

## opening doors

# Review of Operations

To strengthen our relationships with customers, we are reviewing all aspects of our business operations in accordance with the New DOCOMO Commitments. These initiatives include mobile phones that match customers' lifestyles, a network environment that supports comfortable mobile communications, after-service for safe and secure use of mobile phones, and easy-to-use billing plans.



# Review of Operations

## Overview

\* For a more detailed analysis of business results in fiscal 2008, see the Operating and Financial Review and Prospects section on pages 50 to 70.

### Fiscal 2008 Overview

#### OPERATING REVENUES

> Down 5.6% year-on-year due to a decline in wireless services revenues caused by the expansion of new discount services

Operating revenues were down 5.6%, or ¥263.8 billion, to ¥4,448.0 billion. On the one hand, equipment sales rose 11.0%, or ¥60.3 billion year-on-year, to ¥606.9 billion, due to the decline in distributor commissions, which are deducted from equipment sales, despite a decline in the number of handsets sold caused by the expanded uptake of *Value Course*, a new handset purchase method, and by sluggish business conditions.

On the other hand, wireless services revenues were down 7.8%, or ¥324.2 billion year-on-year, to ¥3,841.1 billion.

The decrease in wireless services revenues was attributable to factors such as a decline in voice revenues. Voice revenues decreased 18.7%, or ¥495.5 billion, mainly due to the wider acceptance of new discount services and a decrease in voice ARPU, while packet communications revenues increased 10.0%, or ¥137.8 billion year-on-year, due to an increase in packet ARPU.

#### Operating Revenues

	Years ended March 31		
	2008	2009	Billions of yen Increase (Decrease)
Wireless services	4,165.2	3,841.1	(7.8)%
Cellular services revenues	4,019.0	3,661.3	(8.9)%
Voice revenues	2,645.1	2,149.6	(18.7)%
FOMA services	2,084.3	1,877.8	(9.9)%
Packet communications revenues	1,373.9	1,511.7	10.0 %
FOMA services	1,254.6	1,449.4	15.5 %
Other revenues*	146.2	179.8	22.9 %
Equipment sales	546.6	606.9	11.0 %
Total operating revenues	4,711.8	4,448.0	(5.6)%

\* "PHS service revenues" for the year ended March 31, 2008 has been reclassified into "Other revenues."

#### OPERATING EXPENSES AND OPERATING INCOME

> Operating income was up 2.8%. Operating expenses declined due to a decrease in the number of handsets sold and to wider customer acceptance of the new handset purchase method, and the decrease in operating expenses exceeded the decline in operating revenues.

Depreciation and amortization increased 3.6%, or ¥27.7 billion year-on-year, to ¥804.2 billion, due to such factors as the accelerated depreciation of communications equipment related to *mova*, our second-generation cellular services. Personnel expenses were up 8.9%, or ¥20.7 billion year-on-year, to ¥254.1 billion, due in part to settlement gain recognized in the previous fiscal year, which arose from the transfer of substitutional obligation and related plan assets to the government by NTT Welfare Pension Fund. On the other hand, non-personnel expenses decreased to ¥2,133.6 billion, down 12.4%, or ¥300.8 billion year-on-year, due to such factors as a decline in cost of equipment sold resulting from lower handset procurement costs and a decrease in the number of mobile phones sold, and a decline in distributor commissions accompanying the wider customer acceptance of *Value Course*, a new handset purchase method.



In addition, communication network charges were down ¥28.4 billion, to ¥316.7 billion. Consequently, total operating expenses declined 7.3%, or ¥286.5 billion, to ¥3,617.0 billion.

Operating income increased ¥22.6 billion, or 2.8% year-on-year, to ¥831.0 billion, and the operating income margin rose to 18.7% from 17.2% in the previous fiscal year.

### Operating Expenses

	Billions of yen		
	2008	2009	Increase (Decrease)
Personnel expenses	233.4	254.1	8.9%
Non-personnel expenses	2,434.4	2,133.6	(12.4)%
Depreciation and amortization	776.4	804.2	3.6%
Loss on disposal of property, plant and equipment and intangible assets	75.4	69.7	(7.6)%
Communication network charges	345.1	316.7	(8.2)%
Taxes and public dues	38.8	38.7	(0.1)%
Total operating expenses	3,903.5	3,617.0	(7.3)%

## Overview of Operations

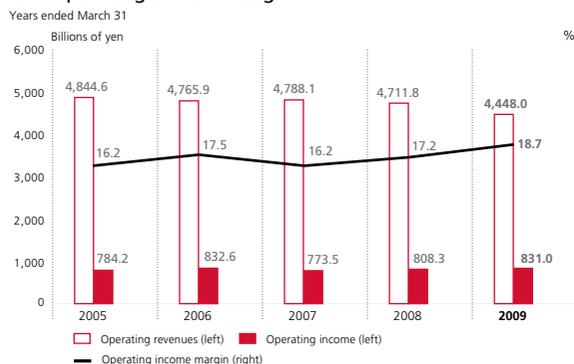
### NUMBER OF SUBSCRIPTIONS AND CHURN RATE

> The churn rate reached a record low level of 0.50%

The aggregate number of cellular (*FOMA + mova*) subscriptions rose by 1.21 million from the previous fiscal year, to 54.60 million as of the end of March 2009. The number of *FOMA* subscriptions increased 5.09 million, to 49.04 million at the end of March 2009, as a result of the migration of subscribers from the *mova* service. At the end of fiscal 2008, the number of *FOMA* subscriptions accounted for 89.8% of the total subscriptions.

Our churn rate improved significantly from the level of 0.80% during the previous fiscal year, reaching a record low level of 0.50% for the fiscal year ended March 31, 2009. This improvement reflected the growing acceptance of our new business model consisting of new handset purchase methods and new discount services, which is appropriate for a mature market environment, as well as a range of initiatives targeting higher customer satisfaction in accordance with the New DOCOMO Commitments. We also recorded significant improvement in the number of subscriptions lost through the use of Mobile Number Portability, and the number of net additions is on a recovery track.

### Operating Revenues, Operating Income, and Operating Income Margin



### STATUS OF NEW BUSINESS MODEL

#### (NEW HANDSET PURCHASE METHOD AND NEW DISCOUNT SERVICES)

> Strong results in subscriber acquisition and steady progress in becoming firmly established in the market

*Value Course*, the new handset purchase method that was introduced in November 2007, maintained a selection rate of more than 90% for fiscal 2008, and the cumulative total number of subscriptions to *Value Plan*, a discount service exclusively for *Value Course* customers, surpassed 20 million. The new discount services, including *Fami-wari MAX 50*, have attracted 30 million subscriptions, approximately 60% of aggregate subscriptions. This is an example of how the new business model, which was introduced with the objective of fostering stable, long-term relationships with existing customers, is showing steady results.

### ARPU

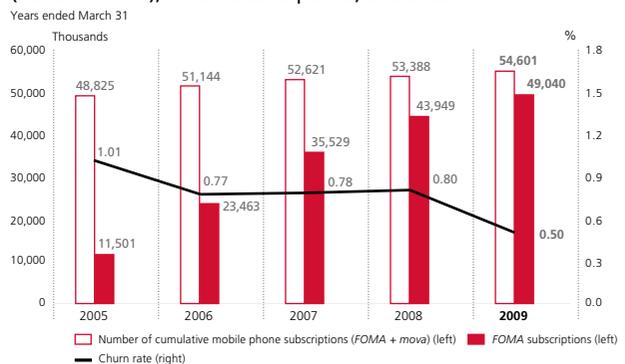
> Progress in raising packet ARPU

The aggregate ARPU (*FOMA + mova*) decreased ¥650 year-on-year, to ¥5,710. The voice ARPU declined ¥830, to ¥3,330, as a result of the establishment of *Value Plan*, which reduces basic monthly charges; the increase in subscriptions to new discount services, such as *Fami-wari MAX 50*; and the provision of free voice calls between family members subscribing to *Fami-wari MAX 50*. On the other hand, packet ARPU increased ¥180 year-on-year, to ¥2,380. We have implemented a number of initiatives intended to increase packet ARPU, such as enhancing the *Pake-hodai* flat-rate packet service, *i-channel* services, and video content services, and providing *i-concier*, which was launched in November 2008. These initiatives showed favorable results and contributed to the increase in packet ARPU.

### ARPU

	Yen					
	2008	2009	1Q	2Q	3Q	4Q
Aggregate ARPU						
( <i>FOMA + mova</i> )	6,360	5,710	5,890	5,860	5,730	5,390
Voice ARPU	4,160	3,330	3,560	3,450	3,340	2,970
Packet ARPU	2,200	2,380	2,330	2,410	2,390	2,420

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

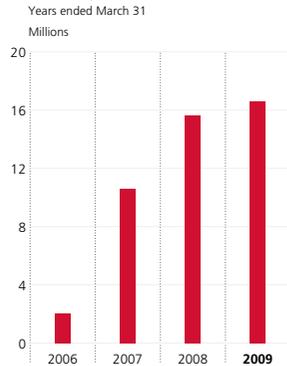


## Services / Content

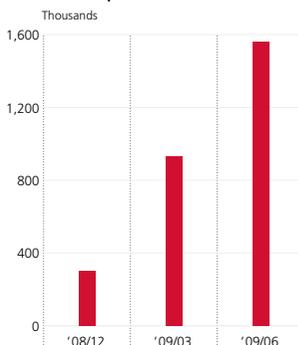
### Highlights of Fiscal 2008

- > The *i-concier* service launched to advance the personalization of mobile phones
- > The number of *i-channel* subscriptions reached 16.54 million as of the end of March 2009
- > The DOCOMO Community was launched

### Number of *i-channel* Subscriptions



### Number of *i-concier* Subscriptions



### INITIATIVES TO EXPAND THE BASE OF USERS FOR PACKET COMMUNICATIONS

#### Solid growth in *i-concier* subscriptions

DOCOMO is devoting resources to the promotion of its information distribution service *i-channel*. The objective of the *i-channel* service is to promote usage of the mobile Internet and to expand the user base for packet communications by providing subscribers with information that is useful in their daily lives, such as weather reports and news. It is designed for customers who typically have not made frequent use of packet communications. The service's reasonable monthly fee has also been a positive factor, and since its introduction in September 2005, the number of subscriptions has grown dramatically, reaching 16.54 million as of the end of March 2009. We are making strong progress in building the *i-channel* service into a source of revenue.

*i-concier*, a service that was launched in fiscal 2008, is also intended to realize an increase in the number of packet communications users. This service, which supports daily life by automatically distributing and updating information aligned with each individual's location and preferences, is the first step toward the "personalization" that DOCOMO sees as the future direction of new mobile phones. Since the service was introduced, the number of subscriptions has increased steadily, reaching one million as of the end of April 2009, and 40% of customers who have purchased compatible handsets have subscribed for *i-concier*. Moving forward, DOCOMO will strive to promote subscriptions to this service, which will be a new revenue platform.

#### Providing rich content that makes full use of high-speed communications

To promote increased packet usage, DOCOMO is taking steps to enhance video and music content, such as *Uta-hodai*, a service that offers music downloads for a flat rate, and the *Music & Video Channel*, a service that enables subscribers to select programs from approximately 100 different channels in a wide variety of genres and to have the programs automatically downloaded overnight. In September 2008, we agreed to establish a joint venture company with Avex Entertainment Inc. with the purpose of developing video content packaged for the mobile phone environment. The new company will provide content and services developed specifically for the small screens of mobile phones, rather than using existing media, such as movie and TV content. In fiscal 2008, we launched the DOCOMO Community service, a communications service that enables family members and other close friends to share photographs, diaries and memos.

### INITIATIVES TO INCREASE CONVENIENCE

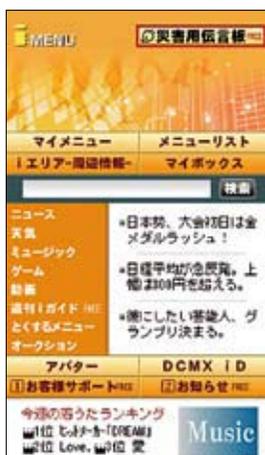
#### Complete renewal of *iMenu*

We continue to enhance the convenience of our services from the customer's perspective. In April 2008, we upgraded the *iMenu* service, an *i-mode* portal site. We added a new search box on the top page, and in cooperation with our business tie-up partner Google, Inc., we have made it possible to easily search not only conventional *i-mode* menu sites but also independent sites for mobile phones and sites for PCs. These measures have significantly enhanced the usability of the *iMenu* service. In January 2009, we added the "selection function," which enables customers to select their preferred screen from among six themes. Moreover, we took steps to enhance the functionality of the *iMenu* service for customers, such as enabling them to change the font size.

### MIGRATION OF *MOVA* SUBSCRIBERS TO *FOMA* SERVICE

#### Strengthening *FOMA* upgrade campaign targeting further progress in migration

DOCOMO has decided to terminate *mova*, the second-generation mobile phone services launched in 1993, as of March 31, 2012. Since the launch of the *FOMA* third-generation mobile phone services, we have worked to encourage the migration of subscribers to the *FOMA* services. Moving forward, we will continue to enhance the *FOMA* upgrade campaign. DOCOMO will strive to raise the *FOMA* subscription rate from 89.8% as of the end of March 2009 to 95% or more by the end of March 2010.



*iMenu* top page

## Rate Structure

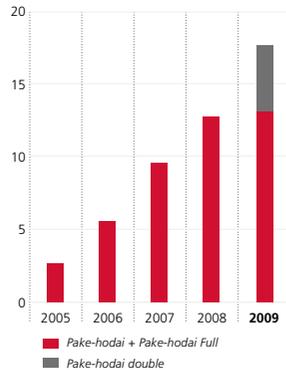
### Highlights of Fiscal 2008

- > The number of subscriptions to *Pake-hodai* surpassed 17 million
- > The number of subscriptions to the *Value Plan* surpassed 20 million. The selection rate remained above 90%
- > The number of subscriptions to *Fami-wari MAX 50* and other new discount services reached 32.72 million
- > The share of total subscriptions reached about 60%

### *Pake-hodai* Subscriptions

Years ended March 31

Millions



### PACKET FLAT-RATE SERVICE

#### Steady growth in the number of subscriptions to the *Pake-hodai* service

In fiscal 2008, the packet ARPU increased ¥180 year-on-year, to ¥2,380. Over the past several years, packet ARPU has consistently remained on this growth trend, against a background of an increasing number of subscriptions to DOCOMO's packet flat-rate services.

To meet the needs of customers who want to enjoy data communications services without worrying about how much it is going to cost, DOCOMO offers a packet flat-rate service, *Pake-hodai*. Since the service was introduced, we have worked to expand the number of subscriptions by enhancing the lineup and revising the rates. In fiscal 2008, we took steps to further bolster the competitiveness of the service. We launched *Pake-hodai double* and *Biz-hodai double*, new packet flat-rate services under which the monthly fee is adjusted in line with each month's usage volume.

As a result, the number of subscriptions to *Pake-hodai* increased 4.87 million year-on-year, to 17.61 million. The subscription rate of *Pake-hodai* against the total number of *i-mode* subscriptions was about 36%, compared with about 27% at the end of the previous year. Initiatives to boost packet ARPU are steadily showing results.

In May 2009, with the objective of promoting subscriptions to *Pake-hodai double* and *Biz-hodai double*, we further reduced the entry rate for these services from ¥1,209 to ¥490, and in July 2009, we introduced *Flat-Rate Data Plan Standard*, which is for use with data cards. In these ways, we are enhancing our lineup of packet flat-rate services.

### BILLING PLANS THAT ENCOURAGE LONG-TERM CONTRACTS

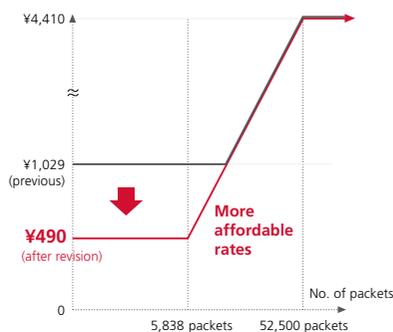
#### Steady user acceptance is a major factor in churn rate improvement

Under the *Value Course*, which is a new handset purchase method suitable to a mature market, customers pay an amount equivalent to the actual cost of the handset, and an amount corresponding to the handset sales incentive is discounted from their basic monthly charges. Since its introduction in November 2007, *Value Course* has been chosen by more than 90% of customers utilizing one of the new purchase methods. The number of subscriptions to *Value Plan*, a discount plan exclusively for *Value Course* subscribers, has surpassed 20 million.

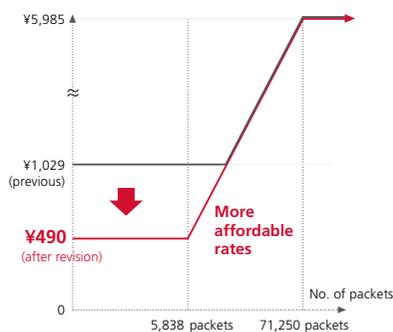
A two-year contract is a condition for the new discount services, including *Fami-wari MAX 50*. These services, which are offered as a set with *Value Course*, offer discounts of 50% on basic monthly charges, without regard to how long customers have subscribed in the past. These services, which are intended to stabilize our business foundation by building long-term relationships with customers, are billing plans that comprise a key part of our strategy of focusing on existing customers. In April 2008, we made domestic voice calls among family group members free of charge 24 hours a day for *FOMA* subscribers to the *Fami-wari MAX 50* service. In addition, we have enhanced this service to include free *i-mode* mail among family group members. As a result of these initiatives, subscriptions to new discount services, such as *Fami-wari MAX 50*, have recorded favorable growth, and the number of subscriptions as of the end of March 2009 was 32.72 million, or approximately 60% of the total number of *FOMA* subscriptions.

In this way, the variety of billing plans intended to foster longer subscription periods has earned the strong support of customers as the expansion of services targeting enhanced customer satisfaction have taken effect. DOCOMO is working to further enhance its services. For example, from May 2009, we extended the scope of free *i-mode* mail available to family group members to include video files and other large attachments, which were excluded from the free *i-mode* mail in the past.

### Revision of *Pake-hodai double* Rate



### Revision of *Biz-hodai double* Rate



## Handsets

### Highlights of Fiscal 2008

- > Shifted the lineup focus from functionality to lifestyles
- > Distributor commissions declined substantially accompanying the introduction of new handset purchase methods

#### From Functionality to Lifestyles

##### > docomo STYLE series

Customers select a model that matches their style. Highly fashionable mobile phones.



##### > docomo PRIME series

Full-featured. Leading-edge. New-generation entertainment mobile phones.



##### > docomo SMART series

Manage professional and private lives. Intelligent mobile phones for adults.



##### > docomo PRO series

Unrestricted use of cutting-edge technologies. Advanced high-spec mobile phones.



#### HANDSET DEVELOPMENT

We reorganized our lineup with four series from which customers can select a model that fits their own lifestyle

In November 2008, as one facet of initiatives to review all our activities from the customer's point of view in accordance with the New DOCOMO Commitments, we fundamentally changed our previous approach to the handset lineup. We announced four new series – the *docomo STYLE* series, *docomo PRIME* series, *docomo SMART* series, and *docomo PRO* series. Previously, the Company's lineup was basically divided into two categories by grade and functionality, the 9 series and the 7 series. In contrast, with the new lineup, our goal was to categorize the handsets by lifestyle and values and to provide a more focused response to customer needs in each segment. In the future, we will enhance the new series and work to offer a product lineup that satisfies every customer.

#### HANDSET SALES

##### Covering a wide range of customers with an enhanced lineup

In fiscal 2008, we introduced 8 models in the 9 series and 13 models in the 7 series. In the new lineup, we introduced 9 models in the *docomo STYLE* series, such as the *N-03A*, which is the result of collaboration with Pierre Herme, a leading French brand of pastry. In the *docomo PRIME* series, we introduced 7 models, including the *N-01A*, which has an easy-to-use touch panel and style change functionality. These models have functions that facilitate the enjoyment of entertainment, such as video and games. In the *docomo SMART* series, we introduced 4 models, including the *P-04A*, which offers functions useful in business, such as compatibility with the *WORLD WING*<sup>1</sup> international roaming service, in the world's thinnest (9.8 mm)<sup>2</sup> folding mobile phone. In the *docomo PRO* series, we introduced 4 models, including models with the latest technologies and leading-edge digital tools. In addition, we also introduced new models in the *Raku Raku PHONE* series. This series has received overwhelming support from middle-aged and older users and opened up the new seniors market. We also introduced new models in the *Kids' PHONE* series, which has a variety of functions to protect children.

Consequently, in fiscal 2008, including models in conventional categories and models in new lineups, we introduced 54 models, compared with 47 models in the previous year.

<sup>1</sup> DOCOMO's international roaming service that is compatible with both W-CDMA (3G), a third-generation international standard, and GSM, which can be used in many countries.

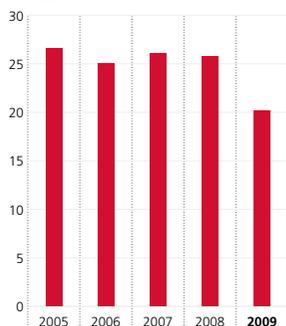
<sup>2</sup> As of February 4, 2009.

##### Accompanying the introduction of new handset purchase methods, distributor commissions declined

The new handset purchase methods were well accepted, but as economic conditions worsened, consumer spending declined. Due to these and other factors, the number of handsets sold was down 21.8% year-on-year, to 20.13 million. In regard to distributor commissions paid to sales agents, the number of sales through *Value Course* accounted for more than 90% of the number of sales through the new handset purchase methods introduced in November 2007, and as a result handset sales incentives declined substantially. On the other hand, we implemented initiatives to increase the efficiency and reduce the operational costs of sales agents, such as nationwide sharing of distribution centers and the introduction of a framework for nationwide transfer of sales agent inventories.

## Handset Sales

Years ended March 31  
Millions



## INITIATIVES TO REDUCE HANDSET PROCUREMENT COSTS

### Advancing the move toward open platforms

DOCOMO has positioned the cost competitiveness of mobile phone handsets as a key strategic issue, and accordingly we are working to reduce handset procurement costs. Previous initiatives to reduce total procurement costs have included streamlining functionality to realize lower-priced mobile phones for customers who prioritize design and price. In addition, we have worked to reduce development costs by working closely with handset makers from the development phase, including supporting the move to single-chip LSI solutions. As one part of those efforts, we have worked to develop *Operator Packs*, which facilitate the provision of all of the services on DOCOMO mobile phones through combinations of global application software, such as voice and other basic functions that can be used throughout the world, and packaged application sets exclusive to DOCOMO. This helps handset manufacturers to reduce development costs and supports the overseas deployment of domestic manufacturers as well as the entrance into the domestic market of overseas manufacturers. Consequently, we expect these initiatives to lead to reduced handset procurement costs for DOCOMO. We are moving forward with the development of *Operator Packs*, targeting their installation on handsets from the second half of fiscal 2009.

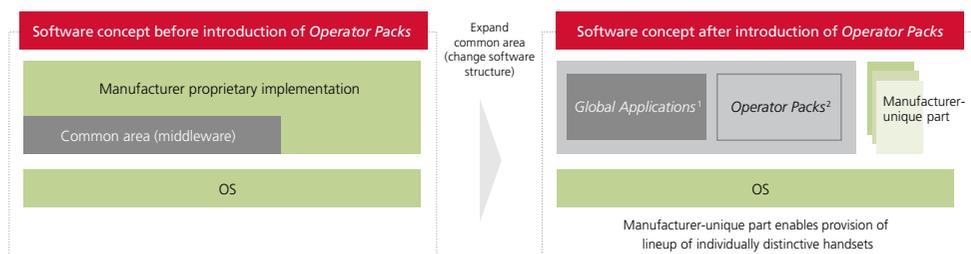
In June 2008, we became a founding member of the Symbian Foundation, a non-profit organization with the objective of promoting the establishment of a software platform for mobile phones based on the Symbian operating system.

Moreover, we participate in the Open Handset Alliance™, which includes Google, Inc., and have introduced models using Android, a software platform for mobile phones. We expect the standardization of platforms for mobile phones to lead to reductions in mobile phone development costs and in development periods, which will, in turn, lead to global acceptance of W-CDMA services. Accordingly, we have worked aggressively to promote standardization.

Currently, accompanying the lengthening of the customer handset replacement cycle, the number of mobile phones sold has declined, and this trend has had an influence on handset manufacturers. DOCOMO recognizes this as an important challenge from the viewpoint of sustaining handset competitiveness over the medium-to-long term. Accordingly, in the fiscal year ended March 31, 2009, we assumed responsibility for about ¥10.0 billion in handset manufacturers' development costs. For DOCOMO, paying for expenses related to development that we request will contribute to the reduction of future handset costs.

To provide competitive products, DOCOMO will work to reduce various aspects of handset procurement costs in the years ahead.

### *Operator Packs* (conceptual)



1 *Global Applications*: Standard applications that can be used globally

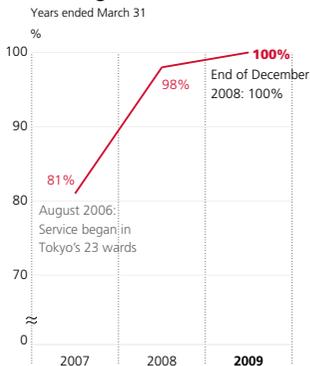
2 *Operator Packs*: Suite of DOCOMO-specific applications

## Network

### Highlights of Fiscal 2008

- > *FOMA High-speed* achieved 100% population coverage
- > Responses to customer requests regarding area coverage were enhanced (customer visit within 48 hours)
- > Traffic control depending on usage conditions was commenced

### *FOMA High-speed* Population Coverage



### NETWORK CONSTRUCTION

#### *FOMA High-speed* has achieved 100% population coverage

In *FOMA* 3G services, DOCOMO continues to expand its base station facilities and has already achieved a population coverage rate of 100%. As for *FOMA High-speed*, which is based on the HSDPA method and enables customers to enjoy high-speed packet communication with maximum download transmission rates of 7.2 Mbps or 3.6 Mbps<sup>1</sup>, we reached a nationwide population coverage rate of 100% in December 2008. We have built a network environment that can be used comfortably for high-speed data communications by large numbers of customers. We steadily enhanced the platform for the implementation of our strategy of promoting the use of packet communications by making it easier to enjoy large volume data downloads or rich content, such as music and video.

<sup>1</sup> Speeds of 7.2 Mbps and 3.6 Mbps are the maximum values of the technical specification for downloads and do not represent the actual data rates.

### INITIATIVES TO INCREASE CUSTOMER CONVENIENCE

#### Responses to customer requests regarding area coverage were enhanced

The realization of the key words "DOCOMO is committed to connectivity," and the pursuit of area quality are important initiatives of the New DOCOMO Commitments, which call for reviewing all business activities from the customer's point of view. DOCOMO has always worked to make improvements in area quality. In addition, in October 2008 we started to offer a new service in response to feedback from customers about area coverage. When customers indicate concerns about such issues as weak *FOMA* signals or difficulty in connecting mobile phones, upon their request we visit them on-site within 48 hours, as a general rule, and conduct an area survey. After making the visit, we will contact them again to provide an update on such issues as the schedule for improvements or the confirmation of results after service is commenced. In these ways, we continue to follow up until the situation is improved. Through customer visits and after-sales follow-up, we are working to deepen our relationship with customers and further increase customer loyalty.

#### Start of data traffic management based on usage conditions, targeting the provision of a comfortable packet communications environment

To respond to the rapid increase in data communications traffic due to the customer acceptance of *FOMA High-speed* and the increasingly large volume of content, we are moving forward to maintain and strengthen our system. As a framework for the efficient transmission of large volumes of data at low cost, we are installing and continually bolstering broadband IP router networks, which combine an IP router with optical transmission. In addition, with the objective of providing a smooth data transmission environment, in high traffic periods and areas, from fall 2009 we plan to begin utilizing communications speed controls, in particular for the small number of customers with exceptionally high usage.

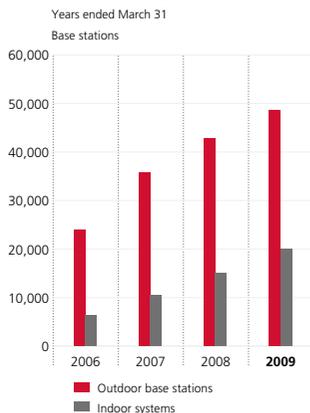
### REDUCING NETWORK CONSTRUCTION COSTS

#### Focusing on comprehensive reductions in network costs

Capital expenditures in fiscal 2008 declined 2.8% year-on-year, to ¥737.6 billion. *FOMA* network construction accounted for about 66.4% of the total. The number of outdoor base stations for *FOMA* services as of the end of March 2009 was up 5,800 year-on-year, to 48,500, and the number of indoor systems was up 4,800, to 19,900. In fiscal 2008, we implemented measures to achieve further reductions in network costs. Through progress in network IP conversion, we worked to consolidate and increase the capacity of network equipment and to reduce equipment procurement costs. In addition, from a wide range of equipment, we utilized the optimal equipment in consideration of such factors as the surrounding environment and communications charges. In these ways, we efficiently built areas and improved quality.

In the future, we will continue to make investments targeting improvements in area quality in order to further increase customer satisfaction. At the same time, we will take further steps to reduce network construction costs, such as using *FOMA* repeaters and Femto cell BTS equipment.

### Number of Base Stations



Femto cell BTS equipment

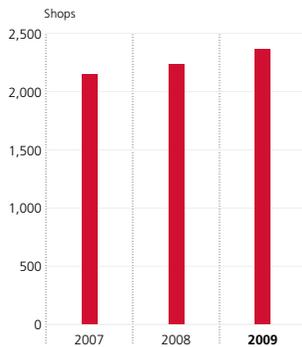
## Customer Relations

### Highlights of Fiscal 2008

- > Revised point program for *DOCOMO Premier Club*
- > Introduced *Battery Pack Anshin Support* service
- > Began providing data recovery service for handsets damaged by water

### Number of DOCOMO Shops

Years ended March 31



### STRENGTHENING AFTER-SALES SERVICE

#### Expanding services to encourage secure, long-term relationships with customers

Since April 2008, we have been implementing marketing activities with the objective of bolstering brand loyalty. Through enhanced customer satisfaction, these programs target improved customer relationships in terms of both depth (degree of trust and satisfaction) and length (number of years of subscription) .

In April 2008, as one facet of these initiatives, we revised the *DOCOMO Premier Club* point program. Under this revision, the membership stages of long-term subscribers were enhanced through an addition to the conditions for determining the stage. In addition to the previous usage charges, a continuous-use period has also been made a condition.

For *DOCOMO Premier Club* members, DOCOMO provides support services, on either a fee basis or free of charge. These services assure peace of mind if the unexpected should happen, such as handset damage or loss. In July 2008, we began a new service for customers who submit their *FOMA* handsets for repair. Under this service, free delivery of the repaired handset is provided to customers who do not require a replacement handset during the repair period. In October 2008, we launched the *Battery Pack Anshin Support* service, a new service for *DOCOMO Premier Club*'s Premier Stage members. Under the new service, we provide battery packs to *Premier Club* members for free if they continue to use the same *FOMA* handset for more than one year. At the same time, we also made the *Omakase-Lock* service free of charge to all *Premier Club* members. This service offers remote locking of the functions of a mobile phone that has been lost.

Also, in February 2009 we began providing a mobile phone data recovery service for *FOMA* handsets that have been damaged by water. This is an example of how we have improved service in accordance with the opinions and requests of customers. In addition, we also used the announcement of the New DOCOMO Commitments as an opportunity to improve and expand a range of services.

### CUSTOMER SUPPORT SYSTEM

#### Strengthening customer service

In raising customer satisfaction, DOCOMO believes that nothing is more important than DOCOMO shops and other points of contact with customers. In fiscal 2008, we continued to open DOCOMO shops, reaching a total of 2,363 shops as of the end of March 2009, up 130 shops year-on-year, and expanded points of contact with customers. In addition, we strengthened the front support systems with the establishment of the Front Support Center. We also simplified the automatic voice response system used for telephone inquiries and applications, and upgraded and increased the usability of the *DOCOMO Online Shop*, making it possible to replace handsets through the site. Also, to make it easier to use international roaming services, we took steps to strengthen our overseas customer support, such as the introduction of a replacement handset rental service, in case mobile phones need to be repaired, at our World Counter in Hawaii as well as the expansion of locations for our overseas free battery charging service.



DOCOMO shop

## International

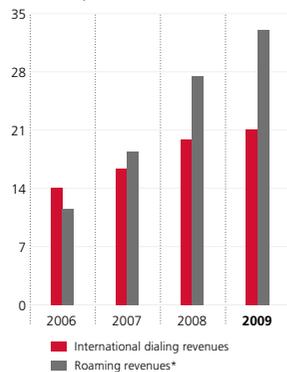
### Highlights of Fiscal 2008

- > Achieved an increase in international services revenues by expanding the lineup of roaming-compatible handsets and the number of countries and regions where international roaming services are available
- > Established footholds in the growing mobile communications markets in India and Bangladesh

### International Services Revenues

Years ended March 31

Billions of yen



### Securing Growth Opportunities in the World's Second Largest Market:

#### Investing in TTSL



With 320 million subscribers, India comprises the world's second largest mobile phone market. Against the background of India's

rapid economic growth, the penetration rate is expected to increase substantially from the current level of about 34%. DOCOMO has reached an agreement to form a capital alliance with Tata Teleservices Limited (TTSL), a member of the Tata Group, one of India's largest corporate groups. TTSL, a mobile phone operator, is ranked sixth in India in terms of number of subscribers, and has considerable brand power stemming from its high-quality networks and large number of stores. TTSL's market share is rapidly increasing. Through this capital alliance, DOCOMO will have the opportunity to participate in TTSL's business planning and operational administration. At the same time, by contributing know-how and financial support in the area of GSM / W-CDMA roll out and start-up, DOCOMO will support the expansion of TTSL's market share. For DOCOMO, this capital alliance represents more than a financial return stemming from an increase in the enterprise value of TTSL; it is a major step toward positioning the Company to benefit from the growth potential of the market in India.

### INTERNATIONAL SERVICES

#### Recording favorable progress by expanding the lineup of roaming-compatible handsets and the number of countries and regions where international roaming services are available

DOCOMO is working to increase international services revenues, comprising international roaming and international dialing revenues. To that end, we are expanding the lineup of handsets compatible with *WORLD WING*, DOCOMO's international roaming service that enables customers traveling overseas to use the same handset with the same phone number and e-mail address that they use in Japan, as well as establishing a seamless usage environment. *WORLD WING* is compatible with both W-CDMA, the international standard for third-generation mobile services, and GSM, a second-generation mobile communication system that is used in more than 100 countries, including North America and Europe. All models in the four new handset series we introduced in November 2008 are compatible with the *WORLD WING* service.

Our international roaming coverage extends to nearly all of the common destinations for travelers from Japan. In our customer service system, we are working to enhance service for overseas travelers and multinational corporations through the Conexus Mobile Alliance, the largest mobile operators alliance in the Asia-Pacific region, which was formed in 2006 by DOCOMO and other mobile phone operators in that region. In fiscal 2008, a 3G network that has been under development in Hawaii in a cooperative venture with AT&T Inc., of the United States, was basically completed, and DOCOMO PACIFIC, INC., a DOCOMO wholly owned subsidiary, began providing 3G services in Guam. Also, DOCOMO launched the new *Kaigai Plus Number* service, an international roaming service that offers discounts of up to 60% for voice communications when using international roaming services in South Korea. In these ways, we made progress in establishing a highly convenient communications environment for customers traveling overseas from Japan.

As a result of these efforts, we recorded growth in the use of our international roaming services, despite the sluggish environment, and international services revenues increased 14% year-on-year, to ¥54.1 billion.

### OVERSEAS CORPORATE MARKETING ACTIVITIES

#### Establishment of local subsidiary in China

In addition to investments in and alliances with overseas mobile phone operators, one of DOCOMO's key overseas strategies is the provision of international mobile solutions, principally for the local subsidiaries of Japanese companies. Cooperating with mobile phone operators with which we have investment or alliance relationships, we have strengthened our support systems. In July 2008, we established DOCOMO China Co., Ltd., a local subsidiary in Shanghai, China, which has the world's largest mobile phone market with 600 million subscribers. In the short term, DOCOMO China will provide administrative management solutions to local subsidiaries of Japanese companies, and in the future it will expand the scope of its operations to include the proposal of solutions to Chinese companies.

### BUILDING OVERSEAS OPERATIONAL BASES

#### Large-scale investments in India and Bangladesh

In implementing investments and alliances with overseas mobile phone operators, our objectives are not limited to the expansion of roaming areas. Rather, in regions that are undergoing rapid growth in the penetration of mobile phones, our objectives include capturing market growth, and in mature markets, we are seeking to jointly develop and expand new services. With our domestic market mature, these initiatives are one of our key strategies.

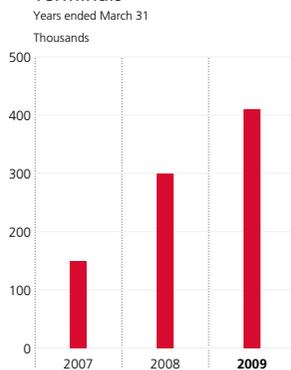
In fiscal 2008, we secured a strong foundation to expand operational areas and to increase revenues and profits in the mobile phone markets in India and Bangladesh, which are expected to record rapid economic growth. We acquired 30% of Axiata (Bangladesh) Limited (formerly TM International (Bangladesh) Limited), a mobile phone operator in Bangladesh, and about 26% of Tata Teleservices Limited, a mobile phone operator and member of India's Tata Group.

## New Business

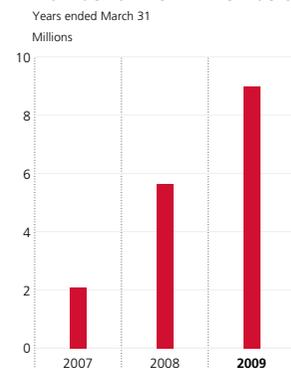
### Highlights of Fiscal 2008

- > Number of *DCMX* members reached 8.98 million
- > Domestic contactless IC electronic money launched overseas for the first time
- > Entered capital tie-up with Oak Lawn Marketing, Inc.

### Number of *iD* Payment Terminals



### Number of *DCMX* Members



### CREDIT BUSINESS

#### Advancing a range of initiatives to promote usage

DOCOMO is aiming to create a business model that is not dependent on traffic revenues by diversifying its sources of revenues in non-traffic fields that can be expected to offer synergies with its core mobile communication business. Our credit business plays a central role in these endeavors. This business is implemented through the *Osai-fu-Keitai* service, which uses contactless IC cards installed in mobile phones. In 2005, we started the *iD* credit brand, and in 2006, we began to offer the *DCMX* credit service, which is compatible with *iD*. For the *iD* credit brand, we have worked to expand the number of stores at which *iD* can be used by promoting the installation of *iD* payment terminals, with an emphasis on stores that are closely involved in customers' daily lives. As a result, as of the end of March 2009, the number of installed *iD* payment terminals was approximately 410,000, compared with approximately 300,000 installed terminals in the previous fiscal year.

We are also working to increase convenience for members and to promote the use of this service. In fiscal 2008, the *iD* service was launched in China and Guam, marking the first time that one of Japan's contactless IC electronic money systems has been available overseas. As a result of these initiatives, the number of *iD* members surpassed 10 million, reaching 11.20 million as of the end of March 2009.

For the *DCMX* mobile credit service, we took steps to acquire members, centered on DOCOMO shops, which are a point of contact with customers using DOCOMO's services. We made efforts to expand the use of the *DCMX* credit service by increasing the number of shops where "docomo points" can be obtained and opening the *DCMX DOCOMO Point Mall* Internet site. Furthermore, we introduced *DCMX (iD) Coupons*, which can be used to pay for a portion of purchased items when using *DCMX (iD)* and *DCMX mini*. In these ways, we directed efforts towards service improvement.

As a result of the above initiatives, the number of *DCMX* members as of the end of March 2009 was 8.98 million, an increase of 3.34 million from the previous fiscal year.

We are making steady progress in the establishment of a business model that is not dependent on traffic revenues.

### SPREADING AND EXPANSION OF MOBILE E-COMMERCE AND TV SALES

#### Agreement on equity alliance with Oak Lawn Marketing, Inc.

We are also searching for possible new sources of revenue in non-traffic areas other than the credit business, such as One-Seg broadcasts and mobile e-commerce. In April 2009, we acquired 51% of the equity of Oak Lawn Marketing, which operates direct marketing brands Shop Japan and Hills Collection, and it became a DOCOMO subsidiary. In the future, by combining Oak Lawn Marketing's strengths – knowledge and product procurement capabilities in the TV shopping market in the United States and Europe, product development and improvement know-how, and video production and marketing know-how in the generation of high response rates – with DOCOMO's mobile communications services technologies and know-how, we will endeavor to expand and activate the mobile e-commerce market using video services.

## Research & Development

### Highlights of Fiscal 2008

- > Made progress in the development of LTE (Super 3G) commercial system
- > Exhibited a prototype of the Intelligent Battery Pack at Wireless Japan 2008

### BASIC R&D POLICIES AND STRUCTURES

DOCOMO's R&D activities extend over a wide range of areas, from technologies that will contribute to increasing its competitiveness in the short term to basic research focused on changes in the telecommunications industry in the future. We have built an R&D system that covers all aspects of mobile communication systems, from networks to handsets. This facilitates coordinated R&D in networks and handsets in line with our operational strategies in each of these fields. As a result, we are developing original technologies that will enable us to provide handsets and services that leverage close links between infrastructure and handsets.

In Japan, the DOCOMO R&D Center at the Yokosuka Research Park (YRP), which is our core R&D facility, conducts original research in a wide range of mobile communications fields. In addition, we are working to achieve integration with technologies from other fields by conducting joint research with other R&D institutes and university laboratories. Moreover, to keep up to date with the latest international trends in leading-edge technologies and to work towards the standardization of mobile communications systems, we have R&D centers in the U.S., Germany and China.

### MAJOR INITIATIVES IN FISCAL 2008

DOCOMO is working to develop LTE (Super 3G), which will realize high-speed data transmission of up to 300 Mbps and is the next stage in the evolution of third-generation mobile phones. In July 2007 we began indoor testing, and from February 2008, we commenced outdoor field tests of LTE. In March 2008, we successfully achieved a downlink transmission speed of 250 Mbps. In December 2008, we successfully built a prototype of a low-power LSI that consumes less than 0.04 W of power yet supports signal detection and decoding for downlink transmissions at 100 Mbps, the speed required for the LTE system. Moving forward, we will continue development activities, with the goal of starting service in 2010.

Also, at Wireless Japan 2008, held in July 2008, we exhibited a prototype of the Intelligent Battery Pack, which diagnoses the degradation and faults of a lithium ion secondary battery for mobile phones. We are developing this device jointly with Mitsumi Electric Co., Ltd. In this battery pack, a semiconductor has been added to the circuit protection module. The semiconductor measures voltage, current, and resistance, thereby enabling confirmation of the optimal charging schedule and timing for battery replacement. DOCOMO will work to rapidly commercialize this battery pack, which will contribute to the increased reliability of mobile phones.

DOCOMO is aiming to provide a wearable communications environment through the development of technologies for "human body" communications that utilize the human body as a communications medium for the transmission of data. Human body communications makes it possible to exchange data with devices on the body, such as a mobile phone, even if the mobile phone is in a pocket and is not directly touched. This is accomplished through communications technologies that entail the mutual exchange of small electrical signals among highly sensitive components mounted in devices, such as mobile phones, that are close to the body. For example, when a user touches a door knob, an electronic key system could verify the identity transmitted from the mobile phone and unlock the door, or data could be exchanged just by shaking hands. In the short term, we will work toward the practical implementation of such functions as low-volume data exchange, ID verification, control commands, and voice transmission, centered on links between mobile phone components and nearby wireless technologies. In the future, we will strive to realize high-speed, large-volume transmission on the order of 100 Mbps, which will enable the transmission of images.

In fiscal 2008, our R&D expenses were ¥100.8 billion, compared with ¥100.0 billion in the previous fiscal year.

### Research and Development Expenses

Years ended March 31  
Billions of yen

