

NTT DOCOMO INC  
Form 20-F  
June 25, 2009

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As filed with the Securities and Exchange Commission on June 25, 2009

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 20-F**

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- p ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended March 31, 2009**  
**OR**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**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  
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**Japan**

*(Address of principal executive offices)*

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*(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)*

**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, 2009, 41,759,807 shares of common stock were outstanding, comprised of 41,535,363 shares and 22,444,400 ADSs (equivalent to 224,444 shares).

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

\* 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 such as forecasts of results of operations, management strategies, objectives and plans, forecasts of operational data such as the expected number of subscription, and the expected dividend payments. All forward-looking statements that are not historical facts are based on management's current plans, expectations, assumptions and estimates based on the information currently available. Some of the projected numbers in this report were derived using certain assumptions that are indispensable for making such projections in addition to historical facts. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. Potential risks and uncertainties include, without limitation, the following:

1. Changes in the business environment in the telecommunications industry, such as intensifying competition from other service providers or other technologies caused by Mobile Number Portability, new market entrants and other factors, could limit our acquisition of new subscriptions and retention of existing subscriptions, or may lead to diminishing ARPU or an increase in our costs and expenses.
2. Current and new services, usage patterns, and sales schemes introduced by our corporate group may not develop as planned, which could affect our financial condition and limit our growth.
3. The introduction or change of various laws or regulations or the application of such laws and regulations to our corporate group could restrict our business operations, which may adversely affect our financial condition and results of operations.
4. Limitations in the amount of frequency spectrum or facilities made available to us could negatively affect our ability to maintain and improve our service quality and level of customer satisfaction.
5. The W-CDMA technology that we use for our 3G system and/or mobile multimedia services may not be introduced by other overseas operators, which could limit our ability to offer international services to our subscribers.
6. Our domestic and international investments, alliances and collaborations may not produce the returns or provide the opportunities we expect.
7. As electronic payment capability and many other new features are built into our cellular phones, and services of parties other than those belonging to our corporate group are provided through our cellular handsets, potential problems resulting from malfunctions, defects or loss of handsets, or imperfection of services provided by such other parties may arise, which could have an adverse effect on our financial condition and results of operations.
8. Social problems that could be caused by misuse or misunderstanding of our products and services may adversely affect our credibility or corporate image.
9. Inadequate handling of confidential business information including personal information by our corporate group, contractors and other factors, may adversely affect our credibility or corporate image.
10. Owners of intellectual property rights that are essential for our business execution may not grant us the right to license or otherwise use such intellectual property rights on acceptable terms or at all, which may limit our ability to offer certain technologies, products and/or services, and we may also be held liable for damage compensation

if we infringe the intellectual property rights of others.

11. Earthquakes, power shortages, malfunctioning of equipment, software bugs, computer viruses, cyber attacks, hacking, unauthorized access and other problems could cause systems failures in the networks required for the provision of service, disrupting our ability to offer services to our subscribers and may adversely affect our credibility or corporate image.
12. Concerns about wireless telecommunication health risks may adversely affect our financial condition and results of operations.
13. Our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), could exercise influence that may not be in the interests of our other shareholders.

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

The year ended March 31, 2009 refers to our fiscal year ended March 31, 2009, and other fiscal years are referred to in a corresponding manner.

**Item 1. Identity of Directors, Senior Management and Advisers**

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 years ended March 31, 2005 through 2009. The data as at and for the years ended March 31, 2005 through 2009 in the table is derived from our audited consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ( 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 included elsewhere in this annual report.

**Selected Financial Data**

	As of and for the year ended March 31,					
	2005	2006	2007	2008	2009	2009
	(in millions, except per share data)					
<b>Income Statement Data</b>						
<b>Operating revenues:</b>						
Wireless services	¥ 4,296,537	¥ 4,295,856	¥ 4,314,140	¥ 4,165,234	¥ 3,841,082	\$ 38,740
Equipment sales	548,073	470,016	473,953	546,593	606,898	6,121
Total	4,844,610	4,765,872	4,788,093	4,711,827	4,447,980	44,861
<b>Operating expenses</b>	4,060,444	3,933,233	4,014,569	3,903,515	3,617,021	36,480
<b>Operating income</b>	784,166	832,639	773,524	808,312	830,959	8,381
<b>Other income (expense)<sup>(1)</sup></b>	504,055	119,664	(581)	(7,624)	(50,486)	(509)
	1,288,221	952,303	772,943	800,688	780,473	7,872



**Income before income taxes, equity in net income (losses) of affiliates and minority interests**

<b>Income taxes</b>	527,711	341,382	313,679	322,955	308,400	3,111
<b>Income before equity in net income (losses) of affiliates and minority interests</b>	760,510	610,921	459,264	477,733	472,073	4,761
Equity in net income (losses) of affiliates, net of applicable taxes <sup>(2)(3)</sup>	(12,886)	(364)	(1,941)	13,553	(672)	(7)
Minority interests	(60)	(76)	(45)	(84)	472	5
<b>Net income</b>	¥ 747,564	¥ 610,481	¥ 457,278	¥ 491,202	¥ 471,873	\$ 4,759

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	As of and for the year ended March 31,						
	2005	2006	2007	2008	2009	2009	
	(in millions, except per share data)						
<b>Per Share Data</b>							
Basic and diluted earnings per share	¥ 15,771	¥ 13,491	¥ 10,396	¥ 11,391	¥ 11,172	\$ 112.67	
Dividends declared and paid per share	¥ 2,000	¥ 3,000	¥ 4,000	¥ 4,400	¥ 4,800		
Dividends declared and paid per share <sup>(4)</sup>	\$ 18.65	\$ 25.54	\$ 34.03	\$ 44.07	\$ 48.41		
<b>Balance Sheet Data</b>							
Working capital <sup>(5)</sup>	¥ 1,047,597	¥ 558,459	¥ 568,988	¥ 533,465	¥ 679,293	\$ 6,851	
Total property, plant and equipment, net	2,682,429	2,777,454	2,900,653	2,834,607	2,691,485	27,146	
Total assets	6,136,521	6,365,257	6,116,215	6,210,834	6,488,220	65,438	
Total debt <sup>(6)</sup>	948,523	792,405	602,965	478,464	639,233	6,447	
Total liabilities	2,228,468	2,312,120	1,953,748	1,933,050	2,144,912	21,633	
Total shareholders equity	3,907,932	4,052,017	4,161,303	4,276,496	4,341,585	43,788	
<b>Other Financial Data</b>							
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	781,096	774,137	801,046	830,784	847,463	8,547	
Net cash provided by operating activities	1,181,585	1,610,941	980,598	1,560,140	1,173,677	11,837	
Net cash used in investing activities	(578,329)	(951,077)	(947,651)	(758,849)	(1,030,983)	(10,398)	
Net cash used in financing activities	(672,039)	(590,621)	(531,481)	(497,475)	(182,441)	(1,840)	
Margins (percent of operating revenues):							
Operating income margin	16.2%	17.5%	16.2%	17.2%	18.7%	18.7%	
Net income margin	15.4%	12.8%	9.6%	10.4%	10.6%	10.6%	

(1) Includes a gain on the sale of AT&T Wireless Services, Inc. shares of ¥501,781 million for the year ended March 31, 2005, and an aggregate gain on the sales of Hutchison 3G UK Holdings Limited and KPN-Mobile

N.V. shares of ¥101,992 million for the year ended March 31, 2006.

- (2) Includes impairment of investments in affiliates. See Note 6 of Notes to Consolidated Financial Statements.
- (3) Net of deferred taxes of ¥1,492 million, ¥1,653 million, ¥(850) million, ¥9,257 million and ¥567 million in the years ended March 31 2005, 2006, 2007, 2008 and 2009, respectively.
- (4) The dividends per share were translated into U.S. dollars at the relevant record date.
- (5) Working capital was computed by subtracting total current liabilities from total current assets.
- (6) 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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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:

<b>Fiscal Year ended March 31,</b>	<b>High</b>	<b>Low</b>	<b>Average*</b>	<b>Period-end</b>
2005	114.30	102.26	107.28	107.22
2006	120.93	104.41	113.15	117.48
2007	121.81	110.07	116.92	117.56
2008	124.09	96.88	114.31	99.85
2009	110.48	87.80	100.62	99.15
<b>Calendar Year 2008</b>				
December	93.71	87.84	91.28	90.79
<b>Calendar Year 2009</b>				
January	94.20	87.80	90.12	89.83
February	98.55	89.09	92.92	97.74
March	99.34	93.85	97.86	99.15
April	100.71	96.49	98.92	98.76
May	99.24	94.45	96.64	95.55
June (through June 12, 2009)	98.56	95.72	97.28	98.17

\* 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 = ¥99.15, 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, 2009. The noon buying rate for Japanese yen on June 12, 2009 was \$1.00 = ¥98.17.

**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**

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

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

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offering free calls between fixed-line and cellular phones in conjunction with fixed-line communications, which may be more convenient for customers.

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

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

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

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

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

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

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

We will be able to find the partners and content providers needed to provide the new services and forms of usage we are introducing and persuade a sufficient number of vendors and other establishments to install i-mode FeliCa readers;

We will be able to provide planned new services and forms of usage as scheduled and keep costs needed for the deployment and expansion of such services within budget;

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The services and installment sale and other methods we offer and plan to offer will be attractive to current and potential subscribers and there will be sufficient demand for such services;

Manufacturers and content providers will steadily create and offer products including handsets for our 3G system and handsets and programming for our 3G i-mode services at appropriate prices and on a timely basis;

Our current and future data communication services including i-mode and other services will be attractive to existing and potential subscribers and achieve continued or new growth;

Demand in the market for mobile handset functionality will be as we envision and as a result our handset procurement costs will be reduced, which will enable us to offer our handsets at appropriate prices; and

We will be able to commence services with improved data communication speed enabled by HSDPA\* and HSUPA\*\* technology as planned.

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

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

\*\* Abbreviation of High Speed Uplink Packet Access. A technology for high-speed packet data transmission from handset to base station based on W-CDMA.

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

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

Revision of the spectrum allocation system such as reallocation of spectrum and introduction of an auction system;

Measures to open up some segments of telecommunication platform functions such as authentication and payment collection to other corporations;

Rules that could require us to open our i-mode service to all content providers and Internet service providers or that could prevent us from setting or collecting i-mode content fees or putting i-mode service on cellular phone handsets as an initial setting;

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



Measures which would introduce new costs such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;

Regulations to increase handset competition such as SIM\* unlocking regulations;

Fair competition measures to promote new entry by MVNOs;

Introduction of new measures to promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation); and

Other measures including competition safeguard measures directed toward us, NTT East and NTT West, revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

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

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

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

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

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

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

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

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

However, if a sufficient number of other mobile network operators do not adopt W-CDMA technology or there is a delay in the introduction of W-CDMA technology, we may not be able to offer global roaming services as expected and we may not be able to offer our subscribers the convenience of overseas service. Also, if adoption of W-CDMA technology abroad is not conducted sufficiently and the number of i-mode subscribers among our strategic partners

and the usage of i-mode services by those subscribers does not increase sufficiently, we may not realize the benefits of economies of scale we currently expect in terms of purchasing network facilities and offering handsets and contents developed for our services at appropriate prices. Also, we cannot be sure that handset manufacturers or manufacturers of network equipment will be able to appropriately and promptly adjust their handsets and network equipment if we need to change the handsets or network we currently use due to a change in W-CDMA technology as a result of activities conducted by standard-setting organizations.

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

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

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

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

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

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

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

Breakdown, defect and malfunction of our handsets;

Loss of information, e-money or points due to a breakdown of handsets or other factors;

Illegal use of information, e-money, credit functions and points by third parties due to a loss or theft of handsets;

Illegal access to and use of user records and balances accumulated on handsets by third-parties; and

Inadequate and inappropriate management of e-money, credit functions or points by companies with which we make alliances or collaborate.

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

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

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

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

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

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

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

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

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

affected.

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

For us to carry out our business, it is necessary to obtain licenses and other rights to use the intellectual property rights of third parties. Currently, we are obtaining licenses from the holders of the rights concerned by concluding

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

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

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

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

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

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

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



demonstrate a relation between electric wave emissions and health problems.

Furthermore, although the electric wave emissions of our cellular handsets and base stations comply with the electromagnetic safety guidelines of Japan, including guidelines regarding the specific absorption rate of electric waves, and the International Commission on Non-Ionizing Radiation Protection, the guidelines of which are regarded as an international safety standard, the Electromagnetic Compatibility Conference Japan has confirmed that some electronic medical devices are affected by the electromagnetic interference from cellular phones as well

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as other portable radio transmitters. As a result, Japan has adopted a policy to restrict the use of cellular services inside medical facilities. We are working to ensure that our subscribers are aware of these restrictions when using cellular phones. There is a possibility that modifications to regulations, new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

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

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

**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, 2009, NTT owned 66.19% of our 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. Additionally, our board of directors is authorized to issue 144,180,000 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 Mellon, 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 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 Mellon, 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 Mellon to ask holders of ADSs for instructions as to how they wish their shares voted. Even if we ask The Bank of New York Mellon to ask holders of ADSs for such instructions, it may not be possible for The Bank of New York Mellon to obtain these instructions from ADS holders in time for The Bank of New York Mellon to vote in accordance with such instructions. The Bank of New York Mellon 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

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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 Corporation Law of Japan (*Kaishaho*) 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 of 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 head office 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.

Our parent company is NIPPON TELEGRAPH AND TELEPHONE CORPORATION, or NTT, the holding company of NTT group. NTT group constitutes one of the world's leading telecommunications operators. We were incorporated as a subsidiary of NTT in August 1991 and took over NTT's wireless telecommunication operations in July 1992. In July 1993, in accordance with the agreement between NTT and the MPT, we transferred wireless telecommunication operations (other than those in the *Kanto-Koshinetsu* region which remained with us) to our eight regional subsidiaries. However, the other eight regional subsidiaries were merged into our company as the surviving company in July 2008.

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The following diagram shows our corporate organization and includes our subsidiaries and affiliates as of March 31, 2009. Unless otherwise indicated, we own 100% of the voting securities of the subsidiaries included in the diagram. The percentages in parenthesis represent our group's holdings of the total issued shares in these subsidiaries and affiliates.

\* These service subsidiaries provide operational services such as engineering and support services to NTT DoCoMo, Inc.

\*\* Currently, DOCOMO Netherlands B.V.

\*\*\* Currently, Axiata (Bangladesh) Limited.

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For a discussion of recent and current capital expenditures, please see **Capital Expenditures** in Item 5.B. We have had no recent significant divestitures or any significant divestitures currently being made.

### **B. Business Overview**

#### **1. Overview**

We are a mobile telecommunication services provider belonging to NTT group whose parent company is NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT). The total number of subscriptions to our cellular services (FOMA and mova) was approximately 54.6 million and our domestic market share was 50.8% as of March 31, 2009.

We not only provide voice services, but also focus on the development of mobile multimedia services such as i-mode service (Internet access service for mobile terminals). In addition to offering enhanced music and video services and mobile credit payment services, we are personalizing services and functions to match customers' lifestyles and needs and providing services that make use of the unique characteristics of mobile phones such as convenient and appropriate services tailored to use scenarios through collaboration with mobile phones and various customer lifestyle support tools. We also provide handsets adapted for this extensive range of services and contents, offering a handset lineup that has been tailored to diversifying customer values and lifestyles.

As the Japanese mobile communication market makes a transition from growth to maturity, we are shifting from a strategy that emphasizes the acquisition of new subscribers to one that prioritizes our relationship with existing customers and are working to raise the brand loyalty of those customers and to secure a base for stable income. We are striving for further penetration of our new discount services and new handset purchase methods introduced in 2007. In addition, with the diversification of the sense of values and sophistication of the needs of our customers, in April 2008 we unveiled our new corporate brand and the **New DOCOMO Commitments**, which sets forth four commitments for reforming our company:

#### New DOCOMO Commitments

We will revamp our brand and strengthen our ties with our customers

We will actively seek out the voices and opinions of our customers so that we can continue to exceed their expectations

We will continue to drive innovations so that we can earn the respect and admiration of people worldwide

We will become an organization whose energetic staff is capable of overcoming all challenges in pursuit of our corporate vision

Going forward, we will continue to work to offer high-quality, value-added mobile services and technologies to each customer.

We also developed a new action plan, **DOCOMO's Change and Challenge to Achieve New Growth**, which covers initiatives to be implemented between the year ended March 31, 2009 and the year ending March 31, 2013. With the changes carried out based on the customer-focused perspective, we will continue to take on such challenges to advance the roles of mobile phones, such as personalization of services, development of social-support services, and provision of converged services. By executing the **Change and Challenge** programs, we aim to contribute to society's

sustainable development and a safer, more secure environment for people to lead enriched, convenient lives.

In addition, we have taken measures to create new income opportunities by developing our international businesses such as expanding and enhancing international roaming services, developing international solutions for enterprise business, and reinforcing our overseas business through investments and alliances, mainly in the Asia-Pacific region.

We are putting particular effort into raising the quality of our networks to ensure that customers can use the services we provide comfortably and stably. We are expanding FOMA coverage areas and are working to achieve

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100% population coverage by high-speed FOMA as soon as possible, provide a maximum download speed of 7.2 Mbps\*, and facilitate access to a rich variety of content such as music and video.

We conduct cutting-edge research and development both in and outside of Japan in fields such as network, wireless and multimedia research. The DOCOMO R&D Center, established in Yokosuka Research Park to assist us in our W-CDMA development as well as the research and development of additional advanced technology, is striving to further expand mobile communication services and is engaging in the development of HSDPA, HSUPA, and LTE, as well as in fundamental research for 4G.

\* The maximum downlink data rate of 7.2 Mbps represents the maximum data rate based on technical standards, and is not the actual data rate achievable.

**2. Wireless Communication Services**

We offer wireless voice and data communication services on networks that are accessible by substantially the entire population in Japan. We offer a variety of services to support our subscribers' needs for wireless voice and data communications. In addition to the cellular voice services, we are increasingly focusing on mobile multimedia services, such as i-mode. We are continuing to develop a lifestyle infrastructure for cellular phones and are enhancing services such as GPS and credit cards.

Our core business is our cellular services. For the year ended March 31, 2009, our cellular services, including associated equipment sales, accounted for approximately 98.5% of our consolidated operating revenues. We offer mova services, on our 2G network, compatible with voice and data communications. We also offer FOMA services, on our 3G network, with voice and high-speed data communications which are compatible with various services such as videophone and video content downloading.

In order to improve convenience for our subscribers and to expand usage and increase profits, we are providing various additional services and features.

***Cellular (mova) Services***

Our 2G mova services are still offered on our nationwide 800 MHz digital network. However, given that mova subscriptions have been steadily decreasing, we have decided to eventually discontinue mova services on March 31, 2012 and concentrate on our popular 3G service, FOMA. (We ceased accepting new subscriptions on November 30, 2008.) Further, we have determined to terminate our cellular services using the 1.5 GHz radio band (City Phone services) on June 30, 2008.

***Cellular (FOMA) Services***

FOMA services are our third generation, or 3G, wireless voice and data communication services. FOMA services use advanced technology which allows us to offer faster and higher quality services to our customers. As of March 31, 2009, subscriptions have become approximately 49.04 million. Moving toward the scheduled termination date of mova services in March 2012, we will promote further migration of our mova subscribers to FOMA services.

Our basic strategy is to expand our FOMA services. We believe that our FOMA services are well-suited for both ordinary users and business users because of FOMA's advanced features, including clear voice quality, high data communication speed, video communication capabilities, and diversified billing plans for packet communication.



In August 2006, we launched our FOMA high speed services, which achieved a downlink transmission speed of up to 3.6Mbps\*. In December 2008, we achieved 100% population coverage nationwide in the FOMA high-speed area with maximum downlink transmission speed of 7.2Mbps. Going forward, we will continue to enhance the FOMA high-speed areas, and build coverage areas that meet our customers' expectations.

\* The maximum downlink data rate of 3.6 Mbps represents the maximum data rate based on technical standards, and is not the actual data rate achievable.

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*i-mode Services*

i-mode services are our wireless Internet access services based on a data transmission system that organizes data into bundles called packets prior to transmission. Our i-mode capable handsets allow subscribers to send and receive data through our i-mode server to and from the Internet in addition to providing them with the full range of cellular voice services. i-mode is an optional service available to mova and FOMA subscribers 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.

As of March 31, 2009, the number of i-mode subscriptions had reached 48.47 million and the number of i-mode portal menu sites had reached 16,587 (FOMA only).

*Services on i-mode*

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

e-mail;

games and other entertainment;

music distribution/video clips/e-books;

social network services;

online shopping (CDs, books, tickets, others)/auctions;

news, weather and sports information;

mobile banking;

other financial services, such as DCMX, iD and other credit card services and information and online stock quotes and trading;

maps and travel information;

community guides, living information, safety and healthcare information; and

telephone directories.

In August 2006, we launched the Music Channel, a service that, requiring only advance settings by a user, automatically distributes music programming of up to an hour in length to FOMA users with HSDPA compatible handsets late at night and enables users to listen to the programming at any time during the day. In November 2007, the service also began offering distribution of video programs, and we changed the name of the service to the Music & Video Channel.

In January 2008, the number of subscribers to i-channel, a service for FOMA subscribers with i-mode services that automatically delivers and displays the latest information such as news, weather, entertainment, sports, horoscopes, and more, exceeded 15 million.

In June 2008, we launched the POCKETU service, which enables users to access or view videos, music, photos, and documents stored on the user's home PC via mobile phone or smartphone. In August 2008, we began providing the Net *Kaden* Plug-In service as an expanded function, and are expecting expansion of video use in mobile environments such as viewing videos recorded on an HDD recorder from a mobile phone at a remote location. To ensure that customers can use these services with peace of mind, we are providing secure access such as through the use of VPN for connecting home PCs to our network to prevent unauthorized access by third parties.

The number of subscribers to the i-concier service, which was launched in November 2008 and which enables cellular handsets to act as a concierge by assisting customers in their daily lives, exceeded one million in April 2009.

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### *Improvement of i-mode*

In October 2006, we launched a search-by-keyword function for i-mode menu sites, to provide even greater convenience for i-mode customers. At the same time, partnering with non-i-mode sites, we also launched services enabling the search of non-i-mode menu sites using a customer's preferred search engine. In January 2008, we formed a partnership with Google Inc. ( Google ) that includes providing search services, search-related advertisements, and applications for use by i-mode subscribers. We continue to endeavor to enhance search services and improve their convenience.

In April 2008, we overhauled iMenu, the i-mode portal site. Through this renewal, we redesigned the site for greater convenience and added search functions in collaboration with Google on the top screen for iMenu, available without charges for packet communication (charges apply for access from overseas), and began to provide news and weather information. Further, in January 2009, we launched a system that enables customers to select from six different themes for their i-mode screen depending on the customer's preferences, thereby making i-mode even more convenient to use.

We plan to personalize services and features to match the lifestyles and needs of individual customers and to continue adding new and attractive i-mode services in the future.

To cope with the issue of unsolicited bulk e-mails sent to our i-mode users, we have taken a number of measures, including the following: we have enabled users to block all e-mail sent to them from particular addresses, blocked e-mails sent to large numbers of invalid e-mail addresses, enabled users to restrict incoming e-mail to user-designated domains, restrict incoming emails from senders who send emails to a large number of addresses, and SMS rejection functions. Also in November 2007, in addition to the existing lineup of spam countermeasures, we began offering anti-spoof functions—a function for refusing e-mail having fraudulent sender information and a domain designation and refusal function that enables users to refuse to receive e-mail containing designated domain names in the sender address—and because in the wake of the variety of anti-spam functions being offered, the settings required to enable these functions had become complicated and numerous, we began providing a simplified e-mail settings function to facilitate their use, by beginners and children in particular. In January 2008, because there were cases where users using anti-spam functions were, because of their settings, unable to receive e-mails from mailing lists and forwarded e-mails, we began providing an addressee-designated function enabling reception of such e-mails. By making it easier for customers to implement various anti-spam settings, such as changing the configuration of the settings screen, we are striving for further convenience.

With respect to access restriction services (filtering services)\*, we comply with certification standards of third party organizations (EMA) to the i-mode Filters. We also began providing the Web Blocking service that restricts access to web sites and Access Restriction Customization that allows customers to make individual settings of web sites to be blocked and those that can be viewed according to their own preferences. We also modified the i-mode Filters service and confirmed with all current i-mode subscribers under 18 years of age who had not yet signed up for Access Restriction services whether they wished to use Access Restriction services, and unless their parents or guardians specifically reported that the services were unnecessary, i-mode Filters were applied to such subscribers automatically. Following the implementation of the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use on April 1, 2009, we began strongly encouraging the use of access restriction services when customers sign up for i-mode services and are working towards promotion of the services.

\* Services that restrict access to harmful sites: Kids i-mode Filters which allows access only to i-mode menu sites, other than gravure sites and community sites; and i-mode Filters which allows access to public sites other than the sites such as dating sites, illegal sites and community sites.

***Other Mobile Multimedia Services***

We have focused extensively on our initiative to develop the mobile multimedia and data communication markets. As part of these efforts, we have been offering a wide variety of data services such as packet communication at a speed up to 28.8 Kbps for i-mode and DoPa services, 64K data service on the PHS platform and data communication at a speed up to 384 Kbps on FOMA and 7.2 Mbps on FOMA HIGH-

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SPEED. Our client authentication service ensures a highly secure individual authentication to suit a variety of users of the mobile Internet.

As part of our endeavor to promote mobile multimedia services, we began sales of the DoPa Ubiquitous Module in July 2004 and the FOMA Ubiquitous Module in December 2005 to address the increase in machine-to-machine services. We expect that incorporation of these modules will lead to a broad range of uses such as automobile fleet management, wireless credit card transaction systems, and systems enabling automatic inventory checks between vending machines and service centers. These modules contribute to our strategy of broadening the scope of mobile communication. Ubiquitous Modules are used mainly in person-to-machine and machine-to-machine communications. We offer a ubiquitous plan for FOMA services and DoPa services for PDC, and we offer low-rate services for users with low-traffic needs. As of March 31, 2009, there were 670,000 subscriptions to DoPa services and 860,000 subscriptions to the ubiquitous plan. Also, in order to focus management resources on FOMA services (our 3G communication services), we ceased accepting new subscriptions for DoPa single packet services for 2G communication services in September 2008. We have determined to terminate DoPa services in March 2012.

We provide Business mopera Access Series services to corporate customers, to enable them to link to office information systems outside the workplace. Business mopera Access Pro provides extremely high-security access to corporate LANs from remote terminals such as notebook PCs and PDAs via closed networks. This service makes it possible under a contract for a single dedicated line to provide access to office information systems through wireless networks such as FOMA, mova, DoPa, i-mode and Wide Star (satellite packet communication only).

We provide the mopera U service, which enables FOMA customers to access the Internet from public wireless LAN service areas, overseas (using international roaming connections) and fixed-line broadband circuits at home. The mopera U service provides users with diversified access options and strives to enhance security features such as web compression, packet filtering, and transmission domain authentication to prevent spam mails.

In August 2006, we launched the Business mopera *Anshin* Manager service for remotely setting and controlling mobile phones and expanded the Business mopera network lineup of network services for corporate customers. We added a browser use restriction function and simultaneous transmission function in January 2007, expanded the number of browser restricted URLs in September 2007, added subgroup settings and common manager settings in March 2008, and added remote initialization and remote customization functions in November 2008.

We started offering the HOMEU service in June 2008. This service is the first service in Japan to use household broadband lines and wireless LAN routers to enable high-speed packet communication at a maximum uplink and downlink speed of 54 Mbps as well as IP telephony using the FOMA/wireless LAN dual function N906iL handset. We also launched the FMC service, One Number (HOMEU) in October 2008. This service allows users to use a single phone number (090 or 080 number) when making and receiving calls in FOMA and HOMEU service areas. Using a single number for FOMA and IP phones decreases missed calls, increasing the frequency with which calls reach the recipient and otherwise improving communication efficiency. In June 2009, we revised our monthly charges, to provide the service at a monthly charge of ¥490 (including tax), which is less than half the previous monthly charges of ¥1,029 (including tax). We believe this revision makes the service even more customer-friendly.

In October 2006, we launched the OFFICEED, an internal communication service for corporate customers that uses an In-building Mobile Communications System ( IMCS ) to provide free voice communication among registered FOMA handsets within the IMCS service area. With this service, by installing an IMCS and additional dedicated equipment, customers can use their existing FOMA handsets for free voice communication among registered members within the IMCS service area. The service makes use of an IMCS and existing FOMA handsets to reduce communication expenses. In May 2007, as part of the OFFICEED service menu, we launched the OFFICEED-PBX Connection Service, which achieves communication between FOMA handsets and internal telephone lines by

connecting OFFICEED and the PBX, enabling FOMA handsets to serve as cordless internal telephones.

In November 2006, we also launched the Business mopera IP Centrex service. This service for corporate customers enables users to make internal or outbound IP telephony calls via IP Centrex devices on DOCOMO

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networks without the need for an in-house IP-PBX. The FOMA and wireless LAN compatible handsets, such as N900iL and N902i and N906iL, can be used as an extension phone for internal calls, as an IP phone (with a 050 number) for external calls, and as a FOMA-compatible mobile phone (with a 090 number) when outside the office, allowing users to access a number of different communication services from a single handset. Business customers that introduce this service will not incur expenses for installation, operation, and maintenance of PBX and other equipment and can lower their communication expenses by using low-cost IP telephony voice networks and eliminating fees for internal calls, including calls made between different offices. In April 2007, we began providing new plans and expanded functions, including soft phone and fixed IP phone compatibility.

In addition, in June 2008, we launched IP Centrex One Number, a Fixed Mobile Convergence ( FMC ) service which enables users to make and receive calls with a single number (090 or 080) in both FOMA and Office areas (IP Centrex area).

We offer a public wireless LAN service called Mzone, and started U Public Wireless LAN Course as an optional service of mopera U. Customers in Mzone areas (DOCOMO Public Wireless areas) such as airports and train stations are able to send and receive data at high speed of up to 54Mbps using notebook PCs with wi-fi, smartphones, PDAs, or cellular game devices. In October 2007, the monthly fee for the U Public Wireless LAN Course was lowered to ¥315 yen. There were approximately 6,700 access points as of March 31, 2009, and we plan to further expand the coverage in the future according to the needs of our customers. Furthermore, we currently offer roaming service domestically through BB Mobile Point and Airport Net (Narita Airport), and internationally through arrangements with iPass, TeliaSonera, SingTel and Deutsche Telekom. Through these endeavors, we are aiming to provide enhanced convenience to customers by enabling public wireless LAN service over a broad area both in Japan and overseas.

**Cellular Subscribers**

The number of our subscriptions including mova and FOMA services has grown by approximately 1,210,000 in the most recent fiscal year to approximately 54.60 million as of March 31, 2009, which represents a market share of 50.8%, a 1.2 point decrease from March 31, 2008. We believe that our cellular subscriber growth has been attributable primarily to (i) nationwide growth and popularity of cellular services, (ii) marketing from the customers' perspectives, (iii) enhanced customer service, (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, the number of FOMA subscriptions increased and was approximately 49.04 million as March 31, 2009.

Subscription growth for i-mode services in the four years ended March 31, 2009 was approximately 4.45 million. The DOCOMO cellular subscription numbers, including i-mode subscription numbers, for the years ended March 31, 2006, 2007, 2008 and 2009 are as follows:

	2006	Year ended March 31,		2009
		2007	2008	
		(in thousands)		
Cellular subscriptions <sup>(1)</sup>	51,144	52,621	53,388	54,601
mova subscriptions	27,680	17,092	9,438	5,560
FOMA subscriptions	23,463	35,529	43,949	49,040
i-mode subscriptions	46,360	47,574	47,993	48,474
i-mode subscriptions (FOMA)	22,914	34,052	41,213	44,853
i-mode subscriptions (mova)	23,446	13,522	6,780	3,621



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DOCOMO estimated market share of total subscriptions	55.7%	54.4%	52.0%	50.8%
DOCOMO subscription growth rate	4.7%	2.9%	1.5%	2.3%
Average monthly churn rate <sup>(2)</sup>	0.77%	0.78%	0.80%	0.50%

(1) The number of cellular subscriptions includes Communication Module Services subscriptions.

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- (2) In general, the term *churn rate* is defined as the level of customers who disconnect their service relative to the total subscription base. Our measurement of churn rates includes 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 active cellular subscriptions\* from April to March.

\* active cellular subscriptions = (No. of subscriptions at the end of previous month + No. of subscriptions at the end of current month)/2

***Satellite Mobile Communication Services***

We provide satellite mobile communication services for communications in case of emergencies, in mountainous areas and aboard ships. The service area covers the entire territory of Japan and its surrounding waters for roughly up to 200 nautical miles from the coastline. Currently the satellite mobile communication network uses two communication satellites, N-STARc and N-STARd. Satellite mobile communication services can be used for voice, fax, and packet communication. We had approximately 41,000 subscriptions to the services as of March 31, 2009. The services can be used for high-speed packet communication (maximum 64 Kbps downlink and 4.8 Kbps uplink) and a variety of communication services are offered including Internet connectivity and telemetering.

We have determined to discontinue current satellite packet communication services on March 31, 2012. Further, we are developing the next-generation satellite mobile communication services, with packet communication at the maximum speed of 384 Kbps downlink, and plan to launch the services in the first half of 2010.

***PHS Services***

Our PHS (Personal Handyphone System) services were wireless voice and data communication services similar to our cellular services but offered using different technology and a different network. PHS was originally introduced by the NTT Personal Group in July 1995. We took over the PHS business from the NTT Personal Group in December 1998. Since that time, we implemented a variety of strategies to improve the performance of our PHS business. However, with the subsequent popularity of inexpensive ADSL and optical fiber fixed-line flat rate data communication services, the introduction of packet flat-rate services using mobile phones, and the increasingly fast data transfer rates, the business environment changed rapidly, and on April 30, 2005, we stopped accepting new subscriptions to PHS services, and we terminated PHS services on January 7, 2008.

As of March 31, 1996, the NTT Personal Group had approximately 0.38 million subscriptions. Initially, with the rapid expansion of service areas and the introduction of inexpensive handsets and billing rates, the number of NTT Personal Group PHS subscriptions reached approximately 2.12 million in September 1997. From there, PHS subscriptions continued to decline. PHS subscriptions increased to approximately 1.92 million as of March 31, 2002, but fell to approximately 0.45 million as of March 31, 2007. As of December 2007, the number of PHS subscriptions was 0.155 million.

**3. Revenues and Tariffs*****Revenues and Tariffs for Cellular Services***

Our cellular revenues are generated primarily from basic monthly plan charges, usage charges for outgoing calls (in Japan the caller is usually charged), 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 mobile network operators to set their own tariffs without government approval.

Over the past few years, as the competition for acquiring subscribers has increased, tariff rates and monthly charges have been significantly reduced and certain other fees have been 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,

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(iii) usage or per call charges which vary according to duration and the particular plan chosen and (iv) additional monthly service fees for miscellaneous value-added services, etc.

One of our basic strategies has been to focus on offering subscribers simple and easy-to-understand rate 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 free minutes per month for fixed rates. The amount of free minutes can be applied to FOMA and mova subscribers with the Two-Month CarryOver service, which allows automatic carryovers of up to two months, and can be credited against telephone calls, packet communication, Push Talk (FOMA), video phone (FOMA), SMS (FOMA), short mail (mova), and international communications. Additionally, we offer various discount services, including discounts for families, long-term subscriber discounts and heavy-volume user discounts. The amount of free minutes will not change even after the discounts are applied to monthly charges.

In November 2007, in conjunction with the introduction of the new Value Course handset purchase method, we began offering the new Value Plan, which applies to subscribers who have chosen the Value Course. Under this plan, when a subscriber purchases a 905i series handset or any later model, that subscriber will be eligible to select the less expensive Value Plan (excluding a partial plan), under which basic monthly charges (prior to application of other discounts) will be ¥1,680 lower (including tax) than standard plans. In March 2009, the number of subscribers of the Value Plan exceeded 20 million.

For families that have subscriptions between two and ten lines, we offer the Family Discount service, which provides discounts both on basic monthly charges and on charges for communications between family members. In August 2007, we began offering Fami-wari MAX 50, which also offers subscribers committing to a two-year contract an immediate 50% discount on basic monthly charges. In addition, in April 2008, for FOMA subscribers who have contracted for the Fami-wari MAX 50 service, communications among members of the same Family Discount group, which had been subject to a 30% discount, became free of charge, and the 30% discount for intra-group videophone communication was increased to a 60% discount. Also, not only are customers able to use i-mode mail for free (with some exceptions) within the same group under the Family Discount but also they can share unused free minutes under the Two-Month CarryOver service within the same group. Further, in May 2009, in order to make the service even more appealing, we expanded the coverage of free mail, for example, by adopting packet communication charges to download large images and videos from group members for free.

In August 2007, we also launched Hitoridemo Discount 50, a discount service for subscribers who do not use the Family Discount but have a single subscription. With this service, subscribers committing to a two-year contract will immediately receive a 50% discount on basic monthly charges.

In June 2007, for our corporate customers, we began offering the Office Discount service. Corporate customers which have between two and 10 DOCOMO mobile phone subscriptions under the same corporate name are eligible for a 25% discount on basic monthly charges and a 30% discount on intra-group communication charges. Also, not only are customers able to use i-mode mail for free (with some exceptions) within the same group under the Office Discount but also they can share unused free minutes under the Two-Month CarryOver service within the same group. In September 2007, for subscribers contracting under a corporate name who commit to a two-year subscription, we began offering a new discount service called Office-wari MAX50, which offers an immediate and uniform 50% discount on basic monthly charges.

In June 2008, we expanded discounts for corporate customers subscribing to FOMA services with the Office Discount and Office-wari MAX 50 services. Under the expanded discounts, domestic calls among Office Discount group employees are free (formerly discounted by 30%), 24 hours a day, and videophone communication charges are

discounted by 60% (formerly discounted by 30%). Further, in May 2009, in order to make the service even more appealing, we expanded the coverage of free mail, for example, by adopting packet communication charges to download large images and videos from group members for free.

In June 2008, in order to make mobile phone more customer-friendly and help the disabled be more active participants in society, we revised the Hearty Discount rate to provide discounts of 50% to 60% on basic monthly charges and other charges.

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We believe that our variety of easy-to-understand plans, prices and discounts has helped us remain competitive in retaining existing subscribers and attracting new subscribers. Going forward, we will continue to provide simple and easy-to-understand fee structures for customers.

***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 are transmitted. The use of i-mode incurs a fee in addition to the standard monthly charges of voice services for FOMA and mova. With regards to charges for the additional i-mode functions, so that subscribers can more easily use their mobile phones to connect to the Internet, we have provided Internet connection services at monthly charges that are lower than those of other mobile network operators. However, the cost of providing services has increased because of the improved convenience resulting from the enhanced web pages (viewable for free) that introduce new services and content and explain pricing plans, anti-spam measures and other enhanced functionality to enable peace of mind and safety, and facility enhancement to address the increase in data communication traffic in the wake of the popularity of services that distribute video, music and other large files. In such an environment, we have made an effort to achieve greater efficiency and reduced costs, but to be able to provide even more superior i-mode services going forward, starting in June 2008, we raised the basic monthly charges for i-mode services from ¥210 (including tax) to ¥315 (including tax). The i-mode packet communication charge for FOMA users varies according to the packet billing plan selected by the user, but is priced between ¥0.015 and ¥0.2 per packet (128 bytes). The basic communication charge for mova users is equal to ¥0.3 per packet (128 bytes). When FOMA users use the i-mode mail without any packet discount service, a short e-mail of about 20 full characters can be sent for almost as little as ¥3 and a longer e-mail of 250 full characters would be approximately ¥5. Also, for 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.

In addition to communication charges, there are also information charges payable to content providers when subscribers use certain i-mode sites. For example, access to the Nikkei Money & Sports service and CNN, which provides world news, each costs ¥315 (including tax) per month. We bill subscribers for content provider fees together with communication charges, and receive from the providers a commission of the information charges for our billing and collection services.

In order for customers to use the service without worrying about the monthly charges, and to provide new value and expand the usage of i-mode, since June 2004 we have been providing a packet flat-rate service called *Pake-hodai*, which offers unlimited access to i-mode Internet service and i-mode mail for a flat monthly charge of ¥4,095 (including tax), for users of our FOMA i-mode service. By introducing this plan, we added value for our users and expanded use of miscellaneous i-mode contents by freeing customers from concerns about their monthly bill. The charges for packet communication other than i-mode communication in Japan (such as browsing the web via devices connected to a 3G handset) on the *Pake-hodai* service have been set at ¥0.02 per packet.

In March 2007, we launched a new packet flat-rate service called *Pake-hodai full*, which provides FOMA i-mode subscribers with, in addition to i-mode services, full-browser viewing of PC websites and videos for a flat monthly fee. In May 2007, subscribers to packet flat-rate services (*Pake-hodai* and *Pake-hodai full*) exceeded 10 million. In April 2007, for smartphone users, we also launched *Biz-hodai*, a packet flat-rate service for smartphones.

In October 2008, to enable customers to use packet communication services with ease and peace of mind, we introduced the new *Pake-hodai double* and *Biz-hodai double* flat-rate services that feature variable monthly fees based on usage volume. *Pake-hodai double* is an unlimited domestic i-mode communication service with fees starting at ¥1,029 per month (including tax) and a maximum monthly fee of ¥4,410 (including tax). *Biz-hodai double* is a flat-rate service for domestic unlimited non-i-mode packet communication (excluding PC communication) for

smartphones with fees starting at ¥1,029 per month (including tax) and a maximum monthly fee of ¥5,985 (including tax). Packet communication using BlackBerry® handsets were made eligible for the Biz-hodai and Biz-hodai double services in February 2009.

With the introduction of these flat-rate services, we stopped accepting new subscriptions for the Pake-hodai, Pake-hodai full and Biz-hodai services in December 2008. In April 2009, we revised the Pake-hodai double

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and made packet communication using a connection between a PC and a mobile phone via USB cable, etc. eligible for flat rates under *Pake-hodai double* with a maximum monthly fee of ¥13,650 (including tax). Further, in May 2009, we revised the monthly fees for *Pake-hodai double* and *Biz-hodai double* so that the minimum monthly fee is now ¥490 (including tax). As a result, even customers who rarely use packet communication will be able to use *Pake-hodai double* and *Biz-hodai double* with peace of mind, and the only discount service for data communication especially for i-mode usage is *Pake-hodai double*. We believe the revisions have brought a simpler rate structure for customers.

Note:

BlackBerry is a registered trademark of Research In Motion Limited.

***Fees for Data Transmission Services***

In June 2005, we established new rate plans, communication charge reductions and expanded available free minutes primarily for customers who used exclusive devices for FOMA data communication. In October 2007, so that our subscribers could engage in mobile data communication without worrying about over communication charges, we introduced two flat-rate plans, *Flat-rate Data Plan 64K* and *Flat-rate Data Plan HIGH-SPEED*. *Flat-rate Data Plan HIGH-SPEED* is a plan offered at monthly charges starting at ¥4,200 (including tax) and going up to ¥10,500 (including tax), which provides unlimited domestic mobile data communication. *Flat-rate Data Plan HIGH-SPEED* is capable of data communication at a speed of up to 7.2Mbps for downlink, and provides a better environment for mobile data communication.

In addition, in March 2008, we began applying new handset purchase method *Value Course* to exclusive devices for FOMA data communication, and offering a new rate plan *Value Plan* for use with the *Value Course*. Under this purchase method, when a subscriber purchases a FOMA N2502 *HIGH-SPEED*, exclusive FOMA data communication handset, or later model, that subscriber will be eligible to select the *Value Plan*, under which basic monthly charges (prior to application of other discounts) will be ¥735 lower (including tax) than in standard data plans. In September 2008, for subscribers of *Flat-rate Data Plan HIGH-SPEED* and *Flat-rate Data Plan 64K*, we launched the *Flat-rate Data Discount* service which allows subscribers who commit to a two-year contract to receive a discount of up to ¥3,780 on basic monthly charges. Further, starting in July 2009, we plan to offer a new plan called *Flat-rate Data Plan Standard* and a discount service *Flat-rate Data Standard Discount*. When the *Value Plan* is applied, customers will be able to use these plans at monthly charges that start at ¥1,000 (including tax). With such plans and services, we believe we have achieved a customer-friendly rate structure for mobile data communication, as well as rates for our cellular phone services and i-mode services.

***Cellular Phone Service Usage***

We track subscriber usage of our cellular services with two measures, MOU and average monthly revenue per unit (ARPU). MOU measures the average amount of connection time per month per unit among our subscribers. ARPU is used to measure average monthly operating revenues attributable to designated services on a per unit basis. ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as monthly charges, voice communication charges and packet communication charges from designated services that are charged consistently each month, by the number of active subscriptions 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 provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impacts of changes in our billing arrangements. Additional discussions of MOU and ARPU are included in Item 5.A. of this annual report.

MOU (FOMA+mova) decreased to 137 minutes per month for the year ended March 31, 2009 from 138 minutes in the prior fiscal year. ARPU (FOMA+mova) decreased to ¥5,710 in the year ended March 31, 2009 from ¥6,360 in the



prior fiscal year.

Aggregate ARPU (FOMA + mova) continues to decline moderately because of rate reductions and shifts in usage. During the period from the beginning of the year ended March 31, 2008 to the end of the year ended March 31, 2009, voice ARPU declined while data ARPU increased slightly. The reasons for the decline in voice ARPU include rate reductions (expansion of basic charge discounts as a result of expansion of family discounts, the

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introduction of new handset purchase methods, and the expansion of Long-Term Subscriber Discount ) and changes in customer usage patterns (declining MOU and optimization of rate plans). Meanwhile, usage of data services such as i-mode is increasing, and the data ARPU is increasing steadily.

The following tables set forth selected information concerning MOU and ARPU data for our cellular services in three categories, (FOMA + mova), (FOMA) and (mova):

**MOU and APRU (FOMA + mova)**

	<b>Year ended March 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
MOU (FOMA+mova)	144	138	137
Aggregate ARPU (FOMA+mova)	¥ 6,700	¥ 6,360	¥ 5,710
Voice ARPU (FOMA+mova)	4,690	4,160	3,330
Packet ARPU (FOMA+mova)	2,010	2,200	2,380
i-mode ARPU (FOMA+mova)	1,990	2,170	2,340

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

Voice ARPU (FOMA+mova): Voice ARPU (FOMA+mova) Related Revenues (basic monthly usage charges, voice communication charges)/No. of active cellular phone subscriptions (FOMA+mova)

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

i-mode ARPU (FOMA+mova)<sup>(2)</sup>: i-mode ARPU (FOMA+mova) Related Revenues (basic monthly usage charges, packet communication charges)/No. of active cellular phone subscriptions (FOMA+mova)

No. of active subscriptions used in ARPU/MOU calculations is as follows:

FY Results: Sum of No. of active subscriptions\* for each month from April to March

\* Active subscriptions for each month = (No. of subscriptions at the end of previous month + No. of subscriptions at the end of current month)/2

**MOU and ARPU (FOMA)**

	<b>Year ended March 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
MOU (FOMA)	175	156	148
Aggregate ARPU (FOMA)	¥ 7,860	¥ 6,990	¥ 6,010
Voice ARPU (FOMA)	5,070	4,340	3,360
Packet ARPU (FOMA)	2,790	2,650	2,650

i-mode ARPU (FOMA)	2,750	2,610	2,590
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Aggregate ARPU (FOMA): Voice ARPU (FOMA) + Packet ARPU (FOMA)

Voice ARPU (FOMA): Voice ARPU (FOMA) Related Revenues (basic monthly usage charges, voice communication charges)/No. of active cellular phone subscriptions (FOMA)

Packet ARPU (FOMA): Packet ARPU (FOMA) Related Revenues (basic monthly usage charges, packet communication charges)/No. of active cellular phone subscriptions (FOMA)

i-mode ARPU (FOMA)<sup>(2)</sup>: i-mode ARPU (FOMA) Related Revenues (basic monthly usage charges, packet communication charges)/No. of active cellular phone subscriptions (FOMA)

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No. of active subscriptions used in ARPU/MOU calculations is as follows:

FY Results: Sum of No. of active subscriptions\* for each month from April to March

\* Active subscriptions for each month = (No. of subscriptions at the end of previous month + No. of subscriptions at the end of current month)/2

**MOU and ARPU (mova)**

	Year ended March 31,		
	2007	2008	2009
MOU (mova)	104	82	63
Aggregate ARPU (mova)	¥ 5,180	¥ 4,340	¥ 3,750
Voice ARPU (mova)	4,190	3,590	3,090
i-mode ARPU (mova)	990	750	660

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

Voice ARPU (mova): Voice ARPU (mova) Related Revenues (basic monthly usage charges, voice communication charges)/No. of active cellular phone subscriptions (mova)

i-mode ARPU (mova)<sup>(2)</sup>: i-mode ARPU (mova) Related Revenues (basic monthly usage charges, communication charges)/No. of active cellular phone subscriptions (mova)

No. of active subscriptions used in ARPU/MOU calculations is as follows:

FY Results: Sum of No. of active subscriptions\* for each month from April to March

\* Active subscriptions for each month = (No. of subscriptions at the end of previous month + No. of subscriptions at the end of current month)/2

- (1) Communication Module services subscriptions and the revenues thereof are included in neither the ARPU nor MOU calculations.
- (2) The denominator used in calculating i-mode ARPU (FOMA+mova, FOMA, mova) is the aggregate number of cellular subscriptions to each service (FOMA+mova, FOMA, mova, respectively), regardless of whether i-mode service is activated.

**Billing and Collection**

We bill each of our subscribers on a monthly basis and subscribers may pay their bills by automatic withdrawal from a bank or other financial institution account, by credit card, or in person at any number of locations such as docomo Shops or convenience stores. As of March 31, 2008, approximately 75% of subscribers paid by financial institution account transfer or by credit card, and by March 31, 2009 this rate had risen to a very high level of approximately 83%. This is because when subscribers purchase a mobile phone handset, select the Value Course, and pay for the handset in installments, payment options for the handset and monthly use fees have been limited to the account

withdrawal or credit-card payment since July 2008. In addition, in July 2008, we introduced a system, which allows applications for these payment methods to be registered online, to mass merchandisers and general distributors to increase convenience of customers. We also provide the e-billing service that sends the bills to customers using electronic media instead of paper invoices, which contributes to the environmental preservation.

As of March 31, 2009, the rate of collection for issued bills within 60 days from the payment due date was 99%. To limit the ratio of nonperforming receivables, we closely monitor subscribers with large outstanding amounts or in arrears, and if use fees exceed a certain level within a billing cycle, we send the subscribers frequent notices or take measures for earlier billing. Further, we suspend the services to subscribers who do not pay within 20 to 30 days after the initial due date and also cancel the contracts of customers who do not pay within 60 days.

**Table of Contents****4. Marketing***Sales Strategy*

We sell our products and services through a vast sales network covering the entire country. The shops, which deal with our products and services, are operated by various distributors, and as of March 31, 2009, nationwide there were 2,363 docomo Shops, which are specialized stores for which we have approved the use of the DOCOMO's logo and other trademarks and service marks belonging to us, as well as the use of store exteriors and displays that provide immediate recognition as shops for DOCOMO. These docomo Shops are mainly operated by third party distributors who have no equity relationship with DOCOMO. In addition to docomo Shops, there are general distributors that handle the products and services of multiple operators such as mass merchandisers of consumer electronics and other stores that also sell our products. As of March 31, 2009, the number of such shops was 8,449 (excluding docomo Shops).

One of the major advantages of our large sales network is that it makes it easy for customers to subscribe to our services and purchase products, such as FOMA handsets. As the mobile communication market matures, it is becoming more important to acquire and retain customers. To continue acquiring and retaining subscribers, we are engaged in the following sales and marketing strategies: (1) comprehensive brand enhancement from a customer-oriented perspective; (2) improvement of customer retention programs; (3) continuous expansion of service areas and improvement of network quality; (4) increase in traffic by promoting the use of services such as i-mode services; (5) improvement of the quality of our after-sales services; (6) provision of competitive tariffs; and (7) enhancement of handset lineups.

In order to enhance our business activities based on customer needs, we formed Corporate Branding Division in August 2007 as an entity directly under the direct supervision of our president. Outside marketing experts were invited to participate in the Division, which directed its efforts towards brand marketing unbound by conventional values. In addition to seeking to further strengthen marketing functions, we also reviewed the role of the corporate brand in the light of the changing market environment. This led to the renewal of the DOCOMO brand and declaration of the New DOCOMO Commitments, which express a vision of changing our company in April 2008. Under these Commitments, we have thoroughly pursued our customer-based principles and provide each and every customer with the best service along with safety and security in order to transform ourselves to a corporation that exceeds expectations. The functions discussed above are succeeded by Strategic Marketing Department formed by structural reorganization in July 2008.

Moreover, we have employed a new brand statement and a new brand slogan, "Unlimited Potential, in Your Hand," in an effort to enhance satisfaction of each and every customer and create deeper ties to bring customers continued enjoyment and satisfaction by using DOCOMO products and services. We also selected a new corporate brand logo and corporate color, DOCOMO red, which we have been using since July 2008.

In November 2007, we started offering new handset purchase methods. Under these purchase methods, customers can choose the "Value Course" or the "Basic Course" based on their needs. The "Value Course" offers lower basic monthly charges than in conventional model and instead customers pay the initial handset purchase costs on their own. The "Basic Course," which is similar to the conventional model in that initial costs are reduced by our sales incentives to distributors, offers basic monthly charges unchanged from conventional basic monthly charges and lower initial handset purchase costs, as we pay a portion of (give a discount on) handset purchases in exchange for two-year contracts.

Customers who purchased handsets with "Value Course" will receive lower basic monthly charges even after they finish the payment of handsets, so the longer customers use the same handsets, the more they can cut the spending. Under

the Value Course, customers can choose from either 12- or 24-month installments, in addition to a lump-sum payment.

Previously in Japan, mobile handsets were sold with sales incentives to reduce initial costs and make them more affordable for customers. We agree that this sales model contributed significantly to the growth of the mobile phone market, but nowadays that the market has matured, issues as feelings of unfairness and the lack of transparency had been emerging, we considered that, in part to solve these problems, it was necessary to introduce a sales model suitable for current situation of Japan's maturing mobile phone market.

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We feel strongly that the combined elements of our sales network, extensive advertising activities, strong branding power, network quality, competitive billing plans, and after-sales services will enable us to continue acquiring and retaining subscribers.

### ***Customer Support***

With Japan's mobile communication market transitioning to a mature phase, we have shifted from a strategy focusing on acquiring new subscriptions to one concentrating on the relationships with existing customers, and have strived to achieve high customer satisfaction. We consider customer support, including services and after-sales services providing to subscribers, to be extremely critical in retaining subscribers and maintaining the high reputation and recognition of the DOCOMO brand. We provide fruitful services to our customers from the time a subscription is made or a handset is purchased at a docomo Shop or at other sales channels, and such services are supported by our fully integrated information system. In addition, our Internet site, accessible via mobile phones and personal computers, etc., allows customers to change their services, billing plans and addresses, as well as shop for mobile handsets and accessories 24 hours a day.

Our after-sales services are provided mainly through docomo Shops. All docomo Shops can deal with repairs. A toll-free number is available for inquiries on such matters as basic service contents and billing plans. In addition, we have a 24-hour framework for responding to handset and network problems, including stolen or lost handsets.

To enhance the quality of after-sales services for existing subscribers, when our sales distributors provide certain after-sales services, including handset exchanges, billing plan changes, and diagnosis/repair work on products such as handsets, payments suitable for the services performed are paid to the distributors.

Further, in July 2009, we will begin offering at all docomo Shops the *keitai tenken* service, a check-up service for handsets designed to ensure that customers can use their mobile phones which have become an indispensable tool in their daily lives with peace of mind and without trouble. With the *keitai tenken* service, to ensure that customers handsets are kept in the best possible condition, an expert staff will check handset functions, give advice, carry out minor repairs, and so that customers can continue to use their handsets more comfortably.

Further, in an effort to increase the number of users in customer segments where penetration rate is low, we have provided consultation for customers by holding seminars regularly to promote the understanding of how to use mobile phones.

As part of our efforts to provide enhanced customer services, we offer a membership program called docomo Premier Club. This program consists of the rewarding program, complimentary services and after-sales services; depending on their monthly mobile phone usage, subscribers earn points, which can be exchanged for discounts on purchasing handsets, or for travel certificates, restaurant certificates or tickets. Customers are classified into four stages based on their usage during the previous year and years of continuous subscription, and the point-earning percentage increases with each stage level. All members of the Club are entitled to the following services: free repair services for three years from handset purchase; the Battery Pack *Anshin* Support, which offers markdowns on battery packs to customers who have used the same FOMA handsets for at least one year (the service will be expanded in July 2009 to give customers an option to choose a charger adapter in addition to the conventional battery pack); the Repair Fee *Anshin* Support, which caps repair charges for non-insured phones at ¥5,250 (including tax); the Premier Club Replacement Support, which provides support in case of undesirable incidents (water exposure, theft, loss, etc.) within one year of handset purchase; the Delivery Service for Repaired Mobile Phones, which ships repaired handsets free of charge to customers who do not use replacement phones when their FOMA handsets are being repaired (the service was renewed as Receive Anywhere Service for Repaired Mobile Phones in June 2009, so customers are able to choose any docomo Shop or address to receive their repaired handsets); and the *Keitai-Osagashi* Service, which confirms the



approximate locations of phones at no cost. Moreover, FOMA customers may apply the Mobile Phone Protection & Delivery Service, which for a monthly premium of ¥315 (including tax) protects phones against all problems, including water exposure, loss and damage beyond repair, and then the shipping of replacement handsets. Further, Club members are entitled to other complimentary services from hotels, shops, restaurants, and other sponsor companies. In addition, after October 2007, complimentary services provided by partner companies were expanded to include popular overseas travel destinations (Guam, Saipan, South Korea, Hawaii, and Beijing/Shanghai). Customers in the Premier Stage are also

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entitled to the following perks: services that give free battery packs (after July 2009, we will give customers an option to choose a charger adapter in addition to the conventional battery pack) to customers who have used the same FOMA handsets for more than one year; participation in *Minna no docomo Kenkyushitsu*, where customers can take part in studies on near-future services; and the benefit of being able to redeem their points for the DCMX (iD) coupons.

Further, to promptly respond to opinions for area quality, we offer a service, if requested, by which we perform area quality surveys generally within 48 hours after service staff contact a customer. We also introduced the Water Exposed *Keitai* Data Recovery Service, by which in the case that data such as phonebooks is successfully retrieved from handsets that do not turn on after being subject to accidental water exposure, we copy the data onto CD-Rs and then gave them to customers.

## **5. Products**

We offer a wide range of handsets to our subscribers. Manufacturers of our handsets have met our strict quality standards. We also offer a one-year warranty period for all handsets and provide free repairs during this period, except for cases when customers are at fault. Further, software can be updated thorough our network, to enhance customer convenience and operational efficiency.

### ***Mobile Phone Handsets (FOMA)***

We had previously offered a lineup that included the 9 series, which came equipped with the latest functions, the 7 series, which focused on key functions, and concept models, which featured unique characteristics, but so that customers can choose according to their values and lifestyles, our handset lineup was renewed in November 2008 to the docomo STYLE series, docomo PRIME series, docomo SMART series, docomo PRO series, as well as the Raku-Raku PHONE series.

#### *docomo STYLE series*

Starting in November 2008, docomo STYLE series handsets were released in models such as N-02A and SH-02A. The series was developed under the concept of distinctive mobile phones, designed like accessories and offered in a wide variety of fashionable designs and colors for individuals who want to project the latest look .

#### *docomo PRIME series*

Beginning in November 2008, docomo PRIME series handsets were released in models such as F-01A and P-01A. The concept for the series is full-feature mobile phones for the maximum enjoyment of video, games and other entertainment by people who love to explore the latest multimedia. The series features a number of entertainment functions, including videos and games, and lets users fully enjoy the latest mobile entertainment.

#### *docomo SMART series*

Starting in January 2009, docomo SMART series handsets were released in models such as N-04A and F-04A. The series was developed under the concept of sophisticated mobile phones for busy people who want to live productively and enhance the management of their professional and private lives. The series is designed for those who want to successfully balance work and private life. The phones are equipped with useful business tools and feature elegant designs.

#### *docomo PRO series*

Beginning in November 2008, docomo PRO series handsets were released in models such as SH-04A. The series was developed under the concept of the most advanced high-spec mobile phones for those who love cutting-edge digital tools and can't get enough of the newest, hottest technology. The series allows customers to use mobile phones comfortably as cutting-edge digital tools with their own specifications by resemblance to personal computers in terms of operations.

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In November 2008, we released the smartphone HT-01A, equipped with a touch screen and QWERTY keyboard for easy Internet navigation. In December 2008, we released the smartphone HT-02A, equipped with a touch screen for easy operation and featuring a slim design palm-size. In February 2009, we released the BlackBerry® Bold™, a high-spec smartphone used throughout the world.

### *Raku-Raku PHONE series*

The series was developed under the concepts of user-friendliness, easy to use, easy to see, and peace of mind.

In April 2007, we started selling Raku-Raku PHONE Basic, which is a result of our extensive pursuit of beauty in design and easy use of the calling, e-mail and i-mode functions, which are the fundamental functions of mobile phones. In August 2007, we released Raku-Raku PHONE IV, the first Raku-Raku PHONE model with the GPS capability and stepped-up calling functions focusing on audibility and ease of talking. In April 2008, we released Raku-Raku PHONE PREMIUM which succeeded the universal design developed for the Raku-Raku PHONE series and improved functions such as *Osaiju-Keitai*, which are preinstalled dedicated applications friendly even to first-time users; One-Seg, which can be easily activated by simply swinging the screen to the right; and compatibility with WORLD WING (3G+GSM). Raku-Raku PHONE PREMIUM also features a user-friendly and elegant design supervised by the same graphic designer of the Raku-Raku PHONE BASIC. In addition, Raku-Raku PHONE IVS eligible for the Value Course was released.

In May 2008, Raku-Raku PHONE Basic S, which focuses on easy use of basic mobile phone functions of calling, e-mail and i-mode, went on sale. In August 2008, Raku-Raku PHONE V, which comes with a pedometer and sphygmometer for health management, was released. The Raku-Raku PHONE BASIC II, a basic phone that is easy for anyone to use has a point-and-shoot camera for easy and high-quality photos, went on sale in April 2009.

Other handset series that went on sale on or after April 2006 are as follows.

### *Kids PHONE*

In December 2007, we released Kids PHONE F801, with improved functions providing peace of mind such as waterproof and loss-prevention functions. In February 2009, we started selling Kids PHONE F-05A, which initial settings are limited to the functions of a security buzzer, calling and GPS but with enhanced functions available to give families peace of mind.

### *Concept Models*

FOMA D800iDS, a two-screen handset equipped with a touch panel, was released in February 2007. In June 2008, we released PRADA Phone by LG, which was developed by the global brand PRADA through collaboration with LG Electronics.

### *Smartphones*

We released BlackBerry® 8707h in September 2006 and BlackBerry® 8707h with Japanese language support in July 2007. hTc Z, which comes with Windows Mobile® installed, went on sale in July 2006. In March 2008, we started selling Windows® handset F1100, which is installed with Windows Mobile® and features portability and user-friendliness with expanded business functions. In June 2008, we released the Windows® phone HT1100, which comes installed TouchFLO, a new user interface that is operated by rotating the 3D cube menu on a touch screen.

Note:

Windows and Windows Mobile are trademarks or registered trademarks of Microsoft Corporation, registered in the U.S. and other countries.

**Table of Contents***90X Series*

In August 2006, FOMA N902iX HIGH SPEED, which is compatible with HSDPA, went on sale. This handset supports Music Channel (currently Music & Video channel ) and *Chaku-Uta* Full. In October 2006, we released the FOMA 903i series, which supports *Chaku-Uta* Full and Mega i-appli. In May 2007, the FOMA 904i series, which is compatible with 2in1, *Chokkan* Game and *Uta* Hodai, was released. In November 2007, the FOMA 905i series went on sale as an all-in-one phone. In June 2008, the FOMA 906i series, which is positioned as an all-around video phone, was released. The handset comes with such functions as WORLD WING (3G+GSM) ; FOMA high speed (HSDPA) ; One-Seg ; GPS ; 2in1 ; DCMX ; iD ; Full-wide VGA LCD, and supports a variety of video services and content.

*70X Series*

In January 2007, we released the FOMA 703i series, which pursue unique styles such as the world's slimmest (as of January 16, 2007) handset and collaboration handsets. In July 2007, we released the FOMA 704i series, which features not only slim and compact, but also One-Seg, waterproof and other functions. In January 2008, we began selling the FOMA 705i series, which is the result of a new approach to design in addition to being slim. As part of this series, PROSOLIDμ (P705iCL) which comes installed with numerous business functions was released in March of that year, and FOMA SH705iII, which features clear and audible calls and One-Seg and a 3.2 mega-pixel camera with clearly visible characters and screen, went on sale that April. In July 2008, we launched the FOMA 706i series, which was developed under the concept of individualism and slimness. It features not only a compact design but also functions supporting various customer needs and lifestyles, such as Extreme Slim One-Seg Phone, Waterproof One-Seg, Wellness Phone and Friendly Phone for Everybody. The performance of each of these handsets was further improved.

*SIMPURE Series*

In April 2006, we started offering customers wishing for simple and basic functions the SIMPURE series, which is simple and compact and supports overseas use. In December 2006, we released SIMPURE N1, a compact phone featuring such basic functions as i-mode, e-mail, camera and TV phone. In June 2007, SIMPURE L2, developed in collaboration with a designer, was released as the latest model in the SIMPURE series.

*Data Communication Devices*

In September 2006, the HSDPA-compatible data communication device FOMA M2501 HIGH SPEED was released. In October 2007, we launched a USB-type device FOMA A2502 HIGH SPEED, which supports HSDPA. This data communication device was developed as part of the device joint procurement project by DOCOMO and South Korean mobile communication provider KT Freetel Co., Ltd. (KTF, currently KT Corporation). In March 2008, we launched FOMA N2502 HIGH-SPEED, a compact flashcard-type data communication device that supports high-speed 7.2Mbps. In December of that year, we released L-02A, which supports WORLD WING (3G+GSM), that enables the use of packet communication in 135 countries and regions around the world (as of December 9, 2008), and which is compatible with FOMA HIGH-SPEED 7.2Mbps.

*FOMA Ubiquitous Modules*

To further promote the spread and development of FOMA Ubiquitous Modules for the built-in market to the machine communication field, we released in March 2007 FOMA UM01-F, which supports both FOMA packet communication and voice/packet communication separation control. In July 2008, we launched the FOMA Ubiquitous Module UM02-F, improving functions and expanding the lineup of FOMA Ubiquitous Modules. Currently, the FOMA Ubiquitous Modules have been used in familiar usage, such as for monitoring and controlling power and gas

facilities; business support through compact information terminals; and managing inventory for vending machines.

**Table of Contents*****Mobile Phone Handsets (mova)***

For 2G services, we had offered three types: the 5xx series, which featured a variety of functions; the 2xx series, which came with basic functions; and the 6xx series, which was targeted at certain user segments. In response to the persistent demand for mova handsets despite increasing transition by users from mova to FOMA, we offered N506iSII and P506iCII which were developed based on the 506i series and featured lower prices in March and April of 2006, respectively, but we have since released no new mova products.

**6. Electronic Money*****Osaifu-Keitai (i-mode FeliCa Service)***

We began *Osaifu-Keitai* (i-mode FeliCa service) services using non-contact IC in July 2004 and have been striving to create new usage opportunities in cooperation with other business platforms, such as electronic money, membership cards and point cards.

As a result, *Osaifu-Keitai* has steadily grown, with subscribers reaching 33.9 million in March 2009 and the number of stores accepting the services totaling approximately 862,000 (as of March 31, 2009). We believe the utilization of the services linked to the customers' daily lives will be promoted with the emergence of numerous settlement services such as our mobile credit iD/DCMX, Mobile Suica\* which are eligible for *shinkansen* bullet trains as well as mutual use with PASMO\*\*, and e-money Edy and nanaco\*\*\*.

Further, ToruCa, an additional function of *Osaifu-Keitai*, lets users download, into their handsets, coupons and store information that conventionally have been distributed in paper format at the storefront, by holding *Osaifu-Keitai* over a reader/writer (a reading device set up at the storefront, etc.).

\* A service for *Osaifu-Keitai* with which people can use Suica, a prepaid contactless IC card provided by East Japan Railway Company.

\*\* A payment system eligible for transportation through a rechargeable prepaid IC card.

\*\*\* Prepaid and rechargeable contactless electronic money card provided by Seven & i Holdings Co., Ltd.

***Credit Business***

The credit brand iD, which enables users to make credit card payments using the *Osaifu-Keitai* services, is a settlement platform that enables a user, simply by holding the *Osaifu-Keitai* over a specialized terminal installed in stores (reader/writer), to make a speedy credit settlement without the need for signing on a credit card slip. It can be used for both small and large purchases, and comes with a number of security features to prevent unauthorized use, so that it can be used with peace of mind and safety.

We are providing the iD brand as an open model to credit card issuers, who can offer card members credit settlement services combining conventional plastic cards and use of iD with the *Osaifu-Keitai*.

Since the launch of the iD in December 2005, the number of subscribers has increased steadily, exceeding 10 million subscriptions in December 2008 and reaching 11.2 million at the end of March 2009. With regard to increasing shops that accept iD, we have made shops that play an important role in customers' day-to-day lives a priority, and settlement on the Internet was made possible in April 2007. The number of stores where iD can be used continues to increase steadily including the completion of introduction of iD at all McDonald's shops in four prefectures in the Kanto region



and all six prefectures in the Kinki region in March 2009. Going forward, we intend to continue providing iD to credit card issuers as an open model.

We aim to expand the range of locations in which the *Osaifu-Keitai* through the iD is used and bring up mobile phones as *Seikatsu Keitai*, that is, even more fully integrated into the daily lives of our subscribers. In April 2006, as the credit issuer using iD, we launched DCMX mini and DCMX as credit services adequate for small purchases. In April 2007, we further enhanced our menu of credit services tailored to customers' spending styles, with the launch of DCMX GOLD, which allows for purchases in greater amounts and provides a higher level of customer benefits and rewards. In June 2007, in addition to the DCMX Visa card that we have offered since the launch of the services, we started to issue the DCMX MasterCard, allowing customers to choose a card from

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Visa and MasterCard when they sign up for services. As of March 31, 2009, the number of subscriptions has exceeded 8.98 million.

By enhancing these credit card businesses, we aim to expand the credit market and acquire a portion of this market, leading to growth in our corporate value.

## **7. Investments and Affiliations in Japan**

### ***Payment Services and Commercial Transaction***

#### *LAWSON*

In March 2006, we reached an agreement with LAWSON, INC. ( LAWSON ) to form a business tie-up through capital participation in LAWSON by DOCOMO, with the intention of providing greater convenience to customers. Through the tie-up, DOCOMO and LAWSON will make use of their respective customer bases and expertise in the mobile communication and convenience store businesses to contribute to enriching the lives of customers by providing new value-added services. Under the tie-up, LAWSON introduced iD credit card payment services and ToruCa information provisions services at all LAWSON stores.

Pursuant to this capital alliance, in April 2006 we acquired 2,092,000 shares of LAWSON, which corresponds to 2.0% of total issued shares, for approximately ¥9 billion.

#### *FamilyMart*

In May 2007, we reached an agreement with FamilyMart, Co., Ltd. ( FamilyMart ) to form a business tie-up and for capital participation in FamilyMart, with the intention of providing greater convenience to customers. In June 2007, pursuant to this tie-up, we purchased 2,930,500 shares of FamilyMart common shares (treasury stock), constituting 3.0% of its outstanding shares, for approximately ¥9 billion. Through the tie-up, DOCOMO and FamilyMart will make use of their respective customer bases, brands, business know-how and infrastructure to provide new services having greater added value and convenience that are closely tied to the daily lives of customers. Under the tie-up, FamilyMart introduced iD credit card payment services and ToruCa information provisions services at all FamilyMart stores, and a variety of services utilizing mobile phones such as *Osai-fu-Keitai* compatible Famima T Card with the membership card function and iD payments for purchases on FamilyMart shopping site for i-mode.

#### *The JV*

In February 2007, we agreed to establish a new company with McDonald's Holdings Company (Japan), Ltd. ( McDonald's ) to jointly promote e-marketing with a focus on *Osai-fu-Keitai*. In conjunction with this tie-up, we jointly formed a new company, The JV, Ltd., in July 2007 to plan and implement promotional activities targeting members of McDonald's new membership club. This company, which merges McDonald's and DOCOMO's respective customer bases, brands, and business know-how in the restaurant and mobile phone businesses, will provide customers with Value, Convenience, and Fun, by proposing new lifestyles to be achieved through e-marketing focusing on the *Osai-fu-Keitai*. Moreover, iD and ToruCa were introduced gradually at all McDonald's locations in Japan from October 2007.

#### *OAK LAWN MARKETING*

In April 2009, we reached an agreement on a capital alliance with the TV shopping company OAK LAWN MARKETING, INC. ( OLM ), and acquired 51% of the common shares of OLM for ¥31 billion. Both companies will

seek to revitalize the mobile e-commerce market, which is expected to grow, through this capital tie-up, as well as to enrich our customers' lifestyles by offering services and products that meet the lifestyle and needs of each and every customer.

**Table of Contents***CXD NEXT*

In July 2007, DOCOMO and CASIO COMPUTER CO., LTD. ( CASIO ) established a joint venture called CXD NEXT CO., LTD. (CXD NEXT), to provide electronic settlement-related services for credit services, primarily iD, and to provide store support services to enable to manage and analyze sale information. Making use of CASIO s know-how in store support services, which it has cultivated through the development and sale of a variety of models as a leading manufacturer of electronic registers, and DOCOMO s know-how in electronic settlement, which it cultivated through development of the mobile credit service iD, CXD NEXT will develop new businesses using Internet-based cash registers that focus on small-to-mid-sized companies with multiple retail stores, and will seek to enhance sales of CASIO s electronic registers and expand the environments for use of iD and the *Osai-fu-Keitai*.

*AEON Marketing (tentative name)*

In March 2009, we reached a basic agreement with AEON Co., Ltd. and AEON CREDIT SERVICE CO., Ltd to form AEON Marketing Co., Ltd. (tentative name, new company ), which will perform one-on-one marketing activities utilizing mobile phones. The new company will conduct marketing for the AEON Group and implement advanced mobile customer relationship management (CRM).

***Broadcasting****Nippon Television*

In April 2006, together with Nippon Television Network Corporation ( NTV ), we formed a seven-year limited liability partnership, D.N. dream partners LLP ( LLP ), with each party contributing ¥5 billion in capital under the tie-up agreement for contents development. This LLP is investing in and developing content such as TV programs with a view to making such content available to mobile phones. DOCOMO and NTV are also jointly studying new business opportunities, including a link between One-Seg terrestrial digital broadcasting and i-mode services, as well as content developed by NTV for our conventional services such as i-motion video clip distribution services.

In January 2007, we acquired 760,500 shares of NTV, representing 3.0% of the total issued shares. We are collaborating with NTV on various considerations with the goal of creating new markets through the collaboration between communication and broadcasting entities and providing attractive services to customers. In addition, handsets compatible with One-Seg, a service providing terrestrial digital broadcast for mobile phones and portable devices, are steadily spreading, and as the market expands, the gap between communications and broadcasting will continue to narrow. Under these circumstances, we have strengthened our partnership with NTV.

*Multimedia Broadcasting*

In December 2006, together with Fuji Television Network, Inc., ITOCHU Corporation, SKY Perfect JSAT Holdings Inc. (formerly, SKY Perfect Communications, Inc.), and Nippon Broadcasting System, Inc., we established a limited liability company named Multimedia Broadcasting Planning LLC. ( MMBP ) to research new multimedia services applying the Integrated Services Digital Broadcasting Terrestrial (ISDB-T) protocol and to publicize its usefulness and thereby encourage the allocation of bandwidth for mobile multimedia broadcasting employing ISDB-T following the termination of terrestrial analog broadcasting. In January 2009, MMBP was reorganized as a Multimedia Broadcasting, Inc. ( Multimedia Broadcasting ). Multimedia Broadcasting, through the multimedia broadcasting services using the ISDB-Tmm protocol proposed by MMBP, aims to effectively use this bandwidth to create new multimedia services that can contribute to the development of a ubiquitous society. Currently, Multimedia Broadcasting is moving ahead with acquiring the necessary licenses, proposing protocols, and planning specific services.

*Avex Broadcasting & Communications*

In September 2008, we reached an agreement with Avex Entertainment Inc. on the establishment of a joint venture company, Avex Broadcasting & Communications Inc., with the purpose of the further formation of, and

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creating more activity in, the mobile video content market, which was founded in April 2009, and began services in May 2009.

***Content and Internet******Kadokawa Group Holdings***

In November 2006, we concluded an agreement for a comprehensive business alliance with Kadokawa Group Holdings, Inc. ( Kadokawa GHD ) and other Kadokawa group companies (Kadokawa Shoten Publishing Co., Ltd. (currently Kadokawa Group Publishing Co., Ltd.), Kadokawa Herald Pictures, Inc. (currently Kadokawa Pictures, Inc.), Kadokawa Mobile, Inc., Herald Enterprise Inc. (currently Herald Cineplex, Inc.), and Kadokawa Media House Inc.) to develop and expand the market for video programming for mobile phones. In conjunction with this agreement, we also agreed to invest in Kadokawa GHD, and in December 2006 acquired 1,031,000 ordinary shares of Kadokawa GHD, representing 3.78% of total issued shares, through a third-party allocation of new shares at a cost of approximately ¥4 billion. With the expansion of high-speed communication networks such as HSDPA, the market for video programming for mobile phones is expected to grow, and an alliance between DOCOMO, which has business expertise and a solid customer base developed through the i-mode service business, and the Kadokawa group, which engages in comprehensive programming development as a mega-content provider for various media ranging from publishing to film, can be used to distribute high-quality video programming and nurture and expand the market for mobile phone video programming. In addition, the capital tie-up will also serve to strengthen cooperation between the companies, and a variety of collaborative measures will be implemented.

***ZENRIN DataCom***

In June 2007, we reached an agreement with ZENRIN DataCom CO., LTD. ( ZENRIN DataCom ), a subsidiary of ZENRIN CO., LTD. ( ZENRIN ), and acquired 1,700 shares of common stock of ZENRIN DataCom, representing 10.27% of total issued shares, through a third-party allocation of new shares. Through this tie-up, DOCOMO, which has business expertise and technology developed through the i-mode service business, and ZENRIN DataCom, which has a high-quality cartographic database of ZENRIN and a technology to distribute advanced map data, will work together to promote and expand map services such as the distribution of map information applications for mobile phones and services linked with the location information of the mobile phone, customizing to the diversifying needs of each customer.

***Google***

In January 2008, DOCOMO and Google Inc. ( Google ) reached an agreement on forming a partnership that includes providing search services, search-related advertisements, and applications for use by i-mode users. By bringing together the services of Google, the world's largest search engine, and DOCOMO's mobile Internet service i-mode, used by approximately 48 million customers, the companies aim to provide greater convenience to customers using their services, and to stimulate the Japanese mobile Internet market by developing innovative services. Going forward, we will make Google's map service a standard feature on i-mode compatible handsets, or otherwise enable Google services to be used on i-mode handsets, and we will work together with Google to provide our customers with even greater convenience across a wide range of mobile Internet services.

***NTT Resonant***

In June 2008, we reached an agreement with NTT Communications Corporation ( NTT Com ) and NTT Resonant Inc. ( NTT Resonant ) concerning total investment of approximately ¥10 billion by DOCOMO and NTT Com into NTT Resonant for joint development of new collaborative services between mobile phones and PCs. The three companies

are working to develop seamless services on mobile phones and PCs that utilize the unique characteristics of each to facilitate their use in response to customer needs and to enhance the iMenu site search functions.

**Table of Contents*****Technology Peripheral to Mobile Phones******Fuetrek***

In May 2006, we formed a business and capital tie-up with Fuetrek Co., Ltd. ( Fuetrek ). Fuetrek develops, designs, manufactures, and sells large-scale integrated circuits and semiconductors and develops and licenses sound source and acoustic technologies. Under the capital tie-up, we acquired 1,420 shares of Fuetrek (representing 6.19% of total issued shares). Combined with the holdings of our subsidiary, DOCOMO.com, Inc. ( DOCOMO.com ), our subsidiary, we own 10.37% of Fuetrek s shares. Fuetrek s sound source and acoustic products had been used in many FOMA terminals, and with this tie-up, the partnership between us and Fuetrek has been strengthened and we can look forward to improved acoustic functions in our handsets and higher development efficiency as well as greater collaboration with respect to acoustic technologies overall.

***Gridmark, DPC***

In June 2008, DOCOMO and Gridmark Limited ( Gridmark ), which carries out R&D and marketing in the dot-code field, established DPC Inc., to plan, market and operate a dot-code business in the field of mobile handsets. We acquired 2,400 common shares in Gridmark (8.9% of outstanding shares) through a third-party allocation and transfer, at approximately ¥300 million.

***ACCA Wireless (currently Wire and Wireless Co., Ltd.)***

In August 2007, DOCOMO and ACCA Networks Co., Ltd ( ACCA ) reached an agreement on investment in ACCA Wireless Co., Ltd. ( ACCA Wireless ), and a strategic alliance. ACCA Wireless, which was established as a planning company for the purpose of obtaining a license for ACCA as an operator of a 2.5GHz broadband wireless access system ( BWA ) using mobile WiMAX ( WiMAX ), made application to the MIC in October 2007 for a 2.5GHz BWA license using WiMAX, but because it was not able to obtain this license, the partnership was dissolved in December 2007.

***Acrodea***

In February 2008, we reached an agreement with Acrodea, Inc. ( Acrodea ), which develops and sells middleware for mobile phones, to acquire 4,500 Acrodea shares through a third party allocation. In addition, DOCOMO requested that JAIC Advanced-Tech No. 1 Venture Capital Investment, L. P. of which DOCOMO is a limited partner, transfer its 2,800 shares in Acrodea to DOCOMO. Combined with the holdings of DOCOMO.com, we own 13.06% of Acrodea. Prior to this, DOCOMO and Acrodea had built an amicable cooperative relationship, and with this investment, the relationship with Acrodea will be further strengthened, and going forward, we will promote greater efficiency and stability in DOCOMO handsets loaded with Acrodea products.

**8. Global Businesses*****International Calling Service and International Roaming Service***

WORLD CALL, our international calling service, is a service that lets customers make international phone calls to 237 countries and regions (as of March 31, 2009) from their mobile phones. As of March 31, 2009, FOMA subscribers were able to make international videophone calls via our 3G network to 3G subscribers in 49 countries and regions, including the U.K., Hong Kong, Singapore and Australia.



With WORLD WING, our international roaming service, customers are able to use the DOCOMO mobile phones that they use in Japan, with the same phone numbers and i-mode mail addresses, in the service areas of overseas mobile network operators with which DOCOMO has partnerships. Since introducing them in June 2006, 3G roaming compatible handsets which are compatible with overseas 3G networks, most of the handsets we currently offer are 3G + GSM compatible or 3G compatible, enabling customers to use their phones overseas. WORLD WING users are able to make and receive phone calls with the same FOMA phone numbers in 182 countries and regions, and access i-mode packet communication in 138 countries and regions as of March 31, 2009.

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In April 2006, we formed an alliance in the Asia-Pacific region with a total of six mobile network operators, including Far Eastone Telecommunications Co Ltd. (operating region: Taiwan), Hutchison Telecommunications (Hong Kong) Limited (operating region: Hong Kong and Macao), KT Corporation (operating region: South Korea), PT Indosat Tbk (operating region: Indonesia), and StarHub Ltd. (operating region: Singapore), to enhance each member's competitiveness in international roaming and corporate mobile services. In December 2006, Smart Communications, Inc. (operating region: the Philippines) joined the alliance, and it was officially named the Conexus Mobile Alliance (Conexus). In addition, with Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited (operating region: India, both) joining the alliance in November 2007 and True Move Company Limited (operating region: Thailand) doing so in June 2008, combined with the additions of Guam and the Northern Mariana Islands to its coverage area, Conexus became one of the largest mobile network operator alliances in the Asia-Pacific region with approximately 210 million subscribers in 12 countries and regions.

***International Solutions for Businesses***

We established DOCOMO China Co., Ltd. (DOCOMO China) in Shanghai, China in June 2008 to perform marketing activities directed towards overseas corporate customers. DOCOMO China provides mobile phone collaborative business solutions and solutions relating to information distribution services for corporate customers as well as support for enhancing customer operating efficiency and business activities in China, the world's largest mobile communication market.

***International Investments and Alliances***

We make investments in and/or enter into agreements with overseas mobile network operators and businesses providing mobile phone related services with the long-term aim of securing growth and revenue opportunities and strengthening our global competitiveness. We plan to leverage our expertise and experience in the Japanese mobile telecommunication market by assisting mobile network operators who are our partners abroad to develop and promote their 3G platform based on the W-CDMA technology and promote the widespread and rapid deployment of mobile multimedia services, thereby achieving our goal of establishing a world of seamless communications.

Mobile network operators in other parts of the world have recently had success in promoting their wireless Internet access business, while our i-mode services achieved immediate success among a broad range of segments in Japan, including the consumer segment starting in the 1990s. We believe that our experience with the development and deployment of our i-mode services is a great strength that 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 competitiveness in the domestic market. Currently, i-mode services are available in 15 countries and regions including Japan, the Netherlands, Taiwan, Belgium, France, Spain, Italy, Greece, Israel, the United Kingdom (including Northern Ireland), Ireland, Bulgaria, Romania, Hong Kong, and the Philippines. International roaming services have also grown in recent years, and we believe that these services will become an important revenue source in the future, and we forecast further business growth in this field going forward.

We intend to continue to look outside of Japan for attractive investment and partnership opportunities, such as foreign mobile telecommunication companies and other companies providing mobile telecommunication related services. If we find such investment opportunities, we will look for the optimal investment method according to the circumstances, acquiring either majority or minority stakes, or entering into licensing agreements or collaboration agreements in certain fields, such as W-CDMA-based 3G services.

*Far Eastone Telecommunications Co., Ltd.*

In February 2001, we invested approximately NT\$17.1 billion (approximately ¥61.3 billion at the date of investment) for a 20% equity stake in KG Telecommunications Co., Ltd. ( KG Telecom ). KG Telecom was a mobile network operator which operated in Taiwan. In July 2001, we increased our equity stake in KG Telecom by purchasing 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).

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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 October, 2003, we agreed to a plan by KG Telecom to enter into a Share Purchase Agreement with Far EasTone Telecommunications Co., Ltd. ( FET ), the third-ranked mobile network operator in Taiwan. Under the agreement, each KG Telecom share was converted into 0.46332 FET shares plus NT\$6.72. As a result, KG Telecom became a 100% subsidiary of FET. Upon completion of the transaction, we became an approximately 5.0% shareholder in FET, and received NT\$2.5 billion (approximately ¥8.0 billion at the date of payment) in cash.

At that time, we also concluded a memorandum of understanding with FET to collaborate on the W-CDMA 3G and i-mode businesses in Taiwan. This merger enabled us to secure a more solid base in Taiwan and has continued to increase economic value via further development of i-mode services and the 3G business. FET began its i-mode service on the Global Packet Radio Service (GPRS) network in April 2004.

In March 2004, we signed a consulting agreement with FET. Under the agreement, we provided technical assistance including assistance for network field testing and coverage optimization for the introduction of FET's W-CDMA 3G service. FET launched 3G services based on W-CDMA technology in July 2005.

*Hutchison Telephone Company Limited/Hutchison 3G HK Holdings Limited*

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

In July 2001, we agreed with HWL to separate the 3G entity from HTCL, and acquired a 25.4% equity interest in Hutchison 3G HK Holdings Limited ( H3G HK ), for approximately HK\$303,190 (approximately ¥5 million at the date of investment).

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

HTCL 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. H3G HK's 3G license was transferred to HTCL in June 2005 and 3G services are provided by HTCL at present. In June 2006, we signed an i-mode license agreement with HTCL. Under this agreement, we provided the know-how, related technologies, and patent rights to HTCL for it to develop i-mode services, and HTCL's i-mode services were launched in Hong Kong in May 2007.

*Mobile Innovation Co., Ltd.*

In April 2004, we signed a joint venture and share subscription agreement with Loxley Public Company Limited ( Loxley ), a Thai IT-related trading company, under which we acquired a 40% equity stake in Mobile Innovation Co., Ltd. ( MI ), a location-based service provider, wholly owned by Loxley, for a cash consideration of 21.6 million baht (approximately ¥60 million at the date of investment). In February 2005, we agreed to increase the capital of MI, and

invested 12 million baht (approximately ¥30 million at the date of investment). Loxley concurrently invested 18 million baht (approximately ¥50 million at the date of our investment) in MI.

In October 2007, we invested an additional 49.80 million baht (approximately ¥180 million on the date of our investment), giving us a 49.9% equity stake in MI. In August 2008, we invested an additional 50.2 million baht (approximately ¥169 million), giving us a 72.6% equity stake in MI.

**Table of Contents***DOCOMO interTouch Pte. Ltd.*

In December 2004, we invested US \$70 million (approximately ¥7.3 billion as of the date of investment) to fully acquire inter-touch (BVI) Limited, a Singapore-based holding company of Internet providers which supply high-speed broadband connections and applications for travelers at hotels across the Asia-Pacific region, Europe, the Americas and other regions.

In February 2007, we decided to reorganize the structure of the subsidiary group and make INTER-TOUCH PTE LTD (currently DOCOMO interTouch Pte. Ltd.) ( interTouch ), one of the inter-touch group s operational companies in Singapore, a wholly owned subsidiary. The reorganization resulted in interTouch becoming a wholly-owned subsidiary of DOCOMO and the dissolution of three companies, inter-touch (BVI) Limited, INTER-TOUCH (MIDDLE EAST) LIMITED and inter-touch Holdings (Singapore) Pte Ltd. The plan, made in response to the inter-touch group s rapid business growth, is intended to streamline the inter-touch group s organizational structure and enhance operational efficiency. inter-touch (BVI) Limited was dissolved in February 2008, and inter-touch Holdings (Singapore) Pte Ltd. was dissolved in March 2008.

In December 2007, interTouch reached an agreement with the primary shareholder of MagiNet Pte. Ltd. ( MagiNet ), a high-speed Internet service and video distribution service provider for hotels, to fully acquire the company for approximately US \$150 million (approximately ¥16.5 billion). The acquisition was completed in January 2008. In conjunction with this acquisition, we carried out a capital increase in interTouch of US \$191 million (approximately ¥21 billion). With this acquisition, interTouch became one of the largest providers of high-speed Internet service for hotels in the Asia-Pacific region, with an annual total of 25 million users in 1,000 hotels in 63 countries across the world. In April 2008, we announced that the name of the company had been changed to DOCOMO interTouch Pte. Ltd. Going forward, under the DOCOMO brand, the company will endeavor to further expand its business, and by providing a full range of services, enhance convenience for overseas travelers.

*ADVANCED MPAY COMPANY LIMITED*

We acquired a 30% stake in ADVANCED MPAY COMPANY LIMITED ( mPAY ) for 315 million baht (approximately ¥850 million at the date of investment) in August 2005. mPAY was established with Advanced Info Service Public Company Limited ( AIS ), a Thai mobile network operator, which owned a 70% stake of mPAY.

mPAY provides mobile payment services in Thailand, and provides services enabling customers to use their mobile phones to settle shopping transactions, including online shopping via PCs or mobile phones, and make payments for the use of prepaid phone services.

In January 2008, we sold all our shares in mPAY to AIS, and currently have no stake in mPAY.

*KT Corporation*

In December 2005, we entered into an agreement with Korean mobile network operator KT Freetel Co., Ltd. ( KTF ) on a comprehensive strategic alliance including equity participation, under which we invested approximately KRW 564.9 billion (approximately ¥65.1 billion at the date of investment) to acquire a 10% stake in KTF through a third-party allotment of new shares and purchase of KTF treasury stock.

Through the tie-up, we provided technical support to KTF to deploy a nationwide W-CDMA network successfully. Also, the alliance aimed to improve convenience for the increasing number of travelers in both countries through the joint development and offering of roaming services, to seek new business opportunities by fusing together the technical and marketing expertise of the worlds leading providers of cellular services and to examine cost-saving

opportunities, such as the joint handset procurements through the combination of our expertise in W-CDMA network operation and KTF's service development capabilities. In July 2007, as part of the companies' joint handset procurement project, an announcement was made of the joint procurement of HSDPA compatible USB type terminals. In October 2007, as part of the joint business in the Business & Technology Cooperation Committee established by the two companies, the companies agreed to investment in the KTF-DOCOMO Mobile Investment Limited Partnership, a fund having KTBnetwork Co., Ltd. ( KTB ) as the asset manager that invests in South Korean venture companies in mobile and IT related fields. In conjunction with

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this alliance, we invested KRW 13.5 billion (approximately ¥1.7 billion at time of investment decision, a 45% equity stake) in the fund.

In addition, in January 2009, in conjunction with the merger between KTF and the Korean fixed-line carrier KT Corporation ( *KT* ), for the purpose of a strategic alliance with KT, we agreed to exchange 40% of our stake for KT common shares, and the remaining 60% for exchangeable bonds issued by KT. In June 2009, we acquired the above shares and exchangeable bonds, and our equity stake became approximately 2.2%.

*Philippine Long Distance Telephone Company*

In January 2006, we entered into an agreement with NTT Communications Corporation ( *NTT Com* ), Philippine Long Distance Telephone Company ( *PLDT* ) and First Pacific Company Limited ( *FPC* ), PLDT's largest shareholder, on a share acquisition and business tie-up. Under the agreement, we purchased approximately 7.0% of its total common shares from NTT Com, for approximately ¥52.2 billion and established a comprehensive business tie-up with PLDT and its mobile network operator subsidiary Smart Communications, Inc. ( *SMART* ).

We developed a cooperative relationship with PLDT and SMART with the goal of developing W-CDMA services by SMART and the commencement of i-mode services in the Philippines as well as promoting international roaming services between Japan and the Philippines. As part of the tie-up, we concluded an i-mode license agreement with SMART in February 2006. In March 2008, i-mode services in the Philippines commenced.

Since March 2007, we have acquired PLDT shares in stages through the open markets, acquiring a total of approximately ¥98.9 billion, shares equivalent to approximately 7.5% of PLDT's outstanding shares as of March 31, 2008; as a result, combined with NTT Com's PLDT shares, the NTT group achieved a 20.9% stake in PLDT. Pursuant to the January 2006 agreement, we have the ability to exercise the voting rights of NTT Com, and since we obtained the ability to exercise significant influence over PLDT, we have considered PLDT as an affiliate and accounted for the investment by applying the equity method. We also have designated two directors each to PLDT and SMART. Going forward, we will further strengthen our tie-up with PLDT and SMART and make efforts directed toward joint consideration of services and technologies, enhancement of international roaming services, joint CSR activities, and joint international investments.

*DOCOMO PACIFIC, INC.*

In March 2006, we agreed to fully acquire both Guam Cellular & Paging ( *Guam Cellular* ) and Guam Wireless Telephone Company, LLC ( *Guam Wireless* ), mobile network operators operating in Guam and the Northern Mariana Islands (including the island of Saipan), for a total amount of US\$71.8 million (at the time of investment, approximately ¥8.4 billion). We received approval for the acquisitions from the U.S. Federal Communications Commission ( *FCC* ) in November 2006. In December 2006, we transferred operations to Guam Cellular from Guam Wireless through a holding company and we integrated operations of the two companies. Through this acquisition, Guam Cellular became our wholly-owned subsidiary. We have endeavored to improve convenience of international roaming services for the large number of Japanese travelers who visit Guam and the Northern Mariana Islands, by enhancing Guam Cellular's GSM network and introducing packet roaming services by developing its GPRS network. In July 2008, we launched 3G services, based on W-CDMA technology. In October 2008, the company name was changed to DOCOMO PACIFIC, INC.; going forward, under the DOCOMO brand, we will strive for further improvement in quality, and will direct our efforts to providing services offering high convenience to customers.

*Fidatone Mobile Technology and Service Co., Ltd*



In January 2007, we decided to make a joint investment with UFIDA Software Co., Ltd.( UFIDA ), the leading Chinese supplier of enterprise resource planning (ERP) software, which is listed on the Shanghai Stock Exchange, in Fidatone Mobile Technology and Service Co., Ltd. We are now developing a corporate mobile solution services business through a tie-up with UFIDA.

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*Gobi Fund II, L.P.*

In May 2007, we signed an investment participation agreement under which we are to invest US \$10 million (approximately ¥1.2 billion at time of investment decision) in Gobi Fund II, L.P., a venture capital fund targeting venture firms in China's digital media related fields. The fund was established by the asset management company Gobi Partners, Inc., which invests in venture firms in China. Through this investment in the fund, we aim to build relationships with a broad range of Chinese venture firms in fields involving cellular phones.

*AT&T Mobility LLC*

In July 2007, with the goal of promoting international roaming services, we concluded a business cooperation agreement with AT&T Mobility LLC (formerly Cingular Wireless LLC; AT&T Mobility) related to the building of a 3G network in Hawaii. Pursuant to this agreement, we provided technical support relating to AT&T Mobility's construction of a 3G network in Hawaii, and contributed US \$24 million (approximately ¥3 billion) in funds. In July 2008, construction of the network in Hawaii was mostly completed, and now customers can enjoy a high-speed telecommunication environment, thanks to the 3G roaming services using W-CDMA technologies provided by AT&T Mobility.

*U Mobile Sdn. Bhd.*

In December 2007, we agreed on the acquisition of common shares representing 16.5% of the outstanding shares in U Mobile Sdn. Bhd. (U Mobile), a Malaysian mobile network operator, through a third-party allocation of shares, at a cost of US \$100 million (approximately ¥11 billion at the time of investment) with the objective of developing an environment for the provision of international roaming services in Malaysia and further raising customer convenience. We subsequently completed the share acquisition in March 2008.

*Axiata (Bangladesh) Limited*

In September 2008, we acquired a 30% stake in TM International (Bangladesh) Limited (TMIB), a mobile network operator based in Dhaka, Bangladesh, for approximately US\$350 million (approximately ¥37 billion). In addition, in November of the same year, we made an additional investment of approximately US\$30 million (approximately ¥3 billion) to increase our stake. Through the investments, we intend to participate in TMIB's management and actively draw on our expertise to enhance the company's business in the fast-growing Bangladeshi mobile telecommunication market. In May 2009, the company name was changed to Axiata (Bangladesh) Limited.

*Blue Ocean Wireless Limited*

In September 2008, we acquired through a third-party allocation approximately 11.5% of the outstanding shares of Blue Ocean Wireless Limited, which provides GSM communication services to the merchant maritime sector, for approximately US\$10 million (¥1.1 billion at the time of investment). Through this investment, we will strive to promote the use of the new mobile communication means of maritime mobile communication, and will strive for further expansion of global mobility.

*Tata Teleservices Limited*

In November 2008, we reached agreement on a capital alliance with Tata Sons Limited (Tata Sons), the holding company of Tata group, and the Indian telecommunication carrier Tata Teleservices Limited (TTSL), which is a unit of Tata group. Based on this agreement, we acquired approximately 26.5% of TTSL's stake for approximately 128.1 billion rupees (approximately ¥252 billion) in March 2009. We also made a tender offer for shares of Tata

Teleservices Maharashtra Limited ( TTML ), a TTSL affiliate, and acquired approximately 12.1% of TTML shares for a price of approximately 5.7 billion rupees (approximately ¥11.1 billion) in March 2009. Through this strategic investment and alliance, the three companies are aiming to expand their business in the Indian market, which is expected to grow at a fast pace.

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### ***Overseas Development of i-mode***

As part of the overseas development of i-mode, the Bulgarian company Cosmo Bulgaria Mobile E.A.D. launched i-mode services in September 2006. In addition, COSMOTE Romanian Mobile Telecommunications S.A. ( Cosmote Romania ) in Romania and Hutchison Telephone Company Limited in Hong Kong started i-mode services in May 2007 and SMART launched i-mode services in March 2008. Also, Wind Telecomunicazioni S.p.A. ( Wind ), which provides i-mode services in Italy, launched i-channel services in November 2007.

In September 2007, we developed application software that enables foreign i-mode operators to offer greater handset variety to their customers, and following the introduction by Bulgaria's Globul, operators such as Italy's Wind, Romania's Cosmote Romania, the Philippines' SMART and Taiwan's FET commenced sales of handsets loaded with i-mode application software.

India's Hutchison Essar Ltd. (currently Vodafone Essar) executed an i-mode license agreement with us but later cancelled that agreement in May 2007 because of changes in its business environment. In addition, Australia's Telstra Corp., Russia's Mobile TeleSystems OJSC, Germany's E-Plus Mobifunk GmbH & Co. KG and Singapore's StarHub Ltd., all of which executed i-mode license agreements with us and had been providing i-mode services, terminated the provision of such services in December 2007, February 2008, March 2008, and March 2009, respectively, because of changes in strategy.

## **9. Networks**

We currently provide our services on several different networks including 2G and 3G networks. Each of these networks is composed of four basic components: base stations, antennas, switching centers and transmission lines. When a person uses a mobile phone (or other portable device), an antenna on top of a base station receives the signal. The signal then travels via fixed transmission lines to a switching center, which routes the signal to another base station in the vicinity of the intended recipient of the signal. In general, our 2G network and 3G network use separate base stations, antennas and switchboards, but we are moving ahead with providing common antennas and transmission lines for the 2G and 3G networks in our efforts to reduce network costs.

In order to establish and maintain our high-quality network economically and efficiently, we purchase high-quality network equipment at low costs from approximately 70 suppliers inside and outside Japan in accordance with our procurement policies, which stress openness and fairness.

At new procurement opportunities, we obtain high-quality equipment at competitive prices by receiving a wide range of proposals from domestic and international suppliers through our website.

### ***2G Network***

Our 2G network is an integrated network of base stations, switching centers, signal transfer points, mobile-service control points and a mobile communication information storage system that routes 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.

Operators need the licenses, which are issued by the Japanese government, to use radio spectrum bandwidth, so the capacity of our cellular network is limited to the bandwidth that the Japanese government has made available to us. The Japanese government has currently allocated 41MHz x2 (uplink and downlink) for the use of our 2G Network. We have been allocated frequency spectrum, of which 18MHz x2 is in the 800MHz band for the provision of service nationwide.

***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 indicates a third-generation (3G) mobile communication system which offers data communication at a speed higher than the conventional second-generation (2G) system as well as international roaming services. In May 2000, ITU recommended five technologies as the IMT-2000 standard and added one technology in 2007. The technology

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adopted in our 3G network, Wideband Code Division Multiple Access, or W-CDMA, is a type of IMT-2000 Direct Spread (DS), one of the six technologies recommended by ITU. Enough overseas operators have adopted a W-CDMA system compatible with our W-CDMA technology and commercialized the services, and we believe that we will 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, and information storage systems. We are actively moving ahead on the migration of our customers from our 2G to our 3G network and adding equipment and infrastructure for our 3G network in addition to our existing 2G network. We have been constructing an IP router network based on an optical fiber relay network aiming to transmit huge volumes of data efficiently and less costly. The Japanese government has allocated a total bandwidth of 335MHz as radio frequencies available for use in the 3G network (including frequencies that are planned to be used in the future). Of this, we use 20MHz x2 (for uplink and downlink) in the 2GHz band across Japan. In the 800MHz band, which is in the process of reallocation, we currently use 5MHz x2 in regions where interference with existing systems can be avoided. Further, in the 1.7GHz spectrum, we use 15MHz x2 in the Kanto, Kansai, and Tokai areas. Therefore, our 3G network operates on the three bands of 2GHz, 800MHz and 1.7GHz.

In the year ended March 31, 2009, in order to improve area quality, we installed boosters compatible for 2GHz and 800MHz that can cover areas where FOMA signals have difficulty of penetrating, such as in building shadows and at the edges of areas. These boosters cover areas with a radius of several hundred meters and are less expensive to install than conventional base stations, and we are continuing with such installation to meet customer needs.

### *3G Standardization Activities*

In 2000, ITU recommended standard specifications for 3G mobile communication systems. ITU collectively refers to 3G systems as IMT-2000 (International Mobile Telecommunications for the year 2000). Currently, a total of six technological characteristics are listed, including one characteristic that was added in 2007 to the recommendations setting forth the IMT-2000 standard specifications.

At this time, we believe that the following two technologies have achieved the most commercial success:

IMT-2000 DS, known as Wideband Code Division Multiple Access, or W-CDMA; and

IMT-2000 MC, known as cdma2000.

LTE (Long Term Evolution) has been discussed in 3GPP (3rd Generation Partnership Project), a standardization association of W-CDMA, and we have played a key role in the discussion. In response to specifications on LTE which were mostly finalized during the meeting of 3GPP held in March 2009, we launched the development of LTE for its commercialization. In tandem with these developments, we continue to vigorously participate in the 3GPP standardization activities in order to finalize LTE test specifications and investigate LTE-Advanced, a successor to LTE.

We were the first company in the world to launch 3G services based on W-CDMA technology. Many foreign companies in which we have invested, including HTCL, FET, KT and PLDT, and our international strategic allies, including operators which are members of Conexus Mobile Alliance, have already launched 3G services based on W-CDMA. One of our competitors in Japan, SOFTBANK MOBILE Corp. ( SOFTBANK MOBILE, formerly Vodafone K. K.), launched their 3G services based on W-CDMA in December 2002.

cdma2000 1x was first commercialized in South Korea in 2000. Our competitor, KDDI CORPORATION and its subsidiaries ( KDDI group ), launched its 3G commercial services based on cdma2000 1x in April 2002 in major cities

in Japan.

In an effort to promote and encourage the worldwide implementation of W-CDMA, in April 2002, we announced that we would begin licensing patents at reasonable and non-exclusive terms for our proprietary W-CDMA technology on which our FOMA system is based. Patents will be licensed to manufacturers which supply 3G products to mobile network operators. We believe that widespread adoption of W-CDMA technology will reduce procurement and production costs and contribute to lowering fees for 3G services and products.

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**10. Research and Development**

In order to respond to swiftly growing demand for wireless telecommunication and to diversifying customer needs, we have upgraded our research and development capabilities and streamlined our research and development operations. As part of these activities, we built a center for research and development in Yokosuka Research Park in March 1998. We added three facilities in March 2002, October 2003 and December 2004. This center is a highly advanced research and development center near Tokyo specializing in mobile telecommunication technology. With state-of-the-art testing facilities, the center is the base for research and development of basic technologies, 3G, 4G and other mobile communication systems and a variety of new products and services.

Research and development is performed primarily at our own facilities. Research and development expenditures in the year ended March 31, 2009 were 100.8 billion yen. Our R&D Center is responsible for research and development. Our R&D Center includes:

a research laboratory (Research Laboratories);

four development departments (Core Network Development Department, Radio Access Network Development Department, Service & Solution Development Department and Communication Device Development Department);

R&D General Affairs Department; and

R&D Strategy Department.

Furthermore, as part of our ongoing research and development and in order to continue to improve our products, networks and services, each of our research and development departments collaborates with product development staff at other operating divisions. We are also working with major manufacturers of our handsets and network equipment.

In addition, outside the R&D Center, the following other departments have joined development activities; Product Department, Frontier Services Department, Ubiquitous Services Department, Services Platform Department, Solution Business Department, and Network Technical Support & Operations Center.

As to our overseas subsidiaries, we established DOCOMO Communications Laboratories USA, Inc., which engages in research and development of network technology, handset software and media encoding. In July 2005, we established DOCOMO Capital, Inc., whose purpose is to invest in venture businesses that have leading-edge and innovative technologies applicable to mobile communication. We also set up DOCOMO Communications Laboratories Europe GmbH, which primarily researches network technologies, wireless technologies, next-generation IC/USIM card technologies, security technologies and standardization activities. In November 2003, we established DOCOMO Beijing Communications Laboratories Co., Ltd. to engage in the leading-edge research, in particular fourth-generation (4G) wireless technologies and beyond. We also established DOCOMO Technology, Inc., which primarily carries out research and development to enhance our PDC system, IMT-2000 system and other existing systems and supplements our fundamental research and development activities.

Furthermore, we also conduct research with various universities inside and outside of Japan. In the collaborative research field, we have been involved in technological exchange in connection with not only 3G research and development but also 4G mobile communication systems and other advanced technology research.

In April 2003, we and other mobile network operators in Japan agreed to conduct a joint research on the possible biological effects of exposure to radio waves from mobile phone systems. In April 2005 and January 2007, interim



reports were issued, and at present research is still ongoing in collaboration with the MIC.

*IMT-2000*

We have continued research and development of the 3G system through our IMT-2000 related research. This includes further research and development of the W-CDMA technology as well as research and development of new products, services and applications for the 3G system. Currently, we focus on increasing transmission capacity and capabilities, reducing network costs, downsizing base station equipment, improving functionality of switches,

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reducing handset size and weight, adding advanced functions to handsets, extending battery life, improving mobile multimedia services and developing video mail and international roaming services.

Another research and development theme is an IP-based network. The rapid increase of IP-based applications and the traffic they generate require communications methods for mobile networks that are both efficient and highly compatible with IP traffic. To meet these requirements, we have initiated research aimed at implementing an IP-based network that can be constructed at a low cost with generalized network routers, concerning development of IP-based routing and Quality of Service (QoS) technologies for multimedia traffic, as well as the development of new IP-based mobility control technologies.

### *LTE*

We have also undertaken the development of LTE. We began recruiting manufacturers for LTE equipment development in July 2006 and commenced development geared towards commercial application. In September 2007, we succeeded to create a prototype of a Large Scale Integration (LSI) that uses our original technology to achieve high-performance signal separation of MIMO multiple signals at a downlink speed of 200 Mbps with low power consumption of under 100 mW. With this prototype, we are able to mount LTE high-speed signal transmission technology with power consumption suitable for use in portable devices. Indoor experiments started in July 2007 to confirm basic system performance and optimize the system. Outdoor trials with LTE systems began in February 2008 to determine the performance of actual wireless systems and further optimize the system, successfully achieving a downlink packet data transmission speed of 250 Mbps. In December 2008, we successfully created a prototype of low power consumption LSI that achieves a data reception processing speed of 100 Mbps, which is a requirement for LTE. Going forward, we will continue research and development of LTE and IMT-Advanced based on these prototype LSI chips and actively cooperate with the international standardization.

### *4G Mobile Communication System*

We have conducted research regarding other advanced technologies, including fundamental research on a 4G mobile communication system aiming at further enhancement of cellular services. ITU has set forth as a requirement for 4G systems the ability to support transmission speed of up to 100Mbps for downlink at high-speed movement and 1Gbps at low-speed movement. If such a system is realized, high quality video equivalent to high-definition television will be provided and will allow high-speed transmission of large-capacity data on a bandwidth of approximately 100MHz. We actively participate in the international standardization movement for 4G systems.

In the summer of 2002, we began practical evaluations of key technologies for our 4G mobile communication system, as well as implementing an experimental system to demonstrate their benefits. In October 2002, we successfully completed a 100Mbps downlink and a 20Mbps uplink transmission experiment in an indoor environment using an experimental 4G mobile communication system. In May 2003, the Kanto Bureau of Telecommunications granted us a preliminary license to conduct field trials of 4G mobile communication systems. In August 2004, we successfully completed experiments on real-time 1Gbps packet transmission in downlink. In May 2005, following the experiments in an indoor environment, we successfully realized outdoor experiments on real-time 1Gbps packet transmission in downlink, followed by 2.5Gbps packet transmission in downlink, in December 2005. In February 2007, we successfully tested packet transmissions with a maximum downlink speed of 5Gbps outdoors. Currently, we continue to evaluate and improve these high-speed transmission technologies through field trials.

### *Development of Handsets*

With respect to handset procurement costs, we continue to work to reduce the costs even though the enhancement of handset performance is driving up the costs. In the medium term, we will make further efforts to reduce handset

procurement costs by simultaneously reviewing the handset development cycle, raising the efficiency of software development, and using shared components with an eye towards global deployment.

We also took the following measures to raise the efficiency of chip set and software development and for operating system standardization. By investing approximately ¥12.5 billion from the year ended March 31, 2005 to the year ended March 31, 2007 in the development of LSI technology relating to FOMA handset chipsets, having

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manufacturers incorporate our requirements from the LSI specification review stage and striving for one-chip LSI, we shortened development times and costs with the introduction of one-chip. In addition, in the second half of the year ended March 31, 2008, we jointly developed a mobile phone platform that integrates the baseband LSI, the application processor one-chip LSI, and core software including the OS platform. Even after the year ended March 31, 2008, we continue to work in the joint development of a mobile phone platform compatible with HSDPA cat.8 and having an even faster processor, achieving greater functionality and cost efficiency.

To promote greater global collaboration concerning Linux® platforms, we participated in the formation of the LiMo Foundation with six companies including Vodafone Group and Motorola, Inc. in January 2007 and we are a founding member of the Symbian Foundation, a non-profit organization that promotes the development of Symbian OS™-based software platforms for mobile handsets.

Further, we participate in the Open Handset Alliance™, which includes Google, and in cooperation with Google, we plan to release handsets loaded with Android, a software platform for mobile handsets, including commercialization for us. By having a standardized platform for mobile handsets, we anticipate reductions of development costs and shortening of development terms, and this in turn will lead to the promotion and spread of W-CDMA services across the world, and for this reason we have been actively involved in these activities.

In April 2008, we launched development of operator packs to be used in the development of FOMA handsets to achieve greater efficiency in the development of FOMA handsets, encourage mobile handsets manufacturers to participate in FOMA handsets development, and improve the international competitiveness of domestic handsets manufacturers.

The operator pack is an application software set for the Linux® operating system that complies with LiMo™ specifications for DOCOMO's proprietary services including i-mode and i-appli. The operator pack will make use of such properties as the middleware (MOAP\*: Mobilephone Oriented Application Platform) and application software we have developed. We jointly develop the operator pack with Access Co., Ltd. ( Access ). The operator pack, combined with a global handset software platform containing a suite of basic functions such as calling, will enable us to provide a variety of services for our cellular services. We are planning to install the operator pack on FOMA handsets starting in the second half of 2009 and will recommend that handsets manufacturers use the operator pack.

\* MOAP is a software platform that was first used on some models in the FOMA 901i series handsets. The Linux®-version of MOAP was jointly developed with NEC Corporation and Panasonic Mobile Communications, Co., Ltd. We continue to develop the standardization of platforms and extension of functions.

In the case that the rights for FOMA handset patented technologies and know-how, in which we invested development expenditures on handsets manufacturers, are used in handsets by the manufacturers and the handsets are supplied to other 3G operators, we will receive royalties from the manufacturers. In December 2005, in order to promote cooperation in technological development focusing on browser technology, we invested approximately additional ¥15 billion in Access. Also in December 2005, in an effort to strengthen our cooperation in handset middleware centered on Java technology, we invested approximately ¥13 billion in Aplix Corporation. In March 2008, with a view towards greater technical cooperation in the field of user interfaces and other terminal middleware, we invested approximately ¥1.8 billion in Acrodea, and received a distribution in kind of Acrodea shares held by JAIC Advanced-Tech No. 1 Venture Capital Investment, LP of which we are a limited partner. Advanced handset capabilities and a wide variety of model choices play an important role in the success of 3G services. By investing in FOMA handset expansion, we expect to motivate manufacturers to produce advanced value-added 3G handsets, promoting the development of 3G services and mobile multimedia as we have already seen with the popularity of our 90xi series.

Notes:

- 1: Linux<sup>®</sup> is a registered trademark of Linus Torvalds in the U.S. and other countries.
- 2: Symbian OS and all Symbian related trademarks and logos are trademarks or registered trademarks of Symbian Ltd.

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**11. Information Technology Systems**

We employ various computerized, fully integrated information systems to support key functions, including procurement, billing, financial accounting, customer service and marketing.

***Customer Information System (ALADIN)***

One of the most important systems among these is ALADIN, which is our proprietary nationwide operating system. ALADIN has five primary functions: customer management, phone number management, information processing and storage, sales information management, and credit investigation. ALADIN manages information and data concerning our nationwide FOMA and mova subscribers and provides authorized customer service personnel in docomo Shops and our telemarketing center with online access to network data so that they can properly address customer inquiries.

ALADIN enhances the efficiency of our operations by simplifying the process of registering customer information, automating phone number registration, enabling automatic credit reference checks and other functions. For example, ALADIN controls telephone number allocation which makes it possible for handsets to be assigned telephone numbers and activated immediately upon signing up for cellular service and also provides an opportunity to conduct reference checks in order to prevent the assignment of a telephone number to a subscriber who does not meet our payment history and other requirements. ALADIN maintains and continually updates a list of subscribers that had credit problems.

ALADIN and its related systems are also used to collect customer data so that our management and our marketing staff can monitor and analyze the usage of services, market segments and subscriber satisfaction, and utilize those data to develop a plan for network expansion and appropriate marketing strategies.

We have implemented various measures to ensure thorough and adequate control of customer information during the use of the ALADIN customer information system by our staff. Such measures include fingerprint authentication for system login and each search of customer information, regular inspections of locations where ALADIN terminals are installed to check how the system is used and managed, examination of access logs and regular information management training for employees who manage this system.

***Enterprise Information System (DREAMS)***

In April 2002, we and our service subsidiaries introduced an enterprise information system which we call DREAMS, and as of March 2009, our 27 service subsidiaries had implemented this system. This system enables us to consolidate the flow of operations, cash, goods and information throughout our company and our service subsidiaries. This system allows us to realize real-time and effective management. Specifically, this system gives us the ability to understand real-time information and thereby make timely decisions, allows us to perform electronic approval to reduce indirect operations, and allows us to effectively manage capital among companies.

**12. CSR**

Adhering to our Corporate Social Responsibilities (CSR) message "We connect people to people, and people to their worlds. We open the door to the future, we will listen to each individual customer and to society, and will drive innovation toward the future to create abundance and convenience in life and culture. We have taken various actions in areas of key importance, such as global environmental protection, promotion of universal design products and services, realization of a safe and secure mobile society and disaster preparedness and response."



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Among these activities, those that are directly related to the products and services offered by our group have been promoted under the docomo *Anshin* Mission aimed at delivering peace of mind. The concrete actions undertaken during the year ended March 31, 2009, include the followings:

### ***Global environmental conservation initiatives***

As a part of our initiatives to reduce greenhouse gas emissions by cutting electric power consumption by mobile network equipment, we launched the ICT Ecology Project in February 2009 and began testing cutting-edge technologies.

We collected used cellular handsets (a cumulative total 69.0 million units as of March 31, 2009) and continued our forest improvement initiatives of the docomo Woods reforestation Program (43 locations on a cumulative basis as of March 31, 2009).

In collaboration with the Philippine carriers, Philippine Long Distance Telephone Company and Smart Communications, Inc., we carried out tree-planting activities in the Philippines. Some of the funds for these activities came from sale of metal recovered from recycled cell phones collected at docomo Shops and other locations.

\* ICT: Information and Communication Technology

### ***Adoption of Universal Designs***

At docomo Shops, we installed entryway ramps, installed wheelchair-accessible bathrooms, and took other measures to create barrier-free environments (in the year ended March 31, 2009, 149 docomo Shops were made barrier free).

In accordance with the universal design concept, we continued working to expand the number of handsets and functions that seniors, children, and the disabled can use with peace of mind. Cumulative nationwide sales of the Raku-Raku PHONE series, which has been extremely well received by numerous customers since its launch in 1999, surpassed 15 million units in March 2009.

### ***Creating a Safe and Secure Mobile Society***

We hold Mobile Phone Safety Classes to teach proper mobile phone use and etiquette as well as how to deal with phone-related problems (as of March 31, 2009, a total of 9,200 classes were held with approximately 1.49 million persons attending, of which approximately 4,600 classes were held in the year ended March 31, 2009 with approximately 790,000 persons attending. In addition, we strengthened our efforts by providing video educational materials of the Mobile Phone Safety Classes to schools and communities free of charge. In April 2009, we enhanced the Mobile Phone Safety Classes by adding a program designed for seniors to protect themselves against crimes such as fraud where the victim is deceived into remitting money to a bank account, as well as other problems.

We are also promoting the use of access restriction services (filtering services).

We established the docomo *Anshin* Hotline, a dedicated call center, to provide consultation regarding billing plans and various services to help reduce anxiety regarding the use of cellular phones by children.

### ***Social Contribution Activities***

We supported the healthy education and development of children by holding various sports clinics as part of our youth development programs.



Through the Mobile Communication Fund, a non-profit organization that we established in July 2002, we award commendations including the presentation of the docomo Mobile Science Prize (four times in the year ended March 31, 2009) to recognize outstanding research results and papers relating to mobile communication, and support foreign students from Asian countries (20 students from seven countries in the year ended March 31, 2009).

**Table of Contents****13. Disaster Damage Prevention**

Cellular phones serve as an important communication infrastructure indispensable to people's everyday life, and are expected to fulfill a significant role in the event of earthquakes, storm and flood damages or other natural disasters, providing means for communications for rescue activities and/or national and local government institutions. Believing that taking appropriate measures for disaster damage prevention is an important part of our CSR as a mobile network operator, we set forth three principles for disaster damage prevention, and have worked to construct a communication network highly resistant against natural disasters, and to secure and enhance the safety and reliability of our networks.

Moreover, we established a Business Continuity Plan, which places emphasis not only on the restoration and protection of our communication network but also on the maintenance of the business operations of the Company. In the Business Continuity Plan, each organization prioritizes their business activities to designate the order in which such activities are to be restored to resume normal business operations at the earliest possible opportunity within a previously designated target time period. We intend to continually update the plan, including reflecting the results of education, training and monitoring of the plan.

***Three Principles for Disaster Damage Prevention******Enhancement of System Reliability***

To ensure that our mobile communication systems function properly in the event of a disaster, we have reinforced our facilities and equipment by applying earthquake resistant reinforcement to our buildings/antenna towers, anchoring our machines/equipment and strengthening their earthquake resistance, accommodating cables in shielded tunnels, and laying our communication cables underground. We have also endeavored to enhance the reliability of our networks by providing backups to our facilities and circuits through the use of multiple/dual routes or loop structure in our relay transmission lines (middle-distance transmission lines), using redundant configurations in our communication facilities or installing them in dispersed locations, and increasing the use of communication satellites.

***Securing Important Communications***

As a designated public institution that is required to cooperate with national/local government institutions in their disaster damage prevention efforts, we have established a priority telephone system allowing institutions engaged in disaster damage prevention activities to use our circuits with higher priority in the event of a disaster. We have also strived to ensure that important communications are protected by ensuring efficient network control and lending cellular phones and/or other devices to municipal governments and/or other institutions in the event of a disaster.

***Early Recovery of Communication Services***

With the goal of recovering mobile communication services at the earliest possible time following a disaster, we have employed various measures, including the preparation of hardware such as the deployment of mobile base station equipment, and mobile power supply vehicles and the securing of restoration materials, as well as the creation of operation manuals for disaster situations, organizing Disaster Management Headquarters and conducting drills for disaster damage prevention.

***Organizational Structure for Disaster Damage Prevention***

We will establish Disaster Management Headquarters at our head office or branches, depending on the scale of the disaster or damage. The Disaster Management Headquarters will collect information through collaboration with our regional offices, service subsidiaries, or NTT group companies that have not been affected by the disaster, to develop

and coordinate the restoration work, relief plans, etc. Each team in the Disaster Management Headquarters will lead and supervise the restoration/relief efforts. Depending on the magnitude of the disaster, we will cooperate with the Cabinet Office, MIC, and/or emergency management organizations of the national government, to assist the restoration efforts and other actions undertaken by the Government. We will also

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supply information to our subscribers by providing the media with concrete explanations on the damages and/or restoration status.

To introduce some of the various actions we have undertaken to respond to disasters, in December 2007, we began offering the Emergency Reports Area Mail , which simultaneously delivers emergency earthquake reports from the Meteorological Agency and disaster and evacuation information from the national and local governments to Area Mail compatible phones in areas prone to damage, without regard to impact from network congestion. Since the launch of this service, emergency earthquake information from the Meteorological Agency has been distributed to compatible mobile phones nine times. Also, nine municipalities have introduced and used the system as a means of disseminating disaster and evacuation information to residents.

In connection with the Iwate Miyagi Inland Earthquake of June 2008, we promptly deployed mobile power supply vehicles and motor power generators to base stations where the power was out, to ensure service in coverage areas. After the earthquake, we provided such services as free cellular phone rental and recharging at evacuation shelters.

## **14. Competition**

With the rapid growth of the mobile telecommunication industry in Japan, the increasing number of subscribers and the deregulation of the industry, we are facing increased competition. We have responded to the gains made in recent years by competitors with a comprehensive approach, including revisions in our billing plans, releases of attractive handsets, and improvement in network quality. In addition to existing mobile network operators, other companies have also expressed their intention to enter the mobile phone market. Of these companies, SOFTBANK CORP. ( SOFTBANK CORP ) acquired Vodafone s Japanese unit in April 2006 and began providing services under the SOFTBANK MOBILE brand in October 2006, and EMOBILE Ltd. ( EMOBILE ) began offering mobile data services using the HSDPA protocol on March 31, 2007, and voice communication services on March 28, 2008. Also, MVNOs by new businesses began full-scale market entry. Disney Mobile was started in March 2008, and Japan Communications Inc. began providing services in August 2008.

Mobile Number Portability (MNP) was introduced among domestic mobile network operators in October 2006. MNP allows mobile phone users to keep their current phone numbers even if they switch mobile network operators.

Furthermore, in addition to direct competition with other mobile network operators, we believe that the telecommunications industry in Japan is organizing itself into integrated groups of telecommunications service providers that will offer local, long-distance and international services as well as mobile and other services. While we believe that we have certain competitive advantages over these groups, including our current market leadership position, our research and development capability and our affiliation with NTT, the effect of industry consolidation is difficult to predict and no assurance can be given that we will be able to continue to protect our current market position.

### ***Cellular Competition***

There are presently four mobile network operators in Japan: DOCOMO, the KDDI group, SOFTBANK MOBILE, and EMOBILE. As of March 31, 2009, we had a market share of 50.8%, the KDDI group had a market share of 28.7%, SOFTBANK MOBILE had a market share of 19.2% and EMOBILE had a market share of 1.3%. These mobile network operators have all received permission and licenses from the Japanese government for the establishment of 3G services in Japan.

The KDDI group is the second largest mobile network operator in Japan with approximately 30.8 million subscriptions as of March 31, 2009. The KDDI group was established by the merger of the previous

telecommunications carriers KDD, DDI and IDO on October 1, 2000. Its cellular services businesses are a result of an alliance between three formerly independent mobile network operators, DDI cellular and its related subsidiaries and IDO. They offer nationwide services using cdmaOne technology as well as PDC technology. The KDDI group launched its 3G services through cdma2000 1x in major cities in Japan in April 2002. On October 1,

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2005, KDDI merged three companies of TU-KA group and began to accept contract changes from TU-KA cellular services to au (the service brand name for cellular services by KDDI group) cellular services, enabling TU-KA subscriptions to carry over the same mobile phone number they were using in TU-KA cellular services. Furthermore, on February 20, 2006, KDDI added another privilege which enables TU-KA subscriptions to carry over the same e-mail address, promoting the migration of the users to au cellular services and terminated TU-KA cellular services as of March 31, 2008. TU-KA cellular services provided 2G services, and the number of subscribers on March 31, 2009 immediately before the termination of services was 234,000. The KDDI group has approximately 30.5 million 3G subscribers, and its network construction costs have been lower than ours because of their ability to use most of their existing cdmaOne networks.

SOFTBANK MOBILE operates nationwide and is the third largest mobile network operator with approximately 20.6 million subscriptions as of March 31, 2009. SOFTBANK CORP acquired the Japanese subsidiary of the worldwide Vodafone group in April 2006 and began providing mobile phone services under their own brand name from October 2006. The Japanese Vodafone subsidiary began offering 3G services in December 2002, based on the same standard W-CDMA (DS-CDMA) technology as ours. SOFTBANK MOBILE had approximately 18.70 million W-CDMA 3G subscriptions as of March 31, 2009. SOFTBANK MOBILE also offers international roaming service with GSM networks overseas.

Competition in the mobile communication industry has led the three mobile network operators (excluding EMOBILE) to enact similar rate plans and promotions. For example, KDDI group and SOFTBANK MOBILE both offer plans and services that are similar to our Family Discount, Two-Month CarryOver and Pake-hodai double services. SOFTBANK MOBILE introduced the White Plan service that allows unlimited free calls among SOFTBANK MOBILE subscribers between 1:00 a.m. and 9:00 p.m.

Regarding potential competition from fixed-line telecommunication services companies, our management believes that fixed-line telecommunication services and cellular communications services are not necessarily competitive with, but rather are primarily complementary to, each other customers typically use fixed-line networks when they are at their homes or offices and cellular networks when they are outside. However, with the expansion of services offered by both fixed-line and mobile network operators, improvements in fixed-line and cellular technology, rate reductions in cellular services, deregulation, competition within the telecommunications industry and other developments (including technological developments that may enable us to lower the cost and further improve the capacity of cellular communication), there may be direct or indirect competition or conflicts of interest between us and other NTT subsidiaries.

***i-mode Competition***

The competitors of i-mode are EZweb provided by the KDDI group, Yahoo! *Keitai* provided by SOFTBANK MOBILE and EMnet provided by EMOBILE. As with i-mode, KDDI group's EZweb, SOFTBANK MOBILE's Yahoo! *Keitai* services and EMOBILE's EMnet services allow their users to connect to the Internet, send and receive e-mails, download games, music and video content, and also utilize navigation programs. We expect increasing competition in the areas of content offering and e-commerce services.

**15. Regulation of the Mobile Telecommunication Industry in Japan**

MIC is the primary regulatory body with responsibility for the telecommunications industry in Japan. We are regulated by MIC primarily under the Telecommunications Business Law. We and other mobile telecommunication service providers are also subject to the Radio Law. We, however, are not subject to regulation under the Law Concerning Nippon Telegraph and Telephone Corporation, Etc., or NTT Law.

***The Telecommunications Business Law***

Under the Telecommunications Business Law, we are subject to a registration requirement as telecommunications operators. Depending on the scale of telecommunications circuit facilities operated and the scope of the areas where the telecommunications circuit facilities are located, telecommunications carriers are subject to either a registration requirement or a notification requirement.

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The following table summarizes some of the major current regulatory requirements applicable to telecommunications carriers under the Telecommunications Business Law:

	<b>Regulation</b>
a. Business entry	Registration with the Minister of MIC required for carriers that install large-size telecommunications circuit facilities. Notification to the Minister of MIC required for carriers other than the above.
b. Suspension and Discontinuation of business	Notification to the Minister of MIC and, in general, announcement to users are required.
c. Tariff settings, service offerings, etc.	Unregulated in principle.* Accountability to users concerning outline of terms and conditions of telecommunications service and proper and swift processing of complaints and inquiries from the users are required.
d. Business improvement order	The Minister of MIC may order a telecommunications carrier to improve business activities to protect the interests of the public and users with regard to the secrecy of communications, unreasonably discriminatory treatment, ensuring important communications, tariff and other service conditions, sound development of telecommunications, national convenience, etc.
e. Interconnection	Obligation for interconnection with other telecommunications carriers in principle, which propose interconnection. In the event a telecommunications carrier does not accept entering into a consultation despite other carrier's proposal to enter into an agreement to interconnect telecommunications facilities or if said consultation fails to come to an agreement, except for certain cases, the Minister of MIC may order such telecommunications carrier to start or resume consultation.
f. Privilege of public utilities	Based on a request by a telecommunications carrier, except for certain cases, the Minister of MIC may designate the telecommunications carrier as an approved carrier who has the privilege to act as a public utility.
g. Ensuring important communications	Telecommunications carriers are required to prioritize important communications when natural disaster, accident or any other emergency occurs or is on the verge of occurring.
h. Permission of agreement with foreign governments, etc.	The Minister of MIC's permission is required for conclusion, amendment or abolition of agreements/contracts on important matters relating to telecommunications business with foreign governments, nationals, or judicial persons/entities.
i. Maintenance and Self-declaration of conformity	Telecommunications carriers that install telecommunications circuit facilities are obligated to maintain their facilities in compliance with technical standards and to confirm conformity of such facilities to technical standards by themselves, and notify the outcome to the Minister of MIC.

\* A telecommunications carrier providing universal telecommunications services shall establish tariffs concerning such services and shall submit tariffs to the Minister of MIC. A telecommunications carrier providing certain



designated telecommunications services shall establish tariffs concerning such services and shall submit tariffs to the Minister of MIC.

*The asymmetric regulation*

Furthermore, our group is subject to the asymmetric regulation provided in the Telecommunications Business Law. This regulation is based on the distinction of (i) Category I-designated telecommunications facilities (e.g., local fixed-line systems) and (ii) Category II-designated telecommunication facilities (e.g., mobile communication systems), each designated by the Minister of MIC. The Minister of MIC may designate as Category II-

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designated facilities the transmission lines and other telecommunications facilities of a telecommunications carrier if its market share of the number of mobile terminal facilities within the same service area exceeds 25%. Our telecommunications facilities were designated as Category II-designated facilities in February 2002. The Minister of MIC may designate a telecommunications carrier installing Category II-designated facilities as a telecommunications carrier to whom the prohibition of anti-competitive behaviors by designation shall apply, if the percentage of such carrier's revenue from telecommunications service using the Category II-designated facilities to the total revenue from all business activities of the provision of the same type of telecommunications service within the same area exceeds 25% and it is deemed necessary to ensure fair competition with other telecommunications carriers. Our revenue percentage in all service areas exceeds the 25% threshold and we were so designated in May 2002.

Under the asymmetric regulation described above, we and other telecommunications carriers that have installed Category II-designated telecommunications facilities are subject to the prohibition of anti-competitive behaviors, such as abuse or provision of proprietary information obtained from competitors through interconnection for other purposes, unduly favorable treatment of specific carriers and undue compulsion or intervention upon other carriers, manufacturers or suppliers of telecommunications equipment, and are obligated to compile and disclose financial statements pertaining to telecommunications and other businesses. In addition, telecommunications carriers that have installed Category II-designated telecommunications facilities are obligated to establish and notify to the Minister of MIC the Article of Agreement Concerning Interconnection prior to implementation and to make them available for public inspection. The Minister of MIC may order changes be made to the Article of Agreement Concerning Interconnection. Agreements pertaining to the interconnection between Category II-designated facilities and other telecommunications carriers cannot be entered into or amended without complying with the Article of Agreement Concerning Interconnection.

For other recent discussions concerning the Telecommunications Business Law, please see [Proposals concerning the Telecommunications Business Law and the Radio Law](#) below.

***The Radio Law***

*Outline*

The Radio Law was established to promote public welfare by ensuring the equitable and efficient utilization of radio waves. There are certain important provisions of the Radio Law applicable to us and other mobile phone service providers.

Article 4 of the Radio Law requires that any person who intends to establish a radio station shall obtain a license from the Minister of MIC. This requires mobile network operators to obtain a license in connection with individual base stations and handsets. However, with respect to increases in the number of base stations and sales of handsets within the already allocated spectrum, a technical standards verification system and other systems have been introduced to expedite the process by MIC. Under Article 6 of the Radio Law, persons wishing to obtain a license for a radio station must submit an application to the Minister of MIC together with documents setting forth matters such as purpose and the reason for requiring the establishment of a base station, communications counterparties, communications matters, locations where radio equipment are to be installed, and frequencies to be used. Under Article 7 of the Radio Law, the Minister of MIC, upon receiving an application for a license, shall examine it to determine whether it satisfies, among others, the following criteria: conformity of the construction design to technical standards, the availability of the frequencies requested, and conformity with the fundamental standards for radio station establishment such as the applicant's business need for the license. Generally, however, the Minister of MIC submits such important matters as spectrum allocation to new operators and new systems to the Radio Regulatory Council for consultation and will grant the license only after obtaining the Council's reply thereto.

Article 17 of the Radio Law requires a licensee to obtain prior permission from the Minister of MIC for changes in the operations, including changes of the person with whom radio communications is conducted and location of radio equipment, and for the initiation of construction to modify any radio equipment. As with licensing, regulatory requirements with respect to the location of radio equipment and construction to change radio equipment for use within the allocated spectrum has been simplified by implementing a certification procedure.

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Article 26 of the Radio Law also provides that a list setting out current frequency assignments and frequencies available for future assignment shall be made public for the convenience of any person that would like to establish a radio station. The frequency or spectrum allocated for a certain use, such as cellular, PHS or paging services is stipulated by a ministerial ordinance of MIC. From within the assigned frequency or spectrum for a certain service, MIC by issuing a circular allocates a spectrum to the mobile network operators providing such services. In accordance with Article 4 of the Radio Law as noted above, the operators then apply for a license for radio stations (i.e. base stations and handsets) that use frequency from within their allocated spectrum.

### *Spectrum Allocation*

Spectrum is allocated to mobile network operators by MIC, which is the regulating authority with respect to radio frequencies and the allocation of spectrum in Japan, pursuant to the Radio Law. As spectrum capacity is limited, spectrum is a highly valuable resource. MIC currently allocates 41MHz x2 for 2G network. Three mobile network operators including us have been allocated spectrum for 2G network. We have been allocated a frequency spectrum of 18MHz x2 in the 800MHz band. The KDDI group has collectively been allocated 13MHz x2 in the 800MHz band for 2G network use. SOFTBANK MOBILE has been allocated 10MHz x2 in the 1.5GHz band.

Radio frequencies for 3G networks have been allocated as stated below:

On June 30, 2000, we, KDDI and Vodafone (currently SOFTBANK MOBILE) respectively obtained approvals from MPT (currently MIC) which allow each company to use the 2GHz band. All three companies have each been allocated 15MHz x2 of spectrum.

In May 2004, MIC announced its allocation policy allowing us and Vodafone each to use an additional 5MHz x2 of spectrum in the 2GHz band. KDDI is expected to be allowed to use an additional 5MHz x2 of spectrum after the interference problem with PHS systems is technically resolved.

In February 2005, MIC announced its policy to allocate spectrum in the 800MHz band to us and KDDI respectively, which allows each company to use 15MHz x2 of spectrum after completing the migration of existing systems operated in the 800MHz band to other frequency bands.

In August 2005, MIC announced its policy for new allocation of 35MHz x2 in the 1.7GHz band (of which, 15MHz x2 is nationwide, only for new businesses, and 20MHz x2 is for Tokyo, Nagoya and Osaka, for both new and existing businesses) and 15MHz x2 in the 2GHz band (nationwide, for new businesses only). As of April 2006, in the 1.7 GHz band, BB Mobile (a subsidiary of SOFTBANK CORP, currently SOFTBANK MOBILE) and EMOBILE (subsidiary of eAccess), as new businesses, were each allocated 5MHz x2 nationwide, and we, as an existing business, were allocated 5MHz x2, and IP Mobile was allocated 15MHz in the 2GHz band. However, because through the acquisition of Vodafone by BB Mobile, the assumptions that were in effect at the time of attestation of the establishment plan were no longer operative, BB Mobile, on April 28, 2006, reported to MIC that it wanted to return the attestation, and in May 2006, MIC referred the matter of revocation of attestation of the establishment plan to the Radio Regulatory Council and canceled the attestation. Moreover, IP mobile also offered the return of attestation on October 30, 2007, and MIC canceled the attestation in December 2007 according to the report of the Radio Regulatory Council. We satisfied the conditions for the allocation of additional spectrum relating to the 1.7GHz band for use in Tokyo, Nagoya, and Osaka specified in the allocation guidelines, and 5MHz x2 were allocated for use in these cities in July 2006 and June 2008. Currently, we have been allocated a total of 15MHz x2.

Furthermore, MIC announced guidelines for establishing specified base stations relating to the introduction of 3.9 generation mobile communication systems in April 2009, and 10MHz x2 in the 1.7GHz band (for nationwide use by new carriers only) that had not been allocated and 35MHz x 2 in the 1.5GHz band that had been used for 2G networks

but were reorganized and became available for allocation. These frequencies will be allocated to carriers that wish to use them for the installation of new 3.9 generation mobile communication systems. We submitted a specified base station plan to the MIC in May 2009, as a result of the review, MIC approved the plan in June 2009 and we have been allocated spectrum 15MHz x2 in the 1.5GHz.

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### *Recent Amendments*

Under partial amendments to the Radio Law that became effective in April 2008, a system for conciliation and mediation by the Telecommunications Dispute Resolution Committee for disputes relating to radio stations was established. The system promotes negotiations to solve the long-standing problems of mixing of signals between new entrants setting up radio stations and existing carriers.

Under amendments to the Radio Law that took effect in May 2008 and in October 2008, a review of usage and rates was undertaken with respect to charges for radio spectrum use. Radio spectrum use fees had been used as a source of funds to provide subsidies to support transmission line costs for wireless system dissemination support businesses which promote the bringing of services to hard to reach locations in depopulated regions, but subsidies have been expanded to include tower construction, and as mobile phone, etc. area development support businesses, a system was introduced to subsidize costs for transmission lines to mobile phone base stations and tower construction.

Under partial amendments to the Radio Law that became effective in October 2008, a system was created allowing persons other than licensees to perform the operations of repairing or moving ultra-small base stations for mobile phones (Femtocell base stations).

For other recent discussions concerning the Radio Law, please see Proposals concerning on the Telecommunications Business Law and the Radio Law below.

### ***Proposals concerning the Telecommunications Business Law and the Radio Law***

Besides the points already covered in the amendments or the proposed amendments to the Telecommunications Business Law and the Radio Law, several other changes have been recommended by various governmental bodies.

### *Three-Year Program for Promoting Regulatory Reform*

The Regulatory Reform Committee recommended in its report dated December 12, 2000 that, among other things, the introduction of a spectrum auction system be considered and discussed. The Government on March 30, 2001, launched the Three-Year Program for Promoting Regulatory Reform. The Regulatory Reform Committee was terminated on March 31, 2001. The General Regulatory Reform Council, a body established under the Cabinet Office, has since then been in charge of promoting regulatory reform. On March 28, 2003, it published the Three-Year Program for Promoting Regulatory Reform. In relation to the mobile telecommunication area, most of the issues in the Three-Year Program have already been reflected in the amended Telecommunications Business Law while an optimum spectrum reallocation system is still under consideration.

### *New IT Revolution Strategy*

As part of the New IT Revolution Strategy determined on January 19, 2006 by the Government's IT Strategy Headquarters the following proposals were made in connection with mobile communication:

Realization of a mobile communication system with data transmission speed that is 100 times faster than the current level by the year ending March 31, 2011; and

Formulation of guidelines for standardization by the year ending March 31, 2011 of displays and methods of operations for handsets and equipment that take into consideration user-friendliness for all people, including seniors and the handicapped, and promotion of product labeling that facilitates selection by consumers of easy-to-use products.



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*Emergency Calling Functions*

As part of the technical requirements for caller location notification functions for emergency calls from cellular phones announced by MIC's committee on advancement of emergency calling functions on June 30, 2004, the following provision was proposed:

Cellular handsets for 3G mobile communication systems introduced by network operators in April 2007 and after must in principle be equipped with GPS location and notification functionality.

Regarding the provision of a location information notification feature for emergency situations, we are working with relevant ministries in order to successfully implement the proposal in consideration of user convenience and the demands of society with due consideration to the protection of privacy and communication confidentiality.

*NTT Group's Voluntary Action Plan*

Both the Three-Year Program and the New IT Revolution Strategy stated that the Japanese government expects that NTT will establish a voluntary action plan for promoting competition, including:

Further opening of the NTT group's local network; and

Realization of competition within the NTT group by decreasing NTT's ownership percentage in us and NTT Com.

In response, on October 25, 2001, NTT together with NTT East and NTT West announced NTT's Strategy concerning Current Management Issues. In relation to its group operations, in that release NTT stated that:

Maintaining the present group operation under a holding company will be necessary in order to proceed with the structural reform that would revise NTT East and NTT West cost structures by reallocating personnel within the NTT group and making use of outsourcing companies;

From the standpoint of maximizing corporate value (shareholders' profits), the NTT group management apportions each group company's business areas such that (i) in fields where new markets need to be developed, such as Internet-related business, each company is free to decide its own business strategy while taking advantage of its own strengths, even if this involves competition among NTT group companies; and (ii) in the remaining fields, group operations are carried out on the principle of avoiding duplication of resources;

The simultaneous holding of executive positions between local companies (NTT East and NTT West) and NTT Com or us is not implemented currently and will remain unimplemented, from the viewpoint of fair competition; and

Decisions on NTT's investment ratio of NTT Com and us and the simultaneous holding of executive positions will continue to be considered from the standpoint of maximizing shareholders' profits, while fully respecting the autonomy in actual business operations of each NTT group company and taking into account operational necessities and stock market trends, as the market and other environmental factors surrounding the NTT group are rapidly changing.

In the report released on June 6, 2006, an MIC panel on the future of telecommunications and broadcasting services proposed conducting a thorough review of the legal system for telecommunications by 2010 for promotion of fair



competition among telecommunications carriers. It also called for discussions of measures aimed at eliminating regulations restricting the operations of NTT East and NTT West, as well as abolishing the holding company and separating the capital ties within the group in an integrated manner. Further, it proposed a swift start to discussions necessary for the above proposals.

In response to the report released from the MIC panel, NTT released a statement on June 6, 2006, saying that it planned to exert its utmost efforts to achieve the goals stated in its medium-term business strategy and that it would not be able to accept the proposals in the report because they would interfere with the smooth implementation of such strategy.

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On June 20, 2006, the consensus between the Japanese government and ruling parties on the future of telecommunications and broadcasting services was released. In the statement, they concluded that, in the telecommunications industry, they would promote such fair competition rules as those on opening of networks that are necessary for realizing advanced yet inexpensive information communication services and would discuss the organizational issue of NTT in 2010 after assessing the status of the diffusion of broadband and the trend of medium-term business strategy of NTT.

*Fair Competition*

One of the purposes of the Telecommunications Business Law is promoting fair competition in the telecommunications business, and accordingly MIC implements various measures. MIC and the Fair Trade Commission jointly published in November 2001 the Guidelines for Promotion of Competition in the Telecommunications Business Field for the purpose of the Antimonopoly Law and the Telecommunications Business Law in order, principally, to enhance the transparency of telecommunications carriers, to clarify actual practices for which telecommunications carriers having market power are prohibited and to clarify practices leading to orders to change charges or orders to improve business activities under the Telecommunications Business Law.

On June 6, 2002, MIC's study group on new business models and grand design of the competitive environments for the new information and communications era compiled and released its final report regarding how competitive environments in the telecommunications business fields should be established in the broadband age. The report indicates the necessity of introducing new regulations in order to facilitate participation of content providers, portal site providers and Internet service providers to the i-mode service market. In addition, equal treatment among content providers has been required by the aforementioned joint guidelines published by MIC and the Fair Trade Commission. In November 2002, we started providing Internet service providers with open access to the interface with our PDC-P packet network used for i-mode-compatible PDC handsets. Open access to the interface with our IMT-2000 packet network used for FOMA i-mode handsets has also been allowed since March 2003.

*The Right to Set Charges for Calls*

In November 2002, in connection with an application by Heisei Denden to MIC concerning terms and conditions of interconnection between Heisei Denden's telecommunications facilities and our telecommunications facilities, MIC decided, following a recommendation by the Telecommunications Dispute Settlement Commission, that it is appropriate for Heisei Denden to set user charges for calls generated from Heisei Denden's facilities to our facilities. This is a case of a fixed-line operator being given the right to set charges for calls made from fixed-line phones to cellular phones. In addition, in December 2002, MIC set up a study group regarding the setting of charges with respect to intermediate interconnection services and calls made from IP telephones to cellular phones.

As a consequence, in June 2003, it was announced in the study group report and the administrative policies of MIC that the charges for inter-exchange calls (outbound calls from the fixed-line telephones of NTT East and NTT West to cellular phones connected via the facilities of inter-exchange operators) will be set by inter-exchange operators if the caller selects the inter-exchange operator for each call, and the charges for calls made from IP phones to cellular phones will be set by the IP phone operator. Following this announcement, intermediate interconnection services were introduced in April 2004. While, as a transitional measure, mobile network operators were allowed to set user charges for the portion of an inter-exchange call serviced by mobile network operators during the year ended March 31, 2005, effective April 2005, interconnection fees have been applied instead for the said portion of an inter-exchange call.

*Radio Spectrum Use*

The study group on policies concerning the effective radio spectrum use of MIC that was established in January 2002, published its first report in December 2002. Its proposals included the introduction of a compensation scheme for licensees who shoulder losses resulting from a short-term reallocation of spectrum or a shift to fiber-optic cables instead of an alternative spectrum. That proposal was reflected in the Amendments to the Radio Law that passed the Diet in May 2003. The report also proposed that a comparative examination system based on market

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principles and licensing procedures is desirable instead of an auction system which could seriously hinder effective use of radio spectrums as shown by the extremely high bidding that occurred in various European countries. The report also proposed deregulation on experimental radio stations. In September 2003 and December 2003, the study group published its second and third reports, including discussion of such topics as an after-the-fact registration system (including exemption from prior licensing) primarily for public wireless LAN services, and discussions about cost burdens. They released a final report October 2004 proposing basic policy regarding amendment of the scheme for spectrum user fee. In this report, in order to secure the fairness of the burden for spectrum user fee imposed to every licensee, reexamination of the fee scheme for each type of radio station and imposition of spectrum user fee charged depending on areas and ranges of spectrum used as a radio spectrum exclusive for wide-range areas (a frequency mainly used in radio stations which are built considerably in wide-range area by same licensee) were incorporated. Also, in order to bridge the digital divide, a system to financially assist, with a certain criteria, the expense of the cable transmission line to the mobile base station in rural areas and allocation of funds for the research and development of effective use of spectrum are incorporated. The proposed measure was approved and materialized in the Diet in October 2005, and it was reflected in the amended Radio Law proclaimed and enforced in November of the same year (reexamination of the charging scheme was enforced in December of the same year).

*Evaluation of Competition in the Telecommunications Field*

MIC announced its basic approach of competition review in the telecommunications field and details of the implementation for the year ended March 31, 2004 of the evaluation of the state of competition in the telecommunications field in November 2003. MIC has performed analyses of four areas including the areas of fixed-line phone, Internet access services, mobile communication, and corporate network services annually from the year ended March 31, 2004. Analysis and evaluation on the state of competition will first be made based on an analysis using quantitative indices, and in the event it is judged that progress of competition cannot be sufficiently achieved with quantitative analysis only, qualitative analysis, including factors affected by circumstances that are indicated by qualitative indices, will also be employed.

In October 2006, MIC designated the three years from fiscal year 2006 to fiscal year 2008 as the second phase for competition review, and formulated the basic policy for competition review in the telecommunications field for fiscal years 2006-2008, based upon which it announced in October 2007 particulars for competition review in the telecommunications field for fiscal year 2007. The stipulated implementation particulars included matters ranging from the domains subject to analysis in the fiscal 2007 competition review to the analysis and review of competition conditions.

In September 2008, MIC announced its competition review in the telecommunications field for fiscal 2007. In this report, MIC's evaluation of the mobile communication field was as follows:

In the cellular phone and PHS markets, the migration to 3G will advance further; the use of high-speed communication services using HSDPA and other protocols is expanding, and declining ARPU has not yet become a drag on that expansion;

DOCOMO had a market share of 50.6% as of December 31, 2007 and even though its market share has been declining gradually in recent years, the difference in market share with competitors remains substantial, putting the Company in a position to control the market, but the possibility of its actually exercising market control in the future is low because of regulations on Category II-designated telecommunication facilities and the intense competition among carriers for market share; and

Regarding concerns that multiple carriers could collude to exercise market control, the introduction of Mobile Number Portability has resulted in the provision of a variety of rate discounts and a diverse range of services.

In addition to EMOBILE entering the market and acquiring some subscribers, other competitors continue to enter the MVNO business, and for such reasons, the competition seems even greater than ever, and the possibility of the exercise of market control in the future is low.

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*New Competition Promotion Program 2010*

In October 2005, MIC established a Panel on Competition Rules corresponding to the development of IP for the purpose of clarifying basic policy regarding competition rules in light of developments in IP and the direction in which review of connection and rate policies is to proceed. A final report was released in September 2006.

In light of this report, MIC announced in September 2006 the New Competition Promotion Program 2010, which concerns measures to be implemented by the early 2010s from the viewpoint of ensuring fair competition. Further, in October 2007, MIC revised the program in order to more accurately address the rapid changes in market environment. The outline of the program is as follows:

- Promotion of facility competition;
- Review of the designated telecommunications facilities system (dominant regulations);
- Review of the calculation rules for NTT East and NTT West interconnection charges;
- Promotion of competition in the mobile telecommunications market;
- Environmental improvements for realizing communication handsets compatible with IP technology;
- Review of rate policy;
- Review of the Universal Service Fund system;
- Environmental improvements for ensuring network neutrality;
- Strengthening of dispute resolution functions;
- Review of market exit rules; and
- Enhancement of consumer protection measures.

Based on the New Competition Promotion Program 2010, MIC plans to implement the required system changes by the early part of the decade starting in 2010. The status of the main changes affecting our group is described below.

*Review of the designated telecommunications facilities system (dominant regulations)*

On April 18, 2007, MIC formulated the guidelines for operation of the competition safeguard system with the purpose of verifying the scope of designated telecommunications facilities and the validity of NTT group's successive fair competition requirements on a regular basis (once per year).

Further, MIC is planning to undertake a comprehensive review of the currently designated telecommunications facility system, from the viewpoint of the fair operation of the dominant regulations in light of market integration associated with developments in IP related trends. Specifically, under the auspices of the panel for network neutrality, established in November 2006, a working group on new competition rules was established, with the purpose of examining the direction in which review of dominant regulations should proceed. In the report of the panel released in September 2007, a new regulatory framework was proposed for the Next Generation Network (NGN) of NTT East and NTT

West, for platforms as vertical market control, and for FMC as horizontal market control.

*Promotion of competition in the mobile telecommunication market*

On February 13, 2007, with a view toward a more dynamic mobile telecommunication market achieved by promoting new entry by MVNO operators, MIC issued its revised guidelines regarding the application of the Telecommunications Business Law and the Radio Law to MVNO ( MVNO Guidelines ). Under the revised guidelines, whether wholesale telecommunications services are to be provided by a Mobile Network Operator ( MNO ) to an MVNO, or whether there will be an interconnection between an MNO and MVNO are matters, in principle, to be decided by consultations between the parties, and when an MNO has had a request for connection from an MVNO, unless it has grounds to refuse, it must comply with such request.

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Further, in order to carry out an examination with a view towards improving economic vitality and user interests through the growth of new mobile businesses, a mobile business study group has been meeting since January 2007. In light of the final report of the study group, on September 21, 2007, MIC released the Mobile Business Vitality Plan. The following are the main points of the Mobile Business Vitality Plan :

Partial introduction of the new sales price plans (plans separating communication charges and handset fees) for fiscal 2008;

Clarification of the accounting arrangements for sales promotion funds;

Removal of SIM locks (final conclusion in 2010 regarding mandatory removal of SIM locks);

Promotion of handset platform standardization;

Implementation of environmental improvements by revising the MVNO Guidelines\* (implemented in fiscal 2007);

Adoption of a standard plan concerning MNO wholesale telecommunications services;

Consideration of MVNOs at the time of spectrum allocation;

Examination of measures for enhancing consumer protection; and

Consideration of greater platform collaboration.

\* Clarification of contact points, clarification of the degree to which questions can be asked regarding of the business plans, and clarification of legal and statutory interpretation.

Further, since March 2008, the Mobile Business Vitality Plan Assessment Meeting has been held and the progress of the vitality plan has been evaluated on a regular basis.

*Adoption of Open Platforms*

In conjunction with the increased use of broadband and IP, we are reinforcing the collaboration among the authentication, billing and other functions that are essential for the efficient broadband distribution of content and applications. A report by the Communications Platform Study Group that discussed relevant issues and addressed the direction of future policies concerning the development of the market environment for encouraging the creation of new business was released in November 2008. In the year ending March 31, 2010, it is expected to reach certain conclusions in various study groups, trials, and forums concerning investigations into enhancing interoperability among authentication and billing functions as well as optimal environmental development and content distribution effects to achieve diversification of mobile platforms.

*Review of the Universal Service System*

In November 2005, MIC announced its response with respect to the report on the universal service system, and it was decided that in order to maintain subscriber telephones of NTT East and NTT West, carriers connecting with NTT East and NTT West would share cost burdens in accordance with their ratio of telecommunication numbers handled. The universal service system was introduced in June 2003, but in the three years following its introduction, through 2005, no funds were actually utilized. An amended ministerial order came into effect on April 1, 2006, and starting in



January 2007, in order to ensure provision of universal service by NTT East and NTT West, a portion of such costs would be borne by all telecommunications companies, including our group, that provide services through connections to universal service, with such costs to be apportioned according to number of telephone numbers owned by each telecommunications company. In light of the intent of the system, our group is requiring its customers to assume an equitable portion of the costs in proportion to the number of telephone numbers they use, and starting with February 2007 bills (for usage in January 2007), its customers have been billed universal service fees.

The March 2007 report of the Telecommunications Deliberation Council stated that it would be appropriate to carry out a review of the rules for computing subsidies under the universal service system for the year ended March 31, 2008 and beyond. In response, the Universal Service Subcommittee commenced deliberation of these

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rules. In September 2007, the rules for computing subsidies and costs for the provision of the universal service system were revised, and the subsidy computing method was changed from the conventional method of using the national average cost as a benchmark, to a method where the benchmark is the total of the national average cost and twice the standard deviation.

Further, in regards to the universal service system, starting in January 2007, a study group regarding the future image of the universal service system began meeting, with a view towards the building of a new system in line with future environmental changes. In December 2007, the study group released its report on the universal service system of the future, in light of advances in IP technology. This report stated that, as an approach to reviewing the range of services encompassed by universal services from the beginning of 2010 and onwards, it would be appropriate to use as the standard a situation where, without regard to type of services, services that are provided through an access network and meet certain requirements are available (universal access).

*Examination Regarding Network Neutrality*

The Panel on Internet Policy has been meeting with the purpose of selecting and organizing policies for ensuring network neutrality and promoting sound development of the Internet, as seen from the diverse viewpoints of a range of stakeholders and in the midst of dramatic changes in network structure and market environment. The panel released a final report with the following three fundamental principles on February 23, 2009:

Consumers should be able to use networks (IP networks) flexibly and freely access content and application layers;

Consumers should be able to freely connect terminals that comply with the technical standards specified by laws and regulations to networks (IP networks) and engage in flexible communications with other terminals; and

Consumers should be able to use communications layer and platform layer impartially and at an appropriate cost.

*Study Group for Comprehensive Legal System for Communications and Broadcasting*

In August 2006, MIC established the Study Group for Comprehensive Legal System for Communications and Broadcasting. With studies conducted from the viewpoint of experts, the Study Group aims to embody a studied framework of the law system in anticipation of the integration and alliance of communications and broadcasting. In December 2007, the Study Group released a report advising a fundamental review of the current legal framework, with the goal of a layered legal system. Starting in February 2008, the Committee Considering a Comprehensive Legal System for Telecommunications and Broadcasting has continued making specific policy considerations, with the goal of submitting a bill to the ordinary Diet session of 2010.

*Review of Interconnection Rules in Response to Changes in the Telecommunications Market Environment*

In the mobile telecommunication market, the number of mobile phone subscriptions has surpassed 100 million and the importance of mobile phones as fundamental infrastructure for business and day-to-day activities is increasing at a tremendous pace. In the fixed-line broadband market, the numbers of FTTH and DSL subscriptions switched positions in the first quarter of the year ended March 31, 2009, with FTTH taking the dominant position. In conjunction with these developments, the business format of using the networks of other operators is accelerating, and further development of the communications platform market and the content distribution market can be expected in the future.

In response to these market changes, the MIC's Telecommunications Council is investigating optimal interconnection rules from the perspective of maintaining a fair competitive environment in the telecommunications markets and is expected to issue a response at the end of September 2009. The key issues under investigation are as follows:

Development of a fair competitive environment in the mobile market;

Development of a fair competitive environment in the fixed-line broadband market;

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Development of a fair competitive environment to encourage new entrants in the communications platform and content distribution markets; and

Nature of interconnection rules in an era of integration between fixed and mobile communications, etc.

We reduced access charges applicable in the year ended March 31, 2009 by at least 10% compared to the previous fiscal year by such measures as implementing cost reductions.

### ***Information Security Management***

In order to protect customer information, in conjunction with the full implementation of the Law on the Protection of Personal Information, we established the position of Chief Privacy Officer (CPO) and strengthened the system for protection of personal information, and we are making efforts to construct a company-wide information security system.

In addition, we agreed to take efforts to prevent personal information leaks by handling and managing all terminals and external storage devices containing personal information, periodically educating and training our employees, confirming matters for compliance in information management with all entities to which we outsource services, instructing and supervising such entities, strengthening the security technology in all our systems, establishing system security standards and developing, operating and managing systems in compliance with such standards.

### ***Law to Prevent Unauthorized Use of Mobile Phones***

In April 2006, with the enforcement of the Law to Prevent Unauthorized Use of Mobile Phones, we coped with imposition of identification and recording the documents verifying the customer's proof of identity at the time of new contracts and reviewed an operative manual in order to comply with the law as a mobile network operator. In addition, we carry out the training for all the members performing duties such as identification and make an effort to ensure proper operation of such duties.

### ***Law to Promote a Healthful Internet Environment for Youth***

In April 2009, with the enforcement of the Law to Promote a Healthful Internet Environment for Youth, we implemented a number of measures, including a review of an operative manual for application of basic rules for filtering when subscribers under 18 years of age access to the Internet using mobile phones in order to comply with the law as a mobile network operator. In addition, we moved forward with initiatives to protect youth, including mobile phone safety classes to help prevent youth from becoming involved in crimes through mobile phones.

## **16. Relationship with NTT**

NTT is our parent company and owned 66.19% of our voting rights as of March 31, 2009. The government of Japan, in the name of the Minister of Finance, owned 40.16% of the voting rights of NTT as of the same date. The government of Japan, acting through MIC, also regulates the activities of NTT.

The NTT group is the largest provider of fixed-line and wireless voice, data, Internet and related telecommunications services in Japan and operates one of the largest telecommunications networks in the world. The NTT group's main business is providing nationwide telecommunications services including voice communication services, data communication services, leased circuit services, system integration services and other services. As a holding company, NTT is directly responsible for the overall strategy of the NTT group. NTT is also responsible for basic

research and development for its group companies.

On July 1, 1999, NTT was reorganized into a holding company structure. The former NTT parent company transferred its local and long-distance businesses to three new wholly-owned subsidiaries: Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation, and NTT Com. NTT East and NTT West operate regional telecommunication services in eastern Japan and western Japan, respectively, and NTT Com operates long distance telecommunication and other network services throughout Japan. NTT Com also offers international telecommunications services. We continue to be a direct subsidiary of NTT after the reorganization.

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Although NTT owned 66.19% of our voting rights as of March 31, 2009, we conduct our day-to-day business operations independently of NTT and its other subsidiaries. All transactions between us and each of NTT and its subsidiaries and affiliates are conducted on an arm's length basis. In the year ended March 31, 2009, we had sales of ¥57,279 million to NTT and its subsidiaries and had cost of services, selling, general and administrative expenses and capital expenditures of ¥236,004 million, ¥131,849 million and ¥70,840 million, respectively, to NTT and its other subsidiaries, compared to sales of ¥65,126 million and cost of services, selling, general and administrative expenses and capital expenditures of ¥247,016 million, ¥138,709 million and ¥78,112 million, respectively, in the year ended March 31, 2008. We also had receivables of ¥12,510 million from NTT and its subsidiaries and payables of ¥73,476 million to NTT and its subsidiaries at March 31, 2009, compared to ¥15,197 million and ¥75,516 million at March 31, 2008.

In order to ensure fair competition in the mobile telecommunication business, the MPT (currently MIC) in April 1992 established the following conditions of separation on NTT (which was then in operation of the fixed line telephone services) and us (which remain applicable):

To the extent possible, we must establish transmission lines for our network independent of NTT. In the event that we use NTT transmission lines, the terms and conditions for such use shall be the same as those for our competitors.

NTT must not favor us in any transactions between NTT and us. The terms and conditions for our use of NTT utility poles, access to NTT's network, access to NTT research and development and similar matters should be the same as for our competitors.

All former NTT employees transferred to us were required to be permanent employees, rather than being seconded from NTT.

We were to plan to have our shares listed and NTT's ownership in us reduced approximately five years after incorporation.

We must not engage in joint procurement with NTT so as not to use NTT's purchasing power with the objective of obtaining favorable treatment or pricing from its suppliers and manufacturers.

At the time of separation from NTT, all trademarks and service marks for our products developed by NTT, other than the NTT DOCOMO trademark, the DOCOMO trademark and the NTT DOCOMO service mark, were assigned to us. If NTT's ownership of our shares is substantially reduced, we may not be able to continue to use the trademarks and service marks that include NTT. Patents, utility model rights and design rights are shared equally with NTT. While certain rights to programs concerning wireless telecommunication systems were assigned by NTT to us, NTT owns the rights to other programs concerning wireless telecommunication systems and grants us licenses to use such rights. Since the separation, NTT and we have each retained rights resulting from our own research and development. When we desire to use NTT's technology, we are required to pay royalties equal to those other wireless telecommunication companies would pay for the use of such technology, and such technology is available equally to us and our competitors. We are also required to pay NTT certain basic research and development fees.

Although we operate independently of NTT, the following matters, among other things, relating to us are discussed directly with or reported to NTT: matters that are required to be voted on at shareholders' meetings, including amendments to the Articles of Incorporation, mergers and consolidations, assignments and transfers of business, election and removal of directors and corporate auditors, and appropriation of profits; increases in share capital; investments, including international investments; loans and guarantees; and establishment of businesses plans. In addition, Mr. Hiroshi Tsujigami, a full-time employee of NTT, serves part-time on our board of directors.

The Deregulation Committee (succeeded to by the Regulatory Reform Committee), an advisory committee set up by the decision of the Japanese Cabinet dated December 20, 1997, issued a report on December 15, 1998, with respect to government deregulation in a number of sectors of the Japanese economy. This report recommended the complete privatization of NTT at some point in the future, together with the elimination of monopolies in the regional telecommunication markets, and recommended that effective action should be taken to promote substantive competition between NTT East and NTT West. This report also included a recommendation that in

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the future the reorganized NTT be required to reduce its ownership of our shares to the level where competition between us and NTT East and NTT West is facilitated. On March 30, 1999, the Japanese government revised its Three-year Program for Promoting Deregulation stating, among other things, which based on the Deregulation Committee's report and in connection with NTT's ownership of our shares, it would carefully watch competition between us and NTT East and NTT West. On March 31, 2000, in its decision to further revise the Three-year Program, the Japanese government stated that it would continue to consider NTT's ownership of our shares taking into account the competition among cellular phone companies and the competition between us and NTT East and NTT West. Furthermore, on December 12, 2000, the Regulatory Reform Committee issued a written opinion stating that NTT's ownership of our shares should be reduced to the level at which fair competition among us and other NTT companies is ensured, and that the firewall regulation that restricts the sharing of management and other personnel among us and other NTT group companies should be strengthened.

On December 21, 2000, the Telecommunications Council, then an advisory committee of the MPT, issued its first formal report concerning initiatives to promote competition in the telecommunications industry and to promote information technology generally. In this report, the Telecommunications Council stated its view that NTT's ownership of our shares should be reduced as much as possible through the listing of us on foreign stock exchanges, among other means, and that there should not be common directors of NTT and DOCOMO.

The Japanese government, on March 30, 2001, launched its Three-year Program for Promoting Regulatory Reform. In that program the Japanese government expected NTT as well as NTT East and NTT West would prepare and publish a voluntary action program for promoting competition, including a realization of competition within the NTT group by decreasing NTT's ownership of our shares. In response, on October 25, 2001, NTT together with NTT East and NTT West announced NTT's Strategy concerning Current Management Issues and stated in that release that simultaneous holding of executive positions between NTT East or NTT West and our company would remain unimplemented and that NTT's investment ratio in our company and the simultaneous holding of executive positions would continue to be considered from the standpoint of maximizing its shareholders' profits, taking into account operational necessities and stock market trends. On October 29, 2002, NTT made a report to MIC on the current status of implementation of the voluntary action plan released in October 2001. In the report, NTT stated that it sold 551,000 shares of our company in July 2002, in conjunction with our planned share reacquisition and that the system of concurrent appointment of directors for NTT and our company was discontinued at the general meeting of shareholders in June 2001.

In June 2006, an advisory panel on the future of telecommunications and broadcasting made a final report. In the report, it says that, in order to promote fair competition in the telecommunications industry, the study group proposed that MIC make a drastic review of legislation related to telecommunication by 2010. The study group also proposed that, keeping issues such as abolishment of the regulations on the scope of the business of NTT East and NTT West, abolishment of a holding company, and separation of equity links, etc. in mind as a whole mission, MIC take necessary measures to realize issues and start necessary investigation immediately. On June 6, 2006, corresponding to this report, NTT made a statement that, with the aim to establish a safe and secure next-generation network under current structure and provide optimal services to approximately 30 million customers by fiscal 2010, NTT will make its utmost effort to realize medium-term management strategies, and that NTT cannot accept the proposal as it may disturb smooth promotion of their medium-term management strategies.

The Japanese government has not decided what action, if any, it will take with respect to NTT's ownership of our shares. NTT has declared its view that its ownership of our shares does not have any adverse effects on fair competition and that it intends to maintain its ownership percentage in us at 51% or above.

NTT has entered into agreements with each of DOCOMO, NTT East and NTT West and certain other subsidiaries that provide for NTT to receive compensation for performing basic research and development and for providing management and administrative services. NTT also receives dividends when dividends are declared by its



subsidiaries, including DOCOMO.

**17. Property**

Our property includes buildings which contain wireless telecommunication equipment. As of March 31, 2009, we and our regional offices owned 3,476,103 square meters of land and 1,562,518 square meters of office space,

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buildings containing switching centers, company dormitories and warehouses throughout Japan. In addition, as of March 31, 2009, we leased approximately 8,301,972 square meters of land mainly for base stations and transmission facilities.

Additional information can be found in Capital Expenditures of Item 5.B.

### **18. Employees**

As of March 31, 2009, DOCOMO and its subsidiaries had 21,831 employees representing a decrease of 269 employees since March 31, 2008. As of March 31, 2008, 2007 and 2006 we had 22,100, 21,591, and 21,646 employees, respectively. The average number of temporary employees for the year ended March 31, 2009 was 6,459.

Of our 21,831 employees on March 31, 2009, approximately 1,340 were staff in departments such as human resources, general affairs, management planning, accounting and finance, while the rest were engaged in business operations, such as sales, research and development and related matters. Also, as of March 31, 2009, approximately 1,400 employees were working at overseas consolidated subsidiaries.

We consider our level of remuneration, non-wage benefits, including our employee share ownership program, working conditions and other allowances, including lump-sum payments and annuities to employees upon retirement, to be generally competitive with those offered in Japan by other large enterprises. We have an extensive training program for new employees. To increase incentives, the NTT group has implemented a bonus plan based on overall business performance and personal results. The general retirement age has been 60.

Most of our non-management employees are members of ALL NTT WORKERS UNION OF JAPAN. We consider our relationship with such unions to be excellent. We have never had a strike.

### **19. Legal Proceedings**

We have initiated normal actions relating to the collection of telecommunications charges and other legal proceedings in the ordinary course of business and are not involved in any litigation and have not been involved in other legal proceedings in the preceding twelve months from the date of this document that, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our financial position or profitability.

### **C. Organizational Structure**

As of March 31, 2009, NTT, our parent company, was our largest shareholder and owned 66.19% of our outstanding voting shares. We are the largest wireless telecommunication services provider in Japan based on the number of subscriptions.

There are no subsidiaries that are considered to be significant subsidiaries as of March 31, 2009.

### **D. Property, Plant and Equipment**

The information required by this item is set forth in Item 4.B. of this annual report.

### **Item 4A. *Unresolved Staff Comments***

Not applicable.

**Item 5. *Operating and Financial Review and Prospects***

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

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

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We will discuss the following matters in this Item 5:

Our Business

Trends in the Mobile Communications Industry in Japan

Operating Strategies

Operating Trends

Operating Results for the years ended March 31, 2009 and 2008

Segment Information

Recent Accounting Pronouncements and Critical Accounting Policies

Liquidity and Capital Resources

Research and Development

Trend Information

Others

**A. Operating Results**

**Our Business**

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

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

**Trends in the Mobile Communications Industry in Japan**

According to a release from the Telecommunications Carriers Association, the mobile communications market in Japan saw a 4.71 million net increase in cellular and PHS subscriptions for the year ended March 31, 2009. As of March 31, 2009, the total number of wireless subscriptions including cellular and PHS reached 112.05 million and the

market penetration rate reached 87.7%. The annual growth rate of cellular subscriptions dropped to 4.6% for the year ended March 31, 2009 after a temporary rebound in a recent downward trend from 5.4% to 6.2% for the years ended March 31, 2007 and 2008, respectively. However, given the maturity of the market and the declining population trend, we expect that the growth rate of cellular subscriptions in Japan will be limited in the future.

As of March 31, 2009, cellular services were provided by four network operators including us and their subsidiaries in Japan. In addition to providing cellular services, the network operators also collaborate with handset manufacturers to develop handsets compatible with the specifications of their wireless services and then sell them primarily to agent resellers, who in turn sell such handsets to the subscribers. As for cellular services, since the year 2001, when we first launched FOMA services, our third generation ( 3G ) cellular services based on W-CDMA

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technology, our competitors have followed us in the launch of their 3G services. The network operators have been in an intense competition in pursuit of the acquisition of new subscribers and the migration of their current subscribers to 3G services. As of March 31, 2009, the number of 3G service subscriptions in Japan reached 99.63 million, which represented 92.7% of the total number of cellular subscriptions.

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

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

Introduction of installment sales for handsets and mobile phone protection and delivery service;

Launching of new services such as providing mobile credit payment services, music downloading, video downloading and streaming, news casting, customized information delivery service, web-browsing filtering, location information services and high-speed data transmission;

Equipping new handsets with various new functions including a TV tuner, radio tuner, music player, video player, contact-less IC (Integrated Circuit) chip capability, GPS (Global Positioning System), enlarged memory capability, compatibility with GSM network or security function; and

Partnering with entities of different industries including retail, manufacturing and financial institutions.

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

It is possible that innovations in Internet technology will have a material impact on the mobile communications industry as well. IP (Internet Protocol) phone, voice communications based on IP technology, is becoming a popular means of fixed line communications as a result of the penetration of local broadband access. If IP phone technology is applied to the mobile communications field, we expect that it will have a material impact on the current revenue structure of the mobile communications industry. The penetration of local broadband access and cellular phones has produced an expectation for new services in the future, converging fixed and mobile communications. A

Fixed-Mobile Convergence concept has already been partially realized when some network operators issued a single bill for both fixed and mobile subscriptions or others enable their subscribers to access common contents or e-mail accounts via both a PC and a cellular phone. The demand for a seamless service between the fixed and mobile network and a common handset compatible with both fixed and mobile network service will possibly increase in the future. In the field of high-speed wireless networks, WiMAX has been standardized by the Institute of Electrical and Electronic Engineers in the United States. In Japan, two network operators were licensed to operate a 2.5GHz

wide-band wireless broadband system in December 2007 and plan to launch commercial services during the year 2009.

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

**Table of Contents****Operating Strategies**

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

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

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

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



are taking place.

**Table of Contents****Operating Trends**

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

***Revenues******Wireless Services***

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

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

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

Our number of subscriptions continues to grow while the growth rate of subscriptions has declined. Our subscription churn rate, or contract termination rate, is an important performance indicator for us to achieve retention of our current subscriptions. The churn rate has an impact on our number of subscriptions and in particular affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our revenues by decreasing the amount of revenues we are able to collect from each subscriber on average. In order to keep our churn rate low, we have focused on subscriber retention by implementing certain measures including offering discounts for long-term subscribers. During the year ended March 31, 2009, we have taken measures such as lowering basic monthly charge of Type SS Value billing plan, introduction of new packet flat-rate services Pake-hodai double and Biz-hodai double, enhancement of services for the loyalty membership program docomo Premier Club, rollout of newly organized handset series, expansion of FOMA high speed areas (achieved 100% POP coverage) and on-site visits and investigations in response to customers' claims for network area quality, normally within 48 hours of contacts from our investigation staffs. We also continued to release handsets such as Kids PHONE designed specifically for children and Raku-Raku PHONE PREMIUM, Raku-Raku PHONE V universally designed for elderly users in an effort to pioneer such new market segments.

ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as basic monthly charges, calling charges and packet communications charges, from designated services by the number of active subscriptions to the relevant services. ARPU is another important performance indicator for us to measure average monthly revenues per subscription. Accordingly, the calculation of ARPU excludes revenues that are not representative of monthly average usage such as subscription activation fees. We

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believe that our ARPU figures calculated in this way provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations. The ARPU calculation is described in Item 4. Information on the Company B. Business Overview Cellular Phone Service Usage . ARPU (FOMA+mova) has fallen over the past few years, due to an increase in the number of subscribers to Value Plan , under which discounted monthly basic charges apply and new discount services, as well as a gradual increase in the discount rate of basic monthly charges according to an increase in the number of years of subscriptions under long-term subscription discount. In order to boost ARPU, we have been actively involved in the promotion of services including Pake-hodai double , our optional packet flat-rate service for unlimited i-mode usage, i-channel , a convenient and easy-to-use information push-delivery optional service, and i-concier , an automated information delivery service that is customized to suit each individual s preferences and living area as if one s own butler or concierge would provide the service. We also introduced more handsets compatible with international roaming service in order to increase roaming revenues. Furthermore, we are promoting cellular usage other than voice calls such as downloading of music or video-clips.

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

*Equipment Sales*

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

Revenues from equipment sales, primarily sales of handsets and other telecommunications equipment to agent resellers, accounted for 13.6% of total operating revenues for the year ended March 31, 2009. We adopted Emerging Issues Task Force ( EITF ) Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products), and therefore account for a portion of the sales commissions that we pay to agent resellers as a reduction in equipment sales revenues and selling, general and administrative expenses. As a result, structurally, the cost of equipment sold has exceeded equipment sales revenues, and thus the sale of an extra handset has had a negative impact on our operating income. However, with the introduction of Value Course in November

2007, the amount of sales commissions deducted from equipment sales revenues decreased significantly, and the effects of pushing down operating income through the sale of handsets has lessened. During the year ended March 31, 2009, equipment sales revenues before the deduction of sales commissions to agent resellers decreased due mainly to the significant decrease in the number of handsets sold to agent resellers affected by the economic downturn and introduction of new sales method, in addition to a decrease in revenue per

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handset. However, sales revenues after the deduction of sales commissions increased significantly since the effect of decrease in sales commission for Value Course to be deducted from equipment sales revenues was applied throughout the year. For the year ending March 31, 2010, we expect a slight decrease in the number of handsets sold to agent resellers reflecting a decreased demand of handsets for new subscriptions given the high penetration rate of the mobile market. Because the trend of handset sales is closely interrelated with the cost of handsets sold, please refer to the Cost of Equipment Sold section below.

*Expansion of Our Business Domain*

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

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

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

*Expenses**Cost of Services*

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

*Cost of Equipment Sold*

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

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level of the purchase price per handset will increase due to an increase of material costs for enhanced features and a decrease in handset procurement, but we also expect a slight decrease in the number of handsets sold resulting from a decreasing demand of handsets for new subscribers. As a result, we expect that cost of equipment sold will be about the same level as in the current fiscal year for the year ending March 31, 2010.

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

### *Depreciation and Amortization*

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

further enhancement of FOMA network service area quality;

buildup of FOMA network capacity in response to an increase in data traffic following the penetration of our packet flat-rate service for unlimited i-mode usage; and

further expansion of HSDPA service coverage. (achieved 100% POP coverage)

Active capital expenditures in the FOMA network in recent years are followed by an upward trend in depreciation and amortization expenses. However, our capital expenditures in the FOMA network peaked in the fiscal year ended March 31, 2007, and we expect that depreciation and amortization expenses will show downward trend in the future. In addition, we have been involved with cost saving efforts such as economized procurement, design and installment of low-cost devices and improvements in construction processes. Depreciation and amortization expenses for the year ended March 31, 2009 increased from the prior fiscal year, but the increase was caused by the effect of accelerated depreciation charges of mova-related assets through the changes in estimated useful lives accompanied by our decision to discontinue mova services on March 31, 2012. Without this effect, depreciation and amortization expenses would have decreased from the prior fiscal year. Depreciation and amortization expenses are expected to decrease for the year ending March 31, 2010 following the recent downward trend. As for our capital expenditures, please refer to Capital Expenditures in this Item 5.B.

### *Selling, General and Administrative Expenses*

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



depending on the type of handset a subscriber purchased.

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

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***Operating Income***

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

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

operating expenses decreased reflecting a decrease in cost of equipments sold due to a fewer number of units being sold and a decrease in sales commissions as a result of the penetration of Value Course.

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

we expect cellular services revenues to decrease because a continued decline in ARPU caused by penetration of Value Plan, for which the basic monthly charge is discounted and penetration of new discount services will more than offset the positive effect of our acquisition of new subscriptions;

we expect equipment sales to increase despite the decreased number of handsets sold through a continued decrease in sales commissions that are deducted from sales revenue under the Value Course. However, the increase in equipment sales is not sufficient to make up for the decrease in cellular services revenues; and

we expect operating expenses to decrease through our continuous efforts to lower costs including distributor commissions, network-related costs and general expenditures. As a result, operating profits should remain about the same level as prior fiscal year, as decrease in operating revenues and operating expenses nearly offset each other.

Actions to expand cellular phone usage include the followings:

offering billing plans that customers need not worry about charges, improvement of handset functionalities, and promotion of packet communications by offering various contents; and

increasing product line-ups and enhancement of sales for smart phones and data communication terminals.

Creation of new revenue sources includes the followings:

offering new services in the area of personalization, social support, and converged services (such as i-concier and its subscriber growth);

investments and alliances with the aim of expanding businesses in fields where mobile communications can make great contributions;

strengthening activities to boost usage of our DCMX credit services and increase users; and

promotion of usage of international calls and roaming services, and growth through investment and partnership in Asia-Pacific regions.

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Improvement of cost efficiency includes the followings:

reduction of base station construction costs, streamlining of network, and reduction of communication network charges; and

further reduction of general expenses, operational process review and operational efficiency improvement through integration of former regional subsidiaries.

***Other income and expenses***

As part of our corporate strategy, we have made investments in foreign and domestic companies in businesses that complement our mobile communications business. See Item 4. Information on the Company B. Business Overview Other Business Activities Investments and Affiliations in Japan and B. Business Overview Global Businesses International Investments and Alliances . In accordance with U.S. GAAP, the investment is accounted for under the equity method and recognized under Investments in affiliates in our consolidated balance sheets when our equity in the investee s issued and outstanding capital is between 20% and 50% or we are able to exercise significant influence over the investee. In accordance with equity method accounting, we include equity in net income or losses of affiliates in our consolidated income. Where our equity in the investee s issued and outstanding capital is less than 20%, we include the investment as Marketable securities and other investments in our consolidated balance sheets. Our results of operations can be affected by impairments of such investments and losses and gains on the sale of such investments. In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in Equity in net losses of affiliates in our consolidated statements of income and comprehensive income for relevant years. It is possible that we could experience similar impairments with respect to our investments in affiliates and marketable securities and other investments again in the future. Please refer to

Critical Accounting Policies Impairment of investments . We may also experience material gains or losses on the sale of our investments. As of March 31, 2009, the total carrying value of our investments in affiliates was ¥572.0 billion, while the total carrying value for investments in marketable equity securities and equity securities accounted for under the cost method was ¥141.5 billion.

**Table of Contents****Operating Results for the year ended March 31, 2009**

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

**Key Performance Indicators**

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

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association

(2) Data calculated including Communication Module Services subscriptions.

(3) Data calculated excluding Communication Module Services-related revenues and Communication Module Services subscriptions.

(4) Inclusive of circuit switched data communications.

(5) MOU (Minutes of usage): Average communication time per month per subscription

**Table of Contents****Breakdown of Financial Information**

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

(6) Inclusive of circuit switched data communications.

(7) PHS services revenues for the year ended March 31, 2008 has been reclassified into Other revenues .

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

As of March 31, 2009, the number of our cellular (FOMA+mova) subscriptions reached 54.60 million and increased by 1.21 million (2.3%) from 53.39 million at the end of the prior fiscal year. We expect that the growth rate of our cellular subscriptions will decelerate in the future as the growth rate of cellular subscriptions declines due to the maturity of the market in Japan. The number of FOMA subscriptions increased by 5.09 million (11.6%) to 49.04 million as of March 31, 2009 from 43.95 million at the end of the prior fiscal year. The ratio of FOMA subscriptions to the total cellular subscriptions reached 89.8% as of March 31, 2009. On the other hand, the number of mova subscriptions, which has decreased since the year ended March 31, 2004, decreased by 3.88 million (41.1%) to 5.56 million as of March 31, 2009 from 9.44 million as of the end of the prior fiscal year. We have

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decided to discontinue mova services on March 31, 2012 and focus our business resources on FOMA services. Our market share decreased by 1.2 point to 50.8% as of March 31, 2009 from 52.0% as of the end of the prior fiscal year. The number of i-mode subscriptions increased by 0.48 million (1.0%) to 48.47 million as of March 31, 2009 from 47.99 million at the end of the prior fiscal year.

Aggregate ARPU of cellular (FOMA+mova) service decreased by ¥650 (10.2%) to ¥5,710 for the year ended March 31, 2009 from ¥6,360 in the prior fiscal year. Voice ARPU decreased by ¥830 (20.0%) to ¥3,330 for the year ended March 31, 2009 from ¥4,160 in the prior fiscal year. This decrease in voice ARPU was due to the large increase in the number of subscribers to Value Plan and new discount services introduced in the last fiscal year. Packet ARPU increased by ¥180 (8.2%) to ¥2,380 for the year ended March 31, 2009 from ¥2,200 in the prior fiscal year. This increase in packet ARPU was due to penetration of services such as i-channel, which promote i-mode usage and of an optional packet flat-rate service for unlimited i-mode usage, in addition to a raise in the i-mode monthly subscription fee of ¥100 per month effective from June 2008. The MOU (FOMA+mova) decreased by 1 minute (0.7%) to 137 minutes from 138 minutes in the prior fiscal year.

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

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

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

Operating expenses decreased by ¥286.5 billion (7.3%) to ¥3,617.0 billion for the year ended March 31, 2009 from ¥3,903.5 billion in the prior fiscal year. This decrease resulted mainly from a decrease in cost of equipments sold by ¥322.4 billion (28.0%) to ¥827.9 billion for the year ended March 31, 2009 from ¥1,150.3 billion in the prior fiscal year and in selling, general and administrative expenses, by ¥53.1 billion (4.6%) to ¥1,112.6 billion for the year ended March 31, 2009 from ¥1,165.7 billion for the prior fiscal year, due to the decrease in sales commissions through the



penetration of Value Course . Cost of services increased by ¥61.3 billion (7.6%) to ¥872.4 billion for the year ended March 31, 2009 from ¥811.1 billion in the prior fiscal year due to an increase in customer service related costs. Depreciation and amortization increased by ¥27.7 billion (3.6%) to ¥804.2 billion for the year ended March 31, 2009 from ¥776.4 billion in the prior fiscal year, due to the effect of accelerated depreciation charges of

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mov-a-related assets through the changes in estimated useful lives of such assets based on our decision to discontinue mov-a services on March 31, 2012.

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

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

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

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

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

Equity in net losses of affiliates (net of applicable taxes) was ¥0.7 billion for the year ended March 31, 2009 compared to net income of ¥13.6 billion for the prior fiscal year. The decrease resulted from the adjustment to reflect the earnings impact of purchase price allocations in Philippine Long Distance Telephone Company, a telecommunications operator in the Philippines ( PLDT ). We acquired common equity interest of PLDT in March 2006 and during the period between March 2007 and February 2008, and started to apply the equity method in the prior fiscal year. In applying the equity method, we started the evaluation of purchase price allocations in order to recognize and account for our share of tangible, intangible and other assets and liabilities of PLDT. For the fiscal year ended March 31, 2009, upon the completion of the evaluation, depreciation and amortization expenses of corresponding tangible and intangible assets from the date of the initial acquisition were included as a reduction of equity in net income (losses) of affiliates.

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

**Table of Contents****Operating Results for the year ended March 31, 2008**

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

**Key Performance Indicators**

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

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association

(2) Data calculated including Communication Modules Service subscriptions.

(3) Data calculated excluding Communication Module Services-related revenues and Communication Module Services subscriptions.

(4) Inclusive of circuit switched data communications.

(5) MOU (Minutes of usage): Average communication time per month per subscription

**Table of Contents****Breakdown of Financial Information**

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

(6) Inclusive of circuit switched data communications.

(7) PHS services revenues has been reclassified into Other revenues .

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

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

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

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

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

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

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

(4.2%) to ¥776.4 billion for the year ended March 31, 2008 from ¥745.3 billion in the prior fiscal year, reflecting intensive capital expenditures on the FOMA network in prior fiscal years.

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

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

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

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

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

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

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

## **Segment Information**

### ***General***

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

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

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



***Mobile phone business segment***

For the year ended March 31, 2009, operating revenues from our mobile phone business segment decreased by ¥265.9 billion (5.7%) to ¥4,381.3 billion from ¥4,647.1 billion in the prior fiscal year. Cellular services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥357.7 billion (8.9%) to ¥3,661.3 billion for the year ended March 31, 2009 from ¥4,019.0 billion in the prior fiscal year. Equipment sales revenues increased for the year ended March 31, 2009 from the prior fiscal year despite the decrease in number of handsets sold to agent resellers, as the sales commissions to be deducted from gross equipment sales decreased due to the penetration of Value Course . Revenues from our mobile phone business

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segment represented 98.5% and 98.6% of total operating revenues for the years ended March 31, 2009 and 2008, respectively. Operating expenses in our mobile phone business segment decreased by ¥262.9 billion (6.9%) to ¥3,526.0 billion from ¥3,788.9 billion in the prior fiscal year. As a result, operating income from our mobile phone business segment decreased by ¥2.9 billion (0.3%) to ¥855.3 billion from ¥858.2 billion in the prior fiscal year. Analysis of the changes in revenues and expenses of our mobile phone business segment is also presented in

Operating Strategies , Operating Trends and Operating Results for the year ended March 31, 2009 , which were discussed above.

***Miscellaneous businesses segment***

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

**Recent Accounting Pronouncements**

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

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

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

In December 2008, FASB issued FSP FAS 132(R)-1 Employers Disclosures about Postretirement Benefit Plan Assets ( FSP 132R-1 ). FSP 132R-1 requires additional disclosures about investments policies and strategies, major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132R-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132R-1 will not have any impact on

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our results of operations and financial position. We are currently considering the additional disclosures in accordance with FSP 132R-1.

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

**Critical Accounting Policies**

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

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

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

***Impairment of long-lived assets***

We perform an impairment review for our long-lived assets to be held and used, including fixed assets such as our property, plant and equipment and certain identifiable intangibles such as software for telecommunications network, internal-use software and rights to use telecommunications facilities of wire line network operators, whenever events

or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This analysis is separate from our analysis of the useful lives of our assets, although it is affected by some similar

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factors. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following trends or conditions related to the business that utilizes a particular asset:

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

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

***Impairment of investments***

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

- significant or continued declines in the market values of the investee;
- loss of operating cash flow in current period;
- significant underperformance of historical cash flows of the investee;
- significant impairment losses or write-downs recorded by the investee;

significant changes in the quoted market price of public investee affiliates;

negative results of competitors of investee affiliates; and

other negative industry or economic trends.

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

In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a

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new cost basis in the carrying amount of the investment. The impairment charge of investment in affiliates is included in Equity in losses of affiliates while the impairment charge of marketable securities or equity securities under the cost method is reflected in Other income (expense) in our consolidated statements of income and comprehensive income. For the year ended March 31, 2009, 2008 and 2007, we recorded impairment charges accompanying with other than temporary declines in the values of certain investee affiliates, but the impairment charges did not have a material impact on our results of operations and financial position. We also recorded impairment charges on certain investments which were classified as marketable securities or equity securities under the cost method. For the year ended March 31, 2009, the amount of impairment charges was ¥57.8 billion. For the year ended March 31, 2008 and 2007, the impairment charges did not have a material impact on our results of operations and financial position.

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

***Deferred tax assets***

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

***Pension liabilities***

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

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



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

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

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

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

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

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

**Revenue recognition**

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

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and ¥45.2 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2009, remaining unrecognized deferred activation fees were ¥89.1 billion.

**B. Liquidity and Capital Resources****Cash Requirements**

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

***Capital Expenditures***

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

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

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

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construction of the FOMA network, 1.9% for the mova network, 11.7% for other cellular facilities and equipment, and 17.8% for general capital expenditures.

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

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

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

***Long-term Debt and other Contractual Obligations***

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

Of our long-term debt outstanding as of March 31, 2009, ¥67.0 billion, including current portion, was indebtedness to financial institutions, of which the weighted average fixed interest rate was 1.3% per annum. The term of maturities was from the year ending March 31, 2010 through 2013. As of March 31, 2009, we also had ¥572.2 billion in bonds due from the year ending March 31, 2011 to 2019 with a weighted average coupon rate of 1.5% per annum. We carefully consider terms and conditions of corporate bonds and loans from financial institutions to avoid an excessive concentration of our repayment or redemption obligations. For information about our debt servicing schedule, see also Item 11, Quantitative and Qualitative Disclosures about Market Risk .

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

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

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

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

**Long Term Debt, Lease Obligations and other Contractual Obligations**

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

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

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

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

**Sources of Cash**

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

2007	Years ended March 31		2009
	2008	(millions of yen)	

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



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

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

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

an increase of installment receivable for handsets of ¥219.8 billion compared to the prior year.

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

purchases of non-current investments increased to ¥313.9 billion from ¥124.3 billion in the prior fiscal year; and

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

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

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

an increase of proceeds from long-term debt by ¥239.9 billion;

a decrease in payments to acquire treasury stock to ¥136.8 billion from ¥173.0 billion in the prior fiscal year; and

a decrease in the repayment of long-term debt to ¥77.1 billion from ¥131.0 billion in the prior fiscal year.

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

March 31, 2009 and 2008, respectively.

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

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

a decrease in the net payment of income taxes by ¥179.2 billion, where the payment of income taxes decreased to ¥200.1 billion from ¥359.9 billion in the prior fiscal year and the collection of income taxes receivable increased to ¥20.3 billion from ¥0.9 billion in the prior fiscal year, after deferred tax asset from the impairment of our investment in H3G UK was realized; and

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as banks were closed on the last day of March 2007, cash in the amount of ¥210.0 billion including cellular revenues, which would have been received by March 31, 2007, was actually received in April 2007.

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

expenditures for purchases of tangible and intangible assets decreased to ¥765.3 billion from ¥948.7 billion in the prior fiscal year;

net proceeds from redemption of long-term investments and changes in investments with original maturities of more than three months for cash management purposes increased to ¥148.9 billion from ¥50.7 billion in the prior fiscal year; and

purchases of non-current investments increased to ¥124.3 billion from ¥41.9 billion in the prior fiscal year.

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

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

a decrease in the repayment of long-term debt to ¥131.0 billion from ¥193.7 billion in the prior fiscal year;

an increase in dividend payments to ¥190.5 billion from ¥176.9 billion in the prior fiscal year; and

an increase in payments to acquire treasury stock to ¥173.0 billion from ¥157.2 billion in the prior fiscal year.

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

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

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

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

year ended March 31, 2009.

**C. Research and Development**

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

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**D. Trend Information**

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

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

While it is anticipated that any increase in new subscriptions will be limited due to the high penetration rate of mobile phone, we are anticipating acquiring a similar level of net increase in the number of subscriptions in the fiscal year ending March 31, 2010 as in the fiscal year ended March 31, 2009 by taking measures such as lowering the churn rate through marketing directed at strengthening brand loyalty through greater satisfaction of existing customers, and thus we expect an increase in total number of subscriptions. Further, the proportion of FOMA subscriptions is expected to increase to approximately 95% of our total cellular services subscriptions with the ongoing migration of our mova subscribers to FOMA services;

Both aggregate ARPU (FOMA+mova) and voice ARPU (FOMA+mova) decreased, while packet ARPU (FOMA+mova) increased in the fiscal year ended March 31, 2009 as compared to the prior fiscal year. These trends are expected to continue in the fiscal year ending March 31, 2010. We consider that several discount services, which implemented in prior years to strengthen our competitiveness, will continue to become widespread, revenue will decrease with the penetration of the Value Plan, which provides lower basic monthly charges in exchange for payment of handset purchase costs which is not discounted by sales incentives, and then with regard to packet ARPU, the increase is primarily due to the increase in subscriptions to packet flat-rate services and the uptrend in monthly payments caused by the migration from mova to FOMA;

With regard to equipment sales, in the fiscal year ended March 31, 2009, the number of handsets sold to agent resellers declined from the previous fiscal year, but with the introduction of the Value Course in November 2007, sales commissions deducted from equipment sales were reduced, and after deduction of sales commissions, equipment sales increased over the prior fiscal year. Similarly, in the fiscal year ending March 31, 2010, the number of handsets sold wholesale to agencies is expected to decrease slightly, but the market penetration by the Value Course is expected to have the effect of reducing sales commissions deducted from equipment sales, and equipment sales after deduction of sales commissions are expected to increase over the prior fiscal year.

Due to the above, operating revenue for the fiscal year ending March 31, 2010 will decrease from the prior fiscal year primarily as a result of the decrease in aggregate ARPU more than offsetting the effects of increased revenue by the increase of subscriptions.

SG&A expenses, network costs (communication network charges, depreciation and amortization costs, loss on sales of disposals of fixed assets) and other operating expenses for the fiscal year ending March 31, 2010 are expected to decrease from the previous fiscal year due to higher cost efficiency resulting from a review of sales policies, higher operating efficiency as a result of the consolidation of the regional subsidiaries into DOCOMO and reorganization of principal subsidiaries, and efficient facility construction resulting from a review of design methods.

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

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

Further information regarding trend information is contained elsewhere in this Item 5.

The discussion above includes forward-looking statements based on management's assumptions and beliefs as to the factors set forth above, as to market and industry conditions and as to our performance under those conditions and are subject to the qualifications set forth in Special Note Regarding Forward Looking Statements which can be found immediately following the table of contents. Our actual results could vary significantly from these projections and could be influenced by a number of factors and uncertainties, including changes in the market and industry conditions, competition and other factors and risks as discussed in Risk Factors in Item 3.D. Additionally, unanticipated events and circumstances may affect our actual financial and operating results. As a result, no representation can be or is made with respect to the accuracy of the foregoing projections.

### **E. Off-Balance Sheet Arrangements**

We do not have any material off-balance sheet arrangements.

### **F. Tabular Disclosure of Contractual Obligations**

Please refer to Item. 5.B.

## **Item 6. *Directors, Senior Management and Employees***

### **A. Directors and Senior Management**

#### **Directors, Corporate Executives and Corporate Auditors**

Our board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for a maximum of 15 directors. Directors are elected at a general meeting of shareholders from among those candidates nominated by the board of directors. The candidates may also be nominated by shareholders. The normal term of office of directors is two years, although they may serve any number of consecutive terms. The board of directors elects from among directors one or more representative directors, who have the authority individually to represent us. From among directors, the board of directors also elects the president and may elect a chairman and one or more senior executive vice presidents and executive vice presidents.

Our Articles of Incorporation provide for not more than five corporate auditors. Under the Corporation Law ( Corporation Law ) of Japan, the board of corporate auditors is composed of all of our corporate auditors. Corporate auditors, more than half of whom must be from outside our company, are elected at a general meeting of shareholders from among those candidates nominated by the board of directors with the prior consent of our board of corporate auditors. The candidates may also be nominated by shareholders. The board of corporate auditors may, by its resolution, request that the board of directors submit to a general meeting of shareholders an item of business concerning election of corporate auditors and/or proposed candidates of corporate auditors. The normal term of office of a corporate auditor is four years, although they may serve any number of consecutive terms. Corporate auditors are under a statutory duty to oversee the administration of our affairs by our directors, to examine our financial statements and business reports submitted by our directors to the general meetings of shareholders and to report to the shareholders the results of investigations regarding any actions by our directors that are unreasonable or which are in

violation or breach of laws, ordinances or the Articles of Incorporation of our company. They are obliged to attend meetings of the board of directors and to express their opinions if they deem necessary, but they are not entitled to vote. The board of corporate auditors has a statutory duty to prepare and submit an audit report to the directors each year. A corporate auditor may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report. The board of corporate auditors is empowered to decide



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audit policy, the methods of examination of our affairs and financial position and other matters concerning the execution of the corporate auditors' work duties.

In addition to corporate auditors, we must appoint independent public accountants who have statutory duties to examine the financial statements to be submitted by the board of directors to the general meetings of shareholders, reporting thereon to the board of corporate auditors and the directors, and examining the financial statements to be filed with the director of the Kanto Local Finance Bureau of Japan. Since our incorporation, KPMG AZSA & Co., has acted as our independent public accountant.

We introduced an executive officer system in 2005 with the aim of clarifying the board's managerial supervision function and further enhancing its business execution functions.

The directors, including executive vice presidents ( EVPs ) and senior vice presidents ( SVPs ) as well as corporate auditors as of June 25, 2009 are listed below.

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The following table sets forth our directors and corporate auditors as of June 25, 2009 and certain other information.

<b>Name</b>	<b>Position</b>	<b>Responsibility</b>	<b>Date of Birth</b>	<b>Current Term Expires</b>	<b>Shares Owned<sup>(1)</sup></b>	<b>Initial Appointment Date</b>
Directors:						
Ryuji Yamada <sup>(2)</sup>	President and Chief Executive Officer		May 5, 1948	June 2010	228	June 2007
Kiyoyuki Tsujimura <sup>(2)</sup>	Senior Executive Vice President	Responsible for: Multimedia Services, Technology	Jan. 11, 1950	June 2010	187	June 2001
Masatoshi Suzuki <sup>(2)</sup>	Senior Executive Vice President	Responsible for: Global Business, Corporate	Oct. 30, 1951	June 2010	92	June 2007
Hiroshi Matsui <sup>(2)</sup>	Senior Executive Vice President	Responsible for: CSR, Branches in Kanto and Koshinetsu areas	Aug. 6, 1946	June 2010	60	June 2008
Harunari Futatsugi*	Executive Vice President	Responsible for: Network	Nov. 23, 1951	June 2010	89	June 2003
Bunya Kumagai*	Executive Vice President	Responsible for: Consumer Sales	Oct. 13, 1952	June 2010	95	June 2006
Kazuto Tsubouchi*	Executive Vice President	Managing Director of Accounts and Finance Department	May 2, 1952	June 2010	67	June 2006
Kaoru Kato*	Executive Vice President	Responsible for: Business Alliance Department Managing Director of Corporate Strategy & Planning Department Managing Director of Mobile Society Research Institute	May 20, 1951	June 2010	47	June 2008
Mitsunobu Komori*	Executive Vice President	Managing Director of R&D Center	Sep. 18, 1952	June 2010	61	June 2008
Takashi Tanaka*	Senior Vice President	Managing Director of Human Resources Management Department	Jun. 2, 1955	June 2010	70	June 2007
Katsuhiro Nakamura*			Mar. 2, 1953	June 2010	46	June 2008

Senior Vice  
President

Managing Director  
of General Affairs  
Department  
Managing Director  
of Corporate  
Citizenship  
Department

Masao Nakamura	Member of the Board	Corporate Advisor	Nov. 11, 1944	June 2010	246	June 1998
Hiroshi Tsujigami	Member of the Board		Sep. 8, 1958	June 2010	10	June 2008
Corporate Auditors:						
Kenichi Aoki <sup>(3)</sup>	Corporate Auditor		Oct. 9, 1946	June 2011	45	June 2008
Shunichi Tamari <sup>(3)</sup>	Corporate Auditor		Jan. 10, 1949	June 2012	62	June 2008
Yoshitaka Makitani <sup>(3)</sup>	Corporate Auditor		July 30, 1947	June 2011	29	June 2009
Kyouichi Yoshizawa <sup>(3)</sup>	Corporate Auditor		Apr. 12, 1950	June 2011	53	June 2007
Takaaki Wakasugi	Corporate Auditor		Mar. 11, 1943	June 2011	49	June 2007

(1) DOCOMO shares owned as of May 31, 2009

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(2) Representative director

(3) Full-time corporate auditor

\* Concurrently serves as a EVP/SVP

Note: Mr. Kaoru Kato will be relieved of a managing director of Mobile Society Research Institute as of July 1, 2009.

*Ryuji Yamada* joined NTT Public Corporation in 1973. He became a representative director, senior executive vice president of NTT in 2004. He became a senior executive vice president of our company in 2007. He has served as the president and chief executive officer of our company since 2008 and as a director of our company since 2007.

*Kiyoyuki Tsujimura* joined NTT Public Corporation in 1975. He became a senior vice president of our company in 2001, and an executive vice president of our company in 2004. He has served as a senior executive vice president of our company since 2008 and a director of our company since 2001.

*Masatoshi Suzuki* joined NTT Public Corporation in 1975. He became a senior vice president of our company in 2004, and an executive vice president of our company in 2007. He has served as a senior executive vice president of our company since 2008 and as a director of our company since 2007.

*Hiroshi Matsui* joined the Ministry of Posts and Telecommunications in 1969. He became a director-general of the Postal Services Agency of the Ministry of Internal Affairs and Communication (MIC) in 2002, and a vice-minister for policy coordination of MIC in 2003. He became an advisor of our company in 2007. He has served as a senior executive vice president and a director of our company since 2008.

*Harunari Futatsugi* joined NTT Public Corporation in 1976. He became a senior vice president of our company in 2003. He has served as an executive vice president of our company since 2006 and as a director of our company since 2003.

*Bunya Kumagai* joined NTT Public Corporation in 1975. He became a senior vice president of our company in 2003. He became an executive vice president of NTT DoCoMo Tokai, Inc. in 2005. He has served as an executive vice president of our company since 2007, as a director of our company since 2006.

*Kazuto Tsubouchi* joined NTT Public Corporation in 1976. He became a senior vice president of NTT DoCoMo Kansai, Inc. in 2004. He became a senior vice president of our company in 2006. He has served as an executive vice president and chief financial officer of our company since 2008, and as a managing director of Accounts and Finance Department and a director of our company since 2006.

*Kaoru Kato* joined NTT Public Corporation in 1977. He became a senior vice president of NTT DoCoMo Kansai, Inc. in 2002. He became an advisor of our company in 2005. He became an executive vice president of NTT DoCoMo Kansai, Inc. in 2007. He served as an executive vice president, a managing director of the Corporate Strategy & Planning Department and a director of our company since 2008. He also serves as a managing director of Mobile Society Research Institute since 2009.

*Mitsunobu Komori* joined NTT Public Corporation in 1977. He became a senior vice president of our company in 2005. He has served as an executive vice president, a managing director of R&D Center and a director of our company since 2008.

*Takashi Tanaka* joined NTT Public Corporation in 1979. He has served as a senior vice president and a director of our company since 2007, and as a managing director of Human Resources Management Department of our company since 2008.

*Katsuhiro Nakamura* joined NTT Public Corporation in 1977. He became a senior vice president of NTT DoCoMo Hokkaido, Inc in 2004, and a representative director and senior vice president of NTT DoCoMo Hokkaido, Inc. in 2005. He has served as a senior vice president of our company since 2007, and as a managing director of General Affairs Department and a director of our company since 2008. He also serves as a managing director of Corporate Citizenship Department of our company since 2008.

*Masao Nakamura* joined NTT Public Corporation in 1969. He became a senior vice president of our company in 1998, an executive vice president of our company in 1999, a senior executive vice president of our company in 2002, and the president and chief executive officer of our company in 2004. He has served as a corporate advisor since 2008 and as a director of our company since 1998.

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*Hiroshi Tsujigami* joined NTT Public Corporation in 1983. He became a member of the board of NTT Investment Partners, Inc. in 2008. He has served as a director of our company since 2008.

*Kenichi Aoki* joined NTT Public Corporation in 1970. He became a senior vice president of our company in 1998. He became a senior executive vice president of NTT DoCoMo Chugoku, Inc. in 2002. He became a representative director and executive vice president of DoCoMo Support, Inc. in 2004. He became the president of DoCoMo Support, Inc. in 2005. He has served as a full-time corporate auditor of our company since 2008.

*Shunichi Tamari* joined NTT Public Corporation in 1971. He became a senior vice president of our company in 2002. He became an executive vice president of our company in 2004. He became the president of DoCoMo Engineering, Inc. in 2005. He has served as a full-time corporate auditor of our company since 2008.

*Yoshitaka Makitani* joined NTT Public Corporation in 1970. He became a director of NTT DATA Corporation (NTT DATA) in 1999, and an executive vice president and a director of NTT DATA in 2002. He became the president of NTT BUSINESS ASSOCIE Corporation in 2005. He has served as a full-time corporate auditor of our company since 2009.

*Kyoichi Yoshizawa* joined NTT Public Corporation in 1969. He became an advisor to NTT Travel Services Co. Ltd. in 2006. He has served as a full-time corporate auditor since 2007.

*Takaaki Wakasugi* became a Professor of Faculty of Economics at Tokyo University in 1985. He became a member of the board of directors of Mitsui Life Financial Research Center, University of Michigan Ross School of Business in 1990. He has been a director and general manager of Japan Corporate Governance Research Institute since 2003. He has been a professor of finance of school of business administration, Tokyo Keizai University and a professor emeritus of University of Tokyo since 2004. He has been a member of the board of directors of Ricoh Corporation in 2005. He became a corporate auditor of JFE Holdings, Inc. since 2006. He has served as a corporate auditor since 2007.

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The following table shows information about our corporate executives as of June 25, 2009, including their positions and responsibilities.

<b>Name</b>	<b>Position</b>	<b>Responsibility</b>
EVPs/SVPs:		
Akio Oshima	Executive Vice President	Managing Director of Corporate Marketing Division
Haruhide Nakayama	Executive Vice President	Deputy Managing Director of Corporate Marketing Division
Shozo Nishimura	Executive Vice President	Managing Director of Kansai Regional Office
Toru Kobayashi	Executive Vice President	Managing Director of Tokai Regional Office
Hiroaki Nishioka	Senior Vice President	Managing Director of Hokkaido Regional Office
Masaki Yoshikawa	Senior Vice President	Managing Director of Credit Card Business Division
Akiko Ide	Senior Vice President	Managing Director of Chugoku Regional Office
Yuji Araki	Senior Vice President	Managing Director of Advertising & Promotion Department
Kiyoshi Tokuhiko	Senior Vice President	Managing Director of Network Department
Seiji Nishikawa	Senior Vice President	Managing Director of Information Systems Department
Toshinari Kunieda	Senior Vice President	Managing Director of Global Business Division
Tsutomu Shindou	Senior Vice President	Managing Director of Corporate Marketing Department I
Kazuhiro Yoshizawa	Senior Vice President	Managing Director of Corporate Marketing Department II
Kiyohito Nagata	Senior Vice President	Managing Director of Product Department
Tooru Azumi	Senior Vice President	Managing Director of Business Process Improvement Office
Masaaki Sado	Senior Vice President	Managing Director of Shikoku Regional Office
Yasuhiro Taguchi	Senior Vice President	General Manager of Kanagawa Branch
Seizo Onoe	Senior Vice President	Managing Director of R&D Strategy Department
Tadashi Kitamura	Senior Vice President	Managing Director of Hokuriku Regional Office
Fumio Iwasaki	Senior Vice President	Managing Director of Kyushu Regional Office
Tetsuya Suzuki	Senior Vice President	Managing Director of Tohoku Regional Office
Yoshiyuki Takeda	Senior Vice President	Deputy Managing Director of R&D Center
Hiroyasu Asami	Senior Vice President	Managing Director of Consumer Services Department
Yoshikiyo Sakai	Senior Vice President	Managing Director of Public Relations Department
Tomohiro Kurosawa	Senior Vice President	Deputy Managing Director of Mobile Society Research Institute Managing Director of Service Quality Management Department

## Notes:

1. Directors who concurrently serve as EVPs/SVPs are not included in the above list.
2. The responsibility of Mr. Tomohiro Kurosawa will be changed to a managing director of Communication Device Support Department as of July 1, 2009.

**B. Compensation**

The aggregate compensation to the directors and corporate auditors during the year ended March 31, 2009 was as follows:

<b>Position</b>	<b>Number of Persons</b>		<b>Total Compensation</b>
Director	15	¥	501 million
Corporate Auditor	7	¥	129 million
Total	22	¥	631 million



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(Notes)

1. Upper limits on compensation to directors and corporate auditors were set at ¥600 million annually for directors and ¥150 million annually for corporate auditors at the 15th ordinary general meeting of shareholders held on June 20, 2006.
2. The above includes three directors and two corporate auditors who retired at the end of the 17th ordinary general meeting of shareholders held on June 20, 2008.
3. Compensation to directors includes ¥111 million in bonuses paid in the year ended March 31, 2009.
4. In addition to the above, based on a resolution of the 14th ordinary general meeting of shareholders held on June 21, 2005, we are to provide ¥16 million as a retirement benefit to three directors who resigned from the board of directors and became executive vice president or senior vice presidents. In the year ended March 31, 2009, we paid ¥5 million to one such director as a retirement benefit.

**C. Board Practices**

Information required by this item is set forth in Items 6.A. and 6.B. of this annual report. We do not have any contracts with directors or corporate auditors providing for severance benefits upon termination of employment.

In order to enable our directors (including former directors) and corporate auditors (including former corporate auditors) to fully perform the roles expected of them in the execution of their work duties, we are permitted, pursuant to the Corporation Law and our Articles of Incorporation, to release directors and corporate auditors from liability for damages resulting from neglect of duties, with such release to be made by resolution of the board of directors, and to be within the range permitted by law. Further, we can conclude agreements with outside directors and auditors limiting their liability for damages resulting from neglect of duties. However, the liability limit pursuant to these agreements is the amount stipulated by law.

**D. Employees**

The information required by this item is set forth in Item 4.B. of this annual report.

**E. Share Ownership**

Information required by this item is set forth in Item 6.A. of this annual report and below. We have not granted stock options to any of our directors or corporate auditors and we do not currently have any stock option plans approved pursuant to which they may be granted shares or stock options.

As of May 31, 2009, our directors and corporate auditors owned 1,536 of our shares. Currently, most of our full-time directors and corporate auditors participate in a director stock purchase plan, pursuant to which a plan administrator makes open market purchases of shares for the accounts of participating directors on a monthly basis.

Certain of our employees and certain other of our subsidiaries' employees participate in an employee stock purchase plan, pursuant to which a plan administrator makes open market purchases of our shares for the accounts of participating employees on a monthly basis. Such purchases are made out of amounts deducted from each participating employee's salary. In addition, if the employee chooses to participate in an optional benefit plan, we contribute ¥80 for each ¥1,000 contributed by the employee.

**Item 7. *Major Shareholders and Related Party Transactions***

**A. Major Shareholders**

As of March 31, 2009, NTT owned 27,640,000 shares, or 66.19% of our outstanding voting shares and 62.89% of our total issued shares. To the best of our knowledge, no other shareholder beneficially owned more than 5% of the outstanding shares (excluding treasury shares). The Government, in the name of the Minister of Finance, owned 40.16% of the voting rights of NTT as of the same date. NTT does not have any special voting rights. For more information regarding our relationship with NTT, see Item 4.B. Business Overview Relationship with NTT.

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At the end of March 2007, we canceled approximately 0.93 million shares, which were held as treasury stock, increasing NTT's share ownership of our total issued shares from 59.05% to 60.24%. At the end of March 2008, we canceled approximately 1.01 million shares, which were held as treasury stock, increasing NTT's share ownership of our total issued shares from 60.24% to 61.60%. At the end of March 2009, we canceled approximately 0.92 million shares, which were held as treasury stock, increasing NTT's share ownership of our total issued shares from 61.60% to 62.89%.

The ownership and distribution of the shares by category of shareholders according to our register of shareholders and register of beneficial shareholders as of March 31, 2009 were as follows:

Category	Number of Shareholders	Number of Shares Held	Outstanding Voting Shares
Japanese financial institutions	262	4,966,593	11.30
Japanese securities companies	85	199,251	0.45
Other Japanese corporations	2,362	28,151,113	64.05
Foreign corporations and individuals	1,015	5,736,503	13.05
Japanese individuals, treasury shares and others	316,787	4,896,540	11.14
Total	320,511	43,950,000	100.00

According to The Bank of New York Mellon, depository for our ADSs, as of March 31, 2009, 224,444 shares of our common stock were held in the form of 22,444,400 ADRs. According to our register of shareholders, as of March 31, 2009, there were 320,511 holders of common stock of record worldwide. As of March 31, 2009, there were 216 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 6.0% of the issued common stock on that date. Because some of these ADSs and shares were held by brokers or other nominees, the number of record holders with addresses in the United States may be fewer than the number of beneficial owners in the United States.

None of our shares of common stock entitles the holder to any preferential voting rights.

We know of no arrangements the operation of which may at a later time result in a change of control.

**B. Related Party Transactions**

DOCOMO has entered into a number of different types of transactions with NTT, its other subsidiaries and its affiliated companies in the ordinary course of business. For information regarding our relationship with NTT, see Item 4.B. Business Overview Relationship with NTT.

DOCOMO has also entered into contracts of bailment of cash for consumption with NTT FINANCE CORPORATION ( NTT FINANCE ) for cash management purposes. For information regarding our transactions with NTT FINANCE, see note 14 of Notes to Consolidated Financial Statements Related Party Transactions.

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. *Financial Information***

**A. Consolidated Statements and Other Financial Information**

**Financial Statements**

The information required by this item is set forth beginning on page F-2 of this annual report.

**Legal or Arbitration Proceedings**

The information on legal or arbitration proceedings required by this item is set forth in Item 4.B. of this annual report.

**Table of Contents****Dividend Policy**

We believe that providing returns to shareholders is one of the most important issues in corporate management while at the same time we are making efforts to strengthen our financial position and maintain internal reserves. We aim to continue stable dividend payments taking into account our consolidated financial results and the operating environment, with the goal to continue to pay regular dividends.

We expect to pay an annual dividend of ¥5,200 per share for the year ending March 31, 2010, which will consist of a ¥2,600 interim dividend and a ¥2,600 year-end dividend.

**B. Significant Changes**

Except as otherwise disclosed herein, there has been no significant change in our financial position since March 31, 2009, the date of our last audited financial statements.

**Item 9. The Offer and Listing****A. Offer and Listing Details****Price Ranges of Shares**

Since October 1998, our shares have been listed on the First Section of the Tokyo Stock Exchange ( TSE ). On June 12, 2009, the closing sale price of our shares on the TSE was ¥139,700 per share. Our shares are also quoted and traded through the New York Stock Exchange ( NYSE ) and the London Stock Exchange. The following table lists the reported high and low sale prices of our shares on the TSE, highs and lows of Tokyo Stock Price Exchange ( TOPIX ) and Nikkei Stock Average for the periods indicated:

Fiscal Year ended March 31,	TSE (Japanese yen)		TOPIX (Points)		Nikkei Stock Average (Japanese yen)	
	High	Low	High	Low	High	Low
2005	243,000	171,000	1,225.97	1,051.57	12,195.66	10,489.84
2006	216,000	159,000	1,735.25	1,104.30	17,125.64	10,770.58
2007	229,000	162,000	1,823.89	1,439.00	18,300.39	14,045.53
2008	224,000	148,000	1,796.89	1,139.62	18,297.00	11,691.00
1st Quarter	224,000	192,000	1,793.61	1,682.49	18,297.00	16,999.05
2nd Quarter	196,000	160,000	1,796.89	1,479.82	18,295.27	15,262.10
3rd Quarter	191,000	149,000	1,679.71	1,417.47	17,488.97	14,669.85
4th Quarter	189,000	148,000	1,461.31	1,139.62	15,156.66	11,691.00
2009	180,300	129,500	1,449.14	698.46	14,601.27	6,994.90
1st Quarter	169,000	149,000	1,449.14	1,214.92	14,601.27	12,521.84
2nd Quarter	179,100	151,500	1,334.52	1,069.69	13,603.31	11,160.83
3rd Quarter	177,800	136,000	1,107.68	721.53	11,456.64	6,994.90
4th Quarter	180,300	129,500	896.21	698.46	9,325.35	7,021.28
<b>Calendar Year 2008</b>						
December	177,800	157,500	859.66	782.16	8,859.56	7,849.84
<b>Calendar Year 2009</b>						

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January	180,300	153,400	896.21	767.82	9,325.35	7,671.04
February	156,900	149,400	803.60	717.85	8,257.71	7,155.16
March	152,300	129,500	845.64	698.46	8,843.18	7,021.28
April	145,000	132,600	856.08	778.21	9,068.80	8,084.62
May	144,300	134,800	906.47	837.68	9,522.50	8,827.13
June (through June 12, 2009)	142,000	137,500	954.08	895.56	10,170.82	9,491.26

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Since March 2002, our American Depositary Shares have been listed on the NYSE. On June 12, 2009, the closing sale price of American Depositary Shares on the NYSE was \$14.21 per share. The following table lists the reported high and low sale prices of our American Depositary Shares on the NYSE for the periods indicated:

<b>Fiscal Year ended March 31,</b>	<b>NYSE (U.S. dollars)</b>	
	<b>High</b>	<b>Low</b>
2005	23.14	15.95
2006	18.78	14.09
2007	18.85	13.83
2008	18.73	13.02
1st Quarter	18.73	15.50
2nd Quarter	16.04	13.68
3rd Quarter	17.00	13.02
4th Quarter	17.37	14.00
2009	20.35	12.22
1st Quarter	15.99	13.96
2nd Quarter	16.72	13.89
3rd Quarter	20.35	12.22
4th Quarter	19.93	13.26
<b>Calendar Year 2008</b>		
December	20.35	16.62
<b>Calendar Year 2009</b>		
January	19.93	16.93
February	17.39	15.19
March	15.81	13.26
April	14.88	13.11
May	15.11	13.43
June (through June 12, 2009)	14.93	13.95

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See Item 9.A. of this annual report for information on the markets on which our common stock is listed or quoted.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.



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**Item 10. *Additional Information***

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

**1. Objects and Purposes in Our Articles of Incorporation**

Article 2 of our Articles of Incorporation, which are attached as an exhibit to this annual report, states our purposes, which includes engaging in the telecommunications business, other businesses related to the operation of a wireless telecommunication services provider and non-related businesses.

**2. Provisions Regarding Our Directors**

There is no provision in our Articles of Incorporation as to a director's power to vote on a proposal, arrangement or contract in which a director is materially interested, but, under the Corporation Law, a director is required to refrain from voting on such matters at meetings of the board of directors.

The Corporation Law provides that compensation for directors is fixed by resolution of a general meeting of shareholders of a company. Within the upper limit approved by the shareholders' meeting, the board of directors will determine the amount of compensation for each director. The board of directors may, by its resolution, leave such decision to the discretion of the Company's president.

The Corporation Law provides that the incurrence by a company of a significant loan from a third party should be approved by the Company's board of directors, by its resolution. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our directors under the Corporation Law or our Articles of Incorporation.

There is no requirement concerning the number of shares one individual must hold in order to qualify him or her as a director of NTT DoCoMo, Inc. under the Corporation Law or our Articles of Incorporation.

**3. Holding of Our Shares by Foreign Investors**

There are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on our shares imposed by the Corporation Law or our Articles of Incorporation or our other constituent documents.

**4. Rights of Our Shareholders**

The following section contains certain information relating to the shares, including summaries of certain provisions of our Articles of Incorporation and Share Handling Regulations and of the Corporation Law relating to joint stock corporations.

***General***

At present, our authorized share capital is 188,130,000 shares with no par value of which 43,950,000 shares have been issued. All issued shares are fully paid and non-assessable.

On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (including the cabinet order and ministerial ordinances promulgated thereunder; the Book-Entry Law ), and since then the shares of all Japanese companies listed on any Japanese financial instruments exchange, including our shares, have become subject to this new system. On the same day, all existing shares were dematerialized and all existing share certificates for such shares became null and void. At present, the Japan Securities Depository Center, Inc. ( JASDEC ) is the sole institution that is designated by the relevant authorities as a book-entry transfer institution which is permitted to engage in the clearing operations of shares of Japanese listed companies

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under the Book-Entry Law. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, such person must have an account at an account management institution unless such person has an account directly at JASDEC. Account management institutions are, in general, financial instruments firms engaged in type 1 financial instruments business (i.e., securities brokers/dealers), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law.

Under the Book-Entry Law, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the number of the shares to be transferred is, by an application for book entry, recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares recorded in such account.

Under the Corporation Law and the Book-Entry Law, in order to assert shareholders' rights against us, a shareholder must have its name and address registered in the register of shareholders, except in limited circumstances. Although, in general, holders of an account with shares recorded are to be registered in the register of shareholders on the basis of information notified by JASDEC to us at certain prescribed time, in order to exercise minority shareholders' rights (other than those the record dates for which are fixed) against us, a holder of an account with shares needs to make an application through an account management institution to JASDEC, which will then give a notice of the name and address of such holder, the number of shares held by such holder and other requisite information to us, and to exercise rights within four weeks from such notice.

The registered beneficial holder of deposited shares underlying the ADSs is the depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against us.

### ***Dividends***

Dividends on our shares are generally distributed in proportion to the number of shares owned by each shareholder.

In Japan, the ex-dividend date and the record date for any dividend precede the date of determination of the amount of the dividend to be paid. Generally, the ex-dividend date is three business days prior to the record date.

Under the Corporation Law, we are permitted to make distributions of surplus to our shareholders any number of times per fiscal year pursuant to resolutions of our general meeting of shareholders, subject to certain limitations described below. Distributions of surplus are required, in principle, to be authorized by a resolution of the general meeting of shareholders. In an exception to the above rule, we are permitted to make distributions of surplus in cash to our shareholders by board resolution once per fiscal year if our Articles of Incorporation so provide. Currently, our Articles of Incorporation so provide. This exception is intended to make it possible to distribute an interim dividend which was provided for under the former Commercial Code of Japan.

We are also permitted to make distributions of surplus pursuant to a board resolution if certain requirements under the Corporation Law are met, including that our Articles of Incorporation provide that the board of directors may determine to distribute surplus. Currently, our Articles of Incorporation do not so provide. Accordingly, distributions of our surplus must be approved by a general meeting of shareholders.

Distributions of surplus may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surplus is to be made in-kind, we may, pursuant to a general meeting of shareholders resolution, or as the case may be, a board resolution, grant our shareholders a right to require us to make the distribution in cash instead of in-kind. If no such right is granted, the relevant distribution must be approved by a special resolution of a general meeting of shareholders (see [Voting Rights](#)). Currently, we do not have any concrete plan to make a distribution of surplus in kind.

Under the Corporation Law, when we make a distribution of surplus, we must set aside in our additional paid-in capital or legal reserves an amount equal to one-tenth of the amount of surplus so distributed, until the sum of our additional paid-in capital and legal reserves reaches one-quarter of our stated capital as required by an ordinance of the Ministry of Justice.

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Under the Corporation Law, we may distribute any dividends up to the amount of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, on an unconsolidated basis, as of the effective date of such distribution, if our net assets are not less than ¥3,000,000:

- (a) the amount of surplus, as described below;
- (b) in the event that extraordinary financial statements as of, or for a period from the beginning of the business year to, the specified date are approved, the aggregate amount of (i) the aggregate amount of the current net income for such period described in the profit and loss statement included in the extraordinary financial statements and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;
- (c) the book value of our treasury stock;
- (d) in the event that we disposed of treasury stock after the end of the previous business year, the amount of consideration that we received for such treasury stock;
- (e) in the event of that which is described in (b) in this paragraph, the absolute difference between zero and the amount of current net loss for such period described in the profit and loss statement included in the extraordinary financial statements; and
- (f) the aggregate amount of accounts provided for in an ordinance of the Ministry of Justice.

For the purposes of this section, the amount of surplus is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below, on an unconsolidated basis:

- I. the total amount of (x) assets and (y) the book value of treasury stock less the total amount of (i) liabilities, (ii) stated capital, (iii) additional paid-in capital, (iv) legal reserve and (v) certain other amounts set forth in an ordinance of the Ministry of Justice;
- II. in the event that we disposed of treasury stock after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
- III. in the event that we reduced our stated capital after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or the legal reserve (if any);
- IV. in the event that additional paid-in capital and/or legal reserves were reduced after the end of the previous business year, the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- V. in the event that we canceled treasury stock after the end of the previous business year, the book value of such treasury stock;
- VI. in the event that we distributed dividends after the end of the previous business year, the aggregate of the following amounts:
  - a.

the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders for their exercise of the right to receive dividends in cash instead of dividends in kind;

- b. the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and
- c. the aggregate amount of cash paid to shareholders holding fewer shares that was required in order to receive dividends in kind;

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- VII. the aggregate amounts of a. through d. below, less e. and f. below:
- a. in the event that the amount of surplus was reduced and transferred to additional paid-in capital, the legal reserve and/or stated capital after the end of the previous business year, the amount so reduced;
  - b. in the event that we distributed dividends after the end of the previous business year, the amount set aside in additional paid-in capital and/or legal reserve;
  - c. in the event that we disposed of treasury stock in the process of (x) a merger in which we succeeded all rights and obligations of a merged company, (y) a corporate split in which we succeeded all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous business year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;
  - d. in the event that we reduced the amount of surplus in the process of a corporate split (including absorption-type corporate split and incorporation-type corporate split) in which we became a split company after the end of the previous business year, the amount so reduced;
  - e. in the event that we made (x) a merger in which we succeeded all rights and obligations of a merged company, (y) a corporate split in which we succeeded all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous business year, the aggregate amount of (i) the amount of our capital surplus after such merger, corporate split or share exchange, less the amount of our capital surplus before such merger, corporate split or share exchange, and (ii) the amount of our retained earnings after such merger, corporate split or share exchange, less the amount of our retained earnings after such merger, corporate split or share exchange; and
  - f. in the event that the amount of capital surplus increased in accordance with the provisions of a ministerial ordinance of the Ministry of Justice after the end of the previous business year, such increased amount.

Under the Corporation Law, we will be permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. If we prepare such extraordinary financial statements, special provisions may apply to the calculation of distributable amount.

We plan to make distributions of surplus twice per fiscal year, if possible. The record date for annual dividends is March 31 and the record date for interim dividends is September 30. Under the Book-Entry Law, holders of account with shares recorded as of the respective record dates are deemed to be registered in the register of shareholders as of such record dates on the basis of information notified by JASDEC to us.

For information as to Japanese taxes on dividends, see [Taxation](#) [Japanese Taxation](#) below.

***Capital and Reserves***

An increase in our authorized share capital is only possible pursuant to an amendment of our articles of incorporation.

The entire paid-in amount of new shares is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of such paid-in amount as additional paid-in capital. We may at any time reduce the whole or any part of our additional paid-in capital and legal reserve or transfer them to stated capital by shareholder s resolution. The whole or any part of surplus may also be transferred to stated capital or additional paid-in capital or legal reserve by resolution of a general meeting of shareholders.



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### ***Stock Splits***

We may at any time split our issued shares into a greater number of shares by board resolution. So long as the shares are our only class of issued shares, we may increase the number of authorized shares in the same ratio as that of any stock split by amending our Articles of Incorporation, which amendment may be effected by board resolution without shareholder s approval.

Under the Book-Entry Law, we must give notice to JASDEC regarding a stock split at least two weeks prior to the relevant record date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions or at JASDEC will be increased in accordance with the applicable ratio.

### ***Consolidation of Shares***

Generally, we may consolidate shares into a smaller number of shares by a special resolution of a general meeting of shareholders. A company that conducts a consolidation of shares is required by the Corporation Law to give public notice to its shareholders in order to inform them of the ratio and effective date of the consolidation of shares.

Under the Book-Entry Law, we must give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the relevant record date. On the effective date of the consolidation of shares, the number of shares recorded in all accounts held by our shareholders at account management institutions or at JASDEC will be decreased in accordance with the applicable ratio.

### ***Fractional Shares***

The fractional share system was terminated on August 1, 2008 pursuant to the amendment to our Articles of Incorporation approved at the Ordinary General Meeting of Shareholders held on June 20, 2008.

### ***General Meeting of Shareholders***

The ordinary general meeting of our shareholders is usually held in June of each fiscal year in Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders meeting stating the purpose thereof and a summary of the matters to be acted upon must be dispatched to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her mailing address or standing proxy in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is March 31.

Under the Corporation Law and our Articles of Incorporation, any shareholder of record as of the relevant record date who is holding 300 or more voting rights or one percent or more of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to our director at least eight weeks prior to the date of such meeting. To the contrary, under the Book-Entry Law, such shareholder is not required to be registered in the register of shareholders when exercising the right of proposal, but such shareholder is required to make an application though an account management institution to JASDEC, which will then give us notice of the name and address of such shareholder, the number of shares held by such shareholder and other requisite information, and to exercise the right of proposal within four weeks from such notice and attach a receipt of an application for such notice.

### ***Voting Rights***

Generally, a holder of our shares is entitled to one vote for each such share. Except as otherwise provided in law and our Articles of Incorporation, a resolution can be adopted at a meeting of shareholders by shareholders holding a majority of our shares having voting rights represented at such meeting. Shareholders may also exercise their voting rights through proxies, provided that a proxy is one of our shareholders or that in the case of a shareholder being the Government, local government or juridical person, its proxy may be its employee. Shareholders who intend to be absent from the shareholders meeting may exercise their voting rights by electronic means. The Corporation Law and our Articles of Incorporation provide that the quorum for appointment of directors and

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corporate auditors shall not be less than one-third of the total number of the voting rights. Our Articles of Incorporation provide that shares may not be voted cumulatively for the appointment of directors.

Under the Corporation Law and our Articles of Incorporation, certain corporate actions must be approved by a special resolution of our meeting of shareholders, when the quorum is one-third of the total number of shares having voting rights and the approval of the holders of two-thirds of our shares having voting rights represented at the meeting is required. Examples of corporate actions that require a special resolution are:

any amendment of our articles of incorporation (except for amendments that may be authorized solely by the board of directors under the Corporation Law);

a reduction of stated capital, except for a reduction of stated capital for the purpose of replenishing capital deficiencies at the day of the ordinary general meeting;

a distribution by us of surplus in-kind, if we do not grant shareholders the right to require us to effect the distribution in cash, instead of in-kind;

a dissolution, a merger, subject to a certain exception under which a shareholders resolution is not required;

the transfer of the whole or an important part of the business, except for the transfer of an important part of the business in which the book value of transferred assets does not exceed 20% of that of the Company's total assets;

the taking over of the whole of the business of any other corporation;

a share exchange or share transfer for the purpose of establishing a 100% parent-subsidary relationship, subject to a certain exception under which a shareholders resolution is not required;

a company split, subject to a certain exception under which a shareholders resolution is not required;

the offering of shares at a specially favorable price and any offering of stock acquisition rights or bonds with stock acquisition rights at a specially favorable price or in a specially favorable condition to any persons other than shareholders; and

any purchase of the Company's own shares from a certain person.

The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders. With respect to voting by holders of ADSs, please see Item 12.D of our registration statement on Form 20-F filed with the Securities and Exchange Commission on January 25, 2002.

### ***Liquidation Rights***

In the event of our liquidation, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among the shareholders in proportion to the respective number of shares which they hold.

### ***Issue of Additional Shares and Pre-emptive Rights***

Shareholders have no pre-emptive rights. Authorized but unissued shares may be issued at such times and upon such terms as the board of directors determines, by its resolution subject to the limitations as to the offering of shares at a

specially favorable price mentioned above. Under the Corporation Law, the board of directors may, however, determine to grant shareholders subscription rights in connection with a particular issue of shares. Any such subscription rights must be granted on uniform terms to all shareholders on a pro rata basis. In addition, we are required to notify each shareholder of certain matters regarding such subscription rights, as well as the date by which shareholders need to exercise such rights.

We may issue stock acquisition rights or bonds with stock acquisition rights in relation to which stock acquisition rights are non-separable. Except where the issue of stock acquisition rights would be on specially favorable terms or price, the issue of stock acquisition rights or of bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may, subject to the terms and conditions thereof, either acquire shares by paying the applicable exercise price or, if so determined by a resolution of the board of directors, by making a substitute payment, such as having bonds redeemed without payment to the holder in lieu of the exercise price.

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***Dilution***

It is possible that, in the future, market conditions and other factors might make subscription rights allocated to shareholders desirable at a subscription price substantially below their then current market price, in which case shareholders who do not exercise and are unable otherwise to realize the full value of their subscription rights will suffer dilution of their equity interest in us. As of March 31, 2009, we have not issued stock acquisition rights or bond with stock acquisition rights.

***Report to Shareholders***

We furnish to our shareholders notices of shareholders meetings, annual business reports, including non-consolidated and consolidated financial reports, and notices of resolutions adopted at the shareholders meetings, all of which are in Japanese. Such notices as described above may be given by electronic means to those shareholders who have agreed to such method of notice.

***Record Date***

In addition to the record dates for an ordinary general meeting of shareholders and annual and interim dividends which are provided for in our Articles of Incorporation, by a resolution of the board of directors and after giving at least two weeks prior public notice, we may at any time set a record date in order to determine shareholders who are entitled to certain rights pertaining to the shares.

Under the Book-Entry Law, we are required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to promptly give us notice of the names and addresses of all of our shareholders of record, the numbers of shares held by them and other relevant information as of such record date.

***Repurchase by Us of Shares and Treasury Shares***

Under the Corporation Law, we are generally required to obtain authorization for any acquisition of our own shares by means of:

- (i) a resolution at a general meeting of shareholders;
- (ii) a resolution of the board of directors if the acquisition is in accordance with our Articles of Incorporation; or
- (iii) a resolution of the board of directors if the acquisition is to purchase our shares from a subsidiary.

We may only dispose of shares we may so acquire in accordance with the procedures applicable to a new share issuance under the Corporation Law.

Upon due authorization, we may acquire our own shares:

in the case of (i) and (ii) above:

through the stock exchanges on which the shares are listed or the over-the-counter markets on which the shares are traded; or

by way of tender offer;

in the case of (i) above, from a specific person, but only if our shareholders approve this acquisition by special resolution; and

in the case of (iii) above, from the subsidiary.

In the event we are to acquire our own shares from a specific person other than a subsidiary at the price which exceeds market price, each other shareholder may request the directors to acquire the shares held by such shareholder as well.

Acquisitions described in (i) through (iii) above must satisfy certain other requirements, including that the total amount of the purchase price may not exceed the distributable amount.

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***Shareholders of Unknown Location***

We are not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in our register of shareholders or at the address otherwise notified to us continuously for five years or more.

In addition, we may dispose of the shares at the then market price of the shares and hold or deposit the proceeds for such shareholder, the location of which is unknown, (i) notices to the shareholders fails to arrive continuously for five years or more at the registered address of the shareholder in our register of shareholders or at the address otherwise notified to us, and (ii) the shareholder fails to receive dividends on the shares continuously for five years or more at the address registered in our register of shareholders or at the address otherwise notified to us.

***American Depositary Receipts***

The current ADS/share ratio is 100 ADSs per each share of common stock.

For further information regarding our American Depositary Receipt program, please refer to the our registration statement filed with the Securities and Exchange Commission on Form 20-F on February 8, 2002.

***Reporting of Substantial Shareholders***

The Financial Instruments and Exchange Law of Japan and its related regulations require any person who has become, solely or jointly, a holder of more than 5% of the total issued shares of a company that is listed on any Japanese financial instruments exchange, to file a report with the director of the competent Local Finance Bureau of the Ministry of Finance within five business days from the date of becoming such holder. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in the holding or of any change specified in the ordinance in material matters set out in any previously-filed reports. For this purpose, shares issuable upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by the holder and the issuer's total issued share capital. Copies of each report must also be furnished to the issuer of the shares and to all Japanese financial instruments exchanges on which the shares are listed. These reports are made available for public inspection.

***Daily Price Fluctuation Limits under Japanese Financial Instruments Exchange Rules***

Share prices on Japanese financial instruments exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

On June 12, 2009, the closing price of our shares on the Tokyo Stock Exchange was ¥139,700 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥150,000 and ¥200,000 per share, as well as the daily price limit if our per share price were to rise to between ¥200,000 and ¥300,000, or fall to between ¥100,000 and ¥150,000.

**Selected Daily Price Limits**

<b>Previous Day's Closing Price or Special Quote</b>				<b>Maximum Daily Price Movement</b>			
Over	¥	100,000	Less than	¥	150,000	¥	20,000
Over		150,000	Less than		200,000		30,000
Over		200,000	Less than		300,000		40,000

For a history of the trading price of our shares on the Tokyo Stock Exchange, see Item 9.A.



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### **C. Material Contracts**

We have not entered into any material contracts, other than in the ordinary course of business.

### **D. Exchange Controls**

There are no laws, decrees, regulations or other legislation which materially affect our ability to import or export capital for our use or our ability to pay dividends to nonresident holders of our shares.

### **E. Taxation**

#### **1. United States Federal Income Taxation**

This section describes the material United States federal income tax consequences of owning shares or ADSs. It applies to you only if you are a U.S. holder (as defined below) and hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention Between the Government of the United States of America and the Government of the Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the Treaty). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of The Bank of New York Mellon as depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

In general, and taking into account this assumption, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are for United States federal income tax purposes:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

**You should consult your own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances.**

**Table of Contents****2. Taxation of Dividends**

Under the United States federal income tax laws, and subject to the passive foreign investment company rules discussed below, if you are a U.S. holder, the gross amount of any dividend paid by us out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid by us with respect to our shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a nontaxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against your United States federal income tax liability. To the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax that is refundable will not be eligible for credit against your United States federal income tax liability. Please see *Japanese Taxation*, below, for the procedures for obtaining a reduced rate of withholding under the Treaty or a tax refund. In addition, special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. Dividends will be income from sources outside the United States and will, depending on your circumstances, generally be either *passive* or *general* income for purposes of computing the foreign tax credit allowable to you.

Distributions of additional shares or ADSs to you with respect to shares or ADSs that are made as part of a *pro rata* distribution to all of our shareholders generally will not be subject to United States federal income tax. Your basis in the new shares or ADSs received will be determined by allocating your basis in the shares or ADSs you held at the time of the distribution between the new shares or ADSs and the shares or ADSs you held at the time of the distribution based on their relative fair market values on the date of the distribution.

***Taxation of Capital Gains***

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for the United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

***Passive Foreign Investment Company Rules***

We do not expect our shares and ADSs to be treated as stock of a passive foreign investment company, or PFIC, for United States federal income tax purposes, but this conclusion is a factual determination that is made

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annually and thus may be subject to change. If we were to be treated as a PFIC, unless a U.S. holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs, gain realized on the sale or other disposition of your shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, you would be treated as if you had realized such gain and certain excess distributions ratably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs. In addition, dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you must file Internal Revenue Service Form 8621.

**3. Japanese Taxation**

The following is a summary of the principal Japanese tax consequences to owners of our shares or ADSs who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which income from our shares is attributable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Potential investors should consult their own tax advisers as to:

the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law;

the laws of the jurisdiction of which they are resident; and

any tax treaty between Japan and their country of residence.

Generally, a non-resident individual or a non-Japanese corporation as a holder of shares or ADSs is subject to Japanese withholding tax on dividends paid by us. In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends paid by us to a non-resident individual of Japan or a non-Japanese corporation is 20%. With respect to dividends paid on listed shares issued by a Japanese corporation (such as our shares) to a non-resident individual of Japan or a non-Japanese corporation, the aforementioned 20% withholding tax rate is reduced to (i) 7% for dividends to be paid until December 31, 2011, and (ii) 15% for dividends to be paid thereafter, except for dividends paid to any individual shareholder who holds 5% or more of the issued shares of that corporation. Japan has entered into income tax treaties, conventions or agreements, whereby the maximum withholding tax rate is generally set at 15% for portfolio investors with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, and Switzerland. Pursuant to the Convention Between the United States of America and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, a portfolio investors that is a U.S. resident holder is generally subject to Japanese withholding tax on dividends on shares at a rate of 10%. A similar withholding tax treatment applies under the new tax treaty between the United Kingdom and Japan for dividends taxed on or after January 1, 2007 due to the renewal of such treaty. The tax treaty between France and Japan was renewed through the amending protocol, effective from December 1, 2007, under which the standard treaty withholding rate for portfolio investors on dividends taxed on or after January 1, 2008 was reduced from 15% to 10%. In addition, the tax treaty between Australia and Japan has been renewed, effective from December 3, 2008, under which the standard treaty withholding rate on dividends taxed on or after January 1, 2009 has been reduced in general from 15% to 10%. Under Japanese tax law, the maximum rate applicable under the

tax treaties, conventions or agreements shall be applicable, subject to completion of below-described application procedures, except when such maximum rate is higher than the Japanese statutory rate.

Non-resident holders who are entitled to a reduced rate of Japanese withholding tax on payments of dividends on the shares by us are required to submit an Application Form for the Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before the payment of

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dividends. A standing proxy for non-resident holders may provide the application. With respect to ADSs, this reduced rate is applicable if the depository or its agent submits two Application Forms for Income Tax Convention (one prior to payment of dividends, the other within eight months after our fiscal year-end). To claim this reduced rate, a non-resident holder of ADSs will be required to file proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the depository. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale of shares or ADSs outside Japan, or from the sale of shares within Japan by a nonresident holder, generally are not subject to Japanese income or corporation taxes provided that such gains are from portfolio investments where shareholding ratio is within certain prescribed level.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares or ADSs as a legatee, heir or donee, even if the individual is not a Japanese resident.

### **F. Dividends and Paying Agents**

Not applicable.

### **G. Statement by Experts**

Not applicable.

### **H. Documents on Display**

We have filed with the SEC this annual report on Form 20-F under the Securities Exchange Act of 1934 with respect to our shares and ADSs.

You may review a copy of the annual report and other information without charge at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also get copies of all or any portion of the annual report from the public reference room. For information regarding the procedures of the public reference room, please call the SEC at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the Securities and Exchange Commission.

As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

### **I. Subsidiary Information**

Not applicable.

### **Item 11. *Quantitative and Qualitative Disclosures about Market Risk***

We are primarily exposed to market risks from changes in interest rates, foreign currency exchange rates and stock prices. The fair value of our assets and liabilities and our earnings and cash flows may be negatively impacted by these market risks.

To manage risks of fluctuating interest rates and foreign currency exchange rates, we use derivative instruments such as interest rate swaps and foreign exchange forward contracts as needed. The derivative instruments are executed with creditworthy financial institutions and our management believes that there is little risk of default by these counterparties. We set and follow internal regulations that establish conditions to enter into derivative contracts and procedures of approving and monitoring such contracts. We do not hold or issue derivative instruments for trading purposes.

No specific hedging activities are taken against the price of fluctuations of stocks held by us as marketable securities.



**Table of Contents***Interest rate risk*

We use interest rate swap transactions, under which we receive fixed rate interest payments and pay floating rate interest payments, to hedge the changes in fair value of certain debt as a part of our asset-liability management (ALM).

The following table below provides information about financial instruments that are sensitive to changes in interest rates:

	Weighted Average Interest Rate (per annum)	Expected Maturity (Year Ended March 31)					Total	Fair value 3/31/09
		2010	2011	2012	2013	2014 Thereafter		
<b>DEBT</b>								
Corporate bonds								
Japanese Yen Bonds	1.3%		163,806	168,427	60,000	70,000	110,000	572,233
Borrowings from banks and others								
Japanese Yen Loans	1.3%	29,000	17,000	6,000	15,000			67,000
Long term debt, including current portion Total		29,000	180,806	174,427	75,000	70,000	110,000	639,233
								645,504

**Expected Maturity and Weighted Average Interest Rate (per  
annum)  
(Year Ended March 31)**

**INTEREST RATE  
SWAP  
AGREEMENTS**

	2010	2011	2012	2013	2014 Thereafter	Total	Fair value 3/31/09
Fixed to Floating (Japanese Yen)							
Notional Amount		70,000	165,800			235,800	3,433
Fixed receive rate		1.4%	1.6%			1.5%	
Floating pay rate		0.9%	1.1%			1.0%	

*Foreign exchange risk*

In order to decrease foreign currency risks, we engage in foreign currency hedge transactions. We had no foreign exchange forward contracts outstanding as of March 31, 2009.

*Investment price risk*

The fair values of a certain investments of ours, primarily in marketable securities, expose us to fluctuation risks of securities prices. In general, we have invested in highly-liquid and low-risk instruments, which are not held for trading purposes. These investments are subject to changes in the market prices of the securities. The following table below provides information about our market sensitive marketable securities and constitutes a forward-looking statement.

	<b>March 31, 2009</b>		<b>March 31, 2009</b>	
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Amount</b>	<b>Value</b>	<b>Amount</b>	<b>Value</b>
	<b>(Millions of yen)</b>		<b>(Thousands of U.S. dollars)</b>	
Equity securities available-for-sale	112,962	112,962	1,139,304	1,139,304
Debt securities available-for-sale:				
Due within 1 year	5	5	50	50
Due after 1 year through 5 years				
Due after 5 years through 10 years				
Due after 10 years				
Total	112,967	112,967	1,139,354	1,139,354

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*Concentrations of credit risk*

As of March 31, 2009, we did not have any significant concentration of business transacted with an individual counterparty or groups of counterparties that could, if suddenly eliminated, severely impact our operations.

**Item 12. *Description of Securities Other Than Equity Securities***

Not applicable.

**PART II**

**Item 13. *Defaults, Dividend Arrearages and Delinquencies***

None.

**Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds***

None.

**Item 15. *Controls and Procedures***

**1. Disclosure Controls and Procedures**

The Company's management carried out an evaluation, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of March 31, 2009 pursuant to the U.S. Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2009 were effective.

**2. Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the U.S. Securities Exchange Act of 1934. Internal control over financial reporting of the Company is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of internal control to future periods are subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The management of the Company evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2009 by using the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that the Company's internal control over financial reporting was effective as of March 31, 2009.

Our independent registered public accounting firm, KPMG AZSA & Co., has issued an audit report on the effectiveness of our internal control over financial reporting as of March 31, 2009, which appears on page F-3 of this

annual report on Form 20-F.

### **3. Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting that occurred during the year ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 16A. *Audit Committee Financial Expert***

Our board of corporate auditors has determined that, Mr. Takaaki Wakasugi is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission. In addition, Mr. Wakasugi is an

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outside corporate auditor pursuant to Article 2- (xvi) of the Corporation Law, and is independent from us and our management. Mr. Wakasugi meets the requirements imposed on corporate auditors under the Corporation Law.

**Item 16B. Code of Ethics**

We have a code of ethics that applies to our chief executive officer, chief financial officer and other senior officers in order to promote honesty, integrity, transparency, and ethical conduct in such persons' performance of their management responsibilities. Our code of ethics, as of June 25, 2009, is attached to this annual report on Form 20-F as exhibit 11.1.

**Item 16C. Principal Accountant Fees and Services****Fees Paid to the Independent Auditor**

The Company and its subsidiaries engaged KPMG AZSA & Co. to perform an annual audit of the Company's financial statements. Audit fees and audit-related fees paid to KPMG AZSA & Co. and its affiliates for the year ended March 31, 2009 were ¥924 million. In addition, the fees other than audit fees and audit-related fees we paid to KPMG AZSA & Co. and its affiliates were ¥49 million as tax fees.

The following table presents information concerning fees paid to KPMG AZSA & Co. and its affiliates for the years ended March 31, 2008 and 2009.

	<b>Year ended March 31,</b>	
	<b>2008</b>	<b>2009</b>
	<b>(in millions)</b>	
Audit fees <sup>(1)</sup>	¥ 838	¥ 920
Audit-related fees <sup>(2)</sup>		4
Tax fees <sup>(3)</sup>	48	49
All other fees <sup>(4)</sup>		
<b>Total</b>	<b>¥ 886</b>	<b>¥ 973</b>

(1) These are fees for professional services performed by KPMG AZSA & Co. and its affiliates for the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided in connection with statutory and regulatory filings.

(2) These are fees for assurance and related services rendered by these accountants that are reasonably related to the performance of the audit or review of the Company's and its subsidiaries' financial statements, such as the issuance of comfort letters in connection with corporate bond offerings, and that are not reported under audit fees.

(3) These are fees for professional services performed by KPMG AZSA & Co. and its affiliates tax division except those related to the audit and includes tax returns and tax consultations.

(4) These are fees for the services provided by KPMG AZSA & Co. and its affiliates, other than the fees reported in paragraphs (1) through (3).

**Pre-Approval of Services Provided by KPMG AZSA & Co. and its Affiliates**

The Company and its subsidiaries have adopted policies and procedures for the Company's board of directors and the board of corporate auditors pre-approving all audit and non-audit work performed by KPMG AZSA & Co. and its affiliates. Specifically, the policies and procedures prohibit KPMG AZSA & Co. and its affiliates from performing any services for the Company or its subsidiaries without the prior approval of the Company's board of directors and the board of corporate auditors.

All of the services provided by KPMG AZSA & Co. and its affiliates since Rule 2-01(c)(7) of Regulation S-X became effective were approved by the Company's board of directors and the board of corporate auditors pursuant to the approval policies described above, and none of such services were approved pursuant to the procedures described in Rule 2-01(c)(7)(i)(C) of Regulation S-X, which waives the general requirement for pre-approval in certain circumstances.

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**Item 16D. *Exemptions from the Listing Standards for Audit Committees***

With respect to the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 relating to listed company audit committees, which apply to us through Section 303A.06 of the New York Stock Exchange's Listed Company Manual, we rely on an exemption provided by paragraph (c)(3) of that Rule available to foreign private issuers with boards of corporate auditors meeting certain requirements. For a New York Stock Exchange-listed Japanese company with a board of corporate auditors, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

The board of corporate auditors must be established, and its members must be selected, pursuant to Japanese law expressly requiring such a board for Japanese companies that elect to have a corporate governance system with corporate auditors.

Japanese law must and does require the board of corporate auditors to be separate from the board of directors.

None of the members of the board of corporate auditors may be elected by management, and none of the listed company's executive officers may be a member of the board of corporate auditors.

Japanese law must and does set forth standards for the independence of the members of the board of corporate auditors from the listed company or its management.

The board of corporate auditors, in accordance with Japanese law or the listed company's governing documents, must be responsible, to the extent permitted by Japanese law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by Japanese law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, including its principal accountant which audits its consolidated financial statements included in its annual reports on Form 20-F.

To the extent permitted by Japanese law:

the board of corporate auditors must establish procedures for (i) the receipt, retention and treatment of complaints received by the listed company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by the listed company's employees of concerns regarding questionable accounting or auditing matters;

the board of corporate auditors must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties; and

the listed company must provide for appropriate funding, as determined by its board of corporate auditors, for payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed company, (ii) compensation to any advisers employed by the board of corporate auditors, and (iii) ordinary administrative expenses of the board of corporate auditors that are necessary or appropriate in carrying out its duties.

In our assessment, our board of corporate auditors, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not materially less effective than an audit committee meeting all the requirements of paragraph (b) of Rule 10A-3 (without relying on any exemption provided by that Rule) at acting independently of management and performing the functions of an audit committee as contemplated therein.





**Table of Contents****Item 16E. Purchases of Equity Securities by Issuer and Affiliated Purchasers****ISSUER PURCHASES OF EQUITY SECURITIES**

<b>Period</b>	<b>(a) Total Number of Shares Purchased(*)</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(**)</b>
April 2008 (from April 1 to April 30)	0.80	151,000.0	0	384,713
May 2008 (from May 1 to May 31)	311,322.80	160,596.6	311,322	73,391
June 2008 (from June 1 to June 30)	0		0	900,000
July 2008 (from July 1 to July 31)	0.80	161,000.0	0	900,000
August 2008 (from August 1 to August 31)	11,712.75	158,002.5	0	900,000
September 2008 (from September 1 to September 30)	0		0	900,000
October 2008 (from October 1 to October 31)	0		0	900,000
November 2008 (from November 1 to November 30)	146,645	157,525.8	146,645	753,355
December 2008 (from December 1 to December 31)	159,544	168,587.3	159,544	593,811
January 2009 (from January 1 to January 31)	0		0	593,811
February 2009 (from February 1 to February 28)	143,274	151,452.1	143,274	450,537
March 2009 (from March 1 to March 31)	95,620	139,101.5	95,620	354,917
<b>Total</b>	<b>868,120.15</b>	<b>157,634.6</b>	<b>856,405</b>	<b>354,917</b>

(\*) Shares purchased include fractional shares purchased from time to time and treasury stock purchased at the request of shareholders who opposed the merger under which our regional subsidiaries were dissolved and

merged into the Company.

(\*\*) The numbers as of April and May, 2008, described in column (d) are based on the aggregate number of 1,000,000 shares authorized at the general shareholders meeting held on June 19, 2007. Likewise, the numbers for June 2008 or later in column (d) are based on the aggregate number of 900,000 shares authorized at the general shareholders meeting held on June 20, 2008.

**Item 16F. *Change in Registrant's Certifying Accountant***

Not applicable.

**Item 16G. *Corporate Governance***

***Committees***

Under the Corporation Law, Japanese joint stock corporations (*kabushiki kaisha*) above a certain size whose shares are transferable without the approval of such corporations, including the Company, may elect to structure their corporate governance system to be either that of a company with a board of corporate auditors (*kansayakukai secchigaisha*) or that of a company with committees (*iinkai secchigaisha*). The Company is currently a company with a board of corporate auditors.

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As a company with a board of corporate auditors, the Company is not required under the Corporation Law to have any outside directors on its board of directors. The tasks of auditing the performance of its directors and auditing the Company's financial statements are assigned to the Company's corporate auditors, who are separate from the Company's directors. All corporate auditors must meet certain independence requirements under the Corporation Law. Under the Corporation Law, at least one half of a company's corporate auditors are required to be outside corporate auditors who must meet additional independence requirements. An outside corporate auditor is defined as a corporate auditor who has never served as a director, accounting councilor, executive officer, manager or any other employee of the Company or any of its subsidiaries.

### ***Board of Corporate Auditors***

Under the corporate auditor system that the Company employs, the board of corporate auditors is a legally separate and independent body from the board of directors. The function of the board of corporate auditors and each corporate auditor is similar to that of independent directors, including those who are members of the audit committee, of a U.S. company: to audit the performance of the directors, and express an opinion if it is the opinion of the board of corporate auditors that the method, or the results, of the audit by the Company's accounting firm is not suitable and express the reason for such opinion, for the protection of the Company's shareholders.

Under the Corporation Law, the Company is required to have not less than three corporate auditors. The Articles of Incorporation of the Company permit it to have up to five corporate auditors. Currently, five corporate auditors of the Company have been elected. The term of office of each corporate auditor is for up to four years after his/her election, whereas the term of office of each director is for up to two years after his/her election.

With respect to the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, relating to listed company audit committees, the Company relies on an exemption under that rule which is available to foreign private issuers with boards of corporate auditors meeting certain criteria.

### ***Directors***

The Company's directors must be elected at a general meeting of shareholders. Its board of directors does not have the power to fill vacancies thereon.

The Company's corporate auditors must also be elected at a general meeting of shareholders. The Company's board of directors must obtain the consent of its board of corporate auditors in order to submit a proposal for election of a corporate auditor to a general meeting of shareholders. The board of corporate auditors is also empowered to request that the Company's directors submit a proposal for election of a corporate auditor to a general meeting of shareholders. All corporate auditors have the right to state their opinion concerning the election of a corporate auditor at the general meeting of shareholders.

### ***Compensation***

The maximum aggregate compensation amount for the Company's directors and that of the Company's corporate auditors must be, and accordingly has been, approved at a general meeting of shareholders.

The Company must also obtain the approval at a general meeting of shareholders if the Company desires to change such maximum amount of compensation.

The compensation amount for each director is determined by the Company's President or another director who is delegated to do so by the board of directors, and that for each corporate auditor is determined upon consultation

among the corporate auditors.

***Shareholder Approval with respect to any Equity Compensation Plan***

Pursuant to the Corporation Law, if the Company desires to adopt an equity compensation plan under which stock acquisition rights are granted on specially favorable conditions (except where such rights are granted to all of its shareholders on a *pro rata* basis), the Company must approve the said plan by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required.

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**Item 17. *Financial Statements***

In lieu of responding to this item, we have responded to Item 18 of this annual report.

**Item 18. *Financial Statements***

The information required by this item is set forth beginning on page F-2 of this annual report.

**Item 19. *Exhibits***

**Exhibit  
Number**

**Description**

- 1.1 Articles of Incorporation of the registrant (English translation)
- 1.2 Share Handling Regulations of the registrant (English translation)
- 1.3 Regulations of the Board of Directors of the registrant (English translation)
- 1.4 Regulations of the Board of Corporate Auditors of the registrant (English translation)\*
- 2.1 Form of Deposit Agreement among the registrant, The Bank of New York Mellon as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to Post-Effective Amendment No. 3 to Registration Statement on Form F-6 (File No. 333-9694) filed on May 15, 2002)
- 8.1 List of Subsidiaries
- 11.1 Code of Ethics\*\*
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 13.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
- 13.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

\* Previously filed with the Securities and Exchange Commission on June 25, 2007 and herein incorporated by reference.

\*\* Previously filed with the Securities and Exchange Commission on June 27, 2006 and herein incorporated by reference.

We have not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% of our total assets. We agree to furnish a copy of any such instrument to the Commission upon request.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

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**Report of Independent Registered Public Accounting Firm**

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

We have audited the consolidated financial statements of NTT DoCoMo, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), NTT DoCoMo, Inc.'s internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 19, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG AZSA & Co.

Tokyo, Japan  
June 19, 2009

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**Report of Independent Registered Public Accounting Firm**

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

We have audited NTT DoCoMo, Inc.'s internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). NTT DoCoMo, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, NTT DoCoMo, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NTT DoCoMo, Inc. and subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2009, and our report dated June 19, 2009 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG AZSA & Co.



Tokyo, Japan  
June 19, 2009

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2008 and 2009**

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

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Third parties	222,225	<b>261,724</b>	<b>2,639,677</b>
Related parties	11,822	<b>11,716</b>	<b>118,164</b>
Deferred tax assets	123,403	<b>248,896</b>	<b>2,510,298</b>
Total non-current investments and other assets	1,608,447	<b>1,969,007</b>	<b>19,858,870</b>
<b>Total assets</b>	¥ 6,210,834	¥ <b>6,488,220</b>	\$ <b>65,438,427</b>

See accompanying notes to consolidated financial statements.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)  
MARCH 31, 2008 and 2009**

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS EQUITY</b>			
<b>Current liabilities:</b>			
Current portion of long-term debt	¥ 75,662	¥ 29,000	\$ 292,486
Short-term borrowings	1,712		
Accounts payable, trade			
Third parties	626,992	545,717	5,503,954
Related parties	90,461	122,808	1,238,608
Accrued payroll	53,538	58,627	591,296
Accrued interest	710	1,187	11,972
Accrued income taxes	203,645	238,742	2,407,887
Other current liabilities			
Third parties	179,513	150,241	1,515,290
Related parties	2,082	2,113	21,311
Total current liabilities	1,234,315	1,148,435	11,582,804
<b>Long-term liabilities:</b>			
Long-term debt (exclusive of current portion)	401,090	610,233	6,154,644
Liability for employees' retirement benefits	116,888	146,326	1,475,804
Other long-term liabilities			
Third parties	177,002	237,126	2,391,589
Related parties	3,755	2,792	28,160
Total long-term liabilities	698,735	996,477	10,050,197
Total liabilities	1,933,050	2,144,912	21,633,001
<b>Minority interests</b>	1,288	1,723	17,378
<b>Shareholders' equity:</b>			
Common stock, without a stated value			
Authorized 188,130,000 shares and 188,130,000 shares at March 31, 2008 and 2009, respectively			
Issued 44,870,000 and 43,950,000 shares at March 31, 2008 and 2009, respectively	949,680	949,680	9,578,215

Outstanding	42,627,927 and 41,759,807 shares at March 31, 2008 and 2009, respectively			
Additional paid-in capital		948,571	<b>785,045</b>	<b>7,917,751</b>
Retained earnings		2,793,814	<b>3,061,848</b>	<b>30,880,967</b>
Accumulated other comprehensive income (loss)		410	<b>(65,689)</b>	<b>(662,521)</b>
Treasury stock, 2,242,073 and 2,190,193 shares at March 31, 2008 and 2009, respectively, at cost		(415,979)	<b>(389,299)</b>	<b>(3,926,364)</b>
Total shareholders' equity		4,276,496	<b>4,341,585</b>	<b>43,788,048</b>
<b>Commitments and contingencies</b>				
<b>Total liabilities, minority interests and shareholders' equity</b>	¥ 6,210,834	¥ <b>6,488,220</b>	\$ <b>65,438,427</b>	

See accompanying notes to consolidated financial statements.

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## NTT DOCOMO, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**YEARS ENDED MARCH 31, 2007, 2008 and 2009**

	2007	Millions of yen 2008	2009	Thousands of U.S. dollars 2009
<b>Operating revenues:</b>				
Wireless services				
Third parties	¥ 4,259,951	¥ 4,107,844	¥ 3,786,917	\$ 38,193,818
Related parties	54,189	57,390	54,165	546,294
Equipment sales				
Third parties	465,924	538,195	600,630	6,057,791
Related parties	8,029	8,398	6,268	63,217
	4,788,093	4,711,827	4,447,980	44,861,120
<b>Operating expenses:</b>				
Cost of services (exclusive of items shown separately below)				
Third parties	498,852	561,763	630,415	6,358,195
Related parties	268,108	249,370	242,023	2,440,978
Cost of equipment sold (exclusive of items shown separately below)	1,218,694	1,150,261	827,856	8,349,531
Depreciation and amortization	745,338	776,425	804,159	8,110,530
Selling, general and administrative				
Third parties	1,121,374	1,025,812	980,251	9,886,546
Related parties	162,203	139,884	132,317	1,334,513
	4,014,569	3,903,515	3,617,021	36,480,293
<b>Operating income</b>	<b>773,524</b>	<b>808,312</b>	<b>830,959</b>	<b>8,380,827</b>
<b>Other income (expense):</b>				
Interest expense	(5,749)	(4,556)	(4,618)	(46,576)
Interest income	1,459	2,487	2,162	21,806
Other, net	3,709	(5,555)	(48,030)	(484,418)
	(581)	(7,624)	(50,486)	(509,188)
<b>Income before income taxes, equity in net income (losses) of affiliates and minority interests</b>	<b>772,943</b>	<b>800,688</b>	<b>780,473</b>	<b>7,871,639</b>
<b>Income taxes:</b>				
Current	237,734	334,462	395,467	3,988,573
Deferred	75,945	(11,507)	(87,067)	(878,134)

	313,679	322,955	<b>308,400</b>	<b>3,110,439</b>
<b>Income before equity in net income (losses) of affiliates and minority interests</b>	459,264	477,733	<b>472,073</b>	<b>4,761,200</b>
Equity in net income (losses) of affiliates, net of applicable taxes	(1,941)	13,553	<b>(672)</b>	<b>(6,778)</b>
Minority interests	(45)	(84)	<b>472</b>	<b>4,761</b>
<b>Net income</b>	¥ 457,278	¥ 491,202	¥ <b>471,873</b>	\$ <b>4,759,183</b>
<b>Other comprehensive income (loss):</b>				
Unrealized holding losses on available-for-sale securities, net of applicable taxes	(15,364)	(16,762)	<b>(30,319)</b>	<b>(305,789)</b>
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(399)	431	<b>28,709</b>	<b>289,551</b>
Change in fair value of derivative instruments, net of applicable taxes	832	(525)	<b>(4)</b>	<b>(40)</b>
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(798)	658	<b>(121)</b>	<b>(1,220)</b>
Foreign currency translation adjustment, net of applicable taxes	1,103	7,299	<b>(47,532)</b>	<b>(479,395)</b>
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income		(127)	<b>(54)</b>	<b>(545)</b>
Pension liability adjustment, net of applicable taxes:				
Actuarial gains (losses) arising during period, net		(4,909)	<b>(16,316)</b>	<b>(164,559)</b>
Less: Amortization of prior service cost		(1,338)	<b>(1,340)</b>	<b>(13,515)</b>
Less: Amortization of actuarial gains and losses		502	<b>797</b>	<b>8,038</b>
Less: Amortization of transition obligation		75	<b>81</b>	<b>817</b>
Less: Reclassification of actuarial gains and losses due to transfer of the substitutional portion to the government		2,232		
Minimum pension liability adjustment, net of applicable taxes	5,562			
<b>Comprehensive income</b>	¥ 448,214	¥ 478,738	¥ <b>405,774</b>	\$ <b>4,092,526</b>
<b>Per share data:</b>				
Weighted average common shares outstanding				
Basic and Diluted (shares)	43,985,082	43,120,586	<b>42,238,715</b>	<b>42,238,715</b>
Basic and Diluted earnings per share (Yen and U.S. dollars)	¥ 10,396.21	¥ 11,391.36	¥ <b>11,171.58</b>	\$ <b>112.67</b>

See accompanying notes to consolidated financial statements.





**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY  
YEARS ENDED MARCH 31, 2007, 2008 and 2009**

	Number of Shares				Millions of yen			Total Shareholders Equity
	Issued Common Stock	Treasury Stock	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	
Balance at March 31, 2006	46,810,000	2,335,773	¥ 949,680	¥ 1,311,013	¥ 2,212,739	¥ 26,781	¥ (448,196)	¥ 4,052,000
Acquisition of treasury stock		880,583					(157,223)	(157,223)
Retirement of treasury stock	(930,000)	(930,000)		(175,055)			175,055	
Dividends declared and paid (¥1,000 per share)					(176,862)			(176,862)
Net income					457,278			457,278
Realized gains on available-for-sale securities							(15,763)	(15,763)
Change in fair value of derivative instruments							34	34
Translation adjustment							1,103	1,103
Provision liability adjustment							5,562	5,562
Adjustment to initially apply IAS No. 158							(4,843)	(4,843)
Balance at March 31, 2007	45,880,000	2,286,356	¥ 949,680	¥ 1,135,958	¥ 2,493,155	¥ 12,874	¥ (430,364)	¥ 4,161,300
Acquisition of treasury stock		965,717					(173,002)	(173,002)
Retirement of treasury stock	(1,010,000)	(1,010,000)		(187,387)			187,387	
Dividends declared and paid					(190,543)			(190,543)

(400 per share)			
income	491,202		491,202
realized			
gaining losses on			
available-for-sale			
securities		(16,331)	(16,331)
change in fair			
value of			
derivative			
instruments		133	133
foreign currency			
translation			
adjustment		7,172	7,172
provision liability			
adjustment:			
actuarial gains			
(losses) arising			
during period, net		(4,909)	(4,909)