn and introduction of new sales method, in addition to a decrease in revenue per handset. However, sales revenues after the deduction of sales commissions increased significantly since the effect of decrease in sales commission for "Value Course" to be deducted from equipment sales revenues was applied throughout the year. For the year ending March 31, 2010, we expect a slight decrease in the number of handsets sold to agent resellers reflecting a decreased demand of handsets for new subscriptions given the high penetration rate of the mobile market. Because the trend of handset sales is closely interrelated with the cost of handsets sold, please refer to the "Cost of Equipment Sold" section below.

Expansion of Our Business Domain

In addition to the further buildup of our competitiveness in the cellular business, we are actively involved in the diversification of revenue sources. The most significant is our credit services business. We seek to reposition our cellular phones as tools more deeply rooted in the daily life of our subscribers by enabling transactional settlements through the use of cellular phones equipped with contact-less IC chips. We launched a credit card brand called "iD" for card issuers in December 2005 and "DCMX" credit issuing services via the "iD" platform in April 2006. For the year ended March 31, 2009, we were actively involved in the acquisition of DCMX subscriptions, promotion of credit usage and expansion of stores equipped with iD readers/writers. We are confident that our mobile credit service is steadily penetrating the market as the number of DCMX subscriptions reached 8.98 million while the number of "iD" compatible readers/writers installed reached 0.41 million as of March 31, 2009.

We also started to offer, in collaboration with Google, Inc., search-words related advertisement on the search page of iMenu, a portal site of i-mode, and promoted the value of the mobile phone as a powerful advertisement medium. In addition, we are promoting investments and alliances with the aim of expanding businesses in fields where mobile communications can make great contributions. In April 2009, we announced a capital alliance with OAK LAWN MARKETING, INC., one of the largest TV shopping service companies, in order to promote the mobile e-commerce market, which has a potential for further growth.

Although contribution from the credit service business and advertisement business to our results of operations have not yet become material, we will continue to be engaged in accelerating the development of these businesses.

Expenses

Cost of Services

Cost of services represents the expenses we incur directly in connection with providing our subscribers with wireless communication services and includes the cost for usage of other operators' networks, maintenance of equipment or facilities and payroll for employees dedicated to the operations and maintenance of our wireless services. Cost of services accounted for 24.1% of our total operating expenses for the year ended March 31, 2009. Communication network charges, which we pay for the usage of other operators' networks or for access charges, occupy the largest part of cost of services, accounting for 36.3% of the total. The amount of our communication network charges is dependent on the number of our base stations installed and rates set by the other operators. In recent years, our communication network charges have steadily declined as a result of our buildup of our own back-bone network to replace circuits leased from NTT. Communication network charges decreased for the year ended March 31, 2009 as well due mainly to the discount in charges of NTT's leased circuits and decrease of access charges payable to other operators. We expect that the downward trend will continue and the communication network charges will decrease for the year ending March 31, 2010.

Cost of Equipment Sold

Cost of equipment sold arises mainly from our procurement of handsets for sale to our new or current subscribers, which is basically dependent on the number of handsets sold to agent resellers and the purchase price per handset. Cost of equipment sold represented 22.9% of our operating expenses for the year ended March 31, 2009. For the year ended March 31, 2009, the purchase price per handset remained about the same level as in the prior year although influenced by the introduction of newly organized handset series line-up and an increase of per-unit development costs effected by a decrease in the number of units purchased. The total number of handsets sold decreased due to the introduction of new sales methods and overall sluggish consumer spending. As a result, cost of equipment sold decreased from the prior fiscal year. For the year ending March 31, 2010, we expect that the level of the purchase price per handset will increase due to an increase of material costs for enhanced features and a decrease in handset procurement, but we also expect a slight decrease in the number of handsets sold resulting from a decreasing demand of handsets for new subscribers. As a result, we expect that cost of equipment sold will be about the same level as in the current fiscal year for the year ending March 31, 2010.

We have taken some measures to control the cost of equipment sold. We have saved on FOMA handset development cost by introducing a single-chip LSI and common platforms for the handset operating system. We have provided packaged software dedicated to our handsets to handset manufacturers to facilitate development of FOMA handsets to hold down cost of equipment sold. In addition, we are planning to optimize the level of equipment inventories as a part of efficiency improvements accompanied by a review of handset logistics, such as integration of handset logistics contractors.

Depreciation and Amortization

We expense the acquisition cost of a fixed asset such as telecommunications equipment, a network facility and software during its estimated useful life as depreciation and amortization. Depreciation and amortization accounted for 22.2% of our operating expenses for the year ended March 31, 2009. In order to respond attentively to demand from our subscribers, we invested in the FOMA services network during the year ended March 31, 2009. Our investments in the FOMA network included:

- further enhancement of FOMA network service area quality;
- buildup of FOMA network capacity in response to an increase in data traffic following the penetration of our packet flat-rate service for unlimited i-mode usage; and
- further expansion of HSDPA service coverage. (achieved 100% POP coverage)

Active capital expenditures in the FOMA network in recent years are followed by an upward trend in depreciation and amortization expenses. However, our capital expenditures in the FOMA network peaked in the fiscal year ended March 31, 2007, and we expect that depreciation and amortization expenses will show downward trend in the future. In addition, we have been involved with cost saving efforts such as economized procurement, design and installment of low-cost devices and improvements in construction processes. Depreciation and amortization expenses for the year ended March 31, 2009 increased from the prior fiscal year, but the increase was caused by the effect of accelerated depreciation charges of mova-related assets through the changes in estimated useful lives accompanied by our decision to discontinue mova services on March 31, 2012. Without this effect, depreciation and amortization expenses would have decreased from the prior fiscal year. Depreciation and amortization expenses are expected to decrease for the year ending March 31, 2010 following the recent downward trend. As for our capital expenditures, please refer to "Capital Expenditures" to be hereinafter described.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represented 30.8% of our total operating expenses for the year ended March 31, 2009. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, the most significant of which was commissions paid to agent resellers. While some of these commissions are linked to sales activities such as new subscriptions and handset upgrades, others result from non-sales activities such as processing of billing plan changes and handset repairs. In addition, we provide subsidies directly to our subscribers in the form of a discount to the handset price to be purchased subject to competition in the market. As already discussed in the "Operating Strategies" section, under the new handset sales method, we abolished "handset sales incentives", which were paid to agent resellers depending on the type of handset a subscriber purchased.

We applied EITF 01-9 and therefore a portion of the sales commissions paid to agent resellers is recognized as a deduction from equipment sales revenues and selling, general and administrative expenses. Due to the introduction of "Value Course", sales commissions, both before and after the deduction of certain sales commissions to agent resellers, decreased for the year ended March 31, 2009 compared with the prior fiscal year. For the year ending March 31, 2010, we expect that the gross and net amount of sales commissions will continue to decrease with the further penetration of "Value Course".

Operating income

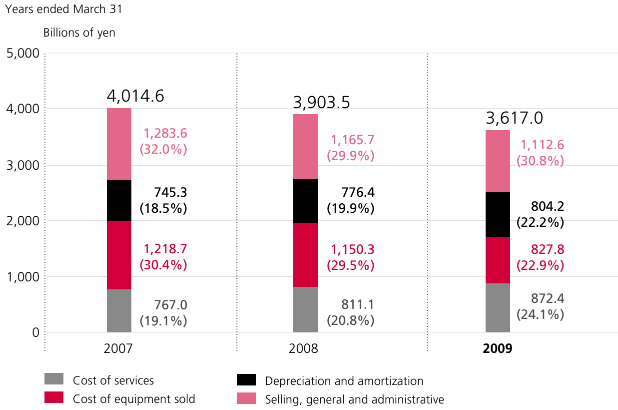
For the year ended March 31, 2009, a decrease in wireless services revenues, due mainly to penetration of "Value Course" and new discount services, exceeded an increase in equipment sales, which resulted in a decrease in operating revenues. On the other hand, a decrease in operating expenses due mainly to a decrease in costs of equipment sold as well as sales commissions subsequent to the introduction of "Value Course" exceeded the decrease in operating revenues. As a result, operating income increased. The factors contributing to the increase in operating income are summarized as follows:

- cellular services revenues decreased due to a decrease in ARPU caused by the penetration of "Value Course" and new discount services, even though the number of subscribers increased from the prior fiscal year. Equipment sales increased from the prior fiscal year despite the decreased number of units sold to agent resellers, because the sales commissions which are deducted from the equipment sales revenues decreased significantly with the introduction of "Value Course". Operating revenues decreased from the prior fiscal year because the increase in equipment sales was not sufficient enough to make up for the decrease in cellular services revenues.
- operating expenses decreased reflecting a decrease in cost of equipments sold due to a fewer number of units being sold and a decrease in sales commissions as a result of the penetration of "Value Course".

The market environment has become increasingly competitive after the introduction of Mobile Number Portability. We will be engaged in reinforcing our competitiveness by executing action plans of "DOCOMO's Change and Challenge" in the area of customer satisfaction, actions to expand usage, creation of new revenue sources, and improvement of cost efficiency. For the year ending March 31, 2010, we expect operating revenues to decrease and operating income to remain the same level as the prior fiscal year for the following reasons:

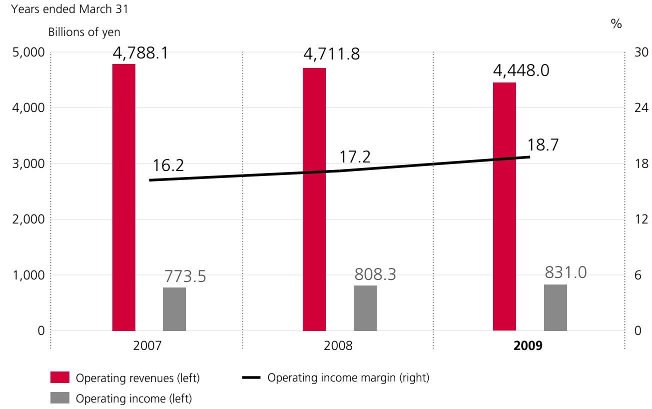
Operating Expenses

Years ended March 31



Operating Revenues, Operating Income, and Operating Income Margin

Years ended March 31



- we expect cellular services revenues to decrease because a continued decline in ARPU caused by penetration of "Value Plan", for which the basic monthly charge is discounted and penetration of new discount services will more than offset the positive effect of our acquisition of new subscriptions;
- we expect equipment sales to increase despite the decreased number of handsets sold through a continued decrease in sales commissions that are deducted from sales revenue under the "Value Course". However, the increase in equipment sales is not sufficient to make up for the decrease in cellular services revenues; and
- we expect operating expenses to decrease through our continuous efforts to lower costs including distributor commissions, network-related costs and general expenditures. As a result, operating profits should remain about the same level as prior fiscal year, as decrease in operating revenues and operating expenses nearly offset each other.

Actions to expand cellular phone usage include the followings:
- offering billing plans that customers need not worry about charges, improvement of handset functionalities, and promotion of packet communications by offering various contents; and
- increasing product line-ups and enhancement of sales for smart phones and data communication terminals.

Creation of new revenue sources includes the followings:
- offering new services in the area of personalization, social support, and converged services (such as "i-concier" and its subscriber growth);
- investments and alliances with the aim of expanding businesses in fields where mobile communications can make great contributions;
- strengthening activities to boost usage of our DCMX credit services and increase users; and
- promotion of usage of international calls and roaming services, and growth through investment and partnership in Asia-Pacific regions.

Improvement of cost efficiency includes the followings:
- reduction of base station construction costs, streamlining of network, and reduction of communication network charges; and
- further reduction of general expenses, operational process review and operational efficiency improvement through integration of former regional subsidiaries.

Other income and expenses

As part of our corporate strategy, we have made investments in foreign and domestic companies in businesses that complement our mobile communications business. In accordance with U.S. GAAP, the investment is accounted for under the equity method and recognized under "Investments in affiliates" in our consolidated balance sheets when our equity in the investee's issued and outstanding capital is between 20% and 50% or we are able to exercise significant influence over the investee. In accordance with equity method accounting, we include equity in net income or losses of affiliates in our consolidated income. Where our equity in the investee's issued and outstanding capital is less than 20%, we include the investment as "Marketable securities and other investments" in our consolidated balance sheets. Our results of operations can be affected by impairments of such investments and losses and gains on the sale of such investments. In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in "Equity in net losses of affiliates" in our consolidated statements of income and comprehensive income for relevant years. It is possible that we could experience similar impairments with respect to our investments in affiliates and marketable securities and other investments again in the future. Please refer to "- Critical Accounting Policies—Impairment of investments". We may also experience material gains or losses on the sale of our investments. As of March 31, 2009, the total carrying value of our investments in affiliates was ¥572.0 billion, while the total carrying value for investments in marketable equity securities and equity securities accounted for under the cost method was ¥141.5 billion.

■ Operating Results for the year ended March 31, 2009

The following discussion includes analysis of our operating results for the year ended March 31, 2009. The tables below describe selected operating data and income statement data:

Key Performance Indicators

	Years ended March 31			
	2008	**2009**	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	53,388	54,601	1,213	2.3%
FOMA services (thousands)	43,949	49,040	5,091	11.6%
mova services (thousands)	9,438	5,560	(3,878)	(41.1)%
i-mode services (thousands)	47,993	48,474	481	1.0 %
Market Share (%)[1, 2]	52.0	50.8	(1.2)	—
Aggregate ARPU (FOMA+mova) (yen/month/contract)[3]	6,360	5,710	(650)	(10.2)%
Voice ARPU (yen/month/contract)[4]	4,160	3,330	(830)	(20.0)%
Packet ARPU (yen/month/contract)	2,200	2,380	180	8.2 %
MOU (FOMA+mova) (minutes/month/contract)[3, 5]	138	137	(1)	(0.7)%
Churn Rate (%)[2]	0.80	0.50	(0.30)	—

1 Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association
2 Data calculated including Communication Module Services subscriptions.
3 Data calculated excluding Communication Module Services-related revenues and Communication Module Services subscriptions.
4 Inclusive of circuit switched data communications.
5 MOU (Minutes of usage): Average communication time per month per subscription

Breakdown of Financial Information

	Millions of yen Years ended March 31			
	2008	**2009**	Increase (Decrease)	Change (%)
Operating revenues:				
Wireless services	¥4,165,234	¥3,841,082	¥(324,152)	(7.8)%
Cellular services revenues	4,018,988	3,661,283	(357,705)	(8.9)%
–Voice revenues[6]	2,645,096	2,149,617	(495,479)	(18.7)%
Including: FOMA services	2,084,263	1,877,835	(206,428)	(9.9)%
–Packet communications revenues	1,373,892	1,511,666	137,774	10.0%
Including: FOMA services	1,254,648	1,449,440	194,792	15.5%
Other revenues[7]	146,246	179,799	33,553	22.9%
Equipment sales	546,593	606,898	60,305	11.0%
Total operating revenues	4,711,827	4,447,980	(263,847)	(5.6)%
Operating expenses				
Cost of services	811,133	872,438	61,305	7.6%
Cost of equipment sold	1,150,261	827,856	(322,405)	(28.0)%
Depreciation and amortization	776,425	804,159	27,734	3.6 %
Selling, general and administrative	1,165,696	1,112,568	(53,128)	(4.6)%
Total operating expense	3,903,515	3,617,021	(286,494)	(7.3)%
Operating income	808,312	830,959	22,647	2.8%
Other income (expense)	(7,624)	(50,486)	(42,862)	(562.2)%
Income before income taxes, equity in net income (losses) of affiliates and minority interests:	800,688	780,473	(20,215)	(2.5)%
Income taxes	322,955	308,400	(14,555)	(4.5)%
Income before equity in net income (losses) of affiliates and minority interests:	477,733	472,073	(5,660)	(1.2)%
Equity in net income (losses) of affiliates (net of applicable taxes)	13,553	(672)	(14,225)	—
Minority interests	(84)	472	556	—
Net income	¥ 491,202	¥ 471,873	¥ (19,329)	(3.9)%

6 Inclusive of circuit switched data communications.
7 "PHS services revenues" for the year ended March 31, 2008 has been reclassified into "Other revenues."

Analysis of operating results for the year ended March 31, 2009 and comparison with the prior fiscal year

As of March 31, 2009, the number of our cellular (FOMA+mova) subscriptions reached 54.60 million and increased by 1.21 million (2.3%) from 53.39 million at the end of the prior fiscal year. We expect that the growth rate of our cellular subscriptions will decelerate in the future as the growth rate of cellular subscriptions declines due to the maturity of the market in Japan. The number of FOMA subscriptions increased by 5.09 million (11.6%) to 49.04 million as of March 31, 2009 from 43.95 million at the end of the prior fiscal year. The ratio of FOMA subscriptions to the total cellular subscriptions reached 89.8% as of March 31, 2009. On the other hand, the number of mova subscriptions, which has decreased since the year ended March 31, 2004, decreased by 3.88 million (41.1%) to 5.56 million as of March 31, 2009 from 9.44 million as of the end of the prior fiscal year. We have decided to discontinue mova services on March 31, 2012 and focus our business resources on FOMA services. Our market share decreased by 1.2 point to 50.8% as of March 31, 2009 from 52.0% as of the end of the prior fiscal year. The number of i-mode subscriptions increased by 0.48 million (1.0%) to 48.47 million as of March 31, 2009 from 47.99 million at the end of the prior fiscal year.

Aggregate ARPU of cellular (FOMA+mova) service decreased by ¥650 (10.2%) to ¥5,710 for the year ended March 31, 2009 from ¥6,360 in the prior fiscal year. Voice ARPU decreased by ¥830 (20.0%) to ¥3,330 for the year ended March 31, 2009 from ¥4,160 in the prior fiscal year. This decrease in voice ARPU was due to the large increase in the number of subscribers to "Value Plan" and new discount services introduced in the last fiscal year. Packet ARPU increased by ¥180 (8.2%) to ¥2,380 for the year ended March 31, 2009 from ¥2,200 in the prior fiscal year. This increase in packet ARPU was due to penetration of services such as "i-channel", which promote i-mode usage and of an optional packet flat-rate service for unlimited i-mode usage, in addition to a raise in the i-mode monthly subscription fee of ¥100 per month effective from June 2008.

The MOU (FOMA+mova) decreased by 1 minute (0.7%) to 137 minutes from 138 minutes in the prior fiscal year.

Our churn rate for cellular subscriptions was 0.50% and 0.80% for the years ended March 31, 2009 and 2008, respectively. The churn rate decreased by 0.30 point and was one of the lowest levels, reflecting our efforts to promote new sales methods and improve customer satisfaction. We believe that, due to various factors, such as the implementation of competitive billing arrangements, customer confidence in our network and services and the introduction of new services, our churn rate was lower than that of other operators. However, no assurance can be given that our churn rate will decline or remain low.

During the year ended March 31, 2009, in order to improve customer satisfaction, we have taken measures such as lowering basic monthly charge of "Type SS Value" billing plan, introduction of new packet flat-rate services "Pake-hodai double" and "Biz-hodai double", enhancement of services for the loyalty membership program "docomo Premier Club", rollout of newly organized handset series, expansion of FOMA high speed areas (achieved 100% POP coverage) and on-site visits and investigations in response to customers' claims for network area quality, normally within 48 hours of contacts from our investigation staffs.

Operating revenues decreased by ¥263.8 billion (5.6%) to ¥4,448.0 billion for the year ended March 31, 2009 from ¥4,711.8 billion in the prior fiscal year. Wireless services revenues decreased by ¥324.2 billion (7.8 %) to ¥3,841.1 billion from ¥4,165.2 billion in the prior fiscal year. As a result, wireless services accounted for 86.4% of operating revenues for the year ended March 31, 2009, decreasing from 88.4% in the prior fiscal year. The decrease in wireless services revenues resulted from a decrease in cellular services revenues, especially voice revenues. The decrease in cellular services revenues was a net of a decrease in voice revenues by ¥495.5 billion (18.7%) to ¥2,149.6 billion from ¥2,645.1 billion in the prior fiscal year, and an increase in packet communications revenues by ¥137.8 billion (10.0%) to ¥1,511.7 billion from ¥1,373.9 billion in the prior fiscal year. The factors for the decrease in cellular services revenues and the increase in packet communications revenues were already discussed in the analysis of changes in ARPU. Voice revenues from FOMA services decreased by ¥206.4 billion (9.9%) to ¥1,877.8 billion from ¥2,084.3 billion in the prior fiscal year, while packet communications revenues increased by ¥194.8 billion (15.5%) to ¥1,449.4 billion from ¥1,254.6 billion in the prior fiscal year. Equipment sales increased by ¥60.3 billion (11.0%) to ¥606.9 billion for the year ended March 31, 2009 from ¥546.6 billion in the prior fiscal year because of a decrease in sales commissions to be deducted from gross equipment sales due to the introduction of "Value Course".

Operating expenses decreased by ¥286.5 billion (7.3%) to ¥3,617.0 billion for the year ended March 31, 2009 from ¥3,903.5 billion in the prior fiscal year. This decrease resulted mainly from a decrease in cost of equipments sold by ¥322.4 billion (28.0%) to ¥827.9 billion for the year ended March 31, 2009 from ¥1,150.3 billion in the prior fiscal year and in selling, general and administrative expenses, by ¥53.1 billion (4.6%) to ¥1,112.6 billion for the year ended March 31, 2009 from ¥1,165.7 billion for the prior fiscal year, due to the decrease in sales commissions through the penetration of "Value Course". Cost of services increased by ¥61.3 billion (7.6%) to ¥872.4 billion for the year ended March 31, 2009 from ¥811.1 billion in the prior fiscal year due to an increase in customer service related costs. Depreciation and amortization increased by ¥27.7 billion (3.6%) to ¥804.2 billion for the year ended March 31, 2009 from ¥776.4 billion in the prior fiscal year, due to the effect of accelerated depreciation charges of mova-related assets through the changes in estimated useful lives of such assets based on our decision to discontinue mova services on March 31, 2012.

The operating income margin improved to 18.7% for the year ended March 31, 2009 from 17.2% for the prior fiscal year. The decrease in cost of equipment sold due to the decrease in the number of handsets sold and the decrease in selling, general and administrative expenses contributed to this improvement.

As a result of the foregoing, our operating income increased by ¥22.6 billion (2.8%) to ¥831.0 billion for the year ended March 31, 2009 from ¥808.3 billion for the prior fiscal year.

Other income (or expense) includes items such as interest income, interest expense, gains and losses on sale of marketable securities and other investments and foreign exchange gains and losses. We accounted for ¥50.5 billion as other expenses for the year ended March 31, 2009 as we recorded other than temporary impairment charges for marketable securities and other investments of ¥57.8 billion. Other expenses increased by ¥42.9 billion from ¥7.6 billion for the year ended March 31, 2008. For the year ended March 31, 2009, other than temporary impairment charges included an impairment of ¥26.3 billion for KT Freetel Co., Ltd. (KTF) common shares based on its fair value as of March 31, 2009 in connection with the merger between KTF and KT Corporation (KT) in June 2009, under which KTF shares would be exchanged for KT common shares and KT exchangeable bonds.

Income before income taxes, equity in net income of affiliates and minority interests decreased by ¥20.2 billion (2.5%) to ¥780.5 billion for the year ended March 31, 2009 from ¥800.7 billion for the prior fiscal year.

Income taxes were ¥308.4 billion for the year ended March 31, 2009 and ¥323.0 billion in the prior fiscal year, representing effective income tax rates of approximately 39.5% and 40.3%, respectively. We are subject to income taxes imposed by various taxing authorities in Japan, including corporate income tax, corporate enterprise tax and corporate inhabitant income taxes, which in the aggregate amounted to a statutory income tax rate of approximately 40.8% and 40.9% for the years ended March 31, 2009 and 2008, respectively. The Japanese government introduced various special tax benefits, one of which enabled us to deduct from our taxable income a portion of investments in research and development ("R&D investment tax incentive"). The difference between our effective income tax rate and statutory income tax rate for the year ended March 31, 2009 and 2008 arose primarily from such special tax allowances. In addition, for the year ended March 31, 2009, there was a tax refund of interests and penalties previously paid, which lowered the effective income tax rate for the year ended March 31, 2009.

Equity in net losses of affiliates (net of applicable taxes) was ¥0.7 billion for the year ended March 31, 2009 compared to net income of ¥13.6 billion for the prior fiscal year. The decrease resulted from the adjustment to reflect the earnings impact of purchase price allocations in Philippine Long Distance Telephone Company, a telecommunications operator in the Philippines ("PLDT").

We acquired common equity interest of PLDT in March 2006 and during the period between March 2007 and February 2008, and started to apply the equity method in the prior fiscal year. In applying the equity method, we started the evaluation of purchase price allocations in order to recognize and account for our share of tangible, intangible and other assets and liabilities of PLDT. For the fiscal year ended March 31, 2009, upon the completion of the evaluation, depreciation and amortization expenses of corresponding tangible and intangible assets from the date of the initial acquisition were included as a reduction of equity in net income (losses) of affiliates.

As a result of the foregoing, we recorded net income of ¥471.9 billion for the year ended March 31, 2009, a decrease of ¥19.3 billion (3.9%) from ¥491.2 billion for the prior fiscal year.

■ Operating Results for the year ended March 31, 2008

The following discussion includes analysis of our operating results for the year ended March 31, 2008. The tables below describe selected operating data and income statement data:

Key Performance Indicators

	Years ended March 31			
	2007	2008	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	52,621	53,388	767	1.5%
FOMA services (thousands)	35,529	43,949	8,420	23.7%
mova services (thousands)	17,092	9,438	(7,653)	(44.8)%
i-mode services (thousands)	47,574	47,993	419	0.9%
Market Share (%)[1, 2]	54.4	52.0	(2.4)	—
Aggregate ARPU (FOMA+mova) (yen/month/contract)[3]	6,700	6,360	(340)	(5.1)%
Voice ARPU (yen/month/contract)[4]	4,690	4,160	(530)	(11.3)%
Packet ARPU (yen/month/contract)	2,010	2,200	190	9.5%
MOU (FOMA+mova) (minutes/month/contract)[3, 5]	144	138	(6)	(4.2)%
Churn Rate (%)[2]	0.78	0.80	0.02	—

1 Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association.
2 Data calculated including Communication Modules Service subscriptions.
3 Data calculated excluding Communication Module Services-related revenues and Communication Module Services subscriptions.
4 Inclusive of circuit switched data communications.
5 MOU (Minutes of usage): Average communication time per month per subscription.

Breakdown of Financial Information

	Millions of yen Years ended March 31			
	2007	2008	Increase (Decrease)	Change (%)
Operating revenues:				
Wireless services	¥4,314,140	¥4,165,234	¥(148,906)	(3.5)%
Cellular services revenues	4,182,609	4,018,988	(163,621)	(3.9)%
–Voice revenues[6]	2,940,364	2,645,096	(295,268)	(10.0)%
Including: FOMA services	1,793,037	2,084,263	291,226	16.2%
–Packet communications revenues	1,242,245	1,373,892	131,647	10.6%
Including: FOMA services	971,946	1,254,648	282,702	29.1%
Other revenues[7]	131,531	146,246	14,715	11.2%
Equipment sales	473,953	546,593	72,640	15.3%
Total operating revenues	4,788,093	4,711,827	(76,266)	(1.6)%
Operating expenses:				
Cost of services	766,960	811,133	44,173	5.8 %
Cost of equipment sold	1,218,694	1,150,261	(68,433)	(5.6)%
Depreciation and amortization	745,338	776,425	31,087	4.2%
Selling, general and administrative	1,283,577	1,165,696	(117,881)	(9.2)%
Total operating expense	4,014,569	3,903,515	(111,054)	(2.8)%
Operating income	773,524	808,312	34,788	4.5%
Other income (expense)	(581)	(7,624)	(7,043)	—
Income before income taxes, equity in net income (losses) of affiliates and minority interests:	772,943	800,688	27,745	3.6%
Income taxes	313,679	322,955	9,276	3.0%
Income before equity in net income (losses) of affiliates and minority interests:	459,264	477,733	18,469	4.0%
Equity in net income (losses) of affiliates (net of applicable taxes)	(1,941)	13,553	15,494	—
Minority interests	(45)	(84)	(39)	(86.7)%
Net income	¥ 457,278	¥ 491,202	¥ 33,924	7.4%

6 Inclusive of circuit switched data communications.
7 "PHS services revenues" has been reclassified into "Other revenues".

Analysis of operating results for the year ended March 31, 2008 and comparison with the prior fiscal year

As of March 31, 2008, the number of our cellular (FOMA+mova) subscriptions reached 53.39 million and increased by 0.77 million (1.5%) from 52.62 million at the end of the prior fiscal year. The number of FOMA subscriptions increased by 8.42 million (23.7%) to 43.95 million as of March 31, 2008 from 35.53 million at the end of the prior fiscal year. The ratio of FOMA subscriptions to the total cellular subscriptions reached 82.3% as of March 31, 2008. On the other hand, the number of mova subscriptions, which has decreased since the year ended March 31, 2004, decreased by 7.65 million (44.8%) to 9.44 million as of March 31, 2008 from 17.09 million as of the end of the prior fiscal year. Our market share decreased by 2.4 point to 52.0% as of March 31, 2008 from 54.4% as of the end of the prior fiscal year. The number of i-mode subscriptions increased by 0.42 million (0.9%) to 47.99 million as of March 31, 2008 from 47.57 million at the end of the prior fiscal year.

Aggregate ARPU of cellular (FOMA+mova) service decreased by ¥340 (5.1%) to ¥6,360 for the year ended March 31, 2008 from ¥6,700 in the prior fiscal year. Voice ARPU decreased by ¥530 (11.3%) to ¥ 4,160 for the year ended March 31, 2008 from ¥4,690 in the prior fiscal year. This decrease in voice ARPU was due to a gradual increase in the discount rate of basic monthly charges according to an increase in the number of years of subscriptions under long-term subscription discount, a decrease in MOU and an increase in the number of subscribers who subscribe to discount services newly introduced for the retention of subscriptions. Packet ARPU increased by ¥190 (9.5%) to ¥2,200 for the year ended March 31, 2008 from ¥2,010 in the prior fiscal year. This increase in packet ARPU was due to penetration of services such as "i-channel", which promote i-mode usage and of an optional packet flat-rate service for unlimited i-mode usage. The MOU (FOMA+mova) decreased by 6 minutes (4.2%) to 138 minutes from 144 minutes in the prior fiscal year.

Our churn rate for cellular subscriptions was 0.80% and 0.78% for the years ended March 31, 2008 and 2007, respectively. The churn rate increased by 0.02 point due to Mobile Number Portability. Although the churn rate for the six months ended September 30, 2007 rose to 0.90%, the introduction of new discount services in August and September 2007 and "Value Course" in November 2007 helped lower the churn rate to 0.71% for the six months ended March 31, 2008.

During the year ended March 31, 2008, we implemented various measures with focus on benefit for our subscribers, such as the introduction of "Value Course" and "Value Plan", new discount services, expansion of HSDPA services areas, releases of attractive FOMA handsets and the expansion of FOMA coverage areas, both indoors and outdoors.

Operating revenues decreased by ¥76.3 billion (1.6%) to ¥4,711.8 billion for the year ended March 31, 2008 from ¥4,788.1 billion in the prior fiscal year. Wireless services revenues decreased by ¥148.9 billion (3.5%) to ¥4,165.2 billion from ¥4,314.1 billion in the prior fiscal year. As a result, wireless services accounted for 88.4% of operating revenues for the year ended March 31, 2008, decreasing from 90.1% in the prior fiscal year. The decrease in wireless services revenues resulted from a decrease in cellular services revenues, especially voice revenues, and in PHS services revenues due to our termination of PHS services in January 2008. The decrease in cellular services revenues was a net of a decrease in voice revenues by ¥295.3 billion (10.0%) to ¥2,645.1 billion from ¥2,940.4 billion in the prior fiscal year, and an increase in packet communications revenues by ¥131.6 billion (10.6%) to ¥1,373.9 billion from ¥1,242.2 billion in the prior fiscal year. The factors for the decrease in cellular services revenues and the increase in packet communications revenues were already discussed in the analysis of changes in ARPU. The decrease in cellular services revenues was due partially to the adverse impact of changes in estimates during the prior fiscal year regarding initially recognizing as revenues the portion of "Nikagetsu Kurikoshi (2 Month CarryOver)" allowances that are estimated to expire. Voice revenues from FOMA services increased by ¥291.2 billion (16.2%) to ¥2,084.3 billion from ¥1,793.0 billion in the prior fiscal year and packet communications revenues also increased by ¥282.7 billion (29.1%) to ¥1,254.6 billion from ¥971.9 billion in the prior fiscal year. Equipment sales increased by ¥72.6 billion (15.3%) to ¥546.6 billion for the year ended March 31, 2008 from ¥474.0 billion in the prior fiscal year because of a decrease in sales commissions to be deducted from gross equipment sales due to the introduction of "Value Course".

Operating expenses decreased by ¥111.1 billion (2.8%) to ¥3,903.5 billion for the year ended March 31, 2008 from ¥4,014.6 billion in the prior fiscal year. This decrease resulted mainly from a decrease in selling, general and administrative expenses, by ¥117.9 billion (9.2%) to ¥1,165.7 billion for the year ended March 31, 2008 from ¥1,283.6 billion for the prior fiscal year, due to the decrease in sales commissions subsequent to the introduction of "Value Course". As the NTT Corporate Defined Benefit Pension Plan ("NTT CDBP") transferred its substitutional obligation and related plan assets of the National Welfare Pension Plan to the government in February 2008, the aggregate amount of ¥24.7 billion was recognized as a decrease in operating expenses. Cost of services increased by ¥44.2 billion (5.8%) to ¥811.1 billion for the year ended March 31, 2008 from ¥767.0 billion in the prior fiscal year due to an increased number of FOMA base stations installed. Depreciation and amortization increased by ¥31.1 billion (4.2%) to ¥776.4 billion for the year ended March 31, 2008 from ¥745.3 billion in the prior fiscal year, reflecting intensive capital expenditures on the FOMA network in prior fiscal years.

The operating income margin improved to 17.2% for the year ended March 31, 2008 from 16.2% for the prior fiscal year. The decrease in cost of equipment sold due to the decrease in the number of handsets sold and the decrease in selling, general and administrative expenses contributed to this improvement.

As a result of the foregoing, our operating income increased by ¥34.8 billion (4.5%) to ¥808.3 billion for the year ended March 31, 2008 from ¥773.5 billion for the prior fiscal year.

Other income (or expense) includes items such as interest income, interest expense, gains and losses on sale of marketable securities and other investments and foreign exchange gains and losses. We accounted for ¥7.6 billion as other expenses for the year ended March 31, 2008. Other expenses increased by ¥7.0 billion from ¥0.6 billion for the year ended March 31, 2007.

Income before income taxes, equity in net income of affiliates and minority interests increased by ¥27.7 billion (3.6%) to ¥800.7 billion for the year ended March 31, 2008 from ¥772.9 billion for the prior fiscal year.

Income taxes were ¥323.0 billion for the year ended March 31, 2008 and ¥313.7 billion in the prior fiscal year, representing effective income tax rates of approximately 40.3% and 40.6%, respectively. We are subject to income taxes imposed by various taxing authorities in Japan, including corporate income tax, corporate enterprise tax and corporate inhabitant income taxes, which in the aggregate amounted to a statutory income tax rate of approximately 40.9% for the years ended March 31, 2008 and 2007. The Japanese government introduced various special tax benefits, one of which is R&D investment tax incentive. The government also introduced an arrangement where we could deduct a certain amount of investments in IT systems for two years effective April 1, 2006. The difference between our effective income tax rate and statutory income tax rate for the year ended March 31, 2008 and 2007 arose primarily from such special tax allowances.

Equity in net income of affiliates (net of applicable taxes) was ¥13.6 billion for the year ended March 31, 2008 compared to net losses of ¥1.9 billion for the prior fiscal year, due to the application of the equity method to our investment in PLDT.

As a result of the foregoing, we recorded net income of ¥491.2 billion for the year ended March 31, 2008, an increase of ¥33.9 billion (7.4%) from ¥457.3 billion for the prior fiscal year.

■ Segment Information

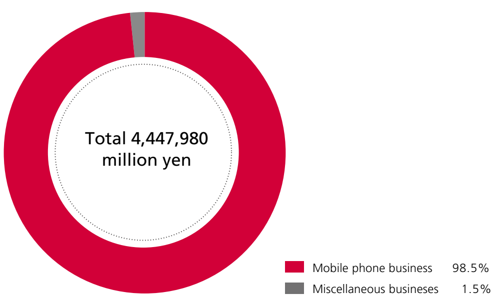
General

Our business consists of two reportable segments: mobile phone business and miscellaneous businesses. Our management monitors and evaluates the performance of our segments based on the information that follows, as derived from our management reports.

The mobile phone business segment includes FOMA services, mova services, packet communications services, satellite mobile communications services, international services and the equipment sales related to these services. The miscellaneous businesses segment includes high-speed internet connection and video-clip casting services for hotel facilities, advertisement services, development, sales and maintenance of IT systems, credit services and other miscellaneous services, which in the aggregate are not significant in amount.

PHS business, which had been previously identified as a reportable segment, was terminated in January 2008 and reclassified into miscellaneous businesses segment.

Operating Revenues by Segment
Year ended March 31, 2009



Mobile phone business segment

For the year ended March 31, 2009, operating revenues from our mobile phone business segment decreased by ¥265.9 billion (5.7 %) to ¥4,381.3 billion from ¥4,647.1 billion in the prior fiscal year. Cellular services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥357.7 billion (8.9%) to ¥3,661.3 billion for the year ended March 31, 2009 from ¥4,019.0 billion in the prior fiscal year. Equipment sales revenues increased for the year ended March 31, 2009 from the prior fiscal year despite the decrease in number of handsets sold to agent resellers, as the sales commissions to be deducted from gross equipment sales decreased due to the penetration of "Value Course". Revenues from our mobile phone business segment represented 98.5% and 98.6% of total operating revenues for the years ended March 31, 2009 and 2008, respectively. Operating expenses in our mobile phone business segment decreased by ¥262.9 billion (6.9%) to ¥3,526.0 billion from ¥3,788.9 billion in the prior fiscal year. As a result, operating income from our mobile phone business segment decreased by ¥2.9 billion (0.3%) to ¥855.3 billion from ¥858.2 billion in the prior fiscal year. Analysis of the changes in revenues and expenses of our mobile phone business segment is also presented in "Operating Strategies", "Operating Trends" and "Operating Results for the year ended March 31, 2009", which were discussed above.

Miscellaneous businesses segment

Operating revenues from our miscellaneous businesses increased by ¥2.0 billion (3.1%) to ¥66.7 billion for the year ended March 31, 2009, which represented 1.5% of total operating revenues, from ¥64.7 billion in the prior fiscal year. The increase was mainly due to an increase in revenues from businesses such as advertisement, high-speed internet connection services for hotel facilities, and credit businesses. Operating expenses from our miscellaneous businesses decreased by ¥23.5 billion (20.5%) to ¥91.1 billion from ¥114.6 billion in the prior fiscal year. The decrease was mainly due to a decrease in expenses related to PHS business. As a result, operating loss from our miscellaneous businesses improved to ¥24.3 billion from ¥49.9 billion in the prior fiscal year.

■ Recent Accounting Pronouncements

In December 2007, Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007) "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R requires an acquirer in a business combination to generally recognize and measure all the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values as of the acquisition date. SFAS No. 141R also requires the acquirer to recognize and measure as goodwill the excess of consideration transferred plus the fair value of any noncontrolling interest in the acquiree at acquisition date over the fair value of the identifiable net assets acquired. The excess of the fair value of the identifiable net assets acquired over consideration transferred plus the fair value of any noncontrolling interest in the acquiree at acquisition date is required to be recognized and measured as a gain from a bargain purchase. SFAS No. 141R is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of the adoption of SFAS No. 141R will depend on future business combination transactions.

In December 2007, FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51". SFAS No. 160 requires noncontrolling interest held by parties other than the parent be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. SFAS No. 160 also requires changes in parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those years. We currently estimate that the impact of the adoption of SFAS No. 160 on our result of operations and financial position will be immaterial.

In April 2008, FASB issued FASB Staff Position ("FSP") FAS 142-3 "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No.142 "Goodwill and Other Intangible Assets". FSP 142-3 requires additional disclosures about intangible assets whose useful lives may be renewed or extended and factors regarding the entity's ability and/or intent to renew or extend an agreement. FSP 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those years.

We are currently evaluating the impact of adoption of FSP 142-3 on our result of operations and financial position and considering the additional disclosures in accordance with FSP 142-3.

In December 2008, FASB issued FSP FAS 132(R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132R-1"). FSP 132R-1 requires additional disclosures about investments polices and strategies, major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132R-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132R-1 will not have any impact on our results of operations and financial position. We are currently considering the additional disclosures in accordance with FSP 132R-1.

In April 2009, FASB issued FSP FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amends the other than temporary impairment guidance for debt securities to make the guidance more operational and changes the presentation and disclosure of other than temporary impairments on debt and equity securities in the financial statements. FSP 115-2 and 124-2 is effective for interim and annual periods ending after June 15, 2009. We are currently evaluating the impact of adoption of FSP 115-2 and 124-2 on our result of operations and financial position.

■ Critical Accounting Policies

The preparation of our consolidated financial statements requires our management to make estimates about expected future cash flows and other matters that affect the amounts reported in our financial statements in accordance with accounting policies established by our management. Note 2 to our consolidated financial statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting policies are particularly sensitive because of their significance to our reported results and because of the possibility that future events may differ significantly from the conditions and assumptions underlying the estimates used and judgments relating thereto made by our management in preparing our financial statements. Our senior management has discussed the selection and development of the accounting estimates and the following disclosure regarding the critical accounting policies with our independent public accountants as well as our corporate auditors. The corporate auditors attend meetings of the board of directors and certain executive meetings to express their opinion and are under a statutory duty to oversee the administration of our affairs by our directors and to examine our financial statements. Our critical accounting policies are as follows.

Useful lives of property, plant and equipment, internal use software and other intangible assets

The values of our property, plant and equipment, such as the base stations, antennas, switching centers and transmission lines used by our cellular business, our internal-use software and our other intangible assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives. We estimate the useful lives of property, plant and equipment, internal-use software and other intangible assets in order to determine the amount of depreciation and amortization expense to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2009, 2008 and 2007 were ¥804.2 billion, ¥776.4 billion and ¥745.3 billion, respectively. For the year ended March 31, 2009, depreciation and amortization expenses included the effect of accelerated depreciation charges of mova-related assets through the changes in estimated useful lives accompanied by our decision to discontinue mova services on March 31, 2012. We determine the useful lives of our assets at the time the assets are acquired and base our determinations on expected usage, experience with similar assets, established laws and regulations as well as taking into account anticipated technological or other changes. The estimated useful lives of our wireless telecommunications equipment are generally set at from 8 to 16 years. The estimated useful life of our internal-use software is set at 5 years. If technological or other changes occur more rapidly or in a different form than anticipated, new laws or regulations are enacted, or the intended usage changes, the useful lives assigned to these assets may need to be shortened, resulting in recognition of additional depreciation and amortization expenses or losses in future periods.

Impairment of long-lived assets

We perform an impairment review for our long-lived assets to be held and used, including fixed assets such as our property, plant and equipment and certain identifiable intangibles such as software for telecommunications network, internal-use software and rights to use telecommunications facilities of wire line network operators, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This analysis is separate from our analysis of the useful lives of our assets, although it is affected by some similar factors. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following trends or conditions related to the business that utilizes a particular asset:

- significant decline in the market value of an asset;
- loss of operating cash flow in current period;
- introduction of competitive technologies and services;
- significant underperformance of expected or historical cash flows;
- significant or continuing decline in subscriptions;
- changes in the manner of usage of an asset; and
- other negative industry or economic trends.

When we determine that the carrying amount of specific assets may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. If the carrying value of the assets exceeds the sum of the expected undiscounted future net cash flows, we record an impairment loss based on the fair values of the assets. Such fair values may be based on established markets, independent appraisals and valuations or discounted cash flows. If actual market and operating conditions under which assets are used are less favorable or subscriber numbers are less than those projected by management, either of which results in loss of cash flows, additional impairment charges for assets not previously written-off may be required.

Impairment of investments

We have made investments in certain domestic and foreign entities. These investments are accounted for under the equity method, cost method, or at fair value as appropriate based on various conditions such as ownership percentages, exercisable influence over the investments and marketability of the investments. The total carrying value for the investments in affiliates was ¥572.0 billion, while the total carrying value for investments in marketable equity securities and equity securities accounted for under the cost method was ¥141.5 billion as of March 31, 2009. Equity method and cost method accounting require that we assess if a decline in value or an associated event regarding any such investment has occurred and, if so, whether such decline is other than temporary. We perform a review for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following:

- significant or continued declines in the market values of the investee;
- loss of operating cash flow in current period;
- significant underperformance of historical cash flows of the investee;
- significant impairment losses or write-downs recorded by the investee;
- significant changes in the quoted market price of public investee affiliates;
- negative results of competitors of investee affiliates; and
- other negative industry or economic trends.

In performing our evaluations, we utilize various information including discounted cash flow valuations, independent valuations and, if available, quoted market values. Determination of recoverable amounts sometimes require estimates involving results of operations and financial position of the investee, changes in technology, capital expenditures, market growth and share, discount factors and terminal values.

In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a new cost basis in the carrying amount of the investment. The impairment charge of investment in affiliates is included in "Equity in losses of affiliates" while the impairment charge of marketable securities or equity securities under the cost method is reflected in "Other income (expense)" in our consolidated statements of income and comprehensive income. For the year ended March 31, 2009, 2008 and 2007, we recorded impairment charges accompanying with other than temporary declines in the values of certain investee affiliates, but the impairment charges did not have a material impact on our results of operations and financial position. We also recorded impairment charges on certain investments which were classified as marketable securities or equity securities under the cost method. For the year ended March 31, 2009, the amount of impairment charges was ¥57.8 billion. For the year ended March 31, 2008 and 2007, the impairment charges did not have a material impact on our results of operations and financial position.

While we believe that the remaining carrying values of our investments are nearly equal to their fair value, circumstances in which the value of an investment is below its carrying amount or changes in the estimated realizable value can require additional impairment charges to be recognized in the future.

Deferred tax assets

We record deferred tax assets and liabilities based on enacted tax rates for the estimated future tax effects of carry-forwards and temporary differences between the tax basis of an asset or liability and the amount reported in the balance sheet. In determining the amounts of the deferred tax assets or liabilities, we have to estimate the tax rates expected to be in effect during the carry-forward periods or when the temporary differences reverse. We recognize a valuation allowance against certain deferred tax assets when it is determined that it is more likely than not some or all of future tax benefits will not be realized. In determining the valuation allowance, we estimate expected future taxable income and the timing for claiming and realizing tax deductions and assess available tax planning strategies. If we determine that future taxable income is lower than expected or that the tax planning strategies cannot be implemented as anticipated, the valuation allowance may need to be additionally recorded in the future in the period when such determination is made.

Pension liabilities

We sponsor a non-contributory defined benefit pension plan which covers almost all of our employees. We also participate in the NTT CDBP, a contributory defined benefit welfare pension plan sponsored by NTT group.

Calculation of the amount of pension cost and liabilities for retirement allowances requires us to make various judgments and assumptions including the discount rate, expected long-term rate of return on plan assets, long-term rate of salary increases and expected remaining service lives of our plan participants. We believe that the most significant of these assumptions in the calculations are the discount rate and the expected long-term rate of return on plan assets. We determine an appropriate discount rate based on current market interest rates on high-quality, fixed-rate debt securities that are currently available and expected to be available during the period to maturity of the pension benefits. In determining the expected long-term rate of return on plan assets, we consider the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical performances. The rates are reviewed annually and we review our assumptions in a timely manner when an event occurs that would have significant influence on the rates or the investment environment changes dramatically.

The discount rates applied in determination of the projected benefit obligations as of March 31, 2009 and 2008, and expected long-term rates of return on plan assets for the years ended March 31, 2009 and 2008 were as follows:

	Years ended March 31	
	2008	2009
Non-contributory defined benefit pension plan		
Discount rate	2.3%	2.2%
Expected long-term rate of return on plan assets	2.5%	2.5%
Actual return on plan assets	Approximately (9)%	Approximately (17)%
NTT CDBP		
Discount rate	2.3%	2.2%
Expected long-term rate of return on plan assets	2.5%	2.5%
Actual return on plan assets	Approximately (5)%	Approximately (12)%

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2009 and 2008 was ¥186.2 billion and ¥182.2 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2009 and 2008, based on actuarial computations which covered only DOCOMO employees' participation, was ¥83.5 billion and ¥78.3 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized from "Accumulated other comprehensive income" over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our non-contributory defined benefit pension plan and the NTT CDBP as of March 31, 2009 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

	Billions of yen		
Change in assumptions	Change in projected benefit obligation	Change in pension cost, before applicable taxes	Accumulated other comprehensive income, net of applicable taxes
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate	(12.0) / 12.9	0.3 / (0.2)	7.3 / (7.8)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.3) / 0.5	—
NTT CDBP			
0.5% increase/decrease in discount rate	(8.5) / 9.6	0.0 / (0.0)	5.1 / (5.7)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.3) / 0.3	—

Please also refer to Note 16 "Employees' retirement benefits" to our consolidated financial statements for further discussion.

Revenue recognition

We defer upfront activation fees and recognize them as revenues over the expected term of a subscription. Related direct cost to the extent of the activation fee amount are also being deferred and amortized over the same period. The reported amounts of revenue and cost of services are affected by the level of activation fees, related direct cost and the estimated length of the subscription period over which such fees and cost are amortized. Factors that affect our estimate of the subscription period over which such fees and cost are amortized include subscriber churn rate and newly introduced or anticipated competitive products, services and technology. The current amortization periods are based on an analysis of historical trends and our experiences. For the years ended March 31, 2009, 2008 and 2007, we recognized as revenues deferred activation fees of ¥29.0 billion, ¥38.2 billion and ¥45.2 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2009, remaining unrecognized deferred activation fees were ¥89.1 billion.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

As discussed in "Operational Strategies" section of "A. Operating Results", we introduced a new handset sales method called "Value Course" in November 2007. Under "Value Course", if a subscriber chooses to pay for a handset in installments, we pay for the purchased handset to agent resellers and then charge the installment receivable for the handset in the monthly bill to the subscriber for the installment payment term. Thus, the advance payment for the purchased handset to the agent reseller is likely to have an impact on our cash flow and liquidity. Our cash requirements for the year ending March 31, 2010 include cash needed to pay for the purchased handsets to the agent resellers, to expand our FOMA infrastructure, to invest in other facilities, to make repayments for interest bearing liabilities and other contractual obligations and to pay for strategic investments, acquisitions, joint ventures or other investments. We believe that cash generated from our operating activities, future borrowings from banks and other financial institutions or future offerings of debt or equity securities in the capital markets will provide sufficient financial resources to meet our currently anticipated capital and other expenditure requirements and to satisfy our debt service requirements. Although the overall environment surrounding the financial markets has been negatively affected by the recent global financial crisis, we believe we have enough financing ability supported by our high creditworthiness resulting from our stable financial performance and strong financial standing. When we determine the necessity for external financing, we take into consideration the amount of cash demand, timing of payments, available reserves of cash and cash equivalents and expected cash flows from operations. If we determine that demand for cash exceeds the amount of available reserves of cash and cash equivalents and expected cash flows from operations, we plan on obtaining external financing through borrowing or the issuance of debt or equity securities. Additional debt, equity or other financing may be required if we underestimate our capital or other expenditure requirements, or overestimate our future cash flows. There can be no assurance that such external financing will be available on commercially acceptable terms or in a timely manner.

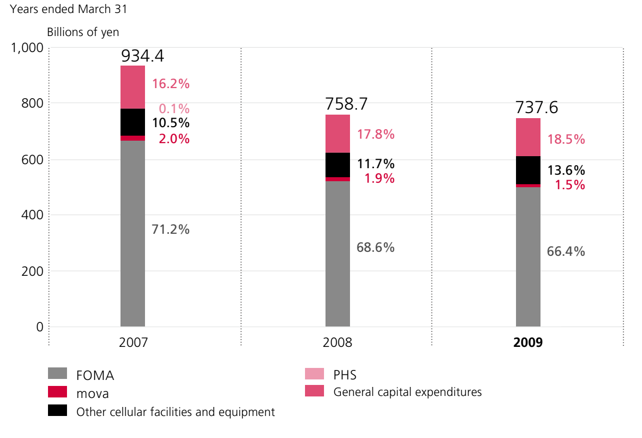
Capital Expenditures

The wireless telecommunications industry is highly capital intensive because significant capital expenditures are required for the construction of wireless telecommunications network. Our capital requirements for our networks are determined by the nature of facility or equipment, the timing of its installment, the nature and the area of coverage desired, the number of subscribers served in the area and the expected volume of traffic. They are also influenced by the number of cells required in the service area, the number of radio channels in the cell and the switching equipment required. Capital expenditures are also required for information technology and servers for Internet-related services.

Our capital expenditures for the year ended March 31, 2009 decreased from the prior fiscal year. During the prior fiscal year, we made intensive capital expenditures for expansion of the FOMA network to enhance our competitiveness after the introduction of Mobile Number Portability.

Capital Expenditures

Years ended March 31



During the year ended March 31, 2009, we added approximately 5,800 outdoor base stations for our FOMA services for an aggregate of approximately 48,500 installed base stations as of March 31, 2009. We also promoted the installment of indoor systems for our FOMA services to complete coverage of approximately 19,900 facilities as of March 31, 2009. By taking measures such as conversion into IP networks, we were involved with capacity enhancement and integration of network facilities along with economized procurement, as well as efficient facility build-up and quality improvements by selecting the most appropriate devices among various types in consideration of conditions including surrounding environments and traffic volumes.

Total capital expenditures for the years ended March 31, 2009, 2008 and 2007 were ¥737.6 billion, ¥758.7 billion and ¥934.4 billion, respectively. For the year ended March 31, 2009, 66.4% of capital expenditures were used for construction of the FOMA network, 1.5% for construction of the second generation mova network, 13.6% for other cellular facilities and equipment and 18.5% for general capital expenditures such as an internal IT system. By comparison, in the prior fiscal year, 68.6% of capital expenditures were used for construction of the FOMA network, 1.9% for the mova network, 11.7% for other cellular facilities and equipment, and 17.8% for general capital expenditures.

For the year ending March 31, 2010, we expect total capital expenditures to be ¥690.0 billion, of which approximately 65.9% will be for the FOMA network, 0.7% for the mova network, 13.0% for other cellular facilities and equipment and 20.4% for general capital expenditures. We intend to promote further quality improvement of FOMA service area, enhancement of facilities against the increase of data traffic volume, as well as cost saving and efficiency efforts of capital expenditures through economized procurement, design and installment of low-cost devices, and improvements in construction processes.

We currently expect that capital expenditures for the next few fiscal years will be at a lower level primarily because capital expenditures related to expanding, maintaining and upgrading our FOMA network already peaked in the fiscal year ended March 31, 2007, resulting in an expected decrease in subsequent fiscal years.

Our level of capital expenditures may vary significantly from expected levels for a number of reasons. Capital expenditures for expansion and enhancement of our existing cellular network may be influenced by the growth in subscriptions and traffic, which is difficult to predict with certainty, the ability to identify and procure suitably located base station sites on commercially reasonable terms, competitive environments in particular regions and other factors. The nature, scale and timing of capital expenditures to reinforce our 3G network may be materially different from our current plans due to demand for the services, delays in the construction of the network or in the introduction of services and changes in the variable cost of components for the network. We expect that these capital expenditures will be affected by market demand for our mobile multimedia services, including i-mode and other data transmission services, and by our schedule for ongoing expansion of the existing network to meet demand.

Long-Term Debt and Other Contractual Obligations

As of March 31, 2009, we had ¥639.2 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥476.8 billion as of the end of the prior fiscal year. We issued domestic straight bonds in the aggregate amount of ¥239.9 billion in the year ended March 31, 2009 for the purpose of capital expenditures and refinancing of existing long-term debt. We did not implement any long-term financing in the years ended March 31, 2008 or 2007. We repaid ¥77.1 billion, ¥131.0 billion and ¥193.7 billion of long-term debt, in the years ended March 31, 2009, 2008, and 2007, respectively.

Of our long-term debt outstanding as of March 31, 2009, ¥67.0 billion, including current portion, was indebtedness to financial institutions, of which the weighted average fixed interest rate was 1.3% per annum. The term of maturities was from the year ending March 31, 2010 through 2013. As of March 31, 2009, we also had ¥572.2 billion in bonds due from the year ending March 31, 2011 to 2019 with a weighted average coupon rate of 1.5% per annum. We carefully consider terms and conditions of corporate bonds and loans from financial institutions to avoid an excessive concentration of our repayment or redemption obligations.

As of May 31, 2009, we and our long-term debt obligations were rated by rating agencies as shown in the table below. Such ratings were issued by the rating agencies upon our requests. On May 18, 2009, Moody's changed the outlook for our long-term obligation rating from "stable" to "negative". Credit ratings reflect rating agencies' current opinions about our financial capability of meeting payment obligations of our debt in accordance with their terms. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretions. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

Rating agencies	Type of rating	Rating	Outlook
Moody's	Long Term Obligation Rating	Aa1	Negative
Standard & Poor's	Long-Term Issuer Credit Rating	AA	Stable
Standard & Poor's	Long-Term Issue Credit Rating	AA	—
Japan Credit Rating Agency, Ltd.	Long-Term Senior Debt Rating	AAA	Stable
Rating and Investment Information, Inc.	Issuer Rating	AA+	Stable

None of our debt obligations include a clause in which a downgrade of our credit rating could lead to a change in a payment term of such an obligation so as to accelerate its maturity.

The following table summarizes our long-term debt, interest payments on long-term debt, lease obligations and other contractual obligations (including current portion) over the next several years.

Long-Term Debt, Lease Obligations and Other Contractual Obligation

	Millions of yen				
	Payments due by period				
Category of obligations	Total	1 year or less	1–3 years	3–5 years	After 5 years
Long-Term Debt					
Bonds	¥572,233	—	¥332,233	¥130,000	¥110,000
Loans	67,000	¥ 29,000	23,000	15,000	—
Interest Payments on Long-Term Debt	37,255	8,156	12,980	6,673	9,446
Capital Leases	7,925	3,050	3,676	1,150	49
Operating Leases	21,157	2,184	3,312	2,848	12,813
Other Contractual Obligations	157,652	151,670	5,918	64	—
Total	¥863,222	¥194,060	¥381,119	¥155,735	¥132,308

* The amount of contractual obligations which is immaterial in amount is not included in "Other Contractual Obligations" in the above table.

"Other contractual obligations" principally consisted of commitments to purchase property and equipment for our cellular network, commitments to purchase inventories, mainly handsets, commitments to purchase services. As of March 31, 2009, we had committed ¥43.2 billion for property, plant and equipment, ¥12.2 billion for inventories and ¥102.3 billion for other purchase commitments.

In addition to our existing commitments, we expect to make significant capital expenditures on an ongoing basis for our FOMA network and for other purposes. Also, we consider potential opportunities for entry to new areas of business, merger and acquisitions, establishment of joint ventures, strategic investments or other arrangements primarily in wireless communications businesses from time to time. Currently, we have no contingent liabilities related to litigation or guarantees that could have a materially adverse effect on our financial position.

Sources of cash

The following table sets forth certain information about our cash flows during the years ended March 31, 2009, 2008 and 2007:

	Millions of yen Years ended March 31		
	2007	2008	**2009**
Net cash provided by operating activities	¥ 980,598	¥1,560,140	¥ 1,173,677
Net cash used in investing activities	(947,651)	(758,849)	(1,030,983)
Net cash used in financing activities	(531,481)	(497,475)	(182,441)
Net increase (decrease) in cash and cash equivalents	(497,662)	303,843	(47,357)
Cash and cash equivalents at beginning of year	840,724	343,062	646,905
Cash and cash equivalents at end of year	¥ 343,062	¥ 646,905	¥ 599,548

Analysis of cash flows for the year ended March 31, 2009 and comparison with the prior fiscal year

For the year ended March 31, 2009, our net cash provided by operating activities was ¥1,173.7 billion, a decrease of ¥386.5 billion (24.8%) from ¥1,560.1 billion in the prior fiscal year. Net cash provided by operating activities decreased due mainly to the following:

- an increase of net payment for income taxes by ¥182.1 billion, because in the prior year the tax deduction for the impairment of our investment in Hutchison 3G UK Holdings Limited (H3G UK) was realized and the payment of income taxes was ¥200.1 billion compared to ¥383.8 billion for the fiscal year ended March 31, 2009 whereas collection of income taxes receivable was and ¥22.0 billion and ¥20.3 billion for the fiscal year ended March 31, 2009 and 2008, respectively; and
- an increase of installment receivable for handsets of ¥219.8 billion compared to the prior year.

Net cash used in investing activities for the year ended March 31, 2009 was ¥1,031.0 billion, the main components of which included expenditures of ¥759.1 billion for purchases of tangible and intangible assets and of ¥313.9 billion for strategic investments, and net proceeds of ¥49.3 billion mainly from redemption of long-term investments and changes in investments with original maturities of more than three months for cash management purposes. The net amount of cash used increased by ¥272.1 billion (35.9%) from ¥758.8 billion used in the prior fiscal year. The increase in the net cash used consisted mainly of the following:

- purchases of non-current investments increased to ¥313.9 billion from ¥124.3 billion in the prior fiscal year; and
- net proceeds from redemption of long-term investments and changes in investments with original maturities of more than three months for cash management purposes decreased to ¥49.3 billion from ¥148.9 billion in the prior fiscal year.

During the year ended March 31, 2009, we invested in telecommunications facilities and equipments for quality enhancement of FOMA network service area and expansion of HSDPA service coverage in order to effectively respond to the growth of traffic demand and improvement of customer satisfaction, with the convenience of our subscribers in mind.

Net cash used in financing activities for the year ended March 31, 2009 was ¥182.4 billion, primarily from the repayment of ¥77.1 billion for long-term debt, dividend payments of ¥203.8 billion and payments of ¥136.8 billion for acquisition of treasury stock, while obtaining ¥239.9 billion through issuances of corporate bonds. The net amount of cash used decreased by ¥315.0 billion (63.3%) from ¥497.5 billion in the prior fiscal year. The decrease in net cash used in financing activities was due primarily to the following:

- an increase of proceeds from long-term debt by ¥239.9 billion;
- a decrease in payments to acquire treasury stock to ¥136.8 billion from ¥173.0 billion in the prior fiscal year; and
- a decrease in the repayment of long-term debt to ¥77.1 billion from ¥131.0 billion in the prior fiscal year.

Cash and cash equivalents as of March 31, 2009 was ¥599.5 billion, representing a decrease by ¥47.4 billion (7.3%) from ¥646.9 billion as of the end of the prior fiscal year. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥2.4 billion and ¥52.2 billion as of March 31, 2009 and 2008, respectively.

Analysis of cash flows for the year ended March 31, 2008 and comparison with the prior fiscal year

For the year ended March 31, 2008, our net cash provided by operating activities was ¥1,560.1 billion, an increase by ¥579.5 billion (59.1%) from ¥980.6 billion in the prior fiscal year. Net cash provided by operating activities increased due mainly to the following:

- a decrease in the net payment of income taxes by ¥179.2 billion, where the payment of income taxes decreased to ¥ 200.1 billion from ¥359.9 billion in the prior fiscal year and the collection of income taxes receivable increased to ¥20.3 billion from ¥0.9 billion in the prior fiscal year, after deferred tax asset from the impairment of our investment in H3G UK was realized; and
- as banks were closed on the last day of March 2007, cash in the amount of ¥210.0 billion including cellular revenues, which would have been received by March 31, 2007, was actually received in April 2007.

Net cash used in investing activities for the year ended March 31, 2008 was ¥758.8 billion, the main components of which included expenditures of ¥765.3 billion for purchases of tangible and intangible assets and of ¥124.3 billion for strategic investments, and net proceeds of ¥148.9 billion mainly from redemption of long-term investments and changes in investments with original maturities of more than three months for cash management purposes. The net amount of cash used decreased by ¥188.8 billion (19.9%) from ¥947.7 billion used in the prior fiscal year. The decrease in the net cash used consisted mainly of the following:

- expenditures for purchases of tangible and intangible assets decreased to ¥765.3 billion from ¥948.7 billion in the prior fiscal year;
- net proceeds from redemption of long-term investments and changes in investments with original maturities of more than three months for cash management purposes increased to ¥148.9 billion from ¥50.7 billion in the prior fiscal year; and
- purchases of non-current investments increased to ¥124.3 billion from ¥41.9 billion in the prior fiscal year.

During the year ended March 31, 2008, in order to respond attentively to diverse demand from our subscribers, we invested in telecommunications facilities and equipment to expand the network coverage of HSDPA services and to enhance FOMA network reliability and capacity against the growth of traffic demand.

Net cash used in financing activities for the year ended March 31, 2008 was ¥497.5 billion, primarily from the repayment of ¥131.0 billion for long-term debt, dividend payments of ¥190.5 billion and payments of ¥173.0 billion for acquisition of treasury stock. The net amount of cash used decreased by ¥34.0 billion (6.4%) from ¥531.5 billion in the prior fiscal year. The decrease in net cash used in financing activities was due primarily to the following:

- a decrease in the repayment of long-term debt to ¥131.0 billion from ¥193.7 billion in the prior fiscal year;
- an increase in dividend payments to ¥190.5 billion from ¥176.9 billion in the prior fiscal year; and
- an increase in payments to acquire treasury stock to ¥173.0 billion from ¥157.2 billion in the prior fiscal year.

Cash and cash equivalents as of March 31, 2008 amounted to ¥646.9 billion, representing an increase by ¥303.8 billion (88.6%) from ¥343.1 billion as of the end of the prior fiscal year. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥52.2 billion and ¥200.5 billion as of March 31, 2008 and 2007, respectively.

Prospect of cash flows for the year ending March 31, 2010

As for our sources of cash for the year ending March 31, 2010, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year due to an increase in the payment of income taxes and a decrease of non-cash expenditures such as depreciation expense, even though cash collection of installment receivable for handsets is expected to increase from the prior fiscal year due to the penetration of installment sales methods.

Our net cash flow used in investing activities for the year ending March 31, 2010 is expected to decrease due to factors including a decrease in our capital expenditures to approximately ¥690.0 billion from ¥737.6 billion for the year ended March 31, 2009.

C. RESEARCH AND DEVELOPMENT

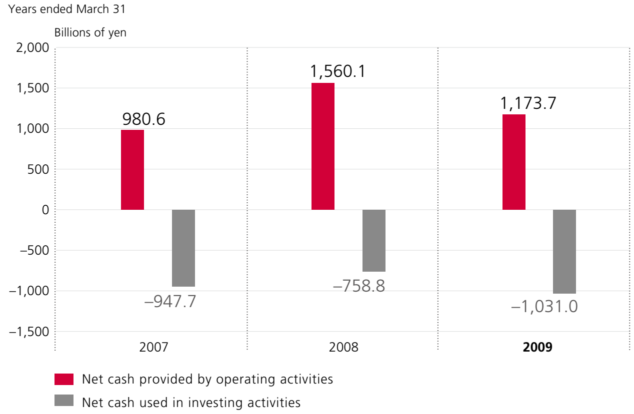
Our research and development activities include development of new products and services, development related to LTE and research on fourth-generation systems, and conversion into IP networks for economical network constructions. Research and development expenditures are charged to expenses as incurred. We incurred ¥100.8 billion, ¥100.0 billion and ¥99.3 billion as research and development expenses for the years ended March 31, 2009, 2008 and 2007, respectively.

D. TREND INFORMATION

The mobile communication market in Japan is undergoing changes brought about by such factors as increasing rate of mobile phone penetration, diversification of customer needs, the introduction of Mobile Number Portability, and market entry by new competitors. In such an environment, with operators taking such measures as the enhancement of handset lineups, the introduction of value added services, lower billing plans and the introduction of handset purchase methods, including installment payments, competition among the operators is expected to become increasingly fierce.

Cash Flows

Years ended March 31



Research and Development Expenses

Years ended March 31

In the fiscal year ending March 31, 2010, we expect that our operating revenues will decrease and operating income will remain the same level compared to the prior fiscal year, based on the following trends in our business:

- While it is anticipated that any increase in new subscriptions will be limited due to the high penetration rate of mobile phone, we are anticipating acquiring a similar level of net increase in the number of subscriptions in the fiscal year ending March 31, 2010 as in the fiscal year ended March 31, 2009 by taking measures such as lowering the churn rate through marketing directed at strengthening brand loyalty through greater satisfaction of existing customers, and thus we expect an increase in total number of subscriptions. Further, the proportion of FOMA subscriptions is expected to increase to approximately 95% of our total cellular services subscriptions with the ongoing migration of our mova subscribers to FOMA services;
- Both aggregate ARPU (FOMA+mova) and voice ARPU (FOMA+mova) decreased, while packet ARPU (FOMA+mova) increased in the fiscal year ended March 31, 2009 as compared to the prior fiscal year. These trends are expected to continue in the fiscal year ending March 31, 2010. We consider that several discount services, which implemented in prior years to strengthen our competitiveness, will continue to become widespread, revenue will decrease with the penetration of the "Value Plan," which provides lower basic monthly charges in exchange for payment of handset purchase costs which is not discounted by sales incentives, and then with regard to packet ARPU, the increase is primarily due to the increase in subscriptions to packet flat-rate services and the uptrend in monthly payments caused by the migration from mova to FOMA;
- With regard to equipment sales, in the fiscal year ended March 31, 2009, the number of handsets sold to agent resellers declined from the previous fiscal year, but with the introduction of the "Value Course" in November 2007, sales commissions deducted from equipment sales were reduced, and after deduction of sales commissions, equipment sales increased over the prior fiscal year. Similarly, in the fiscal year ending March 31, 2010, the number of handsets sold wholesale to agencies is expected to decrease slightly, but the market penetration by the "Value Course" is expected to have the effect of reducing sales commissions deducted from equipment sales, and equipment sales after deduction of sales commissions are expected to increase over the prior fiscal year.
- Due to the above, operating revenue for the fiscal year ending March 31, 2010 will decrease from the prior fiscal year primarily as a result of the decrease in aggregate ARPU more than offsetting the effects of increased revenue by the increase of subscriptions.
- SG&A expenses, network costs (communication network charges, depreciation and amortization costs, loss on sales of disposals of fixed assets) and other operating expenses for the fiscal year ending March 31, 2010 are expected to decrease from the previous fiscal year due to higher cost efficiency resulting from a review of sales policies, higher operating efficiency as a result of the consolidation of the regional subsidiaries into DOCOMO and reorganization of principal subsidiaries, and efficient facility construction resulting from a review of design methods.

Due to the above, we expect operating income for the year ending March 31, 2010 to be at a similar level to the prior fiscal year, and net income to increase from the prior fiscal year, due to a decrease of non-operating expense.

It should be noted that in the "Value Course" introduced in November 2007, sales commissions that had been previously applied on handset sales are reduced, but on the other hand, in the accompanying "Value Plan," a discount on basic monthly charges is applied continuously. This will result in a one-time contribution to increased profits. It is expected that this effect will diminish in the fiscal year ending March 31, 2010 and beyond.

Risk Factors

Changes in the business environment in the telecommunications industry, such as intensifying competition from other service providers or other technologies caused by Mobile Number Portability, new market entrants and other factors, could limit our acquisition of new subscriptions and retention of existing subscriptions, or may lead to diminishing ARPU or an increase in our costs and expenses.

Market changes such as the introduction of Mobile Number Portability (MNP) and the emergence of new service providers are resulting in increasing competition with other service providers in the telecommunications industry. For example, other mobile service providers have introduced new products and services including 3G handsets, music player handsets, music distribution services, and flat-rate services for voice communications and e-mail limited to specified recipients, and new installment sale methods for handsets. There are also providers that now offer or may in the future offer services such as combined billing, aggregated point programs, and services offering free calls between fixed-line and cellular phones in conjunction with fixed-line communications, which may be more convenient for customers.

At the same time, there may be increased competition resulting from the introduction of other new services and technologies, especially low-priced and flat-rate services, such as fixed-line or mobile IP phones, high-speed fixed-line broadband Internet service and digital broadcasting, wireless LAN, and so on or convergence of these services.

In addition to competition from other service providers and technologies, there are other factors increasing competition among mobile network operators in Japan such as saturation in the Japanese cellular market, changes to business and market structures due to the entry of new competitors in the market, including MVNOs*, changes in the regulatory environment, and increased rate competition.

Under these circumstances, the number of net new subscriptions we acquire may continue to decline in the future and may not reach the number we expect. Also, in addition to difficulty acquiring new subscriptions, we may not be able to maintain existing subscriptions at expected levels due to increased competition among cellular service providers in the areas of rates and services. Furthermore, in order to capture new subscriptions and maintain existing subscriptions, we may need to incur higher than expected costs. In this fierce market environment, in order to provide advanced services and increase convenience to our customers, we have made various rate revisions such as the introduction in June 2004 of "Pake-hodai," which is a packet flat-rate service for FOMA i-mode, the introduction of a new unified rate plan for FOMA services and mova services in November 2005 that users find simple and easy to understand, the introduction in March 2006 of a new rate plan that enables users to apply Pake-hodai to all FOMA services, the introduction in March 2007 of "Pake-hodai full," a service that enables subscribers with full-browser handsets to view not only i-mode but also PC websites and video for a flat monthly rate, the introduction in August 2007 of "Fami-wari MAX 50" and "Hitoridemo Discount 50," which give a uniform 50% discount on basic monthly charges, regardless of length of continuous service, the introduction in April 2008 of a new rate plan that allows users in the same "Family Discount" group to make free domestic calls to each other 24 hours a day, and the introduction in October 2008 of the packet flat-rate service, "Pake-hodai double," with monthly charges varying according to usage. However, we cannot be certain that these measures will enable us to acquire new and maintain existing subscribers.

Furthermore, these rate revisions are expected to lead to a certain decline in ARPU, but if the trend of subscribers using "Family Discount" and switching to flat-rate services increases more than we expect, our ARPU may decrease more than we expect. Furthermore, if the market growth slows or the market shrinks due to the economic downturn, APRU may decrease even more than forecast and we may not be able to capture new subscriptions or maintain the existing number of subscriptions at the level we expect. The foregoing factors may have a material adverse effect on our financial condition and operating results.

* Abbreviation of Mobile Virtual Network Operator. A business that borrows the wireless communication infrastructure of other companies to provide services.

Current and new services, usage patterns, and sales schemes introduced by our corporate group may not develop as planned, which could affect our financial condition and limit our growth.

We view increase in revenue through the expansion of packet communication services and other data communication services from promotion of use of various i-mode services and through the development and expansion of new services focused on i-mode FeliCa, such as credit services, which are useful in everyday life and business, as important factors to our future growth. However, a number of uncertainties may arise to prevent the development of these services and constrain our growth.

Furthermore, if market growth slows or the market shrinks due to the economic downturn, the services, forms of usage, and sales methods provided by us may not develop sufficiently, which could affect our financial conditions and limit our growth. In particular, we cannot be certain whether or not the following can be achieved:

- We will be able to find the partners and content providers needed to provide the new services and forms of usage we are introducing and persuade a sufficient number of vendors and other establishments to install i-mode FeliCa readers;
- We will be able to provide planned new services and forms of usage as scheduled and keep costs needed for the deployment and expansion of such services within budget;
- The services and installment sale and other methods we offer and plan to offer will be attractive to current and potential subscribers and there will be sufficient demand for such services;
- Manufacturers and content providers will steadily create and offer products including handsets for our 3G system and handsets and programming for our 3G i-mode services at appropriate prices and on a timely basis;
- Our current and future data communication services including i-mode and other services will be attractive to existing and potential subscribers and achieve continued or new growth;
- Demand in the market for mobile handset functionality will be as we envision and as a result our handset procurement costs will be reduced, which will enable us to offer our handsets at appropriate prices; and
- We will be able to commence services with improved data communication speed enabled by HSDPA* and HSUPA** technology as planned.

If the development of our new services or forms of use is limited, it may have a material effect on our financial condition and results of operations.

* Abbreviation of High Speed Downlink Packet Access. A technology for high-speed packet data transmission from base station to handset based on Wideband Code Division Multiple Access, or W-CDMA.
** Abbreviation of High Speed Uplink Packet Access. A technology for high-speed packet data transmission from handset to base station based on W-CDMA.

The introduction or change of various laws or regulations or the application of such laws and regulations to our corporate group could restrict our business operations, which may adversely affect our financial condition and results of operations.

The Japanese telecommunications industry has been undergoing regulatory reform in many areas including rate regulation. Because we operate on radio spectrum allocated by the Government, the mobile telecommunications industry in which we operate is particularly affected by the regulatory environment. Various governmental bodies have been recommending or considering changes that could affect the mobile telecommunications industry, and there may be continued reforms including the introduction or revision of laws or regulations that could have an adverse effect on us. These include:

- Revision of the spectrum allocation system such as reallocation of spectrum and introduction of an auction system;
- Measures to open up some segments of telecommunication platform functions such as authentication and payment collection to other corporations;
- Rules that could require us to open our i-mode service to all content providers and Internet service providers or that could prevent us from setting or collecting i-mode content fees or putting i-mode service on cellular phone handsets as an initial setting;
- Regulations to prohibit or restrict certain content or transactions or mobile Internet services such as i-mode;
- Measures which would introduce new costs such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;
- Regulations to increase handset competition such as SIM* unlocking regulations;
- Fair competition measures to promote new entry by MVNOs;
- Introduction of new measures to promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation); and
- Other measures including competition safeguard measures directed toward us, NTT East and NTT West, revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

It is difficult to predict with certainty if any of the above proposed changes will be drafted into the relevant laws and regulations, and if they are implemented, the extent to which our business will be affected. However, if the implementation of one or more of the changes described above or other changes to laws and regulations are made, we may experience constraints on the provision of our mobile communication services and changes may arise in our existing revenue structure, and this may have an adverse effect on our financial condition and results of operations.

* Abbreviation of Subscriber Identity Module. An IC card inserted into a handset on which subscriber information is recorded, used to identify user.

Limitations in the amount of frequency spectrum or facilities made available to us could negatively affect our ability to maintain and improve our service quality and level of customer satisfaction.

One of the principal limitations on a cellular communication network's capacity is the available radio frequency spectrum it can use. We have limited spectrum and facilities available to us to provide our services. As a result, in certain parts of metropolitan Tokyo and Osaka, such as areas near major train stations, our cellular communication network operates at or near the maximum capacity of its available spectrum during peak periods, which may cause reduced service quality. In addition, the quality of the services we provide may also decrease due to the limited processing capacity of our base stations and switching facilities during peak usage periods if our subscription base dramatically increases or the volume of content such as images and music provided through our i-mode service significantly expands. Also, in relation to our FOMA services, packet flat-rate service for FOMA i-mode, and our flat-rate service that enables subscribers to view full-browser PC websites and video, an increase in the number of subscriptions and traffic volume of our subscribers may go substantially beyond our projections, we may not be able to process such traffic with our existing facilities and our quality of service may decline.

Furthermore, with an increasing number of subscriptions and traffic volume, our quality of service may decline if we cannot obtain the necessary allocation of spectrum from the Government for the smooth operation of our business.

We may not be able to avoid reduced quality of services despite our continued efforts to improve the efficiency of our use of spectrum through technology and to acquire new spectrum. If we are not able to successfully address such problems in a timely manner, we may experience constraints on the growth of our mobile communication services or lose subscribers to our competitors, which may materially affect our financial condition and results of operations.

The W-CDMA technology that we use for our 3G system and/or mobile multimedia services may not be introduced by other overseas operators, which could limit our ability to offer international services to our subscribers.

For our 3G system, we use W-CDMA technology. W-CDMA technology is one of the global standards for cellular telecommunication technology approved by the International Telecommunications Union (ITU). We may be able to offer our services, such as global roaming, on a worldwide basis if enough other mobile network operators adopt handsets and network facilities based on W-CDMA standard technology that is compatible with ours. We expect that the companies we have invested in overseas, our overseas strategic partners and many other mobile network operators will adopt this technology.

Also, we have technology alliances with overseas operators in relation to i-mode services and we are aggressively promoting the spread and expansion of i-mode services by overseas operators.

However, if a sufficient number of other mobile network operators do not adopt W-CDMA technology or there is a delay in the introduction of W-CDMA technology, we may not be able to offer global roaming services as expected and we may not be able to offer our subscribers the convenience of overseas service. Also, if adoption of W-CDMA technology abroad is not conducted sufficiently and the number of i-mode subscribers among our strategic partners and the usage of i-mode services by those subscribers does not increase sufficiently, we may not realize the benefits of economies of scale we currently expect in terms of purchasing network facilities and offering handsets and contents developed for our services at appropriate prices. Also, we cannot be sure that handset manufacturers or manufacturers of network equipment will be able to appropriately and promptly adjust their handsets and network equipment if we need to change the handsets or network we currently use due to a change in W-CDMA technology as a result of activities conducted by standard-setting organizations.

If W-CDMA technology and i-mode services do not develop as we expect and we are not able to improve the quality of our overseas services or enjoy the benefits of global economies of scale, this may have an adverse effect on our financial condition and results of operations.

Our domestic and international investments, alliances and collaborations may not produce the returns or provide the opportunities we expect.

One of the major components of our strategy is to increase our corporate value through domestic and overseas investments, alliances and collaborations. We have entered into alliances and collaborations with other companies and organizations overseas which we believe could help us achieve this objective. We are also promoting this strategy by investing, entering into alliances with and collaborating with domestic companies and investing in new business areas.

However, there can be no assurance that we will be able to maintain or enhance the value or performance of our past or future investments or that we will receive the returns or benefits we expect from these investments, alliances and collaborations. Our investments in new business areas outside of the mobile telecommunication business may be accompanied by challenges beyond our expectations, as we have little experience in such new areas of business.

In recent years, the companies in which we have invested have experienced a variety of negative developments, including severe competition, increased debt burdens, worldwide economic recession, significant change in share prices and financial difficulties. To the extent that these investments are accounted for by the equity method and to the extent that the investee companies have net losses, our financial results will be adversely affected by our pro rata portion of these losses. If there is a loss in the value of our investment in any investee company and such loss in value is other than a temporary decline, we may be required to adjust the book value and recognize an impairment loss for such investment. Also, a business combination or other similar transaction involving any of our investee companies could require us to realize impairment loss for any decline in the value of investment in such investee company. In either event, our financial condition or results of operations could be materially adversely affected.

As electronic payment capability and many other new features are built into our cellular phones, and services of parties other than those belonging to our corporate group are provided through our cellular handsets, potential problems resulting from malfunctions, defects or loss of handsets, or imperfection of services provided by such other parties may arise, which could have an adverse effect on our financial condition and results of operations.

Various functions are mounted on the mobile handsets we provide, and if we cannot appropriately deal with technological problems that may arise with respect to current or future handsets or the malfunction, defect or loss of handsets, our credibility may decline and our corporate image may be damaged, leading to an increase in cancellations of subscription or an increase in expenses for indemnity payments to subscribers and our financial condition or results of operations may be affected. New issues may arise which are different from those related to mobile communication services which we have been providing, especially with i-mode handsets with FeliCa capabilities that can be used for electronic payment and credit transactions. Events that may lead to a decrease in our credibility and corporate image, or an increase in cancellations of subscriptions and indemnity payments for subscribers include the followings:

- Breakdown, defect and malfunction of our handsets;
- Loss of information, e-money or points due to a breakdown of handsets or other factors;
- Illegal use of information, e-money, credit functions and points by third parties due to a loss or theft of handsets;
- Illegal access to and use of user records and balances accumulated on handsets by third-parties; and
- Inadequate and inappropriate management of e-money, credit functions or points by companies with which we make alliances or collaborate.

Social problems that could be caused by misuse or misunderstanding of our products and services may adversely affect our credibility or corporate image.

We may face an increase in cancellations of existing subscriber contracts and difficulty in acquiring new subscriptions due to decreased credibility of our products and services and damaged corporate image caused by inappropriate use of our products and services by unscrupulous subscribers.

One example is unsolicited bulk e-mail sent through our e-mail services, including i-mode mail and SMS. Despite our extensive efforts to address this issue caused by unsolicited bulk e-mails including notifying our subscribers via various brochures, providing unsolicited bulk e-mail filtering functions with our handsets and pursuing actions against companies which distribute large amounts of such unsolicited bulk e-mails, the problem has not yet been rooted out. If our subscribers receive a large amount of unsolicited e-mail, it may cause a decrease in customer satisfaction and damage our corporate image, leading to a reduction in the number of i-mode subscriptions.

Mobile phones have been used in crimes such as the "it's me" fraud, whereby callers request an emergency bank remittance pretending to be a relative. To combat these misuses of our services, we have introduced various measures such as more strict identification confirmation at points of purchase and ended new contracts for pre-paid mobile phones as of March 31, 2005 because pre-paid mobile phones are easier to use in criminal activities. However, in the event criminal usage increases, mobile phones may be regarded as a problem and lead to an increase in cancellation of contracts.

In addition, as our handsets and services become more sophisticated, new issues may arise when subscribers are charged fees for packet communication at levels higher than they are aware of as a result of using handsets without fully recognizing over use of packet communication in terms of frequency and volume. Also, there are issues concerning manners for phone usage in public places such as in trains and aircraft and the occurrence of car accidents caused by the use of mobile phones while driving. Further, there are a variety of issues concerning the possession of mobile phones by children in elementary and junior high schools, and discussions concerning whether our access restriction service to harmful web sites ("Filtering service"), which applies basically to subscribers under 20 years of age as the enforcement of the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, is sufficient and accurate. These issues may similarly damage our corporate image.

We believe that we have properly addressed the social issues involving mobile phones. However, it is uncertain whether we will be able to continue addressing those issues appropriately in the future as well and if we fail to do so, we may experience an increase in cancellation of existing subscriber contracts or fail to acquire new subscribers as expected, and this may affect our financial condition and results of operations.

Inadequate handling of confidential business information including personal information by our corporate group, contractors and other factors, may adversely affect our credibility or corporate image.

We possess information on numerous subscribers in the telecommunications, credit, and other businesses, and to appropriately and promptly address the Law Concerning the Protection of Personal Information, we have put in place comprehensive company-wide security management such as thorough management of confidential information including personal information, employee education, supervision of subcontractors and by strengthening technological security.

However, in the event an information leak occurs despite these security measures, our credibility may be significantly damaged and we may experience an increase in cancellation of subscriber contracts, an increase in indemnity costs and slower increase in additional subscriptions, and our financial condition and results of operations may be adversely affected.

Owners of intellectual property rights that are essential for our business execution may not grant us the right to license or otherwise use such intellectual property rights on acceptable terms or at all, which may limit our ability to offer certain technologies, products and/or services, and we may also be held liable for damage compensation if we infringe the intellectual property rights of others.

For us to carry out our business, it is necessary to obtain licenses and other rights to use the intellectual property rights of third parties. Currently, we are obtaining licenses from the holders of the rights concerned by concluding license agreements. We will obtain the licenses from the holders of the rights concerned if others have the rights to those intellectual property rights necessary for us to operate our business in the future. However, if we cannot come to an agreement with the holders of the rights concerned or a mutual agreement concerning the granted rights cannot be maintained afterwards, there is a possibility that we will not be able to provide our specific technologies, products or services. Also, if we receive claims of violation of intellectual property rights from others, we may be forced to expend considerable time and cost in reaching a resolution, and if such claims are recognized, we may be liable to pay damages for infringement of the rights concerned, which may adversely affect our financial condition and results of operations.

Earthquakes, power shortages, malfunctioning of equipment, software bugs, computer viruses, cyber attacks, hacking, unauthorized access and other problems could cause systems failures in the networks required for the provision of service, disrupting our ability to offer services to our subscribers and may adversely affect our credibility or corporate image.

We have built a nationwide network including base stations, antennas, switching centers and transmission lines and provide mobile communication service using this network. In order to operate our network systems in a safe and stable manner, we have various measures in place such as redundant systems. However, despite these measures, our system could fail for various reasons including hardware problems, network damage caused by earthquakes, power shortages, typhoons, floods, terrorism and similar phenomena and events. These system failures can require an extended time for repair and as a result, may lead to decreased revenues and increased repair costs, and our financial condition and results of operations may be adversely affected.

There have been instances in which millions of computers worldwide were infected by viruses through the Internet. Similar incidents could occur on our mobile communication network. If such a virus entered our network or handsets through such means as hacking, unauthorized access, or otherwise, our system could fail and our mobile phones become unusable. In such an instance, the credibility of our network and customer satisfaction could decrease significantly. Although we have enhanced our security systems to block unauthorized access and remote downloading in order to provide for unexpected events, such precautions may not make our system fully prepared for every event. In addition, our network could be affected by software bugs, incorrect equipment settings and human errors which are not the result of malfeasance, but also cause system failures or breakdowns.

In the event we are unable to properly respond to any such events, our credibility or corporate image may be reduced, and we may experience a decrease in revenues as well as significant repair costs, which may affect our financial condition and results of operations.

Concerns about wireless telecommunication health risks may adversely affect our financial condition and results of operations.

Media and other reports have suggested that electric wave emissions from wireless handsets and other wireless equipment may adversely affect the health of mobile phone users and others such as by causing cancer and vision loss and interfering with various electronic medical devices including hearing aids and pacemakers, and also may present increased health risks for users who are children. While these reports have not been conclusive, and although the findings in such reports are disputed, the actual or perceived risk of wireless telecommunication devices to the health of users could adversely affect us through increased cancellation by existing subscribers, reduced subscriber growth, reduced usage per subscriber or litigation, and may also potentially adversely affect our corporate image, financial condition and results of operations. The perceived risk of wireless devices may have been elevated by certain wireless carriers and handset manufactures affixing labels to their handsets showing levels of electric wave emissions or warnings about possible health risks. Research and studies are ongoing and we are actively attempting to confirm the safety of wireless telecommunication, but there can be no assurance that further research and studies will not demonstrate a relation between electric wave emissions and health problems.

Furthermore, although the electric wave emissions of our cellular handsets and base stations comply with the electromagnetic safety guidelines of Japan, including guidelines regarding the specific absorption rate of electric waves, and the International Commission on Non-Ionizing Radiation Protection, the guidelines of which are regarded as an international safety standard, the Electromagnetic Compatibility Conference Japan has confirmed that some electronic medical devices are affected by the electromagnetic interference from cellular phones as well as other portable radio transmitters. As a result, Japan has adopted a policy to restrict the use of cellular services inside medical facilities. We are working to ensure that our subscribers are aware of these restrictions when using cellular phones. There is a possibility that modifications to regulations, new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

Our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), could exercise influence that may not be in the interests of our other shareholders.

As of March 31, 2009, NTT owned 66.19% of our outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications ("MPT," currently the Ministry of Internal Affairs and Communications, or "MIC") in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint directors. Currently, although we conduct our day-to-day operations independently of NTT and its other subsidiaries, certain important matters are discussed with, or reported to, NTT. As such, NTT could take actions that are in its best interests, which may not be in the interests of our other shareholders.

Consolidated Financial Statements

Consolidated Balance Sheets

NTT DOCOMO, INC. AND SUBSIDIARIES
March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 646,905	¥ 599,548	$ 6,046,878
Short-term investments			
Third parties	2,208	2,448	24,690
Related parties	50,000	—	—
Accounts receivable			
Third parties	671,417	822,548	8,295,996
Related parties	15,256	12,515	126,223
Sub-total	686,673	835,063	8,422,219
Less: Allowance for doubtful accounts	(15,037)	(15,072)	(152,012)
Total accounts receivable, net	671,636	819,991	8,270,207
Inventories	146,584	123,206	1,242,622
Deferred tax assets	108,037	102,903	1,037,852
Prepaid expenses and other current assets			
Third parties	136,395	173,760	1,752,496
Related parties	6,015	5,872	59,224
Total current assets	1,767,780	1,827,728	18,433,969
Property, plant and equipment:			
Wireless telecommunications equipment	5,346,486	5,361,043	54,070,025
Buildings and structures	797,904	814,056	8,210,348
Tools, furniture and fixtures	536,718	519,213	5,236,642
Land	198,958	198,985	2,006,909
Construction in progress	128,042	99,232	1,000,827
Sub-total	7,008,108	6,992,529	70,524,751
Accumulated depreciation and amortization	(4,173,501)	(4,301,044)	(43,379,163)
Total property, plant and equipment, net	2,834,607	2,691,485	27,145,588
Non-current investments and other assets:			
Investments in affiliates	349,488	572,014	5,769,178
Marketable securities and other investments	187,361	141,544	1,427,574
Intangible assets, net	555,259	578,728	5,836,894
Goodwill	158,889	154,385	1,557,085
Other assets			
Third parties	222,225	261,724	2,639,677
Related parties	11,822	11,716	118,164
Deferred tax assets	123,403	248,896	2,510,298
Total non-current investments and other assets	1,608,447	1,969,007	19,858,870
Total assets	¥ 6,210,834	¥ 6,488,220	$ 65,438,427

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	¥ 75,662	¥ 29,000	$ 292,486
Short-term borrowings	1,712	—	—
Accounts payable, trade			
Third parties	626,992	545,717	5,503,954
Related parties	90,461	122,808	1,238,608
Accrued payroll	53,538	58,627	591,296
Accrued interest	710	1,187	11,972
Accrued income taxes	203,645	238,742	2,407,887
Other current liabilities			
Third parties	179,513	150,241	1,515,290
Related parties	2,082	2,113	21,311
Total current liabilities	1,234,315	1,148,435	11,582,804
Long-term liabilities:			
Long-term debt (exclusive of current portion)	401,090	610,233	6,154,644
Liability for employees' retirement benefits	116,888	146,326	1,475,804
Other long-term liabilities			
Third parties	177,002	237,126	2,391,589
Related parties	3,755	2,792	28,160
Total long-term liabilities	698,735	996,477	10,050,197
Total liabilities	1,933,050	2,144,912	21,633,001
Minority interests	1,288	1,723	17,378
Shareholders' equity:			
Common stock, without a stated value –			
Authorized –188,130,000 shares and 188,130,000 shares			
at March 31, 2008 and 2009, respectively			
Issued – 44,870,000 and 43,950,000 shares			
at March 31, 2008 and 2009, respectively			
Outstanding – 42,627,927 and 41,759,807 shares			
at March 31, 2008 and 2009, respectively	949,680	949,680	9,578,215
Additional paid-in capital	948,571	785,045	7,917,751
Retained earnings	2,793,814	3,061,848	30,880,967
Accumulated other comprehensive income (loss)	410	(65,689)	(662,521)
Treasury stock, 2,242,073 and 2,190,193 shares			
at March 31, 2008 and 2009, respectively, at cost	(415,979)	(389,299)	(3,926,364)
Total shareholders' equity	4,276,496	4,341,585	43,788,048
Commitments and contingencies			
Total liabilities, minority interests and shareholders' equity	¥6,210,834	¥6,488,220	$65,438,427

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statements of Income and Comprehensive Income

NTT DOCOMO, INC. AND SUBSIDIARIES

Years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Operating revenues:				
Wireless services				
Third parties	¥ 4,259,951	¥ 4,107,844	¥ 3,786,917	$38,193,818
Related parties	54,189	57,390	54,165	546,294
Equipment sales				
Third parties	465,924	538,195	600,630	6,057,791
Related parties	8,029	8,398	6,268	63,217
Total operating revenues	4,788,093	4,711,827	4,447,980	44,861,120
Operating expenses:				
Cost of services (exclusive of items shown separately below)				
Third parties	498,852	561,763	630,415	6,358,195
Related parties	268,108	249,370	242,023	2,440,978
Cost of equipment sold (exclusive of items shown separately below)	1,218,694	1,150,261	827,856	8,349,531
Depreciation and amortization	745,338	776,425	804,159	8,110,530
Selling, general and administrative				
Third parties	1,121,374	1,025,812	980,251	9,886,546
Related parties	162,203	139,884	132,317	1,334,513
Total operating expenses	4,014,569	3,903,515	3,617,021	36,480,293
Operating income	773,524	808,312	830,959	8,380,827
Other income (expense):				
Interest expense	(5,749)	(4,556)	(4,618)	(46,576)
Interest income	1,459	2,487	2,162	21,806
Other, net	3,709	(5,555)	(48,030)	(484,418)
Total other income (expense)	(581)	(7,624)	(50,486)	(509,188)
Income before income taxes, equity in net income (losses) of affiliates and minority interests	772,943	800,688	780,473	7,871,639
Income taxes:				
Current	237,734	334,462	395,467	3,988,573
Deferred	75,945	(11,507)	(87,067)	(878,134)
Total income taxes	313,679	322,955	308,400	3,110,439
Income before equity in net income (losses) of affiliates and minority interests	459,264	477,733	472,073	4,761,200
Equity in net income (losses) of affiliates, net of applicable taxes	(1,941)	13,553	(672)	(6,778)
Minority interest	(45)	(84)	472	4,761
Net income	¥ 457,278	¥ 491,202	¥ 471,873	$ 4,759,183
Other comprehensive income (loss):				
Unrealized holding losses on available-for-sale securities, net of applicable taxes	(15,364)	(16,762)	(30,319)	(305,789)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(399)	431	28,709	289,551
Change in fair value of derivative instruments, net of applicable taxes	832	(525)	(4)	(40)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(798)	658	(121)	(1,220)
Foreign currency translation adjustment, net of applicable taxes	1,103	7,299	(47,532)	(479,395)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	—	(127)	(54)	(545)
Pension liability adjustment, net of applicable taxes:				
Actuarial gains (losses) arising during period, net	—	(4,909)	(16,316)	(164,559)
Less: Amortization of prior service cost	—	(1,338)	(1,340)	(13,515)
Less: Amortization of actuarial gains and losses	—	502	797	8,038
Less: Amortization of transition obligation	—	75	81	817
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	—	2,232	—	—
Minimum pension liability adjustment, net of applicable taxes	5,562	—	—	—
Comprehensive income	¥ 448,214	¥ 478,738	¥ 405,774	$ 4,092,526
Per share data:				
Weighted average common shares outstanding – Basic and Diluted (shares)	43,985,082	43,120,586	42,238,715	42,238,715
Basic and Diluted earnings per share (Yen and U.S. dollars)	¥ 10,396.21	¥ 11,391.36	¥ 11,171.58	$ 112.67

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

NTT DOCOMO, INC. AND SUBSIDIARIES

Years ended March 31, 2007, 2008 and 2009

	Number of Shares		Millions of yen					
	Issued common stock	Treasury stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Shareholders' Equity
Balance at March 31, 2006	46,810,000	2,335,773	¥949,680	¥1,311,013	¥2,212,739	¥ 26,781	¥(448,196)	¥4,052,017
Purchase of treasury stock		880,583					(157,223)	(157,223)
Retirement of treasury stock	(930,000)	(930,000)		(175,055)			175,055	—
Cash dividends declared and paid (¥4,000 per share)					(176,862)			(176,862)
Net income					457,278			457,278
Unrealized holding losses on available-for-sale securities						(15,763)		(15,763)
Change in fair value of derivative instruments						34		34
Foreign currency translation adjustment						1,103		1,103
Minimum pension liability adjustment						5,562		5,562
Adjustment to initially apply SFAS No. 158						(4,843)		(4,843)
Balance at March 31, 2007	45,880,000	2,286,356	¥949,680	¥1,135,958	¥2,493,155	¥ 12,874	¥(430,364)	¥4,161,303
Purchase of treasury stock		965,717					(173,002)	(173,002)
Retirement of treasury stock	(1,010,000)	(1,010,000)		(187,387)			187,387	—
Cash dividends declared and paid (¥4,400 per share)					(190,543)			(190,543)
Net income					491,202			491,202
Unrealized holding losses on available-for-sale securities						(16,331)		(16,331)
Change in fair value of derivative instruments						133		133
Foreign currency translation adjustment						7,172		7,172
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net						(4,909)		(4,909)
Less: Amortization of prior service cost						(1,338)		(1,338)
Less: Amortization of actuarial gains and losses						502		502
Less: Amortization of transition obligation						75		75
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government						2,232		2,232
Balance at March 31, 2008	44,870,000	2,242,073	¥949,680	¥ 948,571	¥2,793,814	¥ 410	¥(415,979)	¥4,276,496
Purchase of treasury stock		868,120					(136,846)	(136,846)
Retirement of treasury stock	(920,000)	(920,000)		(163,526)			163,526	—
Cash dividends declared and paid (¥4,800 per share)					(203,839)			(203,839)
Net income					471,873			471,873
Unrealized holding losses on available-for-sale securities						(1,610)		(1,610)
Change in fair value of derivative instruments						(125)		(125)
Foreign currency translation adjustment						(47,586)		(47,586)
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net						(16,316)		(16,316)
Less: Amortization of prior service cost						(1,340)		(1,340)
Less: Amortization of actuarial gains and losses						797		797
Less: Amortization of transition obligation						81		81
Balance at March 31, 2009	43,950,000	2,190,193	¥949,680	¥ 785,045	¥3,061,848	¥(65,689)	¥(389,299)	¥4,341,585

	Thousands of U.S. dollars					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total Shareholders' Equity
Balance at March 31, 2008	$9,578,215	$ 9,567,030	$28,177,649	$ 4,136	$(4,195,451)	$43,131,579
Purchase of treasury stock					(1,380,192)	(1,380,192)
Retirement of treasury stock		(1,649,279)			1,649,279	—
Cash dividends declared and paid (¥4,800 per share)			(2,055,865)			(2,055,865)
Net income			4,759,183			4,759,183
Unrealized holding losses on available-for-sale securities				(16,238)		(16,238)
Change in fair value of derivative instruments				(1,260)		(1,260)
Foreign currency translation adjustment				(479,940)		(479,940)
Pension liability adjustment:						
Actuarial gains (losses) arising during period, net				(164,559)		(164,559)
Less: Amortization of prior service cost				(13,515)		(13,515)
Less: Amortization of actuarial gains and losses				8,038		8,038
Less: Amortization of transition obligation				817		817
Balance at March 31, 2009	$9,578,215	$ 7,917,751	$30,880,967	$(662,521)	$(3,926,364)	$43,788,048

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statements of Cash Flows

NTT DOCOMO, INC. AND SUBSIDIARIES

Years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Cash flows from operating activities:				
Net income	¥ 457,278	¥ 491,202	¥ 471,873	$ 4,759,183
Adjustments to reconcile net income to net cash provided by operating activities –				
Depreciation and amortization	745,338	776,425	804,159	8,110,530
Deferred taxes	74,987	(2,471)	(87,626)	(883,772)
Loss on sale or disposal of property, plant and equipment	55,708	54,359	43,304	436,752
Impairment loss on marketable securities and other investments	8,086	11,418	57,812	583,076
Equity in net (income) losses of affiliates	2,791	(22,810)	1,239	12,496
Dividends from affiliates	1,258	15,349	15,500	156,329
Minority interests	45	84	(472)	(4,761)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(262,032)	187,434	(148,909)	(1,501,856)
(Decrease) increase in allowance for doubtful accounts	(1,600)	1,803	67	676
Decrease (increase) in inventories	83,716	(10)	23,327	235,270
(Increase) decrease in prepaid expenses and other current assets	(39,254)	4,176	(14,661)	(147,866)
(Increase) in non-current installment receivable for handsets	—	(58,931)	(37,712)	(380,353)
(Decrease) in accounts payable, trade	(42,013)	(50,477)	(49,286)	(497,085)
(Decrease) increase in accrued income taxes	(100,197)	134,912	35,158	354,594
Increase (decrease) in other current liabilities	534	6,206	(29,126)	(293,757)
Increase (decrease) in liability for employees' retirement benefits	379	(19,002)	29,438	296,904
(Decrease) increase in other long-term liabilities	(26,241)	8,780	55,143	556,157
Other, net	21,815	21,693	4,449	44,871
Net cash provided by operating activities	980,598	1,560,140	1,173,677	11,837,388
Cash flows from investing activities:				
Purchases of property, plant and equipment	(735,650)	(548,517)	(517,776)	(5,222,148)
Purchases of intangible and other assets	(213,075)	(216,816)	(241,373)	(2,434,423)
Purchases of non-current investments	(41,876)	(124,312)	(313,889)	(3,165,799)
Proceeds from sale and redemption of non-current investments	50,594	101,341	660	6,657
Acquisitions of subsidiaries, net of cash acquired	(8,392)	(14,797)	568	5,729
Purchases of short-term investments	(3,557)	(6,562)	(32,977)	(332,597)
Redemption of short-term investments	4,267	5,443	32,255	325,315
Proceeds from redemption of long-term bailment for consumption to a related party	—	50,000	50,000	504,286
Other, net	38	(4,629)	(8,451)	(85,235)
Net cash used in investing activities	(947,651)	(758,849)	(1,030,983)	(10,398,215)
Cash flows from financing activities:				
Proceeds from long-term debt	—	—	239,913	2,419,697
Repayment of long-term debt	(193,723)	(131,005)	(77,071)	(777,317)
Proceeds from short-term borrowings	18,400	15,249	62,274	628,079
Repayment of short-term borrowings	(18,450)	(15,351)	(64,032)	(645,809)
Principal payments under capital lease obligations	(3,621)	(2,821)	(2,837)	(28,613)
Payments to acquire treasury stock	(157,223)	(173,002)	(136,846)	(1,380,192)
Dividends paid	(176,862)	(190,543)	(203,839)	(2,055,865)
Other, net	(2)	(2)	(3)	(30)
Net cash used in financing activities	(531,481)	(497,475)	(182,441)	(1,840,050)
Effect of exchange rate changes on cash and cash equivalents	872	27	(7,610)	(76,753)
Net increase (decrease) in cash and cash equivalents	(497,662)	303,843	(47,357)	(477,630)
Cash and cash equivalents at beginning of year	840,724	343,062	646,905	6,524,508
Cash and cash equivalents at end of year	¥ 343,062	¥ 646,905	¥ 599,548	$ 6,046,878
Supplemental disclosures of cash flow information:				
Cash received during the year for:				
Income tax refunds	¥ 925	¥ 20,346	¥ 21,999	$ 221,876
Cash paid during the year for:				
Interest, net of amount capitalized	6,203	4,656	4,141	41,765
Income taxes	359,861	200,079	383,838	3,871,286
Non-cash investing and financing activities:				
Assets acquired through capital lease obligations	3,530	2,579	2,334	23,540
Retirement of treasury stock	175,055	187,387	163,526	1,649,279

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NTT DOCOMO, INC. AND SUBSIDIARIES

1. NATURE OF OPERATIONS:

NTT DoCoMo, Inc. and subsidiaries ("DOCOMO") is a joint stock corporation that was incorporated under the laws of Japan in August 1991 as the wireless telecommunications arm of Nippon Telegraph and Telephone Corporation ("NTT"). NTT, 33.71% of which is owned by the Japanese government, owns 62.89% of DOCOMO's issued stock and 66.19% of DOCOMO's voting stock outstanding as of March 31, 2009.

DOCOMO provides its subscribers with wireless telecommunications services such as FOMA (3G wireless services), mova (2G wireless services), packet communications services (wireless data communications services using packet switching) and satellite mobile communications services, primarily on its own nationwide networks. In addition, DOCOMO sells handsets and related equipment primarily to agent resellers who in turn sell such equipment to subscribers.

DOCOMO terminated Personal Handyphone System ("PHS") services on January 7, 2008. Also, DOCOMO plans to terminate mova services on March 31, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

DOCOMO maintains its books and records and prepares its statutory financial statements in conformity with the Japanese Telecommunications Business Law and the related accounting regulations and accounting principles generally accepted in Japan, which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements are prepared in accordance with U.S. GAAP and, therefore, reflect certain adjustments to DOCOMO's books and records.

(1) Adoption of new accounting standards

Fair Value Measurements—

Effective April 1, 2008, DOCOMO adopted Statement of Financial Accounting Standards ("SFAS") No. 157 "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Although the definition of fair value retains the exchange price notion in earlier definitions of fair value, SFAS No. 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market and emphasizes that fair value is a market-based measurement, rather than an entity-specific measurement. SFAS No. 157 also expands disclosures about the use of fair value to measure assets and liabilities subsequent to initial recognition through fair value hierarchy as a framework for measurement.

In February 2008, Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FAS 157-2 "Effective Date of FASB Statement No. 157" ("FSP 157-2"). FSP 157-2 defers the effective date of SFAS No.157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for nonfinancial assets and nonfinancial liabilities measured on a nonrecurring basis. In accordance with FSP 157-2, DOCOMO has not applied the provisions of SFAS No.157 to the fair value measurement of nonfinancial assets and nonfinancial liabilities, including long-lived assets and asset retirement obligations.

In October 2008, FASB issued FSP FAS 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-3 clarifies application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. DOCOMO has considered the guidance provided by FSP 157-3 in its determination of fair value measurements for the year ended March 31, 2009.

The initial adoption of SFAS No. 157, FSP 157-2 and FSP 157-3 did not have a material impact on DOCOMO's results of operations and financial position. See Note 19 for further discussion.

Disclosures about Derivative Instruments and Hedging Activities—an amendment of SFAS No. 133

Effective January 1, 2009, DOCOMO adopted SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities—an amendment of SFAS No. 133". SFAS No. 161 requires entities with derivative instruments to disclose information that should enable financial statement users to understand how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption of SFAS No. 161 resulted in expanded disclosure but did not have any impact on DOCOMO's results of operations and financial position. See Note 20 for further discussion.

(2) Significant accounting policies

Principles of consolidation—

The consolidated financial statements include accounts of DOCOMO and its majority-owned subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation.

DOCOMO applies FASB Interpretation ("FIN") No. 46 (revised 2003) "Consolidation of Variable Interest Entities—an interpretation of Accounting Research Bulletin ("ARB") No. 51" ("FIN 46R"). FIN 46R addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. For the years ended March 31, 2007, 2008 and 2009, DOCOMO had no variable interest entities to be consolidated or disclosed.

Use of estimates—

The preparation of DOCOMO's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. DOCOMO has identified the following areas where it believes estimates and assumptions are particularly critical to the consolidated financial statements. These are determination of useful lives of property, plant and equipment, internal use software and other intangible assets, impairment of long-lived assets, impairment of investments, realization of deferred tax assets, measurement of pension liabilities and revenue recognition.

Effective October 1, 2008, DOCOMO decreased the estimated useful lives of its long lived assets related to its mova services. This change in accounting estimate was due to the scheduled termination of mova services on March 31, 2012. As mova subscribers have been steadily migrating to FOMA, DOCOMO has decided to discontinue mova services and concentrate on FOMA services. The change resulted in a decrease of ¥60,072 million ($605,870 thousand) in "Income before income taxes, equity in net income (losses) of affiliates and minority interests", ¥35,563 million ($358,679 thousand) in "Net income" and ¥841.95 ($8.49) in "Basic and Diluted earnings per share" in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2009. In accordance with SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of Accounting Principles Board ("APB") Opinion No. 20 and SFAS No. 3", the change is reflected prospectively, and prior periods have not been adjusted.

Cash and cash equivalents—
DOCOMO considers cash in banks and short-term highly liquid investments with original maturities of 3 months or less at the date of purchase to be cash and cash equivalents.

Short-term investments—
Highly liquid investments, which have original maturities of longer than 3 months at the date of purchase and remaining maturities of 1 year or less at the end of fiscal year, are considered to be short-term investments.

Allowance for doubtful accounts—
The allowance for doubtful accounts is computed based on historical bad debt experience and the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

Inventories—
Inventories are stated at the lower of cost or market. The cost of equipment sold is determined by the first-in, first-out method. Inventories consist primarily of handsets and accessories. DOCOMO evaluates its inventory for obsolescence on a periodic basis and records valuation adjustments as required. Due to the rapid technological changes associated with the wireless communications business, DOCOMO wrote down and disposed of obsolete handsets during the years ended March 31, 2007, 2008 and 2009 resulting in losses totaling ¥21,353 million, ¥16,946 million and ¥14,180 million ($143,016 thousand), respectively, which were included in "Cost of equipment sold" in the accompanying consolidated statements of income and comprehensive income.

Property, plant and equipment—
Property, plant and equipment are stated at cost and include interest cost incurred during construction, as discussed below in "Capitalized interest". Property, plant and equipment under capital leases are stated at the present value of minimum lease payments. Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the respective assets with the exception of buildings, which are depreciated on a straight-line basis. Useful lives are determined at the time the asset is acquired and are based on its expected use, past experience with similar assets and anticipated technological or other changes. If technological or other changes occur more or less rapidly or in a different form than anticipated or the intended use changes, the useful lives assigned to these assets are adjusted as appropriate. Property, plant and equipment held under capital leases and leasehold improvements are amortized using either the straight-line method or the declining-balance method, depending on the type of the assets, over the shorter of the lease term or estimated useful life of the asset.

The estimated useful lives of major depreciable assets are as follows:

Major wireless telecommunications equipment	8 to 16 years
Steel towers and poles for antenna equipment	30 to 40 years
Reinforced concrete buildings	38 to 50 years
Tools, furniture and fixtures	4 to 15 years

Depreciation and amortization expenses for the years ended March 31, 2007, 2008 and 2009 were ¥553,510 million, ¥579,101 million, and ¥614,481 million ($6,197,489 thousand), respectively.

When depreciable telecommunications equipment is retired or abandoned in the normal course of business, the amounts of such telecommunications equipment and its accumulated depreciation are deducted from the respective accounts. Any remaining balance is charged to expense immediately. DOCOMO accounts for legal or contractual obligations associated with the retirement of tangible long-lived assets in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations". DOCOMO's asset retirement obligations subject to SFAS No. 143 primarily relate to its obligations to restore certain leased land and buildings used for DOCOMO's wireless telecommunications equipment to their original states. DOCOMO has determined the aggregate fair values of its asset retirement obligations do not have a material impact on DOCOMO's results of operations or financial position.

Expenditures for replacements and betterments are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Assets under construction are not depreciated until placed in service. The rental costs associated with ground or building operating leases that are incurred during a construction period are expensed.

Capitalized interest—
DOCOMO capitalizes interest related to the construction of property, plant and equipment over the period of construction. DOCOMO also capitalizes interest associated with the development of internal-use software. DOCOMO amortizes such capitalized interest over the estimated useful lives of the related assets.

Investments in affiliates—
The equity method of accounting is applied to investments in affiliates where DOCOMO owns an aggregate of 20% to 50% and/or is able to exercise significant influence. Under the equity method of accounting, DOCOMO records its share of earnings and losses of the affiliate and adjusts its carrying amount. For investments of less than 20%, DOCOMO periodically reviews the facts and circumstances related thereto to determine whether or not it can exercise significant influence over the operating and financial policies of the affiliate and therefore should apply the equity method of accounting. For investees accounted for under the equity method whose fiscal year-end is December 31, DOCOMO records its share of income or losses of such investees with a 3 month lag in its consolidated statements of income and comprehensive income. DOCOMO evaluates the recoverability of the carrying value of its investments in affiliates, which includes investor level goodwill, when there are indicators that a decline in value below its carrying amount may be other than temporary. In performing its evaluations, DOCOMO utilizes various information including cash flow projections, independent valuations and, as applicable, quoted market values to determine recoverable amounts and the length of time an investment's carrying value exceeds its estimated current recoverable amount. In the event of a determination that a decline in value is other than temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

Marketable securities and other investments—
Marketable securities consist of debt and equity securities. DOCOMO accounts for such investments in debt and equity securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Management determines the appropriate classification of its investment securities at the time of purchase. DOCOMO periodically reviews

the carrying amounts of its marketable securities for impairments that are other than temporary. If this evaluation indicates that a decline in value is other than temporary, the security is written down to its estimated fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other than temporary, DOCOMO considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee and the general market condition in the geographic area or industry the investee operates in.

Equity securities held by DOCOMO, whose fair values are readily determinable, are classified as available-for-sale. Available-for-sale equity securities are carried at fair value with unrealized holding gains or losses, net of applicable taxes, included as a component of "Accumulated other comprehensive income (loss)" in shareholders' equity. Realized gains and losses are determined using the average cost method and are reflected currently in earnings.

Debt securities held by DOCOMO, which DOCOMO has the positive intent and ability to hold to maturity, are classified as held-to-maturity, and the other debt securities that may be sold before maturity are classified as available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale debt securities are carried at fair value with unrealized holding gains or losses, net of applicable taxes, included as a component of "Accumulated other comprehensive income (loss)" in shareholders' equity. Realized gains and losses are determined using the first-in, first-out cost method and are reflected currently in earnings. Debt securities with original maturities of 3 months or less at the date of purchase are recorded as "Cash and cash equivalents", while those with original maturities of longer than 3 months at the date of purchase and remaining maturities of 1 year or less at the end of fiscal year are recorded as "Short-term investments" in the consolidated balance sheets.

DOCOMO did not hold or transact any trading securities during the years ended March 31, 2007, 2008 and 2009.

Other investments include equity securities whose fair values are not readily determinable. Equity securities whose fair values are not readily determinable are carried at cost. Other than temporary declines in value are charged to earnings. Realized gains and losses are determined using the average cost method and are reflected currently in earnings.

Goodwill and other intangible assets—

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Other intangible assets primarily consist of software for telecommunications network, internal-use software, software acquired to be used in manufacture of handsets, customer related assets and rights to use certain telecommunications facilities of wireline operators.

DOCOMO accounts for goodwill and other intangible assets in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets". Accordingly, DOCOMO does not amortize either goodwill, including investor level goodwill related to the investments accounted for under the equity method, or other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life. However, (1) goodwill, except those related to equity method investments, and (2) other intangible assets that have indefinite useful lives are tested for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and DOCOMO performs the second step of the impairment test (measurement). Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. If the fair value of the reporting unit exceeds its carrying value, the second step does not need to be performed.

Intangible assets that have finite useful lives, consisting primarily of software for telecommunications network, internal-use software, software acquired to be used in manufacture of handsets, customer related assets and rights to use telecommunications facilities of wireline operators are amortized on a straight-line basis over their useful lives.

Goodwill related to equity method investments is tested for impairment as a part of the other than temporary impairment assessment of the equity method investment as a whole in accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock".

DOCOMO capitalizes the cost of internal-use software which has a useful life in excess of 1 year in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Subsequent costs for additions, modifications or upgrades to internal-use software are capitalized only to the extent that the software is able to perform a task it previously did not perform. Software acquired to be used in the manufacture of handsets is capitalized if the technological feasibility of the handset to be ultimately marketed has been established at the time of purchase in accordance with SFAS No. 86 "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed". Software maintenance and training costs are expensed in the period in which they are incurred. Capitalized software costs are being amortized over a period of 5 years at a maximum.

Customer related assets principally consist of contractual customer relationships in the mobile phone business that were recorded in connection with the acquisition of minority interests of the regional subsidiaries in November 2002 through the process of identifying separable intangible assets apart from goodwill. The customer related assets had been amortized over 6 years, which was the expected term of subscription in mobile phone business.

Amounts capitalized related to rights to use certain telecommunications assets of wireline operators, primarily NTT, are amortized over 20 years.

Impairment of long-lived assets—

DOCOMO's long-lived assets other than goodwill, such as property, plant and equipment, software and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". Recoverability of assets to be held for use is evaluated by a comparison of the carrying amount of the asset with future undiscounted cash flows expected to be generated by the asset or asset group. If the asset (or asset group) is determined to be impaired, the loss recognized is the amount by which the carrying value of the asset (or asset group) exceeds its fair value as measured through various valuation techniques, including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary.

Hedging activities—
DOCOMO uses derivative instruments including interest rate swap, foreign currency swap and foreign exchange forward contracts and other non-derivative financial instruments in order to manage its exposure to fluctuations in interest rates and foreign exchange rates. DOCOMO does not hold or issue derivative instruments for trading purposes.

These financial instruments are effective in meeting the risk reduction objectives of DOCOMO by generating either transaction gains and losses which offset transaction gains and losses of the hedged items or cash flows which offset the cash flows related to the underlying position in respect of amount and timing.

DOCOMO accounts for derivative instruments and other hedging activities in accordance with SFAS No. 133 as amended by SFAS No. 138, No. 149, No. 155 and No.161. All derivative instruments are recorded on the consolidated balance sheets at fair value. The recorded fair values of derivative instruments represent the amounts that DOCOMO would receive or pay to terminate the contracts at each fiscal year end.

For derivative instruments that qualify as fair value hedge instruments, the changes in fair value of the derivative instruments are recognized currently in earnings, which offset the changes in fair value of the related hedged assets or liabilities that are also recognized in earnings of the period.

For derivative instruments that qualify as cash flow hedge instruments, the changes in fair value of the derivative instruments are initially recorded in "Accumulated other comprehensive income (loss)" and reclassified into earnings when the relevant hedged transaction is realized.

For derivative instruments that do not qualify as hedging instruments, the changes in fair value of the derivative instruments are recognized currently in earnings.

DOCOMO discontinues hedge accounting when it is determined that the derivative or non-derivative instrument is no longer highly effective as a hedge or when DOCOMO decides to discontinue the hedging relationship.

Cash flows from derivative instruments that are designated as qualifying hedges are classified in the consolidated statements of cash flows under the same categories as the cash flows from the relevant assets, liabilities or anticipated transactions.

Employees' retirement benefit plans—
Effective March 31, 2007 in accordance with SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of SFAS No. 87, 88, 106, and 132R", DOCOMO recognizes the funded status of its benefit plans, measured as the difference between the plan assets at fair value and the benefit obligation, in the consolidated balance sheets. Changes in the funded status are recognized as changes in comprehensive income (loss) during the fiscal period in which such changes occur.

Pension benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Prior service cost and net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets, both of which are included in "Accumulated other comprehensive income (loss)", are amortized to earnings over the expected average remaining service period of employees on a straight-line basis.

Revenue recognition—
DOCOMO primarily generates revenues from two sources – wireless services and equipment sales. These revenue sources are separate and distinct earnings processes. Wireless service is sold to the subscriber directly or through third-party resellers who act as agents, while equipment, including handsets, are sold principally to agent resellers.

DOCOMO sets its wireless services rates in accordance with the Japanese Telecommunications Business Law and government guidelines, which currently allow wireless telecommunications operators to set their own tariffs without government approval. Wireless service revenues primarily consist of basic monthly charges, airtime charges and fees for activation.

Basic monthly charges and airtime charges are recognized as revenues at the time the service is provided to the subscribers. DOCOMO's monthly billing plans for cellular (FOMA and mova) services generally include a certain amount of allowances (free minutes and/or packets), and the used amount of the allowances is subtracted from total usage in calculating the airtime revenue from a subscriber for the month. DOCOMO offers a billing arrangement called "Nikagetsu Kurikoshi" (2 month carry-over), in which the unused allowances are automatically carried over for up to the following two months. In addition, DOCOMO offers an arrangement which enables the unused allowances that were carried over for two months to be automatically used to cover the airtime and/or packet fees exceeding the allowances of the other subscriptions in the "Family Discount" group, a discount billing arrangement for families with between two and ten DOCOMO subscriptions. Out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following two months. As for the portion which is estimated to expire, DOCOMO recognizes the revenue attributable to such portion of allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers make calls or utilize data transmissions.

Equipment sales are recognized as revenues when equipment is accepted by the agent resellers and all inventory risk is transferred from DOCOMO. Certain commissions paid to agent resellers are recognized as a reduction of revenue upon delivery of the equipment to such agent resellers in accordance with Emerging Issues Task Force ("EITF") Issue No. 01-9 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)".

Effective November 2007, DOCOMO introduced a new handset sales scheme which enables subscribers to select installment payments over a period of 12 or 24 months. When installment payments are selected, under agreements entered into among DOCOMO, subscribers and agent resellers, DOCOMO provides financing by providing funds for the purchase of the handset by the subscribers. DOCOMO then includes current installments for the receivable for the purchased handset with basic monthly charges and airtime charges for the installment payment term. Because equipment sales are recognized upon delivery of handsets to agent resellers, the advance payment for the purchased handset to agent resellers and subsequent cash collection of the installment receivable for the purchased handset from subscribers do not have an impact on DOCOMO's equipment sales. The portion of installment receivable for the purchased handset which was expected to be collected within 1 year or less as of the date of the consolidated balance sheets was recorded as "Accounts receivable" and the other portion of installment receivable was recorded as "Other assets" in the consolidated balance sheets. The aggregate carrying amount of the installment receivable for handsets before deducting allowance for doubtful accounts, which was recorded as "Accounts receivable" and "Other assets" as of March 31, 2008 was ¥111,789 million and ¥59,036 million, respectively, and ¥293,845 million ($2,963,641 thousand) and ¥96,799 million ($976,288 thousand), respectively, as of March 31, 2009.

Non-recurring upfront fees such as activation fees are deferred and recognized as revenues over the estimated average period of the subscription for each service. The related direct costs are also deferred to the extent of the related upfront fee amount and are amortized over the same period.

Deferred revenue and deferred charges as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Current deferred revenue	¥106,348	¥104,287	$1,051,810
Long-term deferred revenue	76,654	72,542	731,639
Current deferred charges	27,031	16,606	167,484
Long-term deferred charges	76,654	72,542	731,639

Current deferred revenue is included in "Other current liabilities" in the consolidated balance sheets.

Selling, general and administrative expenses—
Selling, general and administrative expenses primarily include commissions paid to sales agents, expenses associated with DOCOMO's customer loyalty programs, advertising expenses, as well as other expenses such as payroll and related benefit costs of personnel not directly involved in the operations and maintenance process. Commissions paid to sales agents represent the largest portion of selling, general and administrative expenses.

Income taxes—
Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings per share—
Basic earnings per share include no dilution and are computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share assume the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. DOCOMO has no dilutive securities outstanding for the years ended March 31, 2007, 2008 and 2009, and therefore there is no difference between basic and diluted earnings per share.

Foreign currency translation—
All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at rates that approximate those rates prevailing at the time of the transactions. The accompanying translation adjustments are included in "Accumulated other comprehensive income (loss)".

Foreign currency receivables and payables of DOCOMO are translated at appropriate year-end current rates and the accompanying translation gains or losses are included in earnings currently.

The effects of exchange rate fluctuations from the initial transaction date to the settlement date are recorded as exchange gain or loss, which are included in "Other income (expense)" in the accompanying consolidated statements of income and comprehensive income.

(3) Recent accounting pronouncements

In December 2007, FASB issued SFAS No. 141 (revised 2007) "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R requires an acquirer in a business combination to generally recognize and measure all the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values as of the acquisition date. SFAS No. 141R also requires the acquirer to recognize and measure as goodwill the excess of consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date over the fair value of the identifiable net assets acquired. The excess of the fair value of the identifiable net assets acquired over consideration transferred plus the fair value of any noncontrolling interest in the acquiree at the acquisition date is required to be recognized and measured as a gain from a bargain purchase. SFAS No. 141R is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact of the adoption of SFAS No. 141R will depend on future business combination transactions.

In December 2007, FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No.51". SFAS No. 160 requires noncontrolling interest held by parties other than the parent be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. SFAS No. 160 also requires changes in parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for as equity transactions. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008 and interim periods within those years. DOCOMO currently estimates that the impact of the adoption of SFAS No. 160 on its result of operations and financial position will be immaterial.

In April 2008, FASB issued FSP FAS 142-3 "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No.142. FSP 142-3 requires additional disclosures about intangible assets whose useful lives may be renewed or extended and factors regarding the entity's ability and/or intent to renew or extend an agreement. FSP 142-3 is effective for fiscal years beginning after December 15, 2008 and interim periods within those years. DOCOMO is currently evaluating the impact of adoption of FSP 142-3 on its result of operations and financial position and considering the additional disclosures in accordance with FSP 142-3.

In December 2008, FASB issued FSP FAS 132(R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP 132R-1"). FSP 132R-1 requires additional disclosures about investments polices and strategies, major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132R-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132R-1 will not have any impact on DOCOMO's results of operations and financial position. DOCOMO is currently considering the additional disclosures in accordance with FSP 132R-1.

In April 2009, FASB issued FSP FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 amends the other than temporary impairment guidance for debt securities to make the guidance more operational and changes the presentation and disclosure of other than temporary impairments on debt and equity securities in the financial statements. FSP 115-2 and 124-2 is effective for interim and annual periods ending after June 15, 2009. DOCOMO is currently evaluating the impact of adoption of FSP 115-2 and 124-2 on its result of operations and financial position.

(4) Reclassifications

Certain reclassifications are made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2009.

3. CONVENIENT TRANSLATIONS:

The consolidated financial statements are stated in Japanese yen. Translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers by applying the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2009, which was ¥99.15 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Cash	¥306,905	¥349,564	$3,525,607
Certificates of deposit	280,000	160,000	1,613,717
Bailment for consumption	50,000	60,000	605,144
Other	10,000	29,984	302,410
Total	¥646,905	¥599,548	$6,046,878

Information regarding "Bailment for consumption" is disclosed in Note 14.

5. INVENTORIES:

Inventories as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Telecommunications equipment to be sold	¥145,086	¥121,315	$1,223,550
Materials and supplies	306	239	2,410
Other	1,192	1,652	16,662
Total	¥146,584	¥123,206	$1,242,622

6. INVESTMENTS IN AFFILIATES:

Sumitomo Mitsui Card Co., Ltd.—

As of March 31, 2008 and 2009, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card Co., Ltd. ("Sumitomo Mitsui Card"), which were acquired on July 11, 2005 for ¥98,713 million. DOCOMO accounted for the investment using the equity method as of March 31, 2008 and 2009. DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation that DOCOMO and these companies would jointly promote the credit transaction services which use mobile phones compatible with "Osaifu-Keitai" (wallet-phone) service and that DOCOMO would form a capital alliance with Sumitomo Mitsui Card.

Philippine Long Distance Telephone Company—

As of March 31, 2008 and 2009, DOCOMO held approximately 14% of the outstanding common shares of Philippine Long Distance Telephone Company ("PLDT"), a telecommunication operator in the Philippines. PLDT is a public company listed on the Philippine Stock Exchange and the New York Stock Exchange. On March 14, 2006, DOCOMO acquired approximately 7% of PLDT's outstanding common shares for ¥52,213 million from NTT Communications Corporation ("NTT Com"), a subsidiary of NTT and accounted for the investment under the cost method. From March 2007 to February 2008, DOCOMO acquired approximately an additional 7% common equity interest for ¥98,943 million in the market. Together with the PLDT common shares continued to be held by NTT Com, on a consolidated basis NTT held approximately 21% of the total outstanding common shares of PLDT.

In accordance with an agreement entered into on January 31, 2006 between PLDT and its major shareholders, including NTT Com and DOCOMO, DOCOMO has the right to exercise the entire 21% voting rights associated with the ownership interest collectively held by DOCOMO and NTT Com. As DOCOMO obtained the ability to exercise significant influence over PLDT, DOCOMO has accounted for the investment by applying the equity method from the date of the initial acquisition of PLDT shares. The prior period financial statements have not been retroactively adjusted to reflect the application of the equity method from the date of the initial investments as described in APB Opinion No.18 "The Equity Method of Accounting for Investments in Common Stock" because the impact on results of operations and net equity of DOCOMO is not material to the prior or current period financial statements presented.

DOCOMO determined the fair value of tangible, intangible and other assets and liabilities of PLDT with the assistance of an independent third party appraiser in order to recognize and account for DOCOMO's share of identifiable intangible assets and embedded goodwill of its investment in equity in PLDT. During the year ended March 31, 2009, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in PLDT were charged to equity in net income (loss) of affiliates. As a result, "Equity in net income (losses) of affiliates, net of applicable taxes" in consolidated statements of income and comprehensive income for the year ended March 31, 2009 decreased by ¥4,817 million ($48,583 thousand) and "Investments in affiliates" in consolidated balance sheets as of March 31, 2009 decreased by ¥8,137 million ($82,068 thousand).

DOCOMO's carrying amount of its investment in PLDT was ¥165,099 million and ¥109,042 million ($1,099,768 thousand) as of March 31, 2008 and 2009, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥180,014 million and ¥119,801 million ($1,208,280 thousand) as of March 31, 2008 and 2009, respectively.

Tata Teleservices Limited—

As of March 31, 2009, DOCOMO held approximately 26% of the outstanding common shares of Tata Teleservices Limited ("TTSL"), which were acquired for ¥252,321 million ($2,544,841 thousand).

On November 12, 2008, DOCOMO entered into a capital alliance with TTSL and Tata Sons Limited, the parent company of TTSL. On March 25, 2009, DOCOMO acquired approximately 26% of the outstanding common shares of TTSL pursuant to the capital alliance and accounted for the investment by applying the equity method. DOCOMO is currently in the process of determining the estimated fair value of tangible, intangible and other assets and liabilities of TTSL with the assistance of an independent third party appraiser in order to recognize and account for DOCOMO's share of identifiable intangible assets and embedded goodwill of its investment in equity in TTSL. The purchase price allocation will be complete within the year ending March 31, 2010.

Impairment—

DOCOMO evaluates the recoverability of the carrying value of its investments in affiliates including those mentioned above when there are indications that a decline in value below carrying amount may be other than temporary. As a result of such evaluations, DOCOMO recorded impairment charges for other than temporary declines in the values in certain investee affiliates during each of the years ended March 31, 2007, 2008 and 2009. The impairments did not have a material impact on DOCOMO's results of operations or financial position. The impairment charges are included in "Equity in net income (losses) of affiliates, net of applicable taxes" in the accompanying statements of income and comprehensive income. DOCOMO believes the estimated fair values of each of its investments in affiliates as of March 31, 2009 to equal or exceed the related carrying values on an individual basis.

All of the equity method investees, except for PLDT, are privately held companies as of March 31, 2009.

DOCOMO's cumulative share of the earnings or losses of affiliates, less amounts distributed by affiliates as dividends, was ¥4,239 million, ¥8,469 million and ¥10,346 million ($104,347 thousand), as of March 31, 2007, 2008 and 2009, respectively. Dividends received from affiliates were ¥1,258 million, ¥15,349 million and ¥15,500 million ($156,329 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively. DOCOMO does not have significant business transactions with its affiliates.

The total carrying value of DOCOMO's investments in affiliates in the accompanying consolidated balance sheets as of March 31, 2008 and 2009 was greater by ¥216,024 million and ¥210,600 million ($2,124,054 thousand), respectively, than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees. The difference mainly consisted of goodwill and amortizable intangible assets. The difference as of March 31, 2009 does not include the effect of the investment in TTSL, which was made on March 25, 2009.

7. MARKETABLE SECURITIES AND OTHER INVESTMENTS:

"Marketable securities and other investments" as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Marketable securities:			
Available-for-sale	¥158,108	¥112,967	$1,139,354
Other investments	29,253	28,582	288,270
Sub-total	¥187,361	¥141,549	$1,427,624
Less: Available-for-sale securities classified as "Short-term investments"	—	(5)	(50)
Marketable securities and other investments (Non-current)	¥187,361	¥141,544	$1,427,574

Maturities of debt securities classified as available-for-sale as of March 31, 2008 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2009		2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Due within 1 year	—	—	¥5	¥5	$50	$50
Due after 1 year through 5 years	¥5	¥5	—	—	—	—
Due after 5 years through 10 years	—	—	—	—	—	—
Due after 10 years	—	—	—	—	—	—
Total	¥5	¥5	¥5	¥5	$50	$50

The aggregate cost, gross unrealized holding gains and losses and fair value by type of "Marketable securities and other investments" as of March 31, 2008 and 2009 were as follows:

	Millions of yen			
	2008			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥162,504	¥17,403	¥21,804	¥158,103
Debt securities	5	0	—	5

	Millions of yen			
	2009			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥118,509	¥1,352	¥6,899	¥112,962
Debt securities	5	0	—	5

	Thousands of U.S. dollars			
	2009			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	$1,195,250	$13,636	$69,582	$1,139,304
Debt securities	50	0	—	50

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Proceeds	¥448	¥896	¥ 660	$ 6,657
Gross realized gains	314	748	377	3,802
Gross realized losses	(118)	(2)	(267)	(2,693)

Gross unrealized holding losses on and fair value of available-for-sale securities and cost method investments included in other investments as of March 31, 2008 and 2009, aggregated by investment category and length of time during which individual securities were in a continuous unrealized loss position were as follows:

	Millions of yen					
	2008					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥97,739	¥20,122	¥2,783	¥1,682	¥100,522	¥21,804
Cost method investments	7	20	184	162	191	182

	Millions of yen					
	2009					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥62,405	¥6,899	—	—	¥62,405	¥6,899
Cost method investments	438	1,398	¥35	¥68	473	1,466

	Thousands of U.S. dollars					
	2009					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	$629,400	$69,582	—	—	$629,400	$69,582
Cost method investments	4,418	14,100	$353	$686	4,771	14,786

Other investments include long-term investments in various privately held companies.

For long-term investments in various privately held companies for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Accordingly, DOCOMO believes that it is not practicable to disclose estimated fair values of these cost method investments. Unless DOCOMO identifies events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments, the fair value of such cost method investments are not estimated.

The aggregate carrying amount of cost method investments included in other investments and the aggregate carrying amount of investments whose fair values were not evaluated for impairment as of March 31, 2008 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Cost method investments included in other investments	¥29,209	¥28,538	$287,827
Including: Investments whose fair values were not evaluated for impairment	26,383	25,709	259,294

The amount of other than temporary impairment of marketable securities and other investments is disclosed in Note 13.

DOCOMO held approximately 11% of the outstanding common shares of KT Freetel Co., Ltd. (“KTF”) as of March 31, 2009, with the initial acquisition cost of ¥65,602 million. On January 20, 2009, DOCOMO agreed with KT Corporation (“KT”) that DOCOMO would exchange 40% of its KTF shareholding for KT common shares and the remaining 60% for KT exchangeable bonds in connection with the proposed merger between KT and KTF. Therefore, DOCOMO determined that the decline in value of KTF shares was other than temporary and recognized ¥26,313 million ($265,386 thousand) of impairment loss on the investment in KTF shares based on its fair value as of March 31, 2009. The loss is recorded in other income (expense) under the line item “Other, net” in the consolidated statement of income and comprehensive income. The exchange of KTF shares for KT exchangeable bonds and for KT common shares was carried out on May 27, 2009 and June 1, 2009, respectively.

8. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill—

The majority of DOCOMO's goodwill was recognized when DOCOMO purchased all the remaining minority interests in its eight regional subsidiaries through share exchanges and made these subsidiaries wholly owned in November 2002.

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen		
	2008		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	¥140,165	¥ 7,656	¥147,821
Goodwill acquired during the year	—	11,662	11,662
Foreign currency translation adjustment	(275)	(319)	(594)
Balance at end of year	¥139,890	¥18,999	¥158,889

	Millions of yen		
	2009		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	¥139,890	¥18,999	¥158,889
Goodwill acquired during the year	18	102	120
Goodwill decreased during the year	(0)	(344)	(344)
Foreign currency translation adjustment	(1,293)	(2,987)	(4,280)
Balance at end of year	¥138,615	¥15,770	¥154,385

	Thousands of U.S. dollars		
	2009		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	$1,410,893	$191,619	$1,602,512
Goodwill acquired during the year	181	1,029	1,210
Goodwill decreased during the year	(0)	(3,470)	(3,470)
Foreign currency translation adjustment	(13,041)	(30,126)	(43,167)
Balance at end of year	$1,398,033	$159,052	$1,557,085

Information regarding business segments is discussed in Note 15.

Other intangible assets—

The following tables display the major components of DOCOMO's intangible assets, all of which are subject to amortization, as of March 31, 2008 and 2009.

	Millions of yen		
	2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Software for telecommunications network	¥ 623,107	¥ 400,032	¥223,075
Internal-use software	876,792	617,071	259,721
Software acquired to be used in the manufacture of handsets	89,560	40,480	49,080
Customer related assets	50,949	45,996	4,953
Rights to use telecommunications facilities of wireline operators	19,151	9,145	10,006
Other	11,300	2,876	8,424
Total	¥1,670,859	¥1,115,600	¥555,259

	Millions of yen		
	2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Software for telecommunications network	¥ 691,124	¥ 464,579	¥226,545
Internal-use software	939,103	673,258	265,845
Software acquired to be used in the manufacture of handsets	124,954	58,273	66,681
Customer related assets	50,949	50,949	—
Rights to use telecommunications facilities of wireline operators	20,820	9,604	11,216
Other	11,649	3,208	8,441
Total	¥1,838,599	¥1,259,871	¥578,728

	Thousands of U.S. dollars		
	2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Software for telecommunications network	$ 6,970,489	$ 4,685,618	$2,284,871
Internal-use software	9,471,538	6,790,297	2,681,241
Software acquired to be used in the manufacture of handsets	1,260,252	587,726	672,526
Customer related assets	513,858	513,858	—
Rights to use telecommunications facilities of wireline operators	209,985	96,863	113,122
Other	117,489	32,355	85,134
Total	$18,543,611	$12,706,717	$5,836,894

The amount of amortizable intangible assets acquired during the year ended March 31, 2009 was ¥214,480 million ($2,163,187 thousand), the main components of which were software for telecommunications network in the amount of ¥82,858 million ($835,683 thousand) and internal-use software in the amount of ¥95,637 million ($964,569 thousand). The weighted-average amortization period of such software for telecommunications network and internal-use software is 5.0 years and 4.8 years, respectively. Amortization of intangible assets for the years ended March 31, 2007, 2008 and 2009 was ¥191,828 million, ¥197,324 million and ¥189,678 million ($1,913,041 thousand), respectively. Estimated amortization of existing intangible assets for fiscal years ending March 31, 2010, 2011, 2012, 2013 and 2014 is ¥181,858 million, ¥147,032 million, ¥100,465 million, ¥58,752 million, and ¥27,346 million, respectively. The weighted-average amortization period of the intangible assets acquired during the year ended March 31, 2009 is 5.0 years.

9. OTHER ASSETS:

Other assets as of March 31, 2008 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deposits	¥ 74,672	¥ 81,557	$ 822,562
Deferred customer activation costs	76,654	72,542	731,639
Installment receivables for handsets (non-current)	59,036	96,799	976,288
Allowance for doubtful accounts	(1,464)	(1,350)	(13,616)
Other	25,149	23,892	240,968
Total	¥234,047	¥273,440	$2,757,841

Information regarding installment receivables for handsets is disclosed in Note 2 “Revenue recognition”.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings, excluding the current portion of long-term debt as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Short-term borrowings denominated in U.S. dollars:			
Unsecured short-term loans from financial institutions	¥1,712	—	—
(Year ended March 31, 2008 – weighted-average interest of 6.3% per annum)			
Total short-term borrowings	¥1,712	—	—

Long-term debt as of March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Debt denominated in Japanese Yen:			
Unsecured corporate bonds	¥381,511	¥572,233	$5,771,386
(Year ended March 31, 2008 – interest rates per annum : 1.0%-1.6%, due : years ending March 31, 2009-2012)			
(Year ended March 31, 2009 – interest rates per annum : 1.0%-2.0%, due : years ending March 31, 2011-2019)			
Unsecured indebtedness to financial institutions	93,055	67,000	675,744
(Year ended March 31, 2008 – interest rates per annum : 0.8%-2.5%, due : years ending March 31, 2009-2013)			
(Year ended March 31, 2009 – interest rates per annum : 1.0%-1.5%, due : years ending March 31, 2010-2013)			
Other debt	2,186	—	—
Sub-total	¥476,752	¥639,233	$6,447,130
Less: Current portion	(75,662)	(29,000)	(292,486)
Total long-term debt	¥401,090	¥610,233	$6,154,644

DOCOMO issued ¥240,000 million ($2,420,575 thousand) unsecured corporate bonds in total during the year ended March 31, 2009.

Interest rates on DOCOMO's borrowings are mainly fixed. DOCOMO uses interest rate swap transactions, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM). Information relating to interest rate swap contracts is disclosed in Note 20. Interest costs related specifically to short-term borrowings and long-term debt for the years ended March 31, 2007, 2008 and 2009 totaled ¥5,453 million, ¥5,882 million and ¥7,187 million ($72,486 thousand), respectively. "Interest expense" in the consolidated statements of income and comprehensive income excludes the amounts of capitalized interest.

The aggregate amounts of annual maturities of long-term debt as of March 31, 2009, were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 29,000	$ 292,486
2011	180,806	1,823,560
2012	174,427	1,759,223
2013	75,000	756,430
2014	70,000	706,001
Thereafter	110,000	1,109,430
	¥639,233	$6,447,130

11. SHAREHOLDERS' EQUITY:

Effective May 1, 2006, the Corporate Law of Japan provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the board of directors, if the articles of incorporation provide for such interim cash dividends and (iii) an amount equal to at least 10% of decrease in retained earnings by dividends payment be appropriated from retained earnings to a legal reserve up to 25% of capital stock. The legal reserve is available for distribution upon approval of the shareholders.

The distributable amount available for the payments of dividends to shareholders as of March 31, 2009 was ¥2,923,560 million ($29,486,233 thousand) and was included in "Additional paid-in capital" and "Retained earnings".

In the general meeting of shareholders held on June 19, 2009, the shareholders approved cash dividends of ¥100,224 million or ¥2,400 per share, payable to shareholders recorded as of March 31, 2009, which were declared by the board of directors on April 28, 2009.

In order to improve capital efficiency and to implement flexible capital policies in accordance with the business environment, DOCOMO acquires treasury stock.

With regard to the acquisition of treasury stock, the Corporate Law of Japan provides that (i) it can be done according to the resolution of the general meeting of shareholders, and (ii) the acquisition of treasury stock through open market transactions can be done according to the resolution of the board of directors if the articles of incorporation contain such a provision. The provision is stipulated in DOCOMO's articles of incorporation.

Issued shares and treasury stock—

DOCOMO acquired treasury stock at the request of dissenting shareholders, made pursuant to paragraph (1) of Article 797 of the Corporate Law of Japan, against the merger under which its eight regional subsidiaries were dissolved and merged into DOCOMO as of July 1, 2008.

The changes in the number of issued shares and treasury stock for the years ended March 31, 2007, 2008 and 2009 are summarized as follows, where fractional shares are rounded off:

	Number of issued shares	Number of treasury stock
As of March 31, 2006	46,810,000	2,335,773
Acquisition of treasury stock based on the resolution by the general meeting of shareholders	—	880,578
Acquisition of fractional shares	—	5
Retirement of treasury stock	(930,000)	(930,000)
As of March 31, 2007	45,880,000	2,286,356
Acquisition of treasury stock based on the resolution by the general meeting of shareholders	—	965,666
Acquisition of fractional shares	—	51
Retirement of treasury stock	(1,010,000)	(1,010,000)
As of March 31, 2008	44,870,000	2,242,073
Acquisition of treasury stock based on the resolution by the general meeting of shareholders	—	856,405
Acquisition of treasury stock at the request of dissenting shareholders against the merger	—	11,711
Acquisition of fractional shares	—	4
Retirement of treasury stock	(920,000)	(920,000)
As of March 31, 2009	43,950,000	2,190,193

Effective August 1, 2008, DOCOMO abolished the fractional share system. DOCOMO has not issued shares other than shares of its common stock.

The general meetings of shareholders approved stock repurchase plans as follows:

Date of the general meeting of shareholders	Term of repurchase	Approved maximum number of treasury stock to be repurchased (Shares)	Approved maximum budget for share repurchase (Millions of yen)
June 21, 2005	June 21, 2005–June 20, 2006	2,200,000	¥400,000
June 20, 2006	June 20, 2006–June 19, 2007	1,400,000	250,000
June 19, 2007	June 20, 2007–June 19, 2008	1,000,000	200,000
June 20, 2008	**June 21, 2008–June 20, 2009**	900,000	150,000

No resolution was made regarding stock repurchase plans in the general meeting of shareholders held on June 19, 2009.

The aggregate number and price of shares repurchased for the years ended March 31, 2007, 2008 and 2009 were as follows:

Year ended March 31,	Shares	Millions of yen
2007	880,583	¥157,223
2008	965,717	173,002
2009	868,120	136,846

Year ended March 31,	Shares	Thousands of U.S. dollars
2009	868,120	$1,380,192

Based on the resolution of the board of directors, DOCOMO retired its own shares held as treasury stock as shown in the following table. The share retirement resulted in a decrease of "Additional paid-in capital" in the same amount as the aggregate purchase price. There were no changes in the number of authorized shares.

Date of the board of directors	Shares	Millions of yen
March 28, 2007	930,000	¥175,055
March 28, 2008	1,010,000	187,387
March 26, 2009	920,000	163,526

Date of the board of directors	Shares	Millions of yen
March 26, 2009	920,000	$1,649,279

Accumulated other comprehensive income (loss):

The following table presents changes in accumulated other comprehensive income (loss), net of applicable taxes:

	Millions of yen					
	Unrealized holding gains (losses) on available-for-sale securities	Change in fair value of derivative instruments	Foreign currency translation adjustment	Pension liability adjustment	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
As of March 31, 2006	¥ 29,592	¥ (92)	¥ 6,324	—	¥(9,043)	¥ 26,781
2007 change	(15,763)	34	1,103	—	5,562	(9,064)
Adjustment to initially apply SFAS No. 158	—	—	—	¥ (8,324)	3,481	(4,843)
As of March 31, 2007	¥ 13,829	¥ (58)	¥ 7,427	¥ (8,324)	—	¥ 12,874
2008 change	(16,331)	133	7,172	(3,438)	—	(12,464)
As of March 31, 2008	¥ (2,502)	¥ 75	¥ 14,599	¥(11,762)	—	¥ 410
2009 change	(1,610)	(125)	(47,586)	(16,778)	—	(66,099)
As of March 31, 2009	¥ (4,112)	¥ (50)	¥(32,987)	¥(28,540)	—	¥(65,689)

	Thousands of U.S. dollars					
	Unrealized holding gains (losses) on available-for-sale securities	Change in fair value of derivative instruments	Foreign currency translation adjustment	Pension liability adjustment	Minimum pension liability adjustment	Accumulated other comprehensive income (loss)
As of March 31, 2008	$(25,235)	$ 756	$ 147,242	$(118,627)	—	$ 4,136
2009 change	(16,238)	(1,260)	(479,940)	(169,219)	—	(666,657)
As of March 31, 2009	$(41,473)	$ (504)	$(332,698)	$(287,846)	—	$(662,521)

The amount of taxes applied to the items in "Accumulated other comprehensive income (loss)" is described in Note 17.

12. RESEARCH AND DEVELOPMENT EXPENSES AND ADVERTISING EXPENSES:

Research and development expenses—

Expenditures for research and development are charged to expense as incurred. Research and development expenses are included primarily in "Selling, general and administrative" expenses and amounted to ¥99,315 million, ¥100,035 million and ¥100,793 million ($1,016,571 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

Advertising expenses—

Expenditures for advertising are also expensed as incurred. Such expenditures are included in "Selling, general and administrative" expenses and amounted to ¥53,126 million, ¥55,357 million and ¥54,986 million ($554,574 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

13. OTHER INCOME (EXPENSE):

Components of other income (expense) included in "Other, net" in the consolidated statements of income and comprehensive income for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Net realized gains on investments in affiliates	—	¥ 333	—	—
Net realized gains on marketable securities and other investments	¥ 196	746	¥ 110	$ 1,109
Other than temporary impairment of marketable securities and other investments	(8,086)	(11,418)	(57,812)	(583,076)
Foreign exchange gains (losses), net	281	(1,609)	(851)	(8,583)
Rental revenue received	2,407	2,256	2,144	21,624
Dividends income	7,203	3,310	2,951	29,763
Penalties and compensation for damages	2,000	2,193	4,161	41,967
Other, net	(292)	(1,366)	1,267	12,778
Total	¥ 3,709	¥ (5,555)	¥(48,030)	$(484,418)

14. RELATED PARTY TRANSACTIONS:

As previously noted, DOCOMO is majority-owned by NTT, which is a holding company for more than 400 companies comprising the NTT group.

DOCOMO has entered into a number of different types of transactions with NTT, its other subsidiaries and its affiliated companies in the ordinary course of business. DOCOMO's transactions with NTT group companies include purchases of wireline telecommunications services (i.e. for DOCOMO's offices and operations facilities) based on actual usage, leasing of various telecommunications facilities and sales of DOCOMO's various wireless communications services.

Receivables primarily include customer accounts receivables related to DOCOMO's sales of wireless communications services to customers, which NTT collects on behalf of DOCOMO. These sales are recorded as revenue from each third-party customer receiving the services and are not included in the amount of sales to related parties. During the years ended March 31, 2007, 2008 and 2009, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥103,728 million, ¥78,112 million and ¥70,840 million ($714,473 thousand), respectively.

DOCOMO has entered into contracts of bailment of cash for consumption with NTT FINANCE CORPORATION ("NTT FINANCE") for cash management purposes. NTT and its subsidiaries collectively own 99.3% of the voting interests in NTT FINANCE, of which DOCOMO owned 2.9% as of March 31, 2009. Accordingly, NTT FINANCE is a related party of DOCOMO. Under the terms of the contracts, funds are bailed to NTT FINANCE and DOCOMO can withdraw the funds upon its demand. The balance of bailment was ¥100,000 million as of March 31, 2008. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥50,000 million and "Short-term investments" of ¥50,000 million in the consolidated balance sheet as of March 31, 2008. The contracts had remaining terms to maturity ranging from 1 month to 3 months with an average interest rate of 0.4% per annum as of March 31, 2008.

The balance of bailment was ¥60,000 million ($605,144 thousand) as of March 31, 2009. The assets related to the contracts were recorded as "Cash and cash equivalents" in the consolidated balance sheet as of March 31, 2009. The contracts had remaining terms to maturity ranging up to 1 month with an average interest rate of 0.5% per annum as of March 31, 2009.

The average balance of the contracts of bailment expired during the year ended March 31, 2007, 2008 and 2009 was ¥25,178 million, ¥51,243 million and ¥48,778 million ($491,962 thousand), respectively. The recorded amount of interest income derived from the contracts was ¥269 million, ¥388 million and ¥270 million ($2,723 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

15. SEGMENT REPORTING:

From a resource allocation perspective, DOCOMO views itself as having two business segments. The mobile phone business segment includes FOMA services, mova services, packet communications services, satellite mobile communications services, international services and the equipment sales related to these services. The miscellaneous businesses segment includes high-speed internet connection and video-clip casting services for hotel facilities, advertisement services, development, sales and maintenance of IT systems, credit services and other miscellaneous services, which in the aggregate are not significant in amount. DOCOMO terminated its PHS services on January 7, 2008. Therefore, "PHS business", which was presented separately in the past, has been reclassified into "Miscellaneous businesses" in the tables below. DOCOMO plans to terminate mova services on March 31, 2012. The "Corporate" column in the tables below is not an operating segment but is included to reflect the recorded amounts of common assets which cannot be allocated to any business segment.

DOCOMO identifies its reportable segments based on the nature of services included, as well as the characteristics of the telecommunications networks used to provide those services. DOCOMO's management monitors and evaluates the performance of its segments based on the information derived from DOCOMO's management reports. Assets by segment are not included in the management reports, however, they are included herein only for the purpose of disclosure. Depreciation and amortization is shown separately, as well as included as part of operating expenses. Corporate assets primarily include cash, deposits, securities, loans and investments in affiliates. DOCOMO allocates common assets, such as buildings for telecommunications purposes and common facilities, on a systematic and rational basis based on the proportionate amount of network assets of each segment. Capital expenditures in the "Corporate" column include expenditures in "Miscellaneous businesses" and certain expenditures related to the buildings for telecommunications purposes and common facilities, which are not allocated to each segment.

Segment information is prepared in accordance with U.S. GAAP.

	Millions of yen			
Year ended March 31, 2007	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,718,875	¥ 69,218	—	¥4,788,093
Operating expenses	3,915,204	99,365	—	4,014,569
Operating income (loss)	¥ 803,671	¥(30,147)	—	¥ 773,524
Total assets	¥5,067,348	¥ 65,425	¥983,442	¥6,116,215
Depreciation and amortization	¥ 735,270	¥ 10,068	—	¥ 745,338
Capital expenditures	¥ 781,548	—	¥152,875	¥ 934,423

	Millions of yen			
Year ended March 31, 2008	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,647,132	¥ 64,695	—	¥4,711,827
Operating expenses	3,788,943	114,572	—	3,903,515
Operating income (loss)	¥ 858,189	¥ (49,877)	—	¥ 808,312
Total assets	¥4,838,663	¥100,332	¥1,271,839	¥6,210,834
Depreciation and amortization	¥ 767,481	¥ 8,944	—	¥ 776,425
Capital expenditures	¥ 623,975	—	¥ 134,768	¥ 758,743

	Millions of yen			
Year ended March 31, 2009	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,381,254	¥ 66,726	—	¥4,447,980
Operating expenses	3,525,967	91,054	—	3,617,021
Operating income (loss)	¥ 855,287	¥ (24,328)	—	¥ 830,959
Total assets	¥4,960,000	¥139,617	¥1,388,603	¥6,488,220
Depreciation and amortization	¥ 796,807	¥ 7,352	—	¥ 804,159
Capital expenditures	¥ 601,307	—	¥ 136,299	¥ 737,606

Year ended March 31, 2009	Thousands of U.S. dollars Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	$44,188,139	$ 672,981	—	$44,861,120
Operating expenses	35,561,947	918,346	—	36,480,293
Operating income (loss)	$ 8,626,192	$ (245,365)	—	$ 8,380,827
Total assets	$50,025,215	$1,408,139	$14,005,073	$65,438,427
Depreciation and amortization	$ 8,036,379	$ 74,151	—	$ 8,110,530
Capital expenditures	$ 6,064,619	—	$ 1,374,675	$ 7,439,294

DOCOMO does not disclose geographical segments, since the amounts of operating revenues generated and long-lived assets owned outside Japan are immaterial.

There were no sales and operating revenue from transactions with a single external customer amounting to 10% or more of DOCOMO's revenues for the years ended March 31, 2007, 2008 and 2009.

Revenues from external customers for each similar product and service were presented as follows:

Year ended March 31,	2007	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
Operating Revenues :				
Wireless services	¥4,314,140	¥4,165,234	¥3,841,082	$38,740,112
Cellular services revenues	4,182,609	4,018,988	3,661,283	36,926,708
– Voice revenues	2,940,364	2,645,096	2,149,617	21,680,454
Including: FOMA services	1,793,037	2,084,263	1,877,835	18,939,334
– Packet communications revenues	1,242,245	1,373,892	1,511,666	15,246,254
Including: FOMA services	971,946	1,254,648	1,449,440	14,618,659
Other revenues	131,531	146,246	179,799	1,813,404
Equipment sales	473,953	546,593	606,898	6,121,008
Total operating revenues	¥4,788,093	¥4,711,827	¥4,447,980	$44,861,120

16. EMPLOYEES' RETIREMENT BENEFITS:

Severance payments and contract-type corporate pension plan— Employees whose services with DOCOMO are terminated are normally entitled to lump-sum severance or retirement payments and pension benefits based on internal labor regulations, the amount of which is determined by a combination of factors such as the employee's salary eligibility, length of service and other conditions. The pension benefit is covered by the non-contributory defined benefit pension plans ("Defined benefit pension plans") sponsored by DOCOMO.

The following table presents reconciliations of the changes in the Defined benefit pension plans' projected benefit obligations and fair value of plan assets for the years ended March 31, 2008 and 2009. DOCOMO uses a measurement date of March 31 for its Defined benefit pension plans.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Change in benefit obligations:			
Projected benefit obligation, beginning of year	¥ 183,004	¥ 182,228	$ 1,837,902
Service cost	9,521	9,216	92,950
Interest cost	3,889	4,058	40,928
Benefit payments	(10,471)	(10,484)	(105,739)
Transfer of liability from defined benefit pension plans of the NTT group	281	245	2,471
Actuarial (gain) loss	(3,996)	914	9,218
Projected benefit obligation, end of year	¥ 182,228	¥ 186,177	$ 1,877,730
Change in fair value of plan assets:			
Fair value of plan assets, beginning of year	¥ 85,207	¥ 79,544	$ 802,259
Actual return on plan assets	(7,870)	(13,106)	(132,184)
Employer contributions	3,980	2,676	26,989
Benefit payments	(1,838)	(2,131)	(21,493)
Transfer of plan assets from defined benefit pension plans of the NTT group	65	57	576
Fair value of plan assets, end of year	¥ 79,544	¥ 67,040	$ 676,147
At March 31:			
Funded status	¥(102,684)	¥(119,137)	$(1,201,583)

The following table provides the amounts recognized in DOCOMO's consolidated balance sheets as of March 31, 2008 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Liability for employees' retirement benefits	¥(102,912)	¥(119,155)	$(1,201,765)
Prepaid pension cost	228	18	182
Net amount recognized	¥(102,684)	¥(119,137)	$(1,201,583)

Prepaid pension cost is included in "Other assets" in the consolidated balance sheets.

Items recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2008 and 2009 were summarized in the following table:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Actuarial gains (losses), net	¥(33,921)	¥(48,865)	$(492,839)
Prior service cost	18,332	16,425	165,658
Transition obligation	(1,312)	(1,185)	(11,952)
Total	¥(16,901)	¥(33,625)	$(339,133)

The accumulated benefit obligation for the Defined benefit pension plans was ¥176,476 million and ¥ 180,214 million ($1,817,590 thousand) as of March 31, 2008 and 2009, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2008 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Plans with projected benefit obligation in excess of plan assets			
Projected benefit obligation	¥177,963	¥186,169	$1,877,650
Fair value of plan assets	75,051	67,014	675,885
Plans with accumulated benefit obligation in excess of plan assets			
Accumulated benefit obligation	¥172,239	¥180,207	$1,817,519
Fair value of plan assets	75,051	67,014	675,885

The net periodic pension cost for the Defined benefit pension plans for the years ended March 31, 2007, 2008 and 2009 included the following components:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Service cost	¥10,219	¥ 9,521	¥ 9,216	$ 92,950
Interest cost on projected benefit obligation	3,654	3,889	4,058	40,928
Expected return on plan assets	(2,028)	(2,144)	(2,116)	(21,341)
Amortization of prior service cost	(1,907)	(1,907)	(1,907)	(19,233)
Amortization of actuarial gains and losses	1,600	834	1,192	12,022
Amortization of transition obligation	127	127	127	1,281
Net periodic pension cost	¥11,665	¥10,320	¥10,570	$106,607

Other changes in plan assets and benefit obligations of the Defined benefit pension plans recognized in "Accumulated other comprehensive income (loss)" for the years ended March 31, 2007, 2008 and 2009 included the following components:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":				
Adjustment to minimum pension liability	¥ (8,778)	—	—	—
Actuarial (gains) losses arising during period, net	28,737	¥ 6,018	¥16,136	$162,743
Prior service cost arising during period	(20,239)	—	—	—
Transition obligation arising during period	1,439	—	—	—
Amortization of prior service cost	—	1,907	1,907	19,233
Amortization of actuarial gains and losses	—	(834)	(1,192)	(12,022)
Amortization of transition obligation	—	(127)	(127)	(1,281)
Elimination of minimum pension liability	(5,206)	—	—	—
Total recognized in "Accumulated other comprehensive income (loss)"	¥ (4,047)	¥ 6,964	¥16,724	$168,673
Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)"	¥ 7,618	¥17,284	¥27,294	$275,280

The amount of actuarial losses, unrecognized transition obligation and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net pension cost during the year ending March 31, 2010 is ¥2,189 million, ¥125 million and ¥(1,907) million, respectively.

The assumptions used in determination of the pension plans' projected benefit obligations as of March 31, 2008 and 2009 were as follows:

	2008	2009
Discount rate	2.3%	2.2%
Long-term rate of salary increases	2.2	2.2

The assumptions used in determination of the net periodic pension cost for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
Discount rate	2.0%	2.2%	2.3%
Long-term rate of salary increases	2.1	2.1	2.2
Expected long-term rate of return on plan assets	2.5	2.5	2.5

In determining the expected long-term rate of return on plan assets, DOCOMO considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical results.

The weighted-average asset allocations of Defined benefit pension plans as of March 31, 2008 and 2009 by asset category were as follows:

	2008	2009
Domestic bonds	42.6%	37.7%
Domestic stock	23.0	24.0
Foreign stock	13.8	14.3
Foreign bonds	10.7	10.7
Other	9.9	13.3
Total	100.0%	100.0%

The Defined benefit pension plans' policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, DOCOMO selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. DOCOMO then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid- to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, DOCOMO will review the asset allocation as necessary. The target ratio in March 2009 was: domestic bonds, 45.0%; domestic stock, 25.0%; foreign stock, 15.0%; foreign bonds, 10.0%; and other financial instruments 5.0%.

As of March 31, 2008 and 2009, domestic stock owned by the Defined benefit pension plans as its plan asset included common stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥479 million (0.6% of total plan assets) and ¥498 million ($5,023 thousand, 0.8% of total plan assets), respectively.

Occasionally, employees of the NTT group companies transfer to DOCOMO. Upon such transfer, the NTT group companies transfer the relevant vested pension obligation for each employee along with a corresponding amount of plan assets and cash. Therefore, the difference between the pension obligation and related plan assets transferred from the NTT group companies to DOCOMO, included in the above table which presents reconciliations of the changes in the Defined benefit pension plans' projected benefit obligations and fair value of plan assets, represents cash paid by the NTT group companies to DOCOMO, which has not been invested in plan assets.

DOCOMO expects to contribute ¥2,728 million to the Defined benefit pension plans in the year ending March 31, 2010.

The benefit payments, which reflect expected future service under the Defined benefit pension plans, are expected to be as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥12,269	$123,742
2011	11,389	114,866
2012	11,222	113,182
2013	11,447	115,451
2014	11,545	116,440
2015–2019	68,604	691,921

Social welfare pension scheme and NTT Kigyou-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan) —
DOCOMO participates in the national welfare pension plan ("National Plan") and a contributory defined benefit pension plan sponsored by the NTT group (NTT Kigyou-Nenkin-Kikin or NTT Corporate Defined Benefit Pension Plan, "NTT CDBP"). The National Plan is a government-regulated social welfare pension plan under the Japanese Welfare Pension Insurance Law and both NTT group and its employees provide contributions to such plan every year. The National Plan is considered a multi-employer plan as defined by SFAS No. 87 "Employers' Accounting for Pensions" and contributions to such plan are recognized as expenses. The total amount of contributions by DOCOMO was ¥13,108 million, ¥13,369 million and ¥13,627 million ($137,438 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

Both NTT group, including DOCOMO and its employees provide contributions to the NTT CDBP to supplement the pension benefits to which the employees are entitled under the National Plan. The NTT CDBP is regulated under the Defined-Benefit Corporate Pension Law. The NTT CDBP is considered a defined benefit pension plan as defined by SFAS No. 87. The participation by DOCOMO and its subsidiaries in the NTT CDBP is accounted for as a single employer plan. The number of DOCOMO's employees covered by the NTT CDBP as of March 31, 2008 and 2009 represented approximately 10.5% and 10.6% of the total members.

In June 2003, under the Defined-Benefit Corporate Pension Law, NTT Kosei-Nenkin-Kikin or NTT Employee's Pension Fund ("NTT Plan"), which was the predecessor of the NTT CDBP, applied to the Japanese government for permission for the NTT Plan to be released from the future obligations to disburse the NTT Plan benefits covering the substitutional portion, and the application was approved in September 2003. The NTT Plan also applied to the government for permission for the NTT Plan to be released from the substitutional portion of the past obligations in April 2007, and the application was approved in July 2007. As a result, the participants of the NTT Plan were transferred to the NTT CDBP.

In February 2008, the NTT CDBP transferred the remaining substitutional obligation and related plan assets, determined pursuant to the government formula, of the pension fund to the government agency. In accordance with EITF Issue No.03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities", DOCOMO accounted for the entire transfer process as a single settlement event upon completion of the transfer. The net amount of actuarial gains and losses proportionate to the substitutional portion immediately prior to the transfer, which was ¥3,892 million, and the excess of projected benefit obligation over the accumulated benefit obligation, which was ¥4,395 million, were netted and recognized as settlement gain of ¥503 million from the transaction. The net of the obligation settled and the assets transferred to the government was recognized as a gain on subsidy from the government of ¥24,199 million. As a result of recording the settlement gain and governmental subsidy as reduction of "Selling, general and administrative", the aggregate amount of ¥24,702 million was recognized as decrease in operating expenses in the consolidated statements of income and comprehensive income for the year ended March 31, 2008. A "Decrease in liability for employees' retirement benefits" of ¥19,002 million recognized in the consolidated statements of cash flows for the year ended March 31, 2008 was net of a decrease of ¥24,702 million in liability for employees' retirement benefits due to gain on transfer of substitutional portion and an increase of ¥5,700 million in liability for employees' retirement benefits which was derived from other factors.

The following table presents reconciliations of the changes in the NTT CDBP's projected benefit obligation and fair value of plan assets for the years ended March 31, 2008 and 2009. The amount in the table is based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP. The funded status was recognized as "Liability for employees' retirement benefits" in the consolidated balance sheets as of March 31, 2008 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Change in benefit obligations:			
Projected benefit obligation, beginning of year	¥131,405	¥ 78,285	$ 789,561
Service cost	3,244	3,132	31,589
Interest cost	2,872	1,790	18,053
Benefit payments	(1,123)	(1,130)	(11,397)
Internal adjustment due to transfer of employees within the NTT group	(413)	(715)	(7,211)
Actuarial gain (loss)	(2,412)	2,111	21,291
Transfer of the substitutional portion to the government	(55,288)	—	—
Projected benefit obligation, end of year	¥ 78,285	¥ 83,473	$ 841,886
Change in fair value of plan assets:			
Fair value of plan assets, beginning of year	¥ 94,136	¥ 64,309	$ 648,603
Actual return on plan assets	(3,122)	(7,535)	(75,996)
Employer contributions	954	816	8,230
Employee contributions	452	416	4,196
Benefit payments	(1,123)	(1,130)	(11,397)
Internal adjustment due to transfer of employees within the NTT group	(294)	(574)	(5,789)
Transfer of the substitutional portion to the government	(26,694)	—	—
Fair value of plan assets, end of year	¥ 64,309	¥ 56,302	$ 567,847
At March 31:			
Funded status	¥ (13,976)	¥(27,171)	$(274,039)

Items recognized in "Accumulated other comprehensive income (loss)", based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, were summarized in the following table:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Actuarial gains (losses), net	¥(5,221)	¥(16,383)	$(165,234)
Prior service cost	2,140	1,783	17,983
Total	¥(3,081)	¥(14,600)	$(147,251)

The accumulated benefit obligation regarding DOCOMO employees for the NTT CDBP based on actuarial computations which covered only DOCOMO employees' participation was ¥61,864 million and ¥66,585 million ($671,558 thousand) at March 31, 2008 and 2009, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2008 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Plans with projected benefit obligation in excess of plan assets			
Projected benefit obligation	¥78,285	¥83,473	$841,886
Fair value of plan assets	64,309	56,302	567,847
Plans with accumulated benefit obligation in excess of plan assets			
Accumulated benefit obligation	¥19,518	¥66,559	$671,296
Fair value of plan assets	16,803	56,276	567,584

The net periodic pension cost related to the NTT CDBP based on actuarial computations which covered only DOCOMO employees' participation for the years ended March 31, 2007, 2008 and 2009, included the following components:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Service cost	¥ 3,440	¥ 3,244	¥ 3,132	$ 31,589
Interest cost on projected benefit obligation	2,619	2,872	1,790	18,053
Expected return on plan assets	(2,254)	(2,339)	(1,613)	(16,268)
Amortization of prior service cost	(357)	(357)	(357)	(3,601)
Amortization of actuarial gains and losses	362	16	97	978
Contribution from employees	(522)	(452)	(416)	(4,196)
Net periodic pension cost	¥ 3,288	¥ 2,984	¥ 2,633	$ 26,555
Gain on transfer of substitutional portion of pension liabilities	—	(24,702)	—	—
Total	¥ 3,288	¥(21,718)	¥ 2,633	$ 26,555

Other changes in plan assets and benefit obligations of the NTT CDBP based on actuarial computations which covered only DOCOMO employees' participation recognized in "Accumulated other comprehensive income (loss)" for the years ended March 31, 2007, 2008 and 2009 included the following components:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":				
Adjustment to minimum pension liability	¥ (600)	—	—	—
Actuarial losses arising during period, net	6,080	¥ 3,049	¥11,259	$113,555
Prior service cost arising during period	(2,497)	—	—	—
Amortization of prior service cost	—	357	357	3,601
Amortization of actuarial gains and losses	—	(16)	(97)	(978)
Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	—	(3,892)	—	—
Elimination of minimum pension liability	(311)	—	—	—
Total recognized in "Accumulated other comprehensive income (loss)"	¥ 2,672	¥ (502)	¥11,519	$116,178
Total recognized in net periodic pension cost, gain on transfer of substitutional portion of pension liabilities and "Accumulated other comprehensive income (loss)"	¥ 5,960	¥(22,220)	¥14,152	$142,733

The amount of actuarial losses and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net periodic pension cost during the year ending March 31, 2010 is ¥874 million and ¥(357) million, respectively.

The assumptions used in determining the NTT CDBP's projected benefit obligations, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, as of March 31, 2008 and 2009 were as follows:

	2008	**2009**
Discount rate	2.3%	2.2%
Long-term rate of salary increases	2.6	2.6

The assumptions used in determining the net periodic pension cost, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, for the years ended March 31, 2007, 2008 and 2009 were as follows:

	2007	2008	**2009**
Discount rate	2.0%	2.2%	2.3%
Long-term rate of salary increases	2.6	2.6	2.6
Expected long-term rate of return on plan assets	2.5	2.5	2.5

In determining the expected long-term rate of return on plan assets, the NTT CDBP considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical results.

The weighted-average asset allocations of the NTT CDBP as of March 31, 2008 and 2009 by asset category were as follows:

	2008	**2009**
Domestic bonds	58.2%	58.3%
Domestic stock	17.4	17.1
Foreign stock	10.4	9.6
Foreign bonds	8.1	8.1
Other	5.9	6.9
Total	100.0%	100.0%

The NTT CDBP's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, the NTT CDBP selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. The NTT CDBP then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid- to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, the NTT CDBP will review the asset allocation as necessary. The target ratio in March 2009 was: domestic bonds, 61.5%; domestic stock, 17.9%; foreign stock, 10.3%; foreign bonds, 7.6%; and other financial instruments 2.7%. As of March 31, 2008 and 2009, domestic stock owned by the NTT CDBP as its plan asset included common stock of NTT and the NTT group companies including DOCOMO in the amount of ¥4,744 million (0.5% of total plan assets) and ¥4,739 million ($47,796 thousand, 0.6% of total plan assets), respectively.

DOCOMO expects to contribute ¥795 million to the NTT CDBP in the year ending March 31, 2010.

The benefit payments, which reflect expected future service under the NTT CDBP, based on actuarial computations which covered only DOCOMO employees are expected to be as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 1,158	$ 11,679
2011	1,485	14,977
2012	1,657	16,712
2013	1,835	18,507
2014	2,014	20,313
2015–2019	12,228	123,328

17. INCOME TAXES:

Total income taxes for the years ended March 31, 2007, 2008 and 2009 were computed as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Income from continuing operations before equity in net income (losses) of affiliates and minority interests	¥313,679	¥322,955	¥308,400	$3,110,439
Equity in net income (losses) of affiliates	(850)	9,257	(567)	(5,719)
Other comprehensive income (loss):				
Unrealized holding losses on available-for-sale securities	(10,586)	(11,668)	(20,875)	(210,540)
Less: Reclassification of realized gains and losses included in net income	(276)	299	19,786	199,556
Change in fair value of derivative instruments	576	(363)	(3)	(30)
Less: Reclassification of realized gains and losses included in net income	(552)	455	(84)	(847)
Foreign currency translation adjustment	76	6,634	(20,991)	(211,709)
Less: Reclassification of realized gains and losses included in net income	—	(88)	(7)	(71)
Adjustment to initially apply SFAS No. 158	(3,395)	—	—	—
Pension liability adjustment:				
Actuarial losses arising during period, net	—	(3,513)	(11,229)	(113,253)
Less: Amortization of prior service cost	—	(926)	(923)	(9,309)
Less: Amortization of actuarial gains and losses	—	348	550	5,547
Less: Amortization of transition obligation	—	52	56	565
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	—	1,660	—	—
Minimum pension liability adjustment	3,849	—	—	—
Total income taxes	¥302,521	¥325,102	¥274,113	$2,764,629

Substantially all income or loss before income taxes and income tax expenses or benefits are domestic.

For the years ended March 31, 2007, 2008 and 2009, DOCOMO and its domestic subsidiaries were subject to a National Corporate Tax of 30%, a Corporate Inhabitant Tax of approximately 6% and a deductible Corporate Enterprise Tax of approximately 8%. The rate of the Corporate Inhabitant Tax and Corporate Enterprise Tax differs depending on the municipality.

The aggregate statutory income tax rate for the years ended March 31, 2007, 2008 and 2009 was 40.9%, 40.9% and 40.8%, respectively. The effective income tax rate for the years ended March 31, 2007, 2008 and 2009 was 40.6%, 40.3% and 39.5%, respectively.

Reconciliation of the difference of the effective income tax rates of DOCOMO and the statutory tax rates are as follows:

	2007	2008	**2009**
Statutory income tax rate	40.9%	40.9%	40.8%
Expenses not deductible for tax purposes	0.2	0.3	0.2
IT infrastructure tax incentive and tax credit for special tax treatment such as R&D investment tax incentive	(0.9)	(0.8)	(0.8)
Tax refund of interest and penalties previously paid	—	—	(0.8)
Other	0.4	(0.1)	0.1
Effective income tax rate	40.6%	40.3%	39.5%

Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Significant components of deferred tax assets and liabilities as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Property, plant and equipment and intangible assets principally due to differences in depreciation and amortization	¥ 48,618	¥ 84,816	$ 855,431
Reserve for point loyalty programs	46,004	72,073	726,909
Liability for employees' retirement benefits	46,965	59,019	595,250
Deferred revenues regarding "Nikagetsu Kurikoshi" (2 month carry-over)	32,441	35,774	360,807
Marketable securities and other investments	7,873	21,164	213,454
Accrued enterprise tax	16,594	16,796	169,400
Foreign currency translation adjustment	—	14,324	144,468
Compensated absences	12,455	12,809	129,188
Accrued bonus	6,897	7,059	71,195
Accrued commissions to agent resellers	9,343	4,502	45,406
Inventories	5,428	4,239	42,753
Investments in affiliates	—	3,207	32,345
Unrealized holding losses on available–for-sale securities	1,746	2,835	28,593
Other	12,435	16,886	170,308
Total deferred tax assets	¥246,799	¥355,503	$3,585,507
Deferred tax liabilities:			
Property, plant and equipment due to differences in capitalized interest	2,343	2,818	28,421
Foreign currency translation adjustment	6,674	—	—
Investments in affiliates	2,292	—	—
Intangible assets (mainly customer related assets)	2,026	—	—
Other	3,551	1,419	14,312
Total deferred tax liabilities	¥ 16,886	¥ 4,237	$ 42,733
Net deferred tax assets	¥229,913	¥351,266	$3,542,774

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets (current assets)	¥108,037	¥102,903	$1,037,852
Deferred tax assets (non-current investments and other assets)	123,403	248,896	2,510,298
Other current liabilities	—	(92)	(928)
Other long-term liabilities	(1,527)	(441)	(4,448)
Total	¥229,913	¥351,266	$3,542,774

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carry-forwards become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Management believes that the amount of the deferred tax assets is realizable, however, it could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Effective April 1, 2007, DOCOMO applied the provisions of FIN No. 48 "Accounting for Uncertainty in Income Taxes – an interpretation of SFAS No. 109" ("FIN 48"), which, among other things, requires applying a "more-likely-than-not" threshold to the recognition and measurement of tax positions. As of and for the years ended March 31, 2008 and 2009, DOCOMO had no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods and does not believe that there will be any significant increases or decreases within the next 12 months. DOCOMO has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of income and comprehensive income. The total amounts of interest and penalties related to unrecognized tax benefits for the years ended March 31, 2008 and 2009 are immaterial.

DOCOMO mainly files income tax returns in Japan. DOCOMO is no longer subject to regular income tax examination by the tax authority before the year ended March 31, 2008.

Other taxes—

The consumption tax rate for all taxable goods and services, with minor exceptions, is 5%. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by DOCOMO when purchasing goods and services.

18. COMMITMENTS AND CONTINGENCIES:

Leases—

DOCOMO leases certain facilities and equipment in the normal course of business under capital leases or operating leases.

Assets covered under capital leases at March 31, 2008 and 2009 were as follows:

Class of property	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Tools, furniture and fixtures	¥11,699	¥11,860	$119,617
Software	409	503	5,073
Sub-total	12,108	12,363	124,690
Less: Accumulated depreciation and amortization	(7,833)	(8,174)	(82,441)
Total	¥ 4,275	¥ 4,189	$ 42,249

Tools, furniture and fixtures are classified as part of property, plant and equipment, while software is classified as part of intangible assets.

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 3,050	$ 30,761
2011	2,272	22,915
2012	1,404	14,160
2013	815	8,220
2014	335	3,379
Thereafter	49	494
Total minimum lease payments	7,925	79,929
Less: Amount representing interest	(231)	(2,329)
Present value of net minimum lease payments	7,694	77,600
Less: Amounts representing estimated executory costs	(596)	(6,011)
Net minimum lease payments	7,098	71,589
Less: Current obligation	(2,787)	(28,109)
Long-term capital lease obligations	¥ 4,311	$ 43,480

The above obligations are classified as part of other current and long-term liabilities as appropriate.

The minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 2,184	$ 22,027
2011	1,761	17,761
2012	1,551	15,643
2013	1,424	14,362
2014	1,424	14,362
Thereafter	12,813	129,229
Total minimum future rentals	¥21,157	$213,384

The following schedule shows total rental expense for all operating leases for the years indicated except those with terms of 1 month or less that were not renewed:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Minimum rentals	¥67,897	¥70,673	¥67,954	$685,366

Litigation—
As of March 31, 2009, DOCOMO had no litigation or claims outstanding, pending or threatened against which in the opinion of management would have a materially adverse effect on its results of operations or financial position.

Purchase commitments—
DOCOMO has entered into various contracts for the purchase of property, plant and equipment, inventories (primarily handsets) and services. Commitments outstanding as of March 31, 2009 amounted to ¥43,205 million ($435,754 thousand) (of which ¥5,030 million ($50,731 thousand) are with related parties) for property, plant and equipment, ¥12,150 million ($122,542 thousand) (of which none are with related parties) for inventories and ¥102,297 million ($1,031,740 thousand) (of which ¥3,372 million ($34,009 thousand) are with related parties) for the other purchase commitments.

Guarantees—
DOCOMO applies FIN No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a company that issues or modifies a guarantee to recognize an initial liability for the fair value of the obligations it has undertaken and disclose that information in its financial statements.

DOCOMO enters into agreements in the normal course of business that provide guarantees for counterparties. These counterparties include subscribers, related parties, foreign wireless telecommunications service providers and other business partners.

DOCOMO provides subscribers with guarantees for product defects of cellular phone handsets sold by DOCOMO, but DOCOMO is provided with similar guarantees by the handset vendors and no liabilities were recognized for these guarantees.

Though the guarantees or indemnifications provided in transactions other than those with the subscribers are different in each contract, the likelihood of almost all of the performance of these guarantees or indemnifications are remote and amount of payments DOCOMO could be claimed for is not specified in almost all of the contracts. Historically, DOCOMO has not made any significant guarantee or indemnification payments under such agreements. DOCOMO estimates the estimated fair value of the obligations related to these agreements is not significant. Accordingly, no liabilities were recognized for these obligations.

19. FAIR VALUE MEASUREMENTS:

In September 2006, FASB issued SFAS No. 157. DOCOMO adopted SFAS No. 157 effective April 1, 2008, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

SFAS No. 157 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". SFAS No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value according to observability as follows:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from observable markets data.
Level 3 – Inputs are unobservable inputs for the asset or liability.

SFAS No. 157 also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a nonrecurring basis under specific situation (for example, impaired assets).

(1) Assets and liabilities measured at fair value on a recurring basis

DOCOMO's assets measured at fair value on a recurring basis include available-for-sale securities and derivatives.

DOCOMO's assets that were measured at fair value on a recurring basis at March 31, 2009 were as follows:

	Millions of yen			
	2009			
		Inputs used for measurement of fair value		
	Total	Level 1	Level 2	Level 3
Assets				
Available-for-sale securities	¥112,967	¥112,967	—	—
Derivatives	3,433	—	¥3,433	—
Total assets	¥116,400	¥112,967	¥3,433	—

	Thousands of U.S. dollars			
	2009			
		Inputs used for measurement of fair value		
	Total	Level 1	Level 2	Level 3
Assets				
Available-for-sale securities	$1,139,354	$1,139,354	—	—
Derivatives	34,624	—	$34,624	—
Total assets	$1,173,978	$1,139,354	$34,624	—

Available-for-sale securities—

Available-for-sale securities include marketable equity securities and debt securities, which are valued using quoted prices in active markets for identical assets. Therefore, these securities are classified as Level 1.

Derivatives—

Derivative instruments are interest rate swap agreements valued by financial institutions using observable market inputs. Therefore, these derivatives are classified as Level 2. DOCOMO periodically validates the valuation of such derivatives using observable market inputs, such as interest rates.

(2) Assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis and are not included in the table above. Such fair value measurements typically result from impairments. DOCOMO may be required to measure fair value of long-lived assets, equity securities whose fair values are not readily determinable, and other assets or liabilities on a nonrecurring basis.

DOCOMO omitted the disclosure about financial assets and financial liabilities measured on a nonrecurring basis because of its immateriality.

20. FINANCIAL INSTRUMENTS:

(1) Risk management

The fair values for DOCOMO's assets and liabilities and DOCOMO's cash flows may be negatively impacted by fluctuations in interest rates and foreign exchange rates. To manage these risks, DOCOMO uses derivative instruments such as interest rate swaps, currency swaps, foreign exchange forward contracts and non-deliverable forward contracts (NDF) as needed. The financial instruments are executed with creditworthy financial institutions and DOCOMO management believes that there is little risk of default by these counterparties. DOCOMO sets and follows internal regulations that establish conditions to enter into derivative contracts and procedures of approving and monitoring such contracts.

(2) Fair value of financial instruments

Short-term financial instruments—

All "Cash and cash equivalent", "Accounts receivable", "Accounts payable, trade" and certain other short-term financial instruments are short-term in nature. Therefore their carrying amounts approximate fair values except the items separately referred below.

Long-term debt including current portion—

The fair value of long-term debt including current portion is estimated based on the discounted amounts of future cash flows using DOCOMO's current incremental borrowings rates for similar liabilities.

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2008 and 2009 were as follows:

Millions of yen				Thousands of U.S. dollars	
2008		2009		2009	
Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
¥476,752	¥481,832	¥639,233	¥645,504	$6,447,130	$6,510,378

Derivative instruments—

(i) Fair value hedge

DOCOMO uses interest rate swap transactions, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM).

DOCOMO designated these derivatives as fair value hedges utilizing the short-cut method in SFAS No. 133, which permits an assumption of no ineffectiveness if the terms of these derivatives and the criteria of SFAS No. 133 are met.

The table below shows the contract amount and fair value of the interest rate swap agreement as of March 31, 2008 and 2009:

	Weighted average rate per annum		Millions of yen 2008	
Contract Term (in the year ended/ending March 31,)	Receive fixed	Pay floating	Contract Amount	Fair value
2004 – 2012	1.5%	1.2%	¥235,800	¥3,511

	Weighted average rate per annum		Millions of yen 2009		Thousands of U.S. dollars 2009	
Contract Term (in the year ended/ending March 31,)	Receive fixed	Pay floating	Contract Amount	Fair value	Contract Amount	Fair value
2004 – 2012	1.5%	1.0%	¥235,800	¥3,433	$2,378,215	$34,624

The interest rate swap agreements have remaining terms to maturity ranging from 2 years to 2 years and 9 months.

(ii) Cash flow hedge

From February 2005 to March 2008, DOCOMO entered into a currency swap contract to hedge currency exchange risk associated with the principal and interest payments of the $100 million unsecured corporate bonds. As this currency swap contract qualified as a cash flow hedge instrument for accounting purposes and all the essential terms of the currency swap and the hedged item are identical, there was no ineffective portion to the hedge. The gain or loss from the fluctuation in the fair value of the swap transaction was recorded as "Accumulated other comprehensive income (loss)". The amount recorded as "Accumulated other comprehensive income (loss)" was reclassified as gain or loss when the offsetting gain or loss derived from the hedged item was recorded in the accompanying consolidated statements of income and comprehensive income.

In March 2008, DOCOMO redeemed the $100 million unsecured corporate bonds hedged by the contract. DOCOMO did not hold any currency swap contracts as of March 31, 2008 or 2009.

(iii) Derivatives not designated as hedging instruments under SFAS No. 133

DOCOMO had foreign exchange forward contracts to hedge currency exchange risk associated with foreign currency assets and liabilities. DOCOMO did not designate such derivative instruments as hedging instruments under SFAS No. 133.

The table below shows the contract amount as of March 31, 2008 and 2009:

	Millions of yen		Thousands of U.S. dollars
Class of property	2008	2009	2009
Foreign exchange risk management			
Foreign exchange forward contracts	¥4,731	—	—
Total	¥4,731	—	—

(iv) The effect on the consolidated balance sheets

The locations and carrying amounts of the derivative instruments as of March 31, 2008 and 2009, recorded in the accompanying consolidated balance sheets, were as follows:

Assets derivatives

Instruments	Locations	Millions of yen 2008	Millions of yen 2009	Thousands of U.S. dollars 2009
Derivatives designated as hedging instruments under SFAS No. 133				
Interest rate swap agreements	Other assets	¥3,511	¥3,433	$34,624
Total		¥3,511	¥3,433	$34,624

Liability derivatives

Instruments	Locations	Millions of yen 2008	Millions of yen 2009	Thousands of U.S. dollars 2009
Derivatives not designated as hedging instruments under SFAS No. 133				
Foreign exchange forward contracts	Other current liabilities	¥16	—	—
Total		¥16	—	—

The fair values of derivative instruments were obtained from counterparty financial institutions and represent the amount that DOCOMO could have settled with the counterparties to terminate the contracts outstanding as of March 31, 2008 and 2009.

(v) The effect on the consolidated statements of income and comprehensive income

The locations and gain (loss) amounts of the derivative instruments for the years ended March 31, 2007, 2008 and 2009, recognized in the accompanying consolidated statements of income and comprehensive income, were as follows:

		Amount of gain or (loss) recognized in income on derivative			
		Millions of yen			Thousands of U.S. dollars
Instruments	Locations	2007	2008	2009	2009
Derivatives in SFAS No. 133 fair value hedging relationships					
Interest rate swap agreements	Other, net*	¥4,275	¥2,653	¥(78)	$(787)
Total		¥4,275	¥2,653	¥(78)	$(787)

	Amount of gain or (loss) reclassified in OCI** on derivative			
	Millions of yen			Thousands of U.S. dollars
Instruments	2007	2008	2009	2009
Derivatives in SFAS No. 133 cash flow hedging relationships				
Currency swap contract	¥(58)	—	—	—
Total	¥(58)	—	—	—

		Amount of gain or (loss) reclassified from Accumulated OCI** into income			
		Millions of yen			Thousands of U.S. dollars
Instruments	Locations	2007	2008	2009	2009
Derivatives in SFAS No.133 cash flow hedging relationships					
Currency swap contract					
	Interest expenses	¥ 30	¥ 348	—	—
	Other, net*	1,320	(1,462)	—	—
Total		¥1,350	¥(1,114)	—	—

* "Other, net" was included in "Other income (expense)".

** "Other comprehensive income (loss)"

		Amount of gain or (loss) recognized in income on derivative			
			Millions of yen		Thousands of U.S. dollars
Instruments	Locations	2007	2008	**2009**	**2009**
Derivatives not designated as hedging instruments under SFAS No.133					
Foreign exchange forward contracts	Other, net*	¥393	¥ 18	¥(1,090)	$(10,994)
Non-deliverable forward contracts (NDF)	Other, net*	13	(13)	(4,050)	(40,847)
Foreign currency option contracts	Other, net*	21	(110)	—	—
Total		¥427	¥(105)	¥(5,140)	$(51,841)

* "Other, net" was included in "Other income (expense)".

(vi) Contingent features in derivatives
As of March 31, 2009, DOCOMO had no derivative instruments with credit-risk-related contingent features.

Other—
Information regarding "Investments in affiliates" and "Marketable securities and other investments" is disclosed in Notes 6 and 7, respectively.

(3) Concentrations of risk
As of March 31, 2009, DOCOMO did not have any significant concentration of business transacted with an individual counterparty or groups of counterparties that could, if suddenly eliminated, severely impact its results of operations.

21. SUBSEQUENT EVENT:
There were no significant subsequent events other than those described in other footnotes to these consolidated financial statements.

Financial Statement Schedule

NTT DOCOMO, INC. AND SUBSIDIARIES

Years ended March 31, 2007, 2008 and 2009

SCHEDULE—VALUATION AND QUALIFYING ACCOUNTS

	Millions of yen			
	Balance at beginning of year	Additions	Deductions*	Balance at end of year
2007				
Allowance for doubtful accounts	¥14,740	¥ 8,654	¥(10,216)	¥13,178
2008				
Allowance for doubtful accounts	¥13,178	¥12,107	¥ (8,784)	¥16,501
2009				
Allowance for doubtful accounts	¥16,501	¥ 9,898	¥ (9,977)	¥16,422

	Thousands of U.S. dollars			
	Balance at beginning of year	Additions	Deductions*	Balance at end of year
2009				
Allowance for doubtful accounts	$166,425	$99,828	$(100,625)	$165,628

* Amounts written off.

KPMG

Report of Independent Registered Public Accounting Firm

The Board of Directors and the Shareholders
NTT DoCoMo, Inc.:

We have audited the accompanying consolidated balance sheets of NTT DoCoMo, Inc. and subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2009. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NTT DoCoMo, Inc. and subsidiaries as of March 31, 2008 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 19, 2009

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.

Reconciliations of the Disclosed NON-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

NTT DOCOMO, INC. AND SUBSIDIARIES
Year ended March 31, 2009

EBITDA and EBITDA margin

	Millions of yen				
Year ended March 31,	2005	2006	2007	2008	**2009**
a. EBITDA	¥1,625,661	¥1,606,776	¥1,574,570	¥1,639,096	¥1,678,422
Depreciation and amortization	(795,822)	(738,137)	(745,338)	(776,425)	(804,159)
Loss on sale or disposal of property, plant and equipment	(45,673)	(36,000)	(55,708)	(54,359)	(43,304)
Operating income	784,166	832,639	773,524	808,312	830,959
Other income (expense)	504,055	119,664	(581)	(7,624)	(50,486)
Income taxes	(527,711)	(341,382)	(313,679)	(322,955)	(308,400)
Equity in net income (losses) of affiliates, net of applicable taxes	(12,886)	(364)	(1,941)	13,553	(672)
Minority interests	(60)	(76)	(45)	(84)	472
b. Net income	747,564	610,481	457,278	491,202	471,873
c. Total operating revenues	4,844,610	4,765,872	4,788,093	4,711,827	4,447,980
EBITDA margin (=a/c)	33.6%	33.7%	32.9%	34.8%	37.7%
Net income margin (=b/c)	15.4%	12.8%	9.6%	10.4%	10.6%

Note: EBITDA and EBITDA margin, as we use them, are different from EBITDA as used in Item 10(e) of regulation S-K and may not be comparable similarly titaled measures used by other companies.

Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)

	Millions of yen				
Year ended March 31,	2005	2006	2007	2008	**2009**
Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)	¥1,003,583	¥ 510,905	¥ 192,237	¥ 442,410	¥ 93,416
Irregular factors [1]	—	—	(210,000)	210,000	—
Changes in investments for cash management purposes [2]	(400,327)	148,959	50,710	148,881	49,278
Free cash flows	603,256	659,864	32,947	801,291	142,694
Net cash used in investing activities	(578,329)	(951,077)	(947,651)	(758,849)	(1,030,983)
Net cash provided by operating activities	1,181,585	1,610,941	980,598	1,560,140	1,173,677

1 Irregular factors represent the effects of uncollected revenues due to back closure at the end of periods.
2 Changes in investments for cash management purposes were derived from purchases, redemption at maturity and disposals of financial instruments held for cash management purposes with original maturities of longer than three months.