

NTT DOCOMO INC  
Form 20-F  
June 24, 2016  
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As filed with the Securities and Exchange Commission on June 24, 2016

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2016

OR

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

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)*

**Sanno Park Tower**

**11-1, Nagata-cho 2-chome**

**Chiyoda-ku, Tokyo 100-6150**

**Japan**

*(Jurisdiction of incorporation or organization)*

**Japan**

*(Address of principal executive offices)*

**Kenji Higashigaito or Yu Kunita, Investor Relations**

**TEL: +81-3-5156-1111 / FAX: +81-3-5156-0271**

**Sanno Park Tower, 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo 100-6150 Japan**

*(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  
Common Stock\***

**Name of each exchange on which registered  
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.

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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, 2016, 3,760,616,750 shares of common stock were outstanding, comprised of 3,738,635,242 shares and 21,981,508 ADSs.

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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*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.*

*As used in this annual report, reference to **NTT** is to our parent company, **NIPPON TELEGRAPH AND TELEPHONE CORPORATION**.*

*As used in this annual report, **Xi** refers to our **LTE** network service and **FOMA** refers to our **W-CDMA** network service.*

*Fiscal year 2015 refers to our fiscal year ended March 31, 2016, and other fiscal years are referred to in a corresponding manner.*

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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 subscriptions, 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 were 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 market environment in the telecommunications industry, such as intensifying competition from other businesses or other technologies caused by Mobile Number Portability, development of appealing new handsets, new market entrants, mergers among other service providers and other factors, or the expansion of the areas of competition could limit the acquisition of new subscriptions and retention of existing subscriptions by our corporate group, or it may lead to ARPU diminishing at a greater than expected rate, an increase in our costs, or an inability to optimize costs as expected.
2. If current and new services, usage patterns, and sales schemes proposed and introduced by our corporate group cannot be developed as planned, or if unanticipated expenses arise the financial condition of our corporate group could be affected and our growth could be limited.
3. The introduction or change of various laws or regulations inside and outside of Japan, 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 and could increase our costs.
5. Other mobile service providers in the world may not adopt the technologies and the frequency bands that are compatible with those used by our corporate group's mobile communications system on a continuing basis, which could affect our ability to sufficiently offer international services.
6. Our domestic and international investments, alliances and collaborations, as well as investments in new business fields, may not produce the returns or provide the opportunities we expect.
7. Malfunctions, defects or imperfections in our products and services or those of other parties may give rise to problems.
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 others may adversely affect our credibility or corporate image.
- 10.

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Owners of intellectual property rights that are essential for our business execution may not grant us a license or other use of such intellectual property rights, which may result in our inability to offer certain technologies, products and/or services, and our corporate group may also be held liable for damage compensation if we infringe the intellectual property rights of others. In addition, the illicit use by a third party of the intellectual property rights owned by our corporate group could reduce our license revenues actually obtained and may inhibit our competitive superiority.

11. Events and incidents caused by natural disasters, social infrastructure paralysis such as power shortages, the proliferation of harmful substances, terror or other destructive acts, the malfunctioning of equipment, software bugs, deliberate incidents induced by computer viruses, cyber-attacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks,

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distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.

12. Concerns about adverse health effects arising from wireless telecommunications may spread and consequently adversely affect our financial condition and results of operations.

13. Our parent company, 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 have a material impact on our actual results are set forth in **D. Risk Factors** in Item 3 and elsewhere in this annual report.



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**PART I**

**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 of and for each of the years ended March 31, 2012 through 2016. The data in the table is derived from our audited consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ( U.S. GAAP ). The consolidated balance sheets for the years ended March 31, 2015 and 2016, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2014 through 2016, and notes thereto appear elsewhere in this annual report.

**Table of Contents****Selected Financial Data**

	Millions of yen, except per share data As of and for the year ended March 31,					
	2012	2013	2014	2015	2016	
<b>Income Statement Data</b>						
<b>Operating revenues:</b>						
Telecommunications services *1	¥ 3,334,036	¥ 3,176,931	¥ 2,963,980	¥ 2,747,155	¥ 2,815,507	
Equipment sales	498,889	758,093	872,000	904,089	860,486	
Other operating revenues	407,078	535,098	625,223	732,153	851,091	
Total operating revenues	4,240,003	4,470,122	4,461,203	4,383,397	4,527,084	
<b>Operating expenses</b>	<b>3,365,543</b>	<b>3,632,942</b>	<b>3,642,004</b>	<b>3,744,326</b>	<b>3,744,060</b>	
<b>Operating income</b>	<b>874,460</b>	<b>837,180</b>	<b>819,199</b>	<b>639,071</b>	<b>783,024</b>	
<b>Other income (expense) *2</b>	<b>2,498</b>	<b>(3,838)</b>	<b>13,850</b>	<b>4,812</b>	<b>(5,003)</b>	
<b>Income before income taxes and equity in net income (losses) of affiliates *2</b>	<b>876,958</b>	<b>833,342</b>	<b>833,049</b>	<b>643,883</b>	<b>778,021</b>	
<b>Income taxes *2</b>	<b>391,798</b>	<b>323,059</b>	<b>307,979</b>	<b>238,067</b>	<b>211,719</b>	
<b>Income before equity in net income (losses) of affiliates *2</b>	<b>485,160</b>	<b>510,283</b>	<b>525,070</b>	<b>405,816</b>	<b>566,302</b>	
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates) *2*3	(24,208)	(29,570)	(69,117)	(7,782)	(5,060)	
Net Income *2	460,952	480,713	455,953	398,034	561,242	
Less: Net (income) loss attributable to noncontrolling interests	2,960	10,313	8,776	12,059	(12,864)	
<b>Net income attributable to NTT DOCOMO, INC. *2</b>	<b>¥ 463,912</b>	<b>¥ 491,026</b>	<b>¥ 464,729</b>	<b>¥ 410,093</b>	<b>¥ 548,378</b>	
<b>Per Share Data</b>						
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. *4	¥ 111.87	¥ 118.41	¥ 112.07	¥ 101.55	¥ 141.30	
Dividends declared and paid per share *4	¥ 54	¥ 58	¥ 60	¥ 60	¥ 70	
Dividends declared and paid per share *4*5	\$ 0.6553	\$ 0.6160	\$ 0.5826	\$ 0.5002	\$ 0.6227	
Weighted average common shares outstanding Basic and Diluted *	4,146,760,100	4,146,760,100	4,146,760,100	4,038,191,678	3,880,823,341	
<b>Balance Sheet Data</b>						
Working capital *6	¥ 1,204,258	¥ 1,105,642	¥ 1,320,776	¥ 1,301,074	¥ 1,360,374	
Total property, plant and equipment, net	2,536,297	2,560,284	2,557,766	2,511,067	2,440,376	
Total assets *2	6,948,082	7,169,725	7,508,030	7,146,340	7,214,114	
Total debt *7	256,680	253,766	230,346	222,651	222,164	
Total liabilities	1,839,311	1,759,160	1,814,517	1,728,135	1,854,788	
Common stock	949,680	949,680	949,680	949,680	949,680	
Total NTT DOCOMO, INC. shareholders equity *2	5,062,527	5,368,475	5,643,366	5,380,072	5,302,248	
Total Equity *2	5,108,771	5,410,565	5,678,644	5,402,616	5,343,105	
<b>Other Financial Data</b>						
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	708,838	731,632	752,997	699,860	662,469	
Net cash provided by operating activities	1,110,559	932,405	1,000,642	962,977	1,209,131	
Net cash used in investing activities	(974,585)	(701,934)	(703,580)	(651,194)	(375,251)	
Net cash used in financing activities	(378,616)	(260,967)	(269,793)	(734,257)	(583,608)	
Margins (percent of operating revenues):						
Operating income margin	20.6%	18.7%	18.4%	14.6%	17.3%	
	10.9%	11.0%	10.4%	9.4%	12.1%	

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Margin of net income attributable to NTT  
DOCOMO, INC. \*2

- \*1 As a result of reclassification in the fiscal year ended March 31, 2015, some elements (revenues from satellite mobile communications, cable television of overseas and other services) included in conventional Other operating revenues in the financial statements for the fiscal years ended March 31, 2012, 2013 and 2014 have been retroactively reclassified into Telecommunications services. The amounts of the reclassification are ¥7.5 billion, ¥8.5 billion and ¥8.2 billion for the fiscal years ended March 31, 2012, 2013 and 2014.
- \*2 Consolidated financial statements for the fiscal year ended March 31, 2013 have been revised due to the reinstatement of the equity method for an investee.
- \*3 Includes impairment of investments in affiliates. See Note 6 of Notes to Consolidated Financial Statements.
- \*4 As we conducted a 1:100 stock split with an effective date of October 1, 2013, Per Share Data for the fiscal years ended March 31, 2012 to 2014 are based on the number of shares after the stock split, respectively.
- \*5 Dividends per share were translated into U.S. dollars at the end of period.
- \*6 Working capital was computed by subtracting total current liabilities from total current assets.
- \*7 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 *1</b>	<b>Low *1</b>	<b>Average *2</b>	<b>Period-end</b>
2012	82.41	76.34	78.86	82.41
2013	94.16	77.92	83.26	94.16
2014	105.25	97.52	100.46	102.98
2015	119.96	101.28	110.78	119.96
2016	123.98	112.42	120.13	112.42
<b>Calendar Year 2015</b>				
December	123.52	120.27	121.64	120.27
<b>Calendar Year 2016</b>				
January	121.05	116.38	118.23	121.05
February	121.06	111.36	114.62	112.90
March	113.94	111.30	112.93	112.42
April	112.06	106.90	109.55	106.90
May	110.75	106.34	108.85	110.75
June (through June 3, 2016)	109.55	106.88	108.39	106.88

\*1 For fiscal years, calculated from the highest and lowest of the exchange rates on the last business day of each month during the relevant year.

\*2 For fiscal years, calculated from the average of the exchange rates on the last business day of each month during the relevant year. For calendar year months, calculated based on the average of daily closing exchange rates.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

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### **D. Risk Factors**

#### **Risks Relating to Our Business**

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:

*Changes in the market environment in the telecommunications industry, such as intensifying competition from other businesses or other technologies caused by Mobile Number Portability, development of appealing new handsets, new market entrants, mergers among other service providers and other factors, or the expansion of the areas of competition could limit the acquisition of new subscriptions and retention of existing subscriptions by our corporate group, or it may lead to ARPU diminishing at a greater than expected rate, an increase in our costs, or an inability to optimize costs as expected.*

Mobile Number Portability ( MNP ), the development of appealing handsets, the entry of new service providers, mergers among other service providers and other factors are intensifying competition for our corporate group from other service providers in the telecommunications industry. For example, other mobile service providers have introduced handsets that keep up with the needs and desires of customers, including handsets that support high-speed services and music/video playback, new services such as music and video distribution services, and flat-rate services for voice communications and e-mail, as well as installment sales methods for devices. If, in the future, other providers offer services that are more convenient or handsets that are more appealing to customers in the future, we may be unable to respond in a timely and suitable manner. If we are unable to build a network having a certain area and quality within the anticipated period of time, while other service providers build mobile communications networks with an area and quality that exceeds ours, customer satisfaction with our network may decline.

At the same time, competition is intensifying as a result of the introduction of other new services and technologies, especially low-priced and flat-rate services, such as fixed-line or mobile IP phones (including services that use applications that run on our smartphones and tablets), high-speed broadband Internet service, digital broadcasting, public wireless LAN using Wi-Fi, free or low-priced services of OTT<sup>\*1</sup> service providers, the provision of SIM<sup>\*2</sup> cards, or a combination of these services.

In addition to competition from other service providers and technologies in the telecommunications industry, there are other factors increasing competition among mobile network operators, such as saturation in the Japanese mobile communications market, changes to business and market structures and the environment due to the expansion of the areas of competition arising from the entry of competitors in the market, including MVNOs<sup>\*3</sup> and competitors from other industries. With the use of open platform devices like smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones, and in addition, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ( NTT East ) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ( NTT West ) started a wholesale optical-fiber access service which enables a diverse group of market participants to provide services utilizing optical-fiber connections and set discounts for fixed and mobile network services, so it is possible that such businesses and others may eventually launch services that are more convenient for customers, and further intensify rate competition. Moreover, there has been an increase in mobile communications operators entering into and collaborating with other industries, including due to factors such as the full liberalization of the electricity market, and rate competition could intensify due to discounts for packages incorporating services provided by operators in different industries.

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In this market environment, the decline in the number of net new subscriptions we acquire may accelerate in the future and the number of net new subscriptions we acquire may not reach the number we expect. Also, we may not be able to maintain existing subscriptions as customers migrate to other service providers due to increased competition. Furthermore, in order to capture new subscriptions and maintain existing subscriptions, there could be a greater-than-expected decline in ARPU and/or greater-than-expected costs. To provide advanced services and increase convenience to our customers under such market conditions, we have made various revisions, such as the provision of discounted services for each rate type. For example, we introduced services with a fixed discount from the monthly usage charges set for each type, and introduced fee plans for flat-rate domestic voice services *Kake-hodai & Pake-aeru* which enable customers to set and share monthly data quotas with family, and *Zutto DOCOMO Wari*, a discount service for long-term customers, and *U25 Ouen Wari* a discount plan for customers under 25 years of age. In addition, we introduced *docomo Hikari Pack*, which provides the *docomo Hikari* optical-fiber broadband service together with smartphones or mobile phones. In the current fiscal year, we also introduced *Kake-hodai Light Plan* and *Share pack 5* as new rate plans for light users. However, we cannot be certain that these revisions will enable us to acquire new and maintain existing subscriptions. It is also possible that the subscription ratio for various discount services or the trend in migration to flat-rate services may not be in line with our group's expectations, and our ARPU may decrease more than projected. Furthermore, if market growth slows or the market shrinks, ARPU may decrease even more than our forecast and we may not be able to capture new subscriptions or maintain the existing number of subscriptions at the level we expect. In addition, in order to reinforce our managerial structure, we are promoting increased efficiency related to our network, sales and services, research and development and narrowing our product line-up to concentrate resources. The push toward greater efficiency, however, may not proceed as expected, and costs may not be optimized as anticipated due to intense competition from other service providers and changes in the market environment.

These foregoing factors may have a material adverse effect on our financial condition and operating results.

\*1 Abbreviation of Over The Top. A business that does not own the communications infrastructure required for delivering their services and that delivers content services using the communication infrastructure of other companies.

\*2 Abbreviation of Subscriber Identity Module. An IC card inserted into a handset on which subscriber information is recorded, used to identify user.

\*3 Abbreviation of Mobile Virtual Network Operator. A business that borrows the wireless communication infrastructure of other companies to provide services.

***If current and new services, usage patterns, and sales schemes proposed and introduced by our corporate group cannot be developed as planned, or if unanticipated expenses arise the financial condition of our corporate group could be affected and our growth could be limited.***

We view increases in revenue as an important factor in our future growth. We aim to increase revenue by, for instance, promoting the more widespread use of smartphone services and of LTE (Xi) services, as well as the expansion of the use of packet communications and other data communications in relation to such services. Moreover, we look to increase returns through *smart life business* segment and *other businesses* segment as another important factor in future growth. However, a number of uncertainties may arise to prevent the development of these services and constrain our growth. For more information regarding *smart life business* and *other businesses* segments and the scope of the services that we provide through them, please see *B.4. Services* in Item 4.

Furthermore, if market growth slows or the market shrinks, 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 as to whether or not the following can be achieved:

To develop the cooperative relationships as anticipated by our corporate group with the partners needed to provide the services and/or forms of usage that we offer, with the software vendors that provide the operating systems and applications necessary to promote the use of smartphone and other services, with handset manufacturers, and content providers;

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To provide planned new services and forms of usage as scheduled and keep costs needed for the deployment and expansion of such services within budget;

The services, forms of usage, and installment sales and other methods that 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 FOMA (W-CDMA) and LTE (Xi) handsets, handsets compatible with services we provide, software such as the operating systems and applications necessary to encourage the use of smartphone services, as well as content in a timely fashion and at appropriate prices;

Demand in the market for mobile handsets will be as we envision and, as a result, our handset procurement costs will be reduced, we will be able to offer our handsets at appropriate prices, and we will not hold excess inventory;

Our current and future services, including (i) ISP services such as i-mode and sp-mode, (ii) fee plans and discounted services for use of voice and packet communications, (iii) artificial intelligent services like Shabette-Concier, (iv) the storage services like photo collection, (v) the services on dmarket such as dTV, dhits and dmagazine, ~~and initiatives~~, the convergence with various businesses, such as financial and payment services like dCARD and docomo insurance, commerce businesses run by OAK LAWN MARKETING, INC. and Radishbo-ya Co., Ltd. and life-related services run by docomo Health Care, Inc. and ABC Cooking Studio Co., Ltd. will be attractive to existing and potential subscribers and achieve continued or new growth;

As the foundation of our company's strategy and services, the increase in the number of smartphone users and the larger customer base resulting from d POINTs and d ACCOUNT will grow according to our business plans;

The services provided by our corporate group, based on an open platform system, will not be surpassed by more competitive and sought after services provided by other service providers; and

To expand services with improved data communication speed enabled by LTE<sup>\*2</sup>/LTE-Advanced<sup>\*3</sup> and other technology as planned. If the development of our corporate group's new services, forms of use or sales methods is limited or if development costs are more than anticipated, it may have a material adverse effect on our financial condition and results of operations.

\*1 Our value co-creation initiatives, which aim to deliver new values by making available the business assets that we have accumulated through our operations. For more information, please see "B.1. Business Overview" in Item 4.

\*2 Abbreviation of Long Term Evolution. A mobile communications protocol with specifications formulated by the 3rd Generation Partnership Project (3GPP).

\*3 An advanced mobile communication system standardized by 3GPP that maintains technical compatibility with LTE system..

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

The Japanese telecommunications industry has been undergoing regulatory reform in many areas, including rate regulation. Because we operate on radio spectrum allocated by the Japanese government, the mobile telecommunications industry in which we operate is particularly affected by the regulatory environment. Furthermore, in some cases, our group is subject to special regulations that are not imposed on other providers. 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, regulations, or systems that could have an adverse effect on us. These include:

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Request to provide a rate plan that takes into consideration the various needs of users and reduces users' monthly payments for smartphone usage;



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Request and guidelines concerning smartphone pricing;

Regulations to accelerate competition in the handset area, such as SIM unlocking regulations;

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

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

Rules that could require us to open functions regarding our services, such as i-mode and sp-mode services, to platform providers, Internet service providers, content providers, etc.;

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

Regulations that would prohibit or restrict the provision of discounted services by our corporate group premised on continuous usage term agreements, including cancellation charges;

Introduction of a system allowing for the cancellation of mobile phone subscriptions early in the contract period;

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 on the sale, promotion, pricing and others for docomo Hikari and other optical-fiber services realized by the wholesale services of NTT East and NTT West;

Fair competition measures to promote new entry and to provide cheaper and various services by MVNOs;

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

Review of the structure of the NTT group, which includes our group; and

Other measures, including the revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

In addition to the above proposed changes that may impact the mobile communications business, we may be impacted by a variety of laws, regulations, and systems inside and outside of Japan. For example, in response to an increase in the number of subscriptions or in the traffic\* per subscriber, we have proceeded with the enhancement of our telecommunications facilities in order to ensure and improve our service quality. As a result, we are using an increasing amount of electricity. Moreover, we are implementing measures directed towards reducing greenhouse gas emissions, including deployment of low-power consumption devices and efficient power generators. However, with the implementation of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect

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on our financial condition and results of operations. Also, the financial condition and operating results of our corporate group may be adversely affected by the increased cost of maintaining and operating the facilities we require for providing our services on account of electricity cost increases due to high fuel prices. In July 2010 the Dodd Frank Wall Street Reform and Consumer Protection Act was signed into law in the United States. Based on this, the U.S. Securities and Exchange Commission established rules in August 2012 requiring listed companies that use designated minerals in their products to disclose whether such minerals come from the Democratic Republic of the Congo and adjoining countries. The implementation of these rules could have an adverse effect on our financial condition and operating results in the form of higher costs arising from expense of conducting the research needed for regulatory compliance or from an increase in the prices of materials that use such minerals.

Further still, in order to ensure new sources of revenue, we are pursuing +d initiatives to create new value through the convergence of mobile services with various services and industries. Therefore, we are vulnerable to

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the impact of laws, regulations and systems specific to new services, operations and areas of business, in addition to the laws, regulations and systems applicable to the mobile communications business. If such laws, regulations, or systems are implemented, they may work as constraints on our group's business operations, and this may have an adverse effect on our group's financial condition and corporate performance.

It is difficult to predict with certainty if any proposed changes impacting the mobile telecommunications business, or if any other relevant laws, regulations or systems will be drafted, and if they are implemented, the extent to which our business will be affected. However, if any one or more of the above proposed changes impacting the mobile telecommunications business occurs, or if laws, regulations or systems are introduced, reformed, or become applicable to us, we may experience constraints on the provision of our mobile communication services, which may have an adverse effect on our financial condition and results of operations.

\* The total volume of transmissions.

***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 and could increase our costs.***

One of the principal limitations on a mobile communication network's capacity is the available radio frequency spectrum we can use. There are limitations in the spectrum and facilities available to us to provide our services. As a result, in certain parts of metropolitan Tokyo and Osaka, such as areas near major train stations, our mobile communication network operates at or near the maximum capacity of its available spectrum during peak usage periods, which may cause reduced service quality.

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

Also, in order for us to establish specified base stations to use the radio frequencies allocated to us, it may require (i) measures for the acceleration of the transfer of existing radio stations that are currently using the same spectrum for other uses or (ii) discussion regarding agreements to share the same spectrum. If measures for the acceleration or discussion do not proceed as planned, our corporate group may not be able to operate its mobile communication network smoothly, service quality may decline, and additional expenses may arise.

Although we are working to improve the efficiency of our spectrum use through technology such as LTE/LTE-Advanced, including migration to LTE and other measures and to acquire additional spectrum, we may be unable to avoid a reduced quality of services.

In addition, due to the limited processing capacity of our base stations, switching facilities, and other equipment necessary for providing services, the quality of the services we provide may also decrease during peak usage periods if our subscription base dramatically increases or the volume of content such as images and music provided through our networks significantly expands. Also, in relation to our FOMA and LTE (Xi) services, the growth in the number of service subscribers and traffic per subscriber could significantly exceed our expectations due to the proliferation of smartphones and tablets as well as data communication devices for PCs. Furthermore, some of the software that runs on smartphones and tablets could result in greater use of control signals (the signals exchanged between devices and the network) in order to establish and terminate communications, and could therefore put a greater-than-anticipated burden on our facilities. If it becomes impossible to process such traffic using our existing equipment, service quality may deteriorate, communication interruptions may arise and the cost of investing in equipment to address these issues could increase.

We are endeavoring to reinforce the network foundation in order to cope with future increases in smartphone traffic. If unforeseen circumstances should arise, such as communication interruptions due to an increase in the number of subscribers and traffic and/or control signals per subscriber, and we are not able to

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address such problems sufficiently and in a timely manner, our ability to provide mobile communication services could be constrained or we could lose customers' trust, and as a result, we could lose subscribers to our competitors. At the same time, the cost of investing in equipment to address these issues could increase, and this could materially affect our financial condition and results of operations.

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

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

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

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

If such technologies and frequency bands compatible with those we have adopted do not develop as we expect and if we are not able to maintain or improve the quality of our overseas services, our financial condition and results of operations may be adversely affected.

***Our domestic and international investments, alliances and collaborations, as well as investments in new business fields, 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 can assist us in achieving this objective. We are also promoting this strategy by investing in, entering into alliances with, and collaborating with domestic companies and investing in smart life business and other businesses.

However, there can be no assurance that we will be able to maintain or enhance the value or performance of the past or future investments or joint ventures established, or that we will receive the returns or benefits we expect from these investments, alliances and collaborations. In our investments in smart life business and other businesses anticipated synergies may not be realized due to uncertain and unforeseeable ancillary factors, as we have little experience in such businesses, and these factors may have an impact on our strategy. Furthermore, losses may arise due to dissolution or divestiture of investments, alliances and collaborations.

In recent years, the companies in which we have invested have experienced a variety of negative impacts, including severe competition, increased debt burdens, 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 it is not regarded as a temporary decline, our corporate group 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.

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### ***Malfunctions, defects or imperfections in our products and services or those of other parties may give rise to problems.***

Various functions are mounted on the mobile handsets we provide. Additionally, a large number of vendors, including our partners and other companies, provide services via the mobile handsets that we provide. If any problems arise due to the imperfection in a product or service provided by the Company or by another vendor such as technological problems in the handsets provided by us or by outside vendors or in software or systems, or if any other failures, defects, or losses arise, such problems could diminish our credibility or corporate image, lead to an increase in cancellations of subscriptions, or result in an increase in expenses for indemnity payments to subscribers, and our financial condition or results of operations may be affected. Furthermore in an effort to ensure new sources of revenue, we are pursuing initiatives toward the expansion of smart life business segment and other businesses segment. Should problems arise due to imperfections in products or services we offer through smart life business and other businesses segments, such problems could diminish our credibility or corporate image and our financial condition or results of operations may be affected. Certain events may lead to a decrease in our credibility and corporate image, an increase in cancellations of subscriptions or increased costs. The following are possible examples of such events:

Malfunctions, defects or breakdowns in any of the various functions built into our handsets;

Malfunctions, defects or failures in the software and systems necessary for the services we provide;

Malfunctions, defects or failures in handsets or services originating from imperfection in services of other parties;

Leaks or losses of information, e-money, reward points, or content due to malfunctions, defects or failures in handsets, software, or systems or imperfection in services of other parties;

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

Improper access or misuse of customer information/data stored on handsets or servers, such as usage histories and balances, by a third party;

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

Harm or losses to customers due to defects in products or services offered through an e-commerce business such as a home shopping service, or products and services offered on one of our platforms, such as dmenu or dmarket.

### ***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 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 subscribers.

For example, there are cases of unsolicited bulk e-mails being sent through our e-mail services, including docomo mail, sp-mode mail, 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 suspending our services to 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 may damage our corporate image, leading to a reduction in the number of sp-mode or i-mode subscriptions.

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The mobile phones used in connection with crimes such as billing fraud are most often rental mobile phones. To combat these misuses of our services, we have introduced various measures such as refusing to

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provide services to unscrupulous mobile phone rental companies that violate the Mobile Phone Improper Use Prevention Act, such as by not confirming the identity of the individual at the time of rental. However, in the event that criminal usage increases, mobile phones may be regarded as a societal problem, which may lead to an increase in the cancellation of contracts.

In addition, problems have arisen from the fact that subscribers were charged fees for packet communication at higher levels than they anticipated as a result of using mobile phones without fully recognizing the increased volume and frequency of the use of packet communications as our handsets and services became more sophisticated. There have also been problems with high charges due to excessive use of paid content services, and problems due to an increasing amount of trouble and number of accidents caused by the use of mobile phones while driving, riding a bicycles or walking. Further, there are currently a variety of discussions concerning such issues as the pros and cons of elementary and junior high schools students having mobile phones, the sufficiency and accuracy of our access restriction service to screen harmful web sites ( filtering service ), which applies generally to subscribers under 18 years of age in accordance with the enactment of the Act on Establishment of Enhanced Environment for Youth s Safe and Secure Internet Use, and the increase in harm caused by the use of CGM\* by young people, as they increasingly have access to the Internet from their mobile phones. These issues may similarly damage our corporate image.

We believe that we have properly addressed the social issues involving mobile phones by providing various services such as a filtering service and access restriction services with user age authentication and cell phones specifically designed for young people. However, it is uncertain whether we will be able to continue to respond appropriately to those issues in the future. Should we fail to do so, we may experience an increase in the cancellation of existing subscriber contracts or fail to acquire new subscribers as expected, and this may affect our financial condition and results of operations.

\* Abbreviation for Consumer Generated Media. Media which is created by consumers over the Internet, such as Social Networking Services ( SNS ).  
***Inadequate handling of confidential business information including personal information by our corporate group, contractors and others, may adversely affect our credibility or corporate image.***

We possess information on numerous subscribers in telecommunications, smart life 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 that includes thorough management of confidential information such as personal information, employee education, supervision of subcontractors and the strengthening technological security.

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

***Owners of intellectual property rights that are essential for our business execution may not grant us a license or other use of such intellectual property rights, which may result in our inability to offer certain technologies, products and/or services, and our corporate group may also be held liable for damage compensation if we infringe the intellectual property rights of others. In addition, the illicit use by a third party of the intellectual property rights owned by our corporate group could reduce our license revenues actually obtained and may inhibit our competitive superiority.***

For us and our business partners to carry out our business, it is necessary to obtain licenses and other rights to use the intellectual property rights of third parties. Currently, we are obtaining licenses from the holders of the rights concerned by concluding license agreements. We will obtain the licenses from the holders of the rights concerned if others have the rights to intellectual property necessary for us to operate our business in the future.

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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 or our business partners might 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 required to expend considerable time and expense to reach a resolution. If such claims are acknowledged, we may be liable to pay damages for infringement of the rights concerned, which may adversely affect our financial condition and results of operations.

Furthermore, the illicit use by a third party of the intellectual property rights owned by our corporate group could reduce our license revenues actually obtained and may inhibit our competitive superiority.

***Events and incidents caused by natural disasters, social infrastructure paralysis such as power shortages, the proliferation of harmful substances, terror or other destructive acts, the malfunctioning of equipment, software bugs, deliberate incidents induced by computer viruses, cyberattacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks, distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers, and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.***

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 duplicative systems. However, despite these measures, our system could fail for various reasons, including malfunctioning of system hardware and software, natural disasters such as earthquakes, tsunamis, typhoons and floods, paralysis of social infrastructure, such as power shortages, terrorism, and similar events and incidents, and the inability to sufficiently operate and maintain network facilities due to, for example, the proliferation of harmful substances or the spread of an epidemic. These system failures can require an extended time for repair and, as a result, may lead to decreased revenues and significant cost burdens, and our financial condition and results of operations may be adversely affected.

There have been instances in which tens of millions of computers worldwide were infected by viruses through fixed line Internet connections. As smartphones become more widespread, however, a growing number of viruses are also targeting mobile handsets. Similar incidents could occur on our networks, handsets, or other equipment. If such a virus entered our network or handsets or other equipment through such means as hacking, unauthorized access, or otherwise, or if there was a cyber -attack, our system could fail, the services we provide could become unusable service quality could be impacted and/or confidential information could be leaked. In such an instance, the credibility of our network, handsets and other equipment and customer satisfaction could decrease significantly. Although we have enhanced security measures including systems to block unauthorized access, remote downloading for mobile phones, and the provision of Anshin Net Security, an antivirus solution for smartphones in order to provide for unexpected events, such precautions may not make our system fully prepared for every contingency. Moreover, software bugs, incorrect equipment settings, and human errors that are not the result of malfeasance could also result in system failures, diminished service quality, or leaks of confidential information.

In addition, events or incidents caused by natural disasters, social infrastructure paralysis, the proliferation of harmful substances, the spread of an epidemic, or any other event could force our offices or critical business partners, including sales agencies, to suffer constraints on business operations or to temporarily close their offices or stores. In such a case, we would lose the opportunity to sell or provide goods and services and also may not be able to respond appropriately to subscription applications and requests from subscribers, such as after-sales service requests.

If we are unable to properly respond to any such events, our credibility or corporate image may decrease, and we may experience a decrease in revenues as well as significant cost burdens, and if market growth slows or



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the market shrinks due to any such event, ARPU may decrease below our forecast, or we may not be able to gain new subscriptions or maintain the existing number of subscriptions at the level we expect. All of these factors may affect our financial condition and results of operations.

***Concerns about adverse health effects arising from wireless telecommunications may spread and consequently adversely affect our financial condition and results of operations.***

Through various media sources and the internet, information has been disseminated indicating that there is concern about whether radio wave emissions from mobile handsets and other wireless telecommunications devices may adversely affect people's health or may interfere with electronic medical devices including hearing aids and cardiac pacemakers. Such concerns about the possible risks associated with wireless telecommunication devices could adversely affect our corporate image, financial condition, and results of operations through increased cancellations by existing cellular subscribers, reduced subscriber growth, reduced usage per subscriber, and the introduction of new regulations or restrictions or litigation. The radio emissions from our cellular handsets and base stations comply with the electromagnetic safety guidelines established by the Japanese government, which are equivalent to the international guidelines of the International Commission on Non-Ionizing Radiation Protection, which are endorsed by the World Health Organization WHO. The WHO has also stated that if the level of the radio emissions from mobile devices is lower than the international guidelines, it will not affect the health of their users and others. Research and studies on the effect of radio wave emissions on people's health are being conducted by foreign research institutes such as the WHO and the Ministry of Internal Affairs and Communications, or the MIC. While no evidence of an adverse effect on people's health has been found as of yet, there can be no assurance that, going forward a link between radio wave emissions and health problems will not be identified in the results of future research or studies.

Furthermore, MIC and the Electromagnetic Compatibility Conference Japan have confirmed that electronic medical devices such as cardiac pacemakers can be affected by electromagnetic interference from cellular phones and other wireless equipment, and has created guidelines on safe usage to provide information to the general public. We are working to provide information to ensure that our subscribers are sufficiently aware of these precautions when using cellular phones. There is a possibility that modifications to regulations and new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

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

As of March 31, 2016, NTT owned 65.66% of our outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications (currently the 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 but 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, 2016, NTT owned 65.66% 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 13,501,457,000 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 one 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

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of ADSs must surrender for cancellation and withdrawal of shares using ADRs (each of which evidences 1ADSs). As a result, holders of ADSs will be unable to withdraw fractions of shares from the depository 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 depository 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 depository, 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 audit & supervisory board members.***

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

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

Our Articles of Incorporation, Regulations of the Board of Directors and the Companies Act of Japan (*Kaishaho*, or Companies Act) 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.

***We expect voluntarily to delist our ADSs from the NYSE and we plan to effect deregistration and termination of our on-going reporting obligations under the Securities Exchange Act of 1934.***

On April 28, 2016, we announced that our Board of Directors resolved to apply for voluntary delisting of our ADSs from the New York Stock Exchange (the NYSE) around March 2018. In connection with the delisting, we intend to file for the termination of registration of our ADSs and of our on-going reporting obligations under the U.S. Securities Exchange Act of 1934 in around March 2018. After the delisting of our ADSs from the NYSE, we intend to maintain our ADR Program in the U.S. and therefore anticipate that our ADSs will continue to be traded in the U.S. on the over-the-counter market. The market for our ADSs may be significantly less liquid following our delisting of our ADSs from the NYSE.

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Furthermore, while we currently prepare and disclose our financial statements in accordance with U.S. GAAP, the Company is considering preparing and disclosing its financial statements in accordance with International Financial Reporting Standards ( IFRS ) beginning with the three months ending June 30, 2018.

*Our shareholders of record on a record date may not receive the dividend they anticipate.*

The customary dividend payout practice and relevant regulatory regime of publicly listed companies in Japan may differ from that followed in foreign markets. While we may announce forecasts of year-end and interim dividends prior to the record date, these forecasts are not legally binding. The actual payment of year-end dividends requires a resolution of our shareholders. If the shareholders adopt such a resolution, the year-end dividend payment is made to shareholders as of the applicable record date, which is currently specified as March 31 by our Articles of Incorporation. However, such a resolution of our shareholders is usually made at an ordinary general meeting of shareholders held in June. The payment of interim dividends requires a resolution of our Board of Directors. If the board adopts such a resolution, the dividend payment is made to shareholders as of the applicable record date, which is currently specified as September 30 by our Articles of Incorporation. However, the board usually does not adopt a resolution with respect to an interim dividend until September 30.

Shareholders of record as of an applicable record date may sell shares after the record date in anticipation of receiving a certain dividend payment based on the previously announced forecasts. However, since these forecasts are not legally binding and resolutions to pay dividends are usually not adopted until after the record date, our shareholders of record on record dates for year-end or interim dividends may not receive the dividend they anticipate.

### **Item 4. Information on the Company**

#### **A. History and Development of the Company**

We are a joint stock corporation organized under the Companies Act. We were incorporated and registered 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 (NTT DOCOMO, INC. since June 2010). 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 ( NTT ), the holding company of NTT group. NTT group is 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 Ministry of Posts and Telecommunications (currently the MIC), 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.

For a discussion of recent and current capital expenditures, please see B. Liquidity and Capital Resources Capital Expenditures in Item 5.

In addition, for a discussion of our decision to apply for voluntary delisting of our ADSs from the NYSE around March 2018, please see A. Offer and Listing Details Price Ranges of Shares in Item 9.

#### **B. Business Overview**

##### **1. Business Overview**

We primarily engage in mobile telecommunications services as a member of the NTT group, for which NTT serves as the holding company.

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Together with our 124 subsidiaries and 27 affiliates, we conduct business as the NTT DOCOMO group. Our major subsidiaries and affiliates as of March 31, 2016 are listed below.

Name	Percentage Voting Interest
<b>Service Subsidiaries* : 12</b>	
DOCOMO CS Chugoku, Inc.	100%
DOCOMO CS Hokkaido, Inc.	100%
DOCOMO CS Hokuriku, Inc.	100%
DOCOMO CS, Inc.	100%
DOCOMO CS Kansai, Inc.	100%
DOCOMO CS Kyushu, Inc.	100%
DOCOMO CS Shikoku, Inc.	100%
DOCOMO CS Tohoku, Inc.	100%
DOCOMO CS Tokai, Inc.	100%
DOCOMO Support, Inc.	100%
DOCOMO Systems, Inc.	100%
DOCOMO Technology, Inc.	100%
<b>Other Subsidiaries: 112</b>	
ABC Cooking Studio Co.,Ltd.	51.0%
Buongiorno S.p.A.	100%
DCM Reinsurance Company, Inc.	100%
DOCOMO ANIME STORE, INC.	60.0%
DOCOMO Datacom, Inc.	66.2%
DOCOMO Digital GmbH	100%
docomo Healthcare, Inc.	66.0%
DOCOMO Innovations, Inc.	100%
DOCOMO PACIFIC, INC.	100%
DOCOMO PACIFIC (SAIPAN), INC.	100%
D2C Inc.	51.0%
MAGASseek Corporation	75.0%
mmbi, Inc.	100%
net mobile AG	95.8%
Nihon Ultmarc Inc.	100%
NTT DOCOMO USA, Inc.	100%
OAK LAWN MARKETING, INC.	51.0%
Radishbo-ya Co., Ltd.	90.0%
Tower Records Japan Inc.	50.3%
and other subsidiaries	
<b>Affiliates: 27</b>	
Avex Broadcasting & Communications Inc.	30.0%
FeliCa Networks, Inc.	38.0%
Hutchison Telephone Company Limited.	24.1%
Nippon Telecommunications Network Co., Ltd.	37.4%
NTT Broadband Platform, Inc.	22.0%
NTT Resonant Inc.	33.3%
Philippine Long Distance Telephone Company	8.6%
RecoChoku Co., Ltd.	34.2%
Robi Axiata Limited	8.4%
Sumitomo Mitsui Card Company, Limited.	34.0%
Tata Teleservices Limited	26.5%

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Name	Percentage Voting Interest
VMG Media Joint Stock Company	24.5%
ZENRIN DataCom Co., Ltd. and other affiliates	18.1%

\* These service subsidiaries provide operational services such as call center and agency support operations, communication network construction, maintenance operations and corporate sales to NTT DOCOMO, INC.

The Company engages in telecommunications, smart life and other businesses. For more information regarding our business segments, please see B.4. Services in Item 4.

We operate our business mainly in Japan, and do not generally experience significant seasonality.

**Breakdown of Operating Revenues**

	Millions of yen Year ended March 31,		
	2014	2015	2016
Telecommunications business	¥ 3,827,328	¥ 3,654,565	¥ 3,689,779
Smart life business	366,202	443,320	504,129
Other businesses	292,805	313,492	359,276

**Competitive Environment**

The environment for Japan's mobile communications market is significantly changing due to the rapid penetration of smartphones/tablets and to government policies to promote competition in areas such as the new entry of MVNOs, the mandatory unlocking of SIM cards and the MIC's proposal of the Task Force on Review of Services from Users' View Point and the Task Force on Mobile Phone Rates and other Conditions.

There are presently three mobile network operators in Japan: DOCOMO, KDDI CORPORATION and its subsidiaries ( KDDI group ) and SoftBank Corp. and its subsidiaries ( SOFTBANK group ). As of March 31, 2016, we had a market share of 45.3%, KDDI group had a market share of 29.3% and SOFTBANK group had a market share of 25.3%.

As of March 31, 2016 we had approximately 70,964 thousand cellular subscribers, an increase of approximately 4,368 thousand from the end of the previous fiscal year. Also, our cellular churn rate for March 2016 was 0.62%.

Although future growth of new subscribers for conventional voice use is expected to be limited as the penetration rate rises and the population declines, in recent years, the development of new markets for products such as demand for second devices such as tablets and mobile Wi-Fi routers, in addition to embedded communication modules, and rising numbers of subscribers due to an increase in corporate subscriptions, have helped drive growth in new subscriptions.

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The number of cellular subscriptions for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	Thousands		
	Year ended March 31,		
	2014	2015	2016
Cellular subscriptions <sup>*1</sup>	63,105	66,595	<b>70,964</b>
LTE (Xi) subscriptions <sup>*1</sup>	21,965	30,744	<b>38,679</b>
FOMA subscriptions <sup>*1</sup>	41,140	35,851	<b>32,285</b>
Estimated market share of total subscriptions	43.8%	43.6%	<b>45.3%</b>
Subscription growth rate	2.6%	5.5%	<b>6.6%</b>
Average monthly churn rate <sup>*1*2</sup>	0.82%	0.61%	<b>0.62%</b>

\*1 The number of cellular subscriptions, LTE (Xi) subscriptions and FOMA subscriptions includes communication module services subscriptions.

\*2 In general, the term churn rate is defined as the percentage 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<sup>\*1</sup> 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<sup>\*2</sup> from April to March.

\*1 The calculation method of churn rate has been changed from the fiscal year ended March 31, 2016. Accordingly, the churn rates for the fiscal year ended March 31, 2014 and 2015 have also been changed. Data are calculated excluding the subscriptions and cancelation of subscriptions of Mobile Virtual Network Operators (MVNOs).

\*2 Active cellular subscriptions = (number of subscriptions at the end of previous month + number of subscriptions at the end of current month) / 2

Furthermore in the fixed-line communications market, Hikari Collaboration Model, which is a wholesale business model for fiber access that commenced in February 2015, has enabled telecommunications operators and a wide range of other players to provide services utilizing optical fiber, and competition transcending the traditional boundaries of the fixed-line communications market has further intensified.

Meanwhile, by accepting the wholesaling of fiber access services provided by NTT East and NTT West, it has become possible to provide optical-fiber broadband service ourselves from March 2015, we launched the docomo Hikari service (DOCOMO's optical-fiber broadband service) and docomo Hikari Pack, making the first step in our journey for offering new added value through the convergence of fixed-line and mobile communications services.

Since the start of the service in March 2015, docomo Hikari has enjoyed positive reviews from many customers and the total number of subscriptions exceeded 1.0 million in December 2015. Moreover, the total number of subscription applications extended 1.84 million and the total number of subscriptions to docomo Hikari reached 1.57 million at the end of March 2016.

In response to these changes in the market environment, we have launched +d value co-creation initiatives, aiming to deliver new values by making available the business assets that we have accumulated through our operations, such as our payment platform and loyalty program, to a large number of external partners. As part of this endeavor, we have rebranded the former docomo Point program into d POINT to offer a point service that is highly convenient and useful for our customers with the aim of expanding the structure of the +d activities.

Although our business environment changes day-to-day and moment-to-moment, we are endeavoring to strengthen our competitiveness based on the business strategy described below.

**Business Strategy**

We developed our corporate vision for 2020<sup>\*1</sup>, HEART: Pursuing Smart Innovation to propel further growth and propose new values to society in anticipation of future social changes.

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Also, under the banner of becoming a Smart Life Partner for our customers, we tackled the challenge of reinforcing our competitiveness in telecommunications business and stepped up our efforts in the smart life business and other businesses.

### Initiatives to be Implemented over the Medium Term

In order to respond to our customers' needs on an ongoing basis, by further evolving our relationships with various external partners through open collaboration, we will continue to create new added value by moving forward with our added initiatives.

Specifically, we, together with our partners, will roll out initiatives in order to co-create new added value, making available to our partners our own business assets, such as dCARD, our payment platform and dPOINT, point program. Through these endeavors, we will aim to deliver more benefits, more fun and more convenience to our customers in tandem with our partners.

In addition to creating value for our customers, we will also strive to offer new value to various of our partners. Particularly, in the areas of IoT, Regional Revitalization, 2020, and Solution of Social Issues, we will move forward with the co-creation of social values, creating new services and businesses in collaboration with our partners and utilizing the assets of both parties, with the goal of capturing revenue opportunities in new business fields that transcend the confines of industries or business formats.

\*1 2020 refers to the anticipated increase in tourism and general economic activity, between now and 2020 and the opportunity to develop various new products and services to capture this anticipated increase in demand.

\*2 Abbreviation for Internet of Things. A concept that describes a world in which everything is connected to the Internet, enabling remote control and management of devices, etc.

### FY2016 Priority Initiatives

Positioning FY2016 as the year in which we intend to make a vibrant leap toward further growth beyond income recovery, we will work concurrently on expanding our telecommunications business and reinforcing our smart life business and other businesses.

#### Expansion of Telecommunications Business

In FY2016, we expect a full-scale reexamination of handset prices and tariffs throughout the mobile industry. In light of these expected changes, we will reinforce our focus on families and strengthen our ability to propose comprehensive offerings comprising mobile phones, optical-fiber and other services. In this way, we plan to take the lead in changing the field of competition in the mobile industry.

As part of this endeavor, in March 2016 we introduced new billing plan offerings for light-usage customers, consisting of the new data package Share Pack 5, enabling families to share 5MB of data, and the expansion of the applicability of the Kake-hodai Light voice plan to lower volume data packages. In addition, starting June 2016, we will launch new offerings for long-term users consisting of two new rate options allowing customers to choose subscriptions with or without cancellation fees, increased discounts in the Zutto DOCOMO Wari scheme and the addition of reward points for customers renewing their subscriptions.

We will aim to secure income from telecommunications business through an ARPU increase resulting from expanded adoption of the new billing plan and on-going cost efficiency improvement efforts.

#### Reinforcement of Smart Life Business and Other Businesses

With respect to our smart life business and other businesses, we will work to grow our subscriptions by further enriching the services and content offered on our dmarket marketplace, such as dTV, dhits and dmagazine. We will also step up the added initiatives that we pursue together

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with our partners for new value creation by combining our finance/payment platforms, point program and other business assets that we have accumulated in our operations with those assets of our partners. We will also work to enhance the attractiveness of our d POINT loyalty point program by increasing the number of participating partners and accelerate the adoption of d ACCOUNT.

### **2. Networks**

We currently provide our services mainly on LTE and W-CDMA networks.

#### ***LTE Development***

In December 2010, we launched LTE service for data communications devices. In November 2011, we expanded the service to smartphones. We continue our efforts to take advantage of our experience and expertise as a LTE service pioneer to build a robust network pursuing convenience, peace and safety. We are endeavoring to provide a high quality communications environment offering faster speeds and broader reach in future.

To offer a more convenient network service to our customers, we have expanded the coverage of our PREMIUM 4G\* to 976 cities across Japan as of March 31, 2016. Meanwhile, we also started offering a maximum downlink speed of 300Mbps in selected areas from October 2015.

In addition, we conducted surveys of effective data speeds adhering to the Guidelines for the Effective Speed Measurement Method of Internet Connection Services Provided by Mobile Telecommunications Carriers and Information Providing Method, etc. for Users defined by the Ministry of Internal Affairs and Communications. The results indicated that we offer both high download speeds and high upload speeds (the median (Android + iOS) of our download speeds is 71Mbps and that of our upload speeds is 21Mbps).

\* Name of our high-speed network services using the LTE-Advanced system.

#### ***Spectrum Use Status***

The MIC has allocated a total bandwidth of approximately 530MHz as radio frequencies available for use for LTE/W-CDMA networks (3.5GHz, 2GHz, 1.7GHz, 1.5GHz, 900MHz, 800MHz, 700MHz and 2GHzTDD). Of this, we have been allocated 6 frequency bands (3.5GHz, 2GHz, 1.7GHz, 1.5GHz, 800MHz and 700MHz) to operate our networks.

##### **2GHz Band:**

The 20MHz x 2 allocated in the 2GHz band is jointly used by our LTE and W-CDMA networks. A maximum 20MHz x 2 is used for our LTE network.

##### **1.7GHz Band:**

The 20MHz x 2 allocated in the 1.7GHz band is jointly used by our LTE and W-CDMA networks in the Kanto, Kansai and Tokai areas. We also intend to expand use for the LTE network in the future.

##### **1.5GHz Band:**

The 15MHz x 2 allocated in the 1.5GHz band is used by our LTE network.

##### **800MHz Band:**

The 15MHz x 2 allocated in the 800MHz band is jointly used by our LTE and W-CDMA networks. The maximum 15MHz x 2 is used for our LTE network.

##### **700MHz Band:**



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With regard to our plan to open specified base stations to be used for the 700MHz band, approval was received from the Minister of MIC in June 2012. In addition, the Association of 700MHz Frequency Promotion was established by 4 operators (NTT DOCOMO, Inc., KDDI Corporation, eAccess Ltd. (currently SoftBank Corp.) and Okinawa Cellular Telephone Company) that were approved at the same

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time. Together with the appropriate transfer of new frequency bands to existing licensees currently using the frequencies, receiver measures for overland digital TV broadcasts are being implemented. Since May 2015, we have been using the 10MHz x 2 allocated in the 700MHz band for LTE services.

3.5GHz Band:

With regard to our plan to open specified base stations to be used for the 3.5GHz band, approval was received from the Minister of MIC in December 2014. We intend to commence the provision of TDD-format LTE services in the 40MHz (TDD) block allocated in the 3.5GHz band from June 2016.

### ***Effort to Assure Stable Network Quality***

To provide customers with a more stable and convenient communication environment, we reinforce our network platform to respond to increases in data traffic due to smartphone use resulting from the provision of richer content and new services. For example, we expanded network capacity, mainly the PREMIUM 4G which utilizes the frequency band efficiently, as we enhanced the communication network facilities.

In March 2016, we commenced the operation of a commercial network utilizing virtualization techniques. The employment of equipment using these techniques from March 2016 allowed us to offer higher quality network services to our customers. The techniques realized better connectivity in cases of network congestion and higher reliability in the event of the failure of facilities.

In addition, with the aim of reinforcing our communication capacity in densely populated areas during wide-area disasters or power outages, we moved ahead with the conversion of large-zone base stations to make them compatible with LTE in order to increase the communication capacity by approximately three fold. Furthermore, we have rolled out medium-zone base stations across Japan to secure communications in the centers of coastal and mountainous areas.

Furthermore, in order to establish and maintain our high-quality network economically and efficiently, we provide fair competitive opportunities, foster mutual understanding and build trusting relationships with suppliers, and purchase high-quality network equipment at low cost from suppliers inside and outside Japan in accordance with our procurement policies, which emphasize compliance with CSR and various laws.

## **3. Products**

We purchase products from vendors and then sell them to mainly our sales agency who sell these products to our subscribers.

To expand our smartphone user base and to facilitate the adoption of multiple devices by a single user in order to meet the diverse needs of customers, we have strived to enrich our product lineup. In the fiscal year ended March 31, 2016, we introduced 18 smartphone models, four tablet models, three feature phone models and one data communication device model, and sold approximately 26.05 million units. Sales of each type of device are discussed below.

### ***Smartphones/Tablets***

For the 2015 summer collections, we are the first in the world to release a smartphone equipped with as well as other biometric functions, including fingerprint recognition an iris recognition authentication system. In this way, we made efforts to offer customers simpler authentication methods than entering a password for various services that DOCOMO offers. For the 2015-2016 winter/spring collections, we launched the sales of smartphones featuring PREMIUM 4G and 4K-supported displays, allowing customers to enjoy photos and videos with higher resolution. In addition, we expanded the lineup of devices to meet the diverse needs of customers, including the latest models of the popular iPhone and iPad.

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As a result of the above, the number of smartphones and tablets sold was 15.44 million units, an increase of 0.84 million units over the number sold last term, reaching approximately 60% of total sales for the fiscal year ended March 31, 2016.

### ***Data Communications Devices***

We offer a wide range of data communication devices for selection, depending on usage, including mobile Wi-Fi routers, USB data cards, and the like.

We introduced one mobile Wi-Fi router as a part of our 2015-2016 winter/spring collection, that have built-in LTE-Advanced capability, a technology that supports download speeds of up to 300Mbps.

In addition, our communication modules can be used in various situations in everyday life and business situations, such as for managing taxi and bus operations, monitoring and controlling power and gas facility devices, distributing contents to information posting systems, managing inventory for vending machines and managing payment with mobile devices.

### ***Other Communications Devices***

For the 2015 summer collections, in addition to the previous feature phones, we launched two feature phone models equipped with Android OS, and for the 2015-2016 winter/spring collections, we launched one feature phone model equipped with the (non-Android OS and non-iOS) OS that we have traditionally used on our feature phones. As a partner for a smart life for each and every customer, we offer a diverse range of communications devices to make customers' lives more secure, safe, convenient and comfortable.

## **4. Services**

By providing high-speed communication services through PREMIUM 4G and docomo Hikari optical broadband service, we have made efforts to provide a comfortable environment for telecommunications, allowing our customers to enjoy the breadth, speed, and convenience of our networks. Furthermore, in our smart life business and other businesses, in addition to growing our services, such as dmarket, for providing various content, we are also developing new value-added services through +d initiatives founded on co-creation with various external partners.

### ***Telecommunications Services***

#### **Mobile Communications Services**

We currently offer voice, data, and other value-added services through our LTE (Xi) and FOMA services.

As a result of our efforts to improve the contents and services we offer for smartphones as well as expand the smartphone market, our LTE (Xi) service subscriptions rose to approximately 38.68 million as of March 31, 2016.

In addition, other main services among mobile phone services include international services such as international calling service and international roaming service, public wireless LAN service docomo Wi-Fi, services for corporate customers such as Office Link, a service that allows mobile phones to be used as internal lines, Business Mopera Anshin Manager, which enables the unified control of corporate mobile phones, and a satellite cell phone service.

#### **Optical-fiber Broadband Service**

In order to provide a broadband communications environment to allow users to enjoy high-speed service both indoors and outdoors, in March 2015, we commenced docomo Hikari service, our optical-fiber broadband

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service that enables high-speed access at speeds of up to 1Gbps, and simultaneously launched docomo Hikari Pack, a bundle package that allows users to use docomo Hikari broadband service and smartphones/docomo feature phones at affordable rates.

We provide one-stop service for the full range of services including optical-fiber broadband, Internet access and mobile phone services. Hence, we serve as a customer's single point of contact for every need, from service-related inquiries to after-sales support, thereby enhancing customers convenience and comfort using high-speed communications services.

For more information, see B. 5. Tariffs in Item4, which contains the details of charges for docomo Hikari and docomo Hikari Pack.

**Smart Life Business**

Our smart life business, business segment offers services through our dmarket portal, such as the distribution of, for example, video, music, and electronic books, finance/payment services, online shopping service and other life support services.

**Media/Contents Services, dmarket**

To expand the adoption of a DOCOMO-operated content market, dmarket, services among a broader range of users, we have strived to add new services and enrich the content of our offerings.

As a result of the abovementioned measures, the combined number of dmarket store subscriptions\* grew further to 15.54 million as of March 31, 2016.

\* Total number of users using dTV, danime store, dhits, dkids and dmagazine services under a monthly subscription arrangement.  
Lineup of dmarket services

Service	Service Overview
danime store	Flat-rate animated video distribution service
dapps & review	Website introducing smartphone apps recommended by DOCOMO
dbook	Electronic book store enabling viewing of manga, novels and how-to books
dcreators* <sup>1</sup>	Online market enabling the sale and purchase of hand-made items
ddelivery	Home food delivery service
d fashion	Fashion e-commerce site
dgame	Site offering Web-based games* <sup>2</sup> and app-based games
dgourmet	Distribution service for information and coupons related to foods
d healthcare pack	Distribution service for apps and coupons related to health and exercise
dhits	Flat-rate music distribution service
dkids	Flat-rate distribution service of educational content for children
dmagazine	Flat-rate electronic magazine distribution service
dmusic	Music download service
dshopping	Online shopping service for food, daily necessities, electrical appliances and other goods
dtravel	Site for booking accommodation at hotels and Japanese inns, as well as domestic and overseas tours

dTV

Flat-rate video/movie distribution service

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\*1 This service will end on June 28, 2016.

\*2 Games that can be enjoyed anywhere with an Internet connection and without the need to install applications.

**Finance/Payment Services**

We are developing finance and payment businesses, utilizing the unique properties of mobile communications and credit functionality.

As principal initiatives, working in collaboration with affiliate Sumitomo Mitsui Card Co., Ltd., we operate the credit brand *iD* that uses a contactless chip embedded in mobile phones/credit card. Furthermore, we also provide *DCMX mini*, payment service for mobile phones *iD* users, and *DCMX*, credit card payment service that operates on the *iD* platform.

During the current fiscal year, we have started to offer *d POINT* in an expansion of our existing *docomo Point* service and we have also launched the *d POINT CARD*, which allows users to earn and use *d POINTs* just by showing the card when shopping at our partner stores. In conjunction with this, both *DCMX* and *DCMX mini* have been rebranded as *d CARD* and *d CARD mini*, which can be used to earn *d POINT* more advantageous rates.

**Shopping Services(Commerce)**

In addition to expanding *dmarket*, our subsidiaries are developing shopping services.

Overview of business of major subsidiaries

<b>Subsidiaries</b>	<b>Business Overview</b>
OAK LAWN MARKETING, INC.	Mail order sales business using media centered on television
Radishbo-ya Co., Ltd.	Member-based home delivery services offering organic and low-pesticide vegetables and additive-free foods
Tower Records Japan Inc.	Sale of music software such as CDs and DVDs
MAGASseek Corporation	Online sales of women and men's clothing
<b><u>Services to Support Our Customers Daily Lives</u></b>	

We are developing life support business related to medical/healthcare, cuisine and dining, utilizing the unique properties of mobile communications.

Overview of business of major subsidiaries

<b>Subsidiaries</b>	<b>Business Overview</b>
docomo Healthcare, Inc.*	Proposal of lifestyles based on data obtained through smartphones and health equipment, and creation of business opportunities in the healthcare service market by collaborating with partner companies on products
Nihon Ultmarc Inc.	Provision of a medical database (MDB) relating to healthcare-related companies including pharmaceutical companies, authentication and information services to medical personnel
ABC Cooking Studio Co.,Ltd.	Operation of the ABC Cooking Studio cooking school and mail order sales of ingredients and cooking utensils
DOCOMO BIKESHARE, INC.	Provision of bicycle sharing services
DOCOMO gacco, Inc.	Provision of <i>gacco</i> , Japan's first MOOC service, and the <i>gacco system</i> ASP business

\* Joint venture with OMRON HEALTHCARE Co., Ltd.



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### ***Other Businesses***

Other businesses primarily includes Mobile Device Protection Services, and IoT/M2M businesses. We also have developed billing/payment business for telecommunications carriers overseas subsidiaries and providing various services. For the current fiscal year, besides installing communication modules in cars and providing information services for car navigation systems, we made efforts to expand our IoT and corporate businesses by combining various types of equipment with mobile communications.

## **5. Tariffs**

### ***Mobile Communications Charge***

Our cellular services revenues are generated primarily from fixed basic monthly charges, voice communication charges for outgoing calls (in Japan the caller is usually charged), revenues from incoming calls, charges for data communication services and charges for optional value-added services and features. We set our own rates in accordance with the Telecommunications Business Act and guidelines set by the Japanese government, which currently allow mobile network operators to set their own tariffs without government's approval.

Currently, monthly charges paid by our cellular subscribers who use our handsets with voice communication subscriptions consist mainly of (i) a basic monthly charge, (ii) voice communication charges (iii) data communication charges, (iv) a mobile ISP charge, and (v) other additional monthly service charges for miscellaneous value-added services. Monthly charges paid by our subscribers who use data communication dedicated plans, including tablets users, consist mainly of (iii) data communication charges, (iv) a mobile ISP charge, and (v) other additional monthly service charges for miscellaneous value-added services.

The details of the charges in connection with items (i) to (iii) are described below.

### ***Basic Monthly Charge for Voice Communication Service and Voice Communication Charges***

Since June 2014, we have offered a new billing plan, *Kake-hodai* for the LTE (Xi) service and FOMA service, which enables subscribers to make nationwide voice calls for a flat monthly rate regardless of the number or length of calls. In September 2015, we introduced the *Kake-hodai Light* plan which allows customers to make unlimited domestic voice calls under five minutes at a flat monthly rate.

In addition, we continue to offer existing monthly pay-as-you-go rate plans to FOMA service subscribers, most of which include a certain amount of free communications. The rate differs depending on the plan selected by the customer.

### ***Data Communication Charges***

In June 2014, we began to offer a new billing plan for data services called *Pake-aeru*, which enables LTE (Xi) and FOMA customers to share monthly data quotas among the same group of family members or corporate users. By choosing *Pake-aeru* plan that corresponds to the estimated monthly data quantity to be used by a family or the corporate users, the service enables the division of the data usage among multiple contract lines.

The billing plan consists mainly of three plans for single users (2GB, 5GB and 8GB) and four plans for families (10GB, 15GB, 20GB and 30GB).

If the data usage in a month exceeds the monthly data quota, users can pay an additional set fee for each 1GB of data or transmission speed is lowered to 128kbps until the end of that month. In March 2016, we started offering *Share Pack 5*, a package that allows families with limited data usage to share monthly data allowances of 5GB.



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On the other hand, our previous LTE (Xi) flat-rate data plans, for which we already ceased to accept a new subscription, have data usage thresholds of 3GB or 7GB. If the data usage in a month exceeds the thresholds, users can pay an additional set fee for each 2GB of data or transmission speed is lowered to 128kbps until the end of that month.

### *Further Enrichment of New Billing Plan*

The new billing plan has enjoyed favorable reviews from early on, and the number of total subscriptions reached over 30 million approximately two years after its launch. To further cater to the diversifying needs of our customers, we rolled out the following new plans from and including the fiscal year ended March 31, 2016 to June 2016.

#### *Added options for low-usage customers*

We took steps to allow customers to more freely select the combination of a basic monthly plan and a Share Pack most suited to their actual voice and data consumption behavior through our launch of Kake-hodai Light plan on September 2015, as well as our launch of Share Pack 5 and expansion of applicability of the Kake-hodai Light plan to smaller packages on March 2016.

#### *Choice between two courses*

In June 2016, we started to offer two options to customers during the two-month period following the completion of a two-year contract: (i) Zutto DOCOMO Wari Course, which offers a reward to customers who sign another two-year contract; and (ii) Free Course, a course that, while not be eligible for the rewards mentioned below under Expand additional advantages to long-term subscribers, allows customers basic monthly charges to remain unchanged and entitles customers to cancel their contracts at any time without incurring fees.

#### *Expand additional advantages to long-term subscribers*

With the start of Zutto DOCOMO Wari Course, we raised the maximum monthly discounts amount and extended the eligibility of the previous Zutto DOCOMO Wari discount, which is offered to customers as a reward for signing up to the Zutto DOCOMO Wari Course. Also, we began offering d POINTs to customers whenever they renew a two-year contract.

### ***Optical-fiber Broadband Service Charge***

In March 2015, we started an optical-fiber broadband service called docomo Hikari, which offers individuals and companies unlimited Internet connections through optical-fiber cables at speeds of up to 1Gbps.

Currently, monthly charges paid by our optical-fiber broadband service subscribers consist mainly of (i) a basic monthly charge for optical-fiber broadband service and (ii) other additional monthly service charges for miscellaneous value-added services.

The details of the charges in connection with (i) above are described below.

Two types of billing packages are available: ISP Charge-inclusive Package and Standalone Package. ISP Charge-inclusive Package includes Internet connection service of partner ISPs for selection by the subscriber. Customers also can select Standalone Package that only covers the docomo Hikari, optical-fiber broadband service, which requires an additional contract with any ISP for Internet access. In each plan, charges differ by residential type: either detached house or apartment. Also in March 2016, we launched docomo Hikari-mini, a two-tier flat-rate plan offering data speeds of up to 100Mbps, which is a plan for detached houses.

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We also introduced a new discount plan, called docomo Hikari Pack, which is bundled with existing mobile basic monthly charges, called Kake-hodai Plan and Data Plan, to provide mobile subscribers and subscribers of docomo Hikari with further discounts. When a family or the same company or organization subscribes to docomo Hikari for two or more lines shared within a group, we also provide various discounts to suit customers' usage such as Hikari Fukusu Wari applicable to each line used from the second line onwards.

## **6. Sales and Marketing**

### ***Sales Channels***

We sell our products and services through a vast sales network covering the entire country of Japan. The shops that deal with our products and services are operated by various distributors, and as of March 31, 2016, there were 2,395 docomo Shops nationwide. 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, 2016, the number of such shops was approximately 3,800 (excluding docomo Shops). In addition to the face-to-face channel, we have established online shopping and 8 call-centers nationwide (as of March 31, 2016) and consider these channels to be important to improving convenience for our customers. For smartphones and docomo Hikari, we have established exclusive call centers and are enhancing the support system for customer care.

### ***Sales Methods***

We purchase mobile devices from manufacturers and then wholesale these to our sales agents. With the aims of gaining and keeping customers and encouraging the spread of our services through new contracts and handset upgrades, we pay these sales agents commissions that are linked to their sales.

We offer a Monthly Support program under which monthly usage charges are discounted by a fixed amount which is established for each device, if a smartphone or tablet is purchased. This is in addition to the discounted price of the device for customers that sign a new contract or when customers migrate from other companies. In addition, besides a lump sum payment of the price of the device, it is possible to make installment payments over 12 months or 24 months. Providing measures that hold down the initial expense or usage charge allows us to expeditiously create an environment in which customers can easily obtain smartphones.

### ***Loyalty Programs***

As part of our efforts to provide enhanced customer services, we offer a customer loyalty program called d POINT CLUB (formerly docomo Premier Club), a point program that customers including those who do not subscribe to any docomo line can join as individual members. Under this program, customers are able to earn d POINTs in several ways. For example, customers are able to earn d POINTs by making payments of their monthly charges and for dmarket services or by shopping at our partner stores. The points can be used as a discount, such as for making payments of monthly charges or for shopping at our partner stores. Also, members advance to different levels depending on the number of d POINTs accumulated over a six-month period, the period of continuous use of DOCOMO subscription, or whether or not the members subscribe to d CARD, and receives various benefits depending on the level.

### ***After-sales Support***

We have continually worked to strengthen our after-sales support, with the aim of further improving customer satisfaction, through services such as Mobile Device Protection Service, Mobile Device Protection Service for iPhone & iPad (a service to provide comprehensive coverage for problems related to mobile handsets such as water exposure, loss or malfunction), and Anshin Remote Support (a service to provide customers with professional assistance concerning the operation or settings of smartphones or tablet devices from our call center staff who can monitor the handset operations from a remote location).

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### **7. Research and Development**

In our base located in the Yokosuka Research Park, we engage in research and development of basic technology, mobile communication systems and a wide variety of new products and services. As part of our ongoing research and development and in order to continue to improve our devices, 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 products and network equipment.

In order to address technology innovations overseas, we have established research centers in the United States, Germany and China. Together with DOCOMO Innovations, Inc., we are also aligned with venture companies in North America for the purpose of investing in ventures that develop advanced and innovative technologies that can be applied to mobile communication services.

Furthermore, we also conduct collaborative research with various universities inside and outside Japan. In the collaborative research field, we have been involved in technological exchanges in connection with 4G and 5G mobile communication systems and other advanced research.

The results of our recent development are as follows:

#### ***Technology Put to Practical Use During the Fiscal Year Ended March 31, 2016***

##### **Communications toy**

Following on from development of natural-language processing technology forged in the development of Shabette-Concier, a communications toy using a natural-language dialogue platform, we jointly developed OHaNAS, a next-generation communications toy that allows users to enjoy free, natural dialogue, with TOMY Company, Ltd., which launched sales of OHaNAS in October 2015.

##### **New translation service**

We developed Tegaki Hon yaku (a handwriting translation service), an application that automatically recognizes and translates handwritten words and sentences on smartphones and tablets. Tegaki Hon yaku also has an illustration function that provides for new communication by enabling users to annotate handwritten maps and comments and translate these to provide directions. This application provides translation in six languages.

##### **IoT platform**

In April 2015, we established a consortium\* to promote the dissemination of Device Connect WebAPI, which enables the provision of integrated services from Web applications to multiple IoT terminals. In addition, we developed Linking as a platform for connecting smartphone applications to multiple IoT terminals.

\* Jointly established by NTT DOCOMO and Softbank Mobile Corp. (current Softbank Corp.). Encouraging the broad participation of device manufacturers and service providers, the consortium currently has enlisted 90 corporate and six individual members (as of March 31, 2016).

##### **VoLTE roaming**

Taking the lead in establishing international standard specifications for a new roaming system for VoLTE, we began offering the world's first interactive VoLTE roaming for both directions with KT Corporation of South Korea in October 2015.

##### **The application of Mobile Spatial Statistics**

Applying NTT DOCOMO's Mobile Spatial Statistics, which enable estimation of the population in specific areas, and local government data in areas such as tourist facilities and information on evacuation shelters in Kobe, we held a contest for apps capable of creating new added value.



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### ***Technical Developments to be Implemented***

#### ***Further increasing the speed of PREMIUM 4G***

In connection with our efforts to further increase the speed of PREMIUM 4G, we aim to provide data communication services in the 3.5GHz band in June 2016. In outdoor experiments we have succeeded in receiving data communications in the 3.5GHz band in excess of 340Mbps.

#### ***Fifth-generation Mobile Communications System (5G)***

We aim to launch our 5G service in 2020. Our goal with 5G is to achieve a new communications service that will provide communications speed in excess of 10Gbps, high capacity of approximately 1,000 times that of our LTE service. In cooperation with major world vendors, we are currently engaging in 5G research initiatives and have achieved success in outdoor experiments in areas such as data communications of over 20Gbps and simultaneous connection of 24 users per base station. We have also initiated contributions of international standards.

#### ***Green Bases***

In a demonstration experiment, we succeeded in extending the backup operating hours of a green base station during a power outage from conventional approximately 24 hours to approximately 63 hours by using the operation of a system that links solar panels and lithium ion batteries controller in a green base station to a weather disaster forecast such as heavy rain warning.

## **8. Regulations**

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

### ***The Telecommunications Business Act***

Under the Telecommunications Business Act, we are subject to a registration requirement as telecommunications operators.

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

	<b>Regulation</b>
a. Tariff settings, service offerings, etc.	<p>Unregulated in principle (excluding universal service and certain designated telecommunication services).</p> <p>Accountability to explain and deliver in written documents to users concerning outline of terms and conditions of telecommunications service, allow users to cancel mobile phone subscriptions early in the contract period, provide necessary guidance to distributors, and proper and swift processing of complaints and inquiries from the users are required.</p>
b. Business improvement order	<p>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, etc.</p>
c. Interconnection	<p>Obligation, in principle, for interconnection with other telecommunications carriers that propose interconnection.</p> <p>In the event a telecommunications carrier does not accept entering into a consultation despite the 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.</p>

***The Radio Act***

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

The Act states that the MIC must, in order to ensure convenience for those planning to build base station equipment, draw up and make available to the public a list of the frequencies that are available for allocation. Anyone who wishes to build base station equipment must submit an application form to the Minister of MIC together with documents in which required matters are stated, including the purpose of and reason for building base station equipment, the location of the facilities and its frequencies, and acquire a license. The Act also states that any telecommunications carrier who has obtained a license should obtain approval from the Minister of MIC in advance of any operational changes, such as a change in recipients of communications or the location of the facilities, or the intention to start any construction to modify the facilities.

***Major Regulations and Guidelines***

**Category II-designated telecommunications facility system**

Our telecommunications facilities have been designated as Category II-designated telecommunications facilities. Consequently, in interconnection with other telecommunications carriers, we are obligated to specify in advance fees to be obtained and terms of connection, etc. in the form of articles of agreement, and report these to the Minister of MIC and make them public. No agreements pertaining to the interconnection between Category II-designated telecommunications facilities and other telecommunications carriers may be entered into or amended without complying with those articles of agreement.



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By the revision of the Ordinance for Enforcement of the Telecommunications Business in 2012, the criteria for designating Category II telecommunications facilities were expanded to include those of carriers with a share of more than 10% (formerly 25%), and as a result SOFTBANK MOBILE was designated by the public notice of the MIC as a carrier who installs Category II telecommunications facilities in addition to KDDI and Okinawa Cellular in December 2012. In April 2015, SoftBank Mobile, Softbank Telecom, Softbank BB and Y! Mobile merged into one entity, which was renamed SoftBank. The new SoftBank was designated as a carrier who installs Category II telecommunications facilities, resulting in all MNO\*s currently providing services (excluding Broad band Wireless Access or Personal Handy-phone System operators) being designated as carriers who install Category II telecommunications facilities.

\* MNO (Mobile Network Operator) refers to a business operator providing mobile telecommunications services by locating or operating radio stations for such services by themselves.

### Method of Connection Charges Calculation

Regarding fees charged to the connecting carrier as a result of interconnection (connection charges), we are obligated to charge an amount consisting of appropriate costs plus a reasonable margin and accordingly need to calculate such an amount by the method specified in the Guideline relating to operation of the Category II-designated telecommunications facility system issued by the MIC, and submit the basis of the calculation to the MIC. We are also under an obligation to assemble and make public accounting information about the connection in accordance with the MIC Ordinance. The aforementioned Guideline was amended in March 2014, under which it is recommended to determine a provisional amount for packet connection charges payable by MVNOs by reference to reasonable and provisional amounts in lieu of the connection charges applicable in the previous year for the purpose of the improvement of MVNOs cash flows in the case where a substantial decrease in such amount is expected.

In May 2016, the existing Guideline relating to operation of the Category II-designated telecommunications facility system was abolished and the Rules for Category II Designated Telecommunications Facility System and the Guidelines regarding the application of the Telecommunications Business Act and the Radio Act to MVNO (most recent revision in March 2016) was introduced as new legislation providing for the method of calculating connection charges. The method provided for in these ordinances, rules and guidelines follow the current

Guideline relating to operation of the Category II-designated telecommunications facility system, and therefore any amendment in the new legislation will have little impact on our method of calculating connection charges. Connection charges calculated in accordance with these ordinances, rules and guidelines are expected to apply from fiscal 2016.

### Regulations on the Prohibition of Anti-competitive Behavior

We are designated as a telecommunications carrier subject to the prohibition of anti-competitive behavior on the grounds that it is necessary to do so in consideration of the fact that our market share in terms of profits exceeds 25%, changes in this market share and other circumstances; and also, for the purpose of ensuring a fair environment of competition with other telecommunications carriers, we are accordingly prohibited from engaging in anti-competitive behavior such as:

Use of information of other mobile network operators obtained from such other mobile operators through interconnection for other purposes;

Unduly favorable treatment of specific telecommunication carriers; and

Undue discipline imposed on or interference with other carriers, manufacturers or suppliers of telecommunications equipment. Under the revised Telecommunications Business Act came into force in May 2016 and related ordinances and guidelines, the regulation of previously prohibited activities in the mobile telecommunications industry has



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been relaxed. With the relaxation of regulations prohibiting unfair discriminatory practices for specific telecommunications operators, it will be possible to collaborate exclusively with such operators (with the exception of certain NTT group companies separately specified by MIC). In addition, rules prohibiting unfair regulations or interference with other telecommunications operators and manufacturers/distributors of telecommunications equipment have been abolished. This deregulation will allow us to create diverse services through the utilization of ITC by coordinating with a variety of companies inside and outside Japan, which we believe will contribute to the improvement of convenience for customers and the improvement of our international and business competitiveness.

### **Obligation to provide MVNOs with telecommunications services**

With a view toward a more dynamic mobile telecommunication market achieved by promoting new entry by MVNOs, the MIC has formulated Guidelines regarding the application of the Telecommunications Business Act and the Radio Act to MVNO. Under the Guidelines, whether wholesale telecommunications services are to be provided by an MNO to an MVNO, or whether there will be an interconnection between an MNO and an 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.

### **Introduction of BodySAR regulations**

Bearing in mind the penetration of wireless devices used for purposes other than voice communications, such as smart phones, among others, and the penetration of devices with multiple forms of wireless mechanisms that transmit radio waves at the same time, the MIC introduced a system that provides for expansion of the permissible limit of the Specific Absorption Rate (SAR), which had previously been set mainly for the head area, to include almost the entire body in order to ensure the safety of these devices according to standardized international assessment methods.

## **9. Relationship with NTT**

NTT is our parent company and owned 65.66% of our voting rights as of March 31, 2016. The government of Japan, in the name of the Minister of Finance, owned 35.26% of the voting rights of NTT as of the same date. The government of Japan, acting through the 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.

Although NTT owned 65.66% of our voting rights as of March 31, 2016, we conduct our day-to-day business operations independently of NTT, its subsidiaries and its affiliates. All transactions between us and each of NTT, its subsidiaries and its affiliates are conducted with fair and appropriate distance. In the year ended March 31, 2016, we had sales of ¥46,902 million to NTT, its subsidiaries and its affiliates and had cost of services, selling, general and administrative expenses and capital expenditures of ¥269,720 million, ¥172,224 million and ¥59,049 million, respectively, to, NTT, its subsidiaries and its affiliates compared to sales of ¥47,129 million and cost of services, selling, general and administrative expenses and capital expenditures of ¥241,706 million, ¥204,370 million and ¥59,925 million, respectively, in the year ended March 31, 2015. We also had accounts receivable of ¥4,330 million from NTT, its subsidiaries and its affiliates and payables of ¥93,679 million to NTT, its subsidiaries and its affiliates as of March 31, 2016, compared to ¥5,735 million and ¥75,197 million as of March 31, 2015.

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In order to ensure fair competition in the mobile telecommunication business, the Ministry of Posts and Telecommunications (currently the MIC) in April 1992 established the following conditions of separation on NTT, which was then operating 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 employees transferred between NTT and us were required to be permanent employees, rather than being seconded from NTT or DOCOMO.

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 audit & supervisory board members, and appropriation of dividends from retained earnings; increases in share capital; investments, including international investments; loans and guarantees; and establishment of businesses plans. In addition, Mr. Shinichiro Ueno, a full-time employee of NTT, serves part-time on our board of directors.

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.

For information regarding certain transactions with NTT FINANCE CORPORATION( NTT FINANCE ), in which NTT and its subsidiaries collectively own 100.0% of the voting interest, see B. Related Party Transactions in Item 7 and Notes to Consolidated Financial Statements Related party transactions in Note 15.

### **10. Legal Proceedings**

While we have ongoing disputes or actions relating to the collection of telecommunications charges and other legal proceedings that arise in the ordinary course of business, we are not currently involved in any

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litigation nor have been involved in any dispute or other legal proceedings in the preceding 12 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, 2016, NTT, our parent company, was our largest shareholder and owned 65.66% of our outstanding voting shares. We are the largest mobile telecommunication services provider in Japan based on the number of subscriptions.

There are no subsidiaries that are considered to be significant as of March 31, 2016.

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

Our property includes buildings which contain mobile telecommunication equipment. As of March 31, 2016, we and our regional offices owned 3,761,374 square meters of land and 1,696,366 square meters of office space, buildings containing switching centers, company dormitories and warehouses throughout Japan. In addition, as of March 31, 2016, we leased 9,601,229 square meters of land mainly for base stations and transmission facilities.

We do not, directly or indirectly through a subsidiary, operate a coal or other mine subject to the U.S. Federal Mine Safety and Health Act of 1977.

### **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, results of operations and cash flow conditions 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 report.

We will discuss the following matters in this Item 5:

#### **A. Operating Results**

Overview

Market Trend

Operating Results for the fiscal year ended March 31, 2016

Operating Results for the fiscal year ended March 31, 2015

Segment Information

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Operating Trends and Prospects for the fiscal year ending March 31, 2017

B. Liquidity and Capital Resources

Cash Requirements

Sources of Cash

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C. Research and Development

D. Trend Information

E. Off-Balance Sheet Arrangements

F. Tabular Disclosure of Contractual Obligations

G. Critical Accounting Policies and Estimates, and Recently issued Accounting Standards

**A. Operating Results**

**Overview**

We are the largest cellular network operator in Japan with a total subscription of 70.96 million, which represented 45.3% of all cellular subscriptions in Japan as of March 31, 2016. We earn revenues and generate cash primarily by offering mobile communications services and mobile handset sales. In mobile communications services, which account for the majority of our revenues, we provide voice communication services as well as data communication services via our packet communications network. In addition to mobile communications services and mobile handset sales, we provide telecommunications services such as optical-fiber broadband services, satellite communications services and international services. To make Smart Life a reality, through our smart life business we provide services such as video and music distribution, electronic books and other services offered through our dmarket portal, finance/payment services, shopping services and various other services to support our customers' daily lives. We also provide Mobile Device Protection Service, development, sales and maintenance of IT systems and others.

Japan's telecommunications sector has seen a dramatic change in its market structure due to the launch of services by a wide range of players following the start of Hikari Collaboration Model, which is a new wholesale business model for fiber access, the rapid proliferation of smartphones and tablet devices, developments related to the government's pro-competition policy (such as new market entry by Mobile Virtual Network Operators ( MVNOs )), the obligation to unlock handset SIMs and the proposals by the Ministry of Internal Affairs and Communications Task Force on Mobile Phone Rates and Other Conditions for Service Offerings) and other factors.

Amid these changes in the market environment, we positioned the fiscal year ended March 31, 2016 as the period to make a solid step forward towards the delivery of our medium-term targets, and we managed our business with a particular focus on our operating income target. To boost our telecommunications services revenues, we have added new options to the Kake-hodai & Pake-aeru new billing plan, implemented various measures to expand the adoption of the docomo Hikari optical-fiber broadband service and continued our efforts to strengthen our communications network and offer attractive handsets. Meanwhile, we have also strived to add new services to our dmarket marketplace and enrich the content portfolio of our services in a bid to grow our smart life business and other businesses, while promoting further cost efficiency improvements to reinforce our managerial structure. In addition, we have launched +d value co-creation initiatives, aiming to deliver new values by making available the business assets that we have accumulated through our operations, such as our payment platform and loyalty program, to a large number of external partners. As part of this endeavor, we have rebranded the former docomo Points Service program into d POINT to offer a point service that is highly convenient and useful for our customers with the aim of expanding the structure of the +d activities.

As a result of the foregoing, we achieved significant improvement in, among other metrics, operating income and operational performance for the fiscal year ended March 31, 2016. Furthermore, we were awarded the No. 1 overall ranking in the 2015 Japan Mobile Phone Service Study<sup>SM</sup> \* conducted by J.D. Power Asia Pacific.

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For the fiscal year ended March 31, 2016, operating revenues increased by ¥143.7 billion from the prior fiscal year to ¥4,527.1 billion for two reasons, (i) the recovery of our telecommunications business due mainly to an acceleration of users migrating to higher-end plans of Packet Pack, data buckets of our new billing plan Kake-hodai & Pake-aeru, and an expansion in demand for tablets and other products purchased as a second mobile device by individual users and (ii) the growth of our smart life business and other businesses such as dmarket and other content services. Our operating expenses, on the other hand, decreased by ¥0.3 billion from the prior fiscal year to ¥3,744.1 billion, due mainly to decreases in selling expenses and network-related costs as a result of cost efficiency improvements, despite an increase in costs associated with increased revenues in our smart life business and other businesses. As a result, our operating income increased by ¥144.0 billion from the prior fiscal year to ¥783.0 billion. Income before income taxes and equity in net income (losses) of affiliates was ¥778.0 billion, and net income attributable to NTT DOCOMO, INC. increased by ¥138.3 billion from the prior fiscal year to ¥548.4 billion for the fiscal year ended March 31, 2016.

Going forward, in order to respond to our customers' needs on an ongoing basis, we plan to continue to create new added value by moving forward with our "4d" initiatives by further evolving our relationships with various external partners through open collaboration.

\* The 2015 Japan Mobile Phone Service Study was based on a total of 31,200 responses obtained from mobile phone subscribers in Japan during the survey period in July 2015.

### **Market Trend**

In the section below, Japan's telecommunications sector is analyzed from the perspectives of the trends in the market, technical developments/services and regulatory environment.

#### *Market*

According to an announcement by the Telecommunications Carriers Association and cellular network operators, the mobile communications market in Japan saw a 3.78 million net increase in cellular subscriptions for the fiscal year ended March 31, 2016. The total number of cellular subscriptions in Japan grew to 156.48 million as of March 31, 2016, which represented a market penetration rate of approximately 123%. The growth prospect of new subscriptions to voice-enabled devices is expected to be limited given the rise in the penetration rate and decrease in future population. The recent increase in the total number of new subscriptions has been driven mainly by an increase in subscriptions achieved through stimulation of demand for secondary devices such as tablet devices and mobile Wi-Fi routers, the development of new markets such as embedded communication modules, and an increase in corporate subscriptions. Consequently, the annual growth rate of cellular subscriptions was 5.9%, 6.0% and 2.5% for the years ended March 31, 2014, 2015 and 2016, respectively.

As of March 31, 2016, cellular services were provided in Japan by three corporate groups of Mobile Network Operators (MNOs<sup>\*1</sup>), including us, and Mobile Virtual Network Operators (MVNOs<sup>\*2</sup>) that provide service by leasing communications facilities from MNOs. In addition to providing cellular services, mobile communications service providers also procure mobile phones and other communications devices compatible with their communications services from manufacturers, and subsequently sell them to agent resellers and other retailers for sale to subscribers. As for cellular services, all MNOs in Japan have introduced the LTE<sup>\*3</sup> system, a mobile communications standard developed as an extension to the third-generation mobile communications (3G) system, and the number of LTE subscribers, including users shifting from 3G, has been increasing rapidly. The total number of subscriptions to our LTE(Xi) service reached 38.68 million as of March 31, 2016, increasing sharply from 30.74 million as of March 31, 2015 and surpassing the total number of our 3G FOMA subscriptions of 32.28 million. In addition, driven by an increase in subscribers to LTE(Xi) services, the sales of smartphones have recorded a remarkable increase in recent years. During the fiscal year ended March 31, 2016, we sold a total of 15.44 million smartphone units. We expect this trend of expanded subscriptions to our LTE(Xi) service and smartphone sales to continue going forward.

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While the growth prospects for Japan's mobile phone market may be limited in terms of the number of subscriptions to devices used primarily for voice communication, data usage has been increasing owing to the expanded uptake of smartphones, the availability of various billing plans for packet access tailored to customers' diverse requirements and the proliferation of high-speed data services. Furthermore, new market opportunities are beginning to emerge in such areas as content and applications for smartphones. Meanwhile, the competition among the mobile communications service providers has intensified due to increasing homogeneity in the rate plans, network and handsets offered by the operators, new market entry by MVNOs, and the Ministry of Internal Affairs and Communications' pro-competition policies such as the obligation to unlock handset SIMs. The competitive environment in the Japan's mobile communications market is also expected to change due to the proposals by the Ministry of Internal Affairs and Communications' Task Force on Examining Services from Users' Perspective and Task Force on Mobile Phone Rates and Other Conditions for Service Offerings, and we are watching to see what impact such proposals have on the competitive environment. In addition, with the use of open platform devices like smartphones and tablets becoming increasingly widespread, competitive services have been offered by OTT<sup>\*4</sup> and other players, meaning that the competition in the Japan's mobile communications market is expected to remain fierce.

In the domestic fixed-line communications market, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ( NTT East ) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ( NTT West ) started the wholesale of fiber-optic services from February 2015. As this enabled not only telecommunication carriers but also a wide range of other players to provide services using optical-fiber connections, competition intensified even further transcending the traditional boundaries of the fixed-line telecommunications market. In March 2015, we launched our docomo Hikari optical-fiber broadband service and the docomo Hikari Pack fixed-mobile bundle package to offer new added value to customers. The total number of docomo Hikari subscriptions grew to 1.57 million as of March 31, 2016.

Mobile carriers have also actively entered into or promoted collaborations with other industries, such as the electricity business. As carriers start offering package discounts by combining the services offered by players in other industries, price competition is expected to become increasingly fierce.

Amid these changes in the market environment, we commenced a new initiative called +d and formed alliances with many partners in an effort to jointly create new values by making available the business assets that we have accumulated in our operations to date. As part of this endeavor, we have rebranded the former docomo Point program into d POINT to offer a point service that is highly convenient and useful for our customers with the aim of expanding the foundation of the +d activities.

\*1 A business that provides mobile communications services by establishing or operating its own radio base stations for mobile communications services.

\*2 A business that borrows the wireless communication infrastructure of other companies to provide services.

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

\*4 Abbreviation of Over The Top. A business that does not own the communications infrastructure required for delivering their services and that delivers content services using the communication infrastructure of other companies.

### *Technical developments/Services*

The traffic carried by mobile communications networks has increased year after year in line with the expansion in the adoption of smartphones, tablets and data devices for PCs and the enrichment of content. To reinforce our network infrastructure, we implemented measures to build up our communications facilities and increase capacity primarily through the use of LTE-Advanced<sup>\*1</sup> technology that offers greater spectral efficiency, in order to provide customers with even more stable and comfortable communications quality. By March, 31, 2016, we expanded the coverage of our LTE-Advanced service, known as PREMIUM 4G, to 976 cities across Japan. We also started offering a maximum downlink speed of 300Mbps in selected areas from October 2015. From March 2016, we commenced the operation of a commercial network that employs network virtualization techniques. The employment allows us to offer higher-quality network services to customers, realizing better connectivity in cases of network congestion and higher reliability in the event of the failure of facilities.

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In June 2014, amid intensifying price competition in the mobile communications market, to deliver a diverse range of advanced services and to improve the convenience of our subscribers, we began offering a new billing plan, *Kake-hodai & Pake-aeru*, to our subscribers. This new billing plan consists of the four principal services of a flat-rate domestic voice calling plan, a plan to enable sharing of the packet data quota among family members, a discount service favoring long-term users with graduated discounts based on length of subscription, and a service providing discounts to users age 25 or younger. To cater to low-usage customers, we added new rate options *Kake-hodai Light* in September 2015, and to allow customers to choose more combination with voice calling plans and data plans of *Packet Pack*, we added plans of *Packet Pack* to be able to combine with *Kake-hodai Light* and *Share Pack 5*, to enable sharing of 5GB data quota among family members, in March 2016. In addition, starting from June 2016, we introduced two new options allowing customers to choose subscriptions with or without cancellation fees after completing a two-year contract, *Zutto DOCOMO Wari Course*, under which extra discounts in proportion to subscription period and reward points are given to customers who agree to sign another two-year contract, and *Free Course*, in which the basic monthly charge remains unchanged but customers are allowed to cancel their contract at any time without incurring fees.

To further increase the uptake of *docomo Hikari* optical-fiber broadband service, starting from March 2016, we launched *docomo Hikari Mini*, a two-tier flat-rate plan offering data speeds of up to 100Mbps targeting customers who use broadband connectivity primarily for *Hikari Denwa* IP-telephone service and facsimile transmission but not for internet access. We also introduced *Hikari Fukusu Wari* for customers subscribing to more than two lines of *docomo Hikari* for the same share group of a family or company, etc., to allow customers to use our services at affordable rates suited to their respective usage conditions.

In addition to the aforementioned endeavors to boost the competitiveness of our telecommunications business, we have also accelerated activities aimed for the growth of our smart life business and other businesses. Specifically, we have strived to increase the service provided on our *dmarket* marketplace and enrich the content of our offerings, such as by launching *dgourmet*, a service that provides various recipes and food-related tips in May 2015. As a consequence of such efforts, the combined number of *dmarket* subscriptions<sup>2</sup> reached 15.54 million as of March 31, 2016.

\*1 An advanced mobile communications system standardized by 3GPP that maintains technical compatibility with LTE system.

\*2 The total number of users using *dTV*, *danime store*, *dhits*, *dkids*, *dmagazine* and *dgourmet* services under a monthly subscription arrangement.

### *Regulatory environment*

We and other MNOs in Japan receive the allocation of radio spectrum from government entities and are subject to regulations under the Japanese Telecommunications Business Act, Radio Act and other applicable laws. Japan's mobile communications industry, in recent years, has seen significant progress in deregulation on many fronts. An amendment to the Telecommunications Business Act was enacted in May 2015 and implemented on May 21, 2016, greatly eased the prohibitions that had been applied only to NTT DOCOMO, INC. and such amendment permits NTT DOCOMO, INC. to cooperate freely with various partners in the same way other MNOs can. The amendments have also introduced new rules and revisions to existing rules that are intended to protect consumers. The consumer protection policies have applied to all communication businesses, not just us, and each communication business has been required to interact with consumers in accordance with such regulations. Further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent players in the mobile communications industry including us.

While, as outlined above, the business environment in which we operate remains tough in terms of market conditions, regulations, changes in business models, and other factors, we continue to strive to improve our competitive strength and increase earnings.



**Table of Contents****Operating Results for the fiscal year ended March 31, 2016**

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2016. The tables below describe selected data from our consolidated statements of income for the fiscal years ended March 31, 2016 and 2015:

**Breakdown of Financial Information**

	Millions of yen Years ended March 31			
	2015	2016	Increase (Decrease)	Change (%)
<b>Operating revenues:</b>				
Telecommunications services	¥ 2,747,155	¥ <b>2,815,507</b>	¥ 68,352	2.5 %
Mobile communications services revenues	2,736,649	<b>2,767,591</b>	30,942	1.1 %
Voice revenues *	883,844	<b>849,440</b>	(34,404)	(3.9)%
Packet communications revenues	1,852,805	<b>1,918,151</b>	65,346	3.5 %
Optical-fiber broadband service and other telecommunications services revenues	10,506	<b>47,916</b>	37,410	356.1 %
Equipment sales	904,089	<b>860,486</b>	(43,603)	(4.8)%
Other operating revenues	732,153	<b>851,091</b>	118,938	16.2 %
<b>Total operating revenues</b>	<b>4,383,397</b>	<b>4,527,084</b>	143,687	3.3 %
<b>Operating expenses:</b>				
Cost of services	1,159,514	<b>1,248,553</b>	89,039	7.7 %
Cost of equipment sold	853,062	<b>881,471</b>	28,409	3.3 %
Depreciation and amortization	659,787	<b>625,934</b>	(33,853)	(5.1)%
Impairment loss	30,161	<b>9,063</b>	(21,098)	(70.0)%
Selling, general and administrative	1,041,802	<b>979,039</b>	(62,763)	(6.0)%
<b>Total operating expenses</b>	<b>3,744,326</b>	<b>3,744,060</b>	(266)	(0.0)%
<b>Operating income</b>	639,071	<b>783,024</b>	143,953	22.5 %
<b>Other income (expense), net</b>	4,812	<b>(5,003)</b>	(9,815)	
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	643,883	<b>778,021</b>	134,138	20.8 %
<b>Income taxes</b>	238,067	<b>211,719</b>	(26,348)	(11.1)%
<b>Income before equity in net income (losses) of affiliates</b>	405,816	<b>566,302</b>	160,486	39.5 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(7,782)	<b>(5,060)</b>	2,722	35.0 %
<b>Net income</b>	398,034	<b>561,242</b>	163,208	41.0 %
Less: Net (income) loss attributable to noncontrolling interests	12,059	<b>(12,864)</b>	(24,923)	
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ 410,093	¥ <b>548,378</b>	¥ 138,285	33.7 %

\* Inclusive of circuit switched data communications

*Analysis of operating results for the fiscal year ended March 31, 2016 and comparison with the prior fiscal year*

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Operating revenues for the fiscal year ended March 31, 2016 were ¥4,527.1 billion, an increase of ¥143.7 billion, or 3.3%, from ¥4,383.4 billion for the prior fiscal year. Telecommunications services revenues for the fiscal year ended March 31, 2016 were ¥2,815.5 billion, growing by ¥68.4 billion, or 2.5%, compared to ¥2,747.2 billion for the prior fiscal year. Of these, mobile communications services revenues increased by

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¥30.9 billion, or 1.1%, from the ¥2,736.6 billion for the prior fiscal year, to ¥2,767.6 billion. Voice revenues decreased by ¥34.4 billion, or 3.9%, to ¥849.4 billion from ¥883.8 billion for the prior fiscal year. The decline in voice revenues was due to the expansion of the negative impact from the Monthly Support discount program, which exceeded the revenue-boosting effect of subscribers migration to the new billing plan.

Monthly Support is a program that provides up to 24 months of discounts from monthly service charges, in fixed amounts depending on device purchased, to subscribers using devices such as smartphones and tablets whose subscriptions satisfy certain conditions. Packet communications revenues for the fiscal year ended March 31, 2016 recorded an increase of ¥65.3 billion, or 3.5%, to ¥1,918.2 billion from ¥1,852.8 billion for the prior fiscal year. This growth was attributable to the positive revenue impact associated with the heightened demand for a secondary mobile device as a result of improving our product lineup of tablet devices and sales promotion efforts, and subscribers migration to larger data buckets of our billing plan Kake-hodai and Pake-aeru. The total number of LTE(Xi) service subscriptions as of March 31, 2016 grew to 38.68 million, and the total number of smartphones sold during the 12-month period through March 31, 2016 reached 15.44 million units.

Optical-fiber broadband services and other telecommunications services revenues for the fiscal year ended March 31, 2016 were ¥47.9 billion, an increase of by ¥37.4 billion, or 356.1%, from ¥10.5 billion for the prior fiscal year, driven by the significant growth in the number of subscriptions to the docomo Hikari optical-fiber broadband service launched in March 2015.

As a result, voice ARPU for the fiscal year ended March 31, 2016 dropped ¥70, or 5.5%, to ¥1,210 from ¥1,280 for the prior fiscal year. Packet ARPU for the fiscal year ended March 31, 2016 was ¥2,910, up ¥90, or 3.2%, from ¥2,820 for the prior fiscal year. docomo Hikari ARPU for the fiscal year ended March 31, 2016 was ¥50. We launched our docomo Hikari optical-fiber broadband service in March 2015.

Equipment sales revenues decreased by ¥43.6 billion, or 4.8%, to ¥860.5 billion for the fiscal year ended March 31, 2016 from ¥904.1 billion for the prior fiscal year, because, although the proportion of smartphones and tablet devices, which carry a higher unit price, to the total number of handset sold increased, the total number of handsets sold to agent resellers recorded a decline.

Other operating revenues increased by ¥118.9 billion, or 16.2%, from ¥732.2 billion for the prior fiscal year to ¥851.1 billion for the fiscal year ended March 31, 2016. The primary items comprising other operating revenues include revenues derived from shopping service, services to support our customers daily lives, Mobile Device Protection Service, services offered through our dmarket portal and credit services. The increase was driven mainly by the increased revenues from Mobile Device Protection Service due to growth in the number of protection contracts, increased revenues from the Sugotoku-Contents services due to growth in the number of subscribers, increased revenues from dmarket resulting from an increase in subscribers of monthly subscription services in dmarket, the growth of transaction amount handled by our credit services including d CARD credit services and a rise of revenues from sales of mobile phone accessories.

Operating expenses decreased by ¥0.3 billion from ¥3,744.3 billion for the prior fiscal year to ¥3,744.1 billion for the fiscal year ended March 31, 2016.

Cost of services, which represents the expenses we incur directly in connection with providing our customers with mobile communications services and/or other services offered by our subsidiaries, increased by ¥89.0 billion, or 7.7%, from ¥1,159.5 billion for the prior fiscal year to ¥1,248.6 billion for the fiscal year ended March 31, 2016, resulting from increased cost of services associated with the revenue expansion in new growth areas such as docomo Hikari, dmarket and the Mobile Device Protection Service.

Cost of equipment sold, which arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, increased by ¥28.4 billion, or 3.3%, to ¥881.5 billion from ¥853.1 billion for the prior fiscal year primarily as a result of increased proportion of smartphones and tablets, whose procurement costs per unit are higher than for feature phones, to our total handset sales.

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Depreciation and amortization expenses decreased by ¥33.9 billion, or 5.1%, to ¥625.9 billion from ¥659.8 billion for the prior fiscal year, due to the decrease in depreciable and amortizable assets resulting from the cost efficiency improvement measures implemented.

Selling, general and administrative expenses decreased by ¥62.8 billion, or 6.0%, to ¥979.0 billion from ¥1,041.8 billion for the prior fiscal year. The primary components included in our selling, general and administrative expenses are expenses related to the acquisition of new subscribers and retention of current subscribers, which includes commissions paid to agent resellers and the expenses incurred in relation to dPOINT and docomo Point Service customer loyalty program. The decline in selling, general and administrative expenses was due mainly to decreases in expenses incurred in relation to dPOINT and docomo Point Service, expenses for collection of bills and commissions paid to agent resellers.

Impairment loss totaled ¥9.1 billion, posting a decline of ¥21.1 billion, or 70.0%, from ¥30.2 billion for the prior fiscal year. We reduced the carrying value of long-lived assets related to multimedia broadcasting business for mobile devices to their fair value in the prior fiscal year. The impairment loss recorded in the fiscal year ended March 31, 2016 was related primarily to the impairment of long-lived assets related to multimedia broadcasting business for mobile devices assets that we acquired during the same year.

As described above, operating expenses for the fiscal year ended March 31, 2016 remained nearly unchanged from the prior fiscal year, as the increase in cost of services and cost of equipment sold was cancelled out by the decline in depreciation and amortization expenses, impairment loss and selling, general and administrative expenses.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2016 increased by ¥144.0 billion, or 22.5%, from ¥639.1 billion for the prior fiscal year to ¥783.0 billion. Accordingly, our operating income margin improved from 14.6% for the prior fiscal year to 17.3%.

Other income (expense) includes items such as interest expense, interest income, dividend income, foreign exchange gains and losses and other-than-temporary impairment losses and net realized gains (losses) on dispositions of marketable securities and other investments. We recognized ¥5.0 billion as other expense, net for the fiscal year ended March 31, 2016, after recording other income of ¥4.8 billion in the prior fiscal year. This was due mainly to ¥13.1 billion in losses incurred from the disposition of a consolidated subsidiary during the fiscal year ended March 31, 2016.

As a result of the foregoing, income before income taxes and equity in net income (losses) of affiliates increased by ¥134.1 billion, or 20.8%, to ¥778.0 billion for the fiscal year ended March 31, 2016 from ¥643.9 billion for the prior fiscal year.

Income taxes decreased by ¥26.3 billion, or 11.1%, from ¥238.1 billion for the prior fiscal year to ¥211.7 billion for the fiscal year ended March 31, 2016. This was because the impact of release of valuation allowances for consolidated subsidiaries engaged in multimedia broadcasting business for mobile devices and the impact of decline in aggregate statutory income tax rate for the fiscal year ended March 31, 2016 compared to the tax rate for the prior fiscal year outweighed the impact from the increase in income before income taxes and equity in net income (losses) of affiliates. The effective income tax rate for the fiscal years ended March 31, 2016 and 2015 was 27.2% and 37.0%, respectively.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates decreased by ¥2.7 billion, or 35.0%, to ¥5.1 billion for the fiscal year ended March 31, 2016 from ¥7.8 billion for the prior fiscal year. For each of the fiscal years ended March 31, 2016 and 2015, the equity in losses of certain affiliates including Tata Teleservices Limited ( TTSL ) was offset by the equity in income of other affiliates including Sumitomo Mitsui Card Co., Ltd. and Philippine Long Distance Telephone Company ( PLDT ). The primary reason behind the decrease in equity in net losses of affiliates for the fiscal year ended March 31, 2016 was the decrease in the equity loss of TTSL as compared to the prior fiscal year.

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As a result of the foregoing, we reported ¥548.4 billion in net income attributable to NTT DOCOMO, INC., representing an increase of ¥138.3 billion, or 33.7%, from ¥410.1 billion for the prior fiscal year.

**Key Performance Indicators**

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2016 and 2015 are provided below:

	Years ended March 31			
	2015	2016	Increase (Decrease)	Change (%)
<b>Cellular</b>				
Subscriptions (thousands)	66,595	<b>70,964</b>	4,368	6.6 %
LTE(Xi) services	30,744	<b>38,679</b>	7,934	25.8 %
FOMA services	35,851	<b>32,285</b>	(3,566)	(9.9)%
Including: New Billing Plan	17,827	<b>29,704</b>	11,877	66.6 %
Market Share (%) <sup>(1)(2)</sup>	43.6	<b>45.3</b>	1.7	
Aggregate ARPU (yen/month/subscription) <sup>(3)(6)</sup>	4,100	<b>4,170</b>	70	1.7 %
Voice ARPU <sup>(4)</sup>	1,280	<b>1,210</b>	(70)	(5.5)%
Data ARPU	2,820	<b>2,960</b>	140	5.0 %
Packet ARPU	2,820	<b>2,910</b>	90	3.2 %
docomo Hikari ARPU	0	<b>50</b>	50	
MOU (minutes/month/subscription) <sup>(3)(5)(6)</sup>	122	<b>133</b>	11	9.0 %
Churn Rate (%) <sup>(2)(6)</sup>	0.61	<b>0.62</b>	0.01	

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

(2) Data are calculated including communication module services subscriptions.

(3) Data are calculated excluding revenues and subscriptions from communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver, and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs.

(4) Inclusive of circuit switched data communications

(5) MOU (Minutes of Use): Average communication time per month per users

(6) The calculation methods have been changed from the fiscal year ended March 31, 2016. Accordingly, ARPU, MOU and Churn Rate of the fiscal year ended March 31, 2015 have also been changed to reflect the new calculation methods.

(7) We launched our docomo Hikari optical-fiber broadband service in March 2015.

Definition of ARPU

Aggregate ARPU: Voice ARPU + Packet ARPU + docomo Hikari ARPU

Voice ARPU: Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active users

Data ARPU: Packet ARPU + docomo Hikari ARPU

Packet ARPU: Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active users

docomo Hikari ARPU: A part of other operating revenues (basic monthly usage charges, voice communication charges) / number of active users

Number of active users used in ARPU calculations is as follows:

Sum of number of active users for each month\* during the relevant period from April to March

\* Active users for each month = (number of users at the end of previous month + number of users at the end of current month) / 2

The number of users used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:

- a. Subscriptions of communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs); and

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- b. Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for Xi or FOMA services in his/her name.

**Table of Contents****Operating Results for the fiscal year ended March 31, 2015**

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2015. The tables below describe selected data from our consolidated statement of income for the fiscal years ended March 31, 2015 and 2014:

**Breakdown of Financial Information**

	Millions of yen Years ended March 31			
	2014	2015	Increase (Decrease)	Change (%)
<b>Operating revenues:</b>				
Telecommunications services	¥ 2,963,980	¥ <b>2,747,155</b>	¥ (216,825)	(7.3)%
Mobile communications services revenues	2,955,788	<b>2,736,649</b>	(219,139)	(7.4)%
Voice revenues <sup>*1</sup>	1,065,196	<b>883,844</b>	(181,352)	(17.0)%
Packet communications revenues	1,890,592	<b>1,852,805</b>	(37,787)	(2.0)%
Optical-fiber broadband service and other telecommunications services revenues <sup>*2</sup>	8,192	<b>10,506</b>	2,314	28.2 %
Equipment sales	872,000	<b>904,089</b>	32,089	3.7 %
Other operating revenues <sup>*2</sup>	625,223	<b>732,153</b>	106,930	17.1 %
<b>Total operating revenues</b>	<b>4,461,203</b>	<b>4,383,397</b>	(77,806)	(1.7)%
<b>Operating expenses:</b>				
Cost of services	1,059,619	<b>1,159,514</b>	99,895	9.4 %
Cost of equipment sold	785,209	<b>853,062</b>	67,853	8.6 %
Depreciation and amortization	718,694	<b>659,787</b>	(58,907)	(8.2)%
Impairment loss		<b>30,161</b>	30,161	
Selling, general and administrative	1,078,482	<b>1,041,802</b>	(36,680)	(3.4)%
<b>Total operating expenses</b>	<b>3,642,004</b>	<b>3,744,326</b>	102,322	2.8 %
<b>Operating income</b>	<b>819,199</b>	<b>639,071</b>	(180,128)	(22.0)%
<b>Other income (expense), net</b>	<b>13,850</b>	<b>4,812</b>	(9,038)	(65.3)%
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	<b>833,049</b>	<b>643,883</b>	(189,166)	(22.7)%
<b>Income taxes</b>	<b>307,979</b>	<b>238,067</b>	(69,912)	(22.7)%
<b>Income before equity in net income (losses) of affiliates</b>	<b>525,070</b>	<b>405,816</b>	(119,254)	(22.7)%
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(69,117)	<b>(7,782)</b>	61,335	88.7 %
<b>Net income</b>	<b>455,953</b>	<b>398,034</b>	(57,919)	(12.7)%
Less: Net (income) loss attributable to noncontrolling interests	8,776	<b>12,059</b>	3,283	37.4 %
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ <b>464,729</b>	¥ <b>410,093</b>	¥ (54,636)	(11.8)%

\*1 Inclusive of circuit switched data communications

\*2 With the introduction of Optical-fiber service and other telecommunications service revenues in the fiscal year ended March 31, 2015, some elements (revenues from satellite mobile communications, cable television of overseas and other services) included in conventional Other operating revenues in the financial statements for the fiscal year ended March 31, 2014 have been retroactively reclassified into Optical-fiber broadband service and other

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telecommunications services revenues. The amount of the reclassification was ¥8,192 million for the fiscal year ended March 31, 2014.



**Table of Contents***Analysis of operating results for the fiscal year ended March 31, 2015 and comparison with the prior fiscal year*

Operating revenues for the fiscal year ended March 31, 2015, were ¥4,383.4 billion, a decrease of ¥77.8 billion, or 1.7%, from ¥4,461.2 billion for the prior fiscal year. Telecommunications services revenues were ¥2,747.2 billion, decreasing by ¥216.8 billion, or 7.3%, compared to ¥2,964.0 billion for the prior fiscal year. Of these, mobile communications services revenues decreased by ¥219.1 billion, or 7.4%, from the previous year's figure of ¥2,955.8 billion, to ¥2,736.6 billion. Voice revenues decreased by ¥181.4 billion, or 17.0%, year on year to ¥883.8 billion from ¥1,065.2 billion for the prior fiscal year. The decline in voice revenues includes the expanded impact of the Monthly Support discounts of ¥73.1 billion as compared to the prior fiscal year and the impact of the shift of some FOMA users to lower-rate plans. Monthly Support is a service that provides up to 24 months of discounts from monthly service charges, in fixed amounts depending on device purchased, to subscribers using devices such as smartphones and tablets whose subscriptions satisfy certain conditions. Packet communications revenues recorded a decrease of ¥37.8 billion, or 2.0%, to ¥1,852.8 billion from ¥1,890.6 billion for the prior fiscal year. This decrease was due to the fact that the positive effects on revenues from the increase in LTE(Xi) service subscribers and aggressive sales promotion of smartphones and other devices were outweighed by the negative effects on revenues of the expanded impact of Monthly Support discounts and the negative impact caused by our new billing plan in the initial phase following its launch because the migration of our customers to the plan grew faster than expected. The negative impact on revenue due to the expanded Monthly Support discounts was ¥43.9 billion as compared to the prior fiscal year. The total number of LTE(Xi) service subscriptions as of March 31, 2015 grew to 30.74 million, and the total number of smartphones sold during the 12-month period through March 31, 2015 reached 14.60 million. As a result, the voice ARPU for the fiscal year ended March 31, 2015 dropped ¥210, or 14.1%, to ¥1,280 from ¥1,490 for the prior fiscal year. The packet ARPU for the fiscal year ended March 31, 2015 was ¥2,820, down ¥60, or 2.1%, from ¥2,880 for the prior fiscal year. Optical-fiber broadband service and other telecommunications services revenues increased by ¥2.3 billion, or 28.2%, from ¥8.2 billion in the prior fiscal year to ¥10.5 billion in the fiscal year ended March 31, 2015.

Equipment sales revenues increased by ¥32.1 billion, or 3.7%, to ¥904.1 billion for the fiscal year ended March 31, 2015 from ¥872.0 billion for the prior fiscal year, due to increased sales resulting from addition of new subscribers of devices, including smartphones, stimulation of demand for second devices through enhancement of the lineup of tablet devices and introduction of the new billing plan.

Other operating revenues increased by ¥106.9 billion, or 17.1%, from ¥625.2 billion for the prior fiscal year to ¥732.2 billion for the fiscal year ended March 31, 2015. The primary items comprising other operating revenues include revenues derived from shopping service, services to support our customers' daily lives, Mobile Device Protection Service, services offered through dmarket portal, and credit services. The increase was driven mainly by the full-year consolidation of sales revenues from ABC Cooking Studio Co., Ltd., a subsidiary that we acquired in January 2014, in order to expand the smart life business, increased revenues from Mobile Device Protection Service due to growth in the number of protection contracts, and increased revenues from dmarket resulting from an increase in subscribers of monthly subscription services in dmarket and an increase in sales of pay-per-view or -use content services of dmarket.

Operating expenses increased by ¥102.3 billion, or 2.8%, from ¥3,642.0 billion for the prior fiscal year to ¥3,744.3 billion for the fiscal year ended March 31, 2015.

Cost of services, which represents the expenses we incur directly in connection with providing our customers with mobile communications services and/or other services offered by our subsidiaries, increased by ¥99.9 billion, or 9.4%, from ¥1,059.6 billion for the prior fiscal year to ¥1,159.5 billion for the fiscal year ended March 31, 2015, resulting from increased cost of services associated with increased revenues in the smart life business and other businesses, including the full-year consolidation of sales revenue from ABC Cooking Studio Co., Ltd., and an increase in charges for use of other companies' telecommunications equipment in connection with a significant increase in the number of installations of LTE base stations in order to build a robust network.

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Cost of equipment sold, which arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, increased by ¥67.9 billion, or 8.6%, to ¥853.1 billion from ¥785.2 billion for the prior fiscal year primarily as a result of strong sales of smartphones and tablets, whose procurement costs per unit are higher than for feature phone.

Depreciation and amortization expenses decreased by ¥58.9 billion, or 8.2%, to ¥659.8 billion from ¥718.7 billion for the prior fiscal year, resulting from the effects of a revision in the estimate of the expected useful life of certain software for telecommunications network and internal-use software as well as the effects of reduction in capital expenditures as a result of cost efficiency improvements.

Selling, general and administrative expenses decreased by ¥36.7 billion, or 3.4%, to ¥1,041.8 billion from ¥1,078.5 billion for prior fiscal year. The primary components included in our selling, general and administrative expenses are expenses related to the acquisition of new subscribers and retention of current subscribers, which includes commissions paid to agent resellers and the expenses incurred in relation to docomo Points Service customer loyalty program. The decline of selling, general and administrative expenses was due mainly to a decrease of ¥41.9 billion in commissions paid to agent resellers, offsetting an increase in advertising expenses of ¥3.6 billion in connection with the introduction of the new billing plan.

Impairment loss totaled ¥30.2 billion, due to reduction of the carrying value of multimedia broadcasting business for mobile devices assets to their fair value during the fiscal year ended March 31, 2015.

As described above, the increases in operating expenses other than selling, general and administrative expenses, and depreciation and amortization expenses exceeded the decreases in selling, general and administrative expenses, and depreciation and amortization expenses, which resulted in an increase in operating expenses.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2015 decreased by ¥180.1 billion, or 22.0%, from ¥819.2 billion for the prior fiscal year to ¥639.1 billion. Accordingly, the operating income margin dropped from 18.4% for the prior fiscal year to 14.6%.

Other income (expense) includes items such as interest expense, interest income, dividend income, foreign exchange gains and losses and other-than-temporary impairment losses and net realized gains (losses) on dispositions of marketable securities and other investments. We recognized ¥4.8 billion as other income, net for the fiscal year ended March 31, 2015, reflecting a decrease of ¥9.0 billion, or 65.3%, from the figure of ¥13.9 billion in the prior fiscal year. This was due mainly to the fact that net realized gains (losses) on dispositions of investments in affiliates and of marketable securities and other investments decreased from net realized gains of ¥3.7 billion to net realized losses of ¥0.2 billion from the prior fiscal year and the fact that foreign exchange gains, net, which totaled ¥4.4 billion in the prior fiscal year, fell to foreign exchange losses, net, of ¥0.4 billion in the fiscal year ended March 31, 2015.

As a result, income before income taxes and equity in net income (losses) of affiliates decreased by ¥189.2 billion, or 22.7%, to ¥643.9 billion for the fiscal year ended March 31, 2015 from ¥833.0 billion for the prior fiscal year.

Income taxes decreased by ¥69.9 billion or 22.7% from ¥308.0 billion for the fiscal year ended March 31, 2014 to ¥238.1 billion for the fiscal year ended March 31, 2015, resulting from a decrease in income before income taxes and equity in net income (losses) of affiliates. An effective income tax rate in both fiscal years is 37.0%.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates decreased by ¥61.3 billion, or 88.7%, to ¥7.8 billion for the fiscal year ended March 31, 2015 from ¥69.1 billion for the prior fiscal year. For both the fiscal years, the equity in losses of certain affiliates including Tata Teleservices Limited

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( TTSL ) was offsetting against the equity in income of other affiliates including Sumitomo Mitsui Card Co., Ltd. and Philippine Long Distance Telephone Company ( PLDT ). For the fiscal year ended March 31, 2015, the equity loss of TTSL decreased from the previous year due mainly to the fact that an additional impairment charge on TTSL amounting to ¥51.2 billion had been recorded in the prior fiscal year but was not recorded for the fiscal year ended March 31, 2015. See Note 6 concerning financial information for TTSL.

As a result of the foregoing, we reported ¥410.1 billion in net income attributable to NTT DOCOMO, INC. for the fiscal year ended March 31, 2015, representing a decrease of ¥54.6 billion, or 11.8%, from ¥464.7 billion for the prior fiscal year.

**Key Performance Indicators**

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2015 and 2014 are provided below:

	Years ended March 31			
	2014	2015	Increase (Decrease)	Change (%)
<b>Cellular</b>				
Subscriptions (thousands)	63,105	<b>66,595</b>	3,490	5.5 %
LTE(Xi) services	21,965	<b>30,744</b>	8,779	40.0 %
FOMA services	41,140	<b>35,851</b>	(5,289)	(12.9)%
Including: New Billing Plan		<b>17,827</b>	17,827	
Market Share (%) <sup>(1)(2)</sup>	43.8	<b>43.6</b>	(0.2)	
Aggregate ARPU (yen/month/subscription) <sup>(3)(6)</sup>	4,370	<b>4,100</b>	(270)	(6.2)%
Voice ARPU <sup>(4)</sup>	1,490	<b>1,280</b>	(210)	(14.1)%
Data ARPU	2,880	<b>2,820</b>	(60)	(2.1)%
Packet ARPU	2,880	<b>2,820</b>	(60)	(2.1)%
docomo Hikari ARPU		<b>0</b>	0	
MOU (minutes/month/subscription) <sup>(3)(5)(6)</sup>	116	<b>122</b>	6	5.2 %
Churn Rate (%) <sup>(2)(6)</sup>	0.82	<b>0.61</b>	(0.21)	

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

(2) Data calculated including communication module services subscriptions

(3) Data are calculated excluding revenues and subscriptions from communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver, and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs.

(4) Inclusive of circuit switched data communications

(5) MOU (Minutes of Use): Average communication time per month per users

(6) The calculation methods have been changed from the fiscal year ended March 31, 2016. Accordingly, ARPU, MOU and Churn Rate of the fiscal year ended March 31, 2014 and 2015 have also been changed to reflect the new calculation methods.

Definition of ARPU

Aggregate ARPU: Voice ARPU + Packet ARPU + docomo Hikari Smart ARPU

Voice ARPU: Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active users

Data ARPU: Packet ARPU + docomo Hikari ARPU

Packet ARPU: Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active users

docomo Hikari ARPU: docomo Hikari ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active user

Number of active users used in ARPU calculations is as follows:

Sum of number of active users for each month\* during the relevant period from April to March

\* Active users for each month = (number of users at the end of previous month + number of users at the end of current month) / 2

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The number of users used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:

- a. Subscriptions of communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to Mobile Virtual Network Operators (MVNOs); and
- b. Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for Xi or FOMA services in his/her name.

**Segment Information****General**

We report the individual results of our three business segments, which consists of telecommunications business, smart life business and other businesses.

The telecommunications business segment includes mobile phone services (LTE(Xi) services and FOMA services), optical-fiber broadband service, satellite mobile communications services, international services and equipment sales related to these services. The smart life business segment includes video and music distribution, electronic books and other services offered through our dmarket portal, as well as finance/payment services, shopping services and various other services to support our customers' daily lives. The other businesses segment primarily includes Mobile Device Protection Service, as well as development, sales and maintenance of IT systems.

**Telecommunications business**

	Millions of yen			Increase (Decrease) 2015 vs 2014	Increase (Decrease) 2016 vs 2015
	2014	2015	2016		
<b>Segment operating revenues</b>	¥ 3,827,328	¥ 3,654,565	<b>¥ 3,689,779</b>	¥ (172,763)	¥ 35,214
<b>Segment operating expenses</b>	3,014,592	3,018,489	<b>2,980,925</b>	3,897	(37,564)
<b>Segment operating income (loss)</b>	¥ 812,736	¥ 636,076	<b>¥ 708,854</b>	¥ (176,660)	¥ 72,778

Operating revenues in the telecommunications business segment are mainly derived from telecommunications services and equipment sales. For the fiscal year ended March 31, 2016, operating revenues from our telecommunications business segment increased by ¥35.2 billion, or 1.0%, to ¥3,689.8 billion from ¥3,654.6 billion for the prior fiscal year. Telecommunications services revenues recorded an increase of ¥63.0 billion, or 2.3%, to ¥2,777.5 billion from ¥2,714.4 billion in the prior fiscal year. Mobile communications service revenues, a part of telecommunications services revenues consisting of voice revenues and packet communications revenues, grew by ¥25.4 billion, or 0.9%, in the fiscal year ended March 31, 2016 to ¥2,729.8 billion from ¥2,704.4 billion in the prior fiscal year. The increase in mobile communications services revenues in the telecommunications business was due primarily to the revenue-boosting effects of increased data (packet) usage of customers owning multiple mobile devices as a result of our improved tablet device lineup and sale promotion efforts and subscribers' migration to relatively higher-end rate plans of our billing plan Kake-hodai and Pake-aeru, which more than offset the negative impact of the expanded application of Monthly Support discounts and the decrease in revenues caused by the introduction of Kake-hodai Light rate plans. In addition, optical-fiber broadband service and other telecommunications services revenues, which represent revenues from optical-fiber broadband service, satellite communications services, overseas cable television services, and other sources, increased by ¥37.6 billion, or 376.8%, to ¥47.6 billion from ¥10.0 billion in the prior fiscal year. The principal driver behind this growth was the introduction, in March 2015, of our docomo Hikari optical-fiber broadband service, which reached 1.57 million subscription as of March 31, 2016. Revenues from equipment sales, on the other hand, decreased by ¥44.1 billion, or 4.9%, to ¥856.6 billion



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from ¥900.7 billion in the prior fiscal year, due to a decline in the number of wholesale devices sold to agent resellers although the proportion of smartphones and tablet devices, which carry a higher unit price, to the total number of handsets sold increased. Operating revenues of the telecommunications business segment represented 81.0% of the total of segment operating revenues in the fiscal year ended March 31, 2016, as compared to 82.8% in the prior fiscal year. Operating expenses for the telecommunications business segment decreased by ¥37.6 billion, or 1.2%, to ¥2,980.9 billion from ¥3,018.5 billion for the prior fiscal year. Although there was an increase in expenses, such as communications network charges, which we pay for the usage of other operators' networks or for access charges, in association with the expansion of our docomo Hikari optical-fiber broadband service, operating expenses for the telecommunications business segment recorded a year-on-year decrease due mainly to reduction in the commissions paid to agent resellers, expenses relating to d POINT and docomo Point Service programs and depreciation and amortization expenses as a result of lowering our depreciable and amortizable assets through cost-efficiency improvement addressing capital expenditures. As a result of the foregoing, operating income from the telecommunications business segment for the fiscal year ended March 31, 2016 amounted to ¥708.9 billion, up ¥72.8 billion, or 11.4%, compared to ¥636.1 billion for the prior fiscal year, due largely to the recovery of mobile communications services revenues, the growth in the number of docomo Hikari subscriptions, and savings on sales- and network-related expenses achieved through cost-efficiency initiatives.

For the fiscal year ended March 31, 2015, operating revenues from our telecommunications business segment decreased by ¥172.8 billion, or 4.5%, to ¥3,654.6 billion from ¥3,827.3 billion in the prior fiscal year. Telecommunications services revenues decreased by ¥218.0 billion, or 7.4%, to ¥2,714.4 billion from ¥2,932.5 billion in the prior fiscal year. Mobile communications service revenues, a part of telecommunications services revenues consisting of voice revenues and packet communications revenues, decreased by ¥220.2 billion, or 7.5%, in the fiscal year ended March 31, 2015 to ¥2,704.4 billion from ¥2,924.7 billion in the prior fiscal year. The decrease was due primarily to a greater impact of the Monthly Support discounts than in the prior fiscal year and the introduction of the new billing plans, which had a negative impact on revenues, due in part to a shift to new plans by subscribers who found it beneficial to switch to the new billing plans, with the anticipated positive effects of such billing plans, such as further penetration of a flat-rate domestic voice calling plan, an increase in data usage as customers purchase additional devices (such as tablets) to take advantage of data sharing plans, a reduction in churn rate and the acquisition of additional young subscribers, not yet having a significant positive impact on revenues. In addition, optical-fiber broadband service and other telecommunications services revenues, which represent revenues from optical-fiber broadband service, satellite communications services, overseas cable television services, and other sources, increased by ¥2.2 billion, or 28.0%, to ¥10.0 billion from ¥7.8 billion in the prior fiscal year. Since provision of optical-fiber broadband service began only recently in March 2015, these services have only a slight impact on revenues for the fiscal year ended March 31, 2015. At the same time, equipment sales revenues increased by ¥34.2 billion, or 4.0%, to ¥900.7 billion from ¥866.4 billion in the prior fiscal year, resulting from increasing equipment sales volume including sales of smartphones. Operating revenues of the telecommunications business segment represented 82.8% of the total of segment operating revenues in the fiscal year ended March 31, 2015 and 85.3% in the prior fiscal year. Operating expenses in the telecommunications business segment increased by ¥3.9 billion, or 0.1%, to ¥3,018.5 billion from ¥3,014.6 billion in the prior fiscal year. This was due to an increase in cost of equipment sold in connection with an increase in strong sales of smartphones and tablets, whose procurement costs per unit are higher than for feature phones, and an increase in charges for other companies' communications network in connection with a significant increase in the number of installations of our LTE base stations in order to build a robust network, even though depreciation and amortization expenses decreased due to a change in estimate of the expected useful life of certain software and commissions paid to agent resellers also decreased. As a result, the operating income of the telecommunications business segment in the fiscal year ended March 31, 2015 fell by ¥176.7 billion, or 21.7%, to ¥636.1 billion, from ¥812.7 billion in the prior fiscal year, due largely in part to the effects of the decrease in mobile communications service revenues.

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Analysis of the changes in revenues and expenses of our telecommunications business segment is also presented in Operating Results for the fiscal year ended March 31, 2016 and Operating Results for the fiscal year ended March 31, 2015 discussed above as well as Operating Trends and Prospects for the fiscal year ending March 31, 2017 in the following section.

**Smart life business**

	Millions of yen				
	Years ended March 31			Increase (Decrease)	Increase (Decrease)
	2014	2015	2016	2015 vs 2014	2016 vs 2015
<b>Segment operating revenues</b>	¥ 366,202	¥ 443,320	<b>¥ 504,129</b>	¥ 77,118	¥ 60,809
<b>Segment operating expenses</b>	348,051	445,714	<b>457,679</b>	97,663	11,965
<b>Segment operating income (loss)</b>	¥ 18,151	¥ (2,394)	<b>¥ 46,450</b>	¥ (20,545)	¥ 48,844

For the fiscal year ended March 31, 2016, operating revenues from the smart life business segment increased by ¥60.8 billion, or 13.7%, to ¥504.1 billion from ¥443.3 billion in the prior fiscal year. The increase was primarily due to a rise in dmarket -related revenues resulting from an increase in the number of subscribers to dmarket of monthly subscription services, an increase in revenues from the Sugotoku-Contents services due to growth in the number of subscribers and the expansion of the total amount of transactions handled by d CARD and our other credit services. Operating revenues of the smart life business segment represented 11.1% of the total of segment operating revenues in the fiscal year ended March 31, 2016 and 10.0% in the prior fiscal year. Operating expenses of the smart life business segment increased by ¥12.0 billion, or 2.7%, from ¥445.7 billion in the prior fiscal year to ¥457.7 billion in the fiscal year ended March 31, 2016, due to an increase in expenses associated with the expansion of revenues from dmarket, credit and other services, which more than offset a decrease in the impairment loss related to multimedia broadcasting business for mobile devices assets. As a result, the operating income of the smart life business segment in the fiscal year ended March 31, 2016 amounted to ¥46.5 billion, improving by ¥48.8 billion after recording an operating loss of ¥2.4 billion in the prior fiscal year.

For the fiscal year ended March 31, 2015, operating revenues from the smart life business segment increased by ¥77.1 billion, or 21.1%, to ¥443.3 billion from ¥366.2 billion in the prior fiscal year. The increase is primarily due to the fact that revenues for the entire fiscal year of ABC Cooking Studio Co., Ltd., which became a subsidiary in January 2014, were recorded for the fiscal year ended March 31, 2015, increase in revenues from the Sugotoku-Contents services due to growth in the number of subscribers, and increase in revenues from dmarket resulting from an increase in subscribers of monthly subscription services in dmarket and an increase in sales of pay-per-view or -use content services of dmarket. Operating revenues of the smart life business segment represented 10.0% of the total of segment operating revenues in the fiscal year ended March 31, 2015 and 8.2% in the prior fiscal year. Operating expenses in the smart life business segment increased by ¥97.7 billion, or 28.1%, from ¥348.1 billion in the prior fiscal year to ¥445.7 billion in the fiscal year ended March 31, 2015, due to the full-year consolidation of operating expenses from ABC Cooking Studio Co., Ltd. for the fiscal year ended March 31, 2015, an increase in revenue-linked expenses from the Sugotoku-Contents, dmarket, and other services, and impairment losses of ¥30.2 billion recorded in connection with multimedia broadcasting business for mobile devices assets. As a result, the operating income (loss) of the smart life business segment in the fiscal year ended March 31, 2015 fell by ¥20.5 billion to an operating loss of ¥2.4 billion, from operating income of ¥18.2 billion in the prior fiscal year. When the impairment loss of multimedia broadcasting business for mobile devices assets are excluded, the operating income of the smart life business segment increased by ¥9.6 billion, or 53.0%, from the prior fiscal year.

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	Millions of yen Years ended March 31				
	2014	2015	2016	Increase (Decrease) 2015 vs 2014	Increase (Decrease) 2016 vs 2015
<b>Segment operating revenues</b>	¥ 292,805	¥ 313,492	<b>¥ 359,276</b>	¥ 20,687	¥ 45,784
<b>Segment operating expenses</b>	304,493	308,103	<b>331,556</b>	3,610	23,453
<b>Segment operating income (loss)</b>	¥ (11,688)	¥ 5,389	<b>¥ 27,720</b>	¥ 17,077	¥ 22,331

Operating revenues from other businesses segment increased by ¥45.8 billion, or 14.6%, from ¥313.5 billion in the prior fiscal year to ¥359.3 billion for the fiscal year ended March 31, 2016. Operating revenues of the other businesses segment represented 7.9% of total of segment operating revenues in the fiscal year ended March 31, 2016 and 7.1% in the prior fiscal year. Operating expenses from other businesses segment increased by ¥23.5 billion, or 7.6%, from ¥308.1 billion in the prior fiscal year to ¥331.6 billion. The increases in operating revenues and operating expenses were primarily due to an increase in both revenues and revenue-linked expenses resulting from the increase in subscribers to Mobile Device Protection Service. Consequently, operating income from the other businesses segment for the fiscal year ended March 31, 2016 increased by ¥22.3 billion to ¥27.7 billion from ¥5.4 billion for the prior fiscal year.

Operating revenues from other businesses segment increased by ¥20.7 billion, or 7.1%, from ¥292.8 billion in the prior fiscal year to ¥313.5 billion for the fiscal year ended March 31, 2015. Operating revenues of the other businesses segment represented 7.1% of total of segment operating revenues in the fiscal year ended March 31, 2015 and 6.5% in the prior fiscal year. Operating expenses from other businesses segment increased by ¥3.6 billion, or 1.2%, from ¥304.5 billion in the prior fiscal year to ¥308.1 billion. The increases in operating revenues and operating expenses were primarily due to an increase in subscribers to Mobile Device Protection Service. Consequently, operating income (loss) from the other businesses segment for the fiscal year ended March 31, 2015 increased by ¥17.1 billion to an operating income of ¥5.4 billion from an operating loss of ¥11.7 billion in the prior fiscal year.

**Operating Trends and Prospects for the fiscal year ending March 31, 2017**

This section describes our operating trends from the perspectives of revenues and expenses as well as the prospects for the fiscal year ending March 31, 2017.

*Operating Revenues***(1) Telecommunications Services**

Telecommunications services revenues consist of mobile communications service revenues and optical-fiber broadband service and other telecommunications services revenues. Mobile communications services revenues are earned from providing mobile phone services, and they consist of voice revenues and packet communications revenues. Voice revenues are derived from a combination of basic monthly charges for service and additional calling charges billed by connection time. Packet communications revenues are derived from a combination of basic monthly charges for service and additional usage charges billed by volume of data. Mobile communications services revenues are impacted by the changes in the total number of subscriptions, users' usage behavior, pricing measures such as the discounts offered to customers and other factors.

Toward the goal of increasing the number of subscriptions, it is important to acquire a new subscription and retain existing customers. Although it is difficult to expect a significant increase in the number of new subscriptions given the high cellular penetration rate, we need to meet demand for various types of communication devices and services, such as smartphones, tablets, wearable devices, and Wi-Fi routers. Demand



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for higher transmission speeds has also been mounting in line with the expansion of data usage resulting from the proliferation of smartphones. Responding to these new demands in the market, we have worked to promote the sales of smartphones and expand the LTE network, with the aim of growing the user base of our LTE(Xi) service. As a result, the total number of LTE(Xi) service subscriptions as of March 31, 2016 increased by 25.8% compared to the number for the prior fiscal year, and accounted for over 50% of our total cellular subscriptions as of March 31, 2016.

Our subscription churn rate is an important performance indicator for us to achieve our important goal of curbing contract terminations and retaining our current subscriptions. The churn 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 income by decreasing the average amount of revenues we are able to collect from each subscriber or by increasing our expenses. In an effort to improve our competitive strength, we introduced a new billing plan *Kake-hodai & Pake-aeru*, in June 2014 and commenced an optical-fiber broadband service *docomo Hikari*, in March 2015 while concurrently launching the *docomo Hikari Pack* bundle discount program. We believe that such efforts, along with other factors, including network improvements achieved through offering LTE services and attractive, high-performance devices (handsets), have led to the significant improvement of our subscription churn rate from 0.82% for the fiscal year ended March 31, 2014 to 0.61% for the fiscal year ended March 31, 2015 and our maintaining our subscription churn rate at a comparably low level of 0.62% for the fiscal year ended March 31, 2016. Meanwhile, the acquisition of net additions for the fiscal year ended March 31, 2016 increased to 4.37 million from 3.49 million in the prior fiscal year. Going forward, we plan to employ measures aimed at lowering the churn rate by adding new rate options to our new billing plan, securing subscribers through bundle offers with the *docomo Hikari* service and differentiating ourselves from our competitors by expanding our network and enriching our services.

As a result of these initiatives, the total number of our subscriptions as of March 31, 2016 had increased by 6.6% compared to the level for the prior fiscal year. We believe the total number of our subscriptions will continue to increase during the fiscal year ending March 31, 2017 as we strive to cultivate new market demand and take proactive measures to promote the sales of smartphones and expand the LTE and LTE-Advanced networks, with the aim of expanding the user base of our LTE(Xi) service.

Our mobile communications services revenues recorded a year-on-year increase in the fiscal year ended March 31, 2016 despite the negative impact on revenues from the expanded *Monthly Support* discount program and the introduction of *Kake-hodai Light* rate plan, because of revenue growth caused by increased demand for secondary mobile devices stimulated by our improved tablet product lineup and sales promotion efforts, and subscribers' migration to higher-end plans of our new billing plan *Kake-hodai & Pake-aeru*. *Monthly Support* is a discount program that we introduced in 2011 to provide customers purchasing a smartphone, tablet or other product under certain subscription conditions with prescribed amount of discounts, which vary by each model, on their monthly phone bill for up to 24 months. Because most of the customers purchasing a smartphone or tablet, etc., have opted to use *Monthly Support* discounts, the total number of *Monthly Support* discounts subscriptions has been growing in line with the spread of smartphones and other applicable devices. This had been one of the principal factors driving the decline in mobile communications revenues in recent years. The negative revenue impact caused by the *Monthly Support* program increased by ¥77.4 billion for the fiscal year ended March 31, 2016 as compare to it for the prior fiscal year. For the fiscal year ending March 31, 2017, the negative revenue impact from the *Monthly Support* discount program is not expected to increase but is instead expected to remain flat due to a projected slowdown in the growth of sales of smartphones applied with *Monthly Support* discounts as well as our endeavors to properly control the amount of *Monthly Support* discounts that we apply to handsets.

The new *Kake-hodai & Pake-aeru* billing plan consists of the four principal services: a flat-rate domestic voice calling plan, a plan to enable sharing of the packet data quota among family members, a discount service

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favoring long-term users with graduated discounts based on length of subscription, and a service providing discounts to users of age 25 or younger. We began offering this plan in June 2014. The new plan has been well received, with the number of subscribers using the plan rising to over 30 million on April 12, 2016. During the fiscal year ended March 31, 2015, the new billing plan had a negative effect on revenues as subscribers found it beneficial to switch to the new plan at a faster pace than anticipated. In the fiscal year ended March 31, 2016, however, the negative revenue impact caused by the new billing plan moderated, as the decline in voice revenues leveled off due to the slowdown in the pace of migration by subscribers who benefit from switching to the new billing plan and the packet revenue-boosting effect achieved through our efforts to migrate subscribers to the higher-end plans of the new billing plan. This trend of reduced negative impact from the new billing plan is likely to continue in the fiscal year ending March 31, 2017.

Voice revenues of the mobile communications services revenues recorded a year-on-year decrease of 3.9% during the fiscal year ended March 31, 2016, because, although the progress in subscribers' migration to the new billing plan brought an increase in revenues, the negative impact from the Monthly Support discount outweighed such positive impact. However, we expect voice revenues for the fiscal year ending March 31, 2017 to increase because the positive impact from the progress in subscribers' migration to the new billing plan is expected to continue and the negative impact from the Monthly Support discount program is projected to remain flat.

Packet communications revenues of the mobile communications services revenues for the fiscal year ended March 31, 2016 grew by 3.5% from the prior fiscal year due to expanded demand for a secondary mobile device owing to an improved lineup of tablet devices and our sales promotion efforts, and the revenue-boosting effect caused by subscribers' migration to higher-end plans of Packet Pack, data buckets of our new billing plan Kake-hodai & Pake-aeru. The average packet communications revenues per smartphone user remains high and the number of users of data dedicated equipment such as tablet devices continue to grow. We believe that our packet communications revenues will continue to increase in the fiscal year ending March 31, 2017 as we plan to continue our active endeavors to migrate subscriptions to higher-end plans with higher monthly rates and aggressive sales promotion of smartphones. The contribution of packet communications revenues to our mobile communications services revenues has increased every year and accounted for 64.0%, 67.7% and 69.3% of mobile communications services revenues for the fiscal year ended March 31, 2014, 2015 and 2016, respectively.

In December 2015, the Minister of Internal Affairs and Communications requested each MNO to reduce communication charges for smartphone users based on the proposals by the Ministry of Internal Affairs and Communications' Task Force on Mobile Phone Rates and Other Conditions for Service Offerings. Considering the proposals and request, to meet customers' diverse requirements, we have strived to add new options to our new billing plan such as introducing a new rate plan for light-usage customers in March 2016, and introducing new benefits for our customers in June 2016, such as a plan that allows customers completing a two-year contract to select a subscription without cancellation fees and another plan that provides increases in discounts for long-term customers. We expect that these efforts cause the negative impact on revenues in the fiscal year ending March 31, 2017.

Optical-fiber broadband service and other telecommunications services revenues represent revenues from optical-fiber broadband service, satellite mobile communications services, overseas cable television services and other telecommunications services. In March 2015, we launched the docomo Hikari service (our optical-fiber broadband service that enables high-speed access at speeds of up to 1Gbps) and docomo Hikari Pack, a bundle package that allows users to use docomo Hikari and smartphones/docomo feature phones service at affordable rates. By offering new added value through the convergence of fixed-line and mobile communications services, we expect to not only secure revenues from monthly optical-fiber broadband service charges but also to secure new subscriptions to our mobile phone services and prevent cancellations. As a result of the expanded uptake of docomo Hikari, the optical-fiber broadband service and other telecommunications services revenues for the fiscal year ended March 31, 2016 grew by 356.1% compared to the prior fiscal year. We expect an increase in optical-fiber broadband service and other telecommunications services revenues in the fiscal year ending March 31, 2017 because we expect the number of docomo Hikari optical-fiber broadband service subscriptions to grow further.

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We use the average monthly revenue per unit or ARPU as a performance indicator to measure average monthly revenues per subscription. ARPU consists of Voice ARPU, Packet ARPU and docomo Hikari ARPU. We believe that our ARPU figures provide certain level of useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. For Voice ARPU, revenue has been decreasing recently due to the aforementioned discount program, but we forecast that it will turn to an increase in the fiscal year ending March 31, 2017, as a result of the increase of customers who have migrated to the flat-rate domestic calling service under the new billing scheme. The Packet ARPU, on the other hand, returned to a growth track in the fiscal year ended March 31, 2016 due to heightened demand for secondary mobile devices resulting from improved tablet device lineup and our sales promotion activities as well as our efforts to migrate subscriptions to higher-end plans with higher monthly rates. We believe that this trend is likely to continue in the fiscal year ending March 31, 2017. We believe that docomo Hikari ARPU will increase in the fiscal year ending March 31, 2017 because we expect the number of docomo Hikari optical-fiber broadband service subscriptions to grow further.

### ***(2) Equipment Sales Revenues***

We purchase handsets compatible with our mobile communications services from handset manufacturers, and then sell those handsets mainly to agent resellers for sale to our subscribers.

When a subscriber purchases a handset from agent resellers, the option to pay in installments is made available to the subscriber. If a subscriber chooses to pay in installments, under the agreement entered into among the subscriber, the agent resellers and us, we provide funds by paying for the purchased handset to the agent resellers and include the installment charge for the purchased handset in the monthly bill for network usage for the installment payment term. This agreement is separate from the mobile communications service contract entered into between the subscriber and us, or the equipment sales contract concluded between the agent reseller and subscriber. Because the revenues from equipment sales are recognized upon the delivery of handsets to agent resellers, cash collection of the installments receivable for the purchased handset from subscribers does not have an impact on any of our revenues, including equipment sales revenues.

We account for a portion of the sales commissions that we pay to agent resellers and incentives offered to subscribers as a reduction in equipment sales revenues. Despite the rise in the proportion of smartphones and tablet devices (which carry a higher sales price compared to feature phones) to the total number of devices sold, revenues from equipment sales for the fiscal year ended March 31, 2016 decreased by 4.8% compared to the prior fiscal year due to the decrease in the number of devices sold to agent resellers. Because our users' average usage cycle of using the same handset has been getting longer in recent years, which causes a decline in the total number of handsets sold to agent resellers, we expect our equipment sales revenues for the fiscal year ending March 31, 2017 to decrease over the prior year.

Because impact from the trend of handset sales on our operating income is closely interrelated with the cost of handsets sold, please refer to the Cost of Equipment Sold section.

### ***(3) Other Operating Revenues***

The primary items comprising other operating revenues include the revenues from our smart life business and other businesses such as Mobile Device Protection Service, dmarket and credit services. We set a goal to expand our smart life business and other businesses through alliances with various companies. During the fiscal year ending March 31, 2017, we will continue working toward the goal of expanding revenues from our smart life business and other businesses.

Mobile Device Protection Service is a service that covers handset issues such as loss and water exposure and delivers a replacement handset of the same model and color as the original one directly to the customer with a simple telephone call. This service also covers handset repair costs and is available for a monthly fee prescribed

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for each handset model. The revenues generated from this service have been growing in line with the increase in its subscription count. We will continually strive to expand its user base in the fiscal year ending March 31, 2017.

Furthermore, the revenues derived from dmarket one of our cloud-based services launched in the fiscal year ended March 31, 2011 have also expanded over the years. dmarket is a marketplace that resides on a cloud infrastructure, through which we offer a rich variety of digital contents including videos, music and electronic books as well as a wide array of physical merchandise such as groceries and other daily goods. The marketplace comprises a number of stores, such as dTV (a distribution platform for movies, TV series, etc.), dgame (a distribution platform for games), dhits (a music distribution service), dmagazine (a magazine distribution service) and dgourmet (service providing information concerning recipes and food). During the fiscal year ended March 31, 2016, we started offering new services through our dmarket portal, such as by launching dgourmet in May 2015 to offer various food-related tips and valuable coupons, etc., and worked to offer more compelling contents through each dmarket store. As a consequence, the combined subscriptions to dvideo, dhits, danime store dkids, dmagazine and dgourmet offer contents for a prescribed monthly subscription fee grew to 15.54 million as of March 31, 2016, and revenues from dmarket increased significantly compared to the prior fiscal year. We project that the revenues we receive through dmarket will increase going forward.

Toward the goal of expanding the structure of the foundation of the +d value co-creation initiatives, in December 2015, we rebranded the former docomo Point Service program into d POINT. In conjunction with this, we have also renewed our credit service, formerly known as DCMX, and started issuing d CARD, a card which combines credit payment capability with the features of d POINT CARD. The amount of transactions handled by our credit services such as DCMX and d CARD have increased constantly over the years, and our revenues from credit services have grown accordingly. We believe that this trend is likely to continue in the fiscal year ending March 31, 2017.

As a result of the foregoing, other operating revenues for the fiscal year ended March 31, 2016 increased by 16.2% as compared to the prior fiscal year. We project that other operating revenues for the fiscal year ending March 31, 2017 will record year-on-year gains resulting from an increase in revenues derived from Mobile Device Protection Service, dmarket and credit services.

Accordingly, we expect that the operating revenues will grow in the fiscal year ending March 31, 2017.

*Operating Expenses****(1) Cost of Services***

Cost of services represents the expenses we incur directly in connection with providing our customers with communications services and/or other services offered by our subsidiaries. Cost of services includes the costs for usage of other operators' networks, maintenance of equipment or facilities, payroll for employees dedicated to the operations and maintenance of our communications networks and insurance costs related to Mobile Device Protection Service -related service. Cost of services accounted for 33.3% of our total operating expenses for the fiscal year ended March 31, 2016. Major components of cost of services include facility maintenance expenses, which are incurred to maintain our network facilities, and communication network charges, which we pay for the usage of other operators' networks or for access charges, accounting for 26.1% and 22.2% of the total cost of services, respectively, for the fiscal year ended March 31, 2016. The amount of our communication network charges is dependent on the rates set by other operators. Cost of services for the fiscal year ended March 31, 2016 increased by 7.7% from the prior fiscal year. This was primarily due to an increase in costs associated with the increase in revenues in new areas of growth, such as our docomo Hikari optical-fiber broadband service, dmarket and Mobile Device Protection Service. As we expect this trend to sustain in the fiscal year ending March 31, 2017, cost of services is expected to continue to rise in that fiscal year.

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**Table of Contents*****(2) Cost of Equipment Sold***

Cost of equipment sold arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, which is basically dependent on the number of handsets sold to agent resellers and the purchase price per handset. Cost of equipment sold represented 23.5% of our operating expenses for the fiscal year ended March 31, 2016. The cost of equipment sold for the fiscal year ended March 31, 2016 increased by 3.3% compared to the prior fiscal year, primarily due to a rise in the proportion of smartphones and tablets to total handsets sold, as the procurement costs per unit of these devices are higher than for feature phones. The revenues from equipment sales for the fiscal year ended March 31, 2016 recorded a decrease from the prior fiscal year despite an increase in the cost of equipment sold due to restraint on raising the per-unit selling price of handsets to resellers for competitive reasons. For the fiscal year ending March 31, 2017, because we forecast a decline in the total number of handsets to be sold, as analyzed in the Equipment Sales Revenues section above, cost of equipment sold is also expected to decrease compared to the fiscal year ended March 31, 2016.

***(3) Depreciation and Amortization Expenses***

Depreciation and amortization expenses accounted for 16.7% of our operating expenses for the fiscal year ended March 31, 2016. As a result of a reduction in depreciable and amortizable assets achieved through the cost efficiency improvement initiatives implemented to date, depreciation and amortization expenses for the fiscal year ended March 31, 2016 decreased by 5.1% from the prior fiscal year. For the fiscal year ending March 31, 2017, we expect depreciation and amortization expenses to decrease significantly because of our change in the depreciation method we use from declining-balance method to straight-line method that, starting from the fiscal year ending March 31, 2017, we plan to apply to that of our property, plant and equipment to which we previously applied the declining-balance method and the lower book value of depreciable and amortizable assets at the beginning of the term owing to the cost efficiency improvement of capital expenditures carried out in the recent years. For details concerning our capital expenditures, please refer to Capital Expenditures in the following section.

***(4) Selling, General and Administrative Expenses***

Selling, general and administrative expenses represented 26.1% of our total operating expenses for the fiscal year ended March 31, 2016. 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 is 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. A portion of the sales activities linked commissions paid to agent resellers is recognized as a deduction from equipment sales while the rest of the commissions, both sales activities linked and non-sales activities linked is recognized as selling, general and administrative expenses. The expenses incurred in relation to d POINT and docomo Points Service customer loyalty programs, handset repair and other after-sales support to customers are also included in selling, general and administrative expenses. Our total selling, general and administrative expenses for the fiscal year ended March 31, 2016 decreased by 6.0% from the prior fiscal year as a result of reductions in savings on expenses related to d POINT and docomo Point Service programs, expenses for collection of bills and commissions paid to agent resellers. We expect our selling, general and administrative expenses for the fiscal year ending March 31, 2017 are record an increase due to a rise in expenses for the acquisition of new docomo Hikari subscriptions and in expenses related to the d POINT program.

Therefore, despite the projected increase in cost of services and selling, general and administrative expenses, we expect operating expenses for the fiscal year ending March 31, 2017 to decrease compared to the fiscal year ended March 31, 2016, owing primarily to a decline in depreciation and amortization expenses as a result of the aforementioned reason, as well as cost of equipment sold.

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As a result of the foregoing, we expect operating income for the fiscal year ending March 31, 2017 to record a year-on-year increase over the fiscal year ended March 31, 2016.

### **B. Liquidity and Capital Resources**

#### **Cash Requirements**

Our cash requirements for the fiscal year ending March 31, 2017 include cash needed to pay agent resellers to provide funds under the installment payment scheme, to expand our network, 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 aimed at capturing business opportunities. We believe that cash generated from our operating activities, future borrowings from banks and other financial institutions or future offerings of debt or equity securities in the capital markets will provide sufficient financial resources to meet our currently anticipated capital and other expenditure requirements and to satisfy our debt service requirements. We believe we have enough financing ability supported by our high creditworthiness resulting from our stable financial performance and strong financial standing. Also, our management is of the opinion that the working capital is sufficient for our present requirements. 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 telecommunications industry in general is highly capital intensive because significant capital expenditures are required for the construction of the telecommunications network. Our capital requirements for our networks are determined by the nature of facility or equipment, the timing of its installation, 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 base stations required in the service area, the number of radio channels in the base stations and the switching equipment required. Capital expenditures are also required for information technology and servers for internet-related services. In recent years, the volume of traffic generated by smartphone users has shown a constant increase due to enrichment of content, invention and provision of new services and other factors. Accordingly, we are required to respond to the growth in demand for higher transmission speeds and a surge of traffic.

In the fiscal year ended March 31, 2016, we made progress in building a robust network pursuing comfort of access and safety and security to realize a high-quality communication environment. Aiming to build a network that allows customers to more comfortably use our services, we aggressively rolled out our LTE-Advanced service, mainly in urban areas, increasing the number of base stations compatible with LTE-Advanced to 22,800 stations as of March 31, 2016 from 900 station as of March 31, 2015. We also started a communication service that offers a maximum downlink speed of 300Mbps in selected cities from October 2015. In an effort to further improve the area coverage of our LTE service, we increased the total number of LTE-enabled base stations to 138,100 as of March 31, 2016 from 97,400 as of March 31, 2015.

Total capital expenditures for the fiscal years ended March 31, 2016, 2015 and 2014 were ¥595.2 billion, ¥661.8 billion and ¥703.1 billion, respectively. Our capital expenditures for the fiscal year ended March 31, 2016 recorded a decrease of ¥66.5 billion or 10.1% compared to the prior fiscal year as a result of our continued pursuit of cost efficiency improvements for the wireless telecommunications network toward the goal of further strengthening our management foundation. Specifically, this was achieved through the integration and/or capacity expansion of our facilities by introducing new technologies or equipment such as advanced C-RAN\*,

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improvement of construction efficiency of telecommunication facilities and reduction of equipment procurement costs. For the fiscal year ended March 31, 2016, 96.4% of capital expenditures were used for the telecommunications business, 2.3% for the smart life business, and 1.3% for other businesses. By comparison, in the prior fiscal year 96.0% of capital expenditures were used for the telecommunications business, 2.6% for the smart life business, and 1.4% for other businesses.

Our total capital expenditures for the fiscal year ending March 31, 2017 are estimated to decrease to ¥585.0 billion, as a result of our ongoing efforts to improve capital investment efficiency aimed at cost reduction even as we proceed with investments intended to secure competitive advantage in network quality through accommodating growth in data traffic and expanding coverage of our LTE-Advanced network as well as securing competitive strength through adoption of advanced technologies and other means. Of this figure, approximately 96.2% will be appropriated for use in the telecommunications business, approximately 2.6% for the smart life business, and approximately 1.2% for other businesses.

Our actual 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 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 data communications services, and by the state of our existing network expansion efforts that are being continued to satisfy these communication demands.

\* Technology for increasing the utilization efficiency of frequencies by simultaneously controlling base stations covering broad areas and base stations covering localized areas.

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

As of March 31, 2016, we had ¥220.4 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥220.6 billion as of March 31, 2015. We repaid ¥0.2 billion, ¥0.2 billion and ¥75.0 billion of long-term debt in the years ended March 31, 2016, 2015 and 2014, respectively. Of our long-term debt outstanding as of March 31, 2016, ¥0.4 billion, including the current portion, was financed by financial institutions, which has fixed interest rates, with a weighted average interest rate of 0.9% per annum. The term of maturities is from the fiscal year ending March 31, 2017 through 2018. As of March 31, 2016, we also had ¥220.0 billion in bonds due from the fiscal year ending March 31, 2018 to 2024 with a weighted average coupon rate of 1.2% per annum. As of March 31, 2016, 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 request. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretion. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

	Rating agencies	Type of rating	Rating	Outlook
	Moody's	Long-Term Obligation Rating	Aa3	Stable
	Standard & Poor's	Long-Term Obligation Rating	AA-	Stable
	Japan Credit Rating Agency, Ltd.	Long-Term Obligation Rating	AAA	Stable
	Rating and Investment Information, Inc.	Issuer Rating	AA+	Negative

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 such as an acceleration of its maturity.

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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.

Category of Obligations	Millions of yen				
	Total	1 year or less	Payments Due by Period		After 5 years
			1-3 years	3-5 years	
Long-Term Debt					
Bonds	¥ 22,000	¥	¥ 170,000	¥	¥ 50,000
Loans	400	200	200		
Interest Payments on Long-Term Debt	8,241	2,593	4,005	730	913
Capital Leases	2,999	1,162	1,366	456	15
Operating Leases	38,039	12,016	14,131	6,733	5,159
Other Contractual Obligations <sup>(1)</sup>	98,640	92,592	3,814	2,234	
Total	¥ 368,319	¥ 108,563	¥ 193,516	¥ 10,153	¥ 56,087

(1) The amount of contractual obligations which is immaterial in amount or uncertain in time of payment is not included in Other Contractual Obligations in the above table. We expect to contribute an amount of ¥2,303 million to the NTT Corporate Defined Benefit Pension Plan in the fiscal year ending March 31, 2017. Please also refer to Note 17 to our consolidated financial statements.

Other Contractual Obligations principally consisted of commitments to purchase property, plant and equipment for our cellular network, commitments to purchase inventories, mainly handsets, and commitments to purchase services. As of March 31, 2016, we had committed ¥19.6 billion for property, plant and equipment, ¥50.8 billion for inventories and ¥28.2 billion for other purchase commitments. The amounts of Other Contractual Obligations are estimates calculated based on given assumptions and do not represent our entire anticipated purchases in the future. Apart from the above purchase commitments, we purchase products and services as needed and we expect to make significant capital expenditures and/or inventories purchase on an ongoing basis for our LTE networks expansion, smartphone sales increase 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 Telecommunications business as needed. 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, 2016, 2015 and 2014:

	Millions of yen		
	Years ended March 31		
	2014	2015	2016
Net cash provided by operating activities	¥ 1,000,642	¥ 962,977	¥ 1,209,131
Net cash used in investing activities	(703,580)	(651,194)	(375,251)
Net cash used in financing activities	(269,793)	(734,257)	(583,608)
Net increase (decrease) in cash and cash equivalents	33,246	(421,367)	248,884
Cash and cash equivalents at beginning of year	493,674	526,920	105,553
Cash and cash equivalents at end of year	¥ 526,920	¥ 105,553	¥ 354,437

**Analysis of cash flows for the fiscal year ended March 31, 2016 and comparison with the prior fiscal year**

For the year ended March 31, 2016, net cash provided by operating activities was ¥1,209.1 billion, an increase of ¥246.2 billion, or 25.6%, from the prior fiscal year. This was due mainly to an increase in cash





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inflows from customers in relation to collections of installment receivables for customers handset purchases which are included in decrease in receivables for sale and a decrease in cash outflows resulting from a decrease in the amount of income taxes paid.

Net cash used in investing activities was ¥375.3 billion, a decrease of ¥275.9 billion, or 42.4%, from the prior fiscal year. This was due mainly to an increase in proceeds from redemption of long-term bailment for consumption to a related party and a decrease in cash outflows for purchases of property, plant and equipment as a result of efficient network construction.

Net cash used in financing activities was ¥583.6 billion, a decrease of ¥150.6 billion, or 20.5%, from the prior fiscal year. This was due mainly to a decrease in cash outflows for payments to acquire treasury stock.

As a result of the foregoing, the balance of cash and cash equivalents was ¥354.4 billion as of March 31, 2016, an increase of ¥248.9 billion, or 235.8%, from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥5.9 billion as of March 31, 2016, compared to ¥243.8 billion as of March 31, 2015.

***Analysis of cash flows for the fiscal year ended March 31, 2015 and comparison with the prior fiscal year***

For the fiscal year ended March 31, 2015, net cash provided by operating activities was ¥963.0 billion, a decrease of ¥37.7 billion or 3.8% from the prior fiscal year. This was due mainly to a decrease in mobile communications services revenues and an increase in cash outflows resulting from an increase in the amount of accrued income taxes paid, despite an increase in cash inflows from customers in relation to collections of installment receivables for customers handset purchases.

Net cash used in investing activities was ¥651.2 billion, a decrease of ¥52.4 billion or 7.4% from the prior fiscal year. This was due mainly to decreases in cash outflows for purchases of property, plant and equipment as a result of efficient network construction.

Net cash used in financing activities was ¥734.3 billion, an increase of ¥464.5 billion or 172.2% from the prior fiscal year, due mainly to an increase in cash outflows resulting from an increase in payments to acquire treasury stock.

As a result of the foregoing, the balance of cash and cash equivalents was ¥105.6 billion as of March 31, 2015, a decrease of ¥421.4 billion or 80.0% from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥243.8 billion as of March 31, 2015, compared to ¥259.6 billion as of March 31, 2014.

***Prospect of cash flows for the fiscal year ending March 31, 2017***

As for our sources of cash for the fiscal year ending March 31, 2017, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year because of a projected increase in corporate tax and other payments and despite an increase in cash inflows from customers in connection with the collection of installment receivables for customers handset purchases under the installment method. Our net cash flow used in investing activities for the fiscal year ending March 31, 2017 is expected to be approximately ¥585.0 billion due to capital expenditures and other items. We do not include any items other than capital expenditures and other reasonably expected items in our forecast of net cash flows in investing activities, as it is difficult to estimate impacts of such items on cash flows in investing activities in advance.

**C. Research and Development**

Our research and development activities include development of new products and services, research and development related to next generation mobile communications system (5G) aimed at the construction of economical network and the reinforcement of our telecommunications business through functional enhancements

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of the network, the construction of infrastructure for the provision of new services toward the expansion of smart life business, the development of applications to be installed on handsets and research aimed at driving innovation. Research and development costs are charged to expenses as incurred. We incurred ¥83.3 billion, ¥97.0 billion and ¥102.0 billion and as research and development expenses for the years ended March 31, 2016, 2015 and 2014, respectively.

**D. Trend Information**

Information pertaining to the trends other than the discussion on the matters below can also be found in Operating Trends and Prospects for the fiscal year ending March 31 2017.

**Issues Facing DOCOMO and Management's Responses to Those Issues**

We developed our corporate vision for 2020, HEART: Pursuing Smart Innovation to propel further growth and propose new values to society in anticipation of future social changes.

Also, under the banner of becoming a Smart Life Partner for our customers, we tackled the challenge of reinforcing our competitiveness in telecommunications business and stepped up our efforts in the smart life business and other businesses.

*Initiatives to be Implemented over the Medium Term*

In order to respond to our customers' needs on an ongoing basis, by further evolving our relationships with various external partners through open collaboration, we will continue to create new added value by moving forward with our added initiatives.

Specifically, we, together with our partners, will roll out initiatives in order to co-create new added value, making available to our partners our own business assets, such as our payment platform and point program. Through these endeavors, we will aim to deliver more benefits, more fun and more convenience to our customers in tandem with our partners.

In addition to creating value for our customers, we will also strive to offer new value to various partners. Particularly, in the areas of IoT, Regional Revitalization, 2020 and Solution of Social Issues, we will move forward with the co-creation of social values, creating new services and businesses in collaboration with our partners and utilizing the assets of both parties, with the goal of capturing revenue opportunities in new business fields that transcend the confines of industries or business formats.

*Priority Initiatives for the Fiscal Year ending March 31, 2017*

Positioning for the fiscal year ending March 31, 2017 as the year in which we intend to make a vibrant leap toward further growth beyond income recovery, we will work concurrently on expanding our telecommunications business and reinforcing our smart life business and other businesses.

**Expansion of Telecommunications Business**

In the fiscal year ending March 31, 2017, we expect a full-scale reexamination of handset prices and tariffs throughout the mobile industry. In light of these expected changes, we will reinforce our focus on families and strengthen our ability to propose comprehensive offerings comprising mobile phones, optical-fiber and other services. In this way, we plan to take the lead in changing the field of competition in the mobile industry.

As part of this endeavor, in March 2016 we introduced new billing plan offerings for light-usage customers, consisting of the new data package Share Pack 5, enabling families to share 5GB of data,

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and the expansion of the applicability of the Kake-hodai Light voice plan to lower volume data packages. In addition, starting June 2016, we will launch new offerings for long-term users consisting of two new rate options allowing customers to choose subscriptions with or without cancellation fees, increased discounts in the Zutto DOCOMO Wari scheme and the addition of reward points for customers renewing their subscriptions.

We will aim to secure income from telecommunications business through an ARPU increase resulting from expanded adoption of the new billing plan and on-going cost efficiency improvement efforts.

### **Reinforcement of Smart Life Business and Other Businesses**

With respect to our smart life business and other businesses, we will work to grow our subscriptions by further enriching the services and content offered on our dmarket marketplace, such as dTV, dhits and dmagazine. We will also step up the +d initiatives that we pursue together with our partners for new value creation by combining our finance/payment platforms, point program and other business assets that we have accumulated in our operations with those assets of our partners. We will also work to enhance the attractiveness of our d POINT loyalty point program by increasing the number of participating partners and accelerate the adoption of d ACCOUNT.

\*1 Abbreviation for Internet of Things. A concept that describes a world in which everything is connected to the Internet, enabling grasp of status, remote control and management of devices, etc.

\*2 2020 refers to the anticipated increase in tourism and general economic activity, between now and 2020 and the opportunity to develop various new products and services to capture this anticipated increase in demand.

### **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.

### **G. Critical Accounting Policies and Estimates, and Recently issued Accounting Standards**

#### **Critical Accounting Policies and Estimates**

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 management has discussed the selection and development of the accounting estimates and the following disclosure regarding the critical accounting policies with our independent registered public accounting firm as well as our audit & supervisory board members. The audit & supervisory board members attend meetings of the board of directors and certain executive meetings to express their opinion and are under a statutory duty to audit the administration of our affairs by our directors and to audit 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 telecommunications business, our internal-use software and our other intangible

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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 expenses to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2016, 2015 and 2014 were ¥625.9 billion, ¥659.8 billion and ¥718.7 billion, respectively. 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 8 to 16 years. The estimated useful life of our internal-use software is up to 7 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. In the fiscal years ended March 31, 2016, changes to the estimated useful lives of certain property, plant and equipment, internal-use software and other intangible assets did not have a material impact on our operating results or financial positions. Effective July 1, 2014, we revised our estimate of the expected useful life of certain software for telecommunications network and internal-use software based on the actual utilization of the software to reflect an extended expected maximum useful life from 5 years to 7 years. Due to this change, Depreciation and amortization in the fiscal year ended March 31, 2015, decreased by ¥51.3 billion.

In the fiscal years ended March 31, 2014, changes to the estimated useful lives of certain property, plant and equipment, internal-use software and other intangible assets did not have a material impact on our operating results or financial positions.

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

We perform an impairment review for our long-lived assets other than goodwill and intangible assets that have indefinite useful lives ( unamortizable intangible 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 certain similar factors. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following trends or conditions related to the business that utilizes a particular asset:

significant decline in the market value of an asset;

loss of operating cash flow in current period;

introduction of competitive technologies and services;

significant underperformance of expected or historical cash flows;

significant or continuing decline in subscriptions;

changes in the manner of usage of an asset; and

other negative industry or economic trends.

When we determine that the carrying amount of specific assets may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. If the carrying value of the assets exceeds the sum of the expected undiscounted future net cash flows, we record an impairment loss based on the fair values of the assets. Such fair values may be based on established markets, independent

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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

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less than those projected by management, either of which results in loss of cash flows, additional impairment charges for assets not previously written-off may be required. For the fiscal years ended March 31, 2016 and 2015, we recorded impairment losses of ¥9.1 and ¥30.2 billion, respectively, mainly on our multimedia broadcasting business for mobile devices related long-lived assets. Please refer to Note 5 to our consolidated financial statements for further information. For the fiscal years ended March 31, 2014, we recognized impairment loss for a certain long-lived assets, of which the impact of the impairment on our financial results was insignificant.

***Impairment of goodwill and unamortizable intangible assets***

The majority of our goodwill was recognized when we purchased all the remaining non-controlling interests in our eight regional subsidiaries through share exchanges and made those subsidiaries wholly owned in November 2002. In addition, we have acquired majority equity stakes in a number of companies in recent years for the purpose of expanding into smart life domains, and the recognition of these majority investments resulted in an increase of goodwill. Consequently, the carrying amount of goodwill as of March 31, 2016 was ¥243.7 billion. The carrying amount of unamortizable intangible assets as of March 31, 2016 was ¥24.3 billion.

We perform an impairment test of goodwill and unamortizable intangible assets recognized as a result of business combinations at the same time every year, usually as of March 31, and when an event or circumstances occurs that would imply impairment. We apply a two-step test when assessing goodwill for impairment by reporting unit either at the operating segment level or one level below such segment. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). Fair value of the reporting unit is determined primarily through the discounted cash flow method. If the carrying value of the reporting unit exceeds its fair value, an indication of goodwill impairment exists for the reporting unit and we perform the second step of the impairment test (measurement). Under the second step, based on a comparison of the fair value and carrying value of the reporting unit's goodwill, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the fair value of that goodwill. For the impairment test of unamortizable intangible assets, we compare the fair value and carrying value of the unamortizable intangible assets, and recognize impairment loss for any excess of the carrying amount over the fair value of the applicable intangible asset. In determining the fair value, we estimate the future cash flows that are expected to be generated by the applicable reporting unit, based on the business plan and other factors of the reporting unit subject to impairment test of goodwill or indefinite-lived intangible assets. If different estimates or assumptions are used in determining the discounted present value of future cash flows, it could result in different fair value of goodwill, and may require additional impairment charges to be recognized in the future.

For the fiscal years ended March 31, 2014, the most significant amount of recorded goodwill resided in the mobile business in Japan reporting unit, which is included in our mobile business segment. This reporting unit has recorded goodwill of ¥133.5 billion and has passed the first step of the impairment test by a substantial margin. During the fiscal year ended March 31, 2015, we realigned its operating segments in order to reflect the change in the management of the businesses which resulted in a reorganization of our financial reporting structure of internal organization in a manner that caused the composition of its reportable segments to change. In addition, reporting units were also realigned accordingly and the goodwill were allocated to respective reporting units based on relative fair value. For the fiscal years ended March 31, 2015 and 2016, the most significant amount of recorded goodwill resides in the telecommunications business in Japan reporting unit, which is included in our telecommunications business segment. This reporting unit has recorded goodwill of ¥127.3 billion since the change in the reporting units and has passed the first step of the impairment test by a substantial margin. The fair value of the remaining goodwill which resides in other reporting units also exceeds the net carrying amount by a significant margin or is not considered significant for any of the fiscal year ended March 31, 2014, 2015 and 2016. Fair values of the reporting unit have primarily been estimated using the discounted cash flow method which is based upon the future business plan. The future business plan is supported by the historical operating results and our most recent views of our long term outlook. However, if operating income were to decline significantly in the future due to unforeseen events, it would adversely affect the estimated fair value of the reporting unit.

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The amount of goodwill impairment charges for the fiscal year ended March 31, 2016 was ¥8.5 billion. We did not recognize any goodwill impairment for either the fiscal years ended March 31, 2015 and 2014. The fair value of this reporting unit was measured using the discounted cash flow method in combination with a market approach.

### ***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. In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in Equity in net income (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. We may also experience material gains or losses on the sale of our investments. As of March 31, 2016, the total carrying value of Investments in affiliates was ¥411.4 billion, while the total carrying value for investments in Marketable securities and other investments was ¥182.9 billion. Our major investee companies are Sumitomo Mitsui Card Co., Ltd., Philippine Long Distance Telephone Company of the Philippines and Tata Teleservices Limited (TTSL) of India and these are classified as Investments in affiliates as of March 31, 2016.

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 requires estimates involving results of operations and financial position of the investee, changes in technology, capital expenditures, market growth and share, discount factors and terminal values. In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a new cost basis in the carrying amount of the investment. The impairment charge of Investment in affiliates is included in Equity in net income (losses) of affiliates while the impairment charge of Marketable securities and other investments is reflected in Other income (expense) in our consolidated statements of income. For the years ended March 31, 2016, 2015 and 2014, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates.

The impact of the impairment charges of Investment in affiliates on our results of operations and financial position for each of the fiscal year ended March 31, 2016 and 2015 was inconsequential.





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The amount of impairment charges on Investments in affiliates for the fiscal year ended March 31, 2014 was ¥51.3 billion, including TTSL. In estimating the investment value of those equity method investees, we used the weighted average cost of capital of 12.6% mainly for the fiscal year ended March 31, 2014 as a significant unobservable input.

We reviewed the business outlook of TTSL in order to determine if the value of the investment in TTSL has suffered a decline that was other than temporary because of the recent economic and financial environment surrounding its industry. During the fiscal year ended March 31, 2014, our estimate of future cash flows of TTSL were further revised downward as a result of the growing business risk of MNOs in India, including an increase in the cost of maintaining or acquiring frequency spectrum due to a steep rise of the auction price of frequency spectrum in India. Reflecting growing business risk and recent operating results of TTSL, the weighted average cost of capital increased to 12.6%, which was applied to these revised estimated cash flows and we concluded that the further decline in value was other than temporary. Consequently, we recognized an additional impairment charge of ¥51.2 billion. As described in Note 6 to our consolidated financial statements, we plan to dispose of our entire investment in TTSL. We may recognize a gain or loss upon disposition of our TTSL shares or if the transaction as previously described above is not carried out.

We recorded impairment charges on certain investments which were classified as Marketable securities and other investments. The amount of impairment charges on Marketable securities and other investments was ¥0.6 billion, ¥0.9 billion and ¥3.1 billion for the years ended March 31, 2016, 2015 and 2014, respectively.

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

***Accrued liabilities for point programs***

We offer docomo Points Service, which provides points to customers based on the usage of cellular and other services. These points may be exchanged for benefits such as payments on our products. On December 1, 2015, we began offering d POINT Service, which provides individual customers with points that may be earned through, among others, mobile phone usage, making payments with d CARD or DCMX credit cards, or purchasing goods or services at our partner stores. These points may be exchanged for payments on our products and mobile phone charges, and payments at our partner stores. Individual customers may continue using d POINTs subsequent to the cancellation of our mobile telecommunications service contract. All docomo Points granted to individual customers from April 1, 2015 through November 30, 2015 were automatically transferred to d POINTs, and we no longer grant docomo Points to any individual customer after December 1, 2015. docomo Points granted prior to March 31, 2015 may be used until their expiration date. We record Accrued liabilities for point programs relating to the points that customers earn. We separately estimate the liabilities for d POINTs and those for docomo Points. The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2016 and 2015 was ¥79.5 billion and ¥91.6 billion, respectively. Point program expense for the years ended March 31, 2016, 2015 and 2014 was ¥57.8 billion, ¥67.7 billion and ¥70.8 billion, respectively.

In measuring our accrued liabilities for docomo Points, we estimate factors such as the point utilization rate reflecting the forfeitures by, among other things, expected cancellation rate of cellular service contracts by customers based on our historical experiences. Higher-than-estimated utilization rate could result in the need for recognizing additional expenses or accrued liabilities in the future. In determining the accrued liabilities for point programs as of March 31, 2016, one percent rise in the point utilization rate would result in an additional accrual of approximately ¥1.0 billion, if all the other factors are held constant.

In measuring our accrued liabilities for d POINTs, we don't estimate the point utilization rate since there is no sufficient empirical evidence to estimate the point utilization rate. Reversal of expenses or allowances may be required in the event where estimate of future forfeitures become available as sufficient empirical evidence become evident.

**Table of Contents*****Pension liabilities***

We sponsor a non-contributory defined benefit pension plan which covers almost all of our employees. Previously, we had adopted defined benefit pension plans as our non-contributory defined benefit pension plan, however, effective on and after April 1, 2014, we introduced defined contribution pension plans. NTT DOCOMO, INC.'s defined benefit pension plan continues to remain for the pension benefits earned up to March 31, 2014.

We also participate in the NTT Corporate Defined Benefit Pension Plan ( 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 income debt securities that are currently available and expected to be available during the period to maturity of the pension benefits. In determining the expected long-term rate of return on plan assets, we consider the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical performances. The rates are reviewed annually and we review our assumptions in a timely manner when an event occurs that would have significant influence on the rates or the investment environment changes dramatically.

The discount rates applied in determination of the projected benefit obligations as of March 31, 2016 and 2015, and expected long-term rates of return on plan assets for the years ended March 31, 2016 and 2015 were as follows:

	Years ended March 31	
	2015	2016
<b>Non-contributory defined benefit pension plan</b>		
Discount rate	1.0%	<b>0.5%</b>
Expected long-term rate of return on plan assets	2.0%	<b>2.0%</b>
Actual return on plan assets	Approximately 3%	<b>Approximately 2%</b>
<b>NTT CDBP</b>		
Discount rate	1.0%	<b>0.5%</b>
Expected long-term rate of return on plan assets	2.5%	<b>2.5%</b>
Actual return on plan assets	Approximately 12%	<b>Approximately 0.4%</b>

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2016 and 2015 was ¥226.9 billion and ¥218.0 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2016 and 2015, based on actuarial computations which covered only our employees' participation, was ¥153.6 billion and ¥131.1 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized from Accumulated other comprehensive income (loss) over the expected average remaining service life of employees in accordance with U.S. GAAP.

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The following table shows the sensitivity of our non-contributory defined benefit pension plan and the NTT CDBP as of March 31, 2016 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

Change in Assumptions	Change in projected benefit obligation	Billions of yen	
		Change in pension cost, before applicable taxes	Accumulated other comprehensive income (loss), net of applicable taxes
<b>Non-contributory defined benefit pension plan</b>			
0.5% increase/decrease in discount rate	(9.6) / 10.1	0.6 / (0.6)	6.8 / (7.2)
0.5% increase/decrease in expected long-term rate of return on plan assets		(0.5) / 0.5	
<b>NTT CDBP</b>			
0.5% increase/decrease in discount rate	(16.0) / 18.0	0.1 / (0.1)	10.0 / (13.0)
0.5% increase/decrease in expected long-term rate of return on plan assets		(0.4) / 0.4	

Please also refer to Note 17 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 fees 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, 2016, 2015 and 2014, we recognized as revenues deferred activation fees of ¥32.8 billion, ¥21.5 billion and ¥16.3 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2016 and 2015, remaining unrecognized deferred activation fees were ¥109.9 billion and ¥90.1 billion, respectively.

**Recently issued Accounting Standards****Revenue from Contracts with Customers**

On May 28, 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2014-09 Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective.

The FASB also issued ASU 2016-08 Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU2016-10 Identifying Performance Obligations and Licensing, ASU2016-12 Narrow-Scope Improvements and Practical Expedients, in March, April and May 2016, respectively, to partially amend ASU 2014-09.

On August 12, 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, and deferred the effective date of the ASU by one year. Consequently, the standard is expected to take effect for us on April 1, 2018. Early adoption of the standard as of April 1, 2017 would also be permitted.

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We have not yet selected a transition method and are currently evaluating the effect that the ASU will have on our consolidated financial statements and related disclosures.

**Recognition and Measurement of Financial Assets and Financial Liabilities**

On January 5, 2016, the FASB issued ASU 2016-01 *Recognition and Measurement of Financial Assets and Financial Liabilities*, which significantly changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The new standard is effective for DOCOMO on April 1, 2018. DOCOMO is currently evaluating the effect of adopting the ASU.

**Lease**

On February 25, 2016, the FASB issued ASU 2016-02 *Lease*, which requires all lessees to recognize the right-of-use asset and lease liability, principally. The new standard is effective for DOCOMO on April 1, 2019. DOCOMO is currently evaluating the effect of adopting the ASU.

**Item 6. Directors, Senior Management and Employees**

**A. Directors and Senior Management**

**Directors, Corporate Executives and Audit & Supervisory Board Members**

Our directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation specify the number of directors as not more than 15 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.

We have an audit & supervisory board as an organization that is independent from the Board of Directors. The Audit & Supervisory Board audits execution of duties by directors and carries out accounting audits. Our Articles of Incorporation provide for not more than five audit & supervisory board members. Under the Companies Act, the Audit & Supervisory Board is composed of all of our audit & supervisory board members. Audit & supervisory board members, 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 Audit & Supervisory Board. The candidates may also be nominated by shareholders. The Audit & Supervisory Board may, by its resolution, request that the Board of Directors submit to a general meeting of shareholders an item of business concerning election of audit & supervisory board members and/or proposed candidates of audit & supervisory board members. The normal term of office of an audit & supervisory board member is four years, although they may serve any number of consecutive terms. Audit & supervisory board members are under a statutory duty to audit the administration of our affairs by our directors, to audit 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. It is a statutory duty for the Audit & Supervisory Board to prepare an audit report and for identified audit & supervisory board members to submit it to identified directors each year. An audit & supervisory board member 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 Audit & Supervisory Board is empowered to decide audit policy, the methods of examination of our affairs and financial position and other matters concerning the execution of the audit & supervisory board members' work duties.

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In addition to audit & supervisory board members, 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 audit & supervisory board members and 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 LLC, 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 following table sets forth our directors and audit & supervisory board members as of June 24, 2016 and certain other information.

Name	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned *1	Date Current Terms Ends	Initial Appointment Date
<b><u>Directors:</u></b>						
Kazuhiro Yoshizawa *2  (June 21, 1955)	President and Chief Executive Officer	April 1979	Entered NTT Public Corporation	21,000	June 2018	June 2011
		June 2007	Senior Vice President, General Manager of Corporate Sales and Marketing Department II of the Company			
		June 2011	Senior Vice President, General Manager of Human Resources Management Department of the Company			
		June 2012	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Mobile Society Research Institute of the Company			
		July 2013	Executive Vice President, General Manager of Corporate Strategy and Planning Department, General Manager of Structural Reform Office, Responsible for Mobile Society Research Institute of the Company			
		June 2014	Senior Executive Vice President, Chief Information Officer, Chief Information Security Officer and Chief Privacy Officer, Responsible for Technology, Devices and Information Strategy of the Company			
		June 2016	President and Chief Executive Officer of the Company			
Hiroyasu Asami *2  (Sep. 8, 1956)	Senior Executive Vice President, Chief Information Officer, Chief Information Security Officer and	April 1980	Entered NTT Public Corporation	12,700	June 2018	June 2014
		June 2009	Senior Vice President, General Manager of Consumer Services Department of the Company			

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Chief Privacy Officer/	April 2011	Senior Vice President, General Manager of Smart Communication Services Department of the Company
Responsible for		
Technology,	June 2012	Senior Vice President, General Manager of Smart Communication Services Department, Engages in Multimedia of the Company
Devices,		
Network,	March 2013	Executive Vice President, Responsible for Multimedia Services of the Company
Information		
Strategy and		
Preparation for	July 2013	Executive Vice President, Executive General Manager of Smart-life Business Division of the Company
2020		
	June 2014	Executive Vice President, General Manager of Corporate Strategy and Planning Department of the Company
	June 2015	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Broadband Business of the Company

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Name	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned *1	Date Current Terms Ends	Initial Appointment Date
		June 2016	Senior Executive Vice President, Chief Information Officer, Chief Information Security Officer and Chief Privacy Officer, Responsible for Technology, Devices Network, Information Strategy and Preparation for 2020 of the Company			
Toshiki Nakayama *2  (Jan. 29, 1958)	Senior Executive Vice President/  Responsible for  Global business and Corporate	April 1981	Entered NTT Public Corporation	6,800	June 2018	June 2014
		June 2007	Senior Manager, Medium-Term Management Strategy Development Group of NTT			
		June 2007	Outside Director of the Company			
		June 2008	Vice President of Strategic Business  Development Division of NTT			
		June 2011	Senior Vice President of Strategic Business Development Division of NTT			
		June 2012	Senior Vice President, General Manager of Frontier Services Department of the Company			
		July 2013	Senior Vice President, General Manager of Smart-life Solutions Department of the Company			
		June 2014	Executive Vice President, Executive General Manager of Smart-life Business Division, General Manager of Smart-life Solutions Department of the Company			
		June 2015	Executive Vice President, Executive General Manager of Smart-life Business Division of the Company			
		June 2016	Senior Executive Vice President, Responsible for Global business and Corporate of the Company			
Akira Terasaki *2  (Jan. 20, 1952)	Senior Executive Vice President/  Responsible	April 1976	Entered Ministry of Posts and Telecommunications	4,900	June 2018	June 2014
		July 2008	Vice-Minister for Policy Coordination of the MIC			



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for	July 2010	Special Advisor to the MIC
Corporate		
business,	October	Professor, Graduate School of Science and Engineering, Tokyo
Improvement of	2010	Institute of Technology
business		
operations and	July 2011	Advisor, Nomura Research Institute, Ltd.
CSR		
	June 2014	Senior Executive Vice President, Responsible for Corporate business, Improvement of business operations and CSR of the Company

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<b>Name</b>	<b>Position/</b>	<b>History, Positions, Responsibilities and</b>		<b>Shares</b>	<b>Date</b>	<b>Initial</b>
<b>(Date of Birth)</b>	<b>Responsibility</b>	<b>Principal Concurrent Positions</b>		<b>Owned *1</b>	<b>Current</b>	<b>Appointment</b>
					<b>Terms</b>	<b>Date</b>
					<b>Ends</b>	
Seizo Onoe *3 (May 12, 1957)	Executive Vice President, Chief Technology Officer/ Executive General Manager of R&D Innovation Division	April 1982	Entered NTT Public Corporation	18,500	June 2018	June 2012
		July 2006	General Manager of Radio Access Network Development Department of the Company			
		June 2008	Senior Vice President, General Manager of R&D Strategy Department and General Manager of Radio Access Network Development Department of the Company			
		July 2008	Senior Vice President, General Manager of R&D Strategy Department of the Company			
		June 2012	Executive Vice President, Chief Technology Officer, General Manager of R&D Center of the Company			
		July 2014	Executive Vice President, Chief Technology Officer, Executive General Manager of R&D Innovation Division of the Company (To the present)			
		June 2015	President of DOCOMO Technology, Inc., (To the present)			
Hiroataka Sato *3 (Nov.18, 1958)	Executive Vice President, Chief Financial Officer/ General Manager of Accounts and Finance Department, Responsible for Finance and Business alliance	April 1982	Entered NTT Public Corporation	15,000	June 2018	June 2012
		June 2005	Senior Manager of Accounts and Finance Department of the Company			
		July 2008	Vice President of Finance and Accounting Department of NTT			
		June 2011	Senior Vice President, General Manager of Corporate Sales and Marketing Department I of the Company			
		June 2012	Senior Vice President, General Manager of Accounts and Finance Department of the Company			
		June 2014	Executive Vice President, Chief Financial Officer, General Manager of Accounts and Finance Department, Responsible for Finance and Business alliance of the Company			

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Kiyohiro Omatsuzawa *3  (June 22, 1957)	Executive Vice President/ General Manager of Corporate Strategy & Planning Department, Responsible for Broadband business	April 1981	Entered NTT Public Corporation	17,300	June 2018	June 2014
		July 2009	General Manager of Procurement and Supply Department, General Manager of Corporate Strategy and Planning Department of the Company			
		June 2010	Senior Vice President, General Manager of Procurement and Supply Department of the Company			
		June 2012	Senior Vice President, Executive General Manager of Chugoku Regional Office of the Company			
		June 2014	Executive Vice President, General Manager of  Network Department, Responsible for Network and Preparation for 2020 of the Company			
		July 2015	Executive Vice President, Responsible for Network and Preparation for 2020 of the Company			
		June 2016	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Broadband business of the Company			

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<b>Name</b>	<b>Position/</b>	<b>History, Positions, Responsibilities and</b>		<b>Shares</b>	<b>Date</b>	<b>Current</b>	<b>Initial</b>
<b>(Date of Birth)</b>	<b>Responsibility</b>	<b>Principal Concurrent Positions</b>		<b>Owned *1</b>	<b>Ends</b>	<b>Terms</b>	<b>Appointment</b>
							<b>Date</b>
Hiroshi Tsujiigami *3  (Sep. 8, 1958)	Executive Vice President/ Executive General Manager of Sales and Marketing Division	April 1983	Entered NTT Public Corporation	1,000	June 2018		June 2016
		October 2000	Senior Manager of Department I of NTT				
		July 2003	Senior Manager of Corporate Strategy Planning Department of NTT WEST				
		July 2007	General Manager of Business Management Corporate Strategy Planning Department of NTT				
		June 2008	Outside Director of the Company				
		June 2012	Senior Vice President of Corporate Strategy Planning, Member of the Board of Directors of NTT				
		June 2012	Member of the Board of Directors of NTT EAST				
		June 2016	Executive Vice President, Executive General Manager of Sales and Marketing Division of the Company				
Kouji Furukawa *3  (July 31, 1960)	Executive Vice President/ Executive General Manager of Corporate Sales and Marketing Division, General Manager of TOHOKU Reconstruction Support Office	April 1984	Entered NTT Public Corporation	4,200	June 2018		June 2016
		June 2004	General Manager of Accounts and Finance Department, General Manager of Audit Office of NTT DoCoMo Hokuriku, Inc.				
		July 2005	Senior Manager of Human Resources Management Department of the Company				
		June 2008	General Manager of Carrier and Regulatory Affairs Office of the Company				
		June 2012	General Manager of Corporate Sales and Marketing Department I of the Company				
		June 2013	Senior Vice President, General Manager of Corporate Sales and Marketing Department I of the Company				

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		June 2016	Executive Vice President, Executive General Manager of Corporate Sales and Marketing Division, General Manager of TOHOKU Reconstruction Support Office of the Company			
Kyoji Murakami *3 (Nov. 28, 1961)	Executive Vice President/ Executive General Manager of Smart-life Business Division	April 1986	Entered NTT	5,300	June 2018	June 2016
		July 2004	Senior Manager of Corporate Strategy and Planning Department of the Company			
		June 2009	General Manager of Chiba Branch of the Company			
		July 2012	Senior Manager of Frontier Services Department of the Company,  Senior Executive Vice President of docomo Healthcare, Inc.			
		June 2013	Senior Vice President of the Company,  Senior Executive Vice President of docomo Healthcare, Inc., Responsible for Medical/Healthcare Business Promotion			
		June 2015	Senior Vice President, General Manager of Smart-life Solutions Department of the Company			
		June 2016	Executive Vice President, Executive General Manager of Smart-life Business Division of the Company			

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<b>Name</b>	<b>Position/ Responsibility</b>	<b>History, Positions, Responsibilities and Principal Concurrent Positions</b>	<b>Shares Owned *1</b>	<b>Date</b>	<b>Current Terms Ends</b>	<b>Initial Appointment Date</b>
Seiji Maruyama *3 (Apr. 20, 1961)	Senior Vice President/ General Manager of Human Resources Management Department	April 1985 Entered NTT July 2004 Senior Manager of Communication Device Development Department of the Company May 2007 Senior Manager of Corporate Strategy and Planning Department of the Company July 2008 Senior Manager of Human Resources Management Department of the Company June 2010 General Manager of Product Department of the Company June 2014 Senior Vice President, General Manager of Product Department of the Company June 2016 Senior Vice President, General Manager of Human Resources Management Department of the Company	6,500		June 2018	June 2016
Kaoru Kato (May 20, 1951)	Corporate Advisor	April 1977 Entered NTT Public Corporation July 2007 Executive Vice President, General Manager of Corporate Strategy and Planning Department of NTT DoCoMo Kansai, Inc. June 2008 Executive Vice President, General Manager of Corporate Strategy and Planning Department of the Company April 2009 Executive Vice President, General Manager of Corporate Strategy and Planning Department, General Manager of Mobile Society Research Institute of the Company July 2009 Executive Vice President, General Manager of Corporate Strategy and Planning Department of the Company June 2012 President and Chief Executive Officer of the Company	37,700		June 2018	June 2008

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Teruyasu Murakami *4*5  (Oct 15, 1945)	June 2016  April 1968  April 2001  April 2002  June 2008  April 2012  June 2013	Corporate Advisor of the Company  Entered Nomura Research Institute, Ltd. ( NRI )  Representative Director, Executive Managing Director, Member of the Board of NRI  Chief Corporate Counselor of NRI  Independent Director of Benesse Holdings, Inc.  Director of Research Institute for Industrial Strategy (To the present)  Director of the Company	6,400	June 2018	June 2013
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(Principal concurrent positions)

Director of Research Institute for Industrial Strategy

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Name	Position/ Responsibility	History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned *1	Date	
				Current Terms Ends	Initial Appointment Date
Noriko Endo *4*5  (Name on Family Register: Noriko Tsujihiro)  (May 6, 1968)	June 1994	Entered DIAMOND, Inc.	1,000	June 2018	June 2016
	April 2004	Concurrently serve as Director of Kyushu University Tokyo Office			
	April 2006	Deputy Editor of Diamond Weekly, DIAMOND, Inc.			
	September 2013	Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo (To the present)			
	April 2015	Project Professor, Graduate School of Media and Governance, Keio University (To the present)			
	April 2015	Adjunct Researcher, Environmental Research Institute, Waseda University (To the present)			
	June 2016	Director of the Company			
		(Principal concurrent positions)			
		Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo			
		Project Professor, Graduate School of Media and Governance, Keio University			
		Adjunct Researcher, Environmental Research Institute, Waseda University			
Shinichiro Ueno  (June 21, 1966)	April 1991	Entered NTT	1,000	June 2018	June 2016
	May 2004	Manager of Corporate Strategy Planning Department of NTT EAST			



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October 2004	Senior Manager of Corporate Strategy Planning Department of NTT EAST
July 2009	General Manager of Plant Department, Kanagawa Branch, Senior Manager of Wide-Area Network Center, Network Business Headquarters of NTT EAST
July 2009	Member of the Board of Directors of NTT East-Kanagawa, Inc.
July 2012	Senior Manager, Technology Planning Department of NTT
July 2015	Vice President of R&D Planning Research and Development Planning Department of NTT (To the present)
June 2016	Director of the Company

(Principal concurrent positions)

Vice President of R&D Planning Research and Development Planning Department of NTT

**Audit & Supervisory Board Member :**

Tooru Kobayashi *6  (Aug. 8, 1952)	Full-time Audit & Supervisory Board Member	April 1976	Entered NTT Public Corporation	18,900	June 2020	June 2014
		July 2008	Executive Vice President, Executive General Manager of Tokai Regional Office of the Company			
		June 2011	Representative Director, Executive Vice President, Member of the Board of Directors of Sumitomo Mitsui Card Co., Ltd. ( SMCC )			
		April 2012	Representative Director, Senior Executive Vice President, Member of the Board of Directors of SMCC			
		June 2013	President, Representative Directors of DOCOMO Service, Inc.			
		June 2014	Audit & Supervisory Board Member of the Company			

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Name	Position/ Responsibility	History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned *1	Date		
				Current Terms Ends	Initial Appointment Date	
Naoto Shiotsuka *6*7 (July 15, 1952)	Full-time Audit & Supervisory Board Member	April 1977	Entered NTT Public Corporation	6,400	June 2019	June 2013
		June 2005	Senior Vice President, Senior Executive Manager of Finance Department of NTT DATA			
		June 2007	Director and Senior Vice President, Senior Executive Manager of Finance Department (Chief Financial Officer) of NTT DATA			
		June 2009	Director and Executive Vice President, Senior Executive Manager of Finance Department (Chief Financial Officer), In charge of CSR of NTT DATA			
		June 2011	President and Chief Executive Officer, NTT DATA MANAGEMENT SERVICE Corporation			
Toshimune Okihara *6*7 (Aug. 29, 1954)	Full-time Audit & Supervisory Board Member	June 2013	Audit & Supervisory Board Member of the Company	3,600	June 2019	June 2014
		April 1979	Entered NTT Public Corporation			
		June 2006	Senior Vice President, General Manager of System Engineering Department, Member of the Board of Directors of NTT Communications Corporation ( NTT Com )			
		August 2006	Senior Vice President, General Manager of System Engineering Department, Enterprise Sales Division, Director of NTT Com			
		June 2010	Executive Vice President, General Manager of System Engineering Department, Enterprise Sales Division, Director of NTT Com			
Yutaka Kawataki *4*6*7 (Dec. 18, 1953)	Full-time Audit & Supervisory Board Member	June 2011	President and Chief Executive Officer of NTT Com Technology Corporation (currently known as NTT Com Solutions Corporation)	2,100	June 2019	June 2015
		June 2014	Audit & Supervisory Board Member of the Company			
		April 1977	Entered The Board of Audit of Japan			

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March 2013 Deputy Secretary General of The Board of Audit of Japan

April 2014 Secretary General of The Board of Audit of Japan

June 2015 Audit & Supervisory Board Member of the Company

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Name	Position/		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned *1	Date Current Terms Ends	Initial Appointment Date
(Date of Birth) Eiko Tsujiyama *4*7 (Dec. 11, 1947)	Audit & Supervisory Board Member	August 1980	Assistant Professor, Humanities Department, Ibaraki University	3,300	June 2019	June 2011
		April 1985	Assistant Professor, Faculty of Economics, Musashi University			
		April 1991	Professor, Faculty of Economics, Musashi University			
		April 2003	Professor, Faculty of Commerce, Waseda University (To the present)			
		June 2008	Outside Corporate Auditor of Mitsubishi Corporation (To the present)			
		June 2010	Outside Director of ORIX Corporation (To the present)			
		May 2011	Outside Corporate Auditor of Lawson, Inc. (To the present)			
		June 2011	Audit & Supervisory Board Member of the Company (To the present)			
		June 2012	Outside Audit & Supervisory Board Member of Shiseido Company, Limited (To the present)			
			(Principal concurrent positions)			
			Professor, Faculty of Commerce, Waseda University			
			Outside Corporate Auditor of Mitsubishi Corporation			
			Outside Directors of ORIX Corporation			
			Outside Corporate Auditor of Lawson, INC.			
			Outside Audit & Supervisory Board Member of Shiseido Company, Limited			

\*1 DOCOMO shares owned as of May 31, 2016

\*2 Representative director

\*3 Concurrently serves as an executive officer

\*4 Independent director/auditor

\*5 Outside director

\*6 Full-time audit & supervisory board member

\*7 Outside audit & supervisory board member

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The following table shows information about our executive officers as of June 24, 2016, including their positions and responsibilities.

<b>Name</b>	<b>Position</b>	<b>Responsibility</b>
Hajime Kii	Executive Vice President	Executive General Manager of Kansai Regional Office
Kazuhiro Takagi	Executive Vice President	Executive General Manager of Kyushu Regional Office
Syohei Sakaguchi	Senior Vice President	Executive General Manager of Hokkaido Regional Office
Michio Fujiwara	Senior Vice President	Executive General Manager of Tohoku Regional Office
Makoto Tani	Senior Vice President	Executive General Manager of Tokai Regional Office
Ichiro Nishino	Senior Vice President	Executive General Manager of Hokuriku Regional Office
Yohji Maruyama	Senior Vice President	Executive General Manager of Chugoku Regional Office
Osamu Hirokado	Senior Vice President	Executive General Manager of Shikoku Regional Office
Tomohisa Ueno	Senior Vice President	General Manager of Tokyo Branch
Hikaru Kawachiyama	Senior Vice President	General Manager of Kanagawa Branch
Hiroshi Nakamura	Senior Vice President	General Manager of R&D Strategy Department
Minoru Etoh	Senior Vice President	General Manager of Innovation Management Department
Koichi Takahara	Senior Vice President	General Manager of Smart-life Solutions Department
Ken Yoshizaki	Senior Vice President	General Manager of Financial Business Department
Hozumi Tamura	Senior Vice President	General Manager of Smart-life Planning Department
		General Manager of Global Service Planning Office
Kenichi Mori	Senior Vice President	General Manager of Product Department
Taku Yamazaki	Senior Vice President	General Manager of Radio Access Network Engineering Department
Shigeto Torizuka	Senior Vice President	General Manager of Sales Promotion Department
Kouji Tsubouchi	Senior Vice President	General Manager of Public Relations Department
		Deputy General Manager of Mobile Society Research Institute
Mayumi Teteishi	Senior Vice President	Senior Executive Vice President of OAK LAWN MARKETING, INC.
		Engages in:
		-Commerce Business Promotion

(Note) Directors who concurrently serve as an executive officer are not included in the above list.

**Table of Contents****B. Compensation**

The aggregate compensation to directors and audit & supervisory board members during the year ended March 31, 2016 was as follows:

Position	Millions of yen Breakdown of Compensation					Number of Persons
	Total Compensation	Base Salary	Stock Option	Bonus	Retirement Bonus	
Directors <sup>*1</sup>	¥ 508	¥ 405		¥ 103		13
Audit & supervisory board member <sup>*2</sup>	¥ 30	¥ 30				1
Outside director/audit & supervisory board member	¥ 109	¥ 109				6
Total	¥ 648	¥ 544		¥ 103		20

(Notes)

- Upper limits on compensation to directors and audit & supervisory board members were set at ¥600 million annually for directors and ¥150 million annually for audit & supervisory board members at the 15th ordinary general meeting of shareholders held on June 20, 2006.
- Directors include one director who retired at the end of the 24th ordinary general meeting of shareholders held on June 18, 2015.
- Outside director/ audit & supervisory board member includes one outside audit & supervisory board member who retired at the end of the 24th ordinary general meeting of shareholders held on June 18, 2015.

\*1 Excluding outside director(s)

\*2 Excluding outside audit & supervisory board member(s)

**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 audit & supervisory board members providing for severance benefits upon termination of employment.

In order to enable our directors (including former directors) and audit & supervisory board members (including former audit & supervisory board members) to fully perform the roles expected of them in the execution of their work duties, we are permitted, pursuant to the Companies Act and our Articles of Incorporation, to release directors and audit & supervisory board members 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 directors (excluding directors with executive authority over operations, etc.) and audit & supervisory board members 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**

As of March 31, 2016, DOCOMO and its subsidiaries had 26,129 employees representing an increase of 449 employees since March 31, 2015. As of March 31, 2015, 2014 and 2013 we had 25,680, 24,860, and 23,890 employees, respectively. The average number of temporary employees for the year ended March 31, 2016 was 11,759.

Of our 26,129 employees on March 31, 2016, 2,600 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, 2016, 1,561 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



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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.

**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 audit & supervisory board members 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, 2016, our directors and audit & supervisory board members owned 193,600 of our shares. Currently, all of our full-time directors and audit & supervisory board members 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 a maximum of ¥80 for each ¥1,000 contributed by the employee.

**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

As of March 31, 2016, NTT owned 2,469,084,400 shares, or 65.66% of our outstanding voting shares and 62.37% 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 Japanese government, in the name of the Minister of Finance, owned 35.26% 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 B.9. Relationship with NTT in Item 4.

There was no change in NTT's share ownership of our total issued shares in the fiscal years ended March 31, 2014 and 2015. In March 2016, in response to our repurchase of shares by way of tender offer, NTT sold a portion of its interest and NTT's share ownership of the Company's total issued shares fell from 63.32% to 60.43%. At the end of March 2016, we canceled approximately 12.72 million shares, which were held as treasury stock, increasing NTT's share ownership of the Company's total issued shares from 60.43% to 62.37%.

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, 2016 were as follows:

Category	Number of Shareholders	Number of Shares Held	Issued Voting Shares
Japanese financial institutions	246	389,402,082	9.84
Japanese securities companies	52	80,315,793	2.03
Other Japanese corporations	1,666	2,502,091,437	63.21
Foreign corporations and individuals	1,086	576,239,632	14.56
Japanese individuals, treasury shares and others	251,922	410,494,056	10.37
Total	254,972	3,958,543,000	100.00





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According to The Bank of New York Mellon, depository for our ADSs, as of March 31, 2016, 21,981,508 shares of our common stock were held in the form of 21,981,508 ADRs. According to our register of shareholders, as of March 31, 2016, there were 254,972 holders of common stock of record worldwide. As of March 31, 2016, there were 253 group record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 6.7% 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**

We have 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 B.9. Relationship with NTT in Item 4.

With NTT FINANCE, we have also entered into contracts for bailments of cash for consumption and a contract regarding the transfer of receivables based on a basic contract regarding the transfer of billing claims and account receivables relating to the company's mobile communications services, installment receivables for subscribers' equipment purchases and others. NTT and its subsidiaries collectively own 100.0% of the voting interest in NTT FINANCE as of March 31, 2016. For information regarding our transactions with NTT FINANCE, see Notes to Consolidated Financial Statements Related Party Transactions in Note 15.

### **C. Interests of Experts and Counsel**

Not applicable.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information** **Financial Statements**

Refer to Consolidated Financial Statements and Schedule of this annual report.

### **Legal or Arbitration Proceedings**

The information on legal or arbitration proceedings required by this item is set forth in B.10. Legal Proceedings in Item 4 of this annual report.

### **Dividend Policy**

We believe that providing adequate returns to shareholders is one of the most important issues in corporate management while raising corporate value through the growth and expansion of our businesses. We plan to pay dividends by taking into account our consolidated results, consolidated financial position and consolidated dividend payout ratio based on the principle of stable and sustainable dividend payments.

We expect to pay an annual dividend of ¥80 per share for the year ending March 31, 2017, which will consist of a ¥40 interim dividend and a ¥40 year-end dividend.

**B. Significant Changes**

Except as otherwise disclosed herein, there has been no significant change in our financial position since March 31, 2016, the date of our last audited financial statements.

**Table of Contents****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 3, 2016, the closing sale price of our shares on the TSE was ¥2,743 per share. Our shares are also quoted and traded through the NYSE.

On April 28, 2016, our Board of Directors resolved to apply for voluntary delisting of our ADSs from the NYSE around March 2018. Since our listing our ADSs on the NYSE in March 2002, the external environment has significantly changed as indicated by the increases in trading volume of Japanese stocks through stock exchanges in Japan by overseas investors due to the internationalization of the Japanese financial and capital markets, as well as the narrowing of the gap between U.S. and Japanese disclosure standards with respect to financial reporting due to a series of amendments to Japanese laws and regulations and accounting standards. In this environment, we believe the significance to continue listing on the NYSE has faded, taking into account the fact that the trading volume of our ADSs on the NYSE accounts for only a small fraction of the total trading volume of our shares.

The following table lists the reported high and low sale prices of our shares on the TSE, highs and lows of Tokyo Stock Price Index ( TOPIX ) and Nikkei Stock Average for the periods indicated:

Fiscal Year ended March 31,	TSE*1*2 (Japanese yen)		TOPIX (Points)		Nikkei Stock Average (Japanese yen)	
	High	Low	High	Low	High	Low
2012	1,518	1,336	879.48	703.88	10,255.15	8,135.79
2013	1,497	1,119	1,061.75	692.18	12,650.26	8,238.96
2014	1,756	1,358	1,308.08	971.33	16,320.22	11,805.78
2015	2,252.5	1,515	1,594.71	1,121.50	19,778.60	13,885.11
1st Quarter	1,778	1,515	1,273.80	1,121.50	15,442.67	13,885.11
2nd Quarter	1,934.5	1,731	1,346.43	1,224.85	16,374.14	14,753.84
3rd Quarter	1,898	1,612.5	1,454.22	1,177.22	18,030.83	14,529.03
4th Quarter	2,252.5	1,731	1,594.71	1,343.29	19,778.60	16,592.57
2016	2,888	1,961	1,702.83	1,193.85	20,952.71	14,865.77
1st Quarter	2,399.5	2,040.5	1,686.61	1,519.41	20,952.71	18,927.95
2nd Quarter	2,873.5	1,961	1,702.83	1,371.44	20,946.93	16,901.49
3rd Quarter	2,586	2,008.5	1,609.76	1,414.20	20,012.40	17,389.57
4th Quarter	2,888	2,265.5	1,544.73	1,193.85	18,951.12	14,865.77
<b>Calendar Year 2015</b>						
December	2,586	2,304.5	1,607.27	1,502.55	20,012.40	18,562.51
<b>Calendar Year 2016</b>						
January	2,581	2,265.5	1,544.73	1,301.49	18,951.12	16,017.26
February	2,888	2,472.5	1,463.79	1,193.85	17,905.37	14,865.77
March	2,730	2,462.5	1,384.35	1,284.50	17,291.35	15,857.37
April	2,760	2,422	1,412.98	1,250.77	17,613.56	15,471.80
May	2,864	2,642	1,380.88	1,289.01	17,251.36	15,975.47
June (through June 3, 2016)	2,796	2,705	1,374.37	1,329.53	17,145.94	16,525.47

\*1 As we conducted a 1:100 stock split with an effective date of October 1, 2013, figures provided for TSE are adjusted accordingly.

\*2 Since TSE introduced the sub-yen tick sizes for TOPIX100 stocks on July 22, 2014 (¥0.5 tick sizes was introduced between ¥1,000 and ¥5,000), the stock prices from 2nd quarter of fiscal year ended March 31, 2015 contain decimals.



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Since March 2002, our American Depositary Shares have been listed on the NYSE. On June 3, 2016, the closing sale price of American Depositary Shares on the NYSE was \$25.40 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:

Fiscal Year ended March 31,	NYSE (U.S. dollars)	
	High	Low
2012	19.55	16.56
2013	17.49	13.81
2014	16.74	14.58
2015	18.64	14.42
1st Quarter	17.35	15.02
2nd Quarter	18.10	16.62
3rd Quarter	17.12	14.60
4th Quarter	18.64	14.42
2016	23.91	16.55
1st Quarter	19.34	17.24
2nd Quarter	22.64	16.55
3rd Quarter	20.94	17.02
4th Quarter	23.91	19.43
<b>Calendar Year 2015</b>		
December	20.94	19.10
<b>Calendar Year 2016</b>		
January	22.81	19.43
February	23.91	22.24
March	23.85	22.24
April	25.16	22.25
May	25.99	24.33
June (through June 3, 2016)	25.42	24.82

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See A. Offer and Listing Details in Item 9 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, state our purposes, which include 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 Companies Act, a director is required to refrain from voting on such matters at meetings of the Board of Directors.

The Companies Act 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 directors. The Board of Directors may, by its resolution, leave such decision to the discretion of the Company's president.

The Companies Act provides that the incurrence by a company of a significant loan from a third party should be approved by a resolution of the Company's Board of Directors. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our directors under the Companies Act 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 Companies Act 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 Companies Act 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 Companies Act relating to joint stock corporations.

#### ***General***

At present, our authorized share capital is 17,460,000,000 shares with no par value of which 3,958,543,000 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 Act on Book-Entry of Company Bonds, Shares, etc. of Japan (including the cabinet order and ministerial ordinances promulgated thereunder; the Act on Book-Entry ), and since then the shares of all





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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, Incorporated ( 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 under the Act on Book-Entry, 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 Act on Book-Entry.

Under the Act on Book-Entry, 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 Companies Act and the Act on Book-Entry, 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 for which the record dates 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 two business days prior to the record date.

Under the Companies Act, 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.

We are also permitted to make distributions of surplus pursuant to a board resolution if certain requirements under the Companies Act 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

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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 Companies Act, 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.

Under the Companies Act, 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 fiscal year to, the specified date are approved, the aggregate amount of (i) the 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 fiscal 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 aggregate 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 fiscal 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 fiscal 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 fiscal 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 fiscal year, the book value of such treasury stock;

VI. in the event that we distributed dividends after the end of the previous fiscal 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;

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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;

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 fiscal year, the amount so reduced;

b. in the event that we distributed dividends after the end of the previous fiscal 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 fiscal 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 fiscal 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 fiscal 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 before 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 an ordinance of the Ministry of Justice after the end of the previous fiscal year, such increased amount.

Under the Companies Act, 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 fiscal year and an income statement for the period from the first day of the current fiscal 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 Act on Book-Entry, 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 E. Taxation Japanese Taxation in Item10.

***Capital and Reserves***

An increase in our authorized share capital is only possible pursuant to an amendment of our articles of incorporation.

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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 resolution of a general meeting of shareholders.

### ***Stock Splits***

We may at any time split our issued shares into a greater number of shares by resolution of the Board of Directors. 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 Act on Book-Entry, we must give notice to JASDEC regarding a stock split at least 2 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 Companies Act 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 Act on Book-Entry, 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.

### ***Unit Share System***

Effective from October 1, 2013, the unit share system has been introduced pursuant to the amendments to our articles of incorporation that were approved by a resolution of the Board of Directors of April 26, 2013 and 100 shares constitute one unit of shares. Under the unit share system, shareholders have, at general meetings of shareholders, one vote for each unit of shares held by them, and shares constituting less than a full unit carry no voting rights. Our articles of incorporation provide that holders of shares constituting less than a full unit do not have shareholder rights, except for those specified in the Companies Act or an ordinance of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation or split of shares, share exchange (*kabushiki-kokan*), share transfer (*kabushiki-iten*), or merger and (iii) to be allotted rights to subscribe for new shares and stock acquisition rights for free when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request that we purchase such shares constituting less than a full unit at their market price in accordance with our share handling regulations. In addition, holders of shares constituting less than a full unit may require that we sell them such number of shares, that, when combined with the number of shares already held by such holder, constitute a whole unit of shares; provided that we be obliged to comply with such request only when there is a sufficient number of treasury shares to accommodate such request. As prescribed in the share handling regulations, such requests must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC without going through the notification procedure required for the exercise of shareholders rights to which shareholders are entitled regardless of record dates. The Board of Directors may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders approval even though amendments to the articles of incorporation generally require a special resolution adopted at the general meeting of shareholders.

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Under the new book-entry transfer system described above, shares constituting less than a full unit are transferable. Under the rules of the Japanese financial instruments exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese financial instruments exchanges.

### ***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 Companies Act and our Articles of Incorporation, any shareholder of record as of the relevant record date who is holding 300 or more voting rights or 1 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 Act on Book-Entry, 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 through 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.

### ***Voting Rights***

Generally, a holder of our shares is entitled to one vote for each one unit of shares (100 shares). 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 a government or a juridical person, its proxy may be its employee. Shareholders who intend to be absent from the shareholders' meeting may exercise their voting rights in writing or by electronic means. The Companies Act and our Articles of Incorporation provide that the quorum for appointment of directors and audit & supervisory board members shall not be less than one-third of the total number of the voting rights represented at the meeting. Our Articles of Incorporation provide that shares may not be voted cumulatively for the appointment of directors.

Under the Companies Act 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 not less than 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 Companies Act);

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 or a merger, subject to a certain exception under which a shareholders' resolution is not required;





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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 parent and wholly owned subsidiary 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 Exhibit 1 of the Registration Statement on Form F-6 (File No. 333-134940) filed on September 16, 2013.

### ***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 Companies Act, 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.

### ***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 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, 2016, we have not issued stock acquisition rights or bond with stock acquisition rights.



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### ***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, in Japanese and English translation. 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 Act on Book-Entry, 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 of our Own Shares***

Under the Companies Act, 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 Companies Act.

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 us to acquire the shares held by such shareholder as well.

Acquisitions described in (i) and (ii) above must satisfy certain other requirements, including that the total amount of the purchase price may not exceed the distributable amount.

***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.

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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 one ADS per each share of common stock\*.

For further information regarding our American Depositary Receipt program, please refer to Exhibit 1 of the Registration Statement on Form F-6 (File No.333-134940) filed on September 16, 2013.

\* We changed the ratio of ADS to underlying shares in accordance with the stock split effectuated on October 1, 2013, where each of our common shares were split at a ratio of 1:100 as of the effective date.

### ***Reporting of Substantial Shareholdings***

The Financial Instruments and Exchange Act 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 shares. 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 3, 2016, the closing price of our shares on the Tokyo Stock Exchange was ¥2,743 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥2,000 and ¥3,000 per share, as well as the daily price limit if our per share price were to rise to between ¥3,000 and ¥5,000, or fall to between ¥1,500 and ¥2,000.

#### **Selected Daily Price Limits**

	Previous Day's Closing Price or Special Quote			Maximum Daily Price Movement	
Over	¥ 1,500	Less than	¥ 2,000	¥	400
Over	2,000	Less than	3,000		500
Over	3,000	Less than	5,000		700

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 (which would present any significant impact on our financial condition), 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 a conversion transaction;

a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes; 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 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.

## Edgar Filing: NTT DOCOMO INC - Form 20-F

If a partnership holds shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in shares or ADSs.

In general, and taking into account the earlier assumptions, 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.



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For purposes of United States federal income taxation, you are treated as a U.S. holder if 1) you are a beneficial owner of shares or ADSs and 2) 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.**

**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 that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains 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. In general, 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. However we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible 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. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. Dividends will generally 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 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

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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 is generally taxed at preferential rates 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 believe that our shares and ADSs should not 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 annually and thus may be subject to change. If we were to be treated as a PFIC, unless a U.S. holder were to elect 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 generally 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 either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

## **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 taxable. The tax treatment is subject to possible changes in the applicable Japanese laws or double taxation conventions occurring after the date of this annual report. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor. Potential investors should consult their own tax advisors 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 20.42% (up to December 31, 2037, which rate of Japanese withholding tax includes the Special Reconstruction Income Tax, which is described below) and will be 20% after December 31, 2037. 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 20.42% or 20% withholding tax rate is reduced to (i) 15.315% for



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dividends to be due and payable on or before December 31, 2037, and (ii) 15% for dividends to be due and payable thereafter. This tax reduction is not available for a non-resident individual who holds 3% or more of the issued shares of a Japanese corporation. For the purpose of this paragraph, the Special Reconstruction Income Tax is a special surtax at the rate of 2.1% imposed on individuals and corporations (whether residents or non-residents of Japan, or Japanese corporations or non-Japanese corporations) up to December 31, 2037 for reconstruction funding after the Great East Japan Earthquake. This special surtax is applicable to various income taxes including withholding tax on dividends and the amount of such special surtax is calculated by multiplying the amount of the original income tax by the surtax rate of 2.1%. In consequence, the amount of the aggregate withholding tax on dividends will be the original amount of such withholding tax plus the original amount multiplied by the surtax rate (i.e. 102.1% of the original amount). Japan has income tax treaties whereby the withholding tax rate is provided not to exceed the prescribed rate, which is generally 15% or 10%, for portfolio investors. 15% is applied under the income tax treaties with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, and 10% is applied under the income tax treaties with Australia, France, Hong Kong, Kuwait, The Netherlands, Portugal, Saudi Arabia, Sweden, Switzerland, the United Kingdom, the United States and United Arab Emirates. In addition, under the income tax treaty between the United States and Japan, dividends paid to pension funds of qualified United States residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. Under the income tax treaties between Japan and the United Kingdom, The Netherlands, and Switzerland, similar treatment will be applied to dividends. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the preceding paragraph with respect to the dividends to be paid by us on the shares.

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 dividends. A standing proxy for non-resident holders may provide the application. In this regard, a certain simplified special filing procedure is available for non-resident holders of listed shares to claim treaty benefits of exemption from or reduction of Japanese withholding tax, with respect to dividends to be due and payable on or after January 1, 2014, by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks. With respect to ADSs, this reduced rate is applicable if the depositary or its agent submits in duplicate two Application Forms for Income Tax Convention (one is FORM 4 subtitled Extension of Time for Withholding of Tax on Dividends with respect to Foreign Depository Receipt to the payer of dividends, who has to file the original with the district director of tax office for the place where the payer resides, by the day before the payment of dividends and the other is FORM 5 subtitled Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends with respect to Foreign Depository Receipt to the district director of tax office through the payer of Dividends in 8 months from the day following the base date of payment of dividends for application purposes for which FORM 4 has been submitted). 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 depositary. 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 non-resident holder, generally are not subject to Japanese income or corporation taxes provided that such gains are from portfolio investments where the 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.

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**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 100 F Street, NE., Washington, D.C. 20549. You may also obtain 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 SEC 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 SEC.

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, our earnings and cash flows may be negatively impacted by these market risks.

To manage these risks, we use derivative instruments such as interest rate swap agreements, foreign exchange forward contracts, foreign currency option contracts, etc. 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 for approving and monitoring such contracts.

No specific hedging activities are taken against the fluctuations in prices of marketable securities.

***Interest rate risk***

We may use interest rate swap transactions from time to time in certain cases, 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.

We were not a counterparty to any interest rate swap arrangements designated as instruments hedging the changes in fair value as of March 31, 2015 and 2016 and did not enter into any interest rate swaps designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2015 and 2016.

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The following table below provides information about financial instruments that are sensitive to changes in interest rates:

	Weighted Average Interest Rate (per annum)	Millions of yen Expected Maturity Year ending March 31,					Thereafter	Total	Fair value 3/31/16
		2017	2018	2019	2020	2021			
<b>DEBT</b>									
Corporate bonds									
Japanese Yen Bonds	1.2%		¥ 60,000	¥ 110,000			¥ 50,000	¥ 220,000	¥ 227,517
Borrowings from banks and others									
Japanese Yen Loans	0.9%	200	200					400	402
Long term debt, including current portion Total		¥ 200	¥ 60,200	¥ 110,000			¥ 50,000	¥ 220,400	¥ 227,919

**Foreign exchange risk**

In order to mitigate foreign currency risks we engage in foreign currency hedge and option transactions. As of March 31, 2016, the foreign exchange forward contracts outstanding totaled ¥2,965 million, with an unrealized gain of ¥11 million. As of March 31, 2016, the foreign currency option contracts outstanding totaled ¥63,652 million, with an unrealized loss of ¥2,415 million.

**Investment price risk**

The fair values of 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:

	Millions of yen March 31, 2016	
	Carrying Amount	Fair Value
Equity securities available-for-sale	¥ 170,477	¥ 170,477
Debt securities available-for-sale		
Total	¥ 170,477	¥ 170,477

**Concentrations of credit risk**

As of March 31, 2016, the amount of other receivables resulting from the sale of receivables to NTT FINANCE was ¥283,274 million, and the amount of receivables held for sale was ¥1,237,437 million. For information regarding our transactions with NTT FINANCE, see Notes to Consolidated Financial Statements Related Party Transactions in Note 15.

**Table of Contents****Item 12. Description of Securities Other than Equity Securities***Fees payable by ADR Holders*

The following table shows the fees and charges that a holder of our ADR may have to pay, either directly or indirectly:

<b>Services</b>	<b>Fees[USD]</b>
Taxes and other governmental charges	As applicable
Such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Issuer or Foreign Registrar and applicable to transfers of Shares to the name of the Depository or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder	As applicable
Such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement	As applicable
Such expenses as are incurred by the Depository in the conversion of Foreign Currency	As applicable
The execution and delivery of Receipts and the surrender of Receipts	\$5.00 or less per 100 ADS
Any cash distribution made pursuant to the Deposit Agreement	\$0.02 or less per ADS
The distribution of securities, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a results of the deposit of such securities, but which securities are instead distributed by the Depository to Owners.	As applicable
<i>Fees paid to DOCOMO by the Depository</i>	

The Bank of New York Mellon, as Depository, has reimbursed DOCOMO for the New York Stock Exchange listing fees of \$45,000 for the calendar year 2015. Furthermore, from April 1, 2015 to March 31, 2016, the Bank of New York Mellon has waived a total of \$131,000 in fees associated with the administration of the ADR program, investor relations expenses and administrative fees for routine corporate actions such as, among others, proxy process fees and cash distribution process fees, in addition to their standard fees for providing investor relations information services.

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**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, 2016 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, 2016 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 Company's management evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2016 by using the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based upon this evaluation, our management concluded that the Company's internal control over financial reporting as of March 31, 2016 was effective.

Our independent registered public accounting firm, has issued an audit report on the effectiveness of our internal control over financial reporting as of March 31, 2016, 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, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Our Audit & Supervisory Board has resolved to elect Ms. Eiko Tsujiyama as audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission. In addition, Ms. Tsujiyama is an outside audit & supervisory board member under the Companies Act and is independent from us.



**Table of Contents****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 24, 2016, 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 LLC to perform an annual audit of the Company's financial statements.

The following table presents information concerning fees paid to KPMG AZSA LLC and its affiliates for the years ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31,	
	2015	2016
Audit fees <sup>*1</sup>	¥ 1,122	¥ 1,176
Audit-related fees <sup>*2</sup>	3	3
Tax-related fees <sup>*3</sup>	48	39
All other fees <sup>*4</sup>	10	76
<b>Total</b>	<b>¥ 1,183</b>	<b>¥ 1,294</b>

\*1 These are fees for professional services performed by KPMG AZSA LLC 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 and are not reported under audit fees.

\*3 These are fees for professional services rendered by KPMG for tax returns and tax consultation services.

\*4 These are fees for the services provided by KPMG AZSA LLC and its affiliates, other than the fees reported in paragraphs \*1 through \*3, such as providing guidance and counsel on International Financial Reporting Standards.

*Pre-Approval of Services Provided by KPMG AZSA LLC and its affiliates*

The Company and its subsidiaries have adopted policies and procedures for the Company's Board of Directors and the Audit & Supervisory Board's pre-approving all audit and non-audit work performed by KPMG AZSA LLC and its affiliates. Specifically, the policies and procedures prohibit KPMG AZSA LLC 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 Audit & Supervisory Board.

For the fiscal year ended March 31, 2016, all of the services provided by KPMG AZSA LLC and its affiliates were approved by the Company's Board of Directors and the Audit & Supervisory Board 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.

**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



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private issuers with audit & supervisory board members meeting certain requirements. For a New York Stock Exchange-listed Japanese company with an Audit & Supervisory Board, the requirements for relying on paragraph (c)(3) of Rule 10A-3 are as follows:

The Audit & Supervisory Board must be established, and its members must be selected, pursuant to Japanese law requiring such a board for Japanese companies that elect to have a corporate governance system with audit & supervisory board members.

Japanese law must and does require the Audit & Supervisory Board to be separate from the Board of Directors.

None of the members of the Audit & Supervisory Board may be elected by management, and none of the listed company's executive officers may be a member of the Audit & Supervisory Board.

Japanese law must and does set forth standards for the independence of the members of the Audit & Supervisory Board from the listed company or its management.

The Audit & Supervisory Board, in accordance with Japanese law or the listed company's governing documents (such as Articles of Incorporation, Regulations of the Board of Directors and etc.), must be responsible, to the election of independent auditor and 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 Audit & Supervisory Board 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 Audit & Supervisory Board 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 Audit & Supervisory Board, 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 Audit & Supervisory Board, and (iii) ordinary administrative expenses of the audit & supervisory board members that are necessary or appropriate in carrying out its duties.

In our assessment, our Audit & Supervisory Board, which meets the requirements for reliance on the exemption in paragraph (c)(3) of Rule 10A-3 described above, is not significantly different from 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**

Period	(a) Total Number of Shares Purchased*	(b) Average Price Paid per Share (Yen)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 to 30, 2015	0		0	0
May 1 to 31, 2015	43	2,263.5	0	0
June 1 to 30, 2015	0		0	0
July 1 to 31, 2015	0		0	0
August 1 to 31, 2015	0		0	0
September 1 to 30, 2015	0		0	0
October 1 to 31, 2015	0		0	0
November 1 to 30, 2015	0		0	0
December 1 to 31, 2015	0		0	0
January 1 to 31, 2016	0		0	0
February 1 to 29, 2016	0		0	0
March 1 to 31, 2016	120,867,062	2,544	120,867,062	99,132,938
Total	120,867,105	2,544	120,867,062	99,132,938

\* Shares purchased include compulsory acquisition of less-than-one-unit shares purchased from time to time

(Note) On January 29, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 220,000,000 outstanding shares of its common stock for an amount in total not exceeding ¥500,000 million during the period from February 1, 2016 through December 31, 2016. To be more specific, repurchase by a tender offer (up to 137,578,616 outstanding shares of its common stock at an amount in total not exceeding ¥350,000 million, ¥2,544 per common share from during the period from February 8, 2016 through March 7, 2016) resolved at the meeting of the Board of Directors held on February 5, 2016.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance****Committees**

Under the Companies Act, 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 as either, a company with an audit & supervisory board (*kansayakukai secchigaisha*), a company with nominating committees or similar (*shimei iinkaitou secchikaisha*), or a company with audit and supervisory committees (*kansatou iinkai secchikaisha*). The company with audit or similar committees is a new corporate governance system introduced by the Companies Act amendment enacted as of May 1, 2015. The Company is currently a company with an audit & supervisory board.

As a company with an audit & supervisory board, the Company is not required under the Companies Act to have any outside director.

However, due to the amendment described above, new rules to promote the establishment of outside director are established and if a listed company greater than a certain scale does not have any outside director appointed, the Company is obligated to explain why it is not appropriate to appoint an outside director at the annual general meeting of shareholders.



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Also, the definition of outside director has been revised in this amendment of the Companies Act and outside director are now defined as those who fulfill all of the conditions below:

A person who is not an Executive Director, Executive Officer, manager or other employee (hereafter, Executive Director, etc. ) of the Company or its subsidiaries and have not been an Executive Director, etc. of the Company or its subsidiaries in the ten years prior to appointment as an outside director;

A person who has been a director, accounting advisor or audit & supervisory board member of the Company or its subsidiaries at any time in the ten years prior to appointment as an outside director, those who have not been an executive director, etc. of the Company or its subsidiaries in the ten years prior to the appointment to the said position;

A person who is not a Parent Company, etc. of the Company (limited to a natural person) or a director, executive officer, manager or other employee of a Parent Company, etc.;

A person who is not an Executive Director, etc. of a subsidiary, etc. of the Parent Company, etc. of the Company (excluding the Company and its subsidiaries); and

A person who is not a spouse or relative within the second degree of kinship of a director, executive officer, manager or other important employee of the Company, nor its Parent Company, etc (limited to a natural person).

The tasks of auditing the performance of its directors and auditing the performance of accounting auditors are assigned to the Company's audit & supervisory board members, who are separate from the Company's directors. Under the Companies Act, at least one half of a company's audit & supervisory board members are required to be outside audit & supervisory board members who must meet certain requirements. Due to the amendment to the Companies Act, the definition of outside audit & supervisory board members has also been revised, and outside audit & supervisory board members are defined as those who meet all of the following requirements:

A person who has not been a director, accounting advisor, executive officer, manager or other employee of the Company or its subsidiaries within the ten years prior to the appointment;

A person who has been an audit & supervisory board member of the Company or its subsidiaries at any time in the ten years prior to this appointment, the person who has not been a director, accounting advisor, executive officer, manager or employee of the Company or its subsidiaries in the ten years prior to the appointment to the said audit & supervisory board member position;

A person who is not a Parent Company, etc. of the Company (limited to a natural person) or a director, audit & supervisory board member, executive officer, manager or other employee of a Parent Company, etc.;

A person who is not an Executive Director, etc. of a subsidiary, etc. of Parent Company, etc. (excluding the Company and its subsidiaries); and

A person who is not the spouse or a relative within the second degree of kinship of a director, manager or other important employee of the Company, nor its Parent Company, etc. (limited to a natural person).

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In addition, the Securities Listing Regulations of the Tokyo Stock Exchange ( TSE ) requires the Company as a TSE-listed company to designate at least one independent director/auditor. Further, the regulations state that companies must take efforts to secure at least one independent director/auditor who is a director. An independent director/auditor is defined as an outside director/audit & supervisory board member who is unlikely to have conflicts of interest with general investors. As of June 2016, we have appointed two outside directors and two outside audit & supervisory board members as independent director/auditor. These outside directors and outside audit & supervisory board members meet the revised criteria for outside directors or outside audit & supervisory board members under the aforementioned Companies Act amendment.

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Furthermore, the TSE formulated as an appendix to its rules titled Japan's Corporate Governance Code applicable to all listed companies on the TSE, which was issued on June 1, 2015. The TSE requires all listed companies to adopt the Corporate Governance Code or explain the reasons for not adopting the Corporate Governance Code in their corporate governance reports. The Corporate Governance Code establishes fundamental principles for effective corporate governance, consisting of i) securing the rights and equal treatment of shareholders, ii) appropriate cooperation with various stakeholders other than shareholders, iii) ensuring appropriate information disclosure and transparency, iv) responsibilities of the Board of Directors and v) constructive dialogue with shareholders.

### ***Audit & Supervisory Board***

Under the audit & supervisory board member system that the Company employs, the Audit & Supervisory Board is a legally separate and independent body from the Board of Directors. The function of the Audit & Supervisory Board and each audit & supervisory board member 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 directors, and express an opinion if it is the opinion of the Audit & Supervisory Board that the method, or the results of the audit report by the Company's accounting firm is not suitable and express the reason for such opinion, for the protection of the Company's shareholders. Further, due to the aforementioned amendments to the Companies Act, agenda items for shareholder's meetings in relation to the selection, termination or discontinuation of accounting auditors will be determined by the Audit & Supervisory Board.

Under the Companies Act, the Company is required to have not less than three audit & supervisory board members. The Articles of Incorporation of the Company permit it to have up to five audit & supervisory board members. Currently, five audit & supervisory board members of the Company have been elected. The term of office of each audit & supervisory board member is up to four years after his/her election, whereas the term of office of each director is 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 audit & supervisory boards 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 audit & supervisory board members must also be elected at a general meeting of shareholders. The Company's Board of Directors must obtain the consent of its Audit & Supervisory Board in order to submit a proposal for election of an audit & supervisory board member to a general meeting of shareholders. The audit & supervisory board is empowered to request that the Company's directors submit a proposal for election of an audit & supervisory board member to a general meeting of shareholders. All audit & supervisory board members have the right to state their opinion concerning the election of an audit & supervisory board member at the general meeting of shareholders.

### ***Compensation***

The maximum aggregate compensation amount for the Company's directors and that of the Company's audit & supervisory board members 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.



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The compensation amount for each director is determined by the Company's President or another directors who is delegated to do so by the Board of Directors, and that for each audit & supervisory board member is determined upon consultation among the audit & supervisory board members.

There are no procedural or disclosure requirements with respect to the use of compensation consultants, independent legal counsel or other advisors.

***Shareholder Approval with respect to any Equity Compensation Plan***

Pursuant to the Companies Act, 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.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Table of Contents****PART III****Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

Refer to Consolidated Financial Statements and Schedule of this annual report.

**Item 19. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Articles of Incorporation of the registrant (English translation) <sup>*1</sup>
1.2	Share Handling Regulations of the registrant (English translation) <sup>*2</sup>
1.3	Regulations of the Board of Directors of the registrant (English translation) <sup>*1</sup>
1.4	Regulations of the Audit & Supervisory Board of the registrant (English translation) <sup>*1</sup>
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 Exhibit 1 of the Registration Statement on Form F-6 (File No. 333-134940) filed on September 16, 2013)
8.1	List of Significant Subsidiaries (See B.1. Business Overview in Item 4 of this Form 20-F)
11.1	Code of Ethics (English translation) <sup>*3</sup>
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\*1 Previously filed with the Securities and Exchange Commission on June 26, 2015 and herein incorporated by reference.

\*2 Previously filed with the Securities and Exchange Commission on June 27, 2014 and herein incorporated by reference.

\*3 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.

Google and Android are trademarks or registered trademarks of Google Inc.

Wi-Fi is a registered trademark of the Wi-Fi Alliance.

TM and © 2016 Apple Inc. All rights reserved. iPad and iPhone are trademarks of Apple Inc., registered in the U.S. and other countries. The iPhone trademark is used under a license from AIPHONE CO., LTD.

All other trademarks are the property of their respective owners.



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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 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2016, 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.

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, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 24, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG AZSA LLC

Tokyo, Japan

June 24, 2016

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

NTT DOCOMO, INC.:

We have audited NTT DOCOMO, INC.'s internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) 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, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2016, and our report dated June 24, 2016 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG AZSA LLC

Tokyo, Japan

June 24, 2016

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****MARCH 31, 2015 and 2016**

	Millions of yen	
	2015	2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	¥ 105,553	¥ 354,437
Short-term investments		
Third parties	3,757	5,872
Related parties	240,000	
Accounts receivable		
Third parties	258,761	232,698
Related parties	5,830	4,342
Receivables held for sale	897,999	972,851
Credit card receivables	234,412	276,492
Other receivables		
Third parties	30,576	61,334
Related parties	296,699	319,762
Total accounts receivable, receivables held for sale, credit card receivables and other receivables	1,724,277	1,867,479
Less: Allowance for doubtful accounts	(14,100)	(17,427)
Total accounts receivable, receivables held for sale, credit card receivables and other receivables, net	1,710,177	1,850,052
Inventories	186,275	153,876
Deferred tax assets	61,512	107,058
Prepaid expenses and other current assets		
Third parties	98,618	101,790
Related parties	9,484	7,108
Total current assets	2,415,376	2,580,193
<b>Property, plant and equipment:</b>		
Wireless telecommunications equipment	5,027,390	5,084,416
Buildings and structures	890,382	896,815
Tools, furniture and fixtures	508,810	468,800
Land	200,736	199,054
Construction in progress	193,497	190,261
Sub-total	6,820,815	6,839,346
Accumulated depreciation and amortization	(4,309,748)	(4,398,970)
Total property, plant and equipment, net	2,511,067	2,440,376
<b>Non-current investments and other assets:</b>		
Investments in affiliates	439,070	411,395
Marketable securities and other investments	195,047	182,905
Intangible assets, net	636,319	615,013
Goodwill	266,311	243,695
Other assets		
Third parties	430,633	468,895

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Related parties	15,090	<b>10,208</b>
Deferred tax assets	237,427	<b>261,434</b>
Total non-current investments and other assets	2,219,897	<b>2,193,545</b>
<b>Total assets</b>	<b>¥ 7,146,340</b>	<b>¥ 7,214,114</b>

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**MARCH 31, 2015 and 2016**

	Millions of yen	
	2015	2016
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	¥ 203	¥ 200
Short-term borrowings	2,048	1,764
Accounts payable, trade		
Third parties	664,945	611,835
Related parties	146,854	181,249
Accrued payroll	54,955	53,837
Accrued income taxes	68,563	165,332
Other current liabilities		
Third parties	169,631	198,292
Related parties	7,103	7,310
<b>Total current liabilities</b>	<b>1,114,302</b>	<b>1,219,819</b>
<b>Long-term liabilities:</b>		
Long-term debt (exclusive of current portion)	220,400	220,200
Accrued liabilities for point programs	89,929	75,182
Liability for employees' retirement benefits	173,872	201,604
Other long-term liabilities		
Third parties	127,932	136,602
Related parties	1,700	1,381
<b>Total long-term liabilities</b>	<b>613,833</b>	<b>634,969</b>
<b>Total liabilities</b>	<b>1,728,135</b>	<b>1,854,788</b>
<b>Redeemable noncontrolling interests</b>	<b>15,589</b>	<b>16,221</b>
<b>Equity:</b>		
NTT DOCOMO, INC. shareholders' equity		
Common stock, without a stated value		
Authorized shares		
17,460,000,000 shares as of March 31, 2015 and 2016		
Issued shares		
4,085,772,000 shares as of March 31, 2015		
3,958,543,000 shares as of March 31, 2016		
Outstanding shares		
3,881,483,855 shares as of March 31, 2015		
3,760,616,750 shares as of March 31, 2016		
Additional paid-in capital	949,680	949,680
Retained earnings	339,783	330,482
Accumulated other comprehensive income (loss)	4,397,228	4,413,030
Treasury stock	52,599	14,888
204,288,145 shares as of March 31, 2015		
197,926,250 shares as of March 31, 2016	(359,218)	(405,832)

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Total NTT DOCOMO, INC. shareholders' equity	5,380,072	<b>5,302,248</b>
Noncontrolling interests	22,544	<b>40,857</b>
<b>Total equity</b>	<b>5,402,616</b>	<b>5,343,105</b>
<b>Commitments and contingencies</b>		
<b>Total liabilities and equity</b>	<b>¥ 7,146,340</b>	<b>¥ 7,214,114</b>

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED MARCH 31, 2014, 2015 and 2016**

	2014	Millions of yen 2015	2016
<b>Operating revenues:</b>			
Telecommunications services			
Third parties	¥ 2,942,847	¥ 2,727,891	¥ 2,789,673
Related parties	21,133	19,264	25,834
Equipment sales			
Third parties	870,597	903,231	859,875
Related parties	1,403	858	611
Other operating revenues			
Third parties	582,938	682,967	806,491
Related parties	42,285	49,186	44,600
<b>Total operating revenues</b>	<b>4,461,203</b>	<b>4,383,397</b>	<b>4,527,084</b>
<b>Operating expenses:</b>			
Cost of services (exclusive of items shown separately below)			
Third parties	808,790	876,285	933,027
Related parties	250,829	283,229	315,526
Cost of equipment sold (exclusive of items shown separately below)	785,209	853,062	881,471
Depreciation and amortization	718,694	659,787	625,934
Impairment loss		30,161	9,063
Selling, general and administrative			
Third parties	876,903	835,882	806,626
Related parties	201,579	205,920	172,413
<b>Total operating expenses</b>	<b>3,642,004</b>	<b>3,744,326</b>	<b>3,744,060</b>
<b>Operating income</b>	<b>819,199</b>	<b>639,071</b>	<b>783,024</b>
<b>Other income (expense):</b>			
Interest expense	(1,211)	(797)	(512)
Interest income	1,680	1,283	987
Other, net	13,381	4,326	(5,478)
<b>Total other income (expense)</b>	<b>13,850</b>	<b>4,812</b>	<b>(5,003)</b>
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	<b>833,049</b>	<b>643,883</b>	<b>778,021</b>
<b>Income taxes:</b>			
Current	319,683	218,552	267,249
Deferred	(11,704)	19,515	(55,530)
<b>Total income taxes</b>	<b>307,979</b>	<b>238,067</b>	<b>211,719</b>
<b>Income before equity in net income (losses) of affiliates</b>	<b>525,070</b>	<b>405,816</b>	<b>566,302</b>
	(69,117)	(7,782)	(5,060)

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Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)				
<b>Net income</b>		455,953	398,034	<b>561,242</b>
Less: Net (income) loss attributable to noncontrolling interests		8,776	12,059	<b>(12,864)</b>
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥	464,729	¥ 410,093	¥ <b>548,378</b>
<b>Per share data:</b>				
Weighted average common shares outstanding Basic and Diluted		4,146,760,100	4,038,191,678	<b>3,880,823,341</b>
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC.	¥	112.07	¥ 101.55	¥ <b>141.30</b>

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED MARCH 31, 2014, 2015 and 2016**

	Millions of yen		
	2014	2015	2016
<b>Net income</b>	¥ 455,953	¥ 398,034	¥ 561,242
<b>Other comprehensive income (loss):</b>			
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	8,751	22,468	(4,715)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(84)	120	(1278)
Unrealized gains (losses) on cash flow hedges, net of applicable taxes	(76)	(20)	(148)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	59	16	31
Foreign currency translation adjustment, net of applicable taxes	31,653	29,678	(10,324)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	6,010		(263)
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net	11,929	(9,159)	(21,634)
Prior service cost arising during period, net	3,361		
Less: Amortization of prior service cost	(1,457)	(894)	(824)
Less: Curtailment gain	(3,294)		
Less: Amortization of actuarial gains and losses	1,963	1,104	1417
Less: Amortization of transition obligation	80	72	33
Total other comprehensive income (loss)	58,895	43,385	(37,705)
<b>Comprehensive income</b>	514,848	441,419	523,537
Less: Comprehensive (income) loss attributable to noncontrolling interests	8,583	11,683	(12,870)
<b>Comprehensive income attributable to NTT DOCOMO, INC.</b>	¥ 523,431	¥ 453,102	¥ 510,667

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED MARCH 31, 2014, 2015 and 2016**

	Millions of yen							
	NTT DOCOMO, INC. shareholders equity					Total NTT DOCOMO, INC.		
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	shareholders equity	Noncontrolling interests	Total equity
Balance as of March 31, 2013	¥ 949,680	¥ 732,609	¥ 4,112,466	¥ (49,112)	¥ (377,168)	¥ 5,368,475	¥ 42,090	¥ 5,410,565
Cash dividends declared (¥60 per share)			(248,806)			(248,806)		(248,806)
Cash distributions to noncontrolling interests							(1,032)	(1,032)
Acquisition of new subsidiaries							2,588	2,588
Changes in interest in subsidiaries		266				266		266
Others							215	215
Net income			464,729			464,729	(8,776)	455,953
Other comprehensive income (loss)				58,702		58,702	193	58,895
Balance as of March 31, 2014	¥ 949,680	¥ 732,875	¥ 4,328,389	¥ 9,590	¥ (377,168)	¥ 5,643,366	¥ 35,278	¥ 5,678,644
Purchase of treasury stock					(473,036)	(473,036)		(473,036)
Retirement of treasury stock		(393,092)	(97,894)		490,986			
Cash dividends declared (¥60 per share)			(243,360)			(243,360)		(243,360)
Cash distributions to noncontrolling interests							(1,061)	(1,061)
Acquisition of new subsidiaries							732	732
Others							(2)	(2)
Net income			410,093			410,093	(12,777)	397,316
Other comprehensive income (loss)				43,009		43,009	374	43,383
Balance as of March 31, 2015	¥ 949,680	¥ 339,783	¥ 4,397,228	¥ 52,599	¥ (359,218)	¥ 5,380,072	¥ 22,544	¥ 5,402,616
Purchase of treasury stock					(307,486)	(307,486)		(307,486)
Retirement of treasury stock			(260,872)		260,872			
Cash dividends declared (¥70 per share)			(271,704)			(271,704)		(271,704)
Cash distributions to noncontrolling interests							(2,390)	(2,390)
Acquisition of new subsidiaries							22	22
Changes in interest in subsidiaries		(9,301)				(9,301)	8,489	(812)
Others							(46)	(46)
Net income			548,378			548,378	12,232	560,610
Other comprehensive income (loss)				(37,711)		(37,711)	6	(37,705)
Balance as of March 31, 2016	¥ 949,680	¥ 330,482	¥ 4,413,030	¥ 14,888	¥ (405,832)	¥ 5,302,248	¥ 40,857	¥ 5,343,105

\* Changes in the redeemable noncontrolling interest are not included in the table.

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2014, 2015 and 2016**

	2014	Millions of yen 2015	2016
<b>Cash flows from operating activities:</b>			
Net income	¥ 455,953	¥ 398,034	¥ 561,242
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	718,694	659,787	625,934
Deferred taxes	(11,704)	19,515	(55,530)
Loss on sale or disposal of property, plant and equipment	34,303	40,073	36,535
Inventory write-downs	4,415	13,716	18,880
Impairment loss		30,161	9,063
Impairment loss on marketable securities and other investments	3,055	902	636
Loss on sale of a subsidiary			13,117
Equity in net (income) losses of affiliates (including impairment charges of investments in affiliates)	69,117	7,782	5,060
Dividends from affiliates	17,415	17,591	13,929
Changes in assets and liabilities:			
(Increase) / decrease in accounts receivable	(9,269)	17,489	22,406
(Increase) / decrease in receivables held for sale	(149,310)	(110,540)	(74,852)
(Increase) / decrease in credit card receivables	(13,849)	(7,497)	(22,551)
(Increase) / decrease in other receivables	(21,875)	(13,467)	(46,331)
Increase / (decrease) in allowance for doubtful accounts	(2,815)	2,931	3,884
(Increase) / decrease in inventories	(55,264)	32,270	13,125
(Increase) / decrease in prepaid expenses and other current assets	(7,661)	(10,565)	(4,966)
(Increase) / decrease in non-current receivables held for sale	(53,276)	(55,468)	(13,601)
Increase / (decrease) in accounts payable, trade	65,083	5,278	(32,544)
Increase / (decrease) in accrued income taxes	39,691	(107,166)	97,176
Increase / (decrease) in other current liabilities	(40,422)	16,964	31,638
Increase / (decrease) in accrued liabilities for point programs	(27,854)	(23,072)	(14,747)
Increase / (decrease) in liability for employees' retirement benefits	(10,732)	13,209	27,752
Increase / (decrease) in other long-term liabilities	(32,977)	11,925	11,488
Other, net	29,924	3,125	(17,612)
<b>Net cash provided by operating activities</b>	<b>1,000,642</b>	<b>962,977</b>	<b>1,209,131</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(498,668)	(493,189)	(434,919)
Purchases of intangible and other assets	(213,508)	(170,203)	(179,010)
Purchases of non-current investments	(16,186)	(5,107)	(3,465)
Proceeds from sale of non-current investments	5,235	1,753	9,345
Acquisitions of subsidiaries, net of cash acquired	(19,213)		15
Purchases of short-term investments	(39,084)	(34,613)	(9,523)
Redemption of short-term investments	68,937	50,806	4,659
Proceeds from redemption of long-term bailment for consumption to a related party	10,000		240,000
Short-term bailment for consumption to a related party	(70,000)		
Proceeds from redemption of short-term bailment for consumption to a related party	70,000		
Other, net	(1,093)	(641)	(2,353)
<b>Net cash used in investing activities</b>	<b>(703,580)</b>	<b>(651,194)</b>	<b>(375,251)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt	50,000		
Repayment of long-term debt	(74,989)	(248)	(203)
Proceeds from short-term borrowings	13,740	221,606	146,880
Repayment of short-term borrowings	(26,132)	(229,065)	(147,022)
Principal payments under capital lease obligations	(2,128)	(1,729)	(1,389)



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Payments to acquire treasury stock		(473,036)	(307,486)
Dividends paid	(248,814)	(243,349)	(271,643)
Cash distributions to noncontrolling interests	(1,032)	(1,061)	(2,390)
Other, net	19,562	(7,375)	(355)
<b>Net cash provided by (used in) financing activities</b>	<b>(269,793)</b>	<b>(734,257)</b>	<b>(583,608)</b>
Effect of exchange rate changes on cash and cash equivalents	5,977	1,107	(1,388)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>33,246</b>	<b>(421,367)</b>	<b>248,884</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>493,674</b>	<b>526,920</b>	<b>105,553</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 526,920</b>	<b>¥ 105,553</b>	<b>¥ 354,437</b>

**Supplemental disclosures of cash flow information:**

**Cash received during the fiscal year for:**

Income tax refunds	¥ 886	¥ 1,539	¥ 8,241
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**Cash paid during the fiscal year for:**

Interest, net of amount capitalized	1,578	876	400
Income taxes	280,434	326,107	176,806

**Non-cash investing and financing activities:**

Assets acquired through capital lease obligations	1,513	940	965
Assets of wireless telecommunications equipment acquired through exchanges of similar equipment		3,605	3,844
Retirement of treasury stock		490,986	260,872

See accompanying notes to consolidated financial statements.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of operations:**

NTT DOCOMO, INC. and subsidiaries ( DOCOMO ) is a joint stock corporation that was incorporated under the laws of Japan in August 1991 as the wireless telecommunications arm of NIPPON TELEGRAPH AND TELEPHONE CORPORATION ( NTT ). NTT, 35.21% of which is owned by the Japanese government, owns 62.37% of NTT DOCOMO, INC. 's issued stock and 65.66% of NTT DOCOMO, INC. 's voting stock outstanding as of March 31, 2016.

DOCOMO mainly provides its subscribers with mobile communications services such as LTE(Xi) services and FOMA services. In addition, DOCOMO sells handsets and related equipment primarily to agent resellers who in turn sell such equipment to subscribers.

**2. Summary of significant accounting and reporting policies:**

**(a) Significant accounting policies**

**Principles of consolidation**

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

DOCOMO also evaluates whether DOCOMO has a controlling financial interest in an entity through means other than voting rights and should consolidate the entity. For the fiscal years ended March 31, 2014, 2015 and 2016, DOCOMO had no variable interest entities to be consolidated or disclosed.

**Use of estimates**

The preparation of DOCOMO 's consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. DOCOMO has identified the following areas where it believes estimates and assumptions are particularly critical to the consolidated financial statements. These are determination of useful lives of property, plant and equipment, internal use software and other intangible assets, impairment of goodwill and unamortizable intangible assets, impairment of long-lived assets, impairment of investments, accrued liabilities for point programs, liability for employees' retirement benefits and revenue recognition.

Effective July 1, 2014, DOCOMO revised its estimate of the expected useful life of certain software for telecommunications network and internal-use software based on the actual utilization of the software to reflect an extended expected maximum useful life from 5 years to 7 years. This modification has been applied prospectively as a change in accounting estimate.

The impact from this change in accounting estimate on the consolidated statements of income resulted in increases in Income before income taxes and equity in net income (losses) of affiliates, Net income attributable to NTT DOCOMO, INC. and Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. of ¥51,307 million, ¥32,939 million and ¥8.16, respectively, for the fiscal year ended March 31, 2015.

**Cash and cash equivalents**

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

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Short-term investments**

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

**Receivables held for sale**

The accounts receivable for DOCOMO's telecommunications services, installment receivables for subscribers' equipment purchases and others (receivables for telecommunications services) which DOCOMO decides to sell are reclassified to Receivables held for sale and Other assets in the consolidated balance sheets.

Receivables held for sale are measured at the lower of cost or fair value and the amount by which cost exceeding fair value was ¥7,635 million and ¥7,732 million for the fiscal years ended March 31, 2015 and 2016, respectively, and the amount exceeding fair value was recorded as a valuation allowance in Allowance for doubtful accounts and Other assets in the consolidated balance sheets.

In addition, the aggregated amount of losses on sales of receivables for telecommunications services and adjustments to record the receivables held for sale at the lower of cost or fair value was ¥64,789 million, ¥67,327 million and ¥62,305 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively, and was recorded as Selling, general and administrative expenses in the consolidated statements of income. The fair value of receivables held for sale is measured based on the estimated future discounted cash flows.

**Allowance for doubtful accounts**

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

**Inventories**

Inventories are stated at the lower of cost or market. The cost of equipment sold is determined by the first-in, first-out method. Inventories consist primarily of handsets and accessories. DOCOMO evaluates its inventory mainly for obsolescence on a periodic basis and records valuation adjustments as required. DOCOMO recognized losses on write-downs for the fiscal years ended March 31, 2014, 2015 and 2016 resulting in losses totaling ¥4,415 million, ¥13,716 million and ¥18,880 million, respectively, which were included in Cost of equipment sold in the consolidated statements of income.

**Property, plant and equipment**

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

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Major wireless telecommunications equipment	8 to 16 years
Steel towers and poles for antenna equipment	30 to 40 years
Reinforced concrete buildings	42 to 56 years
Tools, furniture and fixtures	4 to 15 years

Depreciation and amortization expenses of property, plant and equipment for the fiscal years ended March 31, 2014, 2015 and 2016 were ¥480,836 million, ¥479,569 million and ¥460,547 million, respectively.

When depreciable telecommunications equipment is retired or abandoned in the normal course of business, the amounts of such telecommunications equipment and its accumulated depreciation are deducted from the respective accounts. Any remaining balance is charged to expense immediately. DOCOMO estimates the fair values of its asset retirement obligations to restore certain leased land and buildings used for DOCOMO's wireless telecommunications equipment to their original states. The aggregate fair value of its asset retirement obligations does not have a material impact on DOCOMO's results of operations or financial position.

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

**Capitalized interest**

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

**Investments in affiliates**

The equity method of accounting is applied to investments in affiliates where DOCOMO is able to exercise significant influence over the investee, but does not have a controlling financial interest. Under the equity method of accounting, DOCOMO records its share of income and losses of the affiliates and adjusts its carrying amount. DOCOMO periodically reviews the facts and circumstances related thereto to determine whether or not it can exercise significant influence over the operating and financial policies of the affiliates. For some investees accounted for under the equity method, DOCOMO records its share of income or losses of such investees with up to a 3 month lag in its consolidated statements of income.

DOCOMO evaluates the recoverability of the carrying value of its investments in affiliates, which includes investor level goodwill, when there are indicators that a decline in value below its carrying amount may be other than temporary. In performing its evaluations, DOCOMO utilizes various information including cash flow projections, independent valuations and, as applicable, quoted market values to determine recoverable amounts and the length of time an investment's carrying value exceeds its estimated current recoverable amount. In the event of a determination that a decline in value is other than temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Marketable securities and other investments**

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

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

Debt securities held by DOCOMO, which DOCOMO has the positive intent and ability to hold to maturity, are classified as held-to-maturity, and the other debt securities that may be sold before maturity are classified as available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale debt securities are carried at fair value with unrealized holding gains or losses, net of applicable taxes, included in Accumulated other comprehensive income (loss). Realized gains and losses are determined using the first-in, first-out cost method and are reflected in earnings. Highly liquid debt securities with original maturities of 3 months or less at the date of purchase are recorded as Cash and cash equivalents, while debt securities that are not recorded as Cash and cash equivalents with remaining maturities of 1 year or less at the end of fiscal year are recorded as Short-term investments in the consolidated balance sheets.

DOCOMO did not hold or transact any trading securities during the fiscal years ended March 31, 2014, 2015 and 2016.

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

**Goodwill and other intangible assets**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Other intangible assets primarily consist of software for telecommunications network, internal-use software, software acquired to be used in manufacture of handsets and rights to use certain telecommunications facilities of wireline operators.

DOCOMO does not amortize either goodwill, including investor level goodwill related to the investments accounted for under the equity method, or other intangible assets determined to have an indefinite useful life. However, (1) goodwill, except those related to equity method investments, and (2) other intangible assets that have indefinite useful lives are tested annually for impairment mainly as of March 31 and the assets are also tested between the annual tests if an event or circumstances occurs that would imply impairment.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DOCOMO applies a two-step test when assessing goodwill for impairment. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). Fair value of the reporting unit is determined using mainly discounted cash flow method. If the carrying value of the reporting unit exceeds its fair value, an indication of goodwill impairment exists for the reporting unit and DOCOMO performs the second step of the impairment test (measurement). Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. If the fair value of the reporting unit exceeds its carrying value, the second step does not need to be performed.

During the fiscal year ended March 31, 2015, DOCOMO realigned its operating segments. This realignment was due to a change in the management of DOCOMO's businesses, which led DOCOMO to reorganize the internal organization of its financial reporting structure in a manner that caused the composition of DOCOMO's reporting segments to change. DOCOMO realigned its reporting units in accordance with the realignment of its reporting segments and goodwill was allocated to reporting units based on their relative fair value.

For the fiscal years ended March 31, 2015 and 2016, the most significant amount of recorded goodwill resides in the telecommunications business in Japan reporting unit, which is included in DOCOMO's telecommunications business segment. This reporting unit has recorded goodwill of ¥127,272 million since the change in the reporting units and has passed the first step of the impairment tests by a substantial margin. The fair value of the remaining goodwill which resides in other reporting units also exceeds the net carrying amount by a significant margin or is not considered significant for the fiscal years ended March 31, 2014, 2015 and 2016. Fair values have primarily been estimated using the discounted cash flow method which is based upon the future business plan. The future business plan is supported by the historical operating results and DOCOMO's most recent views of the mid to long-term outlook. However, if operating income were to decline significantly in the future due to now unforeseen events, it would adversely affect the estimated fair value of the reporting unit.

For the goodwill impairment losses recorded during the fiscal years ended March 31, 2014, 2015 and 2016, see Note 8 Goodwill and other intangible assets.

Goodwill related to equity method investments is tested for impairment as a part of the other-than-temporary impairment assessment of the equity method investment as a whole.

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

DOCOMO capitalizes the cost of internal-use software which has a useful life in excess of 1 year. Subsequent costs for additions, modifications or upgrades to internal-use software are capitalized only to the extent that the software is able to perform a task it previously did not perform. Software acquired to be used in manufacture of handsets is capitalized if the technological feasibility of the handset to be ultimately marketed has been established at the time of acquisition. Software maintenance and training costs are expensed as incurred. Capitalized software costs are amortized over up to 7 years.

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

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Impairment of long-lived assets**

DOCOMO's long-lived assets other than goodwill, such as property, plant and equipment, software and amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held for use is evaluated by a comparison of the carrying amount of the asset with future undiscounted cash flows expected to be generated by the asset or asset group. If the asset (or asset group) is determined to be impaired, the loss recognized is the amount by which the carrying value of the asset (or asset group) exceeds its fair value as measured through various valuation techniques, including discounted cash flow methods, quoted market value and third-party independent appraisals, as considered necessary.

**Hedging activities**

DOCOMO uses derivative instruments, including interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts, and other financial instruments in order to manage its exposure to fluctuations in interest rates and foreign exchange rates. DOCOMO does not hold or issue derivative instruments for trading purposes. These financial instruments are effective in meeting the risk reduction objectives of DOCOMO by generating either transaction gains or losses which offset transaction gains or losses of the hedged items or cash flows which offset the cash flows related to the underlying position in respect of amount and timing.

All derivative instruments are recorded in the consolidated balance sheets at fair value. The recorded fair values of derivative instruments represent the amounts that DOCOMO would receive or pay to terminate the contracts at each fiscal year end. For derivative instruments that qualify as fair value hedge instruments, the changes in fair value of the derivative instruments are recognized in earnings, which offset the changes in fair value of the related hedged assets or liabilities that are also recognized in earnings of the period. For derivative instruments that qualify as cash flow hedge instruments, the changes in fair value of the derivative instruments are initially recorded in Accumulated other comprehensive income (loss) and reclassified into earnings when the relevant hedged transaction is realized. For derivative instruments that do not qualify as hedging instruments, the changes in fair value of the derivative instruments are recognized in earnings.

DOCOMO discontinues hedge accounting when it is determined that the derivative instruments or other financial instruments are no longer highly effective as a hedge or when DOCOMO decides to discontinue the hedging relationship.

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

**Claim reserves**

DOCOMO provides customers with an option to purchase Mobile Device Protection Service, which represents a comprehensive coverage program for damages or losses incurred to mobile handsets.

Since July 2015, DOCOMO is partially self-insured the claims. The liability associated with the self-insurance consists of the reserve for the reported claims but not paid and an estimated reserve for the claims incurred but not reported.

Based on DOCOMO's historical experience and the nature of the service, it is expected that a customer would generally make a claim immediately after occurrence of a claim incident. Accordingly, the estimated

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amount of reserve for the claims incurred but not reported is immaterial. The amount of claim for the reported claims but not paid is also immaterial. DOCOMO has recorded these reserves in Other current liabilities in the consolidated balance sheet.

**Accrued liabilities for point programs**

DOCOMO offers docomo Points Service, which provides points to customers based on the usage of cellular and other services. These points may be exchanged for benefits such as payments on DOCOMO's products.

On December 1, 2015, DOCOMO began offering d POINT Service, which provides individual customers with points that may be earned through, among others, mobile phone usage, making payments with d CARD or DCMX credit cards, or purchasing goods or services at DOCOMO's partner stores. These points may be exchanged for payments on DOCOMO's products and mobile phone charges, and payments at DOCOMO's partner stores. Individual customers may continue using d POINTs subsequent to the cancellation of DOCOMO's mobile telecommunications service contract. All docomo Points granted to individual customers from April 1, 2015 through November 30, 2015 were automatically transferred to d POINTs, and DOCOMO no longer grants docomo Points to any individual customer after December 1, 2015. docomo Points granted prior to March 31, 2015 may be used until their expiration date.

DOCOMO records Accrued liabilities for point programs relating to the points that customers earn. DOCOMO separately estimates the accrued liabilities for d POINTs and for docomo Points.

In measuring the accrued liabilities for docomo Points, DOCOMO estimates such factors as the point utilization rate reflecting the forfeitures by, among other things, expected cancellation rate of cellular service contracts by customers based on DOCOMO's historical experiences.

In measuring the accrued liabilities for d POINTs, on the other hand, DOCOMO does not estimate the point utilization rate since there is no sufficient empirical evidence to estimate the point utilization rate.

**Employees retirement benefit plans**

DOCOMO recognizes the funded status of its defined benefit plans, measured as the difference between the plan assets at fair value and the projected benefit obligation, in the consolidated balance sheets. Changes in the funded status are recognized as changes in comprehensive income during the fiscal period in which such changes occur.

Services cost for pension benefits of employee earned during the year as well as interest costs on projected benefit obligations are accrued. Actuarial losses (gains) in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and prior service cost due to the changes of benefit plans, both of which are included in Accumulated other comprehensive income (loss), are amortized to earnings over the expected average remaining service period of employees on a straight-line basis.



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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Redeemable noncontrolling interests**

A portion of noncontrolling interests of a subsidiary can be put to DOCOMO upon certain events. As redemption of the noncontrolling interests is not solely in the control of DOCOMO, it is considered as Redeemable noncontrolling interests and presented in between Liabilities and Equity in the consolidated balance sheets.

For the fiscal years ended March 31, 2015 and 2016, DOCOMO believes that subsequent fair value adjustment of redeemable noncontrolling interests is not required because these are not currently redeemable or it is not probable that these will become redeemable. DOCOMO will reassess the probability of redemption annually.

**Revenue recognition**

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

DOCOMO sets its mobile communications services rates in accordance with the Japanese Telecommunications Business Act and government guidelines, which currently allow wireless telecommunications operators to set their own tariffs without government approval. Mobile communications service revenues primarily consist of basic monthly charges, airtime charges and fees for activation. Basic monthly charges and airtime charges are recognized as revenues at the time the service is provided to the subscribers. DOCOMO's monthly billing plans for FOMA services generally include a certain amount of allowances (free minutes and/or packets), and the used amount of the allowances is subtracted from total usage in calculating the airtime revenue from a subscriber for the month. DOCOMO offers billing arrangements called Nikagetsu Kurikoshi (2 month carry-over) and Zutto Kurikoshi and Packet Kurikoshi, in which unused allowances are automatically carried over.

Nikagetsu Kurikoshi is a billing arrangement, in which the unused allowances of the monthly free minutes and/or packets are automatically carried over for up to the following two months. In addition, DOCOMO offers an arrangement which enables the unused allowances that were carried over for the two months to be automatically used to cover the airtime and/or packet charges exceeding the allowances of the other subscriptions in the Family Discount group, a discount billing arrangement for families. Out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following two months. As for the portion which is estimated to expire, DOCOMO recognizes the revenue attributable to such portion of allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers make calls or utilize data transmissions.

On June 1, 2015, DOCOMO started providing Zutto Kurikoshi, in which the unused allowances of the monthly free minutes and/or packets are automatically and indefinitely carried over up to the upper limit set by each billing plan, and thereby terminated Nikagetsu Kurikoshi in principle. Out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following months. However, the unused allowances are carried over indefinitely, and DOCOMO does not have sufficient empirical evidence to reasonably estimate unused allowances that will be utilized in the following months. Hence DOCOMO deducts and defers amounts allocated to unused allowances from revenues, which do not exceed the upper limit set by each billing plan. The deferred revenues are recognized as revenues in accordance with an actual use of the allowances in the following months.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Packet Kurikoshi is a billing arrangement, in which the unused allowances of the monthly packet data which can be used without speed cap are automatically carried over for up to the following month. DOCOMO defers revenues based on the portion of unused allowances that are estimated to be utilized in the next month. As DOCOMO does not have sufficient empirical evidence to reasonably estimate unused allowances that will be utilized in the next month, DOCOMO deducts and defers all amounts allocated to unused allowances from revenues. The deferred revenues are recognized as revenues in the next month.

Equipment sales are recognized as revenues when equipment is accepted mainly by agent resellers, and all inventory risk is transferred mainly to agent resellers from DOCOMO. Certain commissions paid to agent resellers and incentives offered to subscribers are recognized as a reduction of revenue upon delivery of the equipment to such agent resellers.

From the fiscal year ended March 31, 2014, DOCOMO has offered a new incentive program which provides certain discounts for subscribers who purchase qualified smartphones under the installment payment arrangement. Under the incentive program, DOCOMO provides subscribers with the discounts depending on the number of installment payments upon certain events including replacement of the original smartphones.

During the fiscal year ended March 31, 2014, DOCOMO recorded a reduction of revenues based on the maximum potential discount amount of installment receivables as no sufficient empirical evidence was available to reasonably estimate such amounts. From the fiscal years ended March 31, 2015, DOCOMO has recognized estimated future discount amount as a reduction of revenue since DOCOMO developed sufficient empirical evidence such as an analysis of the historical churn rate and replacement rate of the qualified and other smartphones to reasonably estimate the future discount amount.

DOCOMO provides subscribers with options to select installment payments for the purchase of the handset over a period of 12 or 24 months. When installment payments are selected, under agreements entered into among DOCOMO, subscribers and agent resellers, DOCOMO provides financing by providing funds for the purchase of the handset by the subscribers. DOCOMO then includes current installments for the receivable for the purchased handset with basic monthly charges and airtime charges for the installment payment term. This is a separate contract from the mobile communications services contract between DOCOMO and the subscriber or the handset purchase agreement between the agent resellers and the subscriber, and cash collection from the subscriber is the recovery of the cash payment. Therefore, cash collection from subscribers for the purchased handsets does not have an impact on DOCOMO's revenue.

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

On March 1, 2015, DOCOMO commenced an optical-fiber broadband service, docomo Hikari, by utilizing the wholesale optical-fiber access service of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, subsidiaries of NTT.

With the commencement of this service, DOCOMO introduced a billing arrangement, docomo Hikari Pack, which enables docomo Hikari subscribers who also subscribe specific monthly packet communications plan to receive discounted charges.

DOCOMO sells docomo Hikari service and packet communications plan service offered in a bundled arrangement, as well as separately. Therefore, each service has a standalone selling price. The total arrangement

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consideration for docomo Hikari Pack is allocated to optical-fiber broadband service and other telecommunications services and packet communications plan service based on the relative selling prices of the services and each service is separately recognized as revenue at the time each service is provided to the subscribers.

In addition to the above, DOCOMO sells a variety of goods and digital media contents, such as video and music distribution, electronic books and other services offered through DOCOMO's dmarket portal, and renders services such as Mobile Device Protection Service, of which revenues are included in other operating revenues on the consolidated statements of income. DOCOMO recognizes the related revenues when the following criteria are met. Persuasive evidence of an arrangement or contract exists, delivery has occurred or service has been rendered, the selling price is fixed and collection is reasonably assured.

In addition, DOCOMO evaluates whether it is appropriate to record the gross amount of the revenues and related costs for those goods and services by considering a number of factors, including, but not limited to, whether DOCOMO is the primary obligor under the arrangement or contract, has the inventory risk and has latitude in establishing prices. As DOCOMO generally is the primary obligor with the inventory risk, latitude in establishing prices and/or credit risks, the related revenues are presented on a gross basis.

Contrarily, for certain transactions on the dmarket, DOCOMO is not considered the primary obligor, does not take or take little inventory risk, has no latitude in establishing prices and/or credit risk. DOCOMO is considered an agent for such transactions and related revenues are presented on a net basis.

The deferred revenue and deferred charges as of March 31, 2015 and 2016 were as follows:

	Locations	Millions of yen	
		2015	2016
Current deferred revenue	Other current liabilities	¥ 64,796	¥ 85,434
Long-term deferred revenue	Other long-term liabilities	79,610	102,005
Current deferred charges	Prepaid expenses and other current assets	17,293	14,707
Long-term deferred charges	Other assets	72,801	95,171

**Selling, general and administrative expenses**

Selling, general and administrative expenses primarily include commissions paid to sales agents, expenses associated with point programs, advertising expenses, as well as other expenses such as payroll and related benefit costs of personnel not directly involved in the service operations and maintenance process.

**Income taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

DOCOMO recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

50 percent likely of being realized. Changes in recognition or measurement are reflected in the fiscal year in which the change in judgment occurs. DOCOMO has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as a part of income tax expense in the consolidated statements of income.

**Earnings per share attributable to NTT DOCOMO, INC.**

Basic earnings per share attributable to NTT DOCOMO, INC. include no dilution and are computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share attributable to NTT DOCOMO, INC. assume the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

DOCOMO did not issue dilutive securities during the fiscal years ended March 31, 2014, 2015 and 2016, and therefore there is no difference between basic and diluted earnings per share attributable to NTT DOCOMO, INC.

**Foreign currency translation**

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

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

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

**(b) Reclassifications**

Certain reclassifications have been made to the prior periods consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2016.

**(c) Recently issued Accounting Standards**

**Revenue from Contracts with Customers**

On May 28, 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2014-09 Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective.

The FASB also issued ASU 2016-08 Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10 Identifying Performance Obligations and Licensing, ASU 2016-12 Narrow-Scope Improvements and Practical Expedients, in March, April and May 2016, respectively, to partially amend ASU 2014-09.

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On August 12, 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date, and deferred the effective date of ASU 2014-09 by one year. Consequently, the standard is expected to take effect for DOCOMO on April 1, 2018. Early adoption of the standard as of April 1, 2017 would also be permitted.

DOCOMO has not yet selected a transition method and is currently evaluating the effect that the ASU will have on DOCOMO's consolidated financial statements and related disclosures.

**Recognition and Measurement of Financial Assets and Financial Liabilities**

On January 5, 2016, the FASB issued ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities, which significantly changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The new standard is effective for DOCOMO on April 1, 2018. DOCOMO is currently evaluating the effect of adopting the ASU.

**Lease**

On February 25, 2016, the FASB issued ASU 2016-02 Lease, which requires all lessees to recognize the right-of-use asset and lease liability, principally. The new standard is effective for DOCOMO on April 1, 2019. DOCOMO is currently evaluating the effect of adopting the ASU.

**3. Cash and cash equivalents:**

Cash and cash equivalents as of March 31, 2015 and 2016 comprised the following:

	Millions of yen	
	2015	2016
Cash	¥ 92,821	¥ 97,683
Certificates of deposit		50,000
Commercial paper	802	433
Bailment for consumption	11,930	206,321
<b>Total</b>	<b>¥ 105,553</b>	<b>¥ 354,437</b>

The commercial paper as of March 31, 2015 and 2016 was classified as available-for-sale securities, fair value of which approximates their amortized amounts.

Information regarding Bailment for consumption is disclosed in Note 15 Related party transactions.

**4. Inventories:**

Inventories as of March 31, 2015 and 2016 comprised the following:

	Millions of yen	
	2015	2016
Finished goods	¥ 183,325	¥ 149,356

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Materials and supplies	2,950	<b>4,520</b>
<b>Total</b>	<b>¥ 186,275</b>	<b>¥ 153,876</b>

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**5. Impairment of long-lived assets:**

**Impairment of multimedia broadcasting business for mobile devices assets**

For the fiscal year ended March 31, 2015, DOCOMO failed to meet the forecasted revenues of the multimedia broadcasting business for mobile devices of DOCOMO's smart life business segment due to new competition in content streaming services provided through smart phones and other devices, resulting in a significant increase in uncertainty over the likelihood of future significant improvement of the profitability of this business.

DOCOMO conducted a recoverability assessment of its long-lived assets including property, plant and equipment and intangible assets of the multimedia broadcasting business for mobile devices based on its business conditions, for the fiscal year ended March 31, 2015.

The estimated undiscounted future cash flows generated by such long-lived assets were less than their carrying amounts. The fair value of long-lived assets related to the multimedia broadcasting business for mobile devices was estimated primarily based on the discounted cash flow method. As a result, the discounted cash flows expected to be generated by the long-lived assets, related to multimedia broadcasting business for mobile devices, would be a negative.

Consequently, since it was necessary to reduce the carrying amounts to fair value for the fiscal year ended March 31, 2015, DOCOMO recorded a non-cash impairment loss of ¥30,161 million, as Impairment loss in the consolidated statements of income, which included an impairment loss for the intangible assets of ¥6,365 million.

During the fiscal year ended March 31, 2016, DOCOMO also recorded a non-cash impairment loss of ¥4,542 million in Impairment loss in the consolidated statements of income, related to the multimedia broadcasting business for mobile devices assets which included an impairment loss for the intangible assets of ¥733 million.

During the fiscal year ended March 31, 2016, DOCOMO decided to terminate the multimedia broadcasting business for mobile devices on June 30, 2016.

**6. Investments in affiliates:**

**Sumitomo Mitsui Card Company, Limited.**

Sumitomo Mitsui Card Company, Limited. ( Sumitomo Mitsui Card ) is a credit card operator in Japan and a privately held company.

As of March 31, 2015 and 2016, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card. DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the Osaifu-Keitai (wallet-phone) service.

**Philippine Long Distance Telephone Company**

Philippine Long Distance Telephone Company ( PLDT ) is a telecommunication operator in the Philippines and a public company listed on the Philippine Stock Exchange and the New York Stock Exchange.

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DOCOMO held approximately 15% of PLDT's outstanding common shares and approximately 9% of voting interest in PLDT as of March 31, 2015 and 2016. The ratio of outstanding common shares and voting interest in PLDT held by DOCOMO as of March 31, 2015 and 2016 are disproportionate because PLDT issued voting preferred stock in October, 2012.

DOCOMO applies the equity method of accounting for the investment in PLDT, as DOCOMO has the ability to exercise significant influence over PLDT given DOCOMO's board representation and the right to exercise the voting rights associated with the ownership interest collectively held by DOCOMO and NTT Communications Corporation (NTT Com), which held approximately 6% of PLDT's outstanding common shares and approximately 3% of voting interest in PLDT as of March 31, 2015 and 2016, in accordance with an agreement between PLDT and its major shareholders, including NTT Com and DOCOMO.

DOCOMO's carrying amount of its investment in PLDT was ¥143,819 million and ¥126,325 million as of March 31, 2015 and 2016, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥240,522 million and ¥152,683 million as of March 31, 2015 and 2016, respectively.

**Tata Teleservices Limited**

Tata Teleservices Limited (TTSL) is a telecommunication operator in India and a privately held company.

As of March 31, 2015 and 2016, DOCOMO held approximately 26.5% of the outstanding common shares of TTSL.

On November 12, 2008, DOCOMO entered into a capital alliance with TTSL and Tata Sons Limited (Tata Sons), the parent company of TTSL. On March 25, 2009, DOCOMO acquired approximately 26% of the outstanding common shares of TTSL pursuant to the capital alliance and accounted for the investment by applying the equity method.

DOCOMO made additional investments in response to a rights offering that TTSL commenced in March and May, 2011. TTSL has used the capital increase to strengthen the quality of the 3G network in India's market. As a result of its participation in the rights offering, DOCOMO's equity interest in TTSL slightly increased to approximately 26.5%.

DOCOMO determined that the decline in value below carrying amount was other-than-temporary and recognized impairment charges of ¥51,244 million related to its investment in TTSL for the fiscal year ended March 31, 2014.

Under the shareholders agreement (the Agreement) entered into among TTSL, Tata Sons and DOCOMO, when DOCOMO entered into a business alliance with TTSL in March 2009, DOCOMO shall have certain shareholder rights including the right to require Tata Sons to find a suitable buyer for DOCOMO's entire stake (1,248,974,378 shares, or approximately 26.5% of outstanding shares) in TTSL for 50% of the DOCOMO's acquisition price, which amounts to 72.5 billion Indian rupees (or ¥120.4 billion) or at fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets by March 31, 2014. The right became exercisable on May 30, 2014, and DOCOMO exercised the right on July 7, 2014.

The obligation of Tata Sons under the Agreement was not fulfilled, although DOCOMO repeatedly held discussions with Tata Sons in regards to the sale of its entire stake in TTSL, pursuant to the Agreement. Accordingly, DOCOMO submitted its request for arbitration to the London Court of International Arbitration (LCIA) on January 3, 2015.

\* 1 rupee = ¥1.66 as of May 31, 2016





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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DOCOMO received a binding arbitration award from the LCIA on June 23, 2016. The award orders that Tata Sons pay damages to DOCOMO in the amount of approximately \$1,172 million (or ¥130.0 billion\*) for Tata Sons' breach of the shareholders agreement, upon DOCOMO's tender of its entire stake in TTSL to Tata Sons or its designee. However, it is uncertain as to whether Tata Sons will honor the binding award.

The sale of investment in TTSL has not been completed as Tata Sons has not fulfilled its obligation, and thus DOCOMO has not accounted for the sale transaction for the year ended March 31, 2016. DOCOMO continues to account for the investment in TTSL under the equity method as DOCOMO continues to hold approximately 26.5% of the outstanding voting shares of TTSL and have the representation on the Board of Directors of TTSL, even after receiving the binding arbitration award from the LCIA. The financial effect of this matter cannot be estimated at this time due to the aforementioned uncertainties surrounding this investment. DOCOMO may recognize a gain or loss upon disposition of its TTSL shares or in the event that the transaction as described above will not be carried out.

**Impairment**

DOCOMO evaluates the recoverability of the carrying value of its investments in affiliates including those mentioned above when there are indications that a decline in value below carrying amount may be other than temporary.

DOCOMO determined that there were other-than-temporary declines in values, of certain investments and recognized impairment charges for the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2014, DOCOMO recognized impairment charges on certain investments including TTSL aggregating ¥51,279 million. The impairment charges are included in Equity in net income (losses) of affiliates in the consolidated statements of income.

DOCOMO reviewed the business outlook of TTSL in order to determine if the value of the investment in TTSL has suffered a decline that was other than temporary because of the recent economic and financial environment surrounding its industry.

During the fiscal year ended March 31, 2014, DOCOMO's estimate of future cash flows of TTSL were further revised downward as a result of the growing business risk of mobile network operators in India, including an increase in the cost of maintaining or acquiring frequency spectrum due to a steep rise of the auction price of frequency spectrum in India. Reflecting growing business risk and recent operating results of TTSL, the weighted average cost of capital increased to 12.6%, which was applied to these revised estimated cash flows and DOCOMO concluded that the further decline in value was other than temporary. Consequently, DOCOMO recognized an additional impairment charge of ¥51,244 million.

During the fiscal years ended March 31, 2015 and 2016, DOCOMO determined that the value of the investment in TTSL had not suffered a decline that was other than temporary. As previously described, DOCOMO plans to dispose of DOCOMO's entire investment in TTSL. DOCOMO may recognize a gain or loss upon disposition of DOCOMO's TTSL shares or if the transaction as previously described above is not carried out. In addition, DOCOMO recorded impairment charges for other than temporary declines on investments in certain affiliates for the fiscal years ended March 31, 2015 and 2016. Those impairment charges do not have a material impact on DOCOMO's results of operations or financial position.

\* \$1 = ¥110.94 as of May 31, 2016

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DOCOMO believes that the estimated fair values of each of its investments in affiliates as of March 31, 2016 are equal to or exceed the related carrying values on an individual basis.

**Others**

All of the significant affiliates, except for PLDT, are privately held companies as of March 31, 2016.

DOCOMO's shares of undistributed earnings of its affiliates included in its consolidated retained earnings were ¥36,111 million, ¥44,367 million and ¥52,203 million, as of March 31, 2014, 2015 and 2016, respectively. DOCOMO does not have significant business transactions with its affiliates except for Sumitomo Mitsui Card.

The total carrying value of DOCOMO's Investments in affiliates in the consolidated balance sheets as of March 31, 2015 and 2016 was greater by ¥280,140 million and ¥263,669 million, respectively, than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees. The differences mainly consist of investor level goodwill and fair value adjustments for amortizable intangible assets.

The following represents summarized financial information for DOCOMO's affiliates.

	Millions of yen	
	TTSL	Others
<b>2014</b>		
Operating information		
Operating revenues	¥ 227,582	¥ 911,020
Operating income (loss)	(28,683)	171,193
Income (loss) from continuing operations	(85,026)	122,511
Net income (loss)	(85,026)	122,511
Net income (loss) attributable to shareholders of the affiliates	(84,613)	122,324

	Millions of yen	
	TTSL	Others
<b>2015</b>		
Balance sheet information		
Current assets	¥ 76,869	¥ 1,415,618
Non-current assets	468,569	1,766,763
Current liabilities	141,608	1,234,202
Long-term liabilities	601,880	843,066
Equity	(198,050)	1,105,113
Redeemable preferred stock	48,964	
Noncontrolling interests	22,920	2,212

	Millions of yen	
	TTSL	Others
<b>2015</b>		
Operating information		
Operating revenues	¥ 238,040	¥ 991,113

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Operating income (loss)	(19,853)	168,368
Income (loss) from continuing operations	(79,390)	127,466
Net income (loss)	(79,390)	127,466
Net income (loss) attributable to shareholders of the affiliates	(78,742)	127,468

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen 2016	
	TTSL	Others
Balance sheet information		
Current assets	¥ 72,726	¥ 1,542,550
Non-current assets	472,261	1,751,092
Current liabilities	146,459	1,335,526
Long-term liabilities	604,141	867,003
Equity	(205,613)	1,091,113
Redeemable preferred stock	83,418	
Noncontrolling interests	24,393	2,060

	Millions of yen 2016	
	TTSL	Others
Operating information		
Operating revenues	¥ 271,878	¥ 1,207,344
Operating income (loss)	12,643	132,026
Income (loss) from continuing operations	(57,057)	95,374
Net income (loss)	(57,057)	95,374
Net income (loss) attributable to shareholders of the affiliates	(59,721)	95,340

**7. Marketable securities and other investments:**

Marketable securities and other investments as of March 31, 2015 and 2016 comprised the following:

	Millions of yen	
	2015	2016
Marketable securities:		
Available-for-sale	¥ 181,830	¥ 170,477
Other investments	13,217	12,428
Marketable securities and other investments (Non-current)	¥ 195,047	¥ 182,905

The carrying amount and fair value of debt securities classified as available-for-sale included in Marketable securities and other investments as of March 31, 2015 and 2016, aggregated by maturities, were as follows:

	Millions of yen			
	2015		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Due after 1 year through 5 years	¥ 6	¥ 6	¥	¥

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Due after 5 years through 10 years

Due after 10 years

Total	¥	6	¥	6	¥	¥
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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The cost, gross unrealized holding gains and losses and fair value as of March 31, 2015 and 2016, aggregated by type of available-for-sale securities included in Marketable securities and other investments, were as follows:

	Millions of yen 2015			Fair value
	Cost /Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	
Available-for-sale:				
Equity securities	¥ 105,396	¥ 76,662	¥ 234	¥ 181,824
Debt securities	5	1		6

	Millions of yen 2016			Fair value
	Cost /Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	
Available-for-sale:				
Equity securities	¥ 103,179	¥ 68,150	¥ 852	¥ 170,477

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of yen		
	2014	2015	2016
Proceeds	¥ 2,729	¥ 1,003	¥ 8,836
Gross realized gains	1,846	609	5,867
Gross realized losses	(44)	(734)	(42)

The fair value of and gross unrealized holding losses on available-for-sale securities and cost method investments included in other investments as of March 31, 2015 and 2016, aggregated by investment category and length of time during which individual securities were in a continuous unrealized loss position, were as follows:

	Millions of yen 2015					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥ 3,094	¥ 234	¥ 192	¥ 1,935	¥ 3,094	¥ 234
Cost method investments					192	1,935

	Millions of yen 2016					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥ 3,094	¥ 234	¥ 192	¥ 1,935	¥ 3,094	¥ 234
Cost method investments					192	1,935

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Available-for-sale:								
Equity securities	¥ 2,656	¥	351	¥ 2,680	¥	501	¥ 5,336	¥ 852
Cost method investments	16		37	57		1,154	73	1,191

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

The aggregate carrying amount of cost method investments included in other investments and the aggregate carrying amount of investments whose fair values were not evaluated for impairment as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Cost method investments included in other investments	¥ 13,178	¥ 12,394
Including: Investments whose fair values were not evaluated for impairment	11,050	11,058
The amount of other-than-temporary impairment of marketable securities and other investments is disclosed in Note 14		Other income (expense).

**8. Goodwill and other intangible assets:****Goodwill**

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

The changes in the carrying amount of goodwill by each segment for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen			
	2015			
	Telecommunications business	Smart life business	Other businesses	Consolidated
Balance at beginning of year				
Gross goodwill	¥ 141,825	¥ 70,663	¥ 63,565	¥ 276,053
Accumulated impairment losses			(13,591)	(13,591)
	141,825	70,663	49,974	262,462
Foreign currency translation adjustment	2,093	84	2,492	4,669
Other		6	(826)	(820)
Balance at end of year				
Gross goodwill	143,918	70,753	65,231	279,902
Accumulated impairment losses			(13,591)	(13,591)
	¥ 143,918	¥ 70,753	¥ 51,640	¥ 266,311



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen 2016			
	Telecommunications business	Smart life business	Other businesses	Consolidated
Balance at beginning of year				
Gross goodwill	¥ 143,918	¥ 70,753	¥ 65,231	¥ 279,902
Accumulated impairment losses			(13,591)	(13,591)
	143,918	70,753	51,640	266,311
Goodwill impairment loss		(2,368)	(6,131)	(8,499)
Foreign currency translation adjustment	9	(22)	(3,167)	(3,180)
Sale of a consolidated subsidiary			(10,937)	(10,937)
Balance at end of year				
Gross goodwill	143,927	70,731	51,127	265,785
Accumulated impairment losses		(2,368)	(19,722)	(22,090)
	¥ 143,927	¥ 68,363	¥ 31,405	¥ 243,695

Segment information is disclosed in Note 16 Segment reporting.

In the fiscal year ended March 31, 2016, because of the rapid adverse change in its business environment, DOCOMO recognized a ¥6,131 million goodwill impairment loss for a reporting unit in the other businesses. The fair value of this reporting unit was measured using the discounted cash flow method. The amount of this impairment loss was included in Selling, general and administrative of the consolidated statements of income.

In the fiscal year ended March 31, 2016, DOCOMO recorded ¥10,937 million of a decrease in goodwill related to sale of a consolidated subsidiary for a reporting unit in the other businesses, which was associated with the sale of a certain consolidated subsidiary.

**Other intangible assets**

Other intangible assets, as of March 31, 2015 and 2016 comprised the following:

	Millions of yen 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	¥ 1,084,746	¥ 802,180	¥ 282,566
Internal-use software	1,387,249	1,131,005	256,244
Software acquired to be used in manufacture of handsets	250,022	201,021	49,001
Rights to use telecommunications facilities of wireline operators	18,271	7,276	10,995
Other	56,959	35,852	21,107
Total amortizable intangible assets	¥ 2,797,247	¥ 2,177,334	¥ 619,913

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Unamortizable intangible assets:		
Trademarks and trade names	¥	13,210
Other		3,196
Total unamortizable intangible assets	¥	16,406
Total	¥	636,319

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Gross carrying amount	Millions of yen 2016 Accumulated amortization	Net carrying amount
<b>Amortizable intangible assets:</b>			
Software for telecommunications network	¥ 1,035,821	¥ 761,630	¥ 274,191
Internal-use software	1,433,751	1,172,861	260,890
Software acquired to be used in manufacture of handsets	252,610	220,658	31,952
Rights to use telecommunications facilities of wireline operators	19,064	8,009	11,055
Other	51,470	38,891	12,579
<b>Total amortizable intangible assets</b>	<b>¥ 2,792,716</b>	<b>¥ 2,202,049</b>	<b>¥ 590,667</b>
<b>Unamortizable intangible assets:</b>			
Trademarks and trade names			¥ 13,052
Other			11,294
<b>Total unamortizable intangible assets</b>			<b>¥ 24,346</b>
<b>Total</b>			<b>¥ 615,013</b>

Effective July 1, 2014, DOCOMO revised its estimate of the expected useful life of a part of the software for telecommunications network and internal-use software based on the actual utilization of the software to reflect an extended expected maximum useful life from 5 years to 7 years.

The amount of amortizable intangible assets acquired during the fiscal year ended March 31, 2016 was ¥143,267 million, the main components of which were software for telecommunications network in the amount of ¥58,996 million and internal-use software in the amount of ¥76,936 million. The weighted-average amortization period of such software for telecommunications network and internal-use software is 7 years and 6 years, respectively.

Amortization of intangible assets for the fiscal years ended March 31, 2014, 2015 and 2016 was ¥237,858 million, ¥180,218 million and ¥165,387 million, respectively. Estimated amortization of existing intangible assets for fiscal years ending March 31, 2017, 2018, 2019, 2020 and 2021 is ¥158,264 million, ¥133,180 million, ¥105,053 million, ¥74,868 million and ¥46,322 million, respectively. The weighted-average amortization period of the intangible assets acquired during the fiscal year ended March 31, 2016 is 6 years.

**9. Other assets:**

Other assets as of March 31, 2015 and 2016 comprised the following:

	Millions of yen	
	2015	2016
Deposits	¥ 82,731	¥ 91,984
Deferred customer activation costs	72,801	95,171
Receivables held for sale (Non-current).	258,717	272,318
Allowance for doubtful accounts	(5,402)	(4,865)
Long-term prepaid expenses	17,215	11,547
Asset for employees' retirement benefits	10,220	4,898
Other	9,441	8,050

Total		¥ 445,723	<b>¥ 479,103</b>
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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Short-term borrowings and long-term debt:**

Short-term borrowings, excluding the current portion of long-term debt as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Short-term borrowings denominated in Japanese Yen:		
Unsecured short-term loans from financial institutions	¥ 400	¥ 1,500
(Year ended March 31, 2015 weighted-average rate per annum : 0.7% as of March 31, 2015)		
(Year ended March 31, 2016 weighted-average rate per annum : 0.5% as of March 31, 2016)		
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions	1,648	264
(Year ended March 31, 2015 weighted-average rate per annum :1.3% as of March 31, 2015)		
(Year ended March 31, 2016 weighted-average rate per annum :0.7% as of March 31, 2016)		
<b>Total short-term borrowings</b>	<b>¥ 2,048</b>	<b>¥ 1,764</b>

Long-term debt as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Debt denominated in Japanese Yen:		
Unsecured corporate bonds	¥ 220,000	¥ 220,000
(Year ended March 31, 2015 interest rates per annum : 0.2%-2.0%, due : years ending March 31, 2018-2024)		
(Year ended March 31, 2016 interest rates per annum : 0.2%-2.0%, due : years ending March 31, 2018-2024)		
Unsecured indebtedness to financial institutions	603	400
(Year ended March 31, 2015 interest rates per annum : 0.9%-1.2%, due : years ending March 31, 2016-2018)		
(Year ended March 31, 2016 interest rates per annum : 0.9%, due : years ending March 31, 2017-2018)		
Sub-total	¥ 220,603	¥ 220,400
Less: Current portion	(203)	(200)
<b>Total long-term debt</b>	<b>¥ 220,400</b>	<b>¥ 220,200</b>

For the fiscal years ended March 31, 2015 and 2016, DOCOMO did not redeem or issue corporate bonds.

Interest rates on DOCOMO's debts are mainly fixed. DOCOMO may use interest rate swap agreements, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM). Information relating to interest rate swap agreements is disclosed in Note 21 Financial instruments. DOCOMO did not enter into any interest rate swaps agreements designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2015 and 2016. DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2015 and 2016.





**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Interest costs related to short-term borrowings and long-term debt for the fiscal years ended March 31, 2014, 2015 and 2016 totaled ¥3,096 million, ¥2,790 million and ¥2,681 million, respectively. Interest expense in the consolidated statements of income excludes the amounts of capitalized interest.

The aggregate amounts of annual maturities of long-term debt as of March 31, 2016, were as follows:

Year ending March 31,	Millions of yen
2017	¥ 200
2018	60,200
2019	110,000
2020	
2021	
Thereafter	50,000
<b>Total</b>	<b>¥ 220,400</b>

**11. Redeemable noncontrolling interest**

Changes in the redeemable noncontrolling interest for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Balance at beginning of year	¥ 14,869	¥ 15,589
Comprehensive income		
Net income	718	632
Other comprehensive income (loss)		
Foreign currency translation adjustment, net of applicable taxes	2	(0)
Balance at end of year	¥ 15,589	¥ 16,221

**12. Equity:****(a) Dividends**

The Companies Act of Japan (the Companies Act) provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the Board of Directors, if the articles of incorporation provide for such interim cash dividends and (iii) an amount equal to 10% of the decrease in retained earnings, as a result of a dividend payment, shall be contributed to a legal reserve that can be funded up to an amount equal to 25% of capital stock. The legal reserve is available for distribution upon approval of the shareholders.

The distributable amount available for the payments of dividends to shareholders as of March 31, 2016 was ¥3,519,443 million and was included in Additional paid-in capital and Retained earnings.

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In the general meeting of shareholders held on June 16, 2016, the shareholders approved cash dividends of ¥131,622 million or ¥35 per share, payable to shareholders of record as of March 31, 2016, which were declared by the Board of Directors on April 28, 2016.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(b) Issued shares and treasury stock**

With regard to the acquisition of treasury stock, Companies Act provides that (i) it can be executed according to a resolution of the general meeting of shareholders, and (ii) the acquisition of treasury stock through open market transactions can be done according to a resolution of the Board of Directors, if the articles of incorporation contain such a provision. In accordance with (ii) above, a provision in NTT DOCOMO, INC. s articles of incorporation stipulates that NTT DOCOMO, INC. may repurchase treasury stock through open market transactions, by a resolution of the Board of Directors, for the purpose of improving capital efficiency and implementing flexible capital policies in accordance with the business environment.

On April 26, 2013, the Board of Directors approved a stock split and the adoption of a unit share system from October 1, 2013. Based on the intent of the Action Plan for Consolidating Trading Units announced by stock exchanges of Japan in November 2007, NTT DOCOMO, INC. conducted the 1:100 stock split and adopted the unit share system which sets 100 shares as a share trading unit. There was no effective change to the investment units due to the stock split and adoption of the unit share system.

Public notice date of record date, record date and effective date were September 13, 2013, September 30, 2013 and October 1, 2013, respectively.

NTT DOCOMO, INC. has reflected the effect of this split in the consolidated financial statements and notes to the consolidated financial statements.

On April 25, 2014, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 320,000,000 outstanding shares of its common stock for an amount in total not exceeding ¥500,000 million from April 26, 2014 through March 31, 2015. NTT DOCOMO, INC. also carries out compulsory acquisition of less-than-one-unit shares upon request.

On January 29, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 220,000,000 outstanding shares of its common stock for an amount in total not exceeding ¥500,000 million from February 1, 2016 through December 31, 2016.

The changes in the number of issued shares and treasury stock were as follows. NTT DOCOMO, INC. has not issued shares other than shares of its common stock.

	Number of issued shares	Number of treasury stock
As of March 31, 2013	4,365,000,000	218,239,900
As of March 31, 2014	4,365,000,000	218,239,900
Acquisition of treasury stock based on the resolution of the Board of Directors		265,276,121
Acquisition of treasury stock through purchase of less-than-one-unit shares		124
Retirement of treasury stock	(279,228,000)	(279,228,000)
As of March 31, 2015	4,085,772,000	204,288,145
Acquisition of treasury stock based on the resolution of the Board of Directors		<b>120,867,062</b>
Acquisition of treasury stock through purchase of less-than-one-unit shares		<b>43</b>
Retirement of treasury stock	<b>(127,229,000)</b>	<b>(127,229,000)</b>
<b>As of March 31, 2016</b>	<b>3,958,543,000</b>	<b>197,926,250</b>

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On August 6, 2014, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 206,489,675 outstanding shares of its common stock for an amount in total not exceeding ¥350,000 million from

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

August 7, 2014 through September 3, 2014. Based on this resolution, NTT DOCOMO, INC. repurchased 181,530,121 shares of its common stock for a total purchase price of ¥307,694 million between August 2014 and September 2014.

On October 31, 2014, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 138,469,879 outstanding shares of its common stock for an amount in total not exceeding ¥192,306 million from November 1, 2014 through March 31, 2015. Based on this resolution, NTT DOCOMO, INC. repurchased 83,746,000 shares of its common stock for a total purchase price of ¥165,342 million between November 2014 and March 2015.

On February 5, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 137,578,616 outstanding shares of its common stock by way of tender offer at an amount in total not exceeding ¥350,000 million from February 8, 2016 through March 7, 2016. Based on this resolution, NTT DOCOMO, INC. repurchased 120,867,062 shares of its common stock for a total purchase price of ¥307,486 million between February 2016 and March 2016.

The aggregate number of shares repurchased from our parent company, NTT, was 176,991,100 shares and 117,924,500 shares, and the amounts in total were ¥300,000 million and ¥300,000 million for the fiscal years ended March 31, 2015 and 2016, respectively.

NTT DOCOMO, INC. also carried out compulsory acquisition of less-than-one-unit shares upon request.

The aggregate number and price of shares repurchased for the fiscal years ended March 31, 2015 and 2016 were as follows:

<b>Year ended March 31,</b>	<b>Shares</b>	<b>Millions of yen</b>
2015	265,276,245	¥ 473,036
<b>2016</b>	<b>120,867,105</b>	<b>¥ 307,486</b>

Based on the resolution of the Board of Directors, NTT DOCOMO, INC. retired its own shares held as treasury stock as shown in the following table for the fiscal years ended March 31 2015 and 2016.

<b>Date of the resolution of the Board of Directors</b>	<b>Shares</b>	<b>Millions of yen</b>
March 27, 2015	279,228,000	¥ 490,986
<b>March 25, 2016</b>	<b>127,229,000</b>	<b>¥ 260,872</b>

The Companies Act and related ordinance provide that in case the aggregate purchase price of the retired shares exceeds the balance of Additional paid-in capital, Additional paid-in capital shall be reduced to zero and the remaining balance shall be deducted from the balance of Retained earnings on non-consolidated balance sheet.

The share retirement for the fiscal year ended March 31, 2015 resulted in decreases of Additional paid-in capital by ¥393,092 million and Retained earnings by ¥97,894 million on the consolidated balance sheets in response to the treatment described above. The share retirement for the fiscal year ended March 31, 2016 resulted in a decrease of Retained earnings by ¥260,872 million. There were no changes in the number of authorized shares.

On April 28, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 99,132,938 outstanding shares of its common stock by way of the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System ( ToSTNeT-3 ) and market purchases in accordance with the discretionary dealing contract, at an amount in total not exceeding ¥192,514 million from May 2, 2016 through December 31, 2016.



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Based on this resolution, NTT DOCOMO, INC. repurchased 9,021,000 shares of its common stock at ¥24,433 million using the ToSTNeT-3 on May 18, 2016, and has also repurchased 992,800 shares of its common stock for a total purchase price of ¥2,773 million by way of market purchases in accordance with the discretionary dealing contract as of May 31, 2016.

**(c) Accumulated other comprehensive income (loss)****Changes in accumulated other comprehensive income (loss)**

Changes in accumulated other comprehensive income (loss), net of applicable taxes, for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of yen 2014					Total
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of March 31, 2013	¥ 36,372	¥ (80)	¥ (49,907)	¥ (35,497)		¥ (49,112)
Other comprehensive income (loss) before reclassifications	8,751	(76)	31,653	15,290		55,618
Amounts reclassified from accumulated other comprehensive income (loss)	(84)	59	6,010	(2,708)		3,277
Other comprehensive income (loss)	8,667	(17)	37,663	12,582		58,895
Less: other comprehensive (income) loss attributable to noncontrolling interests	(1)		(193)	1		(193)
Balance as of March 31, 2014	¥ 45,038	¥ (97)	¥ (12,437)	¥ (22,914)		¥ 9,590

	Millions of yen 2015					Total
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of March 31, 2014	¥ 45,038	¥ (97)	¥ (12,437)	¥ (22,914)		¥ 9,590
Other comprehensive income (loss) before reclassifications	22,468	(20)	29,678	(9,159)		42,967

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Amounts reclassified from accumulated other comprehensive income (loss)	120	16	282	418	
Other comprehensive income (loss)	22,588	(4)	29,678	(8,877)	43,385
Less: other comprehensive (income) loss attributable to noncontrolling interests	(6)		(370)	(376)	
Balance as of March 31, 2015	¥ 67,620	¥ (101)	¥ 16,871	¥ (31,791)	¥ 52,599

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen 2016					
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment	Total	
Balance as of March 31, 2015	¥ 67,620	¥ (101)	¥ 16,871	¥ (31,791)	¥ 52,599	
Other comprehensive income (loss) before reclassifications	(4,715)	(148)	(10,324)	(21,634)	(36,821)	
Amounts reclassified from accumulated other comprehensive income (loss)	(1,278)	31	(263)	626	(884)	
Other comprehensive income (loss)	(5,993)	(117)	(10,587)	(21,008)	(37,705)	
Less: other comprehensive (income) loss attributable to noncontrolling interests	(3)		(3)		(6)	
Balance as of March 31, 2016	¥ 61,624	¥ (218)	¥ 6,281	¥ (52,799)	¥ 14,888	

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## NTT DOCOMO, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Reclassifications out of accumulated other comprehensive income (loss) to net income**

Amounts reclassified out of accumulated other comprehensive income (loss) to net income and affected line items in the consolidated statement of income for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		
	Amounts reclassified out of accumulated other comprehensive income (loss) (*1) Affected line items in the consolidated		
	2015	2016	statements of income
Unrealized holding gains (losses) on available-for-sale securities	¥ 14 (201)	¥ 1,796 249	Other, net of Other income (expense) Equity in net income (losses) of affiliates
	(187)	2,045	Pre-tax amount
	67	(767)	Tax benefit (expense)
	(120)	1,278	Net-of-tax amount
Unrealized gains (losses) on cash flow hedges	(25)	(46)	Equity in net income (losses) of affiliates
	(25)	(46)	Pre-tax amount
	9	15	Tax benefit (expense)
	(16)	(31)	Net-of-tax amount
Foreign currency translation adjustment		263	Other, net of Other income (expense)
		263	Pre-tax amount
		263	Net-of-tax amount
Pension liability adjustment	(439)	(931)	(*2)
	(439)	(931)	Pre-tax amount
	157	305	Tax benefit (expense)
	(282)	(626)	Net-of-tax amount
Total reclassified amounts	(418)	¥ 884	Net-of-tax amount

(\*1) Amounts in parentheses indicate decreased effects on net income.

(\*2) Amounts reclassified out of pension liability adjustment are included in the computation of net periodic pension cost. See Note 17 Employees retirement benefits for additional details.



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Tax effects on other comprehensive income (loss)**

Tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of yen		
	2014		
	Pre-tax amount	Tax benefit / (expense)	Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities	¥ 13,574	¥ (4,823)	¥ 8,751
Less: Reclassification of realized gains and losses included in net income	(165)	81	(84)
Unrealized gains (losses) on cash flow hedges	(119)	43	(76)
Less: Reclassification of realized gains and losses included in net income	92	(33)	59
Foreign currency translation adjustment	36,447	(4,794)	31,653
Less: Reclassification of realized gains and losses included in net income	9,489	(3,479)	6,010
Pension liability adjustment			
Actuarial gains (losses) arising during period, net	18,585	(6,656)	11,929
Prior service cost arising during period, net	5,235	(1,874)	3,361
Less: Amortization of prior service cost	(2,270)	813	(1,457)
Less: Curtailment gain	(5,131)	1,837	(3,294)
Less: Amortization of actuarial gains and losses	3,058	(1,095)	1,963
Less: Amortization of transition obligation	125	(45)	80
Total other comprehensive income (loss)	¥ 78,920	¥ (20,025)	¥ 58,895

Unrealized holding gains on available-for-sale securities, foreign currency translation gains and actuarial losses, net of tax, attributable to noncontrolling interests were ¥1 million, ¥193 million and ¥(1) million, respectively, for the fiscal year ended March 31, 2014.

	Millions of yen		
	2015		
	Pre-tax amount	Tax benefit / (expense)	Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities	¥ 34,890	¥ (12,422)	¥ 22,468
Less: Reclassification of realized gains and losses included in net income	187	(67)	120
Unrealized gains (losses) on cash flow hedges	(31)	11	(20)
Less: Reclassification of realized gains and losses included in net income	25	(9)	16
Foreign currency translation adjustment	37,371	(7,693)	29,678
Pension liability adjustment			
Actuarial gains (losses) arising during period, net	(14,258)	5,099	(9,159)
Less: Amortization of prior service cost	(1,392)	498	(894)
Less: Amortization of actuarial gains and losses	1,719	(615)	1,104
Less: Amortization of transition obligation	112	(40)	72
Total other comprehensive income (loss)	¥ 58,623	¥ (15,238)	¥ 43,385



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Unrealized holding gains on available-for-sale securities and foreign currency translation gains, net of tax, attributable to noncontrolling interests were ¥6 million and ¥370 million, respectively, for the fiscal year ended March 31, 2015.

	Millions of yen		
	Pre-tax amount	2016 Tax benefit / (expense)	Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities	¥ (7,479)	¥ 2,764	¥ (4,715)
Less: Reclassification of realized gains and losses included in net income	(2,045)	767	(1,278)
Unrealized gains (losses) on cash flow hedges	(220)	72	(148)
Less: Reclassification of realized gains and losses included in net income	46	(15)	31
Foreign currency translation adjustment	(12,991)	2,667	(10,324)
Less: Reclassification of realized gains and losses included in net income	(263)		(263)
Pension liability adjustment			
Actuarial gains (losses) arising during period, net	(32,201)	10,567	(21,634)
Less: Amortization of prior service cost	(1,226)	402	(824)
Less: Amortization of actuarial gains and losses	2,108	(691)	1,417
Less: Amortization of transition obligation	49	(16)	33
Total other comprehensive income (loss)	¥ (54,222)	¥ 16,517	¥ (37,705)

Unrealized holding gains on available-for-sale securities and foreign currency translation gains, net of tax, attributable to noncontrolling interests were ¥3 million and ¥3 million, respectively, for the fiscal year ended March 31, 2016.

**13. Research and development expenses and advertising expenses:****Research and development expenses**

Research and development costs are charged to expense as incurred. Research and development expenses are included primarily in Selling, general and administrative expenses and amounted to ¥102,039 million, ¥96,997 million and ¥83,315 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

**Advertising expenses**

Advertising costs are charged to expense as incurred. Advertising expenses are included primarily in Selling, general and administrative expenses and amounted to ¥67,128 million, ¥69,129 million and ¥61,544 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. Other income (expense):**

Other income (expense) included in Other, net in the consolidated statements of income for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Net realized gains (losses) on dispositions of investments in affiliates	¥ 1,888	¥ (46)	¥ 148
Net realized gains (losses) on dispositions of marketable securities and other investments	1,802	(125)	5,825
Other-than-temporary impairment loss on marketable securities and other investments	(3,055)	(902)	(636)
Loss on sale of a subsidiary			(13,117)
Foreign exchange gains (losses), net	4,409	(409)	(3,627)
Dividends income	3,999	3,675	4,213
Penalties and compensation for damages	1,840	1,460	1,105
Bad debt expenses	(35)	(1)	(0)
Other, net	2,533	674	611
Total	¥ 13,381	¥ 4,326	¥ (5,478)

**15. Related party transactions:**

DOCOMO is majority-owned by NTT, which is a holding company for more than 1,000 companies comprising the NTT group.

DOCOMO has entered into a number of different types of transactions with NTT, its subsidiaries and affiliates in the ordinary course of business. DOCOMO's transactions with NTT group companies include purchases of wireline telecommunications services (i.e. for DOCOMO's offices and operations facilities) based on actual usage, leasing of various telecommunications facilities and sales of DOCOMO's various wireless telecommunications services. During the fiscal years ended March 31, 2014, 2015 and 2016, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥75,768 million, ¥59,925 million and ¥59,049 million, respectively.

NTT DOCOMO, INC. repurchased its common stock from NTT during the fiscal years ended March 31, 2015 and 2016. Information regarding the acquisition of treasury stock is disclosed in Note 12 Equity.

NTT and its subsidiaries collectively own 100% of the voting interests in NTT FINANCE CORPORATION ( NTT FINANCE ), of which DOCOMO owns 2.92% as of March 31, 2016. Accordingly, NTT FINANCE is a related party of DOCOMO. DOCOMO has carried out the following transactions with NTT FINANCE.

DOCOMO has entered into contracts for bailments of cash for consumption with NTT FINANCE for cash management purposes. Under the terms of the contracts, excess cash generated at DOCOMO is bailed to NTT FINANCE and NTT FINANCE manages the funds on behalf of DOCOMO. DOCOMO can withdraw the funds upon its demand and receives relevant interest from NTT FINANCE. The funds are accounted for as Cash and cash equivalents, Short-term investments, or Other assets depending on the initial contract periods.

The balance of bailments was ¥251,930 million as of March 31, 2015. The assets related to the contracts were recorded as Cash and cash equivalents of ¥11,930 million and Short-term investments of





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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

¥240,000 million in the consolidated balance sheet as of March 31, 2015. The contracts had remaining terms to maturity ranging less than 1 year with an average interest rate of 0.1% per annum as of March 31, 2015.

The balance of bailments was ¥206,321 million as of March 31, 2016. The assets related to the contracts were recorded as Cash and cash equivalents in the consolidated balance sheet as of March 31, 2016. The contracts had remaining terms to maturity ranging less than 3 months with an average interest rate of 0.04% per annum as of March 31, 2016.

The average balances of the contracts for bailments that expired during the fiscal years ended March 31, 2014, 2015 and 2016 were ¥99,206 million, ¥111,077 million and ¥323,467 million, respectively. The amount of interest derived from the contracts was recorded as Interest income of ¥796 million, ¥589 million and ¥388 million in the consolidated statements of income for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

In May, 2012, DOCOMO and NTT FINANCE entered into a basic contract regarding the transfer of DOCOMO's receivables for telecommunications services for the convenience of DOCOMO's customers. In June, 2012, DOCOMO and NTT FINANCE entered into an individual contract regarding the transfers of receivables.

Under the contracts, receivables for telecommunications services which DOCOMO decides to sell are reclassified to receivables held for sale and are sold to NTT FINANCE at fair value on a monthly basis. By the end of the month following the month of sale, the entire amount sold is paid to DOCOMO by NTT FINANCE. DOCOMO has no further involvement with the receivables sold.

For the fiscal year ended March 31, 2014, the amount of receivables for telecommunications services that DOCOMO sold to NTT FINANCE was ¥3,717,135 million and the aggregated amount of losses on sales of receivables and adjustments to recognize the receivables held for sale at the lower of cost or fair value was ¥64,789 million and was included in Selling, general and administrative expenses in the consolidated statement of income. The amount DOCOMO has not collected from NTT FINANCE, as of March 31, 2014, was ¥248,732 million and was included in Other receivables in its consolidated balance sheet.

For the fiscal year ended March 31, 2015, the amount of receivables for telecommunications services that DOCOMO sold to NTT FINANCE was ¥3,862,878 million and the aggregated amount of losses on sales of receivables and adjustments to recognize the receivables held for sale at the lower of cost or fair value was ¥67,327 million and was included in Selling, general and administrative expenses in the consolidated statement of income. The amount DOCOMO has not collected from NTT FINANCE, as of March 31, 2015, was ¥259,218 million and was included in Other receivables in its consolidated balance sheet.

For the fiscal year ended March 31, 2016, the amount of receivables for telecommunications services that DOCOMO sold to NTT FINANCE was ¥4,163,618 million and the aggregated amount of losses on sales of receivables and adjustments to recognize the receivables held for sale at the lower of cost or fair value was ¥62,305 million and was included in Selling, general and administrative expenses in the consolidated statement of income. The amount DOCOMO has not collected from NTT FINANCE, as of March 31, 2016, was ¥283,274 million and was included in Other receivables in its consolidated balance sheet.

DOCOMO has an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services, as described in Note 6 Investments in affiliates.

Under the agreement described above, DOCOMO paid Sumitomo Mitsui Card for consideration of which Sumitomo Mitsui Card paid in advance on behalf of NTT DOCOMO, INC. related to credit card transactions.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amounts of payables related to the transactions as of March 31, 2015 and 2016 were ¥65,620 million and ¥80,169 million, respectively, which were included in Accounts payable, trade in its consolidated balance sheets.

The amounts DOCOMO received from Sumitomo Mitsui Card as commissions of the credit card transactions for the fiscal years ended March 31, 2014, 2015 and 2016 were ¥20,532 million, ¥21,655 million and ¥23,777 million, respectively, which were included in Other operating revenues in the consolidated statements of income. The amounts of receivables related to the transactions as of March 31, 2015 and 2016 were ¥957 million and ¥1,156 million, respectively, which were included in Other receivables in its consolidated balance sheets.

**16. Segment reporting:**

DOCOMO's chief operating decision maker (the CODM) is its Board of Directors. The CODM evaluates the performance and makes resource allocations of its segments based on the information provided by DOCOMO's internal management reports.

DOCOMO realigned its formerly five operating segments, which had consisted of its mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities, and miscellaneous businesses into three operating segments, which consist of its telecommunications business, smart life business and other businesses from the fiscal year ended March 31, 2015 in order to clarify the responsibilities of management of the telecommunications business where DOCOMO is taking steps to reinforce its competitiveness and the smart life business where DOCOMO is striving for further expansion of revenue sources.

The telecommunications business includes mobile phone services (LTE(Xi) services and FOMA services), optical-fiber broadband service, satellite mobile communications services, international services and the equipment sales related to these services. The smart life business includes video and music distribution, electronic books and other services offered through DOCOMO's dmarket portal, as well as finance/payment services, shopping services and various other services to support our customers' daily lives. The other businesses primarily includes Mobile Device Protection Service, as well as development, sales and maintenance of IT systems.

Furthermore, certain Machine-to-Machine (M2M) services for consumers that had been included in other businesses were reclassified to the smart life business from the fiscal year ended March 31, 2016 to reflect the change in its internal organizational structure effective as of July 1, 2015.

In connection with this realignment, segment information for the fiscal years ended March 31, 2014 and 2015 has been restated to conform to the presentation for the fiscal year ended March 31, 2016.

Accounting policies used to determine segment operating revenues and operating income (loss) are consistent with those used to prepare the consolidated financial statements in accordance with U.S. GAAP.

Assets by segment are not included in the management reports which are reported to the CODM, however, they are disclosed herein only to provide additional information. The Corporate row in the tables below is included to reflect the recorded amounts of common assets which are not allocated to any segments, and assets in Corporate primarily include cash and cash equivalents, securities and investments in affiliates. DOCOMO allocates amounts of assets and related depreciation and amortization expenses to common assets, such as buildings for telecommunications purposes and common facilities, on a systematic and rational basis based on the proportionate amount of network assets to each segment.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Segment operating revenues:**

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Telecommunications business-			
External customers	¥ 3,825,429	¥ 3,653,344	¥ 3,688,486
Intersegment	1,899	1,221	1,293
Subtotal	3,827,328	3,654,565	3,689,779
Smart life business-			
External customers	354,923	427,707	491,234
Intersegment	11,279	15,613	12,895
Subtotal	366,202	443,320	504,129
Other businesses-			
External customers	280,851	302,346	347,364
Intersegment	11,954	11,146	11,912
Subtotal	292,805	313,492	359,276
Segment total	4,486,335	4,411,377	4,553,184
Elimination	(25,132)	(27,980)	(26,100)
Consolidated	¥ 4,461,203	¥ 4,383,397	¥ 4,527,084

**Segment operating income (loss):**

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Segment operating income (loss)-			
Telecommunications business	¥ 812,736	¥ 636,076	¥ 708,854
Smart life business	18,188	(2,394)	46,450
Other businesses	(11,725)	5,389	27,720
Consolidated operating income	819,199	639,071	783,024
Other income (expenses)	13,850	4,812	(5,003)
Income before income taxes and equity in net income (losses) of affiliates	¥ 833,049	¥ 643,883	¥ 778,021

**Segment assets:**

Millions of yen

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As of March 31	2014	2015	2016
Segment assets-			
Telecommunications business	¥ 5,256,976	¥ 5,275,976	¥ 5,309,327
Smart life business	545,949	553,647	601,601
Other businesses	204,429	228,581	237,862
Segment total	6,007,354	6,058,204	6,148,790
Elimination	(2,263)	(1,875)	(1,988)
Corporate	1,502,939	1,090,011	1,067,312
Consolidated	¥ 7,508,030	¥ 7,146,340	¥ 7,214,114

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Other Significant items:**

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Depreciation and amortization-			
Telecommunications business	¥ 669,495	¥ 614,821	¥ 592,073
Smart life business	20,809	24,594	16,892
Other businesses	28,390	20,372	16,969
<b>Consolidated</b>	<b>¥ 718,694</b>	<b>¥ 659,787</b>	<b>¥ 625,934</b>

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Capital expenditures-			
Telecommunications business	¥ 658,427	¥ 635,445	¥ 573,893
Smart life business	27,494	17,195	13,855
Other businesses	17,203	9,125	7,468
<b>Consolidated</b>	<b>¥ 703,124</b>	<b>¥ 661,765</b>	<b>¥ 595,216</b>

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Point program expenses-			
Telecommunications business	¥ 59,959	¥ 60,971	¥ 49,155
Smart life business	11,215	6,945	9,112
Other businesses			1
<b>Segment total</b>	<b>71,174</b>	<b>67,916</b>	<b>58,268</b>
Elimination	(337)	(211)	(436)
<b>Consolidated</b>	<b>¥ 70,837</b>	<b>¥ 67,705</b>	<b>¥ 57,832</b>

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
Impairment losses of goodwill-			
Telecommunications business	¥	¥	¥
Smart life business			2,368
Other businesses			6,131
<b>Consolidated</b>	<b>¥</b>	<b>¥</b>	<b>¥ 8,499</b>

<b>Year Ended March 31</b>	<b>2014</b>	<b>Millions of yen 2015</b>	<b>2016</b>
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Impairment loss of long-lived assets-			
Telecommunications business	¥	¥	¥ 1,684
Smart life business		30,161	7,186
Other businesses			193
Consolidated	¥	¥ 30,161	¥ 9,063

Segment operating income (loss) is segment operating revenues less segment operating expenses.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As indicated in Use of estimates under Note 2. (a) Significant accounting policies effective July 1, 2014, DOCOMO has revised its estimate of the useful life of certain software related to its telecommunications network and certain internal-use software based on the actual utilization of the software. As a result, compared with the method used prior to July 1, 2014, segment operating income for the Telecommunications business segment, Smart life business segment, and Other businesses segment increased by ¥46,927 million, ¥1,251 million and ¥3,129 million, respectively, for the fiscal year ended March 31, 2015. Furthermore, the amortization expenses decreased by the same amounts for the fiscal year ended March 31, 2015.

Impairment loss of long-lived assets mainly relates to the multimedia broadcasting business for mobile devices that is included in the smart life business segment.

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

There were no sales and operating revenue from transactions with a single external customer amounting to 10% or more of DOCOMO's revenues for the fiscal years ended March 31, 2014, 2015 and 2016.

Operating revenues from products and services were as follows:

Year ended March 31,	Millions of yen		
	2014	2015	2016
Telecommunications services	¥ 2,963,980	¥ 2,747,155	¥ 2,815,507
Mobile communications services revenues	2,955,788	2,736,649	2,767,591
Voice revenues	1,065,196	883,844	849,440
Packet communications revenues	1,890,592	1,852,805	1,918,151
Optical-fiber broadband service and other telecommunications services revenues	8,192	10,506	47,916
Equipment sales	872,000	904,089	860,486
Other operating revenues	625,223	732,153	851,091
Total operating revenues	¥ 4,461,203	¥ 4,383,397	¥ 4,527,084

**17. Employees retirement benefits:****Lump-sum severance, defined benefit pension plans and defined contribution pension plans**

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

During the fiscal year ended March 31, 2014, DOCOMO decided to transition from NTT DOCOMO, INC.'s contract-type corporate pension plan to a defined contribution pension plan effective on and after April 1, 2014. NTT DOCOMO, INC.'s contract-type corporate pension plan continues to remain for the pension benefit earned up to March 31, 2014. Upon a curtailment of this pension plan, NTT DOCOMO, INC. fully amortized its prior service cost and recognized a curtailment gain of ¥5,131 million for the fiscal year ended March 31, 2014.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents reconciliations and changes in the lump-sum severance and contract-type corporate pension plans' projected benefit obligations and fair value of plan assets for the fiscal years ended March 31, 2015 and 2016. DOCOMO uses a measurement date of March 31.

	Millions of yen	
	2015	2016
<b>Change in benefit obligations:</b>		
Projected benefit obligation, beginning of year	¥ 206,055	¥ 217,950
Service cost	8,562	9,438
Interest cost	2,821	2,113
Actuarial (gain) loss	9,408	11,536
Transfer of liability from contract-type corporate pension plans of the NTT group	195	(2,828)
Benefit payments	(9,091)	(11,276)
 Projected benefit obligation, end of year	 ¥ 217,950	 ¥ 226,933
<b>Change in fair value of plan assets:</b>		
Fair value of plan assets, beginning of year	¥ 98,840	¥ 98,981
Actual return on plan assets	2,529	1,685
Employer contributions	1,248	1,199
Transfer of plan assets from contract-type corporate pension plans of the NTT group	36	(859)
Benefit payments	(3,672)	(3,697)
 Fair value of plan assets, end of year	 ¥ 98,981	 ¥ 97,309
 As of March 31:		
Funded status	¥ (118,969)	¥ (129,624)

The amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Liability for employees' retirement benefits	¥ (129,189)	¥ (134,522)
Asset for employees' retirement benefits	10,220	4,898
 Net amount recognized	 ¥ (118,969)	 ¥ (129,624)

Asset for employees' retirement benefits is included in Other assets in the consolidated balance sheets.

Amounts recognized in Accumulated other comprehensive income (loss) as of March 31, 2015 and 2016 were as follows:

Millions of yen



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	2015	2016
Actuarial gains (losses), net	¥ (33,386)	¥ (44,040)
Prior service cost, net	1,068	374
Transition obligation	(452)	(403)
Total	¥ (32,770)	¥ (44,069)

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The accumulated benefit obligation was ¥217,949 million and ¥226,932 million as of March 31, 2015 and 2016, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥ 216,552	¥ 225,465
Fair value of plan assets	97,323	95,516
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥ 216,550	¥ 225,464
Fair value of plan assets	97,323	95,516

The net periodic pension cost for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Service cost	¥ 10,435	¥ 8,562	¥ 9,438
Interest cost on projected benefit obligation	3,171	2,821	2,113
Expected return on plan assets	(1,791)	(2,003)	(1,931)
Amortization of prior service cost	(1,635)	(851)	(694)
Curtailement gain	(5,131)		
Amortization of actuarial gains and losses	1,704	834	1,128
Amortization of transition obligation	123	112	49
Net periodic pension cost	¥ 6,876	¥ 9,475	¥ 10,103

Other changes in plan assets and benefit obligations recognized in Accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Other changes in plan assets and benefit obligations:			
Actuarial (gains) losses arising during period, net	¥ (17,885)	¥ 8,882	¥ 11,782
Amortization of prior service cost	1,635	851	694
Curtailement gain	5,131		
Amortization of actuarial gains and losses	(1,704)	(834)	(1,128)
Amortization of transition obligation	(123)	(112)	(49)
Total recognized in Accumulated other comprehensive income (loss)	¥ (12,946)	¥ 8,787	¥ 11,299

Total recognized in net periodic pension cost and Accumulated other comprehensive income (loss) was ¥(6,070) million, ¥18,262 million and ¥21,402 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amount of actuarial losses, transition obligation and prior service cost, which are expected to be amortized and reclassified from Accumulated other comprehensive income (loss) to net pension cost during the fiscal year ending March 31, 2017 is ¥1,648 million, ¥48 million and ¥(559) million, respectively.

The assumptions used in determination of the projected benefit obligations as of March 31, 2015 and 2016 were as follows:

	2015	2016
Discount rate	1.0%	0.5%
Long-term rate of salary increases	2.9	2.9

The assumptions used in determination of the net periodic pension cost for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	2014	2015	2016
Discount rate	1.5%	1.4%	1.0%
Long-term rate of salary increases	2.9	2.9	2.9
Expected long-term rate of return on plan assets	2.0	2.0	2.0

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

The following table presents the fair values of DOCOMO's pension plan assets as of March 31, 2015 and 2016. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 Fair value measurements.

	Millions of yen			
	Total	2015		Level 3
	¥	¥	¥	¥
Cash and cash equivalents	340	340		
Debt securities				
Japanese government bonds/local government bonds	22,378	22,036	342	
Domestic corporate bonds	7,205		7,205	
Foreign government bonds	5,865	5,816	49	
Foreign corporate bonds	121	28	93	
Equity securities				
Domestic stocks	8,088	8,087	1	
Foreign stocks	5,635	5,635		
Securities investment trust beneficiary certificates				
Domestic debt securities	923		923	
Domestic equity securities	778		778	
Foreign debt securities	580		580	
Foreign equity securities	766		766	
Pooled funds	30,324		30,324	
Life insurance company general accounts	14,386		14,386	
Other	1,592		0	1,592

Total	¥ 98,981	¥ 41,942	¥ 55,447	¥ 1,592
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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen			
	Total	2016		Level 3
	¥	Level 1	Level 2	Level 3
	¥	¥	¥	¥
Cash and cash equivalents	2,217	2,217		
Debt securities				
Japanese government bonds/local government bonds	34,518	34,321	197	
Domestic corporate bonds	3,738		3,738	
Foreign government bonds	4,120	3,950	170	
Foreign corporate bonds	153	59	94	
Equity securities				
Domestic stocks	2,439	2,437	2	
Foreign stocks	4,124	4,124		
Securities investment trust beneficiary certificates				
Domestic debt securities	1,849		1,849	
Domestic equity securities	954		954	
Foreign debt securities	722		722	
Foreign equity securities	643		643	
Pooled funds	26,834		26,834	
Life insurance company general accounts	13,530		13,530	
Other	1,468		(1)	1,469
<b>Total</b>	<b>¥ 97,309</b>	<b>¥ 47,108</b>	<b>¥ 48,732</b>	<b>¥ 1,469</b>

## Cash and cash equivalents

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

## Debt securities

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

## Equity securities

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

## Securities investment trust beneficiary certificates

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

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

## Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Pooled funds are measured based on the fair value as reported by the trust operator, and are classified as Level 2.

## Life insurance company general accounts

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

## Other

Other mainly includes fund of hedge funds. Fair value measured by inputs derived from unobservable data is classified as Level 3.

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

The lump-sum severance and the contract-type corporate pension plans policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, DOCOMO selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. DOCOMO then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, DOCOMO will review the asset allocation as necessary. The target ratio in March 2016 was: domestic bonds, 55.0%; domestic stocks, 5.0%; foreign bonds, 10.0%; foreign stocks, 10.0%; and life insurance company general accounts, 20.0%.

As of March 31, 2015 and 2016, securities owned by DOCOMO as its plan assets included the stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥231 million (0.2% of total plan assets) and ¥175 million (0.2% of total plan assets), respectively.

The benefit payments, which reflect expected future service, are expected to be as follows:

<b>Year ending March 31,</b>	<b>Millions of yen</b>
2017	¥ 11,613
2018	11,405
2019	11,140
2020	11,011
2021	13,137
2022-2026	68,611

## Defined contribution pension plan

DOCOMO recognized ¥2,060 million and ¥2,059 million of retirement benefit expenses related to DOCOMO's defined contribution benefit plan in the fiscal years ended March 31, 2015 and 2016, respectively.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Social welfare pension scheme and NTT Kigyuu-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan)**

DOCOMO participates in the national welfare pension plan ( National Plan ) and a contributory defined benefit pension plan sponsored by the NTT group (NTT Kigyuu-Nenkin-Kikin or NTT Corporate Defined Benefit Pension Plan, NTT CDBP ). The National Plan is a government-regulated social welfare pension plan under the Japanese Employees Pension Insurance Act and both NTT group and its employees provide contributions to such plan every year. The National Plan is considered a multi-employer plan and contributions to such plan are recognized as expenses. The total amount of contributions by DOCOMO was ¥15,982 million, ¥16,168 million and ¥16,603 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively. In addition, the National Plan is a social welfare pension scheme, and because the information required by its accounting standards is limited, additional quantitative information relating to participation in the multi-employer plan is not disclosed.

Both NTT group, including DOCOMO, and its employees make contributions to the NTT CDBP to supplement the pension benefits to which the employees are entitled under the National Plan. The NTT CDBP is regulated under the Defined-Benefit Corporate Pension Act. The NTT CDBP is considered a defined benefit pension plan. The participation by DOCOMO in the NTT CDBP is accounted for as a single employer plan. The number of DOCOMO s employees covered by the NTT CDBP as of March 31, 2015 and 2016 represented approximately 10.9% and 11.3% of the total members, respectively.

The following table presents reconciliations and changes in the NTT CDBP s projected benefit obligation and fair value of plan assets for the fiscal years ended March 31, 2015 and 2016. The amount in the table is based on actuarial computations which covered only DOCOMO employees participation in the NTT CDBP. The funded status was recognized as Liability for employees retirement benefits in the consolidated balance sheets as of March 31, 2015 and 2016.

	Millions of yen	
	2015	2016
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 116,898	¥ 131,142
Service cost	3,905	4,743
Interest cost	1,613	1,311
Actuarial (gain) loss	10,630	19,652
Internal adjustment due to transfer of employees within the NTT group	21	(1,136)
Other	(72)	139
Benefit payments	(1,853)	(2,245)
Projected benefit obligation, end of year	¥ 131,142	¥ 153,606
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 76,528	¥ 86,459
Actual return on plan assets	9,309	330
Employer contributions	2,136	2,242
Employee contributions	432	458
Internal adjustment due to transfer of employees within the NTT group	(21)	(859)
Other	(72)	139
Benefit payments	(1,853)	(2,245)
Fair value of plan assets, end of year	¥ 86,459	¥ 86,524
As of March 31:		



Funded status

¥ (44,683)

¥ **(67,082)**

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Amounts recognized in Accumulated other comprehensive income (loss) as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Actuarial gains (losses), net	¥ (20,334)	¥ (41,022)
Prior service cost, net	4,448	3,924
<b>Total</b>	<b>¥ (15,886)</b>	<b>¥ (37,098)</b>

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥100,386 million and ¥115,796 million as of March 31, 2015 and 2016, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥ 131,142	¥ 153,606
Fair value of plan assets	86,459	86,524
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥ 100,219	¥ 115,562
Fair value of plan assets	86,283	86,274

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Service cost	¥ 4,067	¥ 3,905	¥ 4,743
Interest cost on projected benefit obligation	1,690	1,613	1,311
Expected return on plan assets	(1,719)	(1,892)	(2,141)
Amortization of prior service cost	(618)	(525)	(524)
Amortization of actuarial gains and losses	1,288	686	775
Contribution from employees	(406)	(432)	(458)
<b>Net periodic pension cost</b>	<b>¥ 4,302</b>	<b>¥ 3,355</b>	<b>¥ 3,706</b>

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Other changes in plan assets and benefit obligations of the NTT CDBP regarding DOCOMO employees recognized in Accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Other changes in plan assets and benefit obligations:			
Prior service cost arising during period	¥ (5,235)	¥	¥
Actuarial (gains) losses arising during period, net	(3,888)	3,213	<b>21,463</b>
Amortization of prior service cost	618	525	<b>524</b>
Amortization of actuarial gains and losses	(1,288)	(686)	<b>(775)</b>
Total recognized in Accumulated other comprehensive income (loss)	¥ (9,793)	¥ 3,052	<b>¥ 21,212</b>

Total recognized in net periodic pension cost and Accumulated other comprehensive income (loss) was ¥(5,491) million, ¥6,407 million and ¥24,918 million for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

The amount of actuarial losses and prior service cost, which are expected to be amortized and reclassified from Accumulated other comprehensive income (loss) to net periodic pension cost during the fiscal year ending March 31, 2017 is ¥2,409 million and ¥(524) million, respectively.

The assumptions used in determining the NTT CDBP's projected benefit obligations, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, as of March 31, 2015 and 2016 were as follows:

	2015	2016
Discount rate	1.0%	<b>0.5%</b>
Long-term rate of salary increases	3.4	<b>3.4</b>

The assumptions used in determining the net periodic pension cost, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	2014	2015	2016
Discount rate	1.5%	1.4%	<b>1.0%</b>
Long-term rate of salary increases	3.9	3.4	<b>3.4</b>
Expected long-term rate of return on plan assets	2.5	2.5	<b>2.5</b>

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

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the fair values of NTT CDBP's pension plan assets as of March 31, 2015 and 2016. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 Fair value measurements.

	Millions of yen			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 664	¥ 664	¥	¥
Debt securities				
Japanese government bonds/local government bonds	24,043	23,681	362	
Domestic corporate bonds	6,771		6,771	
Foreign government bonds	6,108	6,062	46	
Foreign corporate bonds	88	26	62	
Equity securities				
Domestic stocks	15,955	15,953	2	
Foreign stocks	9,227	9,227		0
Securities investment trust beneficiary certificates				
Domestic debt securities	1,500		1,500	
Domestic equity securities	2,143		2,143	
Foreign debt securities	1,463		1,463	
Foreign equity securities	1,359		1,359	
Pooled funds	6,987		6,987	
Life insurance company general accounts	9,971		9,971	
Other	180		0	180
Total	¥ 86,459	¥ 55,613	¥ 30,666	¥ 180

	Millions of yen			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 569	¥ 569	¥	¥
Debt securities				
Japanese government bonds/local government bonds	25,104	24,611	493	
Domestic corporate bonds	5,743		5,743	
Foreign government bonds	4,697	4,527	170	
Foreign corporate bonds	28	8	20	
Equity securities				
Domestic stocks	8,692	8,687	5	
Foreign stocks	7,073	7,073		0
Securities investment trust beneficiary certificates				
Domestic debt securities	8,007		8,007	
Domestic equity securities	5,784		5,784	
Foreign debt securities	2,436		2,436	
Foreign equity securities	1,498		1,498	
Pooled funds	6,468		6,468	
Life insurance company general accounts	10,294		10,294	
Other	131		0	131
Total	¥ 86,524	¥ 45,475	¥ 40,918	¥ 131



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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Cash and cash equivalents

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

Debt securities

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

Equity securities

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

Securities investment trust beneficiary certificates

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

Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Pooled funds are measured based on the fair value as reported by the trust operator, and are classified as Level 2.

Life insurance company general accounts

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

Other

Other includes loans to employees and lease receivables. Fair value measured by inputs derived from unobservable data is classified as Level 3.

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

The NTT CDBP's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, the NTT CDBP selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. The NTT CDBP then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid to long-term perspective and reviewed annually. In the event that the investment environment changes



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

dramatically, the NTT CDBP will review the asset allocation as necessary. The weighted average target ratio in March 2016 was: domestic bonds, 48.6%; domestic stocks, 14.9%; foreign bonds, 10.0%; foreign stocks, 14.4%; and life insurance company general accounts, 12.1%.

As of March 31, 2015 and 2016, domestic stock owned by the NTT CDBP as its plan assets included common stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥4,453 million (0.4% of total plan assets) and ¥5,401 million (0.5% of total plan assets), respectively.

DOCOMO expects to contribute ¥2,303 million to the NTT CDBP in the fiscal year ending March 31, 2017.

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

Year ending March 31,	Millions of yen
2017	¥ 2,009
2018	2,112
2019	2,225
2020	2,253
2021	2,336
2022-2026	12,166

**18. Income taxes:**

Total income taxes for the fiscal years ended March 31, 2014, 2015 and 2016 comprised the following:

	Millions of yen		
	2014	2015	2016
Income taxes-current	¥ 319,683	¥ 218,552	¥ 267,249
Income taxes-deferred			
Adjustments of a deferred tax liabilities and assets for enacted changes in tax laws	7,907	25,040	15,160
Adjustments of the beginning of the year balance of a valuation allowance			(32,698)
Other	(19,611)	(5,525)	(37,992)
Total income taxes-deferred	(11,704)	19,515	(55,530)
Other comprehensive income (loss)	20,025	15,238	(16,517)
Total income taxes	¥ 328,004	¥ 253,305	¥ 195,202

For the fiscal years ended March 31, 2014, 2015 and 2016, NTT DOCOMO, INC. and its domestic subsidiaries were subject to a National Corporate Tax of 28.05%, 25.5%, and 23.9%, respectively, a Corporate Inhabitant Tax of approximately 5% and a deductible Corporate Enterprise Tax and Special Local Corporate Tax of approximately 8%, 8% and 7%, respectively. The rate of the Corporate Inhabitant Tax and Corporate Enterprise Tax differs depending on the municipality.

The aggregate statutory income tax rates for the fiscal years ended March 31, 2014, 2015 and 2016 were 38.1%, 35.8% and 33.4%, respectively. The actual effective income tax rates for the fiscal years ended March 31, 2014, 2015 and 2016 were 37.0%, 37.0% and 27.2%, respectively.





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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amendments to the Japanese Corporate Tax Law were enacted on March 20, 2014, and the corporate tax rate was changed effectively from April 1, 2014. The aggregate statutory income tax rate declined from 38.1% to 35.8% to be used in measuring deferred tax assets and liabilities after the enactment date, resulting from temporary differences that are expected to be recovered or settled during the fiscal year from April 1, 2014 and thereafter. The impact of the change in the enacted tax rate on DOCOMO's financial results was insignificant for the fiscal year ended March 31, 2014.

Amendments to the Japanese Corporate Tax Law were enacted on March 31, 2015, and the corporate tax rate has been changed effective from April 1, 2015 and will be changed again effective from April 1, 2016. The aggregate statutory income tax rate to be used in measuring deferred tax assets and liabilities after the enactment date declined from 35.8% to 33.4% and 32.8%, resulting from temporary differences that were expected to be recovered or settled during the fiscal years from April 1, 2015 to March 31, 2016 and April 1, 2016 and thereafter, respectively. Due to the change in the enacted tax rates, net deferred tax assets as of enactment date decreased by ¥25,040 million for the fiscal year ended March 31, 2015. Net income attributable to NTT DOCOMO, INC. decreased by ¥25,264 million as of enacted date.

Amendments to the Japanese Corporate Tax Law were enacted on March 29, 2016, and the corporate tax rate has been changed effective from April 1, 2016 and will be changed again effective from April 1, 2018. The aggregate statutory income tax rate to be used in measuring deferred tax assets and deferred tax liabilities after the enactment date declined from 32.8% to 31.6% and 31.4%, resulting from temporary differences that are expected to be recovered or settled during the periods from April 1, 2016 to March 31, 2018, and April 1, 2018 and thereafter, respectively. Due to the change in the enacted tax rates, net deferred tax assets as of enactment date decreased by ¥15,160 million for the fiscal year ended March 31, 2016. Net income attributable to NTT DOCOMO, INC. decreased by ¥14,691 million as of enacted date.

During the fiscal year ended March 31, 2016, DOCOMO decided to terminate the multimedia broadcasting business for mobile devices of DOCOMO's smart life business segment effective June 30, 2016.

In connection with the decision to terminate of the multimedia broadcasting business and the acquisition of the non-controlling interest in the entities involved, DOCOMO concluded that it became more likely than not that the related deferred tax assets will be realized as the termination will make available certain prudent and feasible tax-planning strategies in the tax jurisdictions of certain subsidiaries which operate the multimedia broad casting business for mobile devices. DOCOMO, therefore, released all of the valuation allowance for the related deferred tax assets of those subsidiaries.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	2014	2015	2016
Statutory income tax rate	38.1%	35.8%	33.4%
Expenses not deductible for tax purposes	0.1	0.3	0.2
Research and other credits	(0.8)	(0.7)	(1.4)
Tax credits of investment in productivity improvement facilities		(3.6)	(2.7)
Change in valuation allowance	1.1	2.0	(3.9)
Effect of enacted changes in tax laws and rates	1.0	3.9	1.9
Effect of outside basis differences of equity method investment	(3.1)	(0.6)	(0.3)
Goodwill impairment loss			0.4
Other	0.6	(0.1)	(0.4)
Actual effective income tax rate	37.0%	37.0%	27.2%

According to amendments to the Japanese Corporate Tax Law enacted on March 20, 2014, new deductible special depreciation or tax credits for the investments of productivity improvement facilities were introduced. DOCOMO elected to apply for the tax credit for the investments of these eligible investments. The tax credit for investments in productivity improvement facilities amounted to ¥23,435 million and ¥20,667 million for NTT DOCOMO, INC. and its domestic subsidiaries for the fiscal years ended March 31, 2015 and 2016, respectively. Under the Japanese Corporate Tax Law, the investment tax credit does not reduce any tax basis of the related assets. DOCOMO recognized the entire tax benefit from this investment tax credit as a reduction to current income tax expense based on the Flow-Through Method. There was no unused investment tax credit as of March 31, 2015 and 2016.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Deferred income taxes primarily result from temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
<b>Deferred tax assets:</b>		
Investments in affiliates	¥ 102,665	¥ 110,312
Property, plant and equipment and intangible assets	84,347	89,680
Liability for employees' retirement benefits	56,590	61,615
Operating loss carryforwards	39,031	42,747
Accrued liabilities for loyalty programs	39,363	29,840
Deferred revenues regarding Nikagetsu Kurikoshi, Zutto Kurikoshi, and Packet Kurikoshi	10,723	15,820
Accrued enterprise tax	6,970	11,565
Marketable securities and other investments	11,358	11,368
Inventories	6,328	10,170
Compensated absences	10,621	9,876
Receivables held for sale	5,434	8,873
Allowance for doubtful accounts	3,654	6,294
Accrued bonus	5,703	5,389
Asset retirement obligations	1,755	2,417
Accrued commissions to agent resellers	1,945	2,412
Other	13,551	12,714
<b>Sub-total deferred tax assets</b>	<b>¥ 400,038</b>	<b>¥ 431,092</b>
Less: Valuation allowance	(48,701)	(17,672)
<b>Total deferred tax assets</b>	<b>¥ 351,337</b>	<b>¥ 413,420</b>
<b>Deferred tax liabilities:</b>		
Investments in affiliates	¥ 26,692	¥ 27,975
Unrealized holding gains on available-for-sale securities	26,204	20,395
Identifiable intangible assets	8,590	5,531
Other	3,473	1,261
<b>Total deferred tax liabilities</b>	<b>¥ 64,959</b>	<b>¥ 55,162</b>
<b>Net deferred tax assets</b>	<b>¥ 286,378</b>	<b>¥ 358,258</b>

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2015 and 2016 were as follows:

	Millions of yen	
	2015	2016
Deferred tax assets (Current assets)	¥ 61,512	¥ 107,058
Deferred tax assets (Non-current investments and other assets)	237,427	261,434
Other current liabilities	(29)	(47)

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Other long-term liabilities	(12,532)	(10,187)
<b>Total</b>	<b>¥ 286,378</b>	<b>¥ 358,258</b>

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of March 31, 2016, certain subsidiaries of DOCOMO had operating loss carryforwards for tax purposes of ¥165,770 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

	Millions of yen 2016
Within 5 years	¥ 21,604
6 to 20 years	118,359
Indefinite periods	25,807
Total	¥ 165,770

In assessing the realizability of deferred tax assets, DOCOMO considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. DOCOMO considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax-planning strategies in making this assessment. The realizability of all of DOCOMO's deferred tax assets is substantially dependent upon the generation of future book income and DOCOMO anticipates continuing to generate substantial book income.

The net changes in the total valuation allowance were an increase of ¥11,483 million for the fiscal year ended March 31, 2014, and an increase of ¥9,060 million for the fiscal year ended March 31, 2015, and a decrease of ¥31,029 million for the fiscal year ended March 31, 2016, respectively. DOCOMO believes that it is more likely than not that the deferred tax assets less valuation allowances of certain subsidiaries will be realized; however, that assessment could change in the near term if estimates of future taxable income during the carryforward period are reduced.

As of and for the fiscal years ended March 31, 2014, 2015 and 2016, DOCOMO had no material unrecognized tax benefits. DOCOMO does not believe that there will be any significant increases or decreases in reserve for unrecognized tax benefits within the next 12 months. The total amounts of interest and penalties related to unrecognized tax benefits for the fiscal years ended March 31, 2014, 2015 and 2016 are immaterial.

DOCOMO mainly files income tax returns in Japan. DOCOMO is no longer subject to regular income tax examination by the tax authority for and before the fiscal year ended March 31, 2015.

DOCOMO does not disclose amounts applicable to foreign income taxes separately because amounts applicable to foreign income from continuing operations and to foreign income taxes are immaterial.

**Other taxes**

The consumption tax rate for all taxable goods and services, with minor exceptions, was 5% for the fiscal year ended March 31, 2014 and 8% for the fiscal years ended March 31, 2015 and 2016. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by DOCOMO when purchasing goods and services.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****19. Commitments and contingencies:****(a) Leases**

DOCOMO leases certain facilities and equipment under capital leases or operating leases.

Assets covered under capital leases as of March 31, 2015 and 2016 were as follows:

Class of property	Millions of yen			
		2015		2016
Machinery, vessels and equipment	¥	5,571	¥	5,027
Less: Accumulated depreciation and amortization		(3,708)		(3,333)
<b>Total</b>	<b>¥</b>	<b>1,863</b>	<b>¥</b>	<b>1,694</b>

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2016 were as follows:

Years ending March 31,	Millions of yen	
2017	¥	1,162
2018		822
2019		544
2020		308
2021		148
Thereafter		15
<b>Total minimum lease payments</b>		<b>2,999</b>
Less: Amount representing interest		(108)
<b>Present value of net minimum lease payments</b>		<b>2,891</b>
Less: Amounts representing estimated executory costs		(425)
<b>Net minimum lease payments</b>		<b>2,466</b>
Less: Current obligation		(925)
<b>Long-term capital lease obligations</b>	<b>¥</b>	<b>1,541</b>

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

The minimum lease payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of March 31, 2016 were as follows:

Years ending March 31,	Millions of yen
2017	¥ 12,016
2018	8,374
2019	5,757
2020	3,991
2021	2,742
Thereafter	5,159
<b>Total minimum lease payments</b>	<b>¥ 38,039</b>

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Total rental expense for all operating leases except those with terms of 1 month or less that were not renewed for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Millions of yen		
	2014	2015	2016
Rental expense	¥ 76,429	¥ 79,634	¥ 77,208

**(b) Litigation**

DOCOMO is involved in litigation and claims arising in the ordinary course of business. DOCOMO believes that none of the litigation or claims outstanding, pending or threatened against DOCOMO would have a materially adverse effect on DOCOMO's results of operations, financial position or cash flows.

**(c) Purchase commitments**

DOCOMO has entered into various contracts for the purchase of property, plant and equipment, inventories (primarily handsets) and services. Commitments outstanding as of March 31, 2016 were ¥19,612 million (of which ¥3,231 million are with related parties) for property, plant and equipment, ¥50,846 million (of which none are with related parties) for inventories and ¥28,182 million (of which ¥19,387 million are with related parties) for the other purchase commitments.

The amounts of purchase commitments are estimates calculated based on given assumptions and do not represent DOCOMO's entire anticipated purchases in the future.

**(d) Loan commitments**

DOCOMO provides the cash advance service which accompanies credit cards issued by DOCOMO. Total outstanding credit lines related to loan commitments of the cash advance service as of March 31, 2015 and 2016 were ¥131,401 million and ¥141,237 million, respectively.

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

**(e) Guarantees**

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

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

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



**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****20. Fair value measurements:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value according to observability. The inputs are described as follows:

Level 1 quoted prices in active markets for identical assets or liabilities

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability

Level 3 unobservable inputs for the asset or liability

DOCOMO also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a nonrecurring basis in certain circumstances.

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

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2015 and 2016 were as follows:

	Millions of yen 2015			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities				
Equity securities (domestic)	¥ 88,675	¥ 88,675		¥
Equity securities (foreign)	93,149	93,149		
Debt securities (foreign)	6	6		
<b>Total available-for-sale securities</b>	<b>181,830</b>	<b>181,830</b>		
<b>Derivatives</b>				
Foreign currency option contracts	¥ 474		¥ 474	¥
<b>Total derivatives</b>	<b>474</b>		<b>474</b>	
<b>Total</b>	<b>¥ 182,304</b>	<b>¥ 181,830</b>	<b>¥ 474</b>	<b>¥</b>
<b>Liabilities:</b>				
<b>Derivatives</b>				
Foreign currency option contracts	¥ 80		¥ 80	¥
Foreign exchange forward contracts	0		0	
<b>Total derivatives</b>	<b>80</b>		<b>80</b>	

Total ¥ 80 ¥ ¥ 80 ¥

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

There were no transfers between Level 1 and Level 2.

	Millions of yen 2016			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities				
Equity securities (domestic)	¥ 86,530	¥ 86,530	¥	¥
Equity securities (foreign)	83,947	83,947		
Debt securities (foreign)	5	5		
<b>Total available-for-sale securities</b>	<b>170,482</b>	<b>170,482</b>		
<b>Derivatives</b>				
Foreign exchange forward contracts	¥ 16	¥	¥ 16	¥
<b>Total derivatives</b>	<b>16</b>		<b>16</b>	
<b>Total</b>	<b>¥ 170,498</b>	<b>¥ 170,482</b>	<b>¥ 16</b>	<b>¥</b>
<b>Liabilities:</b>				
<b>Derivatives</b>				
Foreign currency option contracts	¥ 2,415	¥	¥ 2,415	¥
Foreign exchange forward contracts	5		5	
<b>Total derivatives</b>	<b>2,420</b>		<b>2,420</b>	
<b>Total</b>	<b>¥ 2,420</b>	<b>¥</b>	<b>¥ 2,420</b>	<b>¥</b>

There were no transfers between Level 1 and Level 2.

**Available-for-sale securities**

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

**Derivatives**

Derivative instruments represent foreign currency option contracts and foreign exchange forward contracts, which are valued based on observable market data, and are classified as Level 2. The valuation of such derivatives is periodically validated using observable market data, such as exchange rates.

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis in certain circumstances.

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DOCOMO may be required to measure fair value of receivables held for sale, long-lived assets, equity securities whose fair values are not readily determinable, and other assets or liabilities on a nonrecurring basis.

DOCOMO uses valuation methods such as a discounted cash flow method and market approach techniques in order to determine the fair value of its assets and liabilities classified as Level 3. DOCOMO selects a valuation method which best reflects the nature, characteristics, and risks of each asset and liability, and also determines the unobservable inputs using the best and most relevant data available. DOCOMO verifies the appropriateness of valuation methods and unobservable inputs, and may use third-party pricing information to evaluate the appropriateness of DOCOMO's valuation during the verification processes.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DOCOMO's assets that were measured at fair value on a nonrecurring basis for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen 2015				Gains (losses) (before taxes)
	Total	Level 1	Level 2	Level 3	
Assets:					
Receivables held for sale	¥ 935,648	¥	¥ 935,648	¥	¥ (6,866)
long-lived assets	107		107		(30,161)
Receivables held for sale					

Receivables held for sale are measured at the lower of cost or fair value.

Receivables held for sale are classified as Level 2. DOCOMO measures the fair value of the receivables held for sale by discounting, at LIBOR-based discount rates, estimated future cash flows while taking into account factors such as default probabilities and loss severity of similar trade receivables.

Long-lived assets

The fair value of certain equipment related to the multimedia broadcasting business for mobile devices is measured based on observable market transactions involving sales of comparable assets and is classified as Level 2. In addition, the fair value of other long-lived assets related to the multimedia broadcasting business for mobile devices is measured based on the discounted cash flow method and is classified as Level 3. Since the future cash flows expected to be generated by such assets would be negative, the fair value in Level 3 is zero, as described in Note 5.

	Millions of yen 2016				Gains (losses) (before taxes)
	Total	Level 1	Level 2	Level 3	
Assets:					
Receivables held for sale	¥ 980,686	¥	¥ 980,686	¥	¥ (8,742)
Goodwill					(8,499)
long-lived assets	742			742	(9,063)
Receivables held for sale					

Receivables held for sale are measured at the lower of cost or fair value.

Receivables held for sale are classified as Level 2. DOCOMO measures the fair value of the receivables held for sale by discounting, at LIBOR-based discount rates, estimated future cash flows while taking into account factors such as default probabilities and loss severity of similar trade receivables.

Goodwill

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The fair value of the reporting units is measured based on discounted cash flow method using unobservable inputs and is classified as Level 3. The future cash flows expected to be generated by a reporting unit in other businesses segment would be negative, and the implied fair value of the goodwill in Level 3 is zero. The fair value of the other reporting unit in smart life business segment is immaterial, and the implied fair value of goodwill in Level 3 is zero.

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Long-lived assets

The fair value of long-lived assets related to the multimedia broadcasting business for mobile devices is measured based on the discounted cash flow method and is classified as Level 3. Since the future cash flows expected to be generated by such assets would be negative, the fair value in Level 3 is zero, as described in Note 5.

The fair value of the other long-lived assets is measured based on the discounted cash flow method or appraisal by third parties and is classified as Level 3.

**21. Financial instruments:**

**(a) Risk management**

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

**(b) Concentration of credit risk**

As of March 31, 2015 and 2016, the amount of other receivables resulting from the sale of receivables to NTT FINANCE was ¥259,218 million and ¥283,274 million, respectively. As of March 31, 2015 and 2016, the amount of receivables held for sale was ¥1,149,081 million and ¥1,237,437 million, respectively.

Information regarding the transaction with NTT FINANCE is disclosed in Note 15 Related party transactions.

**(c) Fair value of financial instruments**

**Financial instruments**

Carrying amounts of Cash and cash equivalents, Short-term investments, Accounts receivable, Receivables held for sale, Credit card receivables, Other receivables, Accounts payable, trade and certain other financial instruments approximate their fair values except the items separately referred to below.

**Long-term debt including current portion**

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

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2015 and 2016 were as follows. The fair value is valued and validated periodically based on observable market data. Therefore, it is classified as Level 2.

		Millions of yen			
		2015		2016	
	Carrying amount		Fair value	Carrying amount	Fair value
¥	220,603	¥	228,678	¥	220,400
				¥	227,919

**Derivative instruments****(i) Fair value hedge**

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

DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2015 and 2016 and did not enter into any interest rate swap agreements designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2015 and 2016.

**(ii) Derivatives not designated as hedging instruments**

DOCOMO had interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts to hedge the risk of fluctuations in interest rates and foreign exchange rates. DOCOMO did not designate such derivative instruments as hedging instruments.

The contract amounts as of March 31, 2015 and 2016 were as follows:

Instruments	Millions of yen	
	2015	2016
Foreign exchange forward contracts	¥ 100	¥ 2,965
Foreign currency option contracts	48,740	63,652
Total	¥ 48,840	¥ 66,617

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(iii) The effect on the consolidated balance sheets**

The locations and fair values of the derivative instruments as of March 31, 2015 and 2016, recorded in the consolidated balance sheets, were as follows:

**Asset derivatives**

Instruments	Locations	Millions of yen	
		2015	2016
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Prepaid expenses and other current assets	¥	¥ 16
Foreign currency option contracts	Other assets	474	
Total		¥ 474	¥ 16

**Liability derivatives**

Instruments	Locations	Millions of yen	
		2015	2016
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other current liabilities	¥ 0	¥ 5
Foreign currency option contracts	Other current liabilities		604
	Other long-term liabilities	80	1,811
Total		¥ 80	¥ 2,420

The fair values of derivative instruments were valued and validated periodically based on observable market data and represent the amount that DOCOMO could have settled with the counterparties to terminate the contracts outstanding as of March 31, 2015 and 2016.

**(iv) The effect on the consolidated statements of income**

The locations and gain (loss) amounts of the derivative instruments for the fiscal years ended March 31, 2014, 2015 and 2016, recognized in the consolidated statements of income, were as follows:

Instruments	Locations	Amount of gain (loss) recognized in income on derivative		
		2014	2015	2016
Derivatives not designated as hedging instruments				
Interest rate swap agreements	Other, net*	¥ 25	¥	¥
Foreign exchange forward contracts	Other, net*	713	(26)	(35)
Non-deliverable forward contracts (NDF)	Other, net*	(29)	0	(20)
Foreign currency option contracts	Other, net*	1,549	1,520	(1,963)

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Total	¥ 2,258	¥ 1,494	¥ (2,018)
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\* Other, net was included in Other income (expense).

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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(v) Contingent features in derivatives**

As of March 31, 2016, DOCOMO had no derivative instruments with credit-risk-related contingent features.

**Other**

Information regarding investments in affiliates and marketable securities and other investments is disclosed in Note 6 Investments in affiliates and Note 7 Marketable securities and other investments, respectively.

**22. Financing receivables:**

DOCOMO has financing receivables including installment receivables, credit card receivables and receivables due to transfers. Installment receivables arise from providing funds for the subscribers handset purchase from agent resellers. Credit card receivables arise from usage of credit services by the customers. Receivables due to transfers arise from selling DOCOMO s receivables for telecommunications services to NTT FINANCE. These receivables generally do not bear interest.

DOCOMO appropriately extends credit to customers upon these transactions and manages credit risks. When entering into installment payment, credit card contracts, or the contract regarding transfers of receivables with NTT FINANCE, DOCOMO performs credit check and manages the credit exposure thereafter by monitoring payment delays. The amounts per transaction for handset purchases and credit card usage are generally low and the billing cycle is also short, generally one month. Therefore, DOCOMO is able to maintain accurate past due information on a timely basis. Most of those customers utilize automated payment system to make cash payments, which mitigates the risk of uncollected receivables significantly. Besides, in relation to receivables due to transfers, the billing cycle is short, or generally two months, therefore, DOCOMO is able to maintain accurate past due information on a timely basis and the risk of uncollected receivables is mitigated. Because of the nature of the business and its effective credit control system, DOCOMO believes that a credit risk in its business is low. As a result, historical losses of installment receivables and credit card receivables have not been significant. There have been no historical losses of receivables due to transfers.

Allowance for doubtful accounts is computed based on historical bad debt experience and the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy. When it is determined that there is little possibility of collection based on the debtor s solvency, such receivables are written off. Since DOCOMO appropriately extends credits, manages credit risks and writes off uncollectible receivables, the amount of past due receivables is not significant.

**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financing receivables and related allowance for doubtful accounts as of March 31, 2015 and 2016 were as follows:

	Millions of yen				
	Installment receivables	Credit card receivables	2015 Receivables due to transfers	Other	Total
<b>Allowance for doubtful accounts:</b>					
Balance as of March 31, 2014	¥ 203	¥ 2,144	¥	¥ 4,767	¥ 7,114
Provision		5,714		(543)	5,171
Charge-offs	(128)	(1,744)		(33)	(1,905)
Balance as of March 31, 2015	¥ 75	¥ 6,114	¥	¥ 4,191	¥ 10,380
Ending balance: collectively evaluated for impairment	75	6,114		22	6,211
Ending balance: individually evaluated for impairment				4,169	4,169
<b>Financing receivables:</b>					
Balance as of March 31, 2015	¥ 411	¥ 234,412	¥ 259,218	¥ 12,748	¥ 506,789
Ending balance: collectively evaluated for impairment	411	234,412	259,218	8,550	502,591
Ending balance: individually evaluated for impairment				4,198	4,198
The cost of installment receivables and credit card receivables which were sold for the fiscal year ended March 31, 2015 were ¥663,102 million and ¥51,792 million, respectively. The balance of receivables held for sale as of March 31, 2015 which was reclassified from installment receivables and credit card receivables were ¥873,983 million and ¥4,101 million, respectively.					
	Millions of yen				
	Installment receivables	Credit card receivables	2016 Receivables due to transfers	Other	Total
<b>Allowance for doubtful accounts:</b>					
Balance as of March 31, 2015	¥ 75	¥ 6,114	¥	¥ 4,191	¥ 10,380
Provision		9,613		(388)	9,225
Charge-offs	(19)	(5,652)		(20)	(5,691)
Balance as of March 31, 2016	¥ 56	¥ 10,075	¥	¥ 3,783	¥ 13,914
Ending balance: collectively evaluated for impairment	56	10,075		21	10,152
Ending balance: individually evaluated for impairment				3,762	3,762
<b>Financing receivables:</b>					
Balance as of March 31, 2016	¥ 330	¥ 276,492	¥ 283,274	¥ 12,722	¥ 572,818
Ending balance: collectively evaluated for impairment	330	276,492	283,274	8,934	569,030
Ending balance: individually evaluated for impairment				3,788	3,788



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**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The cost of installment receivables and credit card receivables which were sold for the fiscal year ended March 31, 2016 were ¥756,710 million and ¥46,099 million, respectively. The balance of receivables held for sale as of March 31, 2016 which was reclassified from installment receivables and credit card receivables were ¥939,394 million and ¥3,653 million, respectively.

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**Table of Contents****NTT DOCOMO, INC. AND SUBSIDIARIES****FINANCIAL STATEMENT SCHEDULE****YEARS ENDED MARCH 31, 2014, 2015 and 2016****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**

	Millions of yen					
	Balance as of beginning of year	Charged to expenses	Deductions*	Balance as of end of year		
<b>2014</b>						
Allowance for doubtful accounts	¥ 9,690	¥ 6,323	¥ (6,604)	¥		¥ 9,409
<b>2015</b>						
Allowance for doubtful accounts	¥ 9,409	¥ 3,531	¥ (1,073)	¥		¥ 11,867
<b>2016</b>						
Allowance for doubtful accounts	¥ 11,867	¥ 4,113	¥ (1,420)	¥		¥ 14,560

\* Amounts written off.

	Millions of yen					
	Balance as of beginning of year	Charged to expenses	Deductions*	Balance as of end of year		
<b>2014</b>						
Valuation allowance for receivables held for sale	¥ 9,079	¥ 5,984	¥ (7,999)	¥		¥ 7,064
<b>2015</b>						
Valuation allowance for receivables held for sale	¥ 7,064	¥ 6,898	¥ (6,327)	¥		¥ 7,635
<b>2016</b>						
Valuation allowance for receivables held for sale	¥ 7,635	¥ 6,286	¥ (6,189)	¥		¥ 7,732

\* The decrease in valuation allowance for receivables held for sale due to sale of receivables held for sale.

	Millions of yen					
	Balance as of beginning of year	Addition: Charged to expenses	Deductions Credited to expenses*	Expiration of operating loss carryforwards	Foreign currency translation adjustment	Balance as of end of year
<b>2014</b>						
Valuation allowance for deferred tax assets	¥ 28,158	¥ 9,954	¥ (697)	¥	¥ 2,226	¥ 39,641
<b>2015</b>						
Valuation allowance for deferred tax assets	¥ 39,641	¥ 11,041	¥ (2,906)	¥	¥ 925	¥ 48,701
<b>2016</b>						
Valuation allowance for deferred tax assets	¥ 48,701	¥ 2,212	¥ (32,739)	¥	¥ (502)	¥ 17,672

\* The decrease in valuation allowance for deferred tax assets due mainly to release of valuation allowance of deferred tax assets related to DOCOMO's subsidiaries operating multimedia broadcasting business for mobile devices.

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**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NTT DOCOMO, INC.

By */s/* **KAZUHIRO YOSHIKAWA**  
**Kazuhiro Yoshizawa**  
**President and Chief Executive Officer**

Date: June 24, 2016

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Articles of Incorporation of the registrant (English translation)* <sup>1</sup>
1.2	Share Handling Regulations of the registrant (English translation)* <sup>2</sup>
1.3	Regulations of the Board of Directors of the registrant (English translation)* <sup>1</sup>
1.4	Regulations of the Board of Corporate Auditors of the registrant (English translation)* <sup>1</sup>
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 Exhibit 1 of the Registration Statement on Form F-6 (File No. 333-134940) filed on September 16, 2013)
8.1	List of Significant Subsidiaries (See B. 1. Business Overview in Item 4 of this Form 20-F)
11.1	Code of Ethics (English translation)* <sup>3</sup>
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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\*1 Previously filed with the Securities and Exchange Commission on June 26, 2015 and herein incorporated by reference.

\*2 Previously filed with the Securities and Exchange Commission on June 27, 2014 and herein incorporated by reference.

\*3 Previously filed with the Securities and Exchange Commission on June 27, 2006 and herein incorporated by reference.