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CFO Message: Financial and Capital Strategies Supporting Our Medium-Term Vision



Kazuto Tsubouchi
Executive Vice President

In Japan today, the mobile phone penetration rate among households is over 90 percent. By the same token, the mobile communications industry is experiencing a steady rise in demand for data communications. In this industry context, the vital issues that have emerged for driving a company's competitive strength are the construction of highly reliable wireless communications networks, the development of appealing content and services, and the development and acquisition of technologies that anticipate next-generation developments. DOCOMO is aggressively and efficiently reinvesting funds generated by its businesses as capital expenditures and other investments, with an eye to maintaining and enhancing our long-term competitiveness. Our basic policy on use of funds is to realize the optimal balance between providing a return to shareholders and maintaining a strong financial position, while retaining a focus on investment in growth opportunities such as peripheral businesses likely to offer synergies with mobile phone services and global business, in addition to the mobile phone business.

DOCOMO views the EBITDA margin and ROCE as key management indicators for developing a stronger management position by focusing on achieving both profitability and capital efficiency. With the EBITDA margin, we pay close attention to profitability, while ROCE is important from the viewpoint of measuring the efficiency of invested capital. To maximize our corporate value we are looking to maintain and continue reporting an EBITDA margin of 35% or higher, and will continue striving for an ROCE of at least 20%. In the fiscal year ended March 31, 2010, the EBITDA margin was 36.6%, while ROCE was 16.3%.

Also in the fiscal year ended March 31, 2010, we lowered our debt from ¥639.2 billion to ¥610.3 billion, strengthening our financial position to ensure the ability to flexibly raise funds in the future. The debt ratio was 11.6%, declining further from 12.8% recorded a year earlier.

Our long-term debt ratings are AA by Standard & Poor's and Aa1 by Moody's, which indicate that we continue to maintain some of the highest credit ratings among telecommunications companies in the world.

We recognize that the return of profits to shareholders is one of management's highest priorities. We therefore aim to continue paying a stable dividend while also considering our consolidated business results and consolidated payout ratio, and working to strengthen our financial position and secure adequate internal reserves. In the fiscal year ended March 31, 2010, we paid a total annual dividend of ¥5,200 per share, consisting of an interim dividend of ¥2,600 and a year-end dividend of ¥2,600. As for treasury stock, we will continue to study opportunities to purchase our own shares as deemed appropriate through resolution of the Board of Directors. In principle, we intend to limit the amount of such treasury stock to approximately 5% of total issued shares, with any excess holdings retired at the end of the period. In the fiscal year ended March 31, 2010, we acquired 154,065 shares of DOCOMO's own common stock, valued at ¥20.0 billion, and at the end of the period retired 160,000 shares, or approximately 0.4% of total shares issued prior to the retirement.

Going forward, DOCOMO will monitor trends in the operating environment and capital markets as we continue to focus on shareholder returns and maintaining a sound financial position. At the same time we will pay close attention to the financial and capital strategies for realizing our medium-term vision and supporting our sustainable growth.

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

- Overview
- Trends in the Mobile Communications Industry in Japan
- Operating Strategies • Operating Trends
- Operating Results for the Years Ended March 31, 2010 and 2009
- Segment Information
- Recent Accounting Pronouncements and Critical Accounting Policies

B. Liquidity and Capital Resources

C. Research and Development

D. Trend Information

A. OPERATING RESULTS

■ Overview

We are the largest cellular network operator in Japan in terms of both revenues and number of subscriptions. As of March 31, 2010, we had approximately 56.08 million subscriptions, which represented 50.0% 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, credit payment services and home shopping services.

Now that the use of cellular phone has become widespread in Japan, it is difficult to duplicate the rapid growth we experienced in our earlier operations. However, in order to achieve sustainable growth and create new sources of revenues, we are committed to upgrading our cellular communications services from a telecommunication infrastructure to an indispensable life-style infrastructure for everyday life that can bring abundance to the lives and business of users.

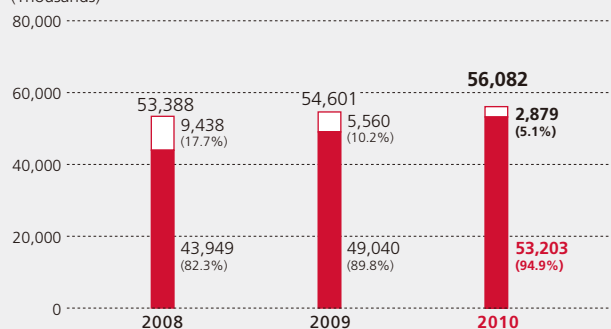
During the fiscal year ended March 31, 2010, we strived to expand subscribers' packet usage through the expansion and enrichment of our video content services as well as other measures, and also accelerated the personalization of services with the launch of an upgraded behavior support services compatible with the Auto-GPS (Global Positioning System) locating capability and other initiatives. In addition, we have taken various steps aimed at enhancing customer satisfaction,

including the enrichment of our handset lineup, billing plans and after-sales support.

For the year ended March 31, 2010, our operating revenues were ¥4,284.4 billion, posting a decrease of ¥163.6 billion from the prior fiscal year due primary to the decline in voice revenues. On the other hand, we recognized operating income of ¥834.2 billion, achieving an increase of ¥3.3 billion from the prior fiscal year through our continuous efforts to reduce our operating expenses including network-related expenses. Net income attributable to NTT DOCOMO, INC. increased by ¥22.9 billion from the prior fiscal year to ¥494.8 billion. Cash flows from operating activity was ¥1,182.8 billion, increasing by ¥9.1 billion from the prior fiscal year due mainly to the increased amount of cash collections of installment receivable for handsets. Capital expenditures decreased by ¥51.1 billion from the prior fiscal year to ¥686.5 billion as we worked to improve our efficiency while enhancing the quality of our network.

Number of Cellular Subscriptions

Year ended March 31
(Thousands)



■ FOMA □ mova

■ Trends in the Mobile Communications Industry in Japan

According to an announcement by the Telecommunications Carriers Association, the mobile communications market in Japan saw a 4.70 million net increase in cellular subscriptions for the year ended March 31, 2010. The total number of cellular subscriptions in Japan grew to 112.18 million as of March 31, 2010, which represented a market penetration rate of 88.1%. However, the annual growth rate of cellular subscriptions has slowed in line with the rise in penetration rate and the decrease in the future population, and was limited to 6.2%, 4.6%, and 4.4% for the years ended March 31, 2008, 2009, and 2010 respectively. We believe the growth rate of new cellular subscriptions in Japan will also be limited to a similar level.

As of March 31, 2010, cellular services were provided by four network operators in Japan including us and their group companies. In addition to providing cellular services, the network operators also develop mobile phones and other communications devices compatible with their communications services jointly with manufacturers, and subsequently sell them to agent resellers and other retailers for sale to subscribers. As for cellular services, after we launched our third-generation mobile communications (3G) services, FOMA, using the W-CDMA technology in 2001, other operator groups also introduced 3G services. In recent years, 3G services have become the mainstream service for all operator groups. As of March 31, 2010, the number of 3G mobile communications service subscribers in Japan totaled 109.06 million, accounting for 97.2% of the total number of mobile phone subscriptions.

Competition among the network operators in Japan remains intense as the room for growth became limited and user needs diversified. The network operators in Japan have been competing against one another for the retention of existing subscriptions and acquisition of new subscriptions addressing the following issues:

- Pricing strategy: Offering of free voice calls among family members subscribing to the same operator, free voice calls among phones subscribed under the same corporate subscription account, introduction of new discount services conditioned upon long-term subscriptions and introduction of packet flat-rate services, etc.;
- Handset sales promotion: Introduction of installment payment scheme for the purchase of a handset, and mobile phone protection service for lost or damaged handsets and delivery of a replacement phone, etc.;
- New service introduction: electronic payment using mobile phones, music and video distribution, automatic information delivery tailored to user's preference, location information service, etc.;
- New handset development: Release of new handsets equipped with

various features such as contactless IC (Integrated Circuit) chip, GPS, or security function as well as smartphones;

- Networks: Expansion of HSDPA area coverage and launch of LTE services, etc; and
- Alliances: Collaboration with external partners in other industries, such as retailers, financial institutions, content holders, etc.

Changes in the Japanese regulatory environment in recent years have accelerated competition among cellular network operators. Mobile Number Portability system, which enables subscribers to switch the network operator they subscribe to without changing the phone number, was introduced in October 2006. In September 2007, the Mobile Business Study Group, which was appointed by the Ministry of Internal Affairs and Communications (MIC) published its final report, which contained proposals pertaining to (1) a review on the sales method of mobile phones, (2) promotion of new MVNO entrants to the market and (3) development of a market environment for the revitalization of the mobile business, and called for their implementation by the regulatory authority. In October 2009, MIC published a report entitled "Interconnection Rules in Response to Changes in the Telecommunications Market Environment." The report addressed that (1) in terms of interconnection charges, appropriate rules should be established for interconnection charges and same rules should be applied to all cellular network operators, and (2) in terms of establishing rules for roaming, each cellular network operator should construct its own telecommunication networks in principle, because spectrum is scarce but allocated to cellular network operators in the mobile telecommunication business. In addition, MIC conducted a public hearing in April 2010 and showed a direction of establishing guidelines to remove SIM-lock based upon the voluntary actions of network operators. In Japan, mobile phones and cellular services are currently offered by network operators based on the premises that mobile phones are SIM locked. Further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent cellular network operators including us.

Innovations in Internet technology may have a material impact on the mobile communications industry including ourselves. IP (Internet Protocol) telephony, which is a form of voice communications based on IP technology, has already become a popular means of communications in fixed-line services as a result of the broad penetration of local broadband access. If the application of IP telephony technology to mobile communications becomes widely accepted, it could cause a significant change in the revenue structure of the mobile communications industry. Meanwhile, progress has been made in the development of convergence services, combining fixed-line and mobile

communications with rise in the penetration of mobile phones and broadband services. This concept of fixed-mobile convergence has already been partially realized in the form of single-bill service for both fixed and mobile services, or content/e-mail address sharing between the two networks. The demand for seamless connectivity between fixed and mobile networks or composite devices supporting access to both fixed and mobile networks may increase in the future. In the field of high-speed wireless networks, WiMAX was approved as a standard of the Institute of Electrical and Electronic Engineers in the United States. In Japan, two network operators were awarded the license to operate broadband wireless access systems using the 2.5 GHz spectrum band in December 2007, and their commercial services were commenced in July 2009.

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

■ Operating Strategies

We believe that the cellular market in Japan has already entered a mature phase with its total cellular subscriptions exceeding 100 million in December 2007. In a mature market, it is necessary to attract subscribers of competitors because it is difficult to drive the acquisition of new subscribers relying on potential subscribers who have never owned a cellular phone. It is also indispensable to minimize the loss of subscriptions to competitors as a result of heated competition. As a market leader with the largest market share, we attach priority to the retention of existing subscriptions.

In April 2008, we announced “New DOCOMO Commitments,” our vision for transformation and, taking this opportunity, renewed our corporate brand logo. In July 2008, we reorganized our group structure by integrating our former eight regional subsidiaries for the purpose of improving customer services and enhancing the speed and effectiveness of our operations. In October 2008, we announced our medium-term business directions based on a new action plan, “DOCOMO’s Change and Challenge to Achieve New Growth,” to be implemented through March 2013. “DOCOMO’s Change” includes concrete actions to revisit every aspect of the business from the customers’ 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.

For the fiscal year ended March 31, 2010, we have worked to enhance customer satisfaction through review of our operations from the customers’ perspective. These efforts are beginning to deliver tangible results. For example, our churn rate for the fiscal year ended March 31, 2010 dropped to a record low of 0.46%. We also acquired the largest market share of net addition in cellular phone subscribers for the fiscal year ended March 31, 2010. In addition, we received the No. 1 rating in the customer satisfaction survey carried out by J.D. Power Asia Pacific, Inc. in the enterprise service segment, and received the highest score in the satisfaction survey of data card users conducted by Nikkei BP Consulting, Inc.

For the fiscal year ending March 31, 2011, as a part of the “Change” initiatives, we will continue to review every aspect of our business operations—such as products, services, customer care, and network construction, with the aim of enhancing the satisfaction of customers. Our target is to receive the No. 1 rating in overall customer satisfaction as a result of these efforts.

With respect to the “Challenge” programs, we will position the fiscal year ending March 31, 2011 as “the year to embark on the execution phase” of our challenge toward the goal of providing services that are tailored to the lifestyle and individual needs of each customer, and to contribute to the sustained development of society by providing solutions to pressing issues, promptly and steadily implementing the following actions:

- Achieve growth through expansion of packet usage: We will aim to increase packet ARPU by proliferating the use of video services and data communications devices, and growing the subscriptions to flat-rate billing plans for packet access.
- Roll-out of LTE and network evolution: Toward the commercial launch of LTE scheduled for December 2010, we will move ahead with the development of network, devices and services, to establish a foundation for promoting a wide array of advanced mobile broadband services.
- Promotion and further advancement of service personalization: By further advancing the “i-concier” service, which automatically delivers useful information for subscribers’ daily lives tailored to their lifestyles, areas in which they live, and time/location information collected via Auto-GPS functions, we will expand service personalization

and offer a greater array of content tailored to the individual needs of customers.

- Deployment of social-support services: We will continually strive to create new businesses with the full-scale launch of social-support services in such fields as environment, health management and finance, while seeking alliances with external partners to secure new revenue sources.
- Introduction and promotion of converged services: Through the expansion of "MyArea," Japan's first Femto BTS-based home area service, and "Otayori Photo service," with which subscribers can send and display photos to a digital photo frame at a distant location from mobile phones or PCs, we will aim to provide more convenient services and comfortable usage environments to users.
- Further advancement of handsets: We will enrich the lineup of our products including smartphones to cater to the needs of broader customer segments.
- Collaboration of handsets and networks: We will aim to realize advanced services by optimizing the allocation of functions between handsets and networks, leveraging the high-speed, large-capacity and low-latency properties of LTE network.
- Basic research aimed at new value creation: We will work on the verification of our research so that we can create businesses that contribute to the development of society and industries, aiming to realize a more affluent society that fully leverages the advantageous characteristics of mobile communications.
- Expansion of international businesses: We will strive to expand the revenue streams from international businesses by further enriching our international service offerings and expanding our overseas service counters. We will also seek revenue expansion and sustained growth through overseas business deployment allying with partners.
- Domestic investments and alliances: We will endeavor to grow revenues and achieve sustained growth by creating new business and reinforcing core business through the pursuit of investments and alliances in Japan.

By working to raise our packet ARPU even further and promoting measures aimed at creating new revenue sources while actively seeking reduction of our network-related costs and other general expenses, we aim to achieve an operating income of over ¥900 billion for the fiscal year ending March 31, 2013.

■ Operating Trends

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

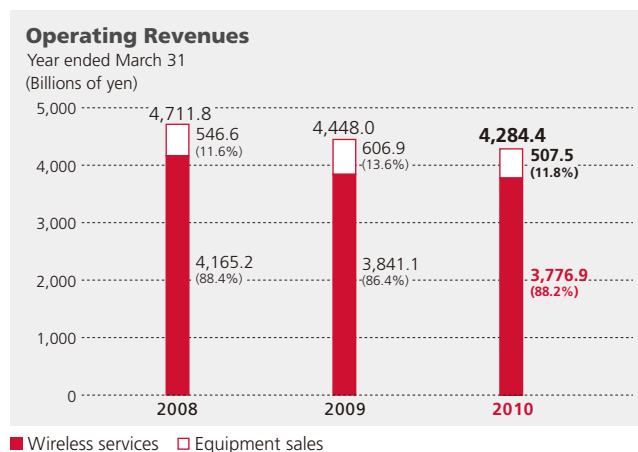
Revenues

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. We have decided to discontinue mova services on March 31, 2012 to concentrate our business resources on FOMA services. We have been promoting the migration of mova subscribers to FOMA services, and the total number of FOMA subscriptions reached 53.20 million or 94.9% of our total number of cellular subscriptions as of March 31, 2010. We will continue our efforts to induce existing mova subscribers to migrate to FOMA services toward the termination of mova services on March 31, 2012.

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, 2010, representing 42.1% of wireless services revenues, as compared to 39.4% and 33.0% for the years ended March 31, 2009 and 2008, 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

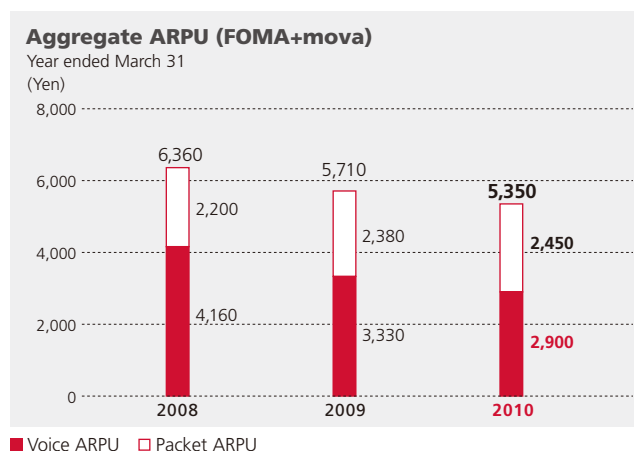
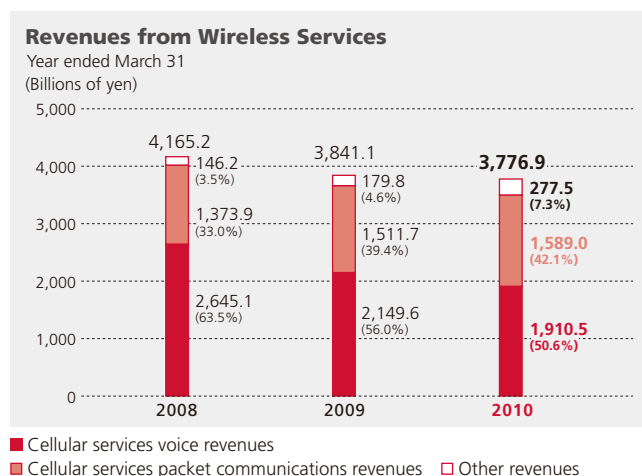


Portability. Our cellular services revenues are essentially a function of our number of active subscriptions multiplied by ARPU.

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, 2010, we employed various measures aimed for improving customer satisfaction, including communications quality enhancement initiatives, revamping of after-sales support, and introduction of attractive billing plans. To improve our communications quality, we offered a service in which we dispatch our field staff to customers' premises within 48 hours, in principle, after setting up an appointment based on an inquiry from customers, and implemented various other measures aimed at enhancing our area coverage and network quality. To revamp our after-sales support, we launched the "Mobile Phone Checking Service," which provides users with free basic checkups and cleaning of handsets, and continued the program to provide a free battery pack or portable charger. In order to offer attractive billing plans, we revised our rates to make it easier for users to switch to a smartphone, and introduced a number of new plans, such as the "Mail Tsukai-hodai" package, which offers free unlimited domestic i-mode mail, and the "Type Simple Student Discount" plan, a discount service for students and their family members.

As a result of these endeavors, our churn rate for the fiscal year ended March 31, 2010, dropped to a very low level of 0.46%.

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. In August and September 2007, we introduced the "Fami-wari MAX50," "Hitoridemo Discount50" and "Office-wari MAX50" discount packages (hereinafter collectively referred to as "new discount services") which offer a 50% discount on basic monthly charges on condition of two-year usage of our service. The percentage of users subscribing to these new discount services to our total subscriptions reached over 60% as of March 31, 2010. In November 2007, we introduced a new handset sales method called "Value Course." "Value Course" is a sales method, where the purchase of a handset is not discounted by a certain type of sales commission which had previously been paid to agent resellers, specifically designed for providing discounts on handset sales. As this method requires customers to pay full price to purchase a new handset, it awards the subscribers with a subscription to a billing plan with discounted basic monthly charges called "Value Plan." While we simultaneously introduced another sales method more similar to the conventional method called "Basic Course," where a subscriber purchases a handset discounted by our direct subsidy and undiscounted



billing plans are applied, so far more than 95% of subscribers have opted for the “Value Course,” and the number of “Value Plan” subscriptions reached approximately 32.70 million, or 58% of our total subscriptions, as of March 31, 2010. Our aggregate ARPU (FOMA+mova) has been on a constant decline, and the drop of voice ARPU, in particular, has accelerated in recent years. This is due largely to the impact from the expanded uptake of “Value Plan” and the new discount services (because basic monthly charges are included in the calculation of voice ARPU), and the impact from the drop of billable MOU resulting from the growing utilization of free communication allowances.

Our cellular services revenues for the fiscal year ended March 31, 2008 recorded a decline compared to the fiscal year ended March 31, 2007, owing to the widespread adoption of the new discount services we introduced for the retention of existing subscribers. Our cellular services revenues for the fiscal year ended March 31, 2009, continued to post a year-on-year decline due mainly to the broad adoption of “Value Plan,” growth in the percentage of users subscribing to the new discount services and a decrease in inter-carrier settlement (access charge) revenues we receive from other carriers. In the fiscal year ended March 31, 2010, cellular services revenues dropped from the previous fiscal year mainly because of the expansion of “Value Plan” subscriptions and the impact of reduced billable MOU. For the fiscal year ending March 31, 2011, we project a decline in cellular services revenues from the fiscal year ended March 31, 2010, because the negative impact on voice revenues resulting from the expanded uptake of “Value Plan” and further decline of billable MOU is likely to remain greater than the revenue-boosting effect owing to the increase in packet communications revenues and the moderate growth of subscribers. Although ARPU has been on a declining trend, we set a target to halt the decline of ARPU in the fiscal year ending March 31, 2012 when the effect of an increase in packet ARPU overtakes the effect of a decrease in voice ARPU. Raising the packet ARPU is one of the top priorities in our business strategy, and we have employed various measures aimed at expanding subscribers’ packet usage, such as encouraging subscribers to join flat-rate packet billing plans, expansion of video usage, enrichment of everyday life-oriented content, improving the ease of use and convenience of our products and services, and expansion of the user base of PC data communications and smartphones. Through the execution of “DOCOMO’s Change and Challenge” action plan, we will strive to retain our existing subscriber base by enhancing the level of customer satisfaction, and achieve growth by increasing our packet ARPU.

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. Starting from November 2008, we started offering handsets in newly organized four series—“docomo STYLE series,” “docomo PRIME series,” “docomo SMART series” and “docomo PRO series.”

- “docomo STYLE series”: Distinctive mobile phones designed like accessories and offered in a wide variety of fashionable designs and colors.
- “docomo PRIME series”: Full-feature mobiles phones for the maximum enjoyment of video, games and other entertainment.
- “docomo SMART series”: Sophisticated mobile phones for busy people who want to live productively and enhance the management of their professional and private lives.
- “docomo PRO series”: Most advanced high-spec mobile phones for those who love cutting-edge digital tools.

As described in the section of Wireless Services above, in November 2007, we introduced a new handset sales method, “Value Course.” Payment in installments is made available for a subscriber to purchase a handset from agent resellers in this “Value Course.” If a subscriber chooses to make installment payments, under the agreement entered into among the subscriber, the agent reseller and us, we provide funds 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. This agreement is separate from the telecommunications service contract entered into between the subscriber and us, or the equipment sales contract concluded between the agent reseller and subscriber. Because the revenues from equipment sales are recognized upon the delivery of handsets to agent resellers, cash collection of the installments receivable for the purchased handset from subscribers do not have an impact on any of our revenues, including equipment sales revenues.

Revenues from equipment sales, primarily sales of handsets and other telecommunications equipment to agent resellers, accounted for 11.8% of total operating revenues for the year ended March 31, 2010. We 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 in accordance with U.S GAAP. As a result, structurally, the cost of equipment sold has exceeded equipment sales revenues. However, with the introduction of “Value Course” in November 2007 and accompanying reduction of sales commissions,

the amount of sales commissions deducted from equipment sales revenues decreased significantly, and the effects of the excess amount of cost of the equipment sold over equipment sales revenues has also weakened. During the year ended March 31, 2010, equipment sales revenues decreased due to the decrease in the number of handsets sold to agent resellers (down more than 10% compared to the prior fiscal year) affected mainly by the economic downturn. For the year ending March 31, 2011, we expect only a slight decrease in the number of handsets to be sold to agent resellers in anticipation of an increased demand for handset upgrade by those subscribers who purchased a handset upon the introduction of "Value Course" more than two years ago. We also expect to lower our equipment sales price per unit reflecting our efforts to reduce equipment procurement cost per unit to strengthen our competitiveness in equipment sales. As a result, we expect equipment sales revenues to decrease from the prior fiscal year. 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.

Creation of New Revenues Sources

As the Japanese mobile phone market continues to mature, the competition among carriers has intensified in such areas as rate reductions. Against this backdrop, with the aim of achieving a sustained growth, we have worked to diversify our revenue sources while stepping up our efforts to reinforce our wireless services business.

Following the launch of our credit brand "iD" in December 2005, we commenced a proprietary mobile credit payment service "DCMX" in April 2006. Through these services, which enable credit payment using mobile phones with the contactless IC chips embedded inside the handset, we would like to transform mobile phones into a tool that serves various needs in everyday life. With the subscriber base of "DCMX" reaching 11.26 million and the number of "iD" reader/writer machines installed growing to 440,000 as of March 31, 2010, the amount of credit transactions handled has also been rising.

In April 2009, to invigorate the mobile e-commerce market that offers great potential for growth in the future, we acquired a majority stake in OAK LAWN MARKETING, INC., a leading TV and home shopping firm in Japan which subsequently became our consolidated subsidiary.

We will strive to expand these credit and home shopping businesses going forward. We intend to pursue investments and alliances with the aim of strengthening our operations, without distinction as to core or new business, to expand our revenues and achieve sustained growth. We will continually seek opportunities of investment and alliance that will benefit our business management.

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 26.1% of our total operating expenses for the year ended March 31, 2010. Major components of cost of services include facility maintenance expenses, which are incurred to maintain our network facilities, and communication network charges, which we pay for the usage of other operators' networks or for access charges, accounting for 33.1% and 31.3% of the total cost of services, respectively. 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, 2010 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, 2011.

Cost of Equipment Sold

Cost of equipment sold arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, which is basically dependent on the number of handsets sold to agent resellers and the purchase price per handset. Cost of equipment sold represented 20.2% of our operating expenses for the year ended March 31, 2010. The total number of handsets sold to agent resellers decreased from the prior fiscal year due to overall sluggish consumer spending. The purchase price per handset also decreased as a result of the growing popularity of middle- and low-end handsets in our product portfolio and reduction of license fees included in handset price for which we own intellectual property rights while we pay part of the development costs incurred by handset manufactures. As a result, cost of equipment sold decreased from the prior fiscal year. For the year ending March 31, 2011, we expect cost of equipment sold will decrease from the current fiscal year due to a slight decrease in the number of handsets to be sold to agent resellers and our continued efforts to reduce the handset procurement costs.

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. For the year ended March 31, 2010, we facilitated efficiency improvements accompanied by a review of handset logistics, such as integration of handset logistics contractors. We are planning to optimize the level of equipment inventories through further efficiency improvement efforts.

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 20.3% of our operating expenses for the year ended March 31, 2010. In order to respond attentively to demand from our subscribers, we invested in the FOMA services network during the year ended March 31, 2010. Our investments in the FOMA network included:

- further enhancement of FOMA network service area quality to respond attentively to customers' requests;
- further expansion of HSDPA service coverage, offering high data transmission speed; and
- buildup of network facilities in response to an increase in traffic.

Our capital expenditures in the FOMA network peaked in the fiscal year ended March 31, 2007, and although we plan to start making capital investments for LTE rollout in the fiscal year ending March 31, 2011, 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, 2010 decreased significantly from the prior fiscal year, since the depreciation and amortization expenses in the prior fiscal year 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. However, even without this effect, depreciation and amortization expenses would have decreased from the prior fiscal year as a result of ongoing cost efficiency improvement efforts. Depreciation and amortization expenses are expected to decrease for the year ending March 31, 2011, following the recent downward trend. As for our capital expenditures, please refer to "Capital Expenditures" to be hereinafter described.

Selling, General and Administrative Expenses

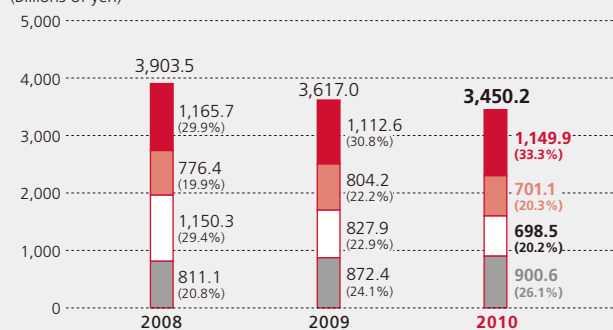
Selling, general and administrative expenses represented 33.3% of our total operating expenses for the year ended March 31, 2010. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, 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.

In accordance with U.S. GAAP, 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. For the fiscal year ended March 31, 2010, the total amount of sales commissions before the application of the aforesaid accounting treatment decreased compared to the prior fiscal year, as a result of a decline in the number of handsets sold and our efforts to reduce sales commissions. However, the decrease in the amount of sales commissions included in the selling, general and administrative expenses after the application of the aforesaid accounting treatment was limited to a slight decline compared to the prior fiscal year. On the other hand, due to the increase in expenses appropriated for customer satisfaction improvement initiatives and other factors, the selling, general and administrative expenses for the fiscal year ended March 31, 2010, posted an increase over the prior fiscal year. For the year ending March 31, 2011, we expect further reductions in sales commissions through efficient usage.

Operating Expenses

Year ended March 31

(Billions of yen)



■ Cost of services □ Cost of equipment sold ■ Depreciation and amortization ■ Selling, general and administrative

Operating income

For the year ended March 31, 2010, operating revenues decreased from the prior fiscal year since both wireless services revenues and equipment sales revenues decreased due to a decline in ARPU as well as the number of equipment sold. On the other hand, a decrease in operating expenses due mainly to a decrease in costs of equipment sold and our ongoing efforts to reduce costs, including reductions in network related costs exceeded the decrease in operating revenues. As a result, operating income increased.

The market environment remains very 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, 2011, we expect operating income to increase despite the decline in operating revenues from the prior fiscal year for the following reasons:

- Cellular services revenues are expected to decrease, because the projected decline in voice revenues resulting from the impact of the expanded uptake of "Value Plan," a billing plan that offers discounts on basic monthly charges, and reduction in billable MOU is expected to be larger than the growth in packet revenues, which we plan to achieve through boosting subscribers' packet usage.
- Equipment sales revenues are expected to decline due to a decrease in the wholesale price of handsets and slight decrease in the number of handsets sold to agent resellers.
- Operating expenses are expected to decrease as a result of efficient use of sales commissions, a decrease in cost of equipment sold, ongoing reduction of network-related costs and other general costs, and other factors.
- Despite a decrease in operating revenues, operating income is expected to post year-on-year gains, as we plan to secure income by offsetting the decline in voice revenues through the increase in packet revenues and various cost-cutting measures.

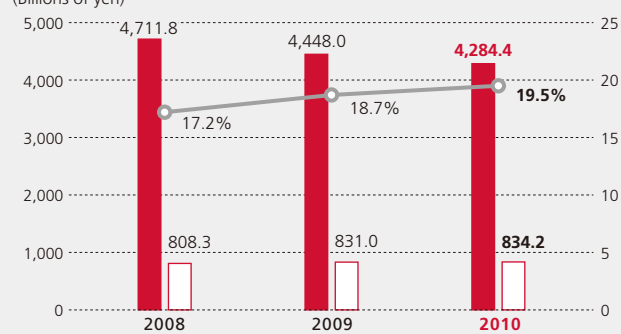
Other income and expenses, equity in net income (losses) of affiliates

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 we are able to exercise significant influence over the investee, but do not have a controlling financial interest. In accordance with equity method accounting, we include equity in net income or losses of affiliates in our consolidated income. Where we do not have an ability to exercise significant influence over the investee, 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. The impairment charges for "Marketable securities and other investments" and realized gains or losses from sales of "Investments in affiliates" and "Marketable securities and other investments" are recognized in "Other income and expenses," whereas the impairment charges for "Investments in affiliates" are recognized in "Equity in net income (losses) of affiliates." 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

Operating Revenues, Operating Income, and Operating Income Margin

Year ended March 31

(Billions of yen)



■ Operating revenues (left) □ Operating income (left)
—○— Operating income margin (right)

Accounting Policies—Impairment of investments.” We may also experience material gains or losses on the sale of our investments. As of March 31, 2010, the total carrying value of our investments in affiliates

was ¥578.1 billion, while the total carrying value for investments in marketable securities and securities accounted for under the cost method was ¥151.0 billion.

■ Operating Results for the Year Ended March 31, 2010

The following discussion includes analysis of our operating results for the year ended March 31, 2010. The tables below describe selected operating data and income statement data:

Key Performance Indicators

	Years ended March 31			
	2009	2010	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	54,601	56,082	1,481	2.7%
FOMA services (thousands)	49,040	53,203	4,163	8.5%
mova services (thousands)	5,560	2,879	(2,682)	(48.2)%
i-mode services (thousands)	48,474	48,992	518	1.1%
Market Share (%) ^{(1) (2)}	50.8	50.0	(0.8)	—
Aggregate ARPU (FOMA+mova) (yen/month/subscription) ⁽³⁾	5,710	5,350	(360)	(6.3)%
Voice ARPU (yen/month/subscription) ⁽⁴⁾	3,330	2,900	(430)	(12.9)%
Packet ARPU (yen/month/subscription)	2,380	2,450	70	2.9%
MOU (FOMA+mova) (minutes/month/subscription) ^{(3) (5)}	137	136	(1)	(0.7)%
Churn Rate (%) ⁽²⁾	0.50	0.46	(0.04)	—

(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 Use): Average communication time per month per subscription

Breakdown of Financial Information

	Millions of yen			
	Years ended March 31			
	2009	2010	Increase (Decrease)	Change (%)
Operating revenues				
Wireless services	¥3,841,082	¥3,776,909	¥ (64,173)	(1.7)%
Cellular services revenues	3,661,283	3,499,452	(161,831)	(4.4)%
– Voice revenues ⁽⁶⁾	2,149,617	1,910,499	(239,118)	(11.1)%
Including: FOMA services	1,877,835	1,785,518	(92,317)	(4.9)%
– Packet communications revenues	1,511,666	1,588,953	77,287	5.1%
Including: FOMA services	1,449,440	1,558,284	108,844	7.5%
Other revenues	179,799	277,457	97,658	54.3%
Equipment sales	606,898	507,495	(99,403)	(16.4)%
Total operating revenues	4,447,980	4,284,404	(163,576)	(3.7)%
Operating expenses				
Cost of services	872,438	900,642	28,204	3.2%
Cost of equipment sold	827,856	698,495	(129,361)	(15.6)%
Depreciation and amortization	804,159	701,146	(103,013)	(12.8)%
Selling, general and administrative	1,112,568	1,149,876	37,308	3.4%
Total operating expense	3,617,021	3,450,159	(166,862)	(4.6)%
Operating income	830,959	834,245	3,286	0.4%
Other income (expense)	(50,486)	1,912	52,398	–
Income before income taxes and equity in net income (losses) of affiliates	780,473	836,157	55,684	7.1%
Income taxes	308,400	338,197	29,797	9.7%
Income before equity in net income (losses) of affiliates	472,073	497,960	25,887	5.5%
Equity in net income (losses) of affiliates (net of applicable taxes)	(672)	(852)	(180)	(26.8)%
Net income	471,401	497,108	25,707	5.5%
Less: Net (income) loss attributable to noncontrolling interests	472	(2,327)	(2,799)	–
Net income attributable to NTT DOCOMO, INC.	¥ 471,873	¥ 494,781	¥ 22,908	4.9%

(6) Inclusive of circuit switched data communications.

Analysis of operating results for the year ended March 31, 2010 and comparison with the prior fiscal year

The total number of our cellular (FOMA+mova) subscriptions as at March 31, 2010 was 56.08 million, up 1.48 million, or 2.7%, compared to 54.60 million as of 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 of the Japanese market slows due to maturity. As of March 31, 2010, the number of FOMA subscriptions reached 53.20 million, which equaled 94.9% of our total cellular subscriptions, posting an increase of 4.16 million, or 8.5%, compared to 49.04 million as of March 31, 2009. On the other hand, the number of mova subscriptions has decreased constantly since the fiscal year ended March 31, 2004, as a result of our efforts to migrate subscribers to the FOMA network. As of March 31, 2010, the total number of mova subscriptions was 2.88 million, decreasing by 2.68 million, or 48.2%, from 5.56 million as of the

end of the prior fiscal year. We decided to terminate mova service on March 31, 2012, in order to concentrate our managerial resources on FOMA service. Our subscriber market share as of March 31, 2010 dropped by 0.8 points from 50.8% as of the end of the prior fiscal year to 50.0%. The number of i-mode subscriptions reached 48.99 million as of March 31, 2010, recording an increase of 0.52 million or 1.1% from 48.47 million as of March 31, 2009.

Aggregate ARPU for cellular (FOMA+mova) service for the fiscal year ended March 31, 2010 dropped to ¥5,350, down ¥360 or 6.3%, compared to ¥5,710 for the prior fiscal year. Voice ARPU decreased by ¥430 or 12.9% to ¥2,900, compared to ¥3,330 for the prior fiscal year. The primary factor behind this decline was the significant increase in the number of users subscribing to the “Value Plan” and decline in billable MOU. Packet ARPU, on the other hand, grew to ¥2,450, recording an increase of ¥70 or 2.9% from ¥2,380 for the prior fiscal

year. The main reasons for the increase in packet ARPU include the growth in the number of users subscribing to flat-rate packet plans for unlimited i-mode access, and the widespread adoption of "i-channel" and other services designed to boost i-mode usage. The MOU (FOMA+mova) decreased by 1 minute or 0.7% to 136 minutes compared to 137 minutes for the prior fiscal year. The billable MOU, in particular, decreased from 124 minutes for the prior fiscal year to 118 minutes, posting a decline of 6 minutes or 4.8%, due mainly to the expansion of free communications allowances.

Our cellular churn rate was 0.46% and 0.50% for the fiscal years ended March 31, 2010 and March 31, 2009, respectively. The churn rate for the fiscal year ended March 31, 2010 dropped by 0.04 points to a record low, owing to our efforts to promote the adoption of new handset sales methods and customer satisfaction improvement initiatives. We have successfully maintained our churn rate lower compared to that of other carriers in Japan, which we believe was attained as a result of various factors, including among other things, introduction of competitive billing plans and gaining the confidence of customers in our network and services. However, no assurance can be given that we can maintain the churn rate at the current level or achieve a further reduction.

During the fiscal year ended March 31, 2010, we strived to expand subscribers' packet usage through the expansion and enrichment of our video content services and other measures, and also accelerated the personalization of services with the launch of an upgraded behavior support service compatible with the Auto-GPS locating capability. In addition, we have taken various steps aimed at enhancing customer satisfaction, including the enrichment of our handset lineup, billing plans and after-sales support.

Our operating revenues for the fiscal year ended March 31, 2010, were ¥4,284.4 billion, posting a decline of ¥163.6 billion or 3.7% from ¥4,448.0 billion for the prior fiscal year. Wireless services revenues were ¥3,776.9 billion, decreasing by ¥64.2 billion or 1.7% compared to ¥3,841.1 billion for the prior fiscal year. The contribution of wireless services revenues to our total operating revenues for the fiscal year ended March 31, 2010 increased to 88.2% from 86.4% for the prior fiscal year. The year-on-year decrease in wireless services revenues was primarily attributable to the drop of cellular services revenues, particularly voice revenues. The decline in cellular services revenues was the net result of the decrease in voice revenues (which dropped by ¥239.1 billion or 11.1% to ¥1,910.5 billion from ¥2,149.6 billion for the prior fiscal year) and the increase in packet revenues (which grew by ¥77.3 billion or 5.1% from ¥1,511.7 billion in the prior fiscal year to ¥1,589.0 billion). An analysis on the reasons for the decline in voice revenues and

increase in packet revenues is provided in the section explaining the changes in ARPU. Of the cellular services revenues, the revenues generated by FOMA voice services decreased by ¥92.3 billion or 4.9% from ¥1,877.8 billion for the prior fiscal year to ¥1,785.5 billion for the fiscal year ended March 31, 2010. On the other hand, the revenues generated by FOMA packet services increased to ¥1,558.3 billion, up ¥108.8 billion or 7.5%, from ¥1,449.4 billion for the prior fiscal year. Equipment sales revenues decreased by ¥99.4 billion or 16.4% to ¥507.5 billion for the year ended March 31, 2010 from ¥606.9 billion for the prior fiscal year, because our handset sales were negatively affected by the sluggish economic conditions and others factors.

Operating expenses decreased by ¥166.9 billion or 4.6% from ¥3,617.0 billion for the prior fiscal year to ¥3,450.2 billion for the fiscal year ended March 31, 2010. This was mainly attributable to (i) a decrease in cost of equipment sold, which dropped by ¥129.4 billion or 15.6% to ¥698.5 billion from ¥827.9 billion for the prior fiscal year, as a result of a decrease in the total number of handsets sold and the reduction in the handset procurement cost per unit, and (ii) a decrease in depreciation and amortization, which declined by ¥103.0 billion or 12.8% from ¥804.2 billion (inclusive of accelerated depreciation charges of mova-related assets) for the prior fiscal year to ¥701.1 billion for the fiscal year ended March 31, 2010. On the other hand, due to the increase in customer service-related expenses, cost of services increased by ¥28.2 billion or 3.2% from ¥872.4 billion for the prior fiscal year to ¥900.6 billion for the fiscal year ended March 31, 2010, while selling, general and administrative expenses grew to ¥1,149.9 billion, up ¥37.3 billion or 3.4%, compared to ¥1,112.6 billion for the prior fiscal year.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2010 increased by ¥3.3 billion or 0.4%, from ¥831.0 billion for the prior fiscal year to ¥834.2 billion. Accordingly, the operating income margin improved from 18.7% for the prior fiscal year to 19.5%. The growth of operating income, despite a decrease in operating revenues, contributed to this improvement, which was attained by making up for the decline in operating revenues resulting mainly from the reduction of voice revenues by a reduction of network-related costs and other operating expenses, and performance improvements in miscellaneous businesses segment.

Other income (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 ¥1.9 billion as other income for the fiscal year ended March 31, 2010, achieving an improvement of ¥52.4 billion compared to the prior fiscal year, during which we recorded other expenses of ¥50.5 billion.

This is because we recorded only minimal other-than-temporary impairment charges for marketable securities and other investment in the fiscal year ended March 31, 2010, while we recognized other-than-temporary impairment charges of ¥57.8 billion in the prior fiscal year ended March 31, 2009. The other-than-temporary impairment charges recognized in the prior fiscal year included an impairment of ¥26.3 billion, which resulted mainly from foreign currency fluctuation, for the common shares of KT Freetel Co., Ltd. (KTF) based on its fair market value as of March 31, 2009 in connection with the merger of 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 and equity in net income (losses) of affiliates increased by ¥55.7 billion or 7.1% to ¥836.2 billion for the fiscal year ended March 31, 2010, from ¥780.5 billion for the prior fiscal year.

Income taxes were ¥338.2 billion for the year ended March 31, 2010, and ¥308.4 billion for the year ended March 31, 2009, representing effective income tax rate of approximately 40.4% and 39.5%, respectively. We are subject to income taxes imposed by various taxing

authorities in Japan, including corporate income tax, corporate enterprise tax, corporate inhabitant income taxes and special local corporation tax, which in the aggregate amounted to a statutory income tax rate of 40.8% for both fiscal years ended March 31, 2010 and March 31, 2009. 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 tax rate and statutory income tax rate for the years ended March 31, 2010 and 2009 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.

For equity in net losses of affiliates (net of applicable taxes), we incurred losses of ¥0.9 billion for the fiscal year ended March 31, 2010 and ¥0.7 billion for the fiscal year ended March 31, 2009.

As a result of the foregoing, we recorded ¥494.8 billion in net income attributable to NTT DOCOMO, INC., posting an increase of ¥22.9 billion or 4.9% from ¥471.9 billion for the prior fiscal year.

■ 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/subscription) ⁽³⁾	6,360	5,710	(650)	(10.2)%
Voice ARPU (yen/month/subscription) ⁽⁴⁾	4,160	3,330	(830)	(20.0)%
Packet ARPU (yen/month/subscription)	2,200	2,380	180	8.2%
MOU (FOMA+mova) (minutes/month/subscription) ^{(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 Use): 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 and equity in net income (losses) of affiliates	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	477,733	472,073	(5,660)	(1.2)%
Equity in net income (losses) of affiliates (net of applicable taxes)	13,553	(672)	(14,225)	–
Net income	491,286	471,401	(19,885)	(4.0)%
Less: Net (income) loss attributable to noncontrolling interests	(84)	472	556	–
Net income attributable to NTT DOCOMO, INC.	¥ 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 or 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 or 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 or 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 points 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 or 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 or 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 or 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 or 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 or 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 points 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 or 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 or 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 or 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 or 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 or 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 or 15.5% to ¥1,449.4 billion from ¥1,254.6 billion in the prior fiscal year. Equipment sales increased by ¥60.3 billion or 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 or 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 equipment sold by ¥322.4 billion or 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 or 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 or 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 or 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 or 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 KTF common shares based on its fair value as of March 31, 2009 in connection with the merger between KTF and KT in June 2009, under which KTF shares would be exchanged for KT common shares and KT exchangeable bonds.

Income before income taxes and equity in net income (losses) of affiliates decreased by ¥20.2 billion or 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 attributable to NTT DOCOMO, INC. of ¥471.9 billion for the year ended March 31, 2009, a decrease of ¥19.3 billion or 3.9% from ¥491.2 billion for the prior fiscal year.

■ Segment Information

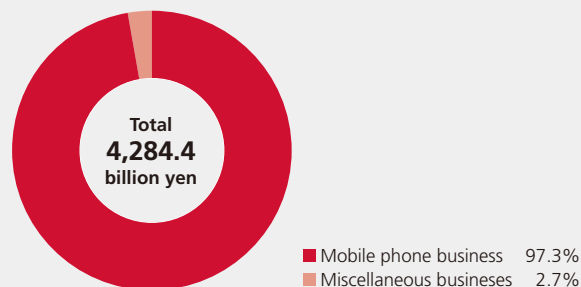
General

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 home shopping services, high-speed internet connection 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, 2010



Mobile phone business segment

For the year ended March 31, 2010, operating revenues from our mobile phone business segment decreased by ¥213.6 billion or 4.9% to ¥4,167.7 billion from ¥4,381.3 billion in the prior fiscal year. Cellular services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥161.8 billion or 4.4% to ¥3,499.5 billion for the year ended March 31, 2010 from ¥3,661.3 billion in the prior fiscal year. Equipment sales revenues decreased for the year ended March 31, 2010 from the prior fiscal year due to the decrease in number of handsets sold to agent resellers. Revenues from our mobile phone business segment represented 97.3% and 98.5% of total operating revenues for the years ended March 31,

2010 and 2009, respectively. Operating expenses in our mobile phone business segment decreased by ¥203.9 billion or 5.8% to ¥3,322.1 billion from ¥3,526.0 billion in the prior fiscal year. As a result, operating income from our mobile phone business segment decreased by ¥9.6 billion or 1.1% to ¥845.6 billion from ¥855.3 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 Trends" and "Operating Results for the year ended March 31, 2010," which were discussed above.

Miscellaneous businesses segment

Operating revenues from our miscellaneous businesses increased by ¥50.0 billion or 74.9% from ¥66.7 billion in the prior fiscal year to ¥116.7 billion for the year ended March 31, 2010, which represented 2.7% of total operating revenues. Operating expenses from our miscellaneous businesses increased by ¥37.0 billion or 40.7% from ¥91.1 billion in the prior fiscal year to ¥128.1 billion. The increase in operating revenues and expenses resulted primarily from the acquisition of OAK LAWN MARKETING, INC., a newly consolidated subsidiary from the current fiscal year, which provides home shopping services. As a result, operating loss from our miscellaneous businesses for the year ended March 31, 2010, improved to ¥11.4 billion from ¥24.3 billion in the prior fiscal year.

Recent Accounting Pronouncements

In October 2009, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2009-13 "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements" ("ASU2009-13"). ASU2009-13 will require allocation of the overall consideration to each deliverable in an arrangement with multiple deliverables using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables and eliminate residual method of allocation. ASU2009-13 is effective for fiscal years beginning on or after June 15, 2010. We are currently evaluating the impact of adopting ASU2009-13 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, 2010, 2009 and 2008 were ¥701.1 billion, ¥804.2 billion and ¥776.4 billion, respectively. For the year ended March 31, 2009, depreciation and amortization expenses included the effect of accelerated depreciation charges of ¥60.1 billion for mova-related assets through the changes in estimated useful lives accompanied by our decision to discontinue mova services on March 31, 2012, while the effect of such accelerated depreciation charges was not material for the year ended March 31, 2010. 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. For the year ended March 31, 2008, we recorded an impairment charges for certain long-lived assets but the impairment charges did not have a material impact on our results of operations and financial position. We did not recognize any impairment charges for the years ended March 31, 2010 and 2009.

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 ¥578.1 billion, while the total carrying value for investments in marketable securities and securities accounted for under the cost method was ¥151.0 billion as of March 31, 2010. 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 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 and 2008, 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 did not recognize any impairment charges for the year ended March 31, 2010. We also recorded impairment charges on certain investments which were classified as marketable securities or securities under the cost method. For the year ended March 31, 2009, the amount of impairment charges was ¥57.8 billion. For the years ended March 31, 2010 and 2008, 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.

Accrued liabilities for point programs

We offer "docomo Points Service," which provides benefits, including discounts on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record "Accrued liabilities for point programs" relating to the points that customers earn. The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2010 and 2009 was ¥174.9 billion and ¥116.7 billion, respectively. Point program expense for the years ended March 31, 2010, 2009 and 2008 was ¥142.2 billion, ¥114.7 billion and ¥84.3 billion, respectively.

In determining the accrued liabilities for point programs, we estimate such factors as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription. Higher-than-estimate utilization rate could result in the need for recognizing additional expenses or accrued liabilities in the future. In determining the accrued liabilities for point programs as of March 31, 2010, one percent raise in point utilization rate would result in an additional accrual of approximately ¥1.4 billion, if all the other factors are held constant.

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, 2010 and 2009, and expected long-term rates of return on plan assets for the years ended March 31, 2010 and 2009 were as follows:

	Years ended March 31	
	2009	2010
Non-contributory defined benefit pension plan		
Discount rate	2.2%	2.1%
Expected long-term rate of return on plan assets	2.5%	2.5%
Actual return on plan assets	Approximately (17)%	Approximately 14%
NTT CDBP		
Discount rate	2.2%	2.1%
Expected long-term rate of return on plan assets	2.5%	2.5%
Actual return on plan assets	Approximately (12)%	Approximately 13%

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2010 and 2009 was ¥190.4 billion and ¥186.2 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2010 and 2009, based on actuarial computations which covered only DOCOMO employees' participation, was ¥88.7 billion and ¥83.5 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 (loss)" 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, 2010 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

Change in Assumptions	Billions of yen		
	Change in projected benefit obligation	Change in pension cost, before applicable taxes	Accumulated other comprehensive income (loss), net of applicable taxes
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate	(11.5) / 12.2	0.3 / (0.3)	7.0 / (7.4)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.4) / 0.3	—
NTT CDBP			
0.5% increase/decrease in discount rate	(8.8) / 9.9	0.1 / (0.0)	5.3 / (5.9)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.3) / 0.3	—

Please also refer to Note 15 "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, 2010, 2009 and 2008, we recognized as revenues deferred activation fees of ¥18.4 billion, ¥29.0 billion and ¥38.2 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2010, remaining unrecognized deferred activation fees were ¥83.7 billion.

B. LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

Our cash requirements for the year ending March 31, 2011 include cash needed to pay to the agent resellers to provide funds under installment payment scheme, 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. 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.

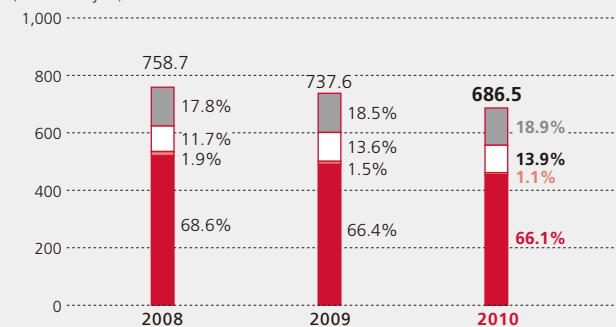
Capital Expenditures

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 fiscal year ended March 31, 2010, recorded a decrease compared to the prior fiscal year, as a result of our efforts to improve the efficiency of capital investments and cut costs through such measures as the reduction of procurement costs, introduction of economical equipment and devising efficient designs and construction efforts, while working to further improve the coverage and quality of FOMA services and reinforcing our facilities to accommodate the growth in data traffic. Moving ahead with the conversion into IP-based network, we facilitated the integration and capacity enhancement of our network equipment. These initiatives enabled us to construct our service areas and improve the efficiency of quality enhancement activities by choosing from various different options the optimal equipment for each site taking into consideration the surrounding environmental conditions, traffic volume and other factors. During the fiscal year ended March 31, 2010, we added approximately 7,200 outdoor base stations to our FOMA network, growing the cumulative number of FOMA outdoor base stations to approximately 55,700. The cumulative number of facilities where we installed our indoor systems grew to approximately 24,700, as we completed the installation in 4,800 facilities during the fiscal year ended March 31, 2010.

Capital Expenditures

Year ended March 31
(Billions of yen)



■ FOMA ■ mova ■ Other cellular facilities and equipment
■ General capital expenditures

Total capital expenditures for the years ended March 31, 2010, 2009 and 2008 were ¥686.5 billion, ¥737.6 billion and ¥758.7 billion, respectively. For the year ended March 31, 2010, 66.1% of capital expenditures were used for construction of the FOMA network, 1.1% for construction of the second generation mova network, 13.9% for other cellular facilities and equipment and 18.9% for general capital expenditures such as an internal IT system. By comparison, in the prior fiscal year, 66.4% of capital expenditures were used for construction of the FOMA network, 1.5% for the mova network, 13.6% for other cellular facilities and equipment, and 18.5% for general capital expenditures.

For the year ending March 31, 2011, we expect total capital expenditures to be ¥675.0 billion, of which approximately 55.6% will be for the FOMA network, 5.2% for LTE networks, 15.5% for other cellular facilities and equipment and 23.7% for general capital expenditures. We intend to promote enhancement of facilities for further quality improvement of FOMA service area, while promoting efficiency efforts of capital expenditures such as further advancement of IP conversion of networks.

We currently expect that capital expenditures for the next few fiscal years will be still on a declining trend despite our planned expenditures for the rollout of LTE services in fiscal year ending March 2011, 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 total amount of capital expenditures.

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, 2010, we had ¥610.3 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥639.2 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, 2010 or 2008. We repaid ¥29.0 billion, ¥77.1 billion and ¥131.0 billion of long-term debt, in the years ended March 31, 2010, 2009, and 2008, respectively.

Of our long-term debt outstanding as of March 31, 2010, ¥38.2 billion, including current portion, was indebtedness to financial institutions, majority of which has fixed interest rate and its weighted average interest rate was 1.4% per annum. The term of maturities was from the year ending March 31, 2011 through 2013. As of March 31, 2010, we also had ¥572.1 billion, including current portion, in bonds due from the year ending March 31, 2011 to 2019 with a weighted average coupon rate of 1.5% per annum.

As of March 31, 2010, 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 Obligations

Category of Obligations	Millions of yen				
	Payments Due by Period				
	Total	1 year or less	1-3 years	3-5 years	After 5 years
Long-Term Debt					
Bonds	¥572,097	¥163,630	¥228,467	¥70,000	¥110,000
Loans	38,172	17,086	21,086	–	–
Interest Payments on Long-Term Debt	28,066	7,196	8,443	5,080	7,347
Capital Leases	7,621	3,098	3,381	1,076	66
Operating Leases	21,632	2,958	4,272	3,012	11,390
Other Contractual Obligations	123,644	123,311	333	–	–
Total	¥791,232	¥317,279	¥265,982	¥79,168	¥128,803

*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, 2010, we had committed ¥26.7 billion for property, plant and equipment, ¥50.4 billion for inventories and ¥46.6 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, LTE rollout 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, 2010, 2009 and 2008:

	Millions of yen		
	Years ended March 31		
	2008	2009	2010
Net cash provided by operating activities	¥1,560,140	¥ 1,173,677	¥ 1,182,818
Net cash used in investing activities	(758,849)	(1,030,983)	(1,163,926)
Net cash used in financing activities	(497,475)	(182,441)	(260,945)
Net increase (decrease) in cash and cash equivalents	303,843	(47,357)	(241,833)
Cash and cash equivalents at beginning of year	343,062	646,905	599,548
Cash and cash equivalents at end of year	¥ 646,905	¥ 599,548	¥ 357,715

Analysis of cash flows for the year ended March 31, 2010 and comparison with the prior fiscal year

Net cash provided by operating activities for the fiscal year ended March 31, 2010 was ¥1,182.8 billion, an increase of ¥9.1 billion or 0.8% from the prior fiscal year. The increase was mainly due to an increased amount of cash collection of installment receivable for handsets from customers, which was partially offset by (1) a decrease in cash inflow due mainly to a decrease in voice ARPU and (2) an increase in cash outflow due to factors such as an increase in payment for income taxes as a result of a tax adjustment for accelerated depreciation of movable assets recorded in the previous year.

Net cash used in investing activities was ¥1,163.9 billion, an increase of ¥132.9 billion or 12.9% from the prior fiscal year. The increase was mainly due to an increase in purchases of short-term investments of more than three months for cash management purposes, a decrease of proceeds from redemption of long-term bailment for consumption to a related party, and an increase in short-term bailment for consumption to a related party, which were partially offset by a decrease in purchases of property, plant and equipment and non-current investments.

Net cash used in financing activities was ¥260.9 billion, an increase of ¥78.5 billion or 43.0% from the prior fiscal year. The increase was mainly due to a decrease of proceeds from long-term debt, which was partially offset by a decrease in payments to acquire treasury stock and repayment of long-term debt.

The balance of cash and cash equivalents was ¥357.7 billion as of March 31, 2010, a decrease of ¥241.8 billion or 40.3% from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥403.0 billion and ¥2.4 billion as of March 31, 2010 and 2009, respectively.

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

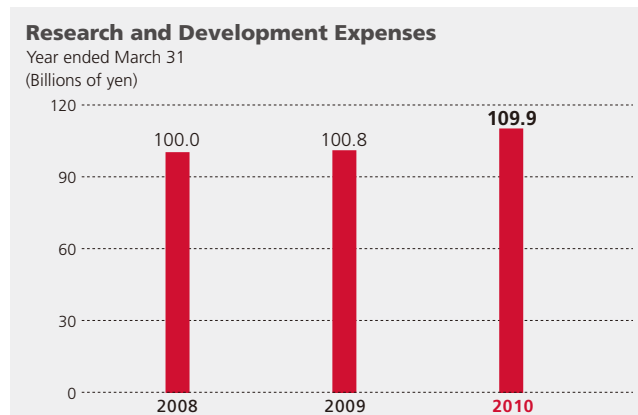
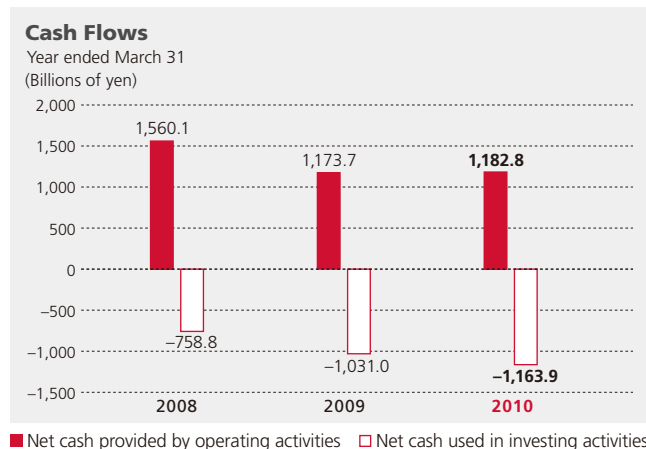
Net cash provided by operating activities was ¥1,173.7 billion, a decrease of ¥386.5 billion or 24.8% from the prior fiscal year. The decrease was mainly due to an increase of ¥182.1 billion to ¥361.8 billion in the payment of income taxes (the payment of income taxes during the prior fiscal year was ¥179.7 billion due to the realization of the tax deduction for the impairment of our investment in Hutchison 3G UK Holdings Limited) as well as an increase of the payment in providing funds for installment receivable for handsets.

Net cash used in investing activities was ¥1,031.0 billion, an increase of ¥272.1 billion or 35.9% from the prior fiscal year. The increase resulted mainly from an increase in acquisition of long-term investments such as equity investments and a decrease of proceeds from sales or redemption of long-term investments.

Net cash used in financing activities was ¥182.4 billion, a decrease of ¥315.0 billion or 63.3% from the prior fiscal year. The decrease resulted mainly from an increase of proceeds from long-term debt through issuances of corporate bonds and a decrease of repayment of long-term debt.

We spent ¥136.8 billion during the fiscal year ended March 31, 2009 to repurchase our own stock in the market, purchase of treasury stock at the request of dissenting shareholders who opposed the merger under which our regional subsidiaries were dissolved and merged into the Company, and purchase of fractional shares.

The balance of cash and cash equivalents was ¥599.5 billion as of March 31, 2009, a decrease of ¥47.4 billion or 7.3% from the prior fiscal year end. 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.



Prospect of cash flows for the year ending March 31, 2011

As for our sources of cash for the year ending March 31, 2011, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year due to a decrease in voice revenues due mainly from a continued uptake of “Value Plan” and a decrease in billable MOU, although it is expected to be partially offset by a decrease in the payment of income taxes.

Our net cash flow used in investing activities for the year ending March 31, 2011 is expected to decrease due to factors including a decrease in our capital expenditures to approximately ¥675.0 billion from ¥686.5 billion for the year ended March 31, 2010.

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 costs are charged to expenses as incurred. We incurred ¥109.9 billion, ¥100.8 billion and ¥100.0 billion as research and development expenses for the years ended March 31, 2010, 2009 and 2008, 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. Under these market conditions, with operators stepping up their efforts in such areas as reinforcement of handset lineup, provision of value-added services and introduction of less expensive billing plans, the competition among operators is expected to remain intense.

For the fiscal year ending March 31, 2011, we are projecting a decrease in operating revenues but an increase in operating income compared to the prior fiscal year. Trends in the market observed during the fiscal year ended March 31, 2010 and expected for the fiscal year ending March 31, 2011, are summarized below:

- Our total number of cellular subscriptions is expected to increase during the fiscal year ending March 31, 2011, as we will strive to lower the churn rate through loyalty marketing targeted at enhancing the satisfaction of our existing users, because the growth of new subscriptions will likely be limited given that the cellular penetration rate has already risen to a high level. The percentage of FOMA subscriptions to our total cellular subscriptions as of March 31, 2011 is projected to reach approximately 98%, as a result of our ongoing subscriber migration efforts.

- In the fiscal year ended March 31, 2010, our aggregate cellular ARPU (FOMA+mova) and voice ARPU both recorded a decline over the prior fiscal year, but packet ARPU posted year-on-year gains. This trend is likely to continue in the fiscal year ending March 31, 2011. The primary reason behind the decline of voice ARPU is the negative revenue impact from the expanded uptake of “Value Plan” introduced in November 2007 which offers discounts on basic monthly charges and a decrease in billable MOU. On the other hand, the main reasons for the growth of packet ARPU include the revenue growth resulting from an increase in the subscriptions to flat-rate packet billing plans, expansion of packet usage, growth in the number of users using data plans and smartphones.
- Equipment sales revenues for the fiscal year ended March 31, 2010 decreased due to the decline in the number of handsets sold to agent resellers. For the year ending March 31, 2011, because we are projecting a slight decrease in the number of handsets sold to agent resellers and a reduction in the whole sale price per unit, a continual decline from the prior fiscal year is expected.
- As a result of the foregoing, operating revenues for the fiscal year ending March 31, 2011 is expected to drop from the fiscal year ended March 31, 2010, primarily because the negative revenue impact of the decline in aggregate ARPU will likely be larger than the revenue-boosting effect expected from the growth in the total number of subscriptions.
- Selling, general and administrative expenses, network-related costs (communication network charges, depreciation and amortization costs) and other operating expenses for the fiscal year ending March 31, 2011 are expected to decrease from the previous fiscal year due to the improvement of cost efficiency to be achieved through a review on sales policies, enhancement of operational efficiency expected from the integration of nationwide common operations, and efficient facility roll-out to be achieved through the introduction of new technologies and review of design methods.

Due to the above, we expect operating income and net income for the year ending March 31, 2011 to increase from the year ended March 31, 2010.

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 from 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 installment sales 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 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 competitors in the market, including MVNOs* and competitors from other industries, 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 subscription period, 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, the introduction in October 2008 of the packet flat-rate service, "Pake-hodai double," with monthly charges varying according to usage, and the introduction in December 2009 of "Mail Tsukai-hodai," a payment plan that allows use of domestic i-mode e-mail, free of charges, regardless of the destination e-mail address or whether photos, videos or other files are attached. However, we cannot be certain that these measures will enable us to acquire new and maintain existing subscriptions. Furthermore, these rate revisions are expected to lead to a certain decline in ARPU, but if the trend of subscriptions of "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, ARPU 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 sales 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*, HSUPA** and LTE*** 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.

*** Abbreviation of Long Term Evolution. A mobile communications protocol with specifications formulated by the 3rd Generation Partnership Project.

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 Japanese 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:

- Regulations to increase handset competition such as SIM* lock removal regulations;
- 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;
- 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);
- Review of the structure of the NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") Group, which includes our Group; 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.

In addition to the above proposed changes that may impact the mobile communications business, we may be impacted by a variety of

laws, regulations and systems. For example, in response to an increase in the number of our subscribers, we have proceeded with the enhancement of our telecommunications facilities in order to improve the service we provide to our subscribers. As a result, we are using an increasing amount of electricity. Moreover, we are implementing measures directed towards reducing greenhouse gas emissions, including deployment of low-power consumption devices and efficient power generators. However, with the implementation of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect on our financial condition and results of operations.

It is difficult to predict with certainty if any proposed changes impacting the mobile telecommunications business or if any other relevant laws, regulations or systems will be drafted, and if they are implemented, the extent to which our business will be affected. However, if any one or more of the above proposed changes impacting the mobile telecommunications business occurs, or if laws, regulations or systems are introduced, reformed, or become applicable to us, 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 we can use. There are limitations in the 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 networks significantly expands. Also, in relation to our FOMA services, packet flat-rate service for FOMA, 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 Japanese 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.

Other mobile service providers in the world may not adopt the technologies that are compatible with those used by our corporate group's mobile communications system on a continual basis, which could affect our ability to sufficiently offer international services.

We are able to offer global roaming services on a worldwide basis, on the condition that a sufficient number of other mobile service providers have adopted technologies that are compatible with the technology we use on our mobile communications systems. We expect that our overseas affiliates, strategic partners and many other mobile service providers will continue to use technologies compatible with ours, but there is no guarantee of this in the future.

If a sufficient number of mobile service providers do not adopt technologies compatible with ours, if mobile service providers switch to other technologies, or if there is a delay in the introduction of compatible technologies, we may not be able to offer international roaming or other services as expected and we may not be able to offer our subscribers the convenience of overseas services.

Also, we cannot be sure that handset manufacturers or manufacturers of network equipment will be able to appropriately and promptly adjust their products if we need to change the handsets or network we currently use due to a change in our standard technology, and the handsets or network we currently use need to be changed.

If such technologies compatible with the technologies we have adopted do not develop as we expect and we are not able to maintain or 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 impacts, 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/devices, and services of parties other than those belonging to our corporate group are provided through our cellular handsets/devices, potential problems resulting from malfunctions, defects or loss of handsets/devices, 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 following:

- 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, there was an issue occurred that subscribers were charged fees for packet communication at higher levels than they were aware of as a result of using mobile phones without fully recognizing the increased volume and frequencies to use packet communication, as our handsets and services became more sophisticated. 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 others, 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 and corporate image 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.

Natural disasters, power shortages, malfunctioning of equipment, software bugs, computer viruses, cyber attacks, hacking, unauthorized access and other problems could cause failures in the networks distribution channel and/or other factors 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 multiple systems. However, despite these measures, our system

could fail for various reasons including malfunctioning of hardware, natural disasters such as earthquakes, typhoons and floods, power shortages, terrorism and similar phenomena and events, and shortages in personnel to operate and maintain network equipments due to the spread of a highly contagious and dangerous disease. 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 tens of 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. Moreover, 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 addition, a natural disaster or the spread of a highly contagious and dangerous disease could force the temporary closure of sales outlets. In such a case, we would lose the opportunity to sell or provide goods and services, and we might not be able to respond appropriately to subscription applications and requests from subscribers including after-sales service, and this might damage our corporate image and credibility and lower customer satisfaction.

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 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 our corporate image, financial condition and results of operations through increased cancellation by existing subscribers, reduced subscriber growth, reduced usage per subscriber and introduction of new regulations, restrictions, or litigation. The perceived risk of wireless devices may have been elevated by certain wireless carriers and handset manufacturers 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 demonstrate that there is no interrelation 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, 2010, NTT owned 66.43% 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 Balance Sheets

NTT DOCOMO, INC. and Subsidiaries
March 31, 2009 and 2010

ASSETS	Millions of yen	
	2009	2010
Current assets:		
Cash and cash equivalents	¥ 599,548	¥ 357,715
Short-term investments		
Third parties	2,448	313,010
Related parties	–	90,000
Accounts receivable		
Third parties	822,548	827,052
Related parties	12,515	11,174
Sub-total	835,063	838,226
Less: Allowance for doubtful accounts	(15,072)	(15,633)
Total accounts receivable, net	819,991	822,593
Credit card receivables	72,996	126,009
Inventories	123,206	141,277
Deferred tax assets	102,903	100,545
Prepaid expenses and other current assets		
Third parties	100,764	102,263
Related parties	5,872	7,566
Total current assets	1,827,728	2,060,978
Property, plant and equipment:		
Wireless telecommunications equipment	5,361,043	5,478,833
Buildings and structures	814,056	830,921
Tools, furniture and fixtures	519,213	516,084
Land	198,985	199,018
Construction in progress	99,232	83,608
Sub-total	6,992,529	7,108,464
Accumulated depreciation and amortization	(4,301,044)	(4,500,874)
Total property, plant and equipment, net	2,691,485	2,607,590
Non-current investments and other assets:		
Investments in affiliates	572,014	578,095
Marketable securities and other investments	141,544	151,026
Intangible assets, net	578,728	628,691
Goodwill	154,385	198,436
Other assets		
Third parties	261,724	247,530
Related parties	11,716	10,381
Deferred tax assets	248,896	274,048
Total non-current investments and other assets	1,969,007	2,088,207
Total assets	¥ 6,488,220	¥ 6,756,775

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen	
	2009	2010
Current liabilities:		
Current portion of long-term debt	¥ 29,000	¥ 180,716
Short-term borrowings	—	78
Accounts payable, trade		
Third parties	545,717	524,526
Related parties	122,808	107,911
Accrued payroll	58,627	54,580
Accrued interest	1,187	995
Accrued income taxes	238,742	185,890
Other current liabilities		
Third parties	150,241	131,337
Related parties	2,113	2,129
Total current liabilities	1,148,435	1,188,162
Long-term liabilities:		
Long-term debt (exclusive of current portion)	610,233	429,553
Accrued liabilities for point programs	94,023	151,628
Liability for employees' retirement benefits	146,326	138,447
Other long-term liabilities		
Third parties	143,103	184,036
Related parties	2,792	2,503
Total long-term liabilities	996,477	906,167
Total liabilities	2,144,912	2,094,329
Equity:		
NTT DOCOMO, INC. shareholders' equity		
Common stock, without a stated value—		
Authorized —188,130,000 and 188,130,000 shares at March 31, 2009 and 2010, respectively		
Issued —43,950,000 and 43,790,000 shares at March 31, 2009 and 2010, respectively		
Outstanding—41,759,807 and 41,605,742 shares at March 31, 2009 and 2010, respectively	949,680	949,680
Additional paid-in capital	785,045	757,109
Retained earnings	3,061,848	3,347,830
Accumulated other comprehensive income (loss)	(65,689)	(37,379)
Treasury stock, 2,190,193 and 2,184,258 shares at March 31, 2009 and 2010, respectively, at cost	(389,299)	(381,363)
Total NTT DOCOMO, INC. shareholders' equity	4,341,585	4,635,877
Noncontrolling interests	1,723	26,569
Total equity	4,343,308	4,662,446
Commitments and contingencies		
Total liabilities and equity	¥6,488,220	¥6,756,775

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

NTT DOCOMO, INC. and Subsidiaries

Years Ended March 31, 2008, 2009 and 2010

	Millions of yen		
	2008	2009	2010
Operating revenues:			
Wireless services			
Third parties	¥4,107,844	¥3,786,917	¥3,727,801
Related parties	57,390	54,165	49,108
Equipment sales			
Third parties	538,195	600,630	503,086
Related parties	8,398	6,268	4,409
Total operating revenues	4,711,827	4,447,980	4,284,404
Operating expenses:			
Cost of services (exclusive of items shown separately below)			
Third parties	561,763	630,415	685,774
Related parties	249,370	242,023	214,868
Cost of equipment sold (exclusive of items shown separately below)	1,150,261	827,856	698,495
Depreciation and amortization	776,425	804,159	701,146
Selling, general and administrative			
Third parties	1,025,812	980,251	1,031,011
Related parties	139,884	132,317	118,865
Total operating expenses	3,903,515	3,617,021	3,450,159
Operating income	808,312	830,959	834,245
Other income (expense):			
Interest expense	(4,556)	(4,618)	(5,061)
Interest income	2,487	2,162	1,289
Other, net	(5,555)	(48,030)	5,684
Total other income (expense)	(7,624)	(50,486)	1,912
Income before income taxes and equity in net income (losses) of affiliates	800,688	780,473	836,157
Income taxes:			
Current	334,462	395,467	381,507
Deferred	(11,507)	(87,067)	(43,310)
Total income taxes	322,955	308,400	338,197
Income before equity in net income (losses) of affiliates	477,733	472,073	497,960
Equity in net income (losses) of affiliates, net of applicable taxes	13,553	(672)	(852)
Net income	491,286	471,401	497,108
Less: Net (income) loss attributable to noncontrolling interests	(84)	472	(2,327)
Net income attributable to NTT DOCOMO, INC.	¥ 491,202	¥ 471,873	¥ 494,781
Net income	¥ 491,286	¥ 471,401	¥ 497,108
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	(16,769)	(30,310)	13,159
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	431	28,709	1,937
Change in fair value of derivative instruments, net of applicable taxes	(525)	(4)	(63)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	658	(121)	—
Foreign currency translation adjustment, net of applicable taxes	7,299	(47,538)	5,917
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(127)	(54)	(35)
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net	(4,909)	(16,316)	6,828
Less: Amortization of prior service cost	(1,338)	(1,340)	(1,340)
Less: Amortization of actuarial gains and losses	502	797	1,858
Less: Amortization of transition obligation	75	81	79
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	2,232	—	—
Total other comprehensive income (loss)	(12,471)	(66,096)	28,340
Comprehensive income	478,815	405,305	525,448
Less: Comprehensive (income) loss attributable to noncontrolling interests	(77)	469	(2,357)
Comprehensive income attributable to NTT DOCOMO, INC.	¥ 478,738	¥ 405,774	¥ 523,091
Per share data:			
Weighted average common shares outstanding—Basic and Diluted (shares)	43,120,586	42,238,715	41,705,738
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. (yen)	¥11,391.36	¥11,171.58	¥11,863.62

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

NTT DOCOMO, INC. and Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

Millions of yen								
NTT DOCOMO, INC. shareholders' equity								
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock at cost	Total NTT DOCOMO, INC. shareholders' equity	Non-controlling interests	Total equity
Balance at March 31, 2007	¥949,680	¥1,135,958	¥2,493,155	¥ 12,874	¥(430,364)	¥4,161,303	¥ 1,164	¥4,162,467
Purchase of treasury stock					(173,002)	(173,002)		(173,002)
Retirement of treasury stock		(187,387)			187,387	—		—
Cash dividends declared (¥4,400 per share)			(190,543)			(190,543)		(190,543)
Acquisition of new subsidiaries						—	44	44
Others						—	3	3
Comprehensive income								
Net income			491,202			491,202	84	491,286
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				(16,331)		(16,331)	(7)	(16,338)
Change in fair value of derivative instruments				133		133		133
Foreign currency translation adjustment				7,172		7,172		7,172
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				(4,909)		(4,909)		(4,909)
Less: Amortization of prior service cost				(1,338)		(1,338)		(1,338)
Less: Amortization of actuarial gains and losses				502		502		502
Less: Amortization of transition obligation				75		75		75
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government				2,232		2,232		2,232
Balance at March 31, 2008	¥949,680	¥ 948,571	¥2,793,814	¥ 410	¥(415,979)	¥4,276,496	¥ 1,288	¥4,277,784
Purchase of treasury stock					(136,846)	(136,846)		(136,846)
Retirement of treasury stock		(163,526)			163,526	—		—
Cash dividends declared (¥4,800 per share)			(203,839)			(203,839)		(203,839)
Acquisition of new subsidiaries						—	944	944
Others						—	(40)	(40)
Comprehensive income								
Net income			471,873			471,873	(472)	471,401
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				(1,610)		(1,610)	9	(1,601)
Change in fair value of derivative instruments				(125)		(125)		(125)
Foreign currency translation adjustment				(47,586)		(47,586)	(6)	(47,592)
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				(16,316)		(16,316)		(16,316)
Less: Amortization of prior service cost				(1,340)		(1,340)		(1,340)
Less: Amortization of actuarial gains and losses				797		797		797
Less: Amortization of transition obligation				81		81		81
Balance at March 31, 2009	¥949,680	¥ 785,045	¥3,061,848	¥(65,689)	¥(389,299)	¥4,341,585	¥ 1,723	¥4,343,308
Purchase of treasury stock					(20,000)	(20,000)		(20,000)
Retirement of treasury stock		(27,936)			27,936	—		—
Cash dividends declared (¥5,000 per share)			(208,799)			(208,799)		(208,799)
Acquisition of new subsidiaries						—	22,588	22,588
Others						—	(99)	(99)
Comprehensive income								
Net income			494,781			494,781	2,327	497,108
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				15,096		15,096	0	15,096
Change in fair value of derivative instruments				(63)		(63)		(63)
Foreign currency translation adjustment				5,852		5,852	30	5,882
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				6,828		6,828		6,828
Less: Amortization of prior service cost				(1,340)		(1,340)		(1,340)
Less: Amortization of actuarial gains and losses				1,858		1,858		1,858
Less: Amortization of transition obligation				79		79		79
Balance at March 31, 2010	¥949,680	¥ 757,109	¥3,347,830	¥(37,379)	¥(381,363)	¥4,635,877	¥26,569	¥4,662,446

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NTT DOCOMO, INC. and Subsidiaries

Years Ended March 31, 2008, 2009 and 2010

	Millions of yen		
	2008	2009	2010
Cash flows from operating activities:			
Net income	¥ 491,286	¥ 471,401	¥ 497,108
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	776,425	804,159	701,146
Deferred taxes	(2,471)	(87,626)	(44,550)
Loss on sale or disposal of property, plant and equipment	54,359	43,304	32,735
Impairment loss on marketable securities and other investments	11,418	57,812	4,007
Equity in net (income) losses of affiliates	(22,810)	1,239	2,122
Dividends from affiliates	15,349	15,500	12,854
Changes in assets and liabilities:			
Decrease / (increase) in accounts receivable	187,434	(148,909)	(1,056)
Increase / (decrease) in allowance for doubtful accounts	1,803	67	242
(Increase) / decrease in credit card receivables	(6,627)	(32,857)	(30,042)
(Increase) / decrease in inventories	(10)	23,327	(17,262)
Decrease / (increase) in prepaid expenses and other current assets	10,803	18,196	1,582
(Increase) / decrease in non-current installment receivable for handsets	(58,931)	(37,712)	13,860
(Decrease) / increase in accounts payable, trade	(50,477)	(49,286)	(21,227)
Increase / (decrease) in accrued income taxes	134,912	35,158	(53,765)
Increase / (decrease) in other current liabilities	6,206	(29,126)	(22,019)
(Decrease) / increase in accrued liabilities for point programs	(3,552)	37,390	57,605
(Decrease) / increase in liability for employees' retirement benefits	(19,002)	29,438	(8,015)
Increase / (decrease) in other long-term liabilities	12,332	17,753	35,878
Other, net	21,693	4,449	21,615
Net cash provided by operating activities	1,560,140	1,173,677	1,182,818
Cash flows from investing activities:			
Purchases of property, plant and equipment	(548,517)	(517,776)	(480,080)
Purchases of intangible and other assets	(216,816)	(241,373)	(245,488)
Purchases of non-current investments	(124,312)	(313,889)	(10,027)
Proceeds from sale and redemption of non-current investments	101,341	660	9,534
Acquisitions of subsidiaries, net of cash acquired	(14,797)	568	(29,209)
Purchases of short-term investments	(6,562)	(32,977)	(377,591)
Redemption of short-term investments	5,443	32,255	69,605
Proceeds from redemption of long-term bailment for consumption to a related party	50,000	50,000	—
Short-term bailment for consumption to a related party	—	—	(90,000)
Other, net	(4,629)	(8,451)	(10,670)
Net cash used in investing activities	(758,849)	(1,030,983)	(1,163,926)
Cash flows from financing activities:			
Proceeds from long-term debt	—	239,913	—
Repayment of long-term debt	(131,005)	(77,071)	(29,042)
Proceeds from short-term borrowings	15,249	62,274	138,214
Repayment of short-term borrowings	(15,351)	(64,032)	(138,149)
Principal payments under capital lease obligations	(2,821)	(2,837)	(3,256)
Payments to acquire treasury stock	(173,002)	(136,846)	(20,000)
Dividends paid	(190,543)	(203,839)	(208,709)
Other, net	(2)	(3)	(3)
Net cash provided by (used in) financing activities	(497,475)	(182,441)	(260,945)
Effect of exchange rate changes on cash and cash equivalents	27	(7,610)	220
Net increase (decrease) in cash and cash equivalents	303,843	(47,357)	(241,833)
Cash and cash equivalents at beginning of year	343,062	646,905	599,548
Cash and cash equivalents at end of year	¥ 646,905	¥ 599,548	¥ 357,715
Supplemental disclosures of cash flow information:			
Cash received during the year for:			
Income tax refunds	¥ 20,346	¥ 21,999	¥ 1,323
Cash paid during the year for:			
Interest, net of amount capitalized	4,656	4,141	5,251
Income taxes	200,079	383,838	436,459
Non-cash investing and financing activities:			
Assets acquired through capital lease obligations	2,579	2,334	2,347
Acquisitions of shares through share exchange	—	—	15,023
Acquisitions of exchangeable bonds through share exchange	—	—	20,821
Acquisitions of shares through conversion of exchangeable bonds	—	—	26,326
Retirement of treasury stock	187,387	163,526	27,936

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 63.12% of DOCOMO's issued stock and 66.43% of DOCOMO's voting stock outstanding as of March 31, 2010.

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 Act 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

Business Combinations

Effective April 1, 2009, DOCOMO adopted the accounting pronouncement issued in December 2007 relating to business combinations. This pronouncement 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. This pronouncement 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. The adoption of this pronouncement did not have a material impact on DOCOMO's results of operations and financial position.

Noncontrolling Interests in Consolidated Financial Statements

Effective April 1, 2009, DOCOMO adopted the accounting pronouncement issued in December 2007 relating to noncontrolling interests in the consolidated financial statements. This pronouncement requires noncontrolling interests 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. This pronouncement also requires changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for as equity transactions. Upon the adoption of this pronouncement,

"Noncontrolling interests", which was previously referred to as "Minority interests" and classified between "Total liabilities" and "Shareholders' equity" in the consolidated balance sheets, is now included as a separate component of "Equity". In addition, "Net income" in the consolidated statements of income and comprehensive income now includes net income or loss attributable to noncontrolling interests, which was previously referred to as "Minority interests" and deducted. As a result, the adoption of this pronouncement changed the presentation and disclosure of noncontrolling interests in the consolidated financial statements retrospectively, but did not have a material impact on DOCOMO's results of operations and financial position.

Fair Value Measurements and Disclosures

In January 2010, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06 "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". ASU2010-06 requires disclosure of fair value measurements by class instead of major category as well as significant transfers between Level 1 and Level 2 and the reasons for the transfers regarding assets and liabilities that are measured on a recurring basis. The adoption of ASU2010-06 resulted in expanded disclosure but did not have any impact on DOCOMO's results of operations and financial position. See Note 18 for further discussion. ASU2010-06 will require separate disclosures regarding the amounts of purchases, sales, issuances and settlements in Level 3 fair value measurements. This requirement is effective for fiscal years beginning after December 15, 2010.

(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 also evaluates whether DOCOMO has a controlling financial interest in an entity through means other than voting rights and accordingly determines whether DOCOMO should consolidate the entity. For the years ended March 31, 2008, 2009 and 2010, 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, accrued liabilities for point programs, pension liabilities and revenue recognition.

During the year ended March 31 2009, 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 in "Income before income taxes and equity in net income (losses) of affiliates", ¥35,563 million in "Net income attributable to NTT DOCOMO, INC." and ¥841.95 in "Basic and Diluted earnings per share attributable to NTT DOCOMO, INC." in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2009. The impact on the results of operations and financial position for the year ended March 31, 2010 is not material. 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, 2008, 2009 and 2010 resulting in losses totaling ¥16,946 million, ¥14,180 million and ¥18,539 million, 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	42 to 56 years
Tools, furniture and fixtures	4 to 15 years

Depreciation and amortization expenses for the years ended March 31, 2008, 2009 and 2010 were ¥579,101 million, ¥614,481 million, and ¥513,753 million, 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 estimates the fair values of its asset retirement obligations to restore certain leased land and buildings used for DOCOMO's wireless telecommunications equipment to their original states. 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 is able to exercise significant influence over the investee, but does not have a controlling financial interest. Under the equity method of accounting, DOCOMO records its share of earnings and losses of the affiliate and adjusts its carrying amount. 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. For some investees accounted for under the equity method, DOCOMO records its share of income or losses of such investees with up to 3 months 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 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 a decline in value is other than temporary, DOCOMO considers whether DOCOMO 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 decline in value, the severity and duration of the decline, changes in value subsequent to year-end, forecasted earnings 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 in "Accumulated other comprehensive income (loss)". 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 in "Accumulated other comprehensive income (loss)". 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, 2008, 2009 and 2010.

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 and rights to use certain telecommunications facilities of wireline operators.

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.

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.

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 and rights to use telecommunications facilities of wireline operators are amortized on a straight-line basis over their useful lives.

DOCOMO capitalizes the cost of internal-use software which has a useful life in excess of 1 year. 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. 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 noncontrolling 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. 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 agreements, foreign currency swap contracts and foreign exchange forward contracts and other 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.

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 instruments or other financial instruments are 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.

Accrued liabilities for point programs—

DOCOMO offers "docomo Points Service," which provides benefits, including discount on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record "Accrued liabilities for point programs" relating to the points that customers earn. In determining the accrued liabilities for point programs, DOCOMO estimates such factors as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription.

Employees' retirement benefit plans—

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 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. Net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and prior service cost, 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 Act 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. 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 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.

DOCOMO enables subscribers to select installment payments for the purchase of the handset 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. This is a separate contract from the wireless services contract between DOCOMO and the subscriber or the handset purchase agreement between the agent reseller and the subscriber, and cash collection from the subscriber is the recovery of the cash payment. Therefore, cash collection from subscribers for the purchased handsets does not have an impact on DOCOMO's revenue.

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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Current deferred revenue	¥104,287	¥84,848
Long-term deferred revenue	72,542	71,085
Current deferred charges	16,606	12,657
Long-term deferred charges	72,542	71,085

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 point 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—

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.

DOCOMO determines whether it is more likely than not that a tax position will be sustained and, if any, DOCOMO determines the amount of tax benefit to recognize in the financial statements. 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.

Earnings per share attributable to NTT DOCOMO, INC.—

Basic earnings per share attributable to NTT DOCOMO, INC. 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 attributable to NTT DOCOMO, INC. 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 did not issue dilutive securities during the years ended March 31, 2008, 2009 and 2010, and therefore there is no difference between basic and diluted earnings per share attributable to NTT DOCOMO, INC.

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) Reclassifications

Certain reclassifications are made to the prior years’ consolidated financial statements to conform to the presentation used for the year ended March 31, 2010.

3. Cash and cash equivalents:

“Cash and cash equivalents” as of March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Cash	¥349,564	¥277,715
Certificates of deposit	160,000	40,000
Bailment for consumption	60,000	20,000
Other	29,984	20,000
Total	¥599,548	¥357,715

Information regarding “Bailment for consumption” is disclosed in Note 13.

4. Inventories:

“Inventories” as of March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Telecommunications equipment to be sold	¥121,315	¥137,145
Materials and supplies	239	995
Other	1,652	3,137
Total	¥123,206	¥141,277

5. Investments in affiliates:

Sumitomo Mitsui Card Co., Ltd.—

As of March 31, 2009 and 2010, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card Co., Ltd. (“Sumitomo Mitsui Card”). DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote the credit transaction services which use mobile phones compatible with “Osai-fu-Keitai” (wallet-phone) service.

Philippine Long Distance Telephone Company—

As of March 31, 2009 and 2010, 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 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 the consolidated statements of income and comprehensive income for the year ended March 31, 2009 decreased by ¥4,817 million and "Investments in affiliates" in consolidated balance sheets as of March 31, 2009 decreased by ¥8,137 million.

DOCOMO's carrying amount of its investment in PLDT was ¥109,042 million and ¥105,944 million as of March 31, 2009 and 2010, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥119,801 million and ¥134,088 million as of March 31, 2009 and 2010, respectively.

Tata Teleservices Limited—

As of March 31, 2009 and 2010, DOCOMO held approximately 26% of the outstanding common shares of Tata Teleservices Limited ("TTSL"), which were acquired for ¥252,321 million.

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 the outstanding common shares of TTSL pursuant to the capital alliance and accounted for the investment by applying the equity method.

DOCOMO determined the 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. During the year ended March 31, 2010, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in TTSL 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 the consolidated statements of income and comprehensive income for the year ended March 31, 2010 decreased by ¥2,788 million and "Investments in affiliates" in the consolidated balance sheets as of March 31, 2010 decreased by ¥4,710 million.

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 during the years ended March 31, 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 has determined that the estimated fair values of each of its investments in affiliates as of March 31, 2010 are not less than 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, 2010.

DOCOMO's cumulative share of the earnings or losses of affiliates, less amounts distributed by affiliates as dividends, was ¥8,469 million, ¥10,346 million and ¥11,967 million, as of March 31, 2008, 2009 and 2010, respectively. Dividends received from affiliates were ¥15,349 million, ¥15,500 million and ¥12,854 million for the years ended March 31, 2008, 2009 and 2010, 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, 2009 and 2010 was greater by ¥210,600 million and ¥421,132 million, 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.

6. Marketable securities and other investments:

"Marketable securities and other investments" as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Marketable securities:		
Available-for-sale	¥112,967	¥136,631
Other investments	28,582	14,395
Sub-total	¥141,549	¥151,026
Less: Available-for-sale securities classified as "Short-term investments "	(5)	—
Marketable securities and other investments (Non-current)	¥141,544	¥151,026

Maturities of debt securities classified as available-for-sale as of March 31, 2009 and 2010 were as follows:

	Millions of yen			
	2009		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Due within 1 year	¥5	¥5	¥—	¥—
Due after 1 year through 5 years	—	—	4	4
Due after 5 years through 10 years	—	—	—	—
Due after 10 years	—	—	—	—
Total	¥5	¥5	¥4	¥4

The aggregate cost, gross unrealized holding gains and losses and fair value by type of available-for-sale securities as of March 31, 2009 and 2010 were as follows:

	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

	Millions of yen			
	2010			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥121,308	¥20,257	¥4,938	¥136,627
Debt securities	4	—	0	4

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen		
	2008	2009	2010
Proceeds	¥896	¥660	¥71,640
Gross realized gains	748	377	5,627
Gross realized losses	(2)	(267)	(4,934)

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, 2009 and 2010, 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					
	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

	Millions of yen					
	2010					
	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	¥18,156	¥2,302	¥19,835	¥2,636	¥37,991	¥4,938
Debt securities	4	0	–	–	4	0
Cost method investments	–	–	276	1,309	276	1,309

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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Cost method investments included in other investments	¥28,538	¥14,351
Including: Investments whose fair values were not evaluated for impairment	25,709	9,918

The amount of other-than-temporary impairment of marketable securities and other investments is disclosed in Note 12.

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 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 for the year ended March 31, 2009.

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. KT exchangeable bonds were acquired for ¥20,821 million and DOCOMO recognized ¥2,753 million of realized loss. KT common shares were acquired for ¥15,023 million and DOCOMO recognized ¥692 million of realized loss. The exchange of KT exchangeable bonds for KT ADRs was carried out on December 14, 2009. KT ADRs were acquired for ¥26,326 million and DOCOMO recognized ¥5,477 million of realized gain. These amounts are included in the table of proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the year ended March 31, 2010 which is presented above.

7. Goodwill and other intangible assets:

Goodwill—

The majority of DOCOMO's goodwill was recognized when DOCOMO purchased all the remaining noncontrolling 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, 2009 and 2010 were as follows:

	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

	Millions of yen		
	2010		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	¥138,615	¥15,770	¥154,385
Goodwill acquired during the year	—	43,456	43,456
Goodwill increased during the year	—	345	345
Foreign currency translation adjustment	60	190	250
Balance at end of year	¥138,675	¥59,761	¥198,436

Information regarding operating segments is discussed in Note 14.

The main component of goodwill acquired during the year ended March 31, 2010 was ¥40,030 million associated with the acquisition of 51.0% shares of OAK LAWN MARKETING, INC.

Other intangible assets—

Other intangible assets, as of March 31, 2009 and 2010 comprised the following:

	Millions of yen		
	2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
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 amortizable intangible assets	¥1,838,599	¥1,259,871	¥578,728

	Millions of yen		
	2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	¥ 783,874	¥ 540,767	¥243,107
Internal-use software	1,014,142	740,675	273,467
Software acquired to be used in the manufacture of handsets	158,738	77,877	80,861
Rights to use telecommunications facilities of wireline operators	18,193	6,380	11,813
Other	21,844	6,123	15,721
Total amortizable intangible assets	¥1,996,791	¥1,371,822	¥624,969
Unamortizable intangible assets:			
Trademarks and trade names			¥ 3,722
Total unamortizable intangible assets			¥ 3,722
Total			¥628,691

The amount of amortizable intangible assets acquired during the year ended March 31, 2010 was ¥235,273 million, the main components of which were software for telecommunications network in the amount of ¥95,638 million and internal-use software in the amount of ¥94,651 million. 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, 2008, 2009 and 2010 was ¥197,324 million, ¥189,678 million and ¥187,393 million, respectively. Estimated

amortization of existing intangible assets for fiscal years ending March 31, 2011, 2012, 2013, 2014 and 2015 is ¥191,361 million, ¥144,658 million, ¥102,016 million, ¥68,438 million, and ¥35,196 million, respectively. The weighted-average amortization period of the intangible assets acquired during the year ended March 31, 2010 is 5.1 years.

The amount of unamortizable intangible assets acquired during the year ended March 31, 2010 was ¥3,722 million, the component of which was trademarks and trade names. DOCOMO did not hold unamortizable intangible assets as of March 31, 2009.

8. Other assets:

"Other assets" as of March 31, 2009 and 2010 comprised the following:

	Millions of yen	
	2009	2010
Deposits	¥ 81,557	¥ 79,151
Deferred customer activation costs	72,542	71,085
Installment receivables for handsets (Non-current).	96,799	85,753
Allowance for doubtful accounts	(1,350)	(4,047)
Other	23,892	25,969
Total	¥273,440	¥257,911

9. Short-term borrowings and long-term debt:

Short-term borrowings, excluding the current portion of long-term debt as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions (Year ended March 31, 2010—weighted-average interest of 7.6% per annum)	¥—	¥78
Total short-term borrowings	¥—	¥78

Long-term debt as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Debt denominated in Japanese Yen:		
Unsecured corporate bonds (Year ended March 31, 2009—interest rates per annum: 1.0%–2.0%, due: years ending March 31, 2011–2019) (Year ended March 31, 2010—interest rates per annum: 1.0%–2.0%, due: years ending March 31, 2011–2019)	¥572,233	¥ 572,097
Unsecured indebtedness to financial institutions (Year ended March 31, 2009—interest rates per annum: 1.0%–1.5%, due: years ending March 31, 2010–2013) (Year ended March 31, 2010—interest rates per annum: 1.3%–1.5%, due: years ending March 31, 2011–2013)	67,000	38,000
Debt denominated in Euro:		
Unsecured indebtedness to financial institutions (Year ended March 31, 2010 – variable rate per annum: 4.6% as of March 31, 2010, due: year ending March 31, 2012)	–	172
Sub-total	¥639,233	¥ 610,269
Less: Current portion	(29,000)	(180,716)
Total long-term debt	¥610,233	¥ 429,553

DOCOMO issued ¥240,000 million 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 19. Interest costs related specifically to short-term borrowings and long-term debt for the years ended March 31, 2008, 2009 and 2010 totaled ¥5,882 million, ¥7,187 million and ¥7,441 million, 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, 2010, were as follows:

Year ending March 31,	Millions of yen
2011	¥180,716
2012	174,553
2013	75,000
2014	70,000
2015	–
Thereafter	110,000
Total	¥610,269

10. 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, 2010 was ¥3,213,669 million and was included in "Additional paid-in capital" and "Retained earnings".

In the general meeting of shareholders held on June 18, 2010, the shareholders approved cash dividends of ¥108,175 million or ¥2,600 per share, payable to shareholders recorded as of March 31, 2010, which were declared by the board of directors on April 28, 2010.

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, 2008, 2009 and 2010 were as follows, where fractional shares are rounded off:

	Number of issued shares	Number of treasury stock
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
Acquisition of treasury stock based on the resolution of the board of directors	–	154,065
Retirement of treasury stock	(160,000)	(160,000)
As of March 31, 2010	43,790,000	2,184,258

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 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

The meeting of the board of directors approved stock repurchase plans as follows:

Date of the meeting of the board of directors	Term of repurchase	Approved maximum number of treasury stock to be repurchased (Shares)	Approved maximum budget for share repurchase (Millions of yen)
November 9, 2009	November 10, 2009 – November 30, 2009	160,000	¥20,000

The aggregate number and price of shares repurchased for the years ended March 31, 2008, 2009 and 2010 were as follows:

Year ended March 31,	Shares	Millions of yen
2008	965,717	¥173,002
2009	868,120	136,846
2010	154,065	20,000

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, 2008	1,010,000	¥187,387
March 26, 2009	920,000	163,526
March 26, 2010	160,000	27,936

Accumulated other comprehensive income (loss):

Changes in accumulated other comprehensive income (loss), net of applicable taxes, were as follows:

	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	Accumulated other comprehensive income (loss)
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)
2010 change	15,096	(63)	5,852	7,425	28,310
As of March 31, 2010	¥ 10,984	¥(113)	¥(27,135)	¥(21,115)	¥(37,379)

The amount of taxes applied to the items in "Accumulated other comprehensive income (loss)" is described in Note 16.

11. Research and development expenses and advertising expenses:**Research and development expenses—**

Research and development costs are charged to expense as incurred. Research and development expenses are included primarily in "Selling, general and administrative" expenses and amounted to ¥100,035 million, ¥100,793 million and ¥109,916 million for the years ended March 31, 2008, 2009 and 2010, respectively.

Advertising expenses—

Advertising costs are charged to expense as incurred. Advertising expenses are included in "Selling, general and administrative" expenses and amounted to ¥55,357 million, ¥54,986 million and ¥54,114 million for the years ended March 31, 2008, 2009 and 2010, respectively.

12. Other income (expense):

Other income (expense) included in "Other, net" in the consolidated statements of income and comprehensive income for the years ended March 31, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Net realized gains (losses) on investments in affiliates	¥ 333	¥ —	¥ (26)
Net realized gains on marketable securities and other investments	746	110	693
Other-than-temporary impairment of marketable securities and other investments	(11,418)	(57,812)	(4,007)
Foreign exchange gains (losses), net	(1,609)	(851)	(615)
Rental revenue received	2,256	2,144	2,524
Dividends income	3,310	2,951	4,652
Penalties and compensation for damages	2,193	4,161	2,204
Other, net	(1,366)	1,267	259
Total	¥ (5,555)	¥(48,030)	¥ 5,684

13. Related party transactions:

As previously described, DOCOMO is majority-owned by NTT, which is a holding company for more than 600 companies comprising the NTT group.

DOCOMO has entered into a number of different types of transactions with NTT, its 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. During the years ended March 31, 2008, 2009 and 2010, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥78,112 million, ¥70,840 million and ¥72,928 million, 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, 2010. Accordingly, NTT FINANCE is a related party of DOCOMO. Under the terms of the contracts, excess cash generated at DOCOMO are bailed to NTT FINANCE and NTT FINANCE manages the funds on behalf of DOCOMO. DOCOMO can withdraw the funds upon its demand and receives relevant interests from NTT FINANCE. The funds are accounted for as "Cash and cash equivalents" or "Short-term investments" depending on the initial contract periods.

The balance of bailment was ¥60,000 million 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 balance of bailment was ¥110,000 million as of March 31, 2010. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥20,000 million and "Short-term investments" of ¥90,000 million in the consolidated balance sheet as of March 31, 2010. The contracts had remaining terms to maturity ranging up to 4

months with an average interest rate of 0.3% per annum as of March 31, 2010.

The average balance of the contracts of bailment expired during the year ended March 31, 2008, 2009 and 2010 was ¥51,243 million, ¥48,778 million and ¥15,616 million, respectively. The recorded amounts of interest income derived from the contracts were ¥388 million, ¥270 million and ¥75 million for the years ended March 31, 2008, 2009 and 2010, respectively.

14. Segment reporting:

The operating segments reported below are those for which segment-specific financial information is available. DOCOMO's management uses this financial information to make decisions on the allocation of management resources and to evaluate business performance. Accounting policies used to determine segment profit or loss and segment assets are consistent with those used to prepare the consolidated financial statements in accordance with U.S.GAAP.

DOCOMO has two operating 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 home shopping services provided primarily through TV media, high-speed internet connection 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 are not allocated to any operating 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.

	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
Other income (expense)				¥ (7,624)
Income before income taxes and equity in net income (losses) of affiliates				¥ 800,688
Other significant non-cash item:				
Point program expense	¥ 83,314	¥ 1,028	¥ –	¥ 84,342
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
Other income (expense)				¥ (50,486)
Income before income taxes and equity in net income (losses) of affiliates				¥ 780,473
Other significant non-cash item:				
Point program expense	¥ 111,062	¥ 3,663	¥ –	¥ 114,725
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

	Millions of yen			
Year ended March 31, 2010	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,167,704	¥116,700	¥ –	¥4,284,404
Operating expenses	3,322,064	128,095	–	3,450,159
Operating income (loss)	¥ 845,640	¥ (11,395)	¥ –	¥ 834,245
Other income (expense)				¥ 1,912
Income before income taxes and equity in net income (losses) of affiliates				¥ 836,157
Other significant non-cash item:				
Point program expense	¥ 134,954	¥ 7,266	¥ –	¥ 142,220
Total assets	¥4,949,025	¥259,283	¥1,548,467	¥6,756,775
Depreciation and amortization	¥ 691,851	¥ 9,295	¥ –	¥ 701,146
Capital expenditures	¥ 556,829	¥ –	¥ 129,679	¥ 686,508

DOCOMO does not disclose geographical information, 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, 2008, 2009 and 2010.

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

Year ended March 31,	Millions of yen		
	2008	2009	2010
Operating Revenues:			
Wireless services	¥4,165,234	¥3,841,082	¥3,776,909
Cellular services revenues	4,018,988	3,661,283	3,499,452
– Voice revenues	2,645,096	2,149,617	1,910,499
Including: FOMA services	2,084,263	1,877,835	1,785,518
– Packet communications revenues	1,373,892	1,511,666	1,588,953
Including: FOMA services	1,254,648	1,449,440	1,558,284
Other revenues	146,246	179,799	277,457
Equipment sales	546,593	606,898	507,495
Total operating revenues	¥4,711,827	¥4,447,980	¥4,284,404

15. 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 amounts are 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 and changes in the Defined benefit pension plans' projected benefit obligations and fair value of plan assets for the years ended March 31, 2009 and 2010. DOCOMO uses a measurement date of March 31 for its Defined benefit pension plans.

	Millions of yen	
	2009	2010
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 182,228	¥ 186,177
Service cost	9,216	9,204
Interest cost	4,058	3,979
Actuarial (gain) loss	914	592
Transfer of liability from defined benefit pension plans of the NTT group	245	215
Other	—	151
Benefit payments	(10,484)	(9,950)
Projected benefit obligation, end of year	¥ 186,177	¥ 190,368
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 79,544	¥ 67,040
Actual return on plan assets	(13,106)	9,864
Employer contributions	2,676	2,680
Transfer of plan assets from defined benefit pension plans of the NTT group	57	49
Benefit payments	(2,131)	(2,563)
Fair value of plan assets, end of year	¥ 67,040	¥ 77,070
At March 31:		
Funded status	¥(119,137)	¥(113,298)

The amounts recognized in DOCOMO's consolidated balance sheets as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Liability for employees' retirement benefits	¥(119,155)	¥(113,332)
Prepaid pension cost	18	34
Net amount recognized	¥(119,137)	¥(113,298)

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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Actuarial gains (losses), net	¥(48,865)	¥(39,052)
Prior service cost	16,425	14,518
Transition obligation	(1,185)	(1,060)
Total	¥(33,625)	¥(25,594)

The accumulated benefit obligation for the Defined benefit pension plans was ¥180,214 million and ¥184,555 million as of March 31, 2009 and 2010, 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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥186,169	¥190,346
Fair value of plan assets	67,014	77,014
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥180,207	¥184,532
Fair value of plan assets	67,014	77,014

The net periodic pension cost for the Defined benefit pension plans for the years ended March 31, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Service cost	¥ 9,521	¥ 9,216	¥ 9,204
Interest cost on projected benefit obligation	3,889	4,058	3,979
Expected return on plan assets	(2,144)	(2,116)	(1,649)
Amortization of prior service cost	(1,907)	(1,907)	(1,907)
Amortization of actuarial gains and losses	834	1,192	2,190
Amortization of transition obligation	127	127	125
Net periodic pension cost	¥10,320	¥10,570	¥11,942

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, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":			
Actuarial (gains) losses arising during period, net	¥ 6,018	¥16,136	¥(7,623)
Amortization of prior service cost	1,907	1,907	1,907
Amortization of actuarial gains and losses	(834)	(1,192)	(2,190)
Amortization of transition obligation	(127)	(127)	(125)
Total recognized in "Accumulated other comprehensive income (loss)"	¥ 6,964	¥16,724	¥(8,031)
Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)"	¥17,284	¥27,294	¥ 3,911

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, 2011 is ¥1,497 million, ¥125 million and ¥(1,907) million, respectively.

The assumptions used in determination of the pension plans' projected benefit obligations as of March 31, 2009 and 2010 were as follows:

	2009	2010
Discount rate	2.2%	2.1%
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, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Discount rate	2.2%	2.3%	2.2%
Long-term rate of salary increases	2.1	2.2	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 following table presents the fair values of DOCOMO's pension plan assets as of March 31, 2010. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 443	¥ 443	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	21,332	19,273	2,059	–
Domestic corporate bonds	7,147	–	7,147	–
Foreign government bonds	6,518	6,043	475	–
Foreign corporate bonds	381	21	308	52
Equity securities				
Domestic stocks	19,610	19,346	264	–
Foreign stocks	9,916	9,916	–	–
Securities investment trust beneficiary certificates				
Domestic debt securities	755	–	755	–
Domestic equity securities	1,244	–	1,244	–
Foreign debt securities	366	–	366	–
Foreign equity securities	861	–	861	–
Life insurance company general accounts	6,715	–	6,715	–
Others	1,782	(0)	(0)	1,782
Total	¥77,070	¥55,042	¥20,194	¥1,834

Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2.

Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured by inputs derived principally from observable market data provided by financial institutions. Therefore, they are classified as Level 2.

Life insurance company general accounts

Life insurance company general accounts are the financial assets which guarantee an expected rate of return and a principal and they are all classified as Level 2.

Others

Others include fund of hedge funds and pension investment trust beneficiary rights. Fair value measured by inputs derived from unobservable data provided by financial institutions is classified as Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

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 2010 was: domestic bonds, 40.0%; domestic stocks, 25.0%; foreign bonds, 10.0%; foreign stocks, 15.0%; and life insurance company general accounts, 10.0%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

As of March 31, 2009 and 2010, securities owned by the Defined benefit pension plans as its plan asset included the stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥498 million (0.8% of total plan assets) and ¥543 million (0.7% of total plan assets), respectively.

DOCOMO's pension plan assets do not have a concentration of material risks, including market risks and credit risks.

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 ¥3,289 million to the Defined benefit pension plans in the year ending March 31, 2011.

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
2011	¥11,364
2012	10,966
2013	11,653
2014	11,827
2015	11,607
2016–2020	69,666

Social welfare pension scheme and NTT Kigyō-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 Kigyō-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 Employees' Pension Insurance Act and both NTT group and its employees provide contributions to such plan every year. The National Plan is considered a multi-employer plan and contributions to such plan are recognized as expenses. The total amount of contributions by DOCOMO was ¥13,369 million, ¥13,627 million and ¥14,425 million for the years ended March 31, 2008, 2009 and 2010, 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 Act. The NTT CDBP is considered a defined benefit pension plan. 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, 2009 and 2010 represented approximately 10.6% and 10.8% of the total members.

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. 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 and changes in the NTT CDBP's projected benefit obligation and fair value of plan assets for the years ended March 31, 2009 and 2010. 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, 2009 and 2010.

	Millions of yen	
	2009	2010
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 78,285	¥ 83,473
Service cost	3,132	3,216
Interest cost	1,790	1,798
Actuarial (gain) loss	2,111	2,160
Internal adjustment due to transfer of employees within the NTT group	(715)	(734)
Benefit payments	(1,130)	(1,199)
Projected benefit obligation, end of year	¥ 83,473	¥ 88,714
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 64,309	¥ 56,302
Actual return on plan assets	(7,535)	7,783
Employer contributions	816	800
Employee contributions	416	411
Internal adjustment due to transfer of employees within the NTT group	(574)	(498)
Benefit payments	(1,130)	(1,199)
Fair value of plan assets, end of year	¥ 56,302	¥ 63,599
At March 31:		
Funded status	¥(27,171)	¥(25,115)

Items recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Actuarial gains (losses), net	¥(16,383)	¥(11,288)
Prior service cost	1,783	1,426
Total	¥(14,600)	¥ (9,862)

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥66,585 million and ¥71,285 million at March 31, 2009 and 2010, 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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥83,473	¥88,714
Fair value of plan assets	56,302	63,599
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥66,559	¥71,243
Fair value of plan assets	56,276	63,554

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the years ended March 31, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Service cost	¥ 3,244	¥ 3,132	¥ 3,216
Interest cost on projected benefit obligation	2,872	1,790	1,798
Expected return on plan assets	(2,339)	(1,613)	(1,402)
Amortization of prior service cost	(357)	(357)	(357)
Amortization of actuarial gains and losses	16	97	874
Contribution from employees	(452)	(416)	(411)
Net periodic pension cost	¥ 2,984	¥ 2,633	¥ 3,718
Gain on transfer of substitutional portion of pension liabilities	(24,702)	—	—
Total	¥(21,718)	¥ 2,633	¥ 3,718

Other changes in plan assets and benefit obligations of the NTT CDBP regarding DOCOMO employees recognized in "Accumulated other comprehensive income (loss)" for the years ended March 31, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":			
Actuarial (gains) losses arising during period, net	¥ 3,049	¥11,259	¥(4,221)
Amortization of prior service cost	357	357	357
Amortization of actuarial gains and losses	(16)	(97)	(874)
Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	(3,892)	—	—
Total recognized in "Accumulated other comprehensive income (loss)"	¥ (502)	¥11,519	¥(4,738)
Total recognized in net periodic pension cost, gain on transfer of substitutional portion of pension liabilities and "Accumulated other comprehensive income (loss)"	¥(22,220)	¥14,152	¥(1,020)

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, 2011 is ¥326 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, 2009 and 2010 were as follows:

	2009	2010
Discount rate	2.2%	2.1%
Long-term rate of salary increases	2.6	3.4

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, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Discount rate	2.2%	2.3%	2.2%
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 following table presents the fair values of NTT CDBP's pension plan assets as of March 31, 2010. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 93	¥ 93	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	16,669	14,985	1,684	–
Domestic corporate bonds	16,732	–	16,732	–
Foreign government bonds	3,846	3,523	323	–
Foreign corporate bonds	198	18	102	78
Equity securities				
Domestic stocks	12,304	12,135	169	–
Foreign stocks	5,853	5,853	0	0
Securities investment trust beneficiary certificates				
Domestic debt securities	1,490	–	1,490	–
Domestic equity securities	1,019	–	1,019	–
Foreign debt securities	595	–	595	–
Foreign equity securities	648	–	648	–
Life insurance company general accounts	3,656	–	3,656	–
Others	496	–	(0)	496
Total	¥63,599	¥36,607	¥26,418	¥574

Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured by inputs derived principally from observable market data provided by financial institutions. Therefore, they are classified as Level 2.

Life insurance company general accounts

Life insurance company general accounts are the financial assets

which guarantee an expected rate of return and a principal and they are all classified as Level 2.

Others

Others include loans to employees and lease receivables. Fair value measured by inputs derived from unobservable data provided by financial institutions is classified as Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

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 weighted average target ratio in March 2010 was: domestic bonds, 57.9%; domestic stocks, 18.3%; foreign bonds, 7.8%; foreign stocks, 10.5%; and life insurance company general accounts, 5.5%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

As of March 31, 2009 and 2010, 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 ¥4,739 million (0.6% of total plan assets) and ¥5,375 million (0.6% of total plan assets), respectively.

NTT Group's pension plan assets do not have a concentration of material risks, including market risks and credit risks.

DOCOMO expects to contribute ¥790 million to the NTT CDBP in the year ending March 31, 2011.

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
2011	¥ 1,347
2012	1,693
2013	1,872
2014	2,056
2015	2,218
2016–2020	13,007

16. Income taxes:

Total income taxes for the years ended March 31, 2008, 2009 and 2010 comprised the following:

	Millions of yen		
	2008	2009	2010
Income from continuing operations before equity in net income (losses) of affiliates	¥322,955	¥308,400	¥338,197
Equity in net income (losses) of affiliates	9,257	(567)	(1,270)
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities	(11,668)	(20,875)	9,109
Less: Reclassification of realized gains and losses included in net income	299	19,786	1,335
Change in fair value of derivative instruments	(363)	(3)	(43)
Less: Reclassification of realized gains and losses included in net income	455	(84)	–
Foreign currency translation adjustment	6,634	(20,991)	3,082
Less: Reclassification of realized gains and losses included in net income	(88)	(7)	(24)
Pension liability adjustment:			
Actuarial gains (losses) arising during period, net	(3,513)	(11,229)	4,702
Less: Amortization of prior service cost	(926)	(923)	(923)
Less: Amortization of actuarial gains and losses	348	550	1,280
Less: Amortization of transition obligation	52	56	55
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government	1,660	–	–
Total income taxes	¥325,102	¥274,113	¥355,500

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

For the years ended March 31, 2008, 2009 and 2010, 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 and Special Local Corporate 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, 2008, 2009 and 2010 was 40.9%, 40.8% and 40.8%, respectively. The effective income tax rate for the years ended March 31, 2008, 2009 and 2010 was 40.3%, 39.5% and 40.4%, respectively.

Reconciliation of the difference of the effective income tax rate and the statutory income tax rate of DOCOMO is as follows:

	2008	2009	2010
Statutory income tax rate	40.9%	40.8%	40.8%
Expenses not deductible for tax purposes	0.3	0.2	0.1
IT infrastructure tax incentive and tax credit for special tax treatment such as R&D investment tax incentive	(0.8)	(0.8)	(0.8)
Tax refund of interest and penalties previously paid	–	(0.8)	–
Other	(0.1)	0.1	0.3
Effective income tax rate	40.3%	39.5%	40.4%

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, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Deferred tax assets:		
Accrued liabilities for loyalty programs	¥ 72,073	¥110,700
Property, plant and equipment and intangible assets principally due to differences in depreciation and amortization	84,816	94,530
Liability for employees' retirement benefits	59,019	55,876
Deferred revenues regarding "Nikagetsu Kurikoshi" (2 month carry-over)	35,774	29,451
Accrued enterprise tax	16,796	13,903
Compensated absences	12,809	12,758
Marketable securities and other investments	21,164	11,535
Foreign currency translation adjustment	14,324	11,266
Investments in affiliates	3,207	9,574
Inventories	4,239	8,989
Accrued bonus	7,059	7,287
Accrued commissions to agent resellers	4,502	4,600
Unrealized holding losses on available-for-sale securities	2,835	—
Other	16,886	18,267
Total deferred tax assets	¥355,503	¥388,736
Deferred tax liabilities:		
Unrealized holding gains on available-for-sale securities	¥ —	¥ 7,610
Identifiable intangible assets	—	4,135
Property, plant and equipment due to differences in capitalized interest	2,818	3,066
Other	1,419	753
Total deferred tax liabilities	¥ 4,237	¥ 15,564
Net deferred tax assets	¥351,266	¥373,172

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Deferred tax assets (Current assets)	¥102,903	¥100,545
Deferred tax assets (Non-current investments and other assets)	248,896	274,048
Other current liabilities	(92)	—
Other long-term liabilities	(441)	(1,421)
Total	¥351,266	¥373,172

As of and for the years ended March 31, 2008, 2009 and 2010, 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. The total amounts of interest and penalties related to unrecognized tax benefits for the years ended March 31, 2008, 2009 and 2010 are immaterial.

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 it is more likely than not all of the deferred tax assets will be realized, however, that assessment could change in the near term if estimates of future taxable income during the carry-forward period are reduced.

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, 2009.

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.

17. 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, 2009 and 2010 were as follows:

Class of property	Millions of yen	
	2009	2010
Tools, furniture and fixtures	¥11,860	¥11,269
Software	503	411
Sub-total	12,363	11,680
Less: Accumulated depreciation and amortization	(8,174)	(8,033)
Total	¥ 4,189	¥ 3,647

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, 2010 were as follows:

Year ending March 31,	Millions of yen
2011	¥ 3,098
2012	2,064
2013	1,317
2014	791
2015	285
Thereafter	66
Total minimum lease payments	7,621
Less: Amount representing interest	(440)
Present value of net minimum lease payments	7,181
Less: Amounts representing estimated executory costs	(957)
Net minimum lease payments	6,224
Less: Current obligation	(2,512)
Long-term capital lease obligations	¥ 3,712

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, 2010 were as follows:

Year ending March 31,	Millions of yen
2011	¥ 2,958
2012	2,440
2013	1,832
2014	1,530
2015	1,482
Thereafter	11,390
Total minimum future rentals	¥21,632

Total rental expense for all operating leases except those with terms of 1 month or less that were not renewed for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of yen		
	2008	2009	2010
Minimum rentals	¥70,673	¥67,954	¥68,673

Litigation—

As of March 31, 2010, 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, 2010 were ¥26,659 million (of which ¥2,758 million are with related parties) for property, plant and equipment, ¥50,371 million (of which none are with related parties) for inventories and ¥46,614 million (of which ¥2,188 million are with related parties) for the other purchase commitments.

Loan commitments—

DOCOMO conducts the cash advance service accompanying credit business. Total outstanding credit lines regarding loan commitments of the cash advance service as of March 31, 2009 and 2010 were ¥61,132 million and ¥93,049 million, respectively.

Credit lines are not necessarily executed to the maximum amount because these contracts contain a clause to lower the credit lines if there are reasonable grounds.

Guarantees—

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 fair value of the obligations related to these agreements is not significant. Accordingly, no liabilities were recognized for these obligations.

18. Fair value measurements:

Fair value is defined 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”. U.S.GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value according to observability. The inputs are described as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3—unobservable inputs for the asset or liability

DOCOMO also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a non-recurring basis under specific situation (for example, impaired assets).

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

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2009 and 2010 were as follows:

	Millions of yen			
	2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 47,998	¥ 47,998	¥ —	¥—
Equity securities (foreign)	64,964	64,964	—	—
Debt securities (foreign)	5	5	—	—
Total available-for-sale securities	112,967	112,967	—	—
Derivatives				
Interest rate swap agreements	3,433	—	3,433	—
Total derivatives	3,433	—	3,433	—
Total assets	¥116,400	¥112,967	¥3,433	¥—

There were no significant transfers between Level 1 and Level 2.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 53,029	¥ 53,029	¥ –	¥–
Equity securities (foreign)	83,598	83,598	–	–
Debt securities (foreign)	4	4	–	–
Total available-for-sale securities	136,631	136,631	–	–
Derivatives				
Interest rate swap agreements	3,297	–	3,297	–
Total derivatives	3,297	–	3,297	–
Total assets	¥139,928	¥136,631	¥3,297	¥–
Liabilities:				
Derivatives				
Foreign exchange forward contracts	¥ 108	¥ –	¥ 108	¥–
Foreign currency option contracts	1,552	–	1,552	–
Total derivatives	1,660	–	1,660	–
Total liabilities	¥ 1,660	¥ –	¥1,660	¥–

There were no significant transfers between Level 1 and Level 2.

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, foreign exchange forward contracts and foreign currency option contracts, which are measured using valuation provided by financial institutions based on observable market data. Therefore, these derivatives are classified as Level 2. DOCOMO periodically validates the valuation of such derivatives using observable market data, 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. Changes of fair value in such assets and liabilities 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 assets and liabilities measured on a nonrecurring basis because of its immateriality.

19. 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 swap agreements, currency swap contracts, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts as needed. The financial instruments are executed with creditworthy financial institutions and DOCOMO's 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.

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2009 and 2010 were as follows:

Millions of yen			
2009		2010	
Carrying amount	Fair value	Carrying amount	Fair value
¥639,233	¥645,504	¥610,269	¥621,966

(2) Fair value of financial instruments

Financial instruments—

Carrying amounts of "Cash and cash equivalents", "Accounts receivable", "Credit card receivables", "Accounts payable, trade" and certain other financial instruments approximate their 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.

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, which permits an assumption of no ineffectiveness if the terms of these derivatives and those of certain hedged debt are identical.

The contract amount and fair value of the interest rate swap agreement as of March 31, 2009 and 2010 were as follows:

Contract Term (in the year ended/ending March 31,)	Weighted average rate per annum		Millions of yen	
	Receive fixed	Pay floating	2009	
			Contract Amount	Fair value
2004–2012	1.5%	1.0%	¥235,800	¥3,433

Contract Term (in the year ended/ending March 31,)	Weighted average rate per annum		Millions of yen	
	Receive fixed	Pay floating	2010	
			Contract Amount	Fair value
2004–2012	1.5%	0.7%	¥235,800	¥3,297

The interest rate swap agreements have remaining terms to maturity ranging from 1 year to 1 year 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 those of 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 from March 31, 2008 to March 31, 2010.

(iii) Derivatives not designated as hedging instruments

DOCOMO had foreign exchange forward contracts and foreign currency option contracts to hedge currency exchange risk associated with foreign currency assets and liabilities. DOCOMO did not designate such derivative instruments as hedging instruments.

The contract amounts as of March 31, 2009 and 2010 were as follows:

Instruments	Millions of yen	
	2009	2010
Foreign exchange risk management		
Foreign exchange forward contracts	¥—	¥ 4,478
Foreign currency option contracts	—	21,285
Total	¥—	¥25,763

(iv) The effect on the consolidated balance sheets

The locations and carrying amounts of the derivative instruments as of March 31, 2009 and 2010, recorded in the accompanying consolidated balance sheets, were as follows:

Asset derivatives		Millions of yen	
		2009	2010
Instruments	Locations		
Derivatives designated as hedging instruments			
Interest rate swap agreements	Prepaid expenses and other current assets	¥ —	¥ 630
	Other assets	3,433	2,667
Total		¥3,433	¥3,297

Liability derivatives

Liability derivatives		Millions of yen	
Instruments	Locations	2009	2010
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other current liabilities	¥—	¥ 108
Foreign currency option contracts	Other current liabilities	—	404
	Other long-term liabilities	—	1,148
Total		¥—	¥1,660

The fair values of derivative instruments were measured using valuation provided by financial institutions based on observable market data and represent the amount that DOCOMO could have settled with the counterparties to terminate the contracts outstanding as of March 31, 2009 and 2010.

(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, 2008, 2009 and 2010, recognized in the accompanying consolidated statements of income and comprehensive income, were as follows:

		Amount of gain (loss) recognized in income on derivative		
		Millions of yen		
Instruments	Locations	2008	2009	2010
Derivatives in fair value hedging relationships				
Interest rate swap agreements	Other, net*	¥2,653	¥(78)	¥(136)
Total		¥2,653	¥(78)	¥(136)

		Amount of gain (loss) reclassified from Accumulated other comprehensive income (loss) into income		
		Millions of yen		
Instruments	Locations	2008	2009	2010
Derivatives in cash flow hedging relationships				
Currency swap contract	Interest expense	¥ 348	¥—	¥—
	Other, net*	(1,462)	—	—
Total		¥(1,114)	¥—	¥—

		Amount of gain (loss) recognized in income on derivative		
		Millions of yen		
Instruments	Locations	2008	2009	2010
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	Other, net*	¥ 18	¥(1,090)	¥ 67
Non-deliverable forward contracts (NDF)	Other, net*	(13)	(4,050)	16
Foreign currency option contracts	Other, net*	(110)	—	(565)
Total		¥(105)	¥(5,140)	¥(482)

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

(vi) Contingent features in derivatives

As of March 31, 2010, 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 5 and 6, respectively.

(3) Concentrations of risk

As of March 31, 2010, 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.

Financial Statement Schedule

NTT DOCOMO, INC. and Subsidiaries
Years ended March 31, 2008, 2009 and 2010

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Millions of yen			Balance at End of Year
	Balance at Beginning of Year	Additions	Deductions*	
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
2010				
Allowance for doubtful accounts	¥16,422	¥13,990	¥(10,732)	¥19,680

* Amounts written off.

Report of Independent Registered Public Accounting Firm



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, 2010 and 2009, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the 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, 2010 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, 2010, 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.

KPMG AZSA & Co.

Tokyo, Japan

June 18, 2010

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with 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, 2010

EBITDA and EBITDA margin

Year ended March 31,	Millions of yen				
	2006	2007	2008	2009	2010
a. EBITDA	¥1,606,776	¥1,574,570	¥1,639,096	¥1,678,422	¥1,568,126
Depreciation and amortization	(738,137)	(745,338)	(776,425)	(804,159)	(701,146)
Loss on sale or disposal of property, plant and equipment	(36,000)	(55,708)	(54,359)	(43,304)	(32,735)
Operating income	832,639	773,524	808,312	830,959	834,245
Other income (expense)	119,664	(581)	(7,624)	(50,486)	1,912
Income taxes	(341,382)	(313,679)	(322,955)	(308,400)	(338,197)
Equity in net income (losses) of affiliates, net of applicable taxes	(364)	(1,941)	13,553	(672)	(852)
Less: Net (income) loss attributable to noncontrolling interests	(76)	(45)	(84)	472	(2,327)
b. Net income attributable to NTT DOCOMO, INC.	610,481	457,278	491,202	471,873	494,781
c. Operating revenues	4,765,872	4,788,093	4,711,827	4,447,980	4,284,404
EBITDA margin (=a/c)	33.7%	32.9%	34.8%	37.7%	36.6%
Net income margin (=b/c)	12.8%	9.6%	10.4%	10.6%	11.5%

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 to similarly titled measures used by other companies.

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

Year ended March 31,	Millions of yen				
	2006	2007	2008	2009	2010
Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)	¥ 510,905	¥ 192,237	¥ 442,410	¥ 93,416	¥ 416,878
Irregular factors ¹	—	(210,000)	210,000	—	—
Changes in investments for cash management purposes ²	148,959	50,710	148,881	49,278	(397,986)
Free cash flows	659,864	32,947	801,291	142,694	18,892
Net cash used in investing activities	(951,077)	(947,651)	(758,849)	(1,030,983)	(1,163,926)
Net cash provided by operating activities	1,610,941	980,598	1,560,140	1,173,677	1,182,818

¹ Irregular factors represent the effects of uncollected revenues due to bank 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.