NTT DOCOMO INC
Form 20-F
June 28, 2004
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As filed with the Securities and Exchange Commission on June 28, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2004

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 1-31221

Kabushiki Kaisha NTT DoCoMo

(Exact name of registrant as specified in its charter)

NTT DoCoMo, Inc.

(Translation of registrant s name into English)

Japan
(Jurisdiction of incorporation or organization)

Sanno Park Tower
11-1, Nagata-cho 2-chome
Chiyoda-ku, Tokyo 100-6150
Japan
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock*	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2004, 48,596,364 shares of common stock were outstanding, comprised of 48,471,316 shares and 12,504,800 ADSs (equivalent to 125,048 shares).

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ¨ Item 18 x

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* Not for trading, but only in connection with the listing of the American Depositary Shares.

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Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements about our industry, our business, our plans and objectives, our financial condition and our results of operations that are based on our current expectations, assumptions, estimates and projections. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as may , will , expect , anticipate , estimate , plan or similar words. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. We cannot promise that our expectations, projections, anticipated estimates or other information expressed in these forward-looking statements will turn out to be correct. Potential risks and uncertainties include, without limitation:

Our 3G services, including our new value-added services may not develop as we expect.

The introduction or change of various laws or regulatory regimes that affect us or our competitive environment could have an adverse effect on our financial condition and results of operations.

The introduction of a number portability system for mobile phones in Japan may, in addition to burdening us with the expenses associated with introducing the system, lead to a decrease in our number of subscribers due to transition to other mobile operators from us, which may adversely affect our financial condition and results of operations.

Increasing competition from other cellular services providers or other technologies, or rapid changes in market trends, could have an adverse effect on our financial condition and results of operations.

Our acquisition of new subscribers, retention of existing subscribers and revenue per unit may not be as high as we expect.

We may not be able to maintain our ability to avoid reduced quality of services to maintain customer satisfaction because we have only a limited amount of spectrum and facilities.

Overseas operators may not introduce the W-CDMA technology and mobile multimedia services that we currently use in our 3G system, which would adversely affect our ability to offer international services to our subscribers.

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

The performance of our PHS business may not improve and the business may continue to operate at a loss in the future.

We may not be able to successfully address social issues arising from inappropriate use of our products and services by our subscribers, which may adversely affect our credibility or corporate image.

Our parent, NTT, could exercise influence that may not be in the interests of our other shareholders.

Concerns about wireless telecommunications health risks and our inability to properly respond to such concerns may adversely affect our financial condition and results of operations.

System failures caused by earthquakes, power shortages, malfunction of software and devices, and our inability to properly respond to such failures may adversely affect our financial condition and results of operations.

Our inability to properly respond to viruses and cyber attacks which adversely affect communications through our network system or wireless phones may adversely affect our financial condition and results of operations.

Our actual results could be materially different from and worse than as described in the forward-looking statements. Important risks and factors that could cause our actual results to be materially different from as described in the forward-looking statements are set forth in Item 3.D. and elsewhere in this annual report.

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PART I

As used in this annual report, references to DoCoMo , we , our and us are to NTT DoCoMo, Inc. and its subsidiaries except as the context otherwise requires.

Fiscal 2003 refers to our fiscal year ended March 31, 2004, and other fiscal years are referred to in a corresponding manner.

Item 1. Identity of Directors, Senior Management and Advisors.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data.

The following tables include selected historical financial data as at and for the fiscal years ended March 31, 2000 through 2004. The data as at and for the fiscal years ended March 31, 2000 through 2004 in the table is derived from our audited consolidated financial statements prepared in accordance with U.S. GAAP. You should read the selected financial data below in conjunction with Item 5 of this annual report and our audited consolidated financial statements and notes thereto prepared in accordance with U.S. GAAP which are included elsewhere in this annual report.

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Selected Financial Data Prepared in Accordance with U.S. GAAP

	As at and for the year ended March 31,					
	2000	2001	2002	2003	2004	2004
	(in millions, except per share data)					
Income Statement Data						
Operating revenues:						
Wireless services	¥ 3,008,726	¥ 3,620,271	¥ 4,153,459	¥ 4,350,861	¥ 4,487,912	$ 43,078,441
Equipment sales (1)	345,320	557,785	505,795	458,227	560,153	5,376,781
Total (1)	3,354,046	4,178,056	4,659,254	4,809,088	5,048,065	48,455,222
Operating expenses (1)	2,844,859	3,399,436	3,658,367	3,752,369	3,945,147	37,868,564
Operating income	509,187	778,620	1,000,887	1,056,719	1,102,918	10,586,658
Other expenses, net	21,359	20,489	44,496	13,751	1,795	17,230
Income before income taxes, equity in net losses of affiliates and minority interests in earnings of consolidated subsidiaries	487,828	758,131	956,391	1,042,968	1,101,123	10,569,428
Income taxes	211,072	317,337	399,643	454,487	429,116	4,118,986
Income before equity in net losses of affiliates and minority interests in earnings of consolidated subsidiaries	276,756	440,794	556,748	588,481	672,007	6,450,442
Equity in net losses of affiliates (2)	(1,730)	(17,767)	(643,962)	(324,241)	(21,960)	(210,789)
Minority interests in earnings of consolidated subsidiaries	(18,462)	(21,272)	(28,977)	(16,033)	(40)	(384)
Income (loss) before cumulative effect of accounting change	256,564	401,755	(116,191)	248,207	650,007	6,239,269
Cumulative effect of accounting change (1)				(35,716)		
Net income (Loss)	¥ 256,564	¥ 401,755	¥ (116,191)	¥ 212,491	¥ 650,007	$ 6,239,269
Per Share Data						
Basic and diluted earnings (loss) per share	¥ 5,358	¥ 8,350	¥ (2,315)	¥ 4,254	¥ 13,099	$ 125,734
Dividends declared and paid per share (3)	¥ 300	¥ 200	¥ 200	¥ 200	¥ 1,000	
Dividends declared and paid per share (4)	$ 2.63	$ 1.90	$ 1.64	$ 1.51	$ 8.72	
Balance Sheet Data						
Working capital	¥ 150,167	¥ (248,816)	¥ 107,013	¥ 586,679	¥ 493,679	$ 4,738,712
Total property, plant and equipment, net	2,041,973	2,339,374	2,618,992	2,676,128	2,702,505	25,940,728
Total assets	3,667,038	6,016,505	6,067,225	6,058,007	6,262,266	60,110,060
Total debt (5)	829,587	1,443,168	1,429,332	1,348,368	1,091,596	10,477,980
Total liabilities	1,633,233	2,620,159	2,671,717	2,582,018	2,557,510	24,548,954
Total shareholders equity	1,976,158	3,318,587	3,291,883	3,475,514	3,704,695	35,560,520
Other Financial Data						
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	627,838	646,715	679,709	779,545	756,002	57,256,690
Cash flows from operating activities	1,060,139	857,846	1,341,088	1,584,610	1,710,243	16,416,231
Cash flows from investing activities	(999,964)	(2,744,215)	(1,125,093)	(871,430)	(847,309)	(8,133,125)
Cash flows from financing activities	(232,270)	1,523,764	(33,372)	(333,277)	(705,856)	(6,775,350)
Margins (percent of operating revenues):						
Operating income margin	15.2%	18.6%	21.5%	22.0%	21.8%	
Net income margin	7.6%	9.6%	(2.5)%	4.4%	12.9%	

(1)

We adopted EITF 01-09 from April 1, 2002. Therefore, equipment sales and operating expenses for the fiscal years ended March 31, 2000, 2001 and 2002 have been reclassified. Equipment sales and operating expenses for the year ended March 31, 2003, were decreased by ¥558,923 million and ¥571,223 million, respectively. As required, operating expenses, amounting to ¥364,648 million, ¥491,310 million and ¥507,884 million for the years ended March 31, 2000, 2001 and 2002, respectively, have also been reclassified as a reduction of equipment sales. The cumulative effect of this accounting change relates to the timing for recognizing commissions payable to agents.

(2) Includes write-downs of investments in affiliates, and is net of deferred taxes of ¥470,278 million and ¥226,450 million in the year ended March 31, 2002 and 2003, respectively. See Note 6 of the Notes to the Financial Statements.

(3) The dividends declared and paid per share have been adjusted to reflect the stock split (five-for-one) that took effect on September 13, 1999 and the stock split (five-for-one) that took effect on May 15, 2002.

(4) The dividends per share were translated into U.S. dollars at the relevant record date.

(5) Total debt includes total short-term debt (including commercial paper and current portion of long-term debt) and long-term debt.

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Exchange Rate Data

The following table shows the exchange rates for Japanese yen per $1.00 based upon the noon buying rate in New York City for cash transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal Year ended March 31,	High	Low	Average (1)	Period-end
1999	¥ 147.14	¥ 108.83	¥ 128.19	¥ 118.43
2000	124.45	101.53	111.35	102.73
2001	125.54	104.19	110.60	125.54
2002	134.77	115.89	125.64	132.70
2003	133.40	115.71	121.10	118.07
2004	120.55	104.18	112.94	104.18
Calendar Year 2003				
December	109.61	106.93	107.74	107.13
Calendar Year 2004				
January	107.17	105.52	106.27	105.84
February	109.59	105.36	106.71	109.26
March	112.12	104.18	108.52	104.18
April	110.37	103.70	107.66	110.37
May	114.30	108.50	112.20	110.18
June (through June 21, 2004)	111.27	108.57	109.96	108.57

(1) For fiscal years, calculated from the average of the exchange rates on the last day of each month during the period. For calendar year months, calculated based on the average of daily closing exchange rates.

We have translated selected Japanese yen amounts presented in this annual report solely for your convenience. The rate we used for such translations was $1.00 = ¥104.18, which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2004. The noon buying rate for Japanese yen on June 21, 2004 was $1.00 = ¥108.57.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors

Risks Relating to Our Business and the Japanese Wireless Telecommunications Industry

The successful development of our 3G services, including the introduction of new services and forms of usage, is subject to market demand and scheduling difficulties.

We have invested and plan to continue to invest significantly in the research and development, construction, implementation and expansion of our third generation, or 3G, wireless services.

We have experienced various technical and scheduling difficulties, including delays in the establishment of our network and technical problems with and delays in the sale of handsets. We have resolved many of these problems, but we cannot be certain that we will not encounter new problems or will be able to successfully

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resolve such problems when they arise. From time to time, technical issues continue to cause delays in new developments in our 3G services, such as the introduction of new handsets, which could prevent us from realizing expected 3G revenues and profits in future periods.

As the competition for 3G services in Japan grows more intense, there are a number of uncertainties that may delay the development of our 3G services. In particular, we cannot be certain that:

- we will be able to provide all planned 3G services, including introduction of new services and forms of usage we currently plan, as we currently schedule, or that expanding such services will not be more costly than expected;
- the 3G services we offer and plan to offer will be attractive to current and potential subscribers;
- our alliances with partners such as manufacturers and content providers, designed to provide new 3G services including the introduction of new services and forms of usage, will develop as expected;
- manufacturers and content providers will create and offer products, including handsets for our 3G system and contents specifically for our 3G i-mode service, on a timely basis;
- there will be sufficient demand for 3G services, including new services and forms of usage, to offer these services profitably;
- competitors 3G services or similar services or 3G service handsets will not be more popular among potential subscribers than ours; or
- our services with improved data communication speed enabled by HSDPA (High Speed Downlink Packet Access) technology can be commenced as we plan.

If we experience substantial problems with our 3G services, or if we fail to introduce new handsets and services according to our schedule, it may impair the success of our 3G services, delay our service or decrease our revenues and profits and therefore may hinder our growth or our recovery of our significant capital investments in 3G services.

The introduction or change of various laws or regulations could have an adverse effect on our financial condition and results of operations.

The Japanese telecommunications industry has been undergoing regulatory reform in many areas and competition with competitors within and outside Japan may increase. For example, recently, with regard to fixed to mobile calling, fixed line operators and intermediate operators have been given the right to set rates on calls to cellular phones from fixed line phones and also, with the revision of Telecommunications Business Law, for the corporate market, it became possible to base rates on negotiated contract terms rather than pre-determined tariffs. These regulatory reforms further increase rate competition and may affect our financial position or results of operations. If the number of fixed line users choosing intermediate telecommunication carriers is more than we expected, it may have an adverse effect on our financial condition or results of operations as it may decrease our revenue.

Various governmental bodies have recommended or considered changes that could affect the mobile telecommunications industry, and there may be continued reforms including the introduction or revision of laws or regulations that could have an adverse effect on us. These include:

revision of the radio frequency spectrum allocation system, including reallocation of spectrum to ensure the use by the fourth generation, or 4G, system and by the 5GHz-band wireless access system and the possible implementation of an auction system in which, in the future, additional spectrum would be allocated to the highest bidder;

further protection of privacy;

measures to open up Internet platforms and segment platform functions such as authentication and payment collection where dominant carriers are assumed to have market power;

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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 putting i-mode service on our cell phone handsets as an initial setting;

measures to insure more fair competition in the telecommunications service market;

regulations to prohibit or restrict certain content or transactions, or mobile Internet services such as i-mode; and

measures requiring us to incur more costs than anticipated, for instance, a measure requiring us to develop handsets that incorporate a GPS function for emergency calls.

It is difficult to predict with certainty if any of the above changes will be made to the relevant laws and regulations and, if they are made, the extent to which our business will be affected.

However, the implementation of one or more of the changes described above, or other changes to laws and regulations, could materially affect our financial condition and results of operations.

The introduction of a number portability system for mobile phones in Japan may, in addition to burdening us with the expenses associated with introducing the system, lead to a decrease in the number of our subscribers due to transition to other mobile operators from us, which may adversely affect our financial condition and results of operations.

According to a report by a working group under the Ministry of Public Management, Home Affairs, Posts and Telecommunications, or MPHPT, issued in April 2004, many overseas countries have already introduced number portability systems for mobile phones with the purpose of improving convenience for users and promoting competition among cellular service providers. In those countries, as subscribers can switch operators without changing their phone numbers, they can switch operators more easily. The report and additional guidelines issued by the Ministry in May 2004 suggested that a number portability system for mobile phones be introduced in Japan by around fiscal 2006.

It is very difficult to predict at present what effect the introduction of a number portability system for mobile phones would have on our number of subscribers, revenue and expenses, as it will depend on the services and rates set by each cellular service provider before and after the introduction of such system. It will be an opportunity to acquire new subscribers due to increased fluidity of subscribers, while on the other hand, it may lead to a decrease in our subscribers if some of our subscribers decide to switch to another operator. Therefore, we may not be able to recover the costs we estimated for the introduction of such system, we may experience increased costs in relation to the acquisition and maintenance of subscribers and there may be further rate competition, which could adversely affect our financial condition and results of operations.

Increasing competition from other cellular service providers or other technologies, or rapid changes in market trends, could have an adverse effect on our financial condition and results of operations.

We are experiencing increasing competition from other cellular service providers which have introduced new products and new services such as 3G handsets, 3G phones equipped with global-positioning systems and global roaming services. Also, there are other cellular service providers which provide communication services for 3G with technologies different from W-CDMA, which we have adopted. Currently, for example, they

provide flat-rate packet communication services with faster communication speeds than our 3G services. Furthermore, other companies may enter the cellular service industry with other technologies for 3G services, and in such an event, there will be severe competition.

On the other hand, there may be increased competition due to the introduction of other new services and technologies, especially low price and flat-rate, fixed or mobile phones, high-speed fixed line broadband Internet service and digital broadcasting and wireless LAN.

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Furthermore, the effect of emerging and future technological changes on the viability or competitiveness of our services cannot be predicted with certainty. Current technologies or technologies under development or new services by other companies mentioned above may increase competition against our products in the future, lead to decreased rates and numbers of subscribers and decreased ARPU due to decreased frequency of usage by subscribers and may materially affect our financial condition and results of operations.

Our acquisition of new subscribers, retention of existing subscribers and revenue per unit may not be as high as we expect.

In the year ended March 31, 2004, we acquired approximately 2.07 million new subscribers, down from 3.08 million new subscribers in the year ended March 31, 2003, and 4.76 million in the year ended March 31, 2002. Our future subscriber acquisitions may continue to decrease and may not meet our expectations due to a number of factors, such as saturation of the Japanese cellular market, changes in regulatory environment, increased rate competition and increased service selection for the subscribers of other cellular service providers.

In addition to difficulty in acquiring new subscribers, we may not be able to maintain existing subscribers at the levels we expect due to increased competition among other cellular service providers in the areas of rates and services. Furthermore, as a result of severe competition for acquisition of subscribers, we may need to incur more cost than we expected to maintain existing subscribers.

In this severely competitive environment, in order to provide various advanced services and increase user convenience, we have made various rate revisions, such as the expansion of family discounts from April 1, 2004, decreased prices for 3G packet packs from May 1, 2004 and the introduction of Pake-Houdai, meaning as much as you want , a flat-rate packet communication service for 3G subscribers. However, we cannot be certain whether these measures will enable us to acquire new and maintain existing subscribers. If the trend of subscribers switching to flat-rate systems does not occur as we expect our ARPU may decrease more than we expect, which may have a material affect on our financial condition and results of operations.

We view the expansion of AV traffic such as video phone via 3G handsets, development of new services useful in everyday life and business and increased revenue through the expansion of data communication as important factors for our future growth. However, our growth may be limited if:

- our new and existing handsets suffer from technical problems;
- the wireless telecommunications industry is not successful in capturing a significant portion of the data transmission market in a timely manner;
- our current and future i-mode, data transmission and other services fail to be attractive to present and potential subscribers, and fail to achieve continued or new growth;
- our FOMA business does not grow as fast as we expect or we experience technical or customer satisfaction problems with FOMA system and services;
- competition increases significantly and results in our losing significant numbers of subscribers or capturing a significantly lower market share of new subscribers; or

our retention costs rise as a result of increased competition or increased sales commissions paid to agents who sign up subscribers.

We may not be able to maintain our ability to avoid reduced quality of services to maintain customer satisfaction because we have only a limited amount of spectrum and facilities available for our services.

One of the principal limitations on a cellular network s capacity is the amount of radio frequency spectrum it can use. We have limited spectrum available to us to provide our services. As a result, in certain parts of

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metropolitan Tokyo and Osaka, such as areas near major train stations, our cellular network operates at or near the current 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 capacity of our base stations and switching centers during peak usage periods or if our subscriber base dramatically increases. In addition, an increase in data transmission traffic may go substantially beyond our projections due to an increased number of FOMA subscribers as a result of the introduction of a flat-rate plan effective June 1, 2004, and we may not be able to process such traffic with our existing facilities, which may result in a reduced quality of services.

We may not be able to avoid reduced quality of services despite our continued efforts to improve the efficiency of our use of spectrum and to acquire new spectrum. In addition, as our competitors are not experiencing capacity problems to the same extent, if we are not able to successfully address such problems in a timely manner, we may experience constraints on the growth of our wireless services or lose subscribers to our competitors in areas where quality problems occur, which may materially affect our group s financial conditions and results of operations.

Overseas operators may not introduce the W-CDMA technology and mobile multimedia services we currently use in our 3G system, which would adversely affect our ability to offer our international services to our subscribers.

For our 3G system, we are currently using Wideband Code Division Multiple Access, or W-CDMA, technology that is one of the global cellular telecommunications standards approved by the International Telecommunications Union, or ITU, as part of its efforts to standardize 3G cellular technology through the issuance of guidelines known as IMT-2000. We may be able to offer our services, such as global roaming, worldwide if enough other mobile operators introduce W-CDMA standard technology compatible with ours. We believe that our other international affiliates, strategic allies and a significant number of other wireless operators will do so. However, if enough other wireless operators do not adopt W-CDMA standard technology, we may not be able to offer global roaming and other services as expected and we may not be able to realize the benefits of economies of scale, including in terms of purchasing power for handsets and network equipment, that we currently anticipate. Also, we cannot be sure that handset manufacturers or manufacturers of network equipment will be able to successfully and promptly adapt their handsets and network equipment if we need to change the handsets or network equipment we currently use due to a change in W-CDMA standard technology as a result of activities conducted by standard-setting organizations.

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

One of the major components of our overall strategy is to increase our corporate value through overseas investments, alliances and collaborations. We have entered into alliances and collaborations with other companies and organizations outside Japan which we believe could help us achieve this objective. In order to promote this strategy, to date, we have invested approximately ¥1.9 trillion and acquired minority equity stakes in overseas operators, including AT&T Wireless Services, Inc., KG Telecommunications Co., Ltd., Hutchison Telephone Company Limited and others. However, the current value of these investments has not yet met our expectations. There can be no assurance that we will be able to maintain or enhance the value or performance of overseas operators in which we have invested or may invest in the future, or that we will achieve the returns or benefits expected from these investments, alliances or collaborations.

In general, acquiring minority equity stakes gives us substantially less influence over our partner overseas carriers than establishing or acquiring subsidiaries in those markets. If another company acquires control of management in one of our strategic partners or if we decide to dissolve, exit or reduce our interest in a strategic partnership, we might not realize the anticipated benefits of our investment in and strategic alliance with such partner. Furthermore, we might lose our ability to participate in the strategic development of the telecommunications industry in the affected country or region.

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Telecommunications companies and wireless operators, including our investee companies, have experienced a variety of negative developments in recent years, including increased competition, increased debt burdens (from, among other factors, the cost of 3G spectrum licenses purchased at auction), significant volatility 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 a loss in the value of our investment in any investee company takes place and such loss in value is other than a temporary decline, we may be required to adjust the carrying 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 a loss for any decline in the value of our investment in such investee company. In either event, our financial condition or results of operations could be significantly and adversely affected.

We monitor and review the value of our overseas investments from time to time as required by relevant accounting principles, which require us to consider, among other things, declines in earning capacity, and with respect to publicly listed companies in which we have invested, such as AT&T Wireless Services, Inc., reported market price. We recognized impairment losses equal to ¥319.6 billion, net of deferred taxes of ¥225.5 billion, with respect to our interests in some of our overseas affiliates in fiscal 2002, and ¥624.6 billion, net of deferred taxes of ¥453.2 billion in fiscal 2001.

We plan to further monitor and review the value of our investments in all of our overseas affiliates in light of any future developments and may be required to recognize further impairment charges for investments in any of our overseas investee companies.

The shareholders of AT&T Wireless Services, Inc. have approved the acquisition of AT&T Wireless by Cingular Wireless LLC, and we expect our shares of AT&T Wireless common stock will be exchanged for cash in due course in accordance with the agreement. However, the acquisition is subject to government approval, and if the shares are not exchanged for cash as expected, it may adversely affect our financial condition and results of operations in the current fiscal year.

The performance of our PHS business may not improve as we expect and the business may continue to operate at a loss in the future.

On December 1, 1998, we took over the Personal Handyphone System, or PHS, businesses operated by other subsidiaries of NTT and began to integrate them with our existing businesses. There were 1.59 million PHS subscribers as of March 31, 2004, 1.69 million as of March 31, 2003, and 1.92 million as of March 31, 2002. The PHS businesses have operated at a loss, including losses of ¥35.5 billion in fiscal 2003, ¥28.3 billion in fiscal 2002 and ¥59.8 billion in fiscal 2001 on a U.S. GAAP basis (see Note 14 of the Notes to the Financial Statements).

In April 2003, we introduced a flat-rate plan for data communication using PHS and we saw a net increase in the number of data-card-type PHS subscribers as a result of our initiatives to focus on an increase in usage of a flat-rate service for data communications. We plan to focus our PHS business on data communications and will continue our efforts to streamline our PHS business operation. However, there may be no assurance that we will achieve the number of subscribers we expect, or that we will be able to reduce the operating losses incurred by our PHS businesses.

We may not be able to successfully address social issues arising from inappropriate use of our products and services by our subscribers, which adversely affect our credibility or corporate image.

We may face an increase in cancellations by existing subscribers and difficulty in acquiring new subscribers, the credibility of our products and services may decline and our corporate image may become

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damaged if our products and services are used inappropriately by unscrupulous subscribers. Unsolicited bulk e- mail, for instance, is a problem for our i-mode service. Despite our extensive efforts to address this issue to protect our subscribers from incurring any economic disadvantage caused by unsolicited e-mails, including providing i-mode subscribers with up to 400 packets per month of free packet-data communication and pursuing actions against companies who distribute such unsolicited bulk emails through our i-mode system, the problem has not yet been rooted out. If our subscribers receive a large amount of unsolicited e-mails through our i-mode system, it may cause our subscribers to be less satisfied with our service, and our corporate image may be damaged, which could reduce the number of our i-mode subscribers as a result.

In addition, as our handsets and our services become more sophisticated, new concerns in relation to mobile phone usage arise, including, for example, the fact that our subscribers were charged higher amounts of packet fees than they were aware of due to their overuse of our data communication service as a result of using new advanced handsets and sophisticated services, and that subscribers wrongfully shot pictures of pages of books sold at bookstores or art works at art galleries and museums where taking photos is prohibited, using one of our handsets with a built-in camera. Such inappropriate uses of mobile phones are being taken up as social issues. Furthermore, we are experiencing a deterioration of public manners by using mobile phones in trains and public spaces, and an increase of traffic accidents caused by use of mobile phones while driving cars. These issues may adversely affect our corporate image as well.

We believe we have properly addressed these social issues to date. However, it is uncertain whether we will be able to continue addressing those issues in the future as well, and if we fail to do so, we may not be able to avoid an increase in cancellations of subscriptions or to acquire as many new subscribers as we expect, which may have a material adverse effect on our financial condition and results of operations.

Our parent, NTT, could exercise influence that may not be in the interests of our other shareholders.

As of March 31, 2004, NTT owns 63.58% of our issued and outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications, or MPT, in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint our 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.

Concerns about wireless telecommunications health risks and our inability to properly respond to such concerns 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, including 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 telecommunications devices to the health of users could adversely affect us through increased cancellation by existing subscribers, reduced subscriber growth, reduced usage per subscriber, reduced financing available to us or litigation, and may also potentially adversely affect our corporate image, financial condition and results of operations. The perceived risk of wireless devices may have been elevated by certain wireless carriers and handset manufactures affixing labels to their handsets showing levels of electric wave emissions or warnings about possible health risks. Research and studies are ongoing and we are actively attempting to confirm the safety of wireless telecommunications, but there can be no assurance that further research and studies will not demonstrate a relationship 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

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are regarded as an international safety standard, the Electromagnetic Compatibility Conference of 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 further regulations or restrictions could limit our ability to expand our market or our subscriber base or otherwise adversely affect us.

System failures caused by earthquakes, power shortages, malfunction of software and devices, and our inability to properly respond to such failures may adversely affect our financial condition and results of operations.

We are dependent on our nationwide networks in order to provide our mobile communication and packet services to our subscribers. We have invested trillions of yen in our network, which includes base stations, antennas, switching centers and transmission lines. Our systems could fail due to a number of reasons, including hardware and software problems and damage to our network as a result of earthquakes, power shortages, typhoons, floods, terrorism or similar events. System failures may take extended periods of time to repair and could result in lost revenues and large repair expenses, both of which may adversely affect our financial condition and results of operations.

Our inability to properly respond to viruses and cyber attacks which adversely affect communications through our network system or wireless phones may adversely affect our financial condition and results of operations.

There have been instances where millions of computers worldwide were affected by being infected by viruses though the Internet. Similar incidents could occur on our mobile communication network. If such viruses enter our network or terminals, our system or mobile phones could fail. In such an instance, our network s credibility and our customer s satisfaction might significantly decrease. Although we have enhanced our security system to block unauthorized accesses and remote downloading, and we provide functions intended to cope with unexpected events, such functions may not be fully prepared for every eventuality.

In the event we are unable to properly respond to any such unexpected events, our group s credibility may be reduced, and we may experience lost revenues and large repair expenses, all of which may adversely affect our financial condition and results of operations.

Risks Relating to the Shares and the ADSs

Future sales of our shares by NTT or by us may adversely affect the trading price of our shares and ADSs.

As of March 31, 2003, NTT owned 63.58% of our issued and outstanding voting shares. Under Japanese law, NTT, like any other shareholder, generally is able to dispose of our shares freely on the Tokyo Stock Exchange or otherwise. In addition, various governmental bodies have recommended that NTT be required to decrease its ownership percentage in our company. NTT s position announced in its release in October 2001 was that decisions on NTT s investment ratio of our company would continue to be considered from the standpoint of maximizing its shareholders profits, taking into account operational necessities and stock market trends. Additionally, our board of directors is authorized to issue 141,320,000 additional shares generally without any shareholder approval. The sale or issuance or the potential for sale or issuance of such shares could have an adverse impact on the market price of our shares.

There are restrictions on your ability to withdraw shares from the depositary receipt facility.

Each ADS represents the right to receive 1/100th of a share of common stock. Therefore, pursuant to the terms of the deposit agreement with our depositary, the Bank of New York, in order to withdraw any shares, a holder of ADSs must surrender for cancellation and withdrawal of shares, ADRs evidencing 100 ADSs or any integral multiple thereof. Each ADR will bear a legend to that effect. As a result, holders of ADSs will be unable

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to withdraw fractions of shares from the depositary or receive any cash settlement in lieu of withdrawal of fractions of shares. In addition, although the ADSs themselves may be transferred in any lots pursuant to the deposit agreement, the ability to trade the underlying shares may be limited.

Holders of ADRs have fewer rights than shareholders and have to act through the depositary to exercise those rights.

Holders of ADRs do not have the same rights as shareholders and accordingly cannot exercise rights of shareholders against us. The Bank of New York, as depositary, through its custodian agent, is the registered shareholder of the deposited shares underlying the ADSs, and therefore only it can exercise the rights of shareholders in connection with the deposited shares. In certain cases, we may not ask The Bank of New York to ask holders of ADSs for instructions as to how they wish their shares voted. Even if we ask The Bank of New York to ask holders of ADSs for such instructions, it may not be possible for The Bank of New York to obtain these instructions from ADS holders in time for The Bank of New York to vote in accordance with such instructions. The Bank of New York is only obliged to try, as far as practical, and subject to Japanese law and our Articles of Incorporation, to vote or have its agents vote the deposited shares as holders of ADSs instruct. In your capacity as an ADS holder, you will not be able to bring a derivative action, examine the accounting books and records of the company, or exercise appraisal rights.

U.S. investors may have difficulty in serving process or enforcing a judgment against us or our directors, executive officers or corporate auditors.

We are a limited liability, joint stock corporation incorporated under the laws of Japan. Most of our directors, executive officers and corporate auditors reside in Japan. All or substantially all of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in U.S. Courts predicated upon the civil liability provisions of the Federal securities laws of the United States. There is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Rights of shareholders under Japanese law may be different from rights of shareholders in jurisdictions within the United States.

Our Articles of Incorporation, our Board of Directors regulations and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors and officers fiduciary duties and liabilities, and shareholders rights under Japanese law may be different from those that would apply to a company incorporated in a jurisdiction within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States

Item 4. Information on the Company.

A. History and Development of the Company.

We are a joint stock corporation incorporated and registered under the laws of Japan in August 1991 under the name NTT Mobile Communications Planning Co., Ltd., and, in April 1992, we were renamed NTT Mobile Communications Network, Inc. We changed our name to NTT DoCoMo, Inc. on April 1, 2000. Our corporate headquarters is at Sanno Park Tower, 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-6150, Japan. Our telephone number is 81-3-5156-1111. We have no agent in the United States in connection with this annual report.

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Our parent is Nippon Telegraph and Telephone Corporation, or NTT, the holding company of NTT group. NTT group constitutes one of the world s largest telephone operators. NTT was incorporated as a limited liability, joint stock corporation in April 1985. Prior to that time, NTT was a government-owned corporation. Wireless telecommunications operations were initially conducted by a division within NTT. When NTT was privatized, the NTT Law, which was passed in connection with the privatization, provided for governmental review within five years to determine whether the NTT Law had been successfully implemented and what further changes were necessary. Based on such review, the Ministry of Posts and Telecommunications, or MPT (currently the Ministry of Public Management, Home Affairs, Posts and Telecommunications), directed NTT to separate its wireless telecommunications businesses from the rest of NTT in order to promote fair and effective competition. With a view to providing better services to its customers and enhancing the interests of its shareholders, the management of NTT also decided that such separation was desirable.

In February 1991, NTT and the MPT agreed that this separation should be achieved by transferring the wireless telecommunications business first to us and later to eight regional subsidiaries. To achieve this purpose we were incorporated as a subsidiary of NTT in August 1991 and took over NTT s wireless telecommunications operations in July 1992. In July 1993, in accordance with the agreement between NTT and the MPT, we transferred wireless telecommunications operations (other than those in the Kanto-Koshinetsu region which remained with us) to our eight regional subsidiaries.

Prior to the transfer, we had engaged several subcontractors in the respective regions for sales activities and other business and strategic reasons. In October 1993, we merged with those regional subcontractors, and their shareholders became minority shareholders in our company and the DoCoMo regional subsidiaries, respectively.

On August 20, 2002, we and each of our eight regional subsidiaries entered into share exchange agreements under which they became wholly owned subsidiaries by way of share exchanges. We completed the share exchanges on November 1, 2002.

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The following diagram shows our corporate organization and includes our principal subsidiaries and affiliates as of March 31, 2004. Unless otherwise indicated, we own 100% of the voting securities of the subsidiaries included in the diagram. With the exception of some affiliates for which shares are held through dedicated holding companies, the percentages in parenthesis represent our direct holdings in these subsidiaries and affiliates.

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(1) These service subsidiaries provide operational services, such as engineering and support services, to NTT DoCoMo, Inc.
(2) These DoCoMo regional subsidiaries provide wireless services in respective geographical regions in Japan, other than the region in which NTT DoCoMo, Inc. itself provides such services.
(3) These indirect service subsidiaries provide operational services, such as engineering and other services, to the respective DoCoMo regional subsidiaries which wholly own them.
(4) DoCoMo and its eight DoCoMo regional subsidiaries together own 92.0% of this company.
(5) Mobimagic is to be liquidated by the end of fiscal 2004.
(6) NTT DoCoMo Telecomunicações do Brasil Ltda. is to be liquidated by November 2004.
(7) Trinotes is to be liquidated by the end of fiscal 2004.

For a discussion of recent and current capital expenditures, please see Capital Expenditures at the end of Item 5.B. We have had no recent significant divestitures nor are any significant divestitures currently being made.

B. Business Overview.

Overview

We are Japan s leading wireless telecommunications services provider and one of the largest cellular telephone service operators in the world as measured by total number of cellular subscribers with an aggregate cellular subscriber base of approximately 45.9 million and an estimated domestic market share of 56.3% as of March 31, 2004. We offer a range of high-quality, high-mobility telecommunications services such as third generation, or 3G, and second generation, or 2G, cellular services, Personal Handyphone System, or PHS services, and other specialized wireless telecommunications services, including Quickcast services (paging services) and satellite mobile communications services.

Our financial profile is characterized by significant revenues and earnings, consistent operating margins and a strong balance sheet. For the year ended March 31, 2004, we had operating revenues of ¥5,048,065 million and operating income of ¥1,102,918 million, representing an operating margin of 21.8%. Our net income was ¥650,007 million which was equivalent to net income per share of ¥13,099. Our balance sheet had total debt as of March 31, 2004, of ¥1,091,596 million, representing 17.4% of our total assets. As a result of this profile, our management believes we have sufficient financial flexibility and strength to pursue our strategic plans.

Although our basic services continue to be voice services, we are increasingly focusing on the development of wireless data transmission and mobile multimedia services such as our i-mode Internet service and our third generation, or 3G, services. We introduced i-mode services, one of the world s first handset-based Internet access services, in February 1999. As of March 31, 2004, 41.1 million cellular subscribers had signed up for i-mode services, a 8.8% increase from the 37.8 million subscribers as of March 31, 2003. i-mode is an optional service available to cellular voice subscribers offered on our nationwide 800 MHz and 2GHz networks which allows users to send and receive e-mail, access online services including banking services and airline and ticket reservations, access an array of information from i-mode servers and execute and settle retail transactions directly through their handsets. Almost all handsets which we currently sell are i-mode compatible, thus allowing our customers the freedom to choose whether or not to subscribe to i-mode service. The introduction of i-mode services enhanced our business in many ways, including encouraging our cellular phone users to use data transmission more, significantly increasing data revenue, expanding our market share, increasing the number of subscribers, creating new sources of income and strengthening our brand image.

We have also introduced other services to promote and capture the increasing demand for mobile multimedia services. These include services that allow Internet access through the combination of a cellular phone and a notebook computer or personal digital assistant, more commonly known as a PDA. Other services include music and video content distribution services, mobile e-commerce services and location-based

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pinpointing services through the global positioning system, or GPS, and cellular network. We are also promoting wireless data communication and have released products such as PDAs and card type wireless Internet access devices which are used for notebook PCs and PDAs. In addition to expanding the market for person-to-person communications such as i-mode, we are creating a market for ubiquitous machine-to-machine communications such as remote monitoring of vending machines. We are promoting the use of videophones as a communication tool and other applications and services which integrate cellular services into users daily lives through the use of external interfaces such as IrDA and QR code. (QR Code is a two-dimensional code for expressing vertical and horizontal alphanumeric character, Japanese characters, images, etc.)

We also offer our voice communication services on our nationwide 2G network, which is currently our primary network, and our growing 3G network. Our 2G network covers essentially all of the population of Japan (we calculate population coverage ratios by dividing the population within our coverage area determined by whether the local government offices of cities, towns and villages, such as the city hall, are within the service area of the network by the total population in Japan). We are concentrating on extending our 3G network into new areas such as subway stations and high-rise buildings as well as strengthening and expanding our coverage in high-volume traffic areas, such as those with dense population.

Our 2G network is based on the Personal Digital Cellular, or PDC, telecommunications system. PDC is a Time Division Multiple Access, or TDMA, based system that supports both voice and data communications and a full range of supplementary services including, among others, call waiting, voice mail, three-party calling and call forwarding. Voice transmissions on our 2G network are offered at 11.2 kbps, although we conserve spectrum by using a half-rate transmission speed (5.6 kbps) at congested times. We provide circuit switching data transmission at 9.6 kbps. We also use a version of PDC that we refer to as PDC-P for our packet-switched network. PDC-P allows data transmission at up to 28.8 kbps for our DoPa packet transmission and i-mode services.

We also offer voice services on our PHS network. However, we are promoting PHS services focusing on data communication services. Among them, we are mainly enhancing @Freed. The number of PHS subscribers decreased from 1.7 million in March 2003 to 1.6 million as of March 31, 2004.

However, 2G networks and systems, such as our 2G PDC, PDC-P and PHS networks, do not allow wireless operators to fully exploit the potential demand for mobile multimedia. Accordingly, we introduced a third generation, or 3G, network and system on a fully commercial basis in October 2001. We believe the introduction of 3G services will mark the start of a full-scale mobile multimedia era by increasing the speed and sophistication with which music, video and other data can be downloaded to mobile phone handsets and other communication devices. We developed and are basing our 3G system on Wideband Code Division Multiple Access, or W-CDMA, a high performance technology using broadband capabilities that allows variable-speed, multi-rate transmissions and supports high-quality voice transmissions and high-speed data communications, video and other multimedia services including mobile computing. We have developed our 3G wireless telecommunications system in connection with the global standardization efforts of the International Telecommunications Union, or ITU, known as IMT-2000. For a discussion of the IMT-2000 standardization efforts and the status of 3G development and deployment, please see DoCoMo Networks-IMT-2000 Standardization Efforts in this Item 4.B.

Our 3G system provides excellent sound quality, circuit switched data services (at 64 kbps) and high-speed packet communication services (at up to 384 kbps), and serves as a platform for FOMA i-mode services. As of March 31, 2004, we had approximately 3.05 million subscribers to our FOMA services, an approximately 823% increase from the approximately 330,000 subscribers as of March 31, 2003. Our FOMA population coverage was approximately 99% of Japan as of the end of March 2004 including almost all cities in Japan.

We have been aggressively pursuing a global strategy aimed at promoting the widespread adoption of W-CDMA technology as a platform for 3G wireless telecommunications systems and services and achieving rapid and extensive deployment of mobile multimedia services. One of the primary objectives of our global

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strategy is to increase our corporate value through overseas investments and alliances. We plan to leverage our expertise and experience in the Japanese wireless telecommunications market abroad by:

- assisting our partners in developing W-CDMA as their 3G communications platform;
- capturing overseas growth opportunities through the development of mobile multimedia services and the promotion of wireless Internet access services; and
- increasing our competitiveness through contents sharing and joint procurement with strategic partners.

To achieve our objectives, we took minority stakes in a number of international wireless operators, including AT&T Wireless Services, Inc., or AT&T Wireless, KPN Mobile N.V., or KPN Mobile, Hutchison 3G UK Holdings Ltd., or Hutchison 3G UK, Far EasTone Telecommunications Co., Ltd., or Far EasTone, and Hutchison Telephone Company Limited, or Hutchison Telephone. Hutchison 3G UK launched 3G service based on W-CDMA in March 2003 in the United Kingdom followed by Hutchison 3G HK Holdings Ltd., or Hutchison 3G HK in January 2004 in Hong Kong. Far EasTone is planning to launch 3G service in 2004. Other operators in which we have taken minority stakes also plan to adopt W-CDMA for their respective 3G services and will collaborate with us in introducing mobile multimedia services. Through these alliances, we have established a foothold in most of the major wireless markets of the world. In North America, AT&T Wireless is preparing to launch their 3G services based on W-CDMA technology in four cities in the summer of 2004. In Europe, through KPN Mobile and Hutchison 3G UK, we have begun to introduce our technology in Germany, the Netherlands, Belgium and the United Kingdom. In Asia, through investments in KG Telecom and Hutchison Telephone, we have established a foothold for the delivery of our technology and services in Taiwan and Hong Kong. Our strategic partners are not limited to telecommunication companies, as we jointly invested in Mobile Innovation Company Limited, in Thailand with Loxley Public Company Limited in April 2004. We will continue to seek opportunities in fields related to mobile telecommunication to further strengthen our business.

We conduct cutting-edge research and development both in and outside of Japan on what we believe is the largest scale of any wireless operator in the world. We organize our research and development efforts through our R&D division, which includes centers for network research, wireless research and multimedia research. To assist us in our W-CDMA development as well as the research and development of additional advanced technology, we established our NTT DoCoMo R&D Center in Yokosuka Research Park in 1998. We believe the R&D Center is an example of our commitment to the development of cutting-edge services, products and technologies and will continue to position us as a provider of advanced technology for mobile communications.

We benefit from the strong positive perception in Japan of the DoCoMo brand name. We also benefit from the strong positive perception of the brand name of NTT, our controlling shareholder. To market our services and products throughout Japan, we have established an extensive nationwide distribution and after-sales service and support network comprised primarily of independent agents, which, as of March 31, 2004, included approximately 1,270 DoCoMo Shops (which exclusively offer our products and services), approximately 700 primary agents and approximately 75,000 general agents, and also 66 DoCoMo branches and sales offices.

We recognize that support for building environment-friendly social systems is an important management issue facing our company. To that end, at almost all levels of the group, we have earned ISO14001 certification, which is a set of international standards for environmental management and inspection. At the same time, we seek to alleviate the burden on environment by procuring and purchasing environment-friendly products and materials, collecting and recycling used mobile phone handsets and accessories and saving paper resources by offering a paperless e-billing service . In addition, we are also actively engaged in forestation campaigns through our DoCoMo Woods program.

Our Services

We offer a variety of services to support our subscribers needs for wireless voice and data communications. While our primary service continues to be our cellular voice services, we are increasingly focusing on mobile

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multimedia services, such as i-mode, and our 3G services called FOMA , which stands for Freedom of Mobile Multimedia Access as well as continuing to offer PHS and other services.

Cellular Services

The primary focus of our business is our cellular services. For fiscal 2003, our cellular services, which include cellular phone service and satellite mobile communications service, accounted for approximately 85.9% of our consolidated operating revenues, the vast majority of which is attributable to cellular services. We offer mova service, on our 2G network, compatible to voice and data communication. We also offer FOMA service, on our 3G network, with voice and high-speed data communication which is compatible to various functions such as Videophone and, i-motion mail.

Cellular (mova) Services

We offer cellular voice services on networks that are accessible by virtually the entire population of Japan. Our primary cellular voice services are offered on our nationwide 800 MHz digital network. We also offer cellular voice services on a 1.5 GHz network, covering primarily the Tokyo, Osaka and Nagoya areas and certain neighboring areas. The nationwide 800 MHz network and the 1.5 GHz network are our 2G networks.

In order to provide additional options and services for the convenience of our subscribers and to increase revenues through value-added services, we also offer cellular subscribers a number of standard optional features including voice mail, call forwarding, caller I.D., call waiting and three-way calling. In September 2003, we began offering Melody Call , a service that allows users to replace their ringback tones with their choice of music that callers can hear while waiting. We also began MOBACHEMAIL , a service that enables users of i-mode services to send gift checks, with attached messages, that can be applied to recipients monthly phone bills, in December 2003.

Cellular (FOMA) Services

FOMA services are our third generation of wireless voice and data transmission services. FOMA services use advanced technology which allows us to offer faster and higher quality services to our users. We believe that the successful development and expansion of FOMA is one of the most important challenges facing our company in the fiscal year ending March 31, 2005. In the year ended March 31, 2004, we saw significant growth in FOMA with over 3 million subscribers. Over the coming years, we expect a continued shift in our subscriber base from mova services to FOMA services.

We began offering FOMA services on an introductory basis in May 2001 and on a fully commercial basis in October 2001. The introductory service area was confined to Tokyo s 23 wards and limited areas in Yokohama and Kawasaki. The fully commercial service was launched in the Tokyo metropolitan area, including Yokohama and Kawasaki, in an area within approximately a 30-km radius of central Tokyo. We have continued to expand the coverage while improving the service quality within the area where FOMA service has already been made available. As a result of coverage expansion efforts, the FOMA population coverage ratio was 99% as of March 31, 2004, including almost all cities in Japan.

Our basic strategy is to expand the FOMA services we offer at the same time as we expand our geographic reach. We believe that our FOMA services are well-suited for both ordinary users as well as business users because of FOMA s advanced features, including clear voice quality, high data communication speeds, video transmission capabilities and diversified billing plans for packet communications.

One of the primary advantages of our FOMA services is the increased quality and speed at which services are available. Additionally, these new services offer the ability to simultaneously handle both voice communications and data packet transmissions so that subscribers can continue talking while sending and

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receiving data. FOMA services that we currently offer include videophone, video mail, high-speed Internet connection services, FOMA i-mode services and mobile computing and various information based services.

In November 2001, we launched our i-motion video-clip distribution service which enables users to obtain video-content at a speed up to 384 Kbps. In May 2002, we launched trial service of V-Live which enables FOMA users access to streaming video live and archived video, with contents including music, sports, news, animation, and tourist information, and began commercial service in May 2003. In addition, in October 2002, we launched M-Stage Visual Net service, which enables a maximum of eight people to participate in a mobile videoconference using the videophone function of FOMA. In January 2003, we launched our i-motion mail service which enables users of new FOMA handsets to attach video messages to an e-mail.

In July 2002, we launched our dual network service to allow our FOMA subscribers to switch between the FOMA and the PDC network using a single phone number. In June 2003, we launched an international roaming service for FOMA called WORLD WING which allows FOMA subscribers traveling abroad to make and receive calls from their regular FOMA phone numbers by inserting the FOMA UIM chip that comes with their FOMA handset into a GSM handset. As of March 31, 2004, this service is available in 94 countries and regions. Hutchison 3G UK launched 3G services based on W-CDMA technology in March 2003 in the United Kingdom, and Hutchison 3G HK also launched 3G services in January 2004 in Hong Kong. FOMA users are now able to make videophone calls via our 3G networks to H3G UK users, since October 2003, and H3G HK users, since February 2004.

i-mode

i-mode services are wireless Internet access services based on a data communications system that organizes data into bundles called packets prior to transmission. Our i-mode handsets allow subscribers to send and receive data through our i-mode server to and from the Internet while also providing users with the full range of cellular voice services. i-mode is an optional service available to mova subscribers offered on our nationwide 2G 800 MHz network and to FOMA subscribers offered on our 3G network which allows users to send and receive e-mail, access online services such as banking services and airline and ticket reservations, access an array of information from i-mode servers and execute and settle retail transactions directly through their handsets. Almost all cellular handsets which we currently sell are i-mode compatible, thus allowing our customers to choose whether or not to subscribe to i-mode service. We introduced i-mode to take advantage of the growth in demand for data transmission services. The introduction of i-mode services encouraged our cellular phone users to use data transmission more and thereby changed the way cellular phones are used in Japan.

Basics of i-mode Services

Our i-mode services consist of four main components: the i-mode handset, the i-mode packet network, the i-mode server and content providers.

The base of i-mode services is the handset itself. An i-mode handset is a standard cellular handset with i-mode related equipment that includes a display screen, a color-browser and the ability to transmit and receive data packets at up to 28.8 kbps using our 2G 800 MHz network or at up to 384 kbps using our 3G network. The physical appearance of i-mode handsets is almost identical to standard handsets, except for a slightly larger display screen to accommodate various i-mode functions, such as the Internet browser. The browser can read a subset of HTML. HTML is the standard language for the Internet. Almost all of the cellular handsets we currently sell are i-mode compatible and most are equipped with built-in cameras. Most new customers choose to receive i-mode services together with cellular phone services.

From the i-mode handset, information is transmitted to a packet network. mova i-mode is based on the PDC mobile packet communication system and uses the same packet network as our packet communication service, which is called DoPa. The packet network acts as a relay station between the handset and the i-mode server.

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The i-mode server functions as the gateway between our network and the Internet. The function of the i-mode server is data distribution, e-mail transmission and storage, i-mode customer management, content provider management and information charging. The i-mode server is also connected to certain banks and information providers either by dedicated lines or through the Internet.

The final and most important element of i-mode services is content. Content is provided by content providers through i-mode portal menu sites and voluntary web sites. In February 1999, when i-mode services were introduced, i-mode users had access to 67 content providers, but voluntary web sites had not been introduced. However, since then, the number of content providers has rapidly increased. As of March 31, 2004, there were approximately 4,100 DoCoMo i-mode portal menu sites and approximately 75,000 voluntary web sites.

i-mode Services

Typical services that may be accessed through an i-mode handset include:

- e-mail;
- games and other entertainment;
- news, weather and sports information;
- restaurant guides, locations and reservations;
- mobile banking;
- other financial services, such as credit card services and information and online stock quotes and trading;
- ticket reservation and purchase (including for concerts and sporting events);
- e-shopping (CDs, books);
- travel reservations;
- telephone directories; and
- classified ads (including part-time job offerings, apartment and house hunting, and car sales).

We offer an area-specific information service called i-area , which provides weather, dining, traffic and other types of information to our i-mode users. As i-mode base stations automatically recognize a subscriber s location, information is organized according to where the handset is being

used. In March 2002, we released service specifications for i-area. Before that, only contents providers of our i-mode portal sites were able to provide i-area content. However, now open i-area service allows anyone to relay i-area information to users.

We plan to continue to add attractive i-mode services. To broaden the capabilities of i-mode, and in cooperation with Sun Microsystems, we introduced in January 2001 a new series of i-mode handsets with Java that enables users, through their handsets alone, to run programs and play games, and SSL capabilities that enable users to access advanced intranets and other information. We have introduced i-appli services and content specifically for our Java based handsets, and have introduced and are expanding our English-language content.

In June 2002, we introduced i-shot service for our mova services, which allows users to transmit digital still images taken with mobile phones that feature built-in digital cameras. Users can send images through our nationwide circuit switch network, which provides a more economical means of transmitting large amounts of data compared to a packet network. There is no subscriber fee for i-shot service. Users pay a per transmission

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charge, which depends on the size of the data being sent and other conditions. Photos sent via i-shot cost ¥10 or more, and i-mode users will pay ¥3 to ¥4 per URL received and approximately ¥18 to ¥23 per downloaded smaller size photo.

We have entered into additional alliances regarding Internet banking (such as The Japan Net Bank, Ltd.) and retail transaction settlement to further improve i-mode services. We have also entered into a joint venture with Lawson, Inc., a major convenience store chain in Japan, which will allow customers to place orders on i-mode handsets and pick up their orders at any one of Lawson s outlets throughout Japan. Also planned for i-mode is a more secure platform for e-commerce applications.

We have begun a new person-to-machine communications service using i-mode which we call Cmode. Together with Coca-Cola (Japan) Co., Ltd., and Itochu Corp., in September 2001, we launched a 17-week trial in the Shibuya area of Tokyo of Cmode, a unique consumer service employing cutting-edge computer software that transforms soft drink vending machines into information stations and services terminals. The specially developed Coca-Cola vending machines have embedded computers and are linked to our i-mode service to allow i-mode users to purchase soft drinks and earn prizes. The specially developed Coca-Cola vending machines are equipped with video displays, printers, sensors, and speakers. Cmode members can accumulate user points that can be exchanged for soft drinks or for a variety of Cmode services that are available through i-mode. In April 2002, Cmode vending machine operations were expanded to other parts of Japan, and by March 31, 2004, we have installed 1,300 units across Japan.

We also advise, provide know-how to and invest in i-mode content providers through a subsidiary, DoCoMo.com Inc. Together with Dentsu Inc., Japan s largest advertising agency, and NTT Advertising, Inc., we have also established D2 Communications Inc., which serves as an advertising agency for the i-mode platform.

In July 2002, we established DoCoMo i-mode Europe B.V., a wholly-owned subsidiary based in Amsterdam, the Netherlands, to promote the dissemination of i-mode service in Europe to those companies which we have licensed i-mode technology. DoCoMo i-mode Europe B.V. provides consultation regarding i-mode technology and marketing, as well as support in the setup and operation of i-mode services.

In June 2003, Telefónica Móviles España S.A. introduced i-mode to the Spanish market under its mobile Internet service e-mocion . This was followed in November 2003 by the introduction of i-mode to the Italian market by Wind Telecommunicazioni S.p.A. That same month, we entered into an exclusive strategic partnership with COSMOTE Mobile Communicatoins S.A., the leading mobile operator in Greece to provide for the launch of i-mode service preceding the Athens 2004 Olympic Games. In January 2004, i-mode subscribers outside Japan surpassed 2 million, including subscribers in the Netherlands, Germany, France, Belgium, Spain, Italy and Taiwan.

In June 2003, in cooperation with Visa International and Nippon Shinpan, we began offering credit card payment services on a trial basis at various merchants in Tokyo, using i-mode enabled handsets equipped with IrMC infrared transmission ports in order to allow payment of credit card bills using 504i and 504iS series mobile phones. A full commercial launch of this credit card payment service with other major credit card companies is targeted for July 2004.

In February 2004, we started offering i-mode My Box services, which we had been offering on a trial basis since June 2003. The service allows users to access customized information provided by My Box information providers who have registered for this service via the My Box site on the top page of the i Menu portal.

To cope with the issue of voluminous unsolicited bulk e-mails sent to our i-mode users, we have taken a number of measures since July 1999. Among other measures, we have enabled users to block all mail sent to them from particular addresses, provided i-mode users with 400 packets per month (worth approximately ¥120

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per month) of free packet-data communication, blocked e-mails sent to large numbers of invalid e-mail addresses, enabled users to restrict incoming e-mail to user-designated domains and offered new ringing tones which help to prevent receipt of unwanted calls from unknown numbers. In March 2002, we began to provide priority connection service for highly reliable data transmissions and in April 2002, we upgraded our service to block forged-domain unsolicited bulk e-mail.

Cellular Subscribers

Our number of subscribers including mova and FOMA subscribers has grown by approximately 2.1 million to approximately 45.9 million as of March 31, 2004, which represents a market share of 56.3%, a 1.7% market share decrease from the end of the previous fiscal year. We believe that our cellular subscriber growth has been attributable primarily to (i) nationwide growth and popularity of cellular services, (ii) the liberalization of the handset market and significant declines in handset prices and improved technology which have resulted in advanced, light-weight handsets, (iii) the expansion and enhancement of our networks, (iv) significant declines in tariffs and our competitive pricing, (v) our reputation for quality products and services and (vi) the introduction of new, value-added cellular services such as i-mode.

As a result of favorable sales for FOMA handsets, such as video phone compatible 2102V series and 900i series handsets, that have been made available since February 2004, FOMA subscribers as of March 31, 2004, totaled approximately 3.05 million, a significant increase from approximately 330,000 as of March 31, 2003. Minutes of usage per FOMA subscriber for the year ended March 31, 2004, totaled 219 minutes.

Subscriber growth for i-mode services was remarkable for the first three years following its introduction in February 1999, and subscriber growth has continued through the most recent fiscal year. As of March 31, 2004, we had over 41.0 million i-mode subscribers; as of March 31, 2003, we had over 37.8 million i-mode subscribers; as of March 31, 2002, we had over 32.2 million i-mode subscribers; as of March 31, 2001, we had 21.7 million i-mode subscribers; and as of March 31, 2000, we had 5.6 million subscribers.

	Year ended March 31,		
	2002	2003	2004
		(in thousands)	
DoCoMo cellular subscribers	40,783	43,861	45,927
mova subscribers	40,694	43,531	42,882
FOMA subscribers	89	330	3,045
i-mode subscribers	32,156	37,758	41,077
i-mode subscribers(mova)	32,075	37,456	38,080
i-mode subscribers(FOMA)	81	303	2,997
DoCoMo estimated market share of total subscribers	59.0%	58.0%	56.3%
DoCoMo subscriber growth rate	13.2%	7.5%	4.7%
DoCoMo average monthly churn rate [1]	1.17%	1.23%	1.21%

(1) In general, the term churn rate is defined as the level of customers who disconnect their service relative to the total subscriber base. Our measurement of churn rates include voluntary terminations in connection with handset upgrades or changes. The average monthly churn rate for each fiscal year is calculated by adding the number of cellular subscriber contract terminations in each month of that fiscal year and dividing that number by sum of the cellular subscribers*from April to March.

* subscribers = (No. of subscribers at the end of previous month + No. of subscriber at the end of current month) / 2

In this annual report we have changed the method by which we calculate our churn rate. In previous reports, we calculated our average monthly churn rate by adding the number of cellular subscriber contract terminations in each month of that fiscal year and dividing that number by the sum of the total number of cellular subscribers at the end of each month in the twelve-month period beginning with the last month of the preceding fiscal year.

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Revenues and Tariffs for Cellular Services

Our cellular revenues are generated primarily from fixed monthly plan charges, usage charges for outgoing calls, revenues from incoming calls and charges for optional value-added services and features. We set our own rates in accordance with the Telecommunications Business Law and government guidelines, which currently allow wireless telecommunications operators to set their own tariffs without government approval.

Over the past few years, as the competition for subscribers has increased, tariff rates and monthly charges have been significantly reduced with certain other fees eliminated entirely. Currently, our cellular subscribers pay (i) an activation fee of ¥3,000, (ii) a fixed monthly plan charge based upon the plan chosen, (iii) usage or per call charges which vary according to distance, duration, day and time of day and the particular plan chosen and (iv) additional monthly service fees for miscellaneous value-added services.

One of our basic strategies has been to focus on offering subscribers usage plans and discount services tailored to their usage patterns. As a result, we offer a variety of different monthly plans targeted at different segments of the market. These plans include basic usage plans for ordinary usage and heavy usage plans. In addition, almost all plans include a certain amount of prepaid usage (i.e., free minutes) per month for fixed rates. Prepaid amounts are credited against total usage. Prepaid amounts are first allocated to voice minutes. To the extent that voice minutes do not exhaust the prepaid amount, it is then credited against i-mode use. Additionally, we offer various discounts, including discounts for families, long-term subscriber discounts and heavy-volume user discounts. The prepaid usage amount will not change even after the discounts are applied to monthly charges.

Revenues and Tariffs for Cellular (mova) Services

The monthly plan charge of our basic billing plan for mova service is currently ¥4,500 (which includes ¥600 worth of prepaid usage) although we have a variety of different plans at varying rates. Under our basic plan, calls made to fixed line phones during the daytime on a weekday within Tokyo cost approximately ¥30 per minute.

In December 2002, we started a billing plan named Limitplus . Under this billing plan, outbound calls and i-mode services are automatically blocked after monthly phone charges reach a preset limit in order to accommodate parents who desire to set a limit on the monthly phone use of their children. However, inbound calls as well as use of emergency phone numbers are not blocked even when a preset limit is reached.

In November 2003, we commenced a new billing service that automatically carries over any unused monthly dialing and packet communication allowances for up to two months. The rollover plan, called Nikagetsu Kurikoshi , applies to all mova and FOMA subscribers, including those using other discount services.

Effective from April 1, 2004, we increased the discount rate for our Family Discount. The revised discount rates for fixed monthly charges and communication charges between family members are 25% (up 5%) and 30% (up 10%), respectively.

We believe that our variety of plans, prices and discounts have helped us to remain competitive in retaining existing subscribers and attracting new subscribers. We will initiate rate reductions if we believe that it will cause an increase in usage among existing subscribers or increased new subscribers.

Revenues and Tariffs for Cellular (FOMA) Services

The charge for FOMA voice services is similar to our other cellular voice services (¥13.0 per 30 seconds for calls to land line phones within the DoCoMo business area during the day time in the case of our mid-range billing plan entitled FOMA Plan 67). Charges for 64 kbps circuit switched data service, such as for video

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phones services are approximately 1.8 times that of standard voice charges. The fee structure for packet communication services is based on the volume of data transmitted and varies between ¥0.02 per packet to ¥0.2 per packet, depending on which plan users choose.

In March 2004, we announced a new unlimited access plan for users of our FOMA i-mode service. Beginning June 1, 2004, subscribers to the basic plans FOMA Plan 67, FOMA Plan 100 and FOMA Plan 150 are eligible to subscribe to the Pake-Houdai plan which offers unlimited access to i-mode Internet service and i-mode mail for a flat monthly rate of ¥3,900. The plan does not cover other packet transmissions, such as browsing the web via devices connected to a 3G handset. We believe this flat pricing model adds value for our users and more importantly encourages expanded use of i-mode by freeing customers from concerns about their monthly bill. Additionally, our ¥3,900 per month rate offers us a competitive advantage relative to KDDI s EZ Flat plan, a similar flat rate monthly plan for packet transmissions available to their subscribers for ¥4,200 per month.

In March 2004, we also announced the revision of three FOMA Packet Packs beginning May 1, 2004. These new plans introduced more affordable plans for all subscribers to our FOMA basic monthly plans. These new plans offer up to 50% discounts over the previous fees paid to receive per-packet rates.

i-mode Revenues and Fees

i-mode users are charged according to the volume of data they transmit and not for the length of time they are online or the distance over which the data is transmitted. The basic charge for mova i-mode users to send data transmissions is equal to ¥0.3 per packet (128 bytes). Therefore, a short e-mail of about 20 full characters can be sent for as little as ¥1 and a longer e-mail of 250 full characters would be approximately ¥4. Passengers can check airline seat availability for as little as ¥40. For new Java-related services, users are charged according to the size of the application to download various applications such as games, stock charts, maps and cartoons. mova i-mode users pay us a ¥150 monthly charge plus a ¥150 per month i-mode usage charge in addition to the standard monthly charge for voice service. The monthly i-mode usage fee for FOMA is ¥150 per month, and the transmission charge for FOMA i-mode users varies between ¥0.02 and ¥0.2 per packet, depending on which billing plan users choose.

There are also additional information charges payable to content providers when subscribers use certain i-mode sites. For example, access to Nikkei News service costs ¥300 per month and access to Tenki Plus, which provides weather information, costs ¥100 per month. We bill subscribers for content provider fees, and receive from the providers a commission of 9% of the information charges for our billing and collection services. Revenues from these information charges for fiscal 2003, 2002, 2001, 2000 and 1999, which consist only of the commission, were ¥12.2 billion, ¥10.4 billion, ¥7.6 billion, ¥3.1 billion and ¥200 million, respectively.

In August 2001, we began offering mova i-mode users free data transmission up to 400 packets per month, which caused mova i-mode revenue to decrease by approximately ¥30 billion in fiscal 2001, and by ¥42 billion yen in fiscal 2002. In September 2002, we began offering 33% discounts to heavy packet users for their packet use above ¥30,000 per month.

Cellular System Usage

Until fiscal 2000, the average minutes of usage, or MOU, per cellular (mova) subscriber had been steadily increasing. MOU(mova) decreased year-on-year to 158 minutes per month for fiscal 2003 from 168 minutes for fiscal 2002 and 178 minutes for fiscal 2001. Aggregate average

monthly revenues per unit (mova), or ARPU, decreased to ¥7,830 in fiscal 2003 from ¥8,140 in the prior year.

The primary reason that aggregate ARPU (mova) has remained relatively steady from fiscal 2002 through fiscal 2004 is that the continuing but slowing growth of i-mode subscribers and i-mode usage has resulted in

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increasing i-mode ARPU (mova) rates, although the rate of increase has slowed considerably. This increase in i-mode ARPU (mova) has partially offset the effects of declines in voice ARPU (mova) that have resulted primarily from reductions in tariffs, including basic plan charges and per minute tariffs, over the past several years. Other factors that have contributed to the voice ARPU (mova) decline include increased penetration rates and a corresponding increase in the proportion of low usage subscribers and the increase in the number of free minutes we offer in connection with our various discount plans.

Aggregate ARPU (FOMA) for the year ended March 31, 2004 increased to ¥10,280 from ¥7,740 in the prior year. This reflected a significant increase in voice ARPU, from ¥5,050 in the year ended March 31, 2003 to ¥6,900 in the year ended March 31, 2004 with MOU increasing mainly due to network coverage expansion. For the same years, packet ARPU (FOMA) also increased from ¥2,690 to ¥3,380.

The following table sets forth selected information concerning monthly minutes of usage, or MOU, per subscriber and average monthly revenue per unit, or ARPU, data :

	Year ended March 31	
	2003	2004
Total average monthly minutes (MOU) per subscriber (FOMA+mova)	167	159
Aggregate ARPU (FOMA+mova)	¥ 8,130	¥ 7,890
Voice ARPU (FOMA+mova)	6,380	5,920
Packet ARPU (FOMA+mova)	1,750	1,970
i-mode ARPU (FOMA+mova)	1,750	1,970
ARPU generated purely from i-mode (FOMA+mova)	2,120	2,240

ARPU (Average monthly revenue per unit)
Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to designated services on a per user basis. ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as monthly charges, voice transmission charges and packet transmission charges from designated services, by number of active subscribers to the relevant services. Accordingly, the calculation of ARPU excludes revenues that are not representative of monthly average usage such as activation fees. We believe that our ARPU figures calculated in this way provide useful information regarding the monthly average usage of our subscribers. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations.

MOU (Minutes of Usage)

Average communication time per one month per one user.

Aggregate ARPU (FOMA+mova)=Voice ARPU (FOMA+mova) + Packet ARPU (FOMA+mova)

Voice ARPU (FOMA+mova) : Voice ARPU (FOMA+mova) Related Revenues (monthly charges, voice transmission charges) / No. of active cellular phone subscribers (FOMA+mova)

Packet ARPU (FOMA+mova) : {Packet ARPU (FOMA) Related Revenues (monthly charges, packet transmission charges)+ i-mode ARPU (mova) Related Revenues (monthly charges, packet transmission charges)}/ No. of active cellular phone subscribers (FOMA+mova)

i-mode ARPU (FOMA+mova) : i-mode ARPU (FOMA+mova) Related Revenues (monthly charges, packet transmission charges) / No. of active cellular phone subscribers (FOMA+mova))

ARPU generated purely from i-mode (FOMA+mova) : i-mode ARPU (FOMA+mova) Related Revenues (monthly charges, packet transmission charges) / No. of active i-mode subscribers (FOMA+mova)

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No. of active subscribers used in ARPU/MOU calculations are as follows:

FY Results : Sum of No. of subscribers* for each month from April to March

* subscribers = (No. of subscribers at the end of previous month + No. of subscriber at the end of current month) / 2

	Year ended March 31		
	2002	2003	2004
Total average monthly minutes (MOU) per subscriber (mova)	178	168	158
Aggregate ARPU (mova)	¥ 8,470	¥ 8,140	¥ 7,830
Voice ARPU (mova)	6,930	6,390	5,890
i-mode ARPU (mova)	1,540	1,750	1,940
ARPU generated purely from i-mode (mova)	2,150	2,140	2,200

Aggregate ARPU (mova)=Voice ARPU (mova) + i-mode ARPU (mova)

Voice ARPU (mova) : Voice ARPU (mova) Related Revenues (monthly charges, voice transmission charges) / No. of active cellular phone subscribers (mova)

i-mode ARPU (mova) : i-mode ARPU (mova) Related Revenues (monthly charges, packet transmission charges) / No. of active cellular phone subscribers (mova)

ARPU generated purely from i-mode (mova) : i-mode ARPU (mova) Related Revenues (monthly charges, packet transmission charges) / No. of active i-mode subscribers (mova)

No. of active subscribers used in ARPU/MOU calculations are as follows:

FY Results : Sum of the number of subscribers* for each month from April to March

* subscribers = (number of subscribers at the end of previous month + number of subscriber at the end of current month) / 2

In this annual report, we have changed the method by which we calculate the number of active subscribers used in calculating our ARPU (mova, i-mode (mova), generated purely from i-mode (mova)), and MOU (mova) figures. In previous reports, we calculated the number of active subscribers used in ARPU/MOU calculations as follows:

FY Results : {(No. of subscribers at the end of previous fiscal year + No. of subscribers at the end of current fiscal year) / 2} x 12 months

The following table sets forth selected information concerning monthly usage per subscriber, or MOU, and average monthly revenue per unit, or ARPU, data regarding FOMA service:

	Year ended March 31		
	2002	2003	2004
Total average monthly minutes (MOU) per subscriber (FOMA)		109	219
Aggregate ARPU (FOMA)	¥ 8,750	¥ 7,740	¥ 10,280
Voice ARPU (FOMA)		5,050	6,900
Packet ARPU (FOMA)		2,690	3,380
i-mode ARPU (FOMA)		2,120	3,240
ARPU generated purely from i-mode (FOMA)		2,340	3,330

Aggregate ARPU (FOMA)=Voice ARPU (FOMA) + Packet ARPU (FOMA)

Voice ARPU (FOMA) : Voice ARPU (FOMA) Related Revenues (monthly charges, voice transmission charges) / No. of active cellular phone subscribers (FOMA)

Packet ARPU (FOMA) : Packet ARPU (FOMA) Related Revenues (monthly charges, packet transmission charges) / No. of active cellular phone subscribers (FOMA)

i-mode ARPU (FOMA) : i-mode ARPU (FOMA) Related Revenues (monthly charges, packet transmission charges) / No. of active cellular phone subscribers (FOMA)

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ARPU generated purely from i-mode (FOMA) : i-mode ARPU (FOMA) Related Revenues (monthly charges, packet transmission charges) / No. of active i-mode subscribers (FOMA)

No. of active subscribers used in ARPU/MOU calculations are as follows:

FY Results : Sum of No. of subscribers* for each month from April to March

* subscribers = (No. of subscribers at the end of previous month + No. of subscriber at the end of current month) / 2

Currently, we are emphasizing increasing monthly voice ARPU and are focusing on retaining and increasing the number of core customers, increasing our overall usage, and increasing data transmission volume, particularly i-mode transmissions. We believe that these new services will contribute to increased data transmissions.

Beginning in fiscal 2001, the way that we calculate ARPU changed as a result of the renegotiation of our interconnection agreements with respect to the interconnection charges we pay to other carriers. Prior to April 1, 2001, we did not pay interconnection charges related to calls made by our subscribers when using the networks of other carriers. In addition, such other carriers bore the collection risk for the revenue associated with the portion of the calls made on their networks. Consequently, we recorded revenue only for the portion of such calls carried by our networks. Under the renegotiated interconnection agreements we are obligated to pay interconnection charges to the other carriers for the aforementioned calls made by our subscribers, as well as assume the collection risk for the entire call. As a result, there is an increase in operating revenues which is offset by a corresponding increase in operating expenses. However, as a result of this change, there is an increase in our ARPU from levels that would otherwise have been achieved.

i-mode ARPU(mova) increased significantly in the first three years following the introduction of i-mode services(mova). For the year ended March 31, 2003, however, ARPU generated per purely from i-mode (mova) was approximately ¥2,140 compared to ¥2,150 for the year ended March 31, 2002. This decrease was due to primarily to the discounts related to free packet usage to compensate for receipt of unsolicited bulk e-mail, allowing users to view the i-menu table of contents page without charge and discounts for heavy packet users introduced in the fiscal years ended March 31, 2003 and 2002. For the year ended March 31, 2004, however, i-mode ARPU (FOMA+mova) were ¥1,970, showing growth compared to ¥1,750 in the year ended March 31, 2003.

PHS Services

Our Personal Handyphone System, or PHS, services are wireless voice and data transmission services similar to our cellular services but offered using different technology and a different network. PHS is a digital cordless phone system that operates on a digitalized microcell network that makes it possible to use a PHS phone outside the home or office. The PHS base stations are small and easy to install. As a result, PHS services can easily be provided in buildings and underground passages. However, in fast moving automobiles or trains our PHS users do not enjoy the same reception quality as our cellular phone users do. PHS handsets look like cellular handsets, but with the exception of dual mode handsets that function on both the cellular and PHS networks, PHS handsets cannot utilize the cellular network. We offer PHS services to our subscribers on our PHS network. PHS was originally introduced by the NTT Personal Group in July 1995.

We took over the operations of these PHS services beginning on December 1, 1998. Since taking over PHS operations in December 1998, we have adopted the following strategies for PHS in order to improve its performance:

Improve the existing PHS network coverage by raising the height of the PHS base station antennas, thereby widening the coverage area and reducing the relatively high level of dropped calls;

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- Market the data transmission capability of the PHS system, which is better than that of our 2G cellular system;
- Promote new services for mobile multimedia, such as 64 kbps transmission services and e-mail;
- Provide price reductions and family discounts to subscribers who also subscribe to our other services, such as cellular services;
- Promote dual mode handsets which allow the same handset to be used for cellular and PHS services;
- Develop platform ASP business and business LAN connections;
- Introduce the P-in series data communication card, which allows users to conduct wireless data transmission through PCs and PDAs; and
- Provide fixed price service.

While promoting these strategies focusing on data communication services, we will continue to make further efforts to decrease costs by utilizing our facilities more efficiently.

PHS Subscribers

At the end of fiscal 1995, the NTT Personal Group had approximately 0.4 million subscribers. Initially, with the rapid expansion of service areas, the price decline of handsets and reduction of billing rates, the number of NTT Personal Group PHS subscribers reached approximately 2.1 million in September 1997. From September 1997 to March 31, 2000, PHS subscribers declined to approximately 1.4 million. PHS subscribers increased to approximately 1.9 million as of March 31, 2002, but fell to approximately 1.7 million as of March 31, 2003 and 1.6 million as of March 31, 2004.

Services Offered for PHS

We have significantly expanded the service offerings for PHS since acquiring the PHS businesses. In addition to voice mail, call forwarding, caller I.D., and other standard optional features such as 64 kbps data transmission, which allows users to conduct wireless data transmission at an actual transmission rate of 58.4 kbps, subscribers may sign up for numerous services and features, the most significant of which capitalize on PHS s strength in high-speed data transmission. Users are able to enjoy various services including M-stage services , such as e-mail service and video and digital book distribution service, and mopera net surfing , a wireless Internet access service which allows users to access the Internet by connecting their PHS handsets with notebook computers or PDAs.

In April 2003, we introduced a fixed price wireless Internet access service called @FreeD . The new service offers @FreeD subscribers unlimited Internet usage for a flat monthly fee of ¥4,880 or a year-subscription of ¥48,000.

In April 2004, we started offering a data compression service called Net Highway , in order to increase the efficiency of Internet access and e-mail transmission for improved customer satisfaction.

In March 2003, we began offering M-stage Visual Net service to PHS customers. This service provides PHS users with the ability to participate in simultaneous mobile videoconferencing with multiple parties.

PHS Revenues and Tariffs

The PHS billing plans and rates are very similar to those for the cellular services and are based on the same monthly fee (depending on the plan) plus dialing charge structure. The primary difference is that PHS rates are substantially lower. Additionally, there are a number of rate plans designed specifically for data transmission and mobile computing.

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Other Mobile Multimedia Services

We have focused extensively on our initiative to develop the mobile multimedia and data communications markets. As part of these efforts, we have been offering a wide variety of data services such as packet communications at speeds up to 28.8 Kbps for i-mode and DoPa services, 64K data service on the PHS platform and data communications at speeds up to 384 Kbps on FOMA. Our client authentication service ensures a highly secure individual authentication to suit a variety of users of the mobile Internet.

DoPa, our packet communication service, is a driving force behind our strategy of broadening the scope of mobile communications. DoPa is used mainly in person-to-machine and machine-to-machine communications. Fees are charged according to the volume of data transmitted and received. DoPa makes the direct exchange of data possible between terminals in a wireless environment and between a terminal and an office LAN via a dedicated lease line or an ISDN connection. DoPa helps boost network efficiency and lower communication costs because it does not require an exclusive radio channel for each user. DoPa is compatible with Internet protocols such as TCP/IP and enables remote LAN and e-mail access.

Doco-desu-Car? is an example of machine-to-machine communications. Doco-desu-Car? is a service for corporate users which allows companies to locate the position of their vehicles and to manage the allocation of a vehicle fleet.

In December 2003, we began development of our DoPa Ubiquitous Module, which will increase machine-to-machine communication services as part of our endeavor to promote mobile multimedia services. By embedding these modules, we expect a broad range of uses such as an efficient automobile fleet management system, a wireless credit card transaction system, and a system which enables a vending machine to automatically detect and notify the amount of its inventory to a service center.

In response to a diversity of customer service needs, we have released various handsets, such as Pocket PC2002-embedded PDA called musea , Windows CE.NET- embedded PDA with a full key board called sigmarion III , Posiseek R , F661i , and F505i GPS handset compatible with a GPS-based positioning service, DLP service, which is for corporate users and information providers, and a videophone-compatible PHS handset, Lookwalk P751v .

In the area of content distribution services, we offer M - Stage which enables users to utilize our video distribution service, digital book distribution service and a host of rich mobile multimedia contents such as news, banking services, transportation information, and maps. We also provide corporate users with applications such as groupware which enables sales representatives outside the office to confirm their customer data and contact details by remotely accessing their corporate servers. The service can be used by a broad range of user groups for their respective purposes. While we previously offered M-Stage visual on dedicated terminals, we discontinued the service on March 31, 2004 and focus on other video distribution services such as M-Stage V-Live and i-motion to broaden use on general FOMA handsets. Similarly, we terminated the location information service (mopera location information service) on March 31, 2004 because our i area and GPS handset-based services were becoming mainstream in offering self-location information services. Furthermore, we will discontinue providing M-Stage music on September 30, 2004 because various kinds of music distribution services are available now and we offer music distribution services such as Melody Call and Chaku motion . Users can access these services via the M-Stage portal using a notebook PC or a PDA attached to our PDC, PHS, FOMA, or DoPa service handsets.

In May 2003, we launched an on-line payment service called DoCommerce , which enables mova and FOMA i-mode users to use their SSL-compatible handsets to shop on the i-mode sites operated by DoCommerce merchants. Users can make a payment or charge on their credit cards by simply entering their user passwords. DoCommerce also offers an account aggregation feature which enables users to simultaneously

check the balances of two or more bank accounts or the credit card charges via a single password using their i-mode

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handsets. In addition, payment at a convenience store using a QR code has been available since August 2003. While the usage of the mobile Internet has spread widely, high security in individual authentication has become important. In order to address this, we introduced a client authentication service called FirstPass in July 2003, enabling FOMA users to reduce the risk of identity theft and safely use the mobile Internet.

In July 2002, we launched a public wireless LAN service called Mzone . Customers who are in the service areas are able to send and receive data at high-speeds with their notebook PCs or PDAs. Based on our market research, we enhanced our Mzone services during fiscal 2003 in response to user needs. Such efforts include offering a one-day usage plan and a roaming arrangement with NTT-BP which has extensive service areas, mainly in railway stations. There were 254 Mzone service areas as of March 31, 2004, and we plan to further expand the coverage in the future according to the needs of our customers. In cooperation with SingTel Mobile, from April to June 2004, we conducted a trial to test international wireless LAN roaming service for users of Mzone and SingTel s Outdoor Wireless Surf LAN services. Based on the results of this trial, we are hoping to expand the Mzone service to include international roaming capability.

In December 2003, we launched a trial using mova N504iC and SO504iC mobile phones equipped with FeliCa contactless IC chip technology developed by Sony Corporation. Participants in the trial are able to use their phones in transactions with 27 different service providers in fields such as banking, convenience stores, television broadcasting, game software and retail ticketing. In these transactions, the phones perform electronic money, personal identification and other functions.

In January 2004, we launched our Business mopera Access Pro service for major enterprises in addition to our FOMA Packet Lease Circuit Connection and XWave services. Business mopera Access Pro provides highly secure access to enterprise LAN through closed network from remote terminals, such as laptops and PDAs. This service enables an enterprise to access via various types of wireless networks, including mova, PHS, and FOMA, with a single leased line subscription. Going forward, we will promote the introduction of mobile systems for enterprises and focus on providing mobile solutions.

Other Services

Quickcast Services (formerly called Paging Services)

We offer digital display and value-added paging services throughout Japan under the service name Quickcast. Our services are offered on a nationwide FLEX-TD system which we introduced in 1996. FLEX-TD allows us to offer a wide variety of information services via a high-speed paging system, including the ability to receive e-mail messages via the Internet or from personal computers and to retrieve the messages from anywhere in Japan. We also offer broadcast messaging features which allow one message to be sent to multiple users at the same time. In February 1999, we introduced a calling-party-pays Quickcast service called 02 DO .

Quickcast Subscribers

We had approximately 0.46 million Quickcast subscribers as of March 31, 2004, representing a 24.4% decrease from 0.6 million as of March 31, 2003, and a 44.7% decrease from 0.8 million subscribers as of March 31, 2002. The number of Quickcast subscribers has been declining consistently since fiscal 1996. We believe that the decrease in our subscriber base is attributable to a number of factors, including increased penetration and lower prices of cellular and other mobile communication services and increased services offered by cellular and PHS providers that are similar to those typically offered by paging companies. With the market size still contracting, from January 2003, we ceased accepting

applications for some less frequently used optional services and unified fee plans for new acceptances. On March 31, 2004, we terminated the Infochannel service, a Quickcast information distribution service. On June 30, 2004, we will cease accepting applications for Quickcast service, and we are considering termination of this service depending on continuing demand.

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Satellite Mobile Communications Services

We provide satellite mobile communications services integrated with terrestrial cellular services for communications in case of emergencies, in mountainous areas and aboard ships. The service area covers the territory of Japan and its surrounding waters up to 200 nautical miles from the mainland. The satellite mobile communications network uses three N-STAR communications satellites, N-STARa, N-STARb and N-STARc. N-STARa and N-STARb were owned jointly by us and JSAT Corporation until August 2003. At that time, we transferred our interests in N-STARa and N-STARb to JSAT and acquired 4,749 shares of JSAT common stock. We also began leasing the satellites from JSAT. In September 2002, we commenced the operation of a new communications satellite, N-STARc , to maintain the reliability of our system. We had approximately 31,000 subscribers to this service as of March 31, 2004. Furthermore, a variety of mobile computing applications, such as sending data and faxes are offered using high-speed data transmission capacity (64 kbps downlink and 4.8 kbps uplink).

In-Flight Telephone Services

We had provided in-flight voice communication services that could be used for unrestricted in-flight communications between aircraft and the ground in Japan. However, with the aging of the analog facilities and the lower level of service usage without much improvement in demand expected, we terminated this service on March 31, 2004.

International Dialing Services and International Roaming Services

In May 2002, in order to increase use of our international dialing service WORLD CALL , we introduced a service by which our subscribers can use WORLD CALL without having to first apply for this service. In October 2003, we enabled third-generation FOMA videophones to make international videophone calls and 64kbps transmissions to the United Kingdom in cooperation with Hutchison 3G UK. In February 2004, we added Hong Kong to World Call videophone calls and 64kbps data service. In June 2003, we also launched WORLD WING , an international roaming service for FOMA subscribers and added a new service called WORLD WALKER-PLUS, which has the similar geographical coverage with WORLD WING, to supplement WORLD WALKER for mova subscribers. By the addition of such new services, subscribers to our international roaming service WORLD WALKER increased to approximately 107,000 as of March 31, 2004, a 25.9% increase from March 31, 2003. WORLD WING service has more than 33,000 subscribers.

International Investments and Licensing Agreements

We make investments in telecommunications companies overseas with the long term aim of securing growth opportunities and strengthening our international competitiveness. We plan to leverage our expertise and experience in the Japanese wireless telecommunications market abroad by assisting our partners in developing W-CDMA as their 3G platform and by promoting the wide-spread and rapid deployment of mobile multimedia services with the goal of establishing a borderless cellular phone world. Whereas wireless operators in other parts of the world have achieved only limited success in offering wireless Internet access, our i-mode services have met with immediate success in Japan. We believe that our experience with the development and deployment of our i-mode services provides us with the ability and skills necessary to replicate our success in overseas markets in cooperation with our strategic partners. We believe that this will increase the value of our business by generating returns on investments, enhancing service quality and strengthening our position in the domestic market.

We intend to continue to look outside of Japan for attractive investment opportunities, such as cellular telecommunication companies and other companies providing related services. If we find such investment opportunities, we may make majority or minority investments or enter into licensing agreements or collaboration agreements in certain fields, such as W-CDMA-based 3G services.

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Our investee affiliates operate in key markets and regions around the world. We do not believe, however, that the regulatory environments in which our partners operate will have any adverse effect on our investments or on our financial results.

The following is a summary of our major strategic international investments and licensing agreements.

AT&T Wireless Group

In January 2001, we completed an investment of approximately $9.8 billion (approximately ¥1,143 billion at the date of investment) to purchase AT&T preferred stock equivalent to 406 million shares (a 16% interest) of AT&T Wireless tracking stock and warrants to purchase the equivalent of an additional 41.75 million shares of AT&T Wireless tracking stock at $35 per share. The alliance aims to facilitate the rapid establishment and development of 3G and related mobile portal platform services in the U.S. market. The parties will jointly develop the U.S. market through AT&T Wireless nationwide network infrastructure and our i-mode based mobile Internet technology and related business know-how. With AT&T Wireless, we will also jointly promote the spread of W-CDMA technology in the U.S. market. The agreements that we entered into with AT&T and AT&T Wireless are described in detail in Item 10.C. Material Contracts.

In July 2001, AT&T Corp. completed the planned split-off of AT&T Wireless Group. In connection with the split-off, all the assets and liabilities of AT&T Wireless Group were transferred to AT&T Wireless Services, Inc., a wholly owned subsidiary of AT&T. The split-off was then effected by redeeming all the outstanding shares of AT&T Wireless Group tracking stock in exchange for shares of AT&T Wireless common stock and distributing shares of AT&T Wireless common stock to holders of AT&T common stock, resulting in AT&T Wireless becoming an independent, publicly-traded company. Our investment in AT&T preferred stock, which represented approximately 16% of the financial performance and economic value of AT&T Wireless Group, was also automatically converted into AT&T Wireless common stock at an applicable exchange rate with the result that we hold approximately 16% of the economic and voting interest in AT&T Wireless. On July 9, 2001, we started to account for our investment in AT&T Wireless using the equity method.

AT&T Wireless announced in October 2001 that it would acquire the entire equity interest of TeleCorp PCS, Inc. and in connection with the acquisition it would issue, and deliver to shareholders of TeleCorp, shares of AT&T Wireless common stock. This transaction would dilute our interest in AT&T Wireless to approximately 15.2% if we did not exercise our pre-emptive rights to purchase additional shares of AT&T Wireless common stock in order to maintain our current ownership percentage. In December 2001, we announced that we would exercise our preemptive rights to purchase additional shares in order to maintain our current approximately 16% share ownership in AT&T Wireless. Our decision to purchase additional shares was contingent on AT&T Wireless acquiring TeleCorp. When AT&T Wireless completed its planned acquisition of TeleCorp in February 2002, we completed an additional investment of approximately $382 million (approximately ¥50.6 billion at the date of investment) to purchase approximately 26.7 million shares of AT&T Wireless common stock in order to maintain our current approximately 16% ownership in AT&T Wireless.

In December 2002, we amended the Investor Agreement. Pursuant to the amended Investor Agreement, AT&T Wireless is preparing to launch 3G services based on W-CDMA in four markets in the United States, San Francisco, San Diego, Seattle and Dallas, or certain other specified substitute markets, in the summer of 2004.

On February 17, 2004, Cingular Wireless LLC, a joint venture between SBC Communications Inc. and BellSouth Corp. announced an agreement to acquire AT&T Wireless. Before the announcement of the acquisition agreement we were requested to submit an acquisition proposal by AT&T Wireless, but our board decided not to make an acquisition proposal to AT&T Wireless.

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Under the terms of the agreement approved by the boards of directors of Cingular Wireless and AT&T Wireless, shareholders of AT&T Wireless, including us, will receive $15 cash per common share or approximately $41 billion. On May 19, 2004, at AT&T Wireless 2004 Annual Shareholders Meeting, shareholders of AT&T Wireless approved the company s merger agreement with Cingular Wireless. The acquisition, which is subject to the approvals of U.S. federal regulatory authorities, and to other customary closing conditions, is expected to be completed before the end of 2004.

If the merger is completed as expected, AT&T Wireless will be released from its obligations under our Investor Agreement with them pursuant to which they are required to launch services based on W-CDMA in selected U.S. cities prior to December 31, 2004. These obligations enable us to require repurchase of our stock by AT&T Wireless at its original purchase price, plus interest, if they fail to meet the requirements. Pursuant to its merger agreement with Cingular, AT&T wireless has agreed to use reasonable efforts to meet its obligation to launch the specified 3G services prior to December 31, 2004.

Following the merger, we will generally be bound by our non-competition commitments for one year.

KPN Mobile N.V.

In July 2000, we signed a subscription agreement to invest approximately 4 billion (approximately ¥407 billion at the date of investment) for a 15% voting interest in KPN Mobile N.V. for the purpose of promoting mobile multimedia services and IMT-2000 services in Europe. We also entered into a shareholders agreement and a registration rights agreement in connection with this investment. KPN Mobile provides services in the Netherlands, Belgium and Germany.

As of December 31, 2001, KPN Mobile s parent company, Royal KPN, had loans to KPN Mobile totaling 19.7 billion which were convertible by Royal KPN into KPN Mobile shares. Per the shareholders agreement, when Royal KPN converted its loans to KPN Mobile into shares of KPN Mobile, we had the right to maintain our voting interest in KPN Mobile through the purchase of further KPN Mobile shares at the then current market value. In November 2002, we received a notice from KPN Mobile N.V. with regard to an opportunity to subscribe for further shares through exercise of our top-up right in order to maintain our voting interest in KPN Mobile N.V. In December 2002, we decided not to exercise our right to subscribe in new shares. As a consequence, our voting interest in KPN Mobile N.V. decreased from 15% to approximately 2.2%, and many of our rights under the subscription agreement and the shareholders agreement terminated as a result.

In November 2001, we signed a license agreement with KPN Mobile and its parent company Royal KPN under which we will transfer and license technologies to KPN Mobile for the launch of mobile Internet services in the Netherlands and Belgium. The services are similar to our i-mode services available in Japan. Under the licensing agreement, we provide KPN Mobile with intellectual property rights, know-how and technologies necessary to offer i-mode services. The term of the agreement is from November 7, 2001 until December 31, 2011, during which time we are entitled to collect licensing fees. In February 2002, we signed an agreement with E-Plus Mobilfunk, a subsidiary of KPN Mobile, to transfer and license technologies to E-Plus to offer mobile Internet services in Germany. Under this licensing agreement, we provide E-Plus with patents, service know-how, and technologies needed to launch mobile Internet services. KPN Mobile The Netherlands B.V. and E-Plus began offering i-mode services in the Netherlands and Germany in April 2002 and March 2002, respectively. BASE, formerly KPN Orange, began offering mobile Internet services on a commercial basis in Belgium in October 2002.

In June 2002, we entered into a memorandum of understanding with KPN Mobile N.V. regarding a joint campaign to promote 3G services in the Netherlands based on our existing 3G service in Japan. Under this memorandum of understanding, we have installed a FOMA base station in the Netherlands and KPN Mobile N.V. opened a FOMA demonstration room at its headquarters.

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KPN Mobile group companies acquired 3G licenses in the Netherlands, Germany and Belgium in July 2000, August 2000 and March 2001, respectively, and plan to begin the progressive commercial launch of services over the UMTS network in 2004.

Hutchison 3G UK Holdings Limited

In July 2000, we formed a strategic alliance with KPN Mobile and agreed to invest in Hutchison 3G UK Holdings Limited as part of a business alliance with Hutchison Whampoa Limited. We acquired a 20% stake in Hutchinson 3G UK Holdings Limited for £1.2 billion, approximately ¥185 billion at the date of the investment, in September 2000, and entered into a shareholders agreement with Hutchison Whampoa Limited, the parent company of Hutchison 3G UK Holdings Limited, and Hutchison 3G HK Holdings Limited.

In May 2004, we announced a Sale and Purchase Agreement to sell our entire 20% shareholding in Hutchison 3G UK Holdings Limited to Hutchison Whampoa Limited for a total consideration of £120 million.

Under the terms of the Agreement, we will receive payment in three installments either in cash, or subject to the listing of Hutchison Telecommunications International Limited, a subsidiary company of Hutchison Whampoa Limited that has applied for a listing on the Stock Exchange of Hong Kong, in shares of Hutchison Telecommunications International Limited. The third and final installment will be made in December 2006. Our right to receive £120 million as of the time of completion of the transaction in February 2007 is secured by the Sale and Purchase Agreement. We will continue to receive any dividends that are declared and payable by Hutchison 3G UK Holdings Limited until the transfer of the shares is completed, and neither we nor Hutchison Whampoa Limited will exercise any voting rights in respect of the sale shares. As part of the agreement, a £200 million shareholder loan we provided to Hutchison 3G UK Holdings Limited in May 2003 was transferred for value and interest in the sum of approximately £6.4 million, to Hutchison Europe Telecommunications S.à r.l., a Hutchison Whampoa Limited subsidiary company. We have no further financial commitments to Hutchison 3G UK Holdings Limited.

KG Telecommunications Co., Ltd./Far EasTone Telecommunications Co., Ltd.

In November 2000, we agreed to invest approximately NT$17.1 billion (approximately ¥61 billion at the date of investment) for a 20% equity stake in KG Telecommunications Co., Ltd. KG Telecom operates in Taiwan. Through this business alliance with KG Telecom, we aimed to provide sophisticated wireless broadband services to the Taiwanese market using W-CDMA technology and to provide mobile Internet services in Taiwan based on our i-mode technology and business model. In June 2001, we signed an i-mode license agreement with KG Telecom to license our intellectual property and technology know-how regarding i-mode services. KG Telecom launched i-mode services in June 2002.

In July 2001, we increased our equity stake in KG Telecom by purchasing 62,180,331 new shares, thereby increasing our equity stake to 21.4%. The amount of our additional investment was NT$1.87 billion (approximately ¥6.7 billion at the date of investment).

In October, 2003, we agreed to a plan by KG Telecom to enter into a Purchase Agreement with Far EasTone Telecommunications Co., Ltd., Taiwan s third largest mobile operator. Under the agreement, each KG Telecom share was converted into 0.46332 Far EasTone shares plus NT$6.72. As a result, KG Telecom became a 100% subsidiary of Far EasTone. Upon completion of the transaction, we became an approximately 5.0% shareholder in Far EasTone, and received NT$2.5 billion in cash.

At that time, we also concluded a memorandum of understanding with Far EasTone to collaborate on the W-CDMA 3G and i-mode businesses in Taiwan. Currently we are working with Far EasTone to maximize the synergy effects of the 3G platform, international roaming services, and joint procurement of handsets and other equipment. This merger enabled us to secure a more solid base in Taiwan, and will continue to increase

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economic value via further development of i-mode services and steady realization of 3G business. Far EasTone began i-mode service in April 2004.

In March 2004 we signed a consulting agreement with Far EasTone under which they are currently conducting a network field test and coverage optimization for the expected introduction of its W-CDMA 3G service later this year. Under the agreement, we are providing technical assistance. Far EasTone is planning to launch the 3G service in 2004.

Hutchison Telephone Company Limited

In December 1999, we agreed to acquire a 19% equity interest in Hutchison Telephone in Hong Kong for approximately U.S.$410 million (approximately ¥42 billion at the date of investment) as part of our business alliance with Hutchison Whampoa Limited with respect to the development of their mobile Internet services and 3G businesses in Hong Kong. In May 2001, we invested an additional $30.44 million (approximately ¥3.7 billion at the date of investment) for an additional 6.4% equity interest in Hutchison Telephone.

In July 2001, we agreed with Hutchison Whampoa Limited to separate the 3G entity from Hutchison Telephone, and acquired a 25.4% equity interest in Hutchison 3G Hong Kong Holdings Limited, or H3G HK, for approximately HK$303,190 (approximately ¥4.8 million at the date of investment).

In November 2002, NEC Corporation (NEC) acquired a 5% equity interest in both Hutchison Telephone and H3G HK. As part of this transaction, our interest in both Hutchison Telephone and H3G HK decreased from 25.4% to 24.1%. We currently hold a 24.1% equity interest in both Hutchison Telephone and H3G HK.

Hutchison Telephone launched its mobile Internet services in May 2000. In addition, H3G HK acquired a 3G license in September 2001 and launched 3G services in January 2004.

Bouygues Telecom S.A.

In April 2002, we signed an i-mode license agreement with Bouygues Telecom S.A. to license our intellectual property and provide consulting services regarding i-mode services for the launch of i-mode services in France, French Guyana, Martinique, Guadeloupe and Reunion. Under this licensing agreement, we have agreed to provide Bouygues Telecom with patents, know-how, and trade marks needed to launch i-mode service on the Global Packet Radio Service (GPRS), and UMTS networks if Bouygues Telecom is granted a 3G license in France. This agreement is in effect until April 2012. Bouygues Telecom began i-mode service in November 2002, in France.

Telefónica Móviles S.A. and Telefónica Móviles España S.A.

In June 2003, Telefonica Moviles Espana S.A. introduced i-mode to the Spanish market. This was following the i-mode license agreement we signed with Telefónica Móviles S.A. and Telefónica Móviles España S.A. in July 2002 to license our intellectual property and provide consulting services regarding i-mode services for the launch of i-mode services in Spain. Under this licensing agreement, we agreed to provide patents, know-how and technologies needed by Telefónica Móviles España S.A. to offer i-mode service in Spain under its conventional mobile Internet service, e-moción , on its Global Packet Radio Service (GPRS) network.

Separate from the i-mode licensing agreement, we also signed a joint collaboration agreement on mobile telecommunication technology and services, in which we will share GPRS/SIM card technologies and know-how, as well as opinions on handset evolution towards 3G based on W-CDMA, mainly through personnel exchanges, and also jointly study the possibility of implementing international roaming services.

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Singapore Telecom Mobile Pte Ltd.

In April 2003, we signed a 3G collaboration agreement with SingTel Mobile. Based upon this agreement, we agreed to participate in technical exchanges and joint studies with SingTel Mobile with the goal to realize interconnection and roaming between our existing 3G network in Japan and the 3G network to be built in Singapore by SingTel Mobile as well as to achieve common 3G mobile multimedia services. In addition, in cooperation with SingTel Mobile, from April to June 2004, we conducted a trial to test international roaming for users of Mzone and SingTel s Outdoor Wireless Surf wireless LAN services. Based on the results of this trial, we are hoping to expand our Mzone service to include international roaming capability.

Wind Telecommunicazioni S.p.A.

Wind Telecommunicazioni, an Italian telecommunications operator, introduced i-mode service to the Italian market in November 2003. This followed our June 2003 i-mode license agreement, to license our intellectual property and provide consulting services regarding i-mode services to enable Wind Telecommunicazioni to offer i-mode services on its Global Packet Radio Service (GPRS) and later on its 3G W-CDMA network. This agreement is in effect until June 2008, and is renewable upon mutual agreement.

America Online, Inc.

In December 2003, America Online, Inc., (AOL) announced the purchase of all third party shares in DoCoMo AOL. Following this announcement, we sold our entire 43.23% of DoCoMo AOL shares to AOL.

COSMOTE Mobile Telecommunications S.A.

In November 2003 we signed an exclusive strategic partnership agreement with COSMOTE Mobile Telecommunications S.A., the leading mobile operator in Greece, to launch i-mode in Greece. We are providing our know-how, technology and patents, and its service launched in June 2004, prior to the Athens 2004 Olympic Games.

Telstra Corporation Limited

We signed an exclusive strategic partnership agreement with Telstra Corporation Limited, the leading telecommunications operator in Australia, to offer i-mode in Australia. We are providing our know-how, technology and patents, targeting its service launch by the end of calendar 2004 in Australia.

Gobi Fund, Inc.

In December 2003, we signed an agreement with a venture capital fund operated by Gobi Partners, Inc. under which we initially invested U.S.$10 million. The fund targets venture companies mainly in China that work in digital media sectors.

Loxley Public Company Limited

In April 2004, we signed a joint venture and share subscription agreement with Loxley Public Company Limited, under which we will acquire a 40% equity stake in L-Spot Company Limited, a location based service provider, wholly owned by Loxley, for a cash consideration of 21.6million baht (approximately 60 million yen). Loxley will concurrently invest 24.4 million baht in L-Spot. L-Spot will change its name to Mobile Innovation Company Limited and we will work together to enhance the venture and plan to launch new and innovative fleet management services in Thailand in July 2004.

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Sudestecel Participações S.A.

In December 2003, we signed an agreement with Brasilcel N.V. under which Brasilcel will acquire all of our shareholdings of Sudestecel Participações S.A..

DoCoMo Networks

We currently provide our services on several different networks, including our 2G network, our packet network for 2G, our 3G network and our PHS network. Each of these networks is composed of four basic components: base stations, antennas, switching centers and transmission lines. When a person uses a phone (or other mobile device), an antenna on top of a base station receives the signal. The signal then travels underground via fixed transmission lines or in the air via microwave transmission equipment to a switching center which routes the signal to another base station in the vicinity of the intended recipient of the signal. In general, each of our networks, our 2G networks, our PHS network and our 3G network, use separate base stations, antennas and switching centers. With respect to antennas and transmission lines, there are overlaps to reduce network costs.

2G Network

Our 2G network is an integrated network of base stations, local switching centers, gateway switching centers, transit switching centers, signal transfer points, mobile-service control points and a mobile communication information storage system that route calls from the calling party to the called party. The various components of the network are connected primarily by microwave transmission, our own trunk and other fixed lines and fixed lines leased from NTT.

Our 2G cellular phone service uses the Personal Digital Cellular, or PDC, telecommunication system. PDC is a TDMA-based system that supports both voice and data communications, packet-switched wireless data and a full range of supplementary services including call waiting, voice mail, three-party calling and call forwarding. PDC also uses both full-rate (11.2 kbps) and half-rate (5.6 kbps) transmission speeds for voice and can be used for circuit switched data transmission at up to 9.6 kbps and packet switched data transmission at up to 28.8 kbps.

The Japanese government issues licenses to carriers for the use of radio spectrum bandwidth, so the capacity of our cellular network is limited to the amounts of bandwidth that the government has made available to us. The government has currently allocated 80 MHz x2 (uplink and downlink) for the use of 2G Networks nationwide. We have been allocated frequency spectrum of 28 MHz x2, of which 24 MHz x2 is in the 800 MHz band nationwide and 4 MHz x2 is in the 1.5 GHz band in the Tokyo metropolitan area, Nagoya and Osaka. Therefore, our 2G network is separated into two bandwidths, an 800 MHz system and a 1.5 GHz system. We offer nationwide coverage on our 800 MHz digital cellular service, and coverage in the Tokyo metropolitan area, Nagoya and Osaka on our 1.5GHz digital cellular service. We have obtained licenses for an additional 5 MHz x2 of spectrum in the 800 MHz band in the Tokyo metropolitan area in connection with the purchase of certain tele-terminal operations from Japan City Media that we made in 1998. We also obtained an additional 1.5 MHz x2 of spectrum in the 1.5GHz band in the Tokyo metropolitan area, Nagoya and Osaka in 2003. Thus, we are able to use 34.5 MHz x2 of spectrum in the Tokyo metropolitan area, and 29.5 MHz x2 in Nagoya and Osaka.

The primary difference between the 800 MHz and 1.5 GHz networks for our 2G services is that they require separate hardware for base stations, although they may share antennas, switching centers and transmission lines. Handsets which use the 800 MHz network are different from those

which use the 1.5 GHz network, except for handsets which work on both networks. The digital cellular services available to subscribers using an 800 MHz handset and to those using a 1.5 GHz handset are substantially the same. However, our 2G (PDC) i-mode services are only available on our nationwide 800 MHz network.

In addition to the network and its components, we have also established operations centers that monitor service over the nationwide network on a 24 hour, 365-day basis and track the usage and performance of the

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network. We have created redundancy on the network by installing backup equipment and constructing multiple links between critical network components. In addition to the computer monitoring of the network by the operations center, the base stations and various components are physically inspected on a yearly basis.

We control our network equipment procurement. We purchase the necessary digital network equipment from approximately 100 suppliers inside and outside Japan, including NEC, Nippon Ericsson and Lucent Technology Japan. We offer equal opportunity for all potential suppliers, both domestic and international through the Internet. By publicly soliciting equipment and purchasing on behalf of our eight regional subsidiaries, we believe we are better able to obtain quality equipment at competitive prices.

Packet Network for 2G

The i-mode network uses our packet network, the same packet network as DoPa, our packet communication service. The mobile packet communications system enables flexible, high-speed data transmission with a minimum of transmission errors by applying packet switching technology to the PDC system. The mobile packet communications system consists of packet gateway processing equipment, which provides functions to connect to other networks such as LANs and the Internet, access the mobile-service control point, and interface with the connected network, and packet subscriber processing equipment, which carries out packet transmission and reception with the mobile unit via the base station. The packet network covers the same area as our 800 MHz digital cellular service and allows for quicker access to Internet services. This type of network is much faster than circuit switch types of transmissions.

3G Network

We developed our 3G network based on the IMT-2000 standards of the International Telecommunications Union, or ITU, and launched commercial service of our 3G network in October 2001. IMT-2000 is a third-generation mobile phone system which offers both high-speed data transmission compared with the second-generation system and global roaming services. In November 1999, direct sequence code division multiple access, or DS-CDMA, was one of the five systems recommended by a study group of the ITU to serve as a platform for 3G services. DS-CDMA is a type of Wideband Code Division Multiple Access, or W-CDMA, technology. We have adopted this DS-CDMA type of W-CDMA technology as the primary air interface technology for our 3G network. We believe that, given the number of industry participants which have already signed on to W-CDMA, this platform may become an industry standard. We also believe that if enough overseas operators adopt a W-CDMA system compatible with our W-CDMA technology, we would be able to offer our services globally and benefit from economies of scale.

Our 3G network is an integrated network of base stations, various switching centers, transfer and control points and information storage systems. We are actively encouraging the eventual migration of our customers from our 2G to our 3G network. We are adding equipment and infrastructure for our 3G network to our existing 2G network. We began installing an IP router network based on an optical fiber relay network beginning in March 2004 to reduce costs and supplement our backbone switching station and transmission line network.

IMT-2000 Standardization Efforts

In 1999, the International Telecommunications Union, or ITU, defined requirements for what constitutes a third-generation, or 3G, service. They called those standards International Mobile Telecommunications for the year 2000, or IMT-2000. The goal of IMT-2000 is to allow users to use

their phones and other mobile communication devices, known as terminals, for voice, Internet, multimedia and high-speed data communications anywhere in the world without being frustrated by incompatibilities between various technologies. IMT-2000 s minimum standards include:

Compatibility of services within IMT-2000 and with fixed networks;

High quality;

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Small terminals (i.e. phones and other methods of access, such as PDAs);

Worldwide roaming capability;

Capability for multimedia applications;