

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, 2017

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)

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(Jurisdiction of incorporation or organization)

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

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

Title of each class

Name of each exchange on which registered

Common Stock\*

New York Stock Exchange

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2017, 3,704,585,533 shares of common stock were outstanding, comprised of 3,683,456,037 shares and 21,129,496 ADSs.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] 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 [X]

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

Indicate by check mark 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 [X] No [ ]

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

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Emerging growth company [ ]

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP [X] 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 [X]

\* 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 2016 refers to our fiscal year ended March 31, 2017, and other fiscal years are referred to in a corresponding manner.*

## 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 and an increase in mobile communications operators entering into and collaborating with other industries 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. 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, 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.

## **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, 2013 through 2017. 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 as of March 31, 2016 and 2017, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the fiscal years ended March 31, 2015 through 2017, and notes thereto appear elsewhere in this annual report.

## Selected Financial Data

	Millions of yen, except per share data				
	As of and for the years ended March 31				
	2013	2014	2015	2016	2017
<b>Income Statement Data</b>					
<b>Operating revenues:</b>					
Telecommunications services *1	¥ 3,176,931	¥ 2,963,980	¥ 2,747,155	¥ 2,815,507	¥ 2,985,094
Equipment sales	758,093	872,000	904,089	860,486	719,161
Other operating revenues	535,098	625,223	732,153	851,091	880,297
Total operating revenues	4,470,122	4,461,203	4,383,397	4,527,084	4,584,552
<b>Operating expenses</b>	3,632,942	3,642,004	3,744,326	3,744,060	3,639,814
<b>Operating income</b>	837,180	819,199	639,071	783,024	944,738
<b>Other income (expense) *2</b>	(3,838)	13,850	4,812	(5,003)	4,825
<b>Income before income taxes and equity in net income (losses) of affiliates *2</b>	833,342	833,049	643,883	778,021	949,563
<b>Income taxes *2</b>	323,059	307,979	238,067	211,719	287,679
<b>Income before equity in net income (losses) of affiliates *2</b>	510,283	525,070	405,816	566,302	661,884
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates) *2*3	(29,570)	(69,117)	(7,782)	(5,060)	(11,273)
<b>Net Income *2</b>	480,713	455,953	398,034	561,242	650,611
Less: Net (income) loss attributable to noncontrolling interests	10,313	8,776	12,059	(12,864)	1,927
<b>Net income attributable to NTT DOCOMO, INC. *2</b>	¥ 491,026	¥ 464,729	¥ 410,093	¥ 548,378	¥ 652,538
<b>Per Share Data</b>					
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. *4					
DOCOMO, INC. *4	¥ 118.41	¥ 112.07	¥ 101.55	¥ 141.30	¥ 175.12
Dividends declared and paid per share *4	¥ 58	¥ 60	¥ 60	¥ 70	¥ 75
Dividends declared and paid per share *4*5	\$ 0.6160	\$ 0.5826	\$ 0.5002	\$ 0.6227	\$ 0.6732
Weighted average common shares outstanding—Basic and Diluted *4	4,146,760,100	4,146,760,100	4,038,191,678	3,880,823,341	3,726,266,553
<b>Balance Sheet Data</b>					
Working capital *6	¥ 1,105,642	¥ 1,320,776	¥ 1,301,074	¥ 1,360,374	¥ 1,561,216
Total property, plant and equipment, net	2,560,284	2,557,766	2,511,067	2,440,376	2,540,895
Total assets *2	7,169,725	7,508,030	7,146,340	7,214,114	7,453,074
Total debt *7	253,766	230,346	222,651	222,164	221,880
Total liabilities	1,759,160	1,814,517	1,728,135	1,854,788	1,868,986
Common stock	949,680	949,680	949,680	949,680	949,680
Total NTT DOCOMO, INC. shareholders' equity *2	5,368,475	5,643,366	5,380,072	5,302,248	5,530,629
Total Equity *2	5,410,565	5,678,644	5,402,616	5,343,105	5,561,146
<b>Other Financial Data</b>					
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	731,632	752,997	699,860	662,469	506,501
Net cash provided by operating activities	932,405	1,000,642	962,977	1,209,131	1,312,418
Net cash used in investing activities	(701,934)	(703,580)	(651,194)	(375,251)	(943,094)
Net cash used in financing activities	(260,967)	(269,793)	(734,257)	(583,608)	(433,097)
Margins (percent of operating revenues):					
Operating income margin	18.7%	18.4%	14.6%	17.3%	20.6%
Margin of net income attributable to NTT DOCOMO, INC. *2	11.0%	10.4%	9.4%	12.1%	14.2%

\*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, 2013 and 2014 have been retroactively reclassified into "Telecommunications services." The amounts of the reclassification are ¥8.5 billion and ¥8.2 billion for the fiscal years ended March 31, 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, 2013 and 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.

## Exchange Rate Data

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

<u>Fiscal Years ended March 31</u>	<u>High</u> *1	<u>Low</u> *1	<u>Average</u> *2	<u>Period-end</u>
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
2017 .....	116.78	101.21	108.31	111.41
 <u>Calendar Year 2016</u>				
December .....	118.32	113.50	116.00	116.78
 <u>Calendar Year 2017</u>				
January .....	117.68	112.72	114.87	112.72
February .....	114.34	111.74	112.91	112.06
March .....	115.02	110.48	112.92	111.41
April .....	111.52	108.40	110.09	111.44
May .....	114.19	110.68	112.24	110.71
June (through June 2, 2017) .....	111.24	110.49	110.87	110.49

\*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.

## 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 and an increase in mobile communications operators entering into and collaborating with other industries 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. In particular, there is an upward trend in the number of users choosing low-cost services provided by MVNOs. 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, the wholesale optical-fiber access service offered by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ("NTT East") and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ("NTT West") 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 price competition. In addition, mobile communications operators are actively entering and

collaborating in other industries such as the energy market, smart-home market<sup>\*4</sup>, sports business market, FinTech projects<sup>\*5</sup> and projects that utilize big data, and it is possible that the attractive services offered by our competitors will lead to a slump in customer satisfaction levels with our company and that price competition will intensify as mobile communications operators offer bundle discounts for packages that include services in other sectors.

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. In order to provide highly diverse services and improve convenience for our customers in a challenging market environment, we have been revising various pricing plans and discount services, with services offering fixed discounts set for different models of devices on monthly usage charges and fixed rate domestic voice calls. These pricing plans and discount services include the following the “Kake-hodai & Pake-aeru” pricing plan that offers quantities of packet network data to share among family members; the “Zutto DOCOMO Wari” discount service for long-term users; the “U25 Ouen Wari” discount plan aimed at customers aged 25 or younger; the “docomo Hikari Pack” that offers a combination of the “docomo Hikari” service and smartphone/feature phone handsets; the “Kake-hodai Light Plan” pricing plan for low volume users; the “Simple Plan” pricing plan for users who basically make calls with their family members; the “Ultra Pack” pricing plans for high data users; and the “docomo with” discount plan for users who intend to use one handset for long period of time. 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 leases the wireless communication infrastructure of other companies to provide services.

\*4 A business that improves convenience and adds new value by controlling home appliances, equipment, or other devices via Internet connections.

\*5 A compound word from Finance & Technology. The integrated area of finance and IT.

***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;
- 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 smartphones and feature phones, 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 sp-mode and i-mode, (ii) billing 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 (iv) “+d\*1” initiatives, the convergence with various businesses, such as financial and payment services like “d CARD” 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 transmission speeds enabled by LTE\*2/LTE-Advanced\*3 the 5th generation mobile communication system (“5G”) which we are aiming to begin offering in the year 2020\*4 as well as with other technologies, 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, or alternatively if we cannot secure and train the necessary human resources and manage the labor force as required to operate our business as we expect or on schedule, 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.I. 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.

\*4 Because the 2020 Summer Olympics will be held in Tokyo, there is a general expectation among Japanese companies that, in connection with an anticipated increase in tourism and general economic activity, there will be an opportunity between now and 2020 to develop various new products and services to capture an anticipated increase in demand.

*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 price 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:

- Request to provide a price plan that takes into consideration the various needs of users and reduces users' monthly payments for smartphone usage;
- Request and guidelines concerning smartphone pricing;
- Regulations to accelerate competition in the handset area, such as SIM unlocking regulations;
- Fair competition measures to promote new entry and to provide lower-cost and various services by MVNOs;
- Revision of the spectrum allocation system, such as reallocation of spectrum and introduction of an auction system;
- 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;
- Regulations on the use of personal data;
- 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 sp-mode and i-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 sp-mode or i-mode;
- Measures which would introduce new costs such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;
- Regulations 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;
- 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;
- Measures connected to amendments and clarification of legal interpretation of the Civil Code and the Consumer Contract Act that would restrict matters that our group intends to implement such as changes to contractual terms or terms of use or restrictions on service amendments or cancellations; 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. We are implementing

measures directed towards reducing greenhouse gas emissions, including deployment of low-power consumption devices and efficient power generators. However, with the implementation of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect on our financial condition and results of operations. 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 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.

***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 videos and music provided through our networks significantly expands. Also, in relation to our LTE (Xi) and FOMA 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 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.

\* The total volume of transmissions.

***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 "+d" initiatives 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.

***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.

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 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 smartphones or other mobile devices while driving, riding a bicycles or walking. Furthermore, 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 SNS\* 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 mobile 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 Social Networking Services.

***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. 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, hacking, unauthorized access, cyberattacks, equipment misconfiguration 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 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 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 mobile telecommunications services 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 mobile 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 mobile 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, 2017, NTT owned 66.65% 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, 2017, NTT owned 66.65% 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 13,560,437,000 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 of ADSs must surrender for cancellation and withdrawal of shares using ADRs (each of which evidences 1 ADSs). As a result, holders of ADSs will be unable to withdraw fractions of shares from the depositary or receive any cash settlement in lieu of withdrawal of fractions of shares. In addition, although the ADSs themselves may be transferred in any lots pursuant to the deposit agreement, the ability to trade the underlying shares may be limited.

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

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

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

Furthermore, while we currently prepare and disclose our financial statements in accordance with U.S. GAAP, we are 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.

Together with our 117 subsidiaries and 23 affiliates, we conduct business as the NTT DOCOMO group. Our major subsidiaries and affiliates as of March 31, 2017 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: 105</b>	
ABC Cooking Studio Co., Ltd. ....	51.0%
DCM Reinsurance Company, Inc. ....	100%
DOCOMO ANIME STORE, INC. ....	60.0%
DOCOMO Communications Laboratories Europe GmbH ....	100%
DOCOMO Datacom, Inc. ....	66.2%
DOCOMO Digital Limited ....	100%
docomo Healthcare, Inc. ....	66.0%
DOCOMO Innovations, Inc. ....	100%
DOCOMO PACIFIC, INC. ....	100%
D2C Inc. ....	51.0%
MAGASseek Corporation ....	75.0%

Name	Percentage Voting Interest
Nihon Ultmarc Inc. . . . .	100%
OAK LAWN MARKETING, INC. . . . .	55.8%
Radishbo-ya Co., Ltd. . . . .	100%
Tower Records Japan Inc. . . . .	50.3%
and other subsidiaries . . . . .	
<b>Affiliates: 23</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 Incorporated . . . . .	33.3%
PLDT Inc. . . . .	8.6%
RecoChoku Co., Ltd. . . . .	34.2%
Sumitomo Mitsui Card Company, Limited. . . . .	34.0%
Tata Teleservices Limited . . . . .	21.6%
VMG Media Joint Stock Company . . . . .	24.5%
ZENRIN DataCom Co., LTD. . . . .	18.1%
and other affiliates	

\* 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		
	Years ended March 31		
	2015	2016	2017
Telecommunications business . . . . .	¥ 3,654,565	¥ 3,689,779	¥ <b>3,711,156</b>
Smart life business . . . . .	443,320	504,129	<b>501,918</b>
Other businesses . . . . .	313,492	359,276	<b>400,400</b>

#### • *Competitive Environment*

The environment of Japan’s telecommunications market has significantly changed in recent years. Especially in the mobile telecommunications market, competition has intensified due to the government’s pro-competition policies, the rise of low-cost smartphones offered by MVNOs and other factors. Also, in the fixed communications market, not only telecommunications operators but also various other players have started to provide new services using the “Hikari Collaboration Model” (as described below). Furthermore, significant changes are also apparent in the business models of telecommunications operators, as advances in mobile ICT, such as in devices and networks have resulted in operators actively entering and collaborating in other sectors.

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,

2017, we had a market share of 46.0%, KDDI group had a market share of 29.8% and SOFTBANK group had a market share of 24.2%. Note that each company’s share also includes lines that the individual company provides for MVNOs.

As of March 31, 2017 we had approximately 74,880 thousand mobile telecommunications subscribers, an increase of approximately 3,916 thousand from the end of the previous fiscal year. Also, our churn rate for March 2017 was 0.59%.

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.

The number of mobile telecommunications services subscriptions for the fiscal years ended March 31, 2015, 2016 and 2017 are as follows:

	Thousands		
	Years ended March 31		
	2015	2016	2017
Mobile telecommunications services subscriptions *1	66,595	70,964	<b>74,880</b>
LTE (Xi) subscriptions *1	30,744	38,679	<b>44,544</b>
FOMA subscriptions *1	35,851	32,285	<b>30,336</b>
Estimated market share of total subscriptions	43.6%	45.3%	<b>46.0%</b>
Subscription growth rate	5.5%	6.6%	<b>5.5%</b>
Average monthly churn rate *1*2	0.61%	0.62%	<b>0.59%</b>

\*1 The number of mobile telecommunications services 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\* by adding the number of mobile telecommunications services subscriber contract terminations in each month of that fiscal year and dividing that number by sum of the active mobile telecommunications services subscriptions\*\* from April to March.

\* Data are calculated excluding the subscriptions and cancelation of subscriptions of Mobile Virtual Network Operators (MVNOs).

\*\* Active mobile telecommunications services 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, the “Hikari Collaboration Model” mentioned above, has enabled telecommunications operators and a wide range of other players to provide services utilizing optical fiber. Accordingly, 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.

Meanwhile, underlying progress in Internet technology and various other technologies has advanced ICT developments in the non-communications market, with the acceleration of collaboration between companies across industrial markets. By adding DOCOMO’s strengths to those of each of our partners, we promote “+d” initiatives to offer our customers with more fun, more security and more convenience, which we call “Ever-Improving Value.” We continue to differentiate ourselves from our competitors by creating new added value

through collaboration with each of our partners using our own strengths—which include our technology, services, billing and payment platforms—and assets such as our loyalty program as well as the customer bases that form the core of the mobile telecommunications business.

Through these undertaking we aim to manage our business toward the goal of delivering “Ever-Improving Value” to our customers.

- ***Business Strategy***

*We established Medium-Term Strategy 2020 “Declaration beyond.”*

Looking ahead to the year 2020 and beyond, we will aim to amaze and inspire beyond expectations for our customers and create new values hand-in-hand with our partners by exceeding customers’ expectations.

The word “beyond” reflects our will to transform ourselves to realize a richer future with 5G. For our customers, we plan to offer enhanced benefits and convenience as well as value and inspiration, such as enjoyment, surprise, satisfaction and peace of mind, and realize the co-creation of new values through “+d” initiatives such as making contributions to industries, solving social issues and expanding our partners’ businesses.

“Declaration beyond” outlines six declarations we have set for these initiatives. By delivering three declarations intended for our customers and three for our partners, we will aim to steadily reinforce our revenue foundation and cash generation capability, while continuing to improve the returns to our customers and shareholders, thereby bringing about a future of abundance.

For more information regarding our Medium-Term Strategy 2020 “Declaration beyond,” please see “D. Trend Information” in Item 5.

## **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 are working to develop base stations and accelerate communication speeds, while utilizing the know-how and technical skills we have built up as an LTE service pioneer to cope with the increased smartphone user traffic by measures such as enriching content and providing new services.

In terms of base station development, by the end of March 2017 we had increased the number of base stations to 161,900 and expanded the coverage of our “PREMIUM 4G\*1” to 1,421 cities across Japan.

We also improved the speed of network by using carrier aggregation\*2 using a new spectrum band of 3.5GHz from June 2016 and through other new techniques, in March 2017 we commenced a communication service that offers Japan’s fastest maximum downlink speed of 682Mbps. Through these measures, we have successfully created a high-speed communication environment that provides customers with a stable and convenient network experience.

In an effort to reinforce our networks, 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 MIC. The results indicated that we achieved improvements in both download and upload speeds over the previous year. The median (Android + iOS) speed of our download speeds was 118Mbps (166% the level of the previous year), and that the median speed of our upload speeds was 23Mbps (110% the level of the previous year).

We continue to reinforce our network by using new technologies in order to offer convenient, high speed and stable communication quality to our customers.

We are also advancing research on 5G to achieve transmission speeds exceeding 10Gbps, about 1,000 times the capacity of LTE, in response to the increasing the number of communication devices and varied services that accompany the spread of IoT communication toward the planned launch of services in 2020. Since 2013, discussions regarding 5G have been advancing at international research organizations and conferences. As an enterprise that has engaged in 5G research since 2010, DOCOMO is playing a leading role in global research efforts. A joint experiment on 5G was launched in 2014 in collaboration with 13 major global vendors and has steadily yielded results in verification tests. DOCOMO is leading global innovation toward realizing ever higher speeds by leveraging our network operations know-how and leading-edge technical development capabilities, which we have cultivated for many years.

\*1 Name of our high-speed network services using the LTE-Advanced system.

\*2 Technology that achieves improvement of data speeds by aggregating multiple carrier frequencies.

- ***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 and 700MHz). Of this, we have been allocated 6 frequency bands—3.5GHz, 2GHz, 1.7GHz, 1.5GHz, 800MHz and 700MHz—to operate our networks.

**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. The 40MHz (TDD) block allocated in the 3.5GHz band has been used by our TDD-format LTE services since June 2016.

**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 intend to further 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:**

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 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. Products**

We purchase products from vendors and then sell them mainly to third party distributors, which 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, 2017, we launched a total of 20 devices, which included 12 smartphones, one tablet, two docomo Feature Phones, two Raku Raku phones (phones that are more user-friendly as compared to other smartphones and feature phones), one docomo Kids & Juniors phone and two data communication devices, with combined sales of approximately 27.48 million units. The features of each type of device are discussed below.

- ***Smartphones/Tablets***

In order to encourage more people to use smartphones, we have been offering models compatible with new functions such as “Suguden,” which allows users to carry out basic functions such as making and receiving calls with tap-less operations that do not require the use of the screen. We have also provided our first original smartphone, the “MONO MO-01J” which is simple and easy to use. We have also been working to enhance our line-up of devices, including the latest iPhone models.

As a result of the above, the number of smartphones and tablets sold was approximately 15.03 million units.

- ***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.

In March 2017, we released a compact mobile Wi-Fi router that offers Japan’s fastest maximum downlink speed of 682Mbps. 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***

As new products in our 2016-2017 winter/spring collection, we released two docomo Feature Phones models. Both models are compatible with LTE and allow users to enjoy VoLTE high sound quality calls.

#### **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 communications environment. Furthermore, in our smart life business and other businesses, besides to growing our services, such as “dmarket,” for providing various content and financial and payment services including “d CARD,” we have also been offering new services such as “DAZN for docomo.” In addition, we are also developing new value-added services through “+d” initiatives founded on co-creation with various external partners.

- ***Telecommunications Services***

- *Mobile Telecommunications 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 44.54 million as of March 31, 2017.

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, “Anshin Manager,” which enables the unified control of corporate mobile phones, and a satellite cellular phone service.

#### Optical-fiber Broadband Service

In April 2016, we added new offerings to our “docomo Hikari” optical-fiber broadband service: “docomo Hikari Denwa” IP telephone service and “docomo Hikari TV Option” IP TV service. By doing so, we have been able to integrate all customer-related operations for our optical-fiber broadband, fixed-line telephone and TV services, from application to after-sales.

Furthermore, in February 2017, we released “docomo Hikari Router 01,” a home Wi-Fi router that comes together with a remote assistance service for setting up Internet access and Wi-Fi environments. Simultaneously, we commenced “docomo Hikari Router Security,” a new service that allows users to use “docomo Hikari” services easily, conveniently and free from concerns.

Because our various initiatives for “docomo Hikari” were well-received by our customers, the total number of “docomo Hikari” subscriptions grew to 3.40 million as of March 31, 2017.

For more information, see “B. 5. Tariffs” in Item 4, which contains the details of charges for “docomo Hikari” and “docomo Hikari Pack.”

- ***Smart Life Business***

In addition to our conventional telecommunication services, to make our customers’ lives richer and more convenient, 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.

Furthermore, we are promoting “+d” initiatives to create new value by adding our strengths to those of each of our partners and steadily expanding the number of “+d” partners and member stores.

#### Contents Services

We offer content services to customers in order to provide them with entertainment and have strived to add and enrich services. In February 2017, in collaboration with the Perform Group, we launched a new sports content service, “DAZN for docomo.” The service offers both live and on-demand video with unlimited viewing access to popular sports programs from Japan and overseas. One of the main features of the service is that users are able to enjoy watching it anytime and anywhere by streaming not only live video, but also catch-up and highlight videos over various types of devices such as smartphones, tablets, PCs, televisions and game consoles.

Regarding the DOCOMO-operated content market, “dmarket,” in order to provide total support for customers’ health, in April 2016 we started offering “d healthcare pack,” an integrated package that combines four health-related services, including the “Aruite-Otoku” application that allows users to earn “d POINTs” from the number of steps recorded on their smartphones. Also, in July 2016, we rebranded our “Home Anshin Partner” service to “dliving,” adding new components such as a childcare support service offered at a discounted rate, and a feature that allows users to check data such as their home electricity consumption.

As a result of the abovementioned measures, the combined number of “dmarket” store subscriptions\* grew further to 16.08 million as of March 31, 2017.

\* Total number of users using “dTV,” “danime store,” “dhits,” “dkids,” “dmagazine,” “dgourmet,” “dhealthcare pack” and “dliving” services under a monthly subscription arrangement.

## Lineup of our main services

<u>Service</u>	<u>Service Overview</u>
d anime store	Flat-rate animated video distribution service
d apps & review	Website introducing smartphone apps recommended by DOCOMO
d book	Electronic book store enabling viewing of manga, novels and how-to books
d delivery	Home food delivery service
d fashion	Fashion e-commerce site
d game	Site offering Web-based games* <sup>1</sup> and app-based games
d gourmet	Distribution service for information and coupons related to foods
d healthcare pack	Distribution service for apps and benefits related to health and exercise
d hits	Flat-rate music distribution service
d kids	Flat-rate distribution service of educational content for children
d living	Support services for problems in daily living and housekeeping
d magazine	Flat-rate electronic magazine distribution service
d music	Music download service
d shopping	Online shopping service for food, daily necessities, electrical appliances and other goods
d travel	Site for booking accommodation at hotels and Japanese inns, as well as domestic and overseas tours
dTV	Flat-rate video/movie distribution service
DAZN for docomo* <sup>2</sup>	Service that distributes Japanese and international sports video content

\*<sup>1</sup> Games that can be enjoyed anywhere with an Internet connection and without the need to install applications.

\*<sup>2</sup> DAZN for docomo launched services on February 15, 2017.

### 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.

In the fiscal year ended March 31, 2015, we started to offer our “d POINT” service, which is built on the “docomo Points” scheme, through which customers can accumulate points, for example, by making payments of their monthly charges, and we also began issuing “d POINT CARD,” a card that can be used to accumulate and redeem points while shopping at neighborhood “d POINT” participating stores. In conjunction with this, “DCMX” and “DCMX mini” have been rebranded as “d CARD” and “d CARD mini,” respectively, and can be used to accumulate and redeem “d POINTs” at more advantageous rates.

Furthermore, since October 2016, our “d CARD” credit card service and our “iD” contactless payment service have supported Apple Pay. This enables users of Apply Pay-compatible devices to use “d CARD” on Apple Pay, and users of iPhone 7, iPhone 7 Plus and Apple Watch Series 2 to pay with “iD” for purchases at the stores.

Shopping Services (Commerce)

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

Overview of business of major subsidiaries

<u>Subsidiaries</u>	<u>Business Overview</u>
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 CDs, DVDs, and other music contents
MAGASseek Corporation	Online sales of women and men’s clothing

Services to Support Our Customers’ Daily Lives

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

<u>Subsidiaries</u>	<u>Business Overview</u>
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 “gacco,” Japan’s first MOOC service, and the “gacco system” ASP business

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

• **Other Businesses**

Other businesses primarily include “Mobile Device Protection Services,” and IoT/M2M businesses. In addition, we provide a variety of other services around the world through overseas partner companies in which we invest, predominantly in the payment platform business (mainly for direct carrier billing) and the content distribution business. 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 telecommunications 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.

The details of the charges in connection 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. Our basic plans are the "Kake-hodai Plan," the "Kake-hodai Light Plan" and the "Simple Plan." The "Kake-hodai Plan" allows customers to make unlimited domestic voice calls at a flat monthly rate, the "Kake-hodai Light Plan" allows customers to make unlimited domestic voice calls under five minutes at a lower flat monthly rate than the "Kake-hodai Plan" (domestic voice calls over five minutes with members in the same family group are free), and the "Simple Plan" allows customers to make unlimited domestic voice calls with members in the same family group.

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 the "Pake-aeru" plan that corresponds to the estimated monthly data quantity to be used by a family or corporate users, the service enables the division of the data usage among multiple contract lines.

The billing plan consists mainly of four plans for single users (2GB, 5GB, 20GB and 30GB) and six plans for families (5GB, 10GB, 15GB, 30GB, 50GB and 100GB). 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.

### *Further Enrichment of Billing Plan*

The billing plan "Kake-hodai & Pake-aeru" has enjoyed favorable reviews from early on, and the number of total subscriptions reached approximately 37.07 million at the end of March 2017. To further cater to the diversifying needs of our customers, we rolled out the following new "Kake-hodai & Pake-aeru" plans from the fiscal year ended March 31, 2017.

### *Choice between two courses after completion of two-year subscription period*

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.

*For high-usage customers*

In September 2016, we added a new “Ultra Pack L (20GB) & LL (30GB)” high-capacity package for customers to be able to enjoy videos and other contents resulting in high data usage without having to worry about data usage limits or fees. In conjunction, we also began offering the “Ultra Share Pack 50 & 100” that allows family members to share data usage, and in May 2017, we added “Ultra Share Pack 30” to enrich options of “Share Pack.”

*For docomo Feature Phones users*

In October 2016, we began offering “Kake-hodai Light Plan for Feature Phone” a billing plan that allows users to have a flat monthly rate for unlimited domestic voice calls of five minutes or less for who have signed a two-year contract for a docomo Feature Phone for a monthly charge of ¥1,200. (Domestic voice calls over five minutes with members in the same family group are free)

*For low-usage customers*

In January 2017, to cater to users with limited data usage, we enabled users to bundle the “Kake-hodai Light Plan (for smartphones/tablets)” with “Data S Pack.”

*For users who basically make calls with their family members*

In May 2017, we began offering “Simple Plan,” a plan for users who basically make voice calls with their family members, for a monthly charge of ¥980.

*For users who intend to use one handset for long period of time*

In June 2017, for users who intend to use one handset for a long period of time, we began offering a new plan “docomo with” which provides a monthly discount of ¥1,500 for users who purchase an eligible handset.

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

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

The details of the charges in connection 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. For detached houses, we also offer “docomo Hikari-mini,” a two-tier flat-rate plan offering data speeds of up to 100Mbps. In December 2016, we also introduced another new package which allows customers to use the optical-fiber broadband and Internet access services offered by our partner cable TV operators as a set.

In addition, we provide discount plan, called “docomo Hikari Pack,” which is bundled with existing mobile basic monthly charges, “Kake-hodai & Pake-aeru,” 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. Docomo Shops, which are mainly operated by various third party distributors, including agent resellers, sell our products and services to customers. As of March 31, 2017, there were 2,377 docomo Shops nationwide. In addition, general distributors such as major electronics retail stores and other stores also sell our products. As of March 31, 2017, the number of such shops was approximately 3,500 (excluding docomo Shops). In addition to the face-to-face channel, we have established online shopping and eight call-centers nationwide (as of March 31, 2017) and consider these channels to be important to improving convenience for our customers. For operation of mobile devices, “docomo Hikari” and other services 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 third party distributors. With the aims of gaining and keeping customers and encouraging the spread of our services through new contracts and handset upgrades, we pay these third party distributors 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. In addition, to enhance returns to our customers such as providing “Renewal Points” (rewarding “d POINTs” for contract renewal) and the “docomo Child Raising Support Program,” on May 2017, we automatically transferred customers’ “docomo Points” to “d POINTs,” among other initiatives; offering programs to satisfy various groups of customers. 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).

## 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 have been also working with major manufacturers of our products and network equipment. Furthermore, we have been proactively working on open innovation with external companies to create new value.

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, 2017***

- *Natural-Language Dialogue Platform*

We launched the “Talking Robot for Biz,” a service that companies can customize for their own intended uses, utilizing a “natural-language dialogue platform” that produces natural dialogue through the use of artificial intelligence. In addition, we provided the same platform for the “ATOM\*” communications robot.

\* Jointly developed with Kodansha Ltd., Tezuka Productions Co., Ltd., FUJI SOFT INCORPORATED and VAIO Co., Ltd.

- *Communication Partner “COCOKUMA”*

We have developed a teddy bear-shaped robot named “COCOKUMA\*,” which is a communications robot that can exchange messages with family members who live far away and that is easier to operate than mobile phones or smart phones. It is also equipped with a motion sensor, so by talking through “COCOKUMA,” users can monitor another person’s presence.

\* Jointly developed with Iwaya Co., Ltd., Vitech Global Electronics Co., Ltd., and MOOREdoll Inc., distributed by Iwaya Co., Ltd.

- *Customer Translation Service for Corporations*

To support companies that provide services to foreign visitors, we launched a translation service called “Hanashite Hon’yaku for Biz,” a service that combines two functions: (1) “speech translation” that allows spoken conversation between Japanese and another language: and (2) a “fixed phrase function” that registers responses to frequent phrases.

- ***Technology Developments to be Implemented***

- *5th Generation Mobile Communications System (5G)*

We have been engaged in on-going collaborative trials with leading global vendors with a view to offering 5G by 2020 and have successfully achieved a data speed of more than 2.5Gbps with a mobile device that was in a vehicle travelling 150km/h.

Moreover, to allow our customers to experience a wide range of services leveraging 5G technology, we have started to build the “5G Trial Sites” and have made agreements to proceed with empirical trials in cooperation with partner companies\*.

\* Such partner companies include TOBU Railway Co., Ltd., Sohgo Security Services Co., Ltd., Japan Display Inc., Toppan Printing Co., Ltd. and Fuji Television Network, Inc. (as of the end of March 2017)

### *docomo Drone Project*

In September 2016, we acquired a “license of a development test station applied for the use of mobile terminals in unmanned aerial vehicles” and began to verifying the communication quality in the sky and the impact on terrestrial mobile phone networks. Specifically, we also started verification trials for the commercialization of proxy shopping services\*1 and package delivery systems\*2 using cellular drones.

\*1 Carried out in conjunction with ENROUTE CO., LTD. and MIKAWAYA21 Co., Ltd.

\*2 Carried out in conjunction with Rakuten Inc. and Autonomous Control Systems Laboratory Ltd.

### *Wireless Technology Suitable for IoT*

To provide LPWA\* networks and solutions suitable for various forms of IoT products and services, we have started to develop a cellular IoT that allows low price and low power consumption modules based on LTE.

We have also developed and begun empirical trials on gateway devices that allow information collected from IoT devices using optimal wireless communication for IoT and sent to the cloud via a cellular network.

\* Abbreviation for “Low Power Wide Area.” Low Power Wide Area wireless technology that saves power consumption and allows communication over a long distance.

### *Efficiency Improvements in Allocation of Taxis Utilizing AI*

To solve social issues such as a shortage in the number of vehicle drivers caused by the falling birthrate and aging society, we have developed a new “Technology to Forecast Travel Demand” that forecasts the demand for taxis in real time, and started demonstration tests using the name “AI Taxi.” In demonstration tests, this service has achieved an overall forecast accuracy of 92.9%.

\* Carried out in conjunction with Tokyo Radio Cooperative, FUJITSU LIMITED and FUJITSU TEN LIMITED.

### *docomo Smart Parking System*

To solve the problem of finding parking spaces in urban areas, we have developed a solution which enables small plots of land to be used as parking spaces, and we started a trial service\* using this solution at some parking lots in Tokyo since November 2016.

\* Using some parking lots operated by Coin Park Co., Ltd., Sharing Service Inc. and Prestige International Inc.

### *UI Technology Compatible with Flexible Displays*

We have developed new UI\* technology that is compatible with rollable display devices, which are devices that users can change the display size according to the user’s preference. The UI technology can optimize the layout of various contents depending on how much the display has been rolled up.

\* Abbreviation for “User Interface,” a means for human-computer interaction how commands are given to a computer and how information is displayed to a user.

Note: Included in the technologies that constitute “Natural-Language Dialog Platforms” and “Technology to Forecast Travel Demand” is the NTT Group’s AI technology “corevo.”

## **8. CSR**

We aspire to achieve sustainable growth and development alongside society by creating new services with social value. CSR is inseparable from, and synonymous with, our business activities. The foundation of our business lies in serving society by providing new value, and we are advancing along two fronts.

The first is “Innovative docomo,” in which we are attempting to create new value through our “+d” initiatives, addressing education & learning, healthcare & medical services, climate change, and other social

issues. In accordance with our philosophy that we serve society at large as our customers, we provide “Ever-Improving Value” through collaboration with our partners. We will deliver convenience, fun and reliability for our individual customers, while providing services and solutions for social issues for society at large.

The second is “Responsible docomo,” in which we aim to create a trustworthy company that fulfills its social responsibilities. Throughout all of our business undertakings we will engage in activities with integrity and meet those responsibilities as a leading company in the mobile and IT industries.

In the aftermath of the 2016 Kumamoto Earthquakes, in addition to securing and restoring communication services, we provided assistance to the people and areas affected by the disaster by providing free battery-charging services and Wi-Fi spots at evacuation shelters and through the donation of relief funds. In addition, other measures we have taken to step up our disaster preparedness include the upgrade of our large-zone base stations by adding LTE-compatibility and conversion of existing base stations covering coastal and mountainous areas into medium-zone base stations to secure communications in these areas. These preparations taken in advance will allow customers to use mobile phones free of concerns in the event of a disaster.

Our CSR consists of creating a sustainable society by incorporating these two aspects. We will actively engage in our initiatives to contribute to solving various social issues and advancing society in general, thereby increasing our corporate value.

## **9. Regulations**

The MIC is the primary regulatory body with responsibility for the telecommunications industry in Japan. We and other mobile telecommunications service providers are regulated by the MIC primarily under the Telecommunications Business Act. We and other mobile telecommunications 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.

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.

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 “ Guidelines regarding the application of the Telecommunications Business Act and the Radio Act to MVNO” 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 MIC Ordinance and the guideline recommend 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 MIC Ordinance and the “Guidelines regarding the application of the Telecommunications Business Act and the Radio Act to MVNO” were introduced as new legislation providing for the method of calculating connection charges. The method provided for in the ordinance, rules and guidelines follow the current “Guideline relating to operation of the Category II-designated telecommunications facility system,” which used to define the method before May 2016, and therefore any amendment in the new legislation will have little impact on our method of calculating connection charges.

Furthermore, in February 2017 the MIC revised its ordinance and guidelines, mentioned above. Under the previous MIC Ordinances and guidelines, there was no specific calculation method defined for certain variables used to calculate “profit” (a component of the connection charge), and the individual companies DOCOMO, KDDI and SoftBank used their own rules in these calculations; however, the revisions standardized the calculation method used to calculate the variables. These revisions are thought to have helped narrow the gap in connection charges between the three companies DOCOMO, KDDI and SoftBank.

#### 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; and
- Unduly favorable treatment of certain NTT group companies separately designated by the Minister of MIC.

Note that in the past, we were prohibited from engaging in “unfair discriminatory treatment towards specific telecommunication operators”; however, the enforcement of the Revised Telecommunications Business Act in

May 2016 means that only unduly favorable treatment of certain NTT group companies, as separately specified by MIC, is prohibited. The revisions have made it possible to collaborate with other operators, apart from those certain NTT group companies separately specified by MIC. 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 negotiations 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 smartphones, 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.

#### *Guidelines on the Conditions of Mobile Services and Terminals*

Based on a summary of the “Follow-up Meeting on the Conditions of Mobile Services and Terminals” in order to improve user convenience through shortening the timeframe for SIM unlocking as well as to further normalize mobile device sales through clarification of reasonable cost liabilities asked of users purchasing a mobile device, the MIC has revised the content of the “Guidelines for Unlocking SIM Lock” and the “Guidelines for Optimization of Purchase Subsidies for Smart Phone Terminals” and has formulated new “Guidelines on the Conditions of Mobile Services and Terminals.”

#### *Guidelines on smooth operation for unlocking SIM Lock*

- (i) Shorten the period between the device being purchased and allowing the SIM to be unlocked
- (ii) In principle, the SIM should be unlocked once the contract has ended (explain conditions & procedure for unlocking)
- (iii) Abolition of SIM locks for MVNO

We are dealing with the above points in a prompt manner. (We will start to work on points (i) and (ii) from May 2017, and have already completed addressing point (iii)).

#### *Guidelines for Optimization of Purchase Subsidies for Smartphone Terminals*

The “Guidelines for Optimization of Purchase Subsidies for Smartphone Terminals” introduced in April 2016 and revised in February 2017 impose regulations to ensure that excessive discounts are not given on devices as a condition of purchasing a smartphone; this includes the charges for mobile phones that the operator provides to the user, or alternatively discounts on the purchase price of smartphones, money or other goods, as well as money paid to dealers in line with their sales of smartphones, etc. We believe that these guidelines will cause the competitive environment to continue to change from one based on the price of devices to one based on communication charges and services.

## 10. Relationship with NTT

NTT is our parent company and owned 66.65% of our voting rights as of March 31, 2017. The government of Japan, in the name of the Minister of Finance, owned 33.74% 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 66.65% of our voting rights as of March 31, 2017, 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. For the fiscal year ended March 31, 2017, we had sales of ¥69,158 million to NTT, its subsidiaries and its affiliates and had cost of services, selling, general and administrative expenses and capital expenditures of ¥343,385 million, ¥174,700 million and ¥60,668 million, respectively, to NTT, its subsidiaries and its affiliates compared to sales of ¥56,198 million and cost of services, selling, general and administrative expenses and capital expenditures of ¥269,720 million, ¥172,224 million and ¥59,049 million, respectively, for the fiscal year ended March 31, 2016. We also had accounts receivable of ¥8,766 million from NTT, its subsidiaries and its affiliates and payables of ¥121,286 million to NTT, its subsidiaries and its affiliates as of March 31, 2017, compared to ¥6,903 million and ¥95,012 million as of March 31, 2016.

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.

## 11. Legal Proceedings

In July 2014, the Company exercised its right (option) to request that a suitable buyer be found to purchase its Tata Teleservices Limited (TTSL) shares for 50% of the acquired price, or a fair market value, whichever is higher, and, in January 2015, submitted a request for arbitration to the London Court of International Arbitration (LCIA).

In June 2016, the Company received an award from LCIA that ordered that Tata Sons pay damages to the Company in the amount of approximately US\$ 1,172 million (approximately ¥130.0 billion\*) for Tata Sons' breach of the shareholders agreement, upon the Company's tender of its entire stake in TTSL to Tata Sons or its designee.

In July 2016, the Company made a request to Delhi High Court to enforce the LCIA award in India, and in February 2017, the Company and Tata Sons jointly applied to the Court, requesting that it accept their agreed terms of settlement, subject to such further orders as the court saw fit. In April, 2017, the Court delivered a court decision approving the joint application.

### *Summary of the Court Decision*

1. Recognizing the enforceability of the LCIA Award in India, the court decision orders Tata Sons to remit to DOCOMO the approximately US\$1,180 million (approximately ¥130.0 billion\*) that Tata Sons has deposited with the Court.
2. The court decision orders DOCOMO to assist in the transfer of its shares in TTSL, which have already been tendered as per the LCIA Award, to Tata Sons upon receipt of the US\$1,180 million.

\* US\$1 = ¥110.96 as of May 31, 2017

The remittance will be made after the necessary procedures under Indian regulations are completed. As a result, the timing of actual remittance is uncertain.

For more information regarding this matter, please see "Notes to Consolidated Financial Statements—Investments in affiliates" in Note 6.

Besides the matter described above, 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 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, 2017, NTT, our parent company, was our largest shareholder and owned 66.65% of our outstanding voting shares. We are the largest mobile telecommunications services provider in Japan based on the number of subscriptions.

There are no subsidiaries that are considered to be significant as of March 31, 2017.

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

Our property includes buildings which contain mobile telecommunication equipment. As of March 31, 2017, we and our regional offices owned 3,774,306 square meters of land and 1,635,723 square meters of office space, buildings containing switching centers, company dormitories and warehouses throughout Japan. In addition, as of March 31, 2017, we leased 8,129,147 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, 2017
- Operating Results for the fiscal year ended March 31, 2016
- Segment Information
- Operating Trends and Prospects for the fiscal year ending March 31, 2018

## B. Liquidity and Capital Resources

- Cash Requirements
- Sources of Cash

## 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 74.88 million, which represented 46.0% of all cellular subscriptions in Japan as of March 31, 2017. 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.

In Japan’s telecommunications market, competition has intensified due to the government’s pro-competition policy, the rise of low-cost smartphones offered by Mobile Virtual Network Operators (“MVNOs”)\*<sup>1</sup> and other factors. In addition, we have seen technical advancements in areas such as artificial intelligence (AI), IoT\*<sup>2</sup> and drones, as well as an expansion of customer touchpoints by various service providers leveraging loyalty point programs and other means. These changes have brought about both active competition in the telecommunications market and collaboration with new players from other industries, accelerating competition in new markets that transcend the conventional boundaries of the telecommunications business.

Amid these changes in the market environment, we positioned the fiscal year ended March 31, 2017 as the period to make “a vibrant leap toward further growth” beyond income recovery, and promoted the two pillars of “reinforcement of telecommunications business” and “expansion of smart life business and other businesses.” Our strategy is based on value co-creation, which we call “+d,” through which we pursue the creation of new values by evolving our collaborative activities with a wide range of external partners.

In order to enhance the convenience of our customer loyalty points, “d POINTs,” we made efforts to increase the number of stores participating in the “d POINT” program, including, for example, through our “+d” initiative with McDonald’s Company (Japan), Ltd., which enables customers to accumulate and redeem “d POINTs” at all McDonald’s restaurants in Japan. In another effort to create new value, we launched an over-the-counter insurance consultation service, “DOCOMO Insurance Consultation,” at our docomo Shops. Other projects included the commencement of the “DOCOMO Drone Project,” a series of verification trials using drones for shopping and package delivery services, and verification trials for a self-driving bus utilizing mobile network, which we conducted jointly with various external partners to make advances toward solving social issues.

Meanwhile, we continued to enhance returns to our customers by taking measures to give back to our customers by providing lower cost services, with an emphasis on enriching our “Kake-hodai & Pake-aeru” billing scheme. As a part of such measures, we launched the “docomo Child-Raising Support Program” for families with children, offering additional benefits and convenience and assisting them in making precious memories.

For the fiscal year ended March 31, 2017, despite a decrease in equipment sales revenues and a negative impact on mobile communications services revenues caused by the further expansion of our “Kake-hodai & Pake-aeru” billing scheme for the purpose of enhancing returns to our customers, operating revenues increased by ¥57.5 billion from the previous fiscal year to ¥4,584.6 billion, mainly due to the recovery of telecommunications services revenues as a result of the growth of the packet consumption of our “Kake-hodai & Pake-aeru” billing plan subscribers, the expansion of smartphone use and the demand for tablets and other products purchased as a second mobile device for individual use, and the increase in the number of “docomo Hikari” optical-fiber broadband service users, as well as the growth of our smart life business and other businesses such as “dmarket” and other content services.

Operating expenses decreased by ¥104.2 billion from the previous fiscal year to ¥3,639.8 billion, owing primarily to a decline in depreciation expenses as a result of our change in depreciation method used, a decrease in cost of equipment sold and initiatives to pursue further cost efficiency, and despite an increase in expenses associated with the expansion of “docomo Hikari” revenues and the growth of revenues from our smart life business and other businesses, as well as an increase in expenses associated with the initiatives for enhancing returns to our customers such as “Renewal Points” (reward points for contract renewal) and “docomo Child Raising Support Program.”

As a result, operating income increased by ¥161.7 billion from the previous fiscal year to ¥944.7 billion.

Income before income taxes and equity in net income (losses) of affiliates was ¥949.6 billion, and net income attributable to NTT DOCOMO, INC. increased by ¥104.2 billion from the previous fiscal year to ¥652.5 billion for the fiscal year ended March 31, 2017.

\*1 A business that leases the wireless communication infrastructure of other companies to provide services.

\*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.

## 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, the mobile communications market in Japan saw a 6.25 million net increase in cellular subscriptions for the fiscal year ended March 31, 2017. The total number of cellular subscriptions in Japan grew to 162.73 million as of March 31, 2017, which represented a market penetration rate of approximately 128%. 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 tablets 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 4.0%, 2.5% and 6.0% for the years ended March 31, 2017, 2016 and 2015, respectively.

As of March 31, 2017, cellular services were provided in Japan by three corporate groups of Mobile Network Operators (“MNOs”)\*1, including us, and MVNOs 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\*2 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 44.54 million as of March 31, 2017, increasing sharply from 38.68 million as of March 31, 2016. We expect this trend of expanded subscriptions to our LTE(Xi) service to continue going forward.

In Japan’s mobile phone market, 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 markets in such areas as content and applications for smartphones have expanded. Meanwhile, the competition among the mobile communications service providers has intensified due to the reduction of interconnection rates resulting from the Ministry of Internal Affairs and Communications’ pro-competition policies and other factors, the growth of MVNO businesses and the deployment of sub-brands by other MNOs. In addition, with the use of open platform devices like smartphones and tablets becoming increasingly widespread, competitive services have been offered by OTT\*3 and other players, meaning that the competition in the Japan’s mobile communications market is expected to remain fierce in the future.

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 3.40 million as of March 31, 2017.

Due to technical advancements in areas such as Artificial Intelligence (AI), IoT and drones, and the expansion of customer touchpoints by various service providers leveraging loyalty point programs and other means, we expect to see more active competition and collaboration with new players from other industries, which will further accelerate competition in new markets that transcend the conventional boundaries of the telecommunications business.

Amid these changes in the market environment, positioning the fiscal year ended March 31, 2017 as the period to achieve “a vibrant leap toward further growth” beyond income recovery, we promoted the two pillars of “reinforcement of telecommunications business” and “expansion of smart life business and other businesses.” Based on our “+d” value co-creation strategy, we pursued the creation of new values by evolving our collaborative activities with a wide range of external partners.

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

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

\*3 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 communications quality. By March 31, 2017, we expanded the coverage of our LTE-Advanced service, known as “PREMIUM 4G,” to 1,421 cities across Japan. We also started a communication service that offers Japan’s fastest maximum downlink speed of 682Mbps in selected areas from March 2017 by adopting two new technologies, “256QAM\*<sup>2</sup>” and “4x4 MIMO\*<sup>3</sup>.” We plan to make further upgrades to MIMO and other technical elements in order to continue offering a convenient experience to our customers. In preparation for the introduction of the fifth-generation mobile communications system (5G), which is currently planned to happen around 2020, we will develop services and contents that take advantage of 5G’s unique properties of high-speed and large-capacity transmission, low latency and capability to simultaneously connect with massive number of devices in collaboration with various partners in the railway, automobile, broadcast and other industries. In May 2017, we launched a “5G trial site” where customers can experience these services.

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 billing scheme, “Kake-hodai & Pake-aeru,” to our subscribers. This billing scheme consists of 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. In June 2016, to improve the benefits offered to long-term users, we introduced two new subscription courses for customers completing a two-year contract, allowing them to choose between the “Free Course” and “Zutto DOCOMO Discount Course,” in other words, between subscriptions with or without cancellation fees. At the same time, we raised the amount of monthly discounts offered under the “Zutto DOCOMO Discount” program and started offering “Renewal Points” to customers renewing their subscription contracts. In September 2016, we launched the “Ultra Pack,” which is designed for customers with high data usage. In October 2016, we introduced two new plans for LTE-enabled docomo Feature Phone users: “Kake-hodai Light Plan (for feature phone),” which provides for a monthly flat rate domestic voice calls of under five minutes, and “Keitai Pack,” a two-tier rate plan for packet data communications. From November 2016, we started offering the “Kids’ Keitai Plus” rate plan for customers using our “Kids’ Phone.” Starting in January 2017, to cater to users with limited data usage, we enabled users to bundle the “Kake-hodai Light Plan (for smartphones/tablets)” with “Data S Pack.” In May 2017, we added a new basic plan for customers who basically make calls with their family members, “Simple Plan,” and a new data sharing package, “Ultra Share Pack 30.” In June 2017, we launched a new plan “docomo with” for customers who plan to use one handset for an extended period, which provides a ¥1,500 discount from basic monthly charges if customers purchase certain designated handsets.

To further increase the uptake of our “docomo Hikari” optical-fiber broadband service, in April 2016, we introduced the “docomo Hikari Denwa” IP telephone service and the “docomo Hikari TV Option” IP TV service. In December 2016, we introduced “docomo Hikari Type C” which allows subscribers to use the wholesale FTTH\*<sup>4</sup> and Internet access services offered by our partner cable TV operators as a set. In February 2017, we released “docomo Hikari Router 01,” a home Wi-Fi router that comes together with a remote assistance service for setting up Internet access and Wi-Fi environments. Simultaneously, we commenced “docomo Hikari Router Security,” a new service that protects users from various Internet security threats. As a result of these initiatives, subscribers can use “docomo Hikari” services easily, conveniently and free from concerns.

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 services provided on our “dmarket” marketplace and enrich the content of our offerings, including the launch of “dhealthcare pack,” a package of health-related services in April 2016, and “dliving,” which offers a broad range of helpful livelihood-assistance services, in July 2016. As a consequence of such efforts, the combined number of “dmarket” subscriptions\*<sup>5</sup> reached 16.08 million as of March 31, 2017. We plan to launch two new services in 2017; “denjoypass,” in summer 2017, which offers

complimentary benefits from more than 50 thousand services such as leisure, sports and gourmet, and “djob,” in fall 2017, which provides “job offer information” as well as information about “smartphone work” which enables users to work for a couple of hours at any time using smartphones or other devices over the Internet. “djob” is a new platform that enables users to search and apply for part-time, temporary or permanent job opportunities, as well as “smartphone work,” such as crowdsourcing work and responding to Internet questionnaires, through smartphones, tablets or personal computers.

In order to encourage the adoption of our “d CARD” credit card service, we started supporting Apple Inc.’s “Apple Pay” on “d CARD” as well as our “iD” contactless payment service from October 2016. Toward the realization of the expansion of our smart life business, in February 2017, in collaboration with the Perform Group, we launched a new sports content service, “DAZN for docomo,” which offers both live and on-demand video with unlimited access to popular sports programs from Japan and abroad.

In order to enhance the convenience of “d POINTs,” we made efforts to increase the number of stores participating in the “d POINT” program, including, for example, through our “+d” initiative with McDonald’s Company (Japan), Ltd., which enables customers to accumulate and redeem “d POINTs” at all McDonald’s restaurants in Japan. Through these initiatives, the total number of “+d” partners grew to 236 as of March 31, 2017 from 106 as of March 31, 2016.

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

\*2 Abbreviation of Quadrature Amplitude Modulation. One of the digital modulation schemes used in radio towers which enables efficient transmission of data with limited bandwidth, due to the expression of information using both the amplitude and phase of the radio wave post modulation.

\*3 Abbreviation of Multiple Input Multiple Output. A technology that aims to improve the throughput by transmitting and receiving multiple data simultaneously using 4 antennas at both the data transmitting end (base station) and receiving end (device).

\*4 Abbreviation of Fiber To The Home. A model that provides services by combining the optical fiber services offered from NTT East, NTT West, cable TV operator or other providers in a wholesale arrangement with the service provider’s own offerings.

\*5 The total number of users using “dTV,” “danime store,” “dhits,” “dkids,” “dmagazine,” “dgourmet,” “dhealthcare pack” and “ddiving” 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 implemented in May 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.

## Operating Results for the fiscal year ended March 31, 2017

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2017. The tables below describe selected data from our consolidated statements of income for the fiscal years ended March 31, 2017 and 2016:

### Breakdown of Financial Information

	Millions of yen			
	Years ended March 31			
	2016	2017	Increase (Decrease)	Change (%)
<b>Operating revenues:</b>				
Telecommunications services	¥ 2,815,507	¥ <b>2,985,094</b>	¥ 169,587	6.0 %
Mobile communications services revenues	2,767,591	<b>2,843,962</b>	76,371	2.8 %
–Voice revenues <sup>(1)</sup>	849,440	<b>875,203</b>	25,763	3.0 %
–Packet communications revenues	1,918,151	<b>1,968,759</b>	50,608	2.6 %
Optical-fiber broadband service and other telecommunications services revenues	47,916	<b>141,132</b>	93,216	194.5 %
Equipment sales	860,486	<b>719,161</b>	(141,325)	(16.4)%
Other operating revenues	851,091	<b>880,297</b>	29,206	3.4 %
<b>Total operating revenues</b>	<b>4,527,084</b>	<b>4,584,552</b>	57,468	1.3 %
<b>Operating expenses:</b>				
Cost of services	1,248,553	<b>1,335,457</b>	86,904	7.0 %
Cost of equipment sold	881,471	<b>792,145</b>	(89,326)	(10.1)%
Depreciation and amortization	625,934	<b>452,341</b>	(173,593)	(27.7)%
Impairment loss <sup>(2)</sup>	17,683	<b>12,205</b>	(5,478)	(31.0)%
Selling, general and administrative <sup>(2)</sup>	970,419	<b>1,047,666</b>	77,247	8.0 %
<b>Total operating expenses</b>	<b>3,744,060</b>	<b>3,639,814</b>	(104,246)	(2.8)%
<b>Operating income</b>	783,024	<b>944,738</b>	161,714	20.7 %
<b>Other income (expense), net</b>	(5,003)	<b>4,825</b>	9,828	—
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	778,021	<b>949,563</b>	171,542	22.0 %
<b>Income taxes</b>	211,719	<b>287,679</b>	75,960	35.9 %
<b>Income before equity in net income (losses) of affiliates</b>	566,302	<b>661,884</b>	95,582	16.9 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(5,060)	<b>(11,273)</b>	(6,213)	(122.8)%
<b>Net income</b>	561,242	<b>650,611</b>	89,369	15.9 %
Less: Net (income) loss attributable to noncontrolling interests	(12,864)	<b>1,927</b>	14,791	—
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ 548,378	¥ <b>652,538</b>	¥ 104,160	19.0 %

(1) Inclusive of circuit switched data communications

(2) Impairment losses of goodwill and unamortizable intangible assets, which had previously been included in “Selling, general and administrative” of the consolidated statements of income, have been recorded as “Impairment loss” of the consolidated statements of income for the fiscal year ended March 31, 2017. Accordingly “Impairment loss” for the fiscal year ended March 31, 2016 in the above table has also been reclassified to conform to the presentation used for the fiscal year ended March 31, 2017.

*Analysis of operating results for the fiscal year ended March 31, 2017 and comparison with the prior fiscal year*

Operating revenues for the fiscal year ended March 31, 2017 were ¥4,584.6 billion, an increase of ¥57.5 billion, or 1.3%, from ¥4,527.1 billion for the prior fiscal year. Telecommunications services revenues for the fiscal year ended March 31, 2017 were ¥2,985.1 billion, an increase of ¥169.6 billion, or 6.0%, compared to ¥2,815.5 billion for the prior fiscal year. Of these, mobile communications services revenues increased by ¥76.4 billion, or 2.8%, from ¥2,767.6 billion for the prior fiscal year, to ¥2,844.0 billion. Voice revenues increased by ¥25.8 billion, or 3.0%, to ¥875.2 billion from ¥849.4 billion for the prior fiscal year. The growth in voice revenues was due to the effect of increased subscriptions to the flat-rate domestic calling service resulting from subscribers' migration to the "Kake-hodai & Pake-aeru" billing plan, which exceeded the negative impact from the expanded adoption of the "Monthly Support" discount program. "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, 2017 recorded an increase of ¥50.6 billion, or 2.6%, to ¥1,968.8 billion from ¥1,918.2 billion for the prior fiscal year. This growth was attributable to the positive revenue impact associated with increased smartphone usage, the heightened demand for a secondary mobile device as a result of our sales promotion efforts of tablets, and subscribers' migration to larger data buckets of our billing plan "Kake-hodai & Pake-aeru." The total number of LTE(Xi) service subscriptions as of March 31, 2017 grew to 44.54 million, and the total number of smartphones and tablets sold during the 12-month period through March 31, 2017 reached 15.03 million units.

Optical-fiber broadband services and other telecommunications services revenues for the fiscal year ended March 31, 2017 were ¥141.1 billion, an increase of ¥93.2 billion, or 194.5%, from ¥47.9 billion for the prior fiscal year. This increase was 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, 2017 increased ¥40, or 3.3%, to ¥1,250 from ¥1,210 for the prior fiscal year. Packet ARPU for the fiscal year ended March 31, 2017 was ¥2,990, up ¥80, or 2.7%, from ¥2,910 for the prior fiscal year. "docomo Hikari" ARPU for the fiscal year ended March 31, 2017 was ¥190, recording an increase of ¥140, or 280.0%, from ¥50 for the prior fiscal year, which was primarily due to an increase in "docomo Hikari" revenues as a result of an increase in "docomo Hikari" subscriptions during the fiscal year ended March 31, 2017.

Equipment sales revenues decreased by ¥141.3 billion, or 16.4%, to ¥719.2 billion for the fiscal year ended March 31, 2017 from ¥860.5 billion for the prior fiscal year, because of an increase in the proportion, as compared to the total number of handset sold, of smartphones and tablets sold at relatively lower prices per unit, as well as a decline in the total number of handsets sold to agent resellers.

Other operating revenues increased by ¥29.2 billion, or 3.4%, from ¥851.1 billion for the prior fiscal year to ¥880.3 billion for the fiscal year ended March 31, 2017. 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 our "Mobile Device Protection Service" due to the growth in the number of "Mobile Device Protection Service" contracts, the growth in total transaction amount handled by our credit services including "d CARD" credit services and a rise in revenues from "dmarket" resulting from an increase in subscribers of "dmarket" monthly subscription services in "dmarket."

Operating expenses decreased by ¥104.2 billion, or 2.8%, from ¥3,744.1 billion for the prior fiscal year to ¥3,639.8 billion for the fiscal year ended March 31, 2017.

Cost of services, which represents the expenses we incur directly in connection with providing our customers with telecommunications services and/or other services offered by our subsidiaries, increased by

¥86.9 billion, or 7.0%, from ¥1,248.6 billion for the prior fiscal year to ¥1,335.5 billion for the fiscal year ended March 31, 2017, 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 agent resellers who then sells to our new or current subscribers, decreased by ¥89.3 billion, or 10.1%, to ¥792.1 billion from ¥881.5 billion for the prior fiscal year primarily due to an increase in the proportion, as compared to the total number of handsets sold, of smartphones and tablets sold at relatively lower prices, per unit as well as decline in the total number of handsets sold to agent resellers.

Depreciation and amortization expenses decreased by ¥173.6 billion, or 27.7%, to ¥452.3 billion from ¥625.9 billion for the prior fiscal year, due to the change in depreciation method used (from previously declining-balance method to straight-line method) for property, plant and equipment with the exception of buildings.

Impairment loss totaled ¥12.2 billion, posting a decline of ¥5.5 billion, or 31.0%, from ¥17.7 billion for 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 that we acquired during the fiscal year ended March 31, 2016. The impairment loss recorded in the fiscal year ended March 31, 2017 was primarily due to the impairment of goodwill on reporting units related to our subsidiaries.

Selling, general and administrative expenses increased by ¥77.2 billion, or 8.0%, to ¥1,047.7 billion from ¥970.4 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 our “d POINT” customer loyalty program. The increase in selling, general and administrative expenses was due mainly to growth in expenses incurred in relation to our “d POINT” program, and a rise in commissions paid to agent resellers associated with new “docomo Hikari” subscriptions.

As described above, operating expenses for the fiscal year ended March 31, 2017 recorded a decrease over the prior fiscal year, as the increase in cost of services and selling, general and administrative expenses was more than offset by the respective declines in cost of equipment sold, depreciation and amortization expenses and impairment loss.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2017 increased by ¥161.7 billion, or 20.7%, from ¥783.0 billion for the prior fiscal year to ¥944.7 billion. Accordingly, our operating income margin improved from 17.3% for the prior fiscal year to 20.6%.

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, 2017, as compared to recording other expense of ¥5.0 billion in the prior fiscal year. While ¥13.1 billion in losses were incurred during the fiscal year ended March 31, 2016 in connection with the disposition of a consolidated subsidiary, no such losses were incurred during the fiscal year ended March 31, 2017.

As a result of the foregoing, income before income taxes and equity in net income (losses) of affiliates increased by ¥171.5 billion, or 22.0%, to ¥949.6 billion for the fiscal year ended March 31, 2017 from ¥778.0 billion for the prior fiscal year.

Income taxes increased by ¥76.0 billion, or 35.9%, from ¥211.7 billion for the prior fiscal year to ¥287.7 billion for the fiscal year ended March 31, 2017. This was mainly due to 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, 2017 and 2016 was 30.3% and 27.2%, respectively.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates increased by ¥6.2 billion, or 122.8%, to ¥11.3 billion for the fiscal year ended March 31, 2017 from ¥5.1 billion for the prior fiscal year. The primary reason for the increase in equity in net losses of affiliates for the fiscal year ended March 31, 2017 was due to the impairment loss on Hutchison Telephone Company Limited.

As a result of the foregoing, we reported ¥652.5 billion in net income attributable to NTT DOCOMO, INC., representing an increase of ¥104.2 billion, or 19.0%, from ¥548.4 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, 2017 and 2016 are provided below:

	Years ended March 31			
	2016	2017	Increase (Decrease)	Change (%)
<b>Cellular</b>				
Subscriptions (thousands) . . . . .	70,964	<b>74,880</b>	3,916	5.5 %
LTE(Xi) services . . . . .	38,679	<b>44,544</b>	5,865	15.2 %
FOMA services . . . . .	32,285	<b>30,336</b>	(1,949)	(6.0)%
Including: “Kake-hodai & Pake-aeru” . . . . .	29,704	<b>37,066</b>	7,362	24.8 %
Market Share (%) <sup>(1)(2)</sup> . . . . .	45.3	<b>46.0</b>	0.7	—
Aggregate ARPU (yen/month/subscription) <sup>(3)</sup> . . . . .	4,170	<b>4,430</b>	260	6.2 %
Voice ARPU <sup>(4)</sup> . . . . .	1,210	<b>1,250</b>	40	3.3 %
Data ARPU . . . . .	2,960	<b>3,180</b>	220	7.4 %
Packet ARPU . . . . .	2,910	<b>2,990</b>	80	2.7 %
“docomo Hikari” ARPU . . . . .	50	<b>190</b>	140	280.0 %
MOU (minutes/month/subscription) <sup>(3)(5)</sup> . . . . .	133	<b>137</b>	4	3.0 %
Churn Rate (%) <sup>(2)</sup> . . . . .	0.62	<b>0.59</b>	(0.03)	—

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

#### Definition of ARPU

Aggregate ARPU: Voice ARPU + Packet ARPU + “docomo Hikari” ARPU  
Voice ARPU: Voice ARPU Related Revenues (basic monthly charges, voice communication charges) / number of active users  
Data ARPU: Packet ARPU + “docomo Hikari” ARPU  
Packet ARPU: Packet ARPU Related Revenues (basic monthly charges, packet communication charges) / number of active users  
“docomo Hikari” ARPU: A part of other operating revenues (basic monthly 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 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.

## 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 statement 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 <sup>(1)</sup> . . . . .	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>	<u>4,383,397</u>	<u><b>4,527,084</b></u>	<u>143,687</u>	<u>3.3 %</u>
<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 <sup>(2)</sup> . . . . .	30,161	<b>17,683</b>	(12,478)	(41.4)%
Selling, general and administrative <sup>(2)</sup> . . . . .	1,041,802	<b>970,419</b>	(71,383)	(6.9)%
<b>Total operating expenses . . . . .</b>	<u>3,744,326</u>	<u><b>3,744,060</b></u>	<u>(266)</u>	<u>(0.0)%</u>
<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>	<u>¥ 410,093</u>	<u>¥ <b>548,378</b></u>	<u>¥ 138,285</u>	<u>33.7 %</u>

(1) Inclusive of circuit switched data communications

(2) Impairment losses of goodwill and unamortizable intangible assets, which had previously been included in “Selling, general and administrative” of the consolidated statements of income, have been recorded as “Impairment loss” of the consolidated statements of income for the fiscal year ended March 31, 2017. Accordingly “Impairment loss” for the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2015 in the above table has also been reclassified to conform to the presentation used for the fiscal year ended March 31, 2017.

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

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 ¥30.9 billion, or 1.1%, from ¥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 positive effect on revenues of subscribers’ migration to the “Kake-hodai & Pake-aeru” 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 tablets and sales promotion efforts, and subscribers’ migration to larger data buckets of our billing plan “Kake-hodai & 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 and tablets 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 tablets, 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 “dmarket” monthly subscription services 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.

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.

Impairment loss totaled ¥17.7 billion, posting a decline of ¥12.5 billion, or 41.4%, 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 primarily due to the impairment of goodwill on reporting units related to our subsidiaries and the impairment of long-lived assets related to multimedia broadcasting business for mobile devices that we acquired during the same year.

Selling, general and administrative expenses decreased by ¥71.4 billion, or 6.9%, to ¥970.4 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 “d POINT” and “docomo Point Service” customer loyalty programs. The decline in selling, general and administrative expenses was due mainly to decreases in expenses incurred in relation to “d POINT” and “docomo Point Service,” expenses for collection of bills and commissions paid to agent resellers.

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 TTSL was offset by the equity in income of other affiliates including Sumitomo Mitsui Card Co., Ltd. and PLDT Inc. 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.

As a result of the foregoing, we reported ¥548.4 billion in net income attributable to NTT DOCOMO, INC. for the fiscal year ended March 31, 2016, 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: “Kake-hodai & Pake-aeru” .....	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)</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 <sup>(6)</sup> .....	0	<b>50</b>	50	—
MOU (minutes/month/subscription) <sup>(3)(5)</sup> .....	122	<b>133</b>	11	9.0 %
Churn Rate (%) <sup>(2)</sup> .....	0.61	<b>0.62</b>	0.01	—

- (1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association and MNO.
- (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) “docomo Hikari” optical-fiber broadband service was launched in March 2015.

#### Definition of ARPU

Aggregate ARPU: Voice ARPU + Packet ARPU + “docomo Hikari” ARPU  
Voice ARPU: Voice ARPU Related Revenues (basic monthly charges, voice communication charges) / number of active users  
Data ARPU: Packet ARPU + “docomo Hikari” ARPU  
Packet ARPU: Packet ARPU Related Revenues (basic monthly charges, packet communication charges) / number of active users  
“docomo Hikari” ARPU: A part of other operating revenues (basic monthly 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 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				
	Years ended March 31				
	2015	2016	2017	Increase (Decrease) 2016 vs 2015	Increase (Decrease) 2017 vs 2016
<b>Segment operating revenues</b> . . . . .	¥3,654,565	¥3,689,779	<b>¥3,711,156</b>	¥ 35,214	¥ 21,377
<b>Segment operating expenses</b> . . . . .	3,018,489	2,980,925	<b>2,878,358</b>	(37,564)	(102,567)
<b>Segment operating income (loss)</b> . . . . .	<u>¥ 636,076</u>	<u>¥ 708,854</u>	<u><b>¥ 832,798</b></u>	<u>¥ 72,778</u>	<u>¥ 123,944</u>

Operating revenues in the telecommunications business segment are mainly derived from telecommunications services and equipment sales. For the fiscal year ended March 31, 2017, operating revenues from our telecommunications business segment increased by ¥21.4 billion, or 0.6%, to ¥3,711.2 billion from ¥3,689.8 billion for the prior fiscal year. Telecommunications services revenues recorded an increase of ¥165.1 billion, or 5.9%, to ¥2,942.5 billion from ¥2,777.5 billion in the prior fiscal year. Mobile communications service revenues, a part of telecommunications services revenues consisting of voice revenues and packet communications revenues, grew by ¥72.7 billion, or 2.7%, to ¥2,802.5 billion in the fiscal year ended March 31, 2017 from ¥2,729.8 billion in the prior fiscal year. The increase in mobile communications services revenues in the telecommunications business was due primarily to the effects of expanded smartphone use and increased data (packet) usage of customers owning multiple mobile devices as a result of our sale promotion efforts of tablets and subscribers’ migration to relatively higher-end rate plans of our billing plan “Kake-hodai & Pake-aeru,” which more than offset the negative impact of the increase in the number of customers subscribing to lower-rate billing plans due to measures we took to reduce costs to our customers, such as the introduction of “Ultra Pack” and the expansion of “Packet Packs” that can be applied to the “Kake-hodai Light” rate plan. 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 ¥92.4 billion, or 194.0%, to ¥140.0 billion from ¥47.6 billion in the prior fiscal year. The principal reason for this increase was the significant growth in the number of subscriptions to our “docomo Hikari” optical-fiber broadband service, the total number of subscriptions of which reached 3.40 million as of March 31, 2017, an increase of 1.84 million, or 117.2%, as compared to 1.57 million subscriptions as of March 31, 2016. Revenues from equipment sales, on the other hand, decreased by ¥139.8 billion, or 16.3%, to ¥716.8 billion from ¥856.6 billion in the prior fiscal year, due to an increase in the proportion, as compared to the total number of handsets sold, of smartphones and tablets sold at relatively lower prices per unit and a decline in the number of wholesale devices sold to agent resellers. Operating revenues of the telecommunications business segment represented 80.4% of the total of segment operating revenues in the fiscal year ended March 31, 2017, as compared to 81.0% in the prior fiscal year. Operating expenses for the telecommunications business segment

decreased by ¥102.6 billion, or 3.4%, to ¥2,878.4 billion from ¥2,980.9 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, and expenses relating to our "d POINT" program such as "Renewal Points" and "docomo Child Raising Support Program," operating expenses for the telecommunications business segment recorded a year-on-year decrease due mainly to a reduction in depreciation expenses resulting from the change in depreciation method used (from previously declining-balance to straight-line method) for property, plant and equipment with the exception of buildings, the decrease in cost of equipment sold, our continuous efforts for cost efficiency improvement across the entire company and other factors. As a result of the foregoing, operating income from the telecommunications business segment for the fiscal year ended March 31, 2017 amounted to ¥832.8 billion, up ¥123.9 billion, or 17.5%, compared to ¥708.9 billion for the prior fiscal year, due largely to the increase of mobile communications services revenues, the growth in the number of "docomo Hikari" subscriptions, and savings on network-related expenses including the effect of the change in depreciation method.

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 effects of increased data (packet) usage of customers owning multiple mobile devices as a result of our improved tablet lineup and sale promotion efforts and subscribers' migration to relatively higher-end rate plans of our billing plan "Kake-hodai & 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 reason for this increase was the introduction, in March 2015, of our "docomo Hikari" optical-fiber broadband service, which reached 1.57 million subscriptions 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 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 tablets, 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.

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, 2017” and “Operating Results for the fiscal year ended March 31, 2016” discussed above as well as “Operating Trends and Prospects for the fiscal year ending March 31, 2018” in the following section.

### *Smart life business*

	Millions of yen				
	Years ended March 31				
	2015	2016	2017	Increase (Decrease) 2016 vs 2015	Increase (Decrease) 2017 vs 2016
<b>Segment operating revenues</b> . . . . .	¥443,320	¥504,129	<b>¥501,918</b>	¥ 60,809	¥ (2,211)
<b>Segment operating expenses</b> . . . . .	445,714	457,679	<b>443,999</b>	11,965	(13,680)
<b>Segment operating income (loss)</b> . . . . .	¥ (2,394)	¥ 46,450	<b>¥ 57,919</b>	¥ 48,844	¥ 11,469

For the fiscal year ended March 31, 2017, operating revenues from the smart life business segment decreased by ¥2.2 billion, or 0.4%, to ¥501.9 billion from ¥504.1 billion in the prior fiscal year. The decrease was primarily due to a decrease in revenues from group companies, which outweighed the expansion of “dmarket”-related revenues resulting from an increase in the number of subscribers to “dmarket” monthly subscription services, as well as an increase in revenues from credit services. Operating revenues of the smart life business segment represented 10.9% of the total of segment operating revenues in the fiscal year ended March 31, 2017 and 11.1% in the prior fiscal year. Operating expenses of the smart life business segment decreased by ¥13.7 billion, or 3.0%, from ¥457.7 billion in the prior fiscal year to ¥444.0 billion in the fiscal year ended March 31, 2017, due to a decline in revenue-linked expenses at our group companies, which more than offset an increase in expenses associated with the expansion of revenues from “dmarket.” As a result, the operating income of the smart life business segment in the fiscal year ended March 31, 2017 amounted to ¥57.9 billion, improving by ¥11.5 billion, or 24.7%, from ¥46.5 billion in the prior fiscal year.

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” 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.

## Other businesses

	Millions of yen				
	Years ended March 31				
	2015	2016	2017	Increase (Decrease) 2016 vs 2015	Increase (Decrease) 2017 vs 2016
Segment operating revenues	¥313,492	¥359,276	¥400,400	¥ 45,784	¥ 41,124
Segment operating expenses	308,103	331,556	346,379	23,453	14,823
Segment operating income (loss)	¥ 5,389	¥ 27,720	¥ 54,021	¥ 22,331	¥ 26,301

Operating revenues from other businesses segment increased by ¥41.1 billion, or 11.4%, from ¥359.3 billion in the prior fiscal year to ¥400.4 billion for the fiscal year ended March 31, 2017. The principal reasons for this increase included the increase in the number of “Mobile Device Protection Service” subscriptions and the expansion of revenues from IoT business-related services. Operating revenues of the other businesses segment represented 8.7% of total of segment operating revenues in the fiscal year ended March 31, 2017 and 7.9% in the prior fiscal year. Operating expenses from other businesses segment increased by ¥14.8 billion, or 4.5%, from ¥331.6 billion in the prior fiscal year to ¥346.4 billion. The increases in operating expenses were primarily due to a rise in revenue-linked expenses of “Mobile Device Protection Service” and other services. Consequently, operating income from the other businesses segment for the fiscal year ended March 31, 2017 increased by ¥26.3 billion, or 94.9% to ¥54.0 billion from ¥27.7 billion for the prior fiscal year.

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, or 414.4% to ¥27.7 billion from ¥5.4 billion for the prior fiscal year.

### Operating Trends and Prospects for the fiscal year ending March 31, 2018

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, 2018.

#### 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 new subscriptions 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 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, 2017 reached 44.54 million, recording an increase of 15.2% compared to the number 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 the “Kake-hodai & Pake-aeru” billing scheme 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 enabled us to maintain our subscription churn rate at very low levels, namely, 0.61% for the fiscal year ended March 31, 2015, 0.62% for the fiscal year ended March 31, 2016 and 0.59% for the fiscal year ended March 31, 2017. Going forward, we plan to employ measures aimed at lowering the churn rate by adding new rate options to our 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, 2017 increased by 5.5% 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, 2018 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, 2017 due primarily to expanded smartphone use and the effects of increased data (packet) usage of customers owning multiple mobile devices as a result of our sale promotion efforts of tablets and subscribers’ migration to relatively higher-end rate plans of our “Kake-hodai & Pake-aeru” billing scheme, which more than offset the negative impact of the increase in the number of customers subscribing to lower-rate billing plans due to measures we took to reduce costs to our customers, such as the introduction of “Ultra Pack” and the expansion of “Packet Packs” that can be applied to the “Kake-hodai Light” rate plan.

The “Kake-hodai & Pake-aeru” billing scheme 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 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 “Kake-hodai & Pake-aeru” scheme has been well received, with the number of subscribers using the plan rising to 37.07 million as of March 31, 2017. During the fiscal year ended March 31, 2015, the “Kake-hodai & Pake-aeru” billing scheme had a negative effect on revenues as subscribers who found it beneficial to switch to the scheme grew at a faster pace than anticipated. In the fiscal year ended March 31, 2016, however, the negative revenue impact caused by this billing scheme 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 scheme and the packet revenue-boosting effect achieved through our efforts to migrate subscribers to the higher-end plans of the billing scheme. In the fiscal year ended March 31, 2017, although the positive revenue impact from active migration of subscribers to higher-end plans with higher monthly rates expanded, the measures we took to reduce costs to our customers had a negative effect on our revenues. In the fiscal year ending March 31, 2018, we expect that the negative revenue

impact caused by the initiatives aimed at enhancing returns to our customers by providing lower cost of services will outweigh the positive impact caused by subscribers' migration to higher-end plans.

Voice revenues of the mobile communications services revenues recorded a year-on-year increase of 3.0% during the fiscal year ended March 31, 2017, because the progress in subscribers' migration to the "Kake-hodai & Pake-aeru" billing scheme brought an increase in revenues. We expect voice revenues for the fiscal year ending March 31, 2018 to increase because, although the negative revenue impact from the enhanced measures to reduce costs to our customers is likely to expand, the negative impact from "Monthly Support" discount program is projected to become less significant.

Packet communications revenues of the mobile communications services revenues for the fiscal year ended March 31, 2017 grew by 2.6% from the prior fiscal year due to expanded demand for a secondary mobile device owing to our sales promotion efforts of tablets, and the revenue-boosting effect caused by subscribers' migration to higher-end plans of "Kake-hodai & Pake-aeru." We believe that our packet communications revenues will remain flat in the fiscal year ending March 31, 2018, because, while we expect the expanded adoption of smartphones, heightened demand for a secondary mobile device resulting from our sales promotion of tablets and our continued endeavors to migrate subscriptions to higher-end plans with higher monthly rates will generate increased revenues, this will likely be offset by the negative impact from stepped up measures to reduce costs to our customers. The contribution of packet communications revenues to our mobile communications services revenues remain high, and accounted for 67.7%, 69.3% and 69.2% of mobile communications services revenues for the fiscal year ended March 31, 2015, 2016 and 2017, respectively.

As a result of the "Guidelines for Optimization of Purchase Subsidies for Smartphone Terminals" implemented in April 2016 and revised in February 2017 by the Ministry of Internal Affairs and Communications, we believe the focus of competition in the market will shift from handset prices to telecommunications services going forward. To meet customers' diverse requirements, we have strived to enrich our "Kake-hodai & Pake-aeru" billing scheme, for example, by expanding the discounts offered to long-term users in June 2016 and adding a new large data bucket to our "Packet Pack" offerings in September 2016. Although these efforts are expected to cause negative impact on revenues in the fiscal year ending March 31, 2018, we believe we can absorb such impact through our cost efficiency improvement measures, and also because the stronger customer retention effects of these new billing options are expected to result in reduced mobile service contract terminations.

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 "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 services 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 acquire new subscriptions to our mobile phone services and prevent cancellations. With the goal of further expanding the uptake of "docomo Hikari," we launched "docomo Hikari Denwa" fixed-line IP telephone service and "docomo Hikari TV Option" IP TV service in April 2016, and from December 2016 "docomo Hikari Type C," which allows subscribers to use the optical-fiber broadband and Internet access services offered by our partner cable TV operators as a set. Further, in February 2017, we released "docomo Hikari Router 01," a home Wi-Fi router that comes together with a remote assistance service for setting up Internet access and Wi-Fi environments. Simultaneously, we commenced "docomo Hikari Router Security," a security service that provides users with protections against various threats from the Internet. 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, 2017 grew by 194.5% 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, 2018 because the number of "docomo Hikari" optical-fiber broadband service subscriptions is projected to grow further.

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, we forecast an increase in the fiscal year ending March 31, 2018, despite the expansion of negative revenue impact from stepped up measures to reduce costs to our customers, as the negative impact from the “Monthly Support” discount program is projected to moderate. The Packet ARPU, on the other hand, is expected to remain flat due mainly to the increased negative revenue impact from stepped up measures to reduce costs to our customers, and even though we have seen a growth trend in recent years due to the expanded use of smartphones, heightened demand for a secondary mobile device as a result of our sales promotion of tablets and our efforts to migrate customers to higher-end plans with higher monthly rates. We believe that “docomo Hikari” ARPU will increase in the fiscal year ending March 31, 2018 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. Because of the rise in the proportion, as compared to the total number of devices sold, of smartphones and tablets sold at relatively lower sales prices per unit as well as a decrease in the total number of devices sold to agent resellers, revenues from equipment sales for the fiscal year ended March 31, 2017 decreased by 16.4% compared to the prior fiscal year. However, we expect our equipment sales revenues for the fiscal year ending March 31, 2018 to increase over the prior year, as we forecast a reduction in the amount of sales commissions and other costs to be deducted from equipment sales revenues under the changing competitive circumstances of Japan’s mobile communications market caused by the government’s pro-competition policy, smartphones being offered at lower prices by MVNOs and other factors.

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, 2018, 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 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, 2018.

Furthermore, the revenues derived from “dmarket”—our content marketplace 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.), “danime store” (a distribution platform for animations), “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, 2017, we started offering new services through our “dmarket” portal, including the launch in April 2016 of “dhealthcare pack” to offer an integrated package of health-related services, and in July 2016 of “dliving,” a package that combines various helpful services for everyday life. Meanwhile, we also worked to offer more compelling contents through each “dmarket” store. As a consequence, the combined subscriptions to “dTV,” “danime store,” “dhits,” “dkids,” “dmagazine,” “dgourmet,” “dhealthcare pack” and “dliving” that offer contents for a prescribed monthly subscription fee grew to 16.08 million as of March 31, 2017, and revenues from “dmarket” recorded an increase compared to the prior fiscal year. We project that the revenues we receive through “dmarket” will remain solid going forward.

From October 2016, our “d CARD” credit card service and our “iD” contactless payment service started supporting Apple Pay. The amount of transactions handled by our credit services such as “d CARD” has 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, 2018.

As a result of the foregoing, other operating revenues for the fiscal year ended March 31, 2017 increased by 3.4% compared to the prior fiscal year. We project other operating revenues for the fiscal year ending March 31, 2018 to remain the same level from the previous fiscal year.

Accordingly, we expect that the operating revenues will grow in the fiscal year ending March 31, 2018.

### *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.” Cost of services accounted for 36.7% of our total operating expenses for the fiscal year ended March 31, 2017. 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 24.0% and 24.7% of the total cost of services, respectively, for the fiscal year ended March 31, 2017. 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, 2017 increased by 7.0% 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, 2018, cost of services is expected to continue to rise in that fiscal year.

#### *(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 21.8% of our operating expenses for the fiscal year ended March 31, 2017. The cost of equipment sold for the fiscal year ended March 31, 2017 decreased by 10.1% compared to the prior fiscal year, primarily due to a rise in the proportion, as compared to the total number of handsets sold, of smartphones and tablets sold at relatively lower prices per unit, and a decline in the total number of handsets sold to agent resellers. For the fiscal year ending March 31, 2018, cost of equipment sold is also expected to remain the same level from the fiscal year ended March 31, 2017.

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

Depreciation and amortization expenses accounted for 12.4% of our operating expenses for the fiscal year ended March 31, 2017. As a result of a change in depreciation method used (from previously declining-balance to straight-line method) for property, plant and equipment with the exception of buildings, depreciation and amortization expenses for the fiscal year ended March 31, 2017 decreased by 27.7% from the prior fiscal year. For the fiscal year ending March 31, 2018, we expect depreciation and amortization expenses to increase due to the capital investments made in the past to accommodate the increase in traffic and expand the area coverage of LTE-Advanced service and other factors. 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 28.8% of our total operating expenses for the fiscal year ended March 31, 2017. The primary components included in our selling, general and administrative expenses are those 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” program, 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, 2017 increased by 8.0% from the prior fiscal year as a result of a growth in expenses related to “d POINT” program and commissions paid to agent resellers for the acquisition of new “docomo Hikari” subscriptions. We expect our selling, general and administrative expenses for the fiscal year ending March 31, 2018 to record a continuing increase due to a rise in expenses related to the “d POINT” program.

Therefore, because of the projected growth in cost of services, depreciation and amortization and selling, general and administrative expenses, we expect operating expenses for the fiscal year ending March 31, 2018 to increase compared to the fiscal year ended March 31, 2017.

As a result of the foregoing, we expect operating income for the fiscal year ending March 31, 2018 to record a year-on-year increase over the fiscal year ended March 31, 2017 despite the projected rise in operating expenses, because operating revenues are expected to grow at a faster pace.

We may recognize a gain if the transfer of Tata Teleservices Limited shares with the remittance from Tata Sons Limited is completed. Please refer to Note 6 to our consolidated financial statements for further information.

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

### **Cash Requirements**

Our cash requirements for the fiscal year ending March 31, 2018 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, 2017, we made progress in building a robust network pursuing “further comfort of access” 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 69,700 as of March 31, 2017 from 22,800 as of March 31, 2016. We also started a communication service that offers Japan’s fastest maximum downlink speed of 682Mbps in selected cities from March 2017. In an effort to further improve the area coverage of our LTE service, we increased the total number of LTE-enabled base stations to 161,900 as of March 31, 2017 from 138,100 as of March 31, 2016.

Total capital expenditures for the fiscal years ended March 31, 2017, 2016 and 2015 were ¥597.1 billion, ¥595.2 billion and ¥661.8 billion, respectively. Our capital expenditures for the fiscal year ended March 31, 2017 recorded an increase of ¥1.9 billion, or 0.3%, compared to the prior fiscal year as a result of our aggressive efforts to integrate and/or expand the capacity of our facilities with the introduction of high-performance equipment for the purpose of reducing our future network operation costs, while at the same time pursuing cost efficiency improvements for the wireless telecommunications network toward the goal of further strengthening our management foundation. For the fiscal year ended March 31, 2017, 96.5% of capital expenditures were used for the telecommunications business, 2.4% for the smart life business, and 1.1% for other businesses. By comparison, in the prior fiscal year 96.4% of capital expenditures were used for the telecommunications business, 2.3% for the smart life business, and 1.3% for other businesses.

Our total capital expenditures for the fiscal year ending March 31, 2018 are estimated to decrease to ¥570.0 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, 95.1% will be appropriated for use in the telecommunications business, approximately 3.7% 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.

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

As of March 31, 2017, we had ¥220.3 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥220.4 billion as of March 31, 2016. We repaid ¥0.2 billion, ¥0.2 billion and ¥0.2 billion of long-term debt in the years ended March 31, 2017, 2016 and 2015, respectively. Of our long-term debt outstanding as of March 31, 2017, ¥0.3 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, 2018 through 2022. As of March 31, 2017, 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, 2017, 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.

<u>Rating agencies</u>	<u>Type of rating</u>	<u>Rating</u>	<u>Outlook</u>
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	Negative
Rating and Investment Information, Inc.	Issuer Rating	AA+	Stable

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

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

Category of Obligations	Millions of yen				
	Total	Payments Due by Period			
		1 year or less	1-3 years	3-5 years	After 5 years
Long-Term Debt					
Bonds	¥ 220,000	¥ 60,000	¥ 110,000	¥ —	¥ 50,000
Loans	257	217	30	10	—
Interest Payments on Long-Term Debt	5,649	2,591	1,780	730	548
Capital Leases	2,919	1,074	1,312	520	13
Operating Leases	56,144	12,126	15,663	8,844	19,511
Other Contractual Obligations <sup>(1)</sup>	98,721	91,199	6,300	1,222	—
<b>Total</b>	<b>¥ 383,690</b>	<b>¥ 167,207</b>	<b>¥ 135,085</b>	<b>¥ 11,326</b>	<b>¥ 70,072</b>

(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 ¥2,404 million to the NTT Corporate Defined Benefit Pension Plan in the fiscal year ending March 31, 2018. 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, 2017, we had committed ¥26.6 billion for property, plant and equipment, ¥30.8 billion for inventories and ¥41.3 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, 2017, 2016 and 2015:

	Millions of yen		
	Years ended March 31		
	2015	2016	2017
Net cash provided by operating activities	¥ 962,977	¥ 1,209,131	¥ 1,312,418
Net cash used in investing activities	(651,194)	(375,251)	(943,094)
Net cash used in financing activities	(734,257)	(583,608)	(433,097)
Net increase (decrease) in cash and cash equivalents	(421,367)	248,884	(64,827)
Cash and cash equivalents at beginning of year	526,920	105,553	354,437
Cash and cash equivalents at end of year	¥ 105,553	¥ 354,437	¥ 289,610

### *Analysis of cash flows for the fiscal year ended March 31, 2017 and comparison with the prior fiscal year*

For the fiscal year ended March 31, 2017, net cash provided by operating activities was ¥1,312.4 billion, an increase of ¥103.3 billion, or 8.5%, from the prior fiscal year. This was due mainly to a decrease in cash outflows for agent resellers in relation to providing funds for the installment purchase of handset by our customers.

Net cash used in investing activities for the fiscal year ended March 31, 2017 was ¥943.1 billion, an increase of ¥567.8 billion, or 151.3%, from the prior fiscal year. This was due mainly to an increase in cash outflows for short-term bailments for consumption to a related party, as well as a decrease in cash inflows for proceeds from redemption of long-term bailment for consumption to a related party.

Net cash used in financing activities for the fiscal year ended March 31, 2017 was ¥433.1 billion, a decrease of ¥150.5 billion, or 25.8%, 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 ¥289.6 billion as of March 31, 2017, a decrease of ¥64.8 billion, or 18.3%, from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥301.1 billion as of March 31, 2017, compared to ¥5.9 billion as of March 31, 2016.

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

For the fiscal 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 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 for the fiscal year ended March 31, 2016 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 for the fiscal year ended March 31, 2016 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.

#### ***Prospect of cash flows for the fiscal year ending March 31, 2018***

As for our sources of cash for the fiscal year ending March 31, 2018, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year because of a projected decrease in cash inflows from customers in connection with the collection of installment receivables for customers' handset purchases under the installment method, driven by a continuing decrease in the number of handsets purchased through installment payments. Our net cash flow used in investing activities for the fiscal year ending March 31, 2018 is expected to be approximately ¥570.0 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 functional enhancement of our networks for the purpose of improving the competitiveness of our telecommunications business, research and development related to fifth-generation mobile communications system (5G), new service development and construction of platforms for the new services in order to accelerate the expansion of our smart life business, the development of applications to be

installed on mobile phones and efforts to generate innovation. Research and development costs are charged to expenses as incurred. We incurred ¥83.1 billion, ¥83.3 billion and ¥97.0 billion as research and development expenses for the years ended March 31, 2017, 2016 and 2015, 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 2018.”

#### **Issues Facing DOCOMO and Management’s Responses to Those Issues**

##### *Medium-Term Strategy 2020 “Declaration beyond”*

Looking ahead to the year 2020 and beyond, we will aim to amaze and inspire beyond expectations for our customers and create new values hand-in-hand with our partners by exceeding customers’ expectations.

The word “beyond” reflects our will to transform ourselves to realize a richer future with 5G. For our customers, we will offer enhanced benefits and convenience as well as value and inspiration, such as enjoyment, surprise, satisfaction and peace of mind. Together with our partners, we will realize the co-creation of new values through “+d” initiatives, such as making contributions to industries, solving social issues and expanding our partners’ businesses.

“Declaration beyond” outlines six declarations we have set for these initiatives. By delivering three declarations intended for our customers and three for our partners, we will aim to steadily reinforce our revenue foundation and cash generation capability, while continuing to improve the returns to our customers and shareholders, thereby bringing about a future of abundance.

“Declaration beyond”

<Declaration 1: Market Leader>

We will inspire to become a market leader in delivering benefits and convenience through further convergence and evolution of services, billing plans and point programs.

<Declaration 2: Style Innovation>

Taking advantage of the distinctive properties of 5G, we will devise enjoyable and exciting new services that bring innovation to customer’s usage styles.

<Declaration 3: Peace-of-Mind and Comfort Support>

Toward the goal of realizing services that ensure the peace of mind and satisfaction of customers, we will continue to evolve our customer touchpoints through the adoption of AI.

<Declaration 4: Industry Creation>

Leveraging the 5G network that enables high-speed, large-capacity and low-latency transmission and simultaneous connections with massive number of devices, we will strive to broaden the business opportunities of our partners and drive advancements across all industries in Japan.

<Declaration 5: Solution Co-creation>

Aiming to bring about growth and social abundance to Japan, we will further accelerate our “+d” initiatives to solve social issues.

#### <Declaration 6: Partner Business Expansion>

By further expanding and evolving the business platforms built upon DOCOMO's assets, we will support our partners' businesses and promote measures to grow the flow of transactions.

#### *Priority Initiatives for the Fiscal Year ending March 31, 2018*

We position the fiscal year ending March 31, 2018 as the year to “challenge to evolve,” taking the first steps toward the delivery of our Medium-Term Strategy 2020 “Declaration beyond.” We will do so by moving forward with the creation and evolution of services, business evolution with “+d” and reinforcement and evolution of all foundations. Details are outlined below:

##### (1) Creation and Evolution of Services

We will work to realize services which offer exciting new viewing experiences, continue with returns to our customers that cater to different stages in life and further brush up our customer touchpoints.

##### (2) Business Evolution with “+d” Initiatives

In the smart life business, corporate sales and marketing business and other businesses, we will accelerate and expand our existing “+d” initiatives, and also create new businesses with our partners based on trials utilizing 5G.

##### (3) Reinforcement and Evolution of All Foundations

We will strengthen our technical assets that are required to drive evolution in the age of 5G/IoT while also solidifying our financial position. Concurrently, we will focus on work style reforms for our employees that develop self-discipline and encourage challenge.

We will attain both “customer service improvement” and “our sustainable development” by achieving a steady income growth by the convergence and evolution of a wide variety of added value and advancement of broadband services such as 5G and “docomo Hikari” as well as further cost efficiency improvement, while continuing to enhance the returns to our customers.

#### **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.

#### ***Depreciation 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 assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives based on the determined depreciation method. We determine the estimated useful lives of property, plant and equipment, internal-use software and other intangible assets and determine the method of depreciation 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, 2017, 2016 and 2015 were ¥452.3 billion, ¥625.9 billion and ¥659.8 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 9 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. We determine the depreciation method that most adequately reflects the pattern of consumption of the benefits generated from the assets in the future, taking into consideration changes caused by various factors such as technological innovations and other impacts from external and internal environments. If the pattern of consumption of benefits generated from the assets is different from that of the depreciation method initially determined, a need to change the depreciation method may arise, which may result in recognition of additional depreciation and amortization expenses or losses in future periods.

Previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment with the exception of buildings, which are depreciated on a straight-line basis. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation for all property, plant, and equipment in order to adequately reflect the pattern of consumption of the expected benefits to be generated from the assets being depreciated. Due to this change, “Depreciation and amortization” in the fiscal year ended March 31, 2017 decreased by ¥154.1 billion. In the fiscal year ended March 31, 2016, the changes in the estimate of the expected useful lives of certain property, plant and equipment, internal-use software and other intangible assets were insignificant on our operating results or financial position. 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, which resulted in a decrease in depreciation and amortization of ¥51.3 billion in the fiscal year ended March 31, 2015.

#### ***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 appraisals and valuations or discounted cash flows. If actual market and operating conditions under which assets are used are less favorable or subscriber numbers are less than those projected by management, either of which results in loss of cash flows, additional impairment charges for assets not previously written-off may be required. For the fiscal year ended March 31, 2017, the impact from impairment of long-lived assets on our financial results was insignificant. For the fiscal years ended March 31, 2016 and 2015, we recorded impairment losses of ¥9.1 billion 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.

#### ***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 for the purpose of expanding into smart life business and other businesses, and the recognition of these majority investments also resulted in an increase of goodwill. Consequently, the carrying amount of goodwill as of March 31, 2017 was ¥231.0 billion. The carrying amount of unamortizable intangible assets as of March 31, 2017 was ¥29.5 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.

As of March 31, 2017 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 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 as of March 31, 2017 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.

The amount of goodwill impairment charges for the fiscal years ended March 31, 2017 and 2016 were ¥10.0 billion and ¥8.5 billion, respectively, mainly resulted from reporting units related to our subsidiaries. We did not recognize any goodwill impairment for the fiscal year ended March 31, 2015. 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, 2017, the total carrying value of “Investments in affiliates” was ¥373.8 billion, while the total carrying value for investments in “Marketable securities and other investments” was ¥198.7 billion. Our major investee companies are Sumitomo Mitsui Card Co., Ltd. and PLDT Inc. which is incorporated in the Philippines; our investments in these companies were classified as “Investments in affiliates” as of March 31, 2017.

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, 2017, 2016 and 2015, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates.

The amount of impairment charges on “Investments in affiliates” for the fiscal year ended March 31, 2017 was ¥23.9 billion, including Hutchison Telephone Company Limited, which is incorporated in Hong Kong. In estimating the investment value of those equity method investees, we used the weighted average cost of capital of 7.9% mainly for the fiscal year ended March 31, 2017 as a significant unobservable input.

The amount of impairment charges on “Investment in affiliates” in the fiscal years ended March 31, 2016 and 2015 were insignificant.

We recorded impairment charges on certain investments which were classified as “Marketable securities and other investments” due to other-than-temporary decline in value. The amount of impairment charges on “Marketable securities and other investments” was inconsequential for the years ended March 31, 2017, 2016 and 2015, respectively.

While we believe that the estimated fair values of each of our investments in affiliates as of March 31, 2017 subsequent to the recording of the impairment charges are equal to or exceed the related carrying values on an individual basis, 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 to individual customers prior to March 31, 2015 were converted to “d POINTs” on May 10, 2017, and remain valid through May 31, 2018. We record “Accrued liabilities for point programs” relating to the points that customers earn. We separately estimate the accrued 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, 2017 and 2016 was ¥105.4 billion and ¥79.5 billion, respectively. Point program expense for the years ended March 31, 2017, 2016 and 2015 was ¥94.3 billion, ¥57.8 billion and ¥67.7 billion, respectively.

In measuring our accrued liabilities for “d POINTs” that will be valid for four years from the date the points are granted and “docomo Points” granted to individual customers, which were converted to “d POINTs” on May 10, 2017, we do not estimate the point utilization rate since we do not have sufficient historical experience to estimate the point utilization rate. Reversal of expenses or allowances may be required in the event where estimate of point utilization rate become available as sufficient historical experience become evident.

In measuring our accrued liabilities for “d POINTs” other than the above and “docomo Points” granted to corporate customers, we estimate factors such as the point utilization rate 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, 2017, the impact of one percent rise in the point utilization rate on accrued liabilities was insignificant when all the other factors were held constant.

### *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, 2017 and 2016, and expected long-term rates of return on plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Years ended March 31	
	2016	2017
Non-contributory defined benefit pension plan		
Discount rate . . . . .	0.5%	<b>0.7%</b>
Expected long-term rate of return on plan assets . . . . .	2.0%	<b>2.0%</b>
Actual return on plan assets . . . . .	Approximately 2%	<b>Approximately 3%</b>
NTT CDBP		
Discount rate . . . . .	0.5%	<b>0.7%</b>
Expected long-term rate of return on plan assets . . . . .	2.5%	<b>2.5%</b>
Actual return on plan assets . . . . .	Approximately 0.4%	<b>Approximately 3%</b>

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2017 and 2016 was ¥220.6 billion and ¥226.9 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2017 and 2016, based on actuarial computations which covered only our employees’ participation, was ¥150.6 billion and ¥153.6 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 and the fair value of plan assets are amortized from “Accumulated other comprehensive income (loss)” over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our non-contributory defined benefit pension plan and the NTT CDBP as of March 31, 2017 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

Change in Assumptions	Billions of yen		
	Change in projected benefit obligation	Change in pension cost, before applicable taxes	Accumulated other comprehensive income (loss), net of applicable taxes
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate . . . . .	(8.9)/9.3	0.7/(0.7)	6.6/(6.9)
0.5% increase/decrease in expected long-term rate of return on plan assets . . . . .	—	(0.5)/0.5	—
NTT CDBP			
0.5% increase/decrease in discount rate . . . . .	(16.2)/18.2	0.1/(0.0)	11.1/(12.5)
0.5% increase/decrease in expected long-term rate of return on plan assets . . . . .	—	(0.5)/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, 2017, 2016 and 2015, we recognized as revenues deferred activation fees of ¥34.2 billion, ¥32.8 billion and ¥21.5 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2017 and 2016, remaining unrecognized deferred activation fees were ¥126.5 billion and ¥109.9 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),” ASU 2016-10 “Identifying Performance Obligations and Licensing,” ASU 2016-12 “Narrow-Scope Improvements and Practical Expedients,” ASU 2016-20 “Technical Corrections and Improvements to Topic 606,” and ASU 2017-05 “Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets” in March, April, May and December 2016, and February 2017, 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 and early adoption with original effective date for periods beginning April 1, 2017 is permitted.

The two permitted transition methods under the new standard are the full retrospective method, or the modified retrospective method. Under the full retrospective method, all periods presented will be updated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to the reporting period will be recorded to retained earnings at the beginning of the initial reporting period. Under the modified retrospective approach, the current reporting period will be updated to conform to the new standard and a cumulative adjustment for effects of applying the new standard to periods prior to the reporting period that includes the date of initial application is recorded to retained earnings as of the date of initial application, and also incremental disclosures related to the amount affected by the application of this new standard are required. We have not decided on a transition method and are currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures. The impact on revenue resulting from the application of the new standard will be subject to assessments that are dependent on many variables, including, but not limited to, the terms, the transaction prices including discounts and the mixture of the goods and services of our contractual arrangements. While we are continuing to assess all potential impacts resulting from the application of the new standard, we believe that the most significant impacts may include the following items:

- The standard requires the recognition of incremental costs of obtaining and direct costs of fulfilling contracts with customers as assets. Accordingly, we expect that part of the sales commissions and other charges that have previously been treated as expenses will be recognized as additional assets, which will be amortized over the estimated average period of the subscription for each service. For the fiscal year ended March 31, 2017, the amount of sales commissions incurred for agent resellers was ¥320.8 billion which was mainly included in “Selling, general and administrative” in our consolidated statements of income under the existing standards.
- The standard requires that if customers are granted by an entity the option to acquire additional goods or services at a discount by a contract agreed between the customer and the entity, the entity shall identify this option as a separate performance obligation upon granting such option as a part of the consideration of the transaction being recognized as contract liabilities, and recognize revenue when the additional good or service is transferred at a discount to the customer or when such option expires. Accordingly, we expect that in relation to “docomo POINTs” and “d POINTs” which have traditionally been recorded as accrued liabilities, we will recognize a part of the considerations for the transaction of mobile communications and other services as contract liabilities at the time when the points are granted, and recognize revenue when the points are used for the additional good or service at a discount or when the points expire. For the fiscal year ended March 31, 2017, the amount of expenses for point programs under the existing standards was ¥94.3 billion, which was included in “Selling, general and administrative” in our consolidated statements of income.

We have established a team to implement the introduction of the new standard. We are in the process of implementing changes to our systems and setting up reporting processes and internal controls for the adoption of the new revenue recognition standard.

#### 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 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also affects the recognition of changes in fair value of financial liabilities under the fair value option and the

presentation and disclosure requirements for financial instruments. The new standard is effective for us on April 1, 2018. We are 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 us on April 1, 2019. We are currently evaluating the effect of adopting the ASU.

#### Simplifying the Test for Goodwill Impairment

On January 26, 2017, the FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment,” which eliminates Step 2 from the goodwill impairment test. Instead, the amendments in this update require that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The amendments in this update are effective for us on April 1, 2020. Early adoption of the standard for goodwill impairment tests with measurement dates after January 1, 2017 would also be permitted. We are 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.

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 23, 2017 and certain other information.

<u>Name (Date of Birth)</u>	<u>Position/ Responsibility</u>	<u>History, Positions, Responsibilities and Principal Concurrent Positions</u>		<u>Shares Owned</u> *1	<u>Date Current Terms Ends</u>	<u>Initial Appointment Date</u>
<b><i>Directors:</i></b>						
Kazuhiro Yoshizawa *2 (June 21, 1955)	President and Chief Executive Officer	April 1979	Entered NTT Public Corporation	25,000	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, Executive General Manager of Sales and Marketing Division of the Company			
		June 2016	President and Chief Executive Officer of the Company			

<b>Name (Date of Birth)</b>	<b>Position/ Responsibility</b>	<b>History, Positions, Responsibilities and Principal Concurrent Positions</b>	<b>Shares Owned <sup>*1</sup></b>	<b>Date Current Terms Ends</b>	<b>Initial Appointment Date</b>
Hiroyasu Asami <sup>*2</sup> (Sep. 8, 1956)	Senior Executive Vice President,	April 1980 Entered NTT Public Corporation	14,100	June 2018	June 2014
	Chief Information Officer, Chief Information Security Officer and Chief Privacy Officer/	June 2009 Senior Vice President, General Manager of Consumer Services Department of the Company			
	Responsible for Technology, Devices, Information Strategy and Preparation for 2020	April 2011 Senior Vice President, General Manager of Smart Communication Services Department of the Company			
		June 2012 Senior Vice President, General Manager of Smart Communication Services Department, Engages in Multimedia of the Company			
		March 2013 Executive Vice President, Responsible for Multimedia Services of the Company			
		July 2013 Executive Vice President, Executive General Manager of Smart-life Business Division of the Company			
		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			
		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			
	June 2017 Senior Executive Vice President, Chief Information Officer, Chief Information Security Officer and Chief Privacy Officer, Responsible for Technology, Devices, Information Strategy and Preparation for 2020 of the Company				
Toshiki Nakayama <sup>*2</sup> (Jan. 29, 1958)	Senior Executive Vice President/	April 1981 Entered NTT Public Corporation	8,100	June 2018	June 2014
	Responsible for Global business, Corporate and CSR	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				
	June 2017 Senior Executive Vice President, Responsible for Global business, Corporate and CSR of the Company				

<b>Name (Date of Birth)</b>	<b>Position/ Responsibility</b>		<b>History, Positions, Responsibilities and Principal Concurrent Positions</b>	<b>Shares Owned *1</b>	<b>Date Current Terms Ends</b>	<b>Initial Appointment Date</b>
Hiroataka Sato *3 (Nov. 18, 1958)	Executive	April 1982	Entered NTT Public Corporation	16,400	June 2018	June 2012
	Vice President, Chief	June 2005	Senior Manager of Accounts and Finance Department of the Company			
	Financial Officer/General	July 2008	Vice President of Finance and Accounting Department of NTT			
	Manager of Accounts and Finance Department, Responsible for Finance and Business alliance	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			
Kiyohiro Omatsuzawa *3 (June 22, 1957)	Executive	April 1981	Entered NTT Public Corporation	19,200	June 2018	June 2014
	Vice President/General	June 2010	Senior Vice President, General Manager of Procurement and Supply Department of the Company			
	Manager of Corporate Strategy and Planning Department, Responsible for Mobile Society Research Institute	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			
		June 2017	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Mobile Society Research Institute of the Company			
Hiroshi Tsujigami *3 (Sep. 8, 1958)	Executive	April 1983	Entered NTT Public Corporation	2,600	June 2018	June 2016
	Vice President/Executive	July 2003	Senior Manager of Corporate Strategy Planning Department of NTT West			
	General Manager of Sales and Marketing Division, Responsible for Broadband business	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			
	June 2017	Executive Vice President, Executive General Manager of Sales and Marketing Division Responsible for Broadband business of the Company				

<b>Name (Date of Birth)</b>	<b>Position/ Responsibility</b>		<b>History, Positions, Responsibilities and Principal Concurrent Positions</b>	<b>Shares Owned <sup>*1</sup></b>	<b>Date Current Terms Ends</b>	<b>Initial Appointment Date</b>
Kouji Furukawa <sup>*3</sup> (July 31, 1960)	Executive	April 1984	Entered NTT Public Corporation	5,500	June 2018	June 2016
	Vice President/ Executive	July 2005	Senior Manager of Human Resources Management Department of the Company			
	General Manager of Corporate	June 2008	General Manager of Carrier and Regulatory Affairs Office of the Company			
	Sales and Marketing Division, General	June 2012	General Manager of Corporate Sales and Marketing Department I of the Company			
	Manager of TOHOKU Reconstruction Support Office	June 2013	Senior Vice President, General Manager of Corporate Sales and Marketing Department I of the Company			
		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 <sup>*3</sup> (Nov. 28, 1961)	Executive	April 1986	Entered NTT	6,400	June 2018	June 2016
	Vice President/ Executive	June 2009	General Manager of Chiba Branch of the Company			
	General Manager of Smart-life Business Division	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			
Hiroshi Nakamura <sup>*3</sup> (Apr. 4, 1962)	Executive	April 1987	Entered NTT	8,900	June 2018	June 2017
	Vice President/ Chief	October 2006	Senior Manager of Core Network Development Department of the Company			
	Technology Officer/ Executive	July 2010	General Manager of Core Network Development Department of the Company			
	General Manager of R&D Innovation Division	June 2014	Senior Vice President, General Manager of Core Network Development Department of the Company			
		October 2014	Senior Vice President, General Manager of R&D Strategy Department of the Company			
		June 2017	Executive Vice President, General Manager of R&D Innovation Division of the Company			

<u>Name (Date of Birth)</u>	<u>Position/ Responsibility</u>	<u>History, Positions, Responsibilities and Principal Concurrent Positions</u>		<u>Shares Owned *1</u>	<u>Date Current Terms Ends</u>	<u>Initial Appointment Date</u>
Hozumi Tamura *3 (Dec. 12, 1962)	Executive Vice President/Executive General Manager of Network Department, Responsible for Network	April 1987	Entered NTT	6,600	June 2018	June 2017
		July 2007	Senior Manager of Corporate Strategy and Planning Department of the Company			
		June 2012	General Manager of Procurement and Supply Department of the Company			
		July 2013	General Manager of Smart-life Planning Department of the Company			
		June 2014	Senior Vice President, General Manager of Smart-life Planning Department of the Company			
		June 2017	Executive Vice President, General Manager of Network Department, Responsible for Network of the Company			
Seiji Maruyama *3 (Apr. 20, 1961)	Senior Vice President/General Manager of Human Resources Management Department	April 1985	Entered NTT	7,500	June 2018	June 2016
		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			
Kaoru Kato (May 20, 1951)	Corporate Advisor	April 1977	Entered NTT Public Corporation	39,400	June 2018	June 2008
		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			
		June 2016	Corporate Advisor of the Company			
Teruyasu Murakami *4 (Oct. 15, 1945)	—	April 1968	Entered Nomura Research Institute, Ltd. (“NRI”)	6,700	June 2018	June 2013
		April 2001	Representative Director, Executive Managing Director, Member of the Board of NRI			
		April 2002	Chief Corporate Counselor of NRI			
		June 2008	Independent Director of Benesse Holdings, Inc.			
		April 2012	Director of Research Institute for Industrial Strategy (To the present)			
		June 2013	Outside Director of the Company (Principal concurrent positions) Director of Research Institute for Industrial Strategy			

<u>Name (Date of Birth)</u>	<u>Position/ Responsibility</u>	<u>History, Positions, Responsibilities and Principal Concurrent Positions</u>	<u>Shares Owned *1</u>	<u>Date Current Terms Ends</u>	<u>Initial Appointment Date</u>	
Noriko Endo *4 (Name on Family Register: Noriko Tsujihiro) (May 6, 1968)	—	June 1994	Entered DIAMOND, Inc.	1,400	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	Outside 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)	—			
May 2004	Manager of Corporate Strategy Planning Department of NTT East					
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					

<u>Name (Date of Birth)</u>	<u>Position/ Responsibility</u>	<u>History, Positions, Responsibilities and Principal Concurrent Positions</u>		<u>Shares Owned *1</u>	<u>Date Current Terms Ends</u>	<u>Initial Appointment Date</u>
<b><i>Audit &amp; Supervisory Board Members:</i></b>						
Shoji Suto (Mar. 4, 1957)	Full-time Audit & Supervisory Board Member	April 1980	Entered NTT Public Corporation	12,900	June 2020	June 2017
		June 2008	Senior Vice President, General Manager of Sales Promotion Department of the Company			
		June 2009	Executive Vice President, Executive General Manager of Marketing Business Department, Member of the Board of Directors of DOCOMO Business Net Inc.			
		July 2009	Executive Vice President, Executive General Manager of Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc.			
		June 2010	Executive Vice President, Executive General Manager of Corporate Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc.			
		June 2011	Senior Vice President, Executive General Manager of Shikoku Regional Office of the Company			
		June 2014	Executive Vice President, Responsible for Consumer Sales and Branches in Kanto and Koshinetsu areas, Member of the Board of Directors of the Company			
		July 2014	Executive Vice President, Responsible for Consumer Sales, Member of the Board of Directors of the Company			
		June 2015	Senior Executive Vice President, Member of the Board of Directors of DOCOMO CS Inc.			
June 2017	Audit & Supervisory Board Member of the Company					
Toshimune Okihara (Aug. 29, 1954)	Full-time Audit & Supervisory Board Member	April 1979	Entered NTT Public Corporation	4,700	June 2019	June 2014
		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			
		June 2011	President and Chief Executive Officer of NTT Com Technology Corporation (currently known as NTT Com Solutions Corporation)			
		June 2014	Outside Audit & Supervisory Board Member of the Company			
Yutaka Kawataki *4 (Dec. 18, 1953)	Full-time Audit & Supervisory Board Member	April 1977	Entered The Board of Audit of Japan	3,200	June 2019	June 2015
		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	Outside Audit & Supervisory Board Member of the Company			

<u>Name (Date of Birth)</u>	<u>Position/ Responsibility</u>	<u>History, Positions, Responsibilities and Principal Concurrent Positions</u>		<u>Shares Owned *1</u>	<u>Date Current Terms Ends</u>	<u>Initial Appointment Date</u>
Hironobu Sagae (Mar. 3, 1959)	Full-time Audit & Supervisory Board Member	April 1981	Entered NTT Public Corporation	0	June 2019	June 2017
		July 2008	General Manager of Human Resources Management Department of NTT DATA Corporation			
		June 2011	Senior Vice President, General Manager of Accounts and Finance Department, General manager of Human Resources Management Department, Member of the Board of Directors of NTT DATA Corporation			
		June 2012	Senior Vice President, General Manager of Accounts and Finance Department, Member of the Board of Directors of NTT DATA Corporation			
		June 2014	Executive Vice President, General Manager of Accounts and Finance Department, Member of the Board of Directors of NTT DATA Corporation			
		June 2016	President, Member of the Board of Directors of NTT DATA MANAGEMENT SERVICE Corporation			
		June 2017	Outside Audit & Supervisory Board Member of the Company			
Eiko Tsujiyama *4 (Dec. 11, 1947)	Audit & Supervisory Board Member	August 1980	Assistant Professor, Humanities Department, Ibaraki University	3,800	June 2019	June 2011
		April 1985	Assistant Professor, Faculty of Economics, Musashi University			
		April 1991	Professor, Faculty of Economics, Musashi University			
		April 2003	Professor, School of Commerce and Graduate School of Commerce, Waseda University (To the present)			
		June 2008	Outside Corporate Auditor of Mitsubishi Corporation			
		June 2010	Outside Director of ORIX Corporation (To the present)			
		May 2011	Outside Corporate Auditor of Lawson, Inc. (To the present)			
		June 2011	Outside 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, School of Commerce and Graduate School of Commerce, Waseda University 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, 2017

\*2 Representative director

\*3 Concurrently serves as an executive officer

\*4 Independent director/auditor

The following table shows information about our executive officers as of June 23, 2017, including their positions and responsibilities.

<u>Name</u>	<u>Position</u>	<u>Responsibility</u>
Hajime Kii	Executive Vice President	Executive General Manager of Kansai Regional Office
Kazuhiro Takagi	Executive Vice President	Executive General Manager of Kyushu Regional Office
Kouji Tsubouchi	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
Hiroko Kawasaki	Senior Vice President	Executive General Manager of Hokuriku Regional Office
Tomohisa Ueno	Senior Vice President	Executive General Manager of Chugoku Regional Office
Mayumi Tateishi	Senior Vice President	Executive General Manager of Shikoku Regional Office
Shigeto Torizuka	Senior Vice President	General Manager of Tokyo Branch
Hikaru Kawachiyama	Senior Vice President	General Manager of Kanagawa Branch
Tomoyoshi Oono	Senior Vice President	General Manager of R&D Strategy Department General Manager of Innovation Management Department
Yoshiaki Maeda	Senior Vice President	General Manager of Platform Business Department
Koichi Takahara	Senior Vice President	General Manager of Smart-life Solutions Department
Ken Yoshizaki	Senior Vice President	General Manager of Financial Business Department
Kenichi Mori	Senior Vice President	General Manager of Product Department
Taku Yamazaki	Senior Vice President	General Manager of Radio Access Network Engineering Department
Kan Takamoto	Senior Vice President	General Manager of Sales Promotion Department
Osamu Hirokado	Senior Vice President	General Manager of Frontline Support Department
Toshiaki Sakurai	Senior Vice President	General Manager of Corporate Sales and Marketing Department II
Naoki Tani	Senior Vice President	General Manager of IoT Business Department
Katsuyuki Takagi	Senior Vice President	Executive General Manger of Global Business Division

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

## B. Compensation

The aggregate compensation to directors and audit & supervisory board members during the fiscal year ended March 31, 2017 was as follows:

Position	Millions of yen					Number of Persons
	Total Compensation	Base Salary	Stock Option	Bonus	Retirement Bonus	
Directors *1	¥ 506	¥ 407	—	¥ 99	—	16
Audit & supervisory board member *2	¥ 30	¥ 30	—	—	—	1
Outside director/audit & supervisory board member	¥ 121	¥ 121	—	—	—	6
Total	¥ 658	¥ 559	—	¥ 99	—	23

Notes:

1. 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.
2. Directors include four directors who retired at the end of the 25th ordinary general meeting of shareholders held on June 16, 2016.

\*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.

We have concluded agreements with outside directors Mr. Teruyasu Murakami and Dr. Noriko Endo, director Mr. Shinichiro Ueno and audit & supervisory board members to indemnify them for personal liability as provided in Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the same act. The compensation of liability is the minimum amount in accordance with Article 425, Paragraph 1 of the Companies Act.

## D. Employees

As of March 31, 2017, DOCOMO and its subsidiaries had 26,734 employees representing an increase of 605 employees since March 31, 2016. As of March 31, 2016, 2015 and 2014 we had 26,129, 25,680 and 24,860 employees, respectively. The average number of temporary employees for the year ended March 31, 2017 was 10,447.

Of our 26,734 employees on March 31, 2017, 2,315 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, 2017, 1,543 employees were working at overseas consolidated subsidiaries.

We consider our level of remuneration, non-wage benefits, including our employee share ownership program, working conditions and other allowances, including lump-sum payments and annuities to employees

upon retirement, to be generally competitive with those offered in Japan by other large enterprises. We have an extensive training program for new employees. To increase incentives, the NTT group has implemented a bonus plan based on overall business performance and personal results. The general retirement age has been 60.

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

## 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, 2017, our directors and audit & supervisory board members owned 193,400 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, 2017, NTT owned 2,469,084,400 shares, or 66.65% of our outstanding voting shares and 63.32% 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 33.74% 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.10. Relationship with NTT" in Item 4.

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, 2017 were as follows:

Category	Number of Shareholders	Number of Shares Held	Issued Voting Shares
Japanese financial institutions . . . . .	267	370,773,075	9.51
Japanese securities companies . . . . .	55	85,690,263	2.20
Other Japanese corporations . . . . .	1,665	2,502,669,545	64.17
Foreign corporations and individuals . . . . .	1,145	538,749,173	13.82
Japanese individuals, treasury shares and others . . . . .	249,032	401,680,944	10.30
<b>Total . . . . .</b>	<b>252,164</b>	<b>3,899,563,000</b>	<b>100.00</b>

According to The Bank of New York Mellon, depository for our ADSs, as of March 31, 2017, 21,129,496 shares of our common stock were held in the form of 21,129,496 ADRs. According to our register of shareholders, as of March 31, 2017, there were 252,164 holders of common stock of record worldwide. As of March 31, 2017, there were 294 group record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 6.2% 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.10. 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, 2017. 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.11. 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 ¥100 per share for the year ending March 31, 2018, which will consist of a ¥50 interim dividend and a ¥50 year-end dividend.

### **B. Significant Changes**

Except as otherwise disclosed herein, there has been no significant change in our financial position since March 31, 2017, the date of our last audited financial statements.

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details**

#### **Price Ranges of Shares**

Our shares have been listed on the First Section of the Tokyo Stock Exchange (“TSE”) since October 1998.

On June 2, 2017, the closing sale price of our shares on the TSE was ¥2,737 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 Years ended March 31	TSE*1*2 (Japanese yen)		TOPIX (Points)		Nikkei Stock Average (Japanese yen)	
	High	Low	High	Low	High	Low
	2013	1,497	1,119	1,061.75	692.18	12,650.26
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
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
2017	2,946	2,361	1,578.51	1,192.80	19,668.01	14,864.01
1st Quarter	2,864	2,422	1,412.98	1,192.80	17,613.56	14,864.01
2nd Quarter	2,946	2,496.5	1,357.41	1,209.88	17,156.36	15,106.52
3rd Quarter	2,739	2,361	1,558.75	1,287.39	19,592.90	16,111.81
4th Quarter	2,804	2,592.5	1,578.51	1,495.03	19,668.01	18,650.33
<b>Calendar Year 2016</b>						
December	2,739	2,510	1,558.75	1,462.07	19,592.90	18,227.39
<b>Calendar Year 2017</b>						
January	2,804	2,673.5	1,558.45	1,495.03	19,615.40	18,650.33
February	2,748	2,655.5	1,559.51	1,507.08	19,519.44	18,805.32
March	2,750	2,592.5	1,578.51	1,512.60	19,668.01	18,909.26
April	2,696.5	2,559	1,538.89	1,452.15	19,289.43	18,224.68
May	2,765	2,660.5	1,590.70	1,530.31	19,998.49	19,144.62
June (through June 2, 2017)	2,737	2,715	1,613.18	1,570.24	20,239.81	19,686.32

\*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 fiscal year ended March 31, 2015 contain decimals.

Our American Depositary Shares have been listed on the NYSE since March 2002. On June 2, 2017, the closing sale price of American Depositary Shares on the NYSE was \$24.74 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 Years ended March 31	NYSE (U.S. dollars)	
	High	Low
2013	17.49	13.81
2014	16.74	14.58
2015	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
2017	28.43	21.96
1st Quarter	27.46	22.25
2nd Quarter	28.43	24.36
3rd Quarter	25.42	21.96
4th Quarter	24.59	22.50
<b>Calendar Year 2016</b>		
December	23.67	22.20
<b>Calendar Year 2017</b>		
January	24.35	22.50
February	24.23	23.30
March	24.59	23.26
April	24.31	23.10
May	24.80	23.78
June (through June 2, 2017)	24.74	24.59

**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.

## **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 3,899,563,000 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 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 depositary 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 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;
  - 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 Item 10.

- ***Capital and Reserves***

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

The entire paid-in amount of new shares is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of such paid-in amount as additional paid-in capital. We may at

any time reduce the whole or any part of our additional paid-in capital and legal reserve or transfer them to stated capital by 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 two weeks prior to the relevant record date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions or at JASDEC will be increased in accordance with the applicable ratio.

- ***Consolidation of Shares***

Generally, we may consolidate shares into a smaller number of shares by a special resolution of a general meeting of shareholders. A company that conducts a consolidation of shares is required by the 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.

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;
- 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, 2017, we have not issued stock acquisition rights or bond with stock acquisition rights.

- ***Report to Shareholders***

We furnish to our shareholders notices of shareholders' meetings, annual business reports, including non-consolidated and consolidated financial reports, and notices of resolutions adopted at the shareholders' meetings, 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.

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 2, 2017, the closing price of our shares on the Tokyo Stock Exchange was ¥2,737 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.

## **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 assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

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.

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 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 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 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 depository 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 depository. Non-resident holders who do not submit an application in advance will generally be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate of an applicable tax treaty.

Gains derived from the sale of shares or ADSs outside Japan, or from the sale of shares within Japan by a 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.

#### **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, 2016 and 2017 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, 2016 and 2017.

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							Fair value 3/31/17
		Expected Maturity							
		Years ending March 31							
		2018	2019	2020	2021	2022	Thereafter	Total	
<b>DEBT</b>									
Corporate bonds									
Japanese Yen									
Bonds . . . .	1.2%	¥60,000	¥110,000	—	—	—	¥50,000	¥220,000	¥225,068
Borrowings from banks and others									
Japanese Yen									
Loans . . . .	0.9%	217	17	13	8	2	—	257	257
Long term debt, including current portion									
Total . . . . .		¥60,217	¥110,017	13	8	2	¥50,000	¥220,257	¥225,325

**Foreign exchange risk**

In order to mitigate foreign currency risks we engage in foreign currency hedge and option transactions. As of March 31, 2017, the foreign exchange forward contracts outstanding totaled ¥1,503 million, with an unrealized loss of ¥11 million. As of March 31, 2017, the foreign currency option contracts outstanding totaled ¥28,937 million, with an unrealized loss of ¥1,336 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, 2017	
	Carrying Amount	Fair Value
Equity securities available-for-sale . . . . .	¥179,654	¥179,654
Debt securities available-for-sale . . . . .	5	5
Total . . . . .	¥179,659	¥179,659

**Concentrations of credit risk**

As of March 31, 2017, the amount of other receivables resulting from the sale of receivables to NTT FINANCE was ¥299,467 million, and the amount of receivables held for sale was ¥1,144,948 million. For information regarding our transactions with NTT FINANCE, see “Notes to Consolidated Financial Statements—Related Party Transactions” in Note 15.

**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 Depositary 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 Depositary 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 Depositary to Owners. . . . .	As applicable

***Fees paid to DOCOMO by the Depositary***

The Bank of New York Mellon, as Depositary, has reimbursed DOCOMO for the New York Stock Exchange listing fees of \$52,500 for the calendar year 2016. Furthermore, from April 1, 2016 to March 31, 2017, 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.

## 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, 2017 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, 2017 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, 2017 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, 2017 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, 2017, 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, 2017 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.

## 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 23, 2017, 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 and its affiliates to perform an annual audit of the Company and its subsidiaries' financial statements.

The following table presents information concerning fees paid to KPMG AZSA LLC and its affiliates for the fiscal years ended March 31, 2016 and 2017.

	Millions of yen	
	Years ended March 31	
	2016	2017
Audit fees <sup>*1</sup> .....	¥ 1,176	¥ 1,204
Audit-related fees <sup>*2</sup> .....	3	4
Tax-related fees <sup>*3</sup> .....	39	34
All other fees <sup>*4</sup> .....	76	110
Total .....	¥ 1,294	¥ 1,352

\*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, 2017, 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

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.

## Item 16E. Purchases of Equity Securities by Issuer and Affiliated Purchasers

### ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased*1	(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*2
April 1 to 30, 2016 .....	0	—	0	99,132,938
May 1 to 31, 2016 .....	10,013,800	2,717	10,013,800	89,119,138
June 1 to 30, 2016 .....	10,074,800	2,723	10,074,800	79,044,338
July 1 to 31, 2016 .....	3,462,200	2,849	3,462,200	75,582,138
August 1 to 31, 2016 .....	9,024,500	2,688	9,024,500	66,557,638
September 1 to 30, 2016 .....	7,785,800	2,622	7,785,700	58,771,938
October 1 to 31, 2016 .....	2,006,667	2,548	2,006,600	56,765,338
November 1 to 30, 2016 .....	6,975,900	2,517	6,975,900	49,789,438
December 1 to 31, 2016 .....	6,687,500	2,654	6,687,500	43,101,938
January 1 to 31, 2017 .....	0	—	0	0
February 1 to 28, 2017 .....	50	2,690	0	0
March 1 to 31, 2017 .....	0	—	0	0
Total .....	56,031,217	2,670	56,031,000	—

\*1 Shares purchased include compulsory acquisition of less-than-one-unit shares purchased from time to time

\*2 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.

## 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.

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).

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 2017, 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.

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.

The compensation amount for each director is determined by the Company's President or another director who is delegated to do so by the Board of Directors, and that for each 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.

## 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

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation) *1
1.3	Regulations of the Board of Directors of the registrant (English translation) *2
1.4	Regulations of the Audit & Supervisory Board of the registrant (English translation) *2
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) *3
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 27, 2014 and herein incorporated by reference.

\*2 Previously filed with the Securities and Exchange Commission on June 26, 2015 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.

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

TM and © 2017 Apple Inc. All rights reserved. iPad, iPhone, Apple Watch Series and Apple Pay 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.

**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 accompanying consolidated balance sheets of NTT DOCOMO, INC. and subsidiaries as of March 31, 2017 and 2016, 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, 2017. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. 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, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2017, 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, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of computing depreciation effective April 1, 2016.

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, 2017, 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 23, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG AZSA LLC

Tokyo, Japan  
June 23, 2017

## 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, 2017, 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, 2017, 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, 2017 and 2016, 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, 2017, and our report dated June 23, 2017 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG AZSA LLC

Tokyo, Japan  
June 23, 2017

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2016 and 2017**

	Millions of yen	
	2016	2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents .....	¥ 354,437	¥ 289,610
Short-term investments		
Third parties .....	5,872	41,070
Related parties .....	—	260,000
Accounts receivable		
Third parties .....	230,125	230,361
Related parties .....	6,915	8,776
Receivables held for sale .....	972,851	936,748
Credit card receivables .....	276,492	347,557
Other receivables		
Third parties .....	61,334	62,926
Related parties .....	319,762	335,916
Total accounts receivable, receivables held for sale, credit card receivables and other receivables .....	1,867,479	1,922,284
Less: Allowance for doubtful accounts .....	(17,427)	(19,517)
Total accounts receivable, receivables held for sale, credit card receivables and other receivables, net .....	1,850,052	1,902,767
Inventories .....	153,876	153,388
Deferred tax assets .....	107,058	81,025
Prepaid expenses and other current assets		
Third parties .....	101,790	102,055
Related parties .....	7,108	6,357
Total current assets .....	2,580,193	2,836,272
<b>Property, plant and equipment:</b>		
Wireless telecommunications equipment .....	5,084,416	5,084,923
Buildings and structures .....	896,815	906,177
Tools, furniture and fixtures .....	468,800	441,513
Land .....	199,054	198,980
Construction in progress .....	190,261	204,413
Sub-total .....	6,839,346	6,836,006
Accumulated depreciation and amortization .....	(4,398,970)	(4,295,111)
Total property, plant and equipment, net .....	2,440,376	2,540,895
<b>Non-current investments and other assets:</b>		
Investments in affiliates .....	411,395	373,758
Marketable securities and other investments .....	182,905	198,650
Intangible assets, net .....	615,013	608,776
Goodwill .....	243,695	230,971
Other assets		
Third parties .....	468,895	426,797
Related parties .....	10,208	7,515
Deferred tax assets .....	261,434	229,440
Total non-current investments and other assets .....	2,193,545	2,075,907
<b>Total assets</b> .....	<b>¥ 7,214,114</b>	<b>¥ 7,453,074</b>

See accompanying notes to consolidated financial statements.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**MARCH 31, 2016 and 2017**

	Millions of yen	
	2016	2017
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	¥ 200	¥ 60,217
Short-term borrowings	1,764	1,623
Accounts payable, trade		
Third parties	610,502	612,349
Related parties	182,582	241,189
Accrued payroll	53,837	59,187
Accrued income taxes	165,332	105,997
Other current liabilities		
Third parties	198,292	188,092
Related parties	7,310	6,402
Total current liabilities	1,219,819	1,275,056
<b>Long-term liabilities:</b>		
Long-term debt (exclusive of current portion)	220,200	160,040
Accrued liabilities for point programs	75,182	94,639
Liability for employees' retirement benefits	201,604	193,985
Other long-term liabilities		
Third parties	136,602	144,277
Related parties	1,381	989
Total long-term liabilities	634,969	593,930
Total liabilities	1,854,788	1,868,986
<b>Redeemable noncontrolling interests</b>	16,221	22,942
<b>Equity:</b>		
NTT DOCOMO, INC. shareholders' equity		
Common stock, without a stated value—	949,680	949,680
Authorized shares		
17,460,000,000 shares as of March 31, 2016 and 2017		
Issued shares		
3,958,543,000 shares as of March 31, 2016		
3,899,563,000 shares as of March 31, 2017		
Outstanding shares		
3,760,616,750 shares as of March 31, 2016		
3,704,585,533 shares as of March 31, 2017		
Additional paid-in capital	330,482	326,621
Retained earnings	4,413,030	4,656,139
Accumulated other comprehensive income (loss)	14,888	24,631
Treasury stock	(405,832)	(426,442)
197,926,250 shares as of March 31, 2016		
194,977,467 shares as of March 31, 2017		
Total NTT DOCOMO, INC. shareholders' equity	5,302,248	5,530,629
Noncontrolling interests	40,857	30,517
Total equity	5,343,105	5,561,146
<b>Commitments and contingencies</b>		
<b>Total liabilities and equity</b>	¥7,214,114	¥7,453,074

See accompanying notes to consolidated financial statements.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED MARCH 31, 2015, 2016 and 2017**

	Millions of yen		
	2015	2016	2017
<b>Operating revenues:</b>			
Telecommunications services			
Third parties	¥ 2,724,753	¥ 2,780,377	¥ 2,939,594
Related parties	22,402	35,130	45,500
Equipment sales			
Third parties	903,231	859,875	718,557
Related parties	858	611	604
Other operating revenues			
Third parties	682,967	806,491	828,198
Related parties	49,186	44,600	52,099
Total operating revenues	<u>4,383,397</u>	<u>4,527,084</u>	<u>4,584,552</u>
<b>Operating expenses:</b>			
Cost of services (exclusive of items shown separately below)			
Third parties	876,285	933,027	939,426
Related parties	283,229	315,526	396,031
Cost of equipment sold (exclusive of items shown separately below)	853,062	881,471	792,145
Depreciation and amortization	659,787	625,934	452,341
Impairment loss	30,161	17,683	12,205
Selling, general and administrative			
Third parties	835,882	798,006	872,829
Related parties	205,920	172,413	174,837
Total operating expenses	<u>3,744,326</u>	<u>3,744,060</u>	<u>3,639,814</u>
<b>Operating income</b>	<u>639,071</u>	<u>783,024</u>	<u>944,738</u>
<b>Other income (expense):</b>			
Interest expense	(797)	(512)	(277)
Interest income	1,283	987	608
Other, net	4,326	(5,478)	4,494
Total other income (expense)	<u>4,812</u>	<u>(5,003)</u>	<u>4,825</u>
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	<u>643,883</u>	<u>778,021</u>	<u>949,563</u>
<b>Income taxes:</b>			
Current	218,552	267,249	238,172
Deferred	19,515	(55,530)	49,507
Total income taxes	<u>238,067</u>	<u>211,719</u>	<u>287,679</u>
<b>Income before equity in net income (losses) of affiliates</b>	<u>405,816</u>	<u>566,302</u>	<u>661,884</u>
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(7,782)	(5,060)	(11,273)
<b>Net income</b>	<u>398,034</u>	<u>561,242</u>	<u>650,611</u>
Less: Net (income) loss attributable to noncontrolling interests	12,059	(12,864)	1,927
<b>Net income attributable to NTT DOCOMO, INC.</b>	<u>¥ 410,093</u>	<u>¥ 548,378</u>	<u>¥ 652,538</u>
<b>Per share data:</b>			
Weighted average common shares outstanding—Basic and Diluted	4,038,191,678	3,880,823,341	3,726,266,553
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC.	<u>¥ 101.55</u>	<u>¥ 141.30</u>	<u>¥ 175.12</u>

See accompanying notes to consolidated financial statements.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED MARCH 31, 2015, 2016 and 2017**

	Millions of yen		
	2015	2016	2017
<b>Net income</b> .....	¥398,034	¥561,242	¥650,611
<b>Other comprehensive income (loss):</b>			
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes .....	22,468	(4,715)	12,821
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income .....	120	(1,278)	(1,082)
Unrealized gains (losses) on cash flow hedges, net of applicable taxes .....	(20)	(148)	37
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income .....	16	31	48
Foreign currency translation adjustment, net of applicable taxes .....	29,678	(10,324)	(13,557)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income .....	—	(263)	582
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net .....	(9,159)	(21,634)	8,313
Less: Amortization of prior service cost .....	(894)	(824)	(742)
Less: Amortization of actuarial gains and losses .....	1,104	1,417	3,105
Less: Amortization of transition obligation .....	72	33	33
Total other comprehensive income (loss) .....	43,385	(37,705)	9,558
<b>Comprehensive income</b> .....	441,419	523,537	660,169
Less: Comprehensive (income) loss attributable to noncontrolling interests .....	11,683	(12,870)	2,112
<b>Comprehensive income attributable to NTT DOCOMO, INC.</b> .....	¥453,102	¥510,667	¥662,281

See accompanying notes to consolidated financial statements.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED MARCH 31, 2015, 2016 and 2017**

Millions of yen

	NTT DOCOMO, INC. shareholders' equity					Total NTT DOCOMO, INC. shareholders' equity	Noncontrolling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock			
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
Purchase of treasury stock					(149,607)	(149,607)		(149,607)
Retirement of treasury stock			(128,997)		128,997	—		—
Cash dividends declared (¥75 per share)			(280,432)			(280,432)		(280,432)
Cash distributions to noncontrolling interests							(3,500)	(3,500)
Acquisition of new subsidiaries							49	49
Changes in interest in subsidiaries		(3,861)				(3,861)	(4,095)	(7,956)
Net income			652,538			652,538	(2,610)	649,928
Other comprehensive income (loss)				9,743		9,743	(184)	9,559
Balance as of March 31, 2017	¥949,680	¥326,621	¥4,656,139	¥ 24,631	¥(426,442)	¥ 5,530,629	¥ 30,517	¥5,561,146

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

See accompanying notes to consolidated financial statements.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2015, 2016 and 2017**

	Millions of yen		
	2015	2016	2017
<b>Cash flows from operating activities:</b>			
Net income	¥ 398,034	¥ 561,242	¥ 650,611
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	659,787	625,934	452,341
Deferred taxes	19,515	(55,530)	49,507
Loss on sale or disposal of property, plant and equipment	40,073	36,535	54,160
Inventory write-downs	13,716	18,880	11,043
Impairment loss	30,161	17,683	12,205
Impairment loss on marketable securities and other investments	902	636	2,305
Loss on sale of a subsidiary	—	13,117	—
Equity in net (income) losses of affiliates (including impairment charges of investments in affiliates)	7,782	5,060	11,273
Dividends from affiliates	17,591	13,929	10,401
Changes in assets and liabilities:			
(Increase) / decrease in accounts receivable	17,489	22,406	(2,690)
(Increase) / decrease in receivables held for sale	(110,540)	(74,852)	36,103
(Increase) / decrease in credit card receivables	(7,497)	(22,551)	(34,410)
(Increase) / decrease in other receivables	(13,467)	(46,331)	(17,735)
Increase / (decrease) in allowance for doubtful accounts	2,931	3,884	7,240
(Increase) / decrease in inventories	32,270	13,125	(10,565)
(Increase) / decrease in prepaid expenses and other current assets	(10,565)	(4,966)	(767)
(Increase) / decrease in non-current receivables held for sale	(55,468)	(13,601)	57,626
Increase / (decrease) in accounts payable, trade	5,278	(32,544)	58,680
Increase / (decrease) in accrued income taxes	(107,166)	97,176	(59,290)
Increase / (decrease) in other current liabilities	16,964	31,638	(11,925)
Increase / (decrease) in accrued liabilities for point programs	(23,072)	(14,747)	19,457
Increase / (decrease) in liability for employees' retirement benefits	13,209	27,752	(7,608)
Increase / (decrease) in other long-term liabilities	11,925	11,488	9,804
Other, net	3,125	(26,232)	14,652
Net cash provided by operating activities	962,977	1,209,131	1,312,418
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(493,189)	(434,919)	(450,826)
Purchases of intangible and other assets	(170,203)	(179,010)	(192,625)
Purchases of non-current investments	(5,107)	(3,465)	(2,155)
Proceeds from sale of non-current investments	1,753	9,345	6,452
Purchases of short-term investments	(34,613)	(9,523)	(156,779)
Redemption of short-term investments	50,806	4,659	121,572
Proceeds from redemption of long-term bailment for consumption to a related party	—	240,000	—
Short-term bailment for consumption to a related party	—	—	(380,000)
Proceeds from redemption of short-term bailment for consumption to a related party	—	—	120,000
Other, net	(641)	(2,338)	(8,733)
Net cash used in investing activities	(651,194)	(375,251)	(943,094)
<b>Cash flows from financing activities:</b>			
Proceeds from short-term borrowings	221,606	146,880	25,094
Repayment of short-term borrowings	(229,065)	(147,022)	(25,214)
Principal payments under capital lease obligations	(1,729)	(1,389)	(1,167)
Payments to acquire treasury stock	(473,036)	(307,486)	(149,607)
Dividends paid	(243,349)	(271,643)	(280,527)
Cash distributions to noncontrolling interests	(1,061)	(2,390)	(3,500)
Other, net	(7,623)	(558)	1,824
Net cash provided by (used in) financing activities	(734,257)	(583,608)	(433,097)
Effect of exchange rate changes on cash and cash equivalents	1,107	(1,388)	(1,054)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(421,367)</b>	<b>248,884</b>	<b>(64,827)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>526,920</b>	<b>105,553</b>	<b>354,437</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 105,553</b>	<b>¥ 354,437</b>	<b>¥ 289,610</b>
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash received during the fiscal year for:</b>			
Income tax refunds	¥ 1,539	¥ 8,241	¥ 758
<b>Cash paid during the fiscal year for:</b>			
Interest, net of amount capitalized	876	400	46
Income taxes	326,107	176,806	297,765
<b>Non-cash investing and financing activities:</b>			
Assets acquired through capital lease obligations	940	965	1,138
Assets of wireless telecommunications equipment acquired through exchanges of similar equipment	3,605	3,844	6,581
Retirement of treasury stock	490,986	260,872	128,997

See accompanying notes to consolidated financial statements.

**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, 32.39% of which is owned by the Japanese government, owns 63.32% of NTT DOCOMO, INC.’s issued stock and 66.65% of NTT DOCOMO, INC.’s voting stock outstanding as of March 31, 2017.

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, 2015, 2016 and 2017, 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 depreciation 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.

**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 ¥7,732 million and ¥6,492 million for the fiscal years ended March 31, 2016 and 2017, 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 ¥67,327 million, ¥62,305 million and ¥60,827 million for the fiscal years ended March 31, 2015, 2016 and 2017, 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, 2015, 2016 and 2017 resulting in losses totaling ¥13,716 million, ¥18,880 million and ¥11,043 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 straight-line method at rates based on the estimated useful lives of the respective assets. 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 the straight-line method over the shorter of the lease term or estimated useful life of the asset.

## 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 . . . . .	9 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

Previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment with the exception of buildings, which are depreciated on a straight-line basis. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation for all property, plant, and equipment. Data traffic has recently grown due to increased use of smartphones. As a way of addressing the rising data traffic, DOCOMO provides LTE-Advanced services, using the carrier aggregation technology which enables higher speeds and capacities for the LTE services. With the introduction of the carrier aggregation technology, DOCOMO is able to use its frequencies more efficiently, bringing stability to DOCOMO's operation of its wireless telecommunications equipment. As a result, DOCOMO believes that the straight-line depreciation method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated. The effect of the change in the depreciation method is recognized prospectively as a change in the accounting estimate pursuant to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 250, "Accounting Changes and Error Corrections."

The change in depreciation method caused a decrease in "Depreciation and amortization" by ¥154,050 million for the fiscal year ended March 31, 2017. "Net income attributable to NTT DOCOMO, INC." and "Basic and Diluted earnings per share attributable to NTT DOCOMO, INC." for the fiscal year ended March 31, 2017 increased by ¥105,370 million and ¥28.28, respectively.

Depreciation and amortization expenses of property, plant and equipment for the fiscal years ended March 31, 2015, 2016 and 2017 were ¥479,569 million, ¥460,547 million and ¥284,542 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

## NTT DOCOMO, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

#### **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, 2015, 2016 and 2017.

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.

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

**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.

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.

As of March 31, 2016 and 2017, 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 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 as of March 31, 2016 and 2017. 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, 2015, 2016 and 2017, 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 periods up to 7 years.

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

Amounts capitalized related to rights to use certain telecommunications assets of wireline operators, primarily NTT, are amortized over 20 years.

**Impairment of long-lived assets—**

DOCOMO's long-lived assets other than goodwill, such as property, plant and equipment, software and 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 has partially self-insured for future 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.

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

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 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 to individual customers prior to March 31, 2015 were converted to "d POINTS" on May 10, 2017, and remain valid through May 31, 2018.

DOCOMO records "Accrued liabilities for point programs" relating to the points that customers earn. DOCOMO separately estimates the accrued liabilities for "d POINTS" and those for "docomo Points."

In measuring DOCOMO's accrued liabilities for "d POINTS" that will be valid for 4 years from the date the points are granted and "docomo Points" granted to individual customers, which were converted to "d POINTS" on May 10, 2017, DOCOMO does not estimate the point utilization rate since DOCOMO does not have sufficient historical experience to estimate the point utilization rate.

In measuring DOCOMO's accrued liabilities for "d POINTS" other than the above and "docomo Points" granted to corporate customers, DOCOMO estimates factors such as the point utilization rate based on DOCOMO's historical experience.

**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.

Service 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.

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

**Redeemable noncontrolling interests—**

A portion of noncontrolling interests of subsidiaries 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, 2016 and 2017, 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. Some of DOCOMO’s monthly billing plans generally include a certain amount of allowances (free minutes and/or packets), and the amount of the allowances used 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 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 historical 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.

## 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. For the fiscal years ended March 31, 2015 and 2016, as DOCOMO did not have sufficient historical 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. For the fiscal year ended March 31, 2017, out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used prior to expiration. As for the portion which is estimated to expire, DOCOMO recognizes the revenue attributable to such expiring portion of unused allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers utilize data transmissions. The deferred revenues are recognized as revenues in the next month.

Equipment sales are recognized as revenues mainly when equipment is accepted by agent resellers, and all inventory risk is transferred 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.

Since the fiscal year ended March 31, 2014, DOCOMO has offered an 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. Since the fiscal year ended March 31, 2015, DOCOMO has recognized estimated future discount amount as a reduction of revenue since DOCOMO developed sufficient historical 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.

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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 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” in 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, 2016 and 2017 were as follows:

		Millions of yen	
Location		2016	2017
Current deferred revenue . . . . .	Other current liabilities	¥ 85,434	¥ <b>78,453</b>
Long-term deferred revenue . . . . .	Other long-term liabilities	102,005	<b>122,731</b>
Current deferred charges . . . . .	Prepaid expenses and other current assets	14,707	<b>15,533</b>
Long-term deferred charges . . . . .	Other assets	95,171	<b>110,967</b>

**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. Deferred tax assets are reduced, using a valuation allowance, to an amount more likely than not to be realized. 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.

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

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 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, 2015, 2016 and 2017, 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, 2017.

**(c) Recently Issued Accounting Standards**

**Revenue from Contracts with Customers—**

On May 28, 2014, the 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,” ASU 2016-20 “Technical Corrections and Improvements to Topic 606,” and ASU 2017-05 “Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets” in March, April, May and December 2016, and February 2017, respectively, to partially amend ASU 2014-09.

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

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 DOCOMO on April 1, 2018 and early adoption with original effective date for periods beginning April 1, 2017 is permitted.

The two permitted transition methods under the new standard are the full retrospective method, or the modified retrospective method. Under the full retrospective method, all periods presented will be updated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to the reporting period will be recorded to retained earnings at the beginning of the initial reporting period. Under the modified retrospective approach, the current reporting period will be updated to conform to the new standard and a cumulative adjustment for effects of applying the new standard to periods prior to the reporting period that includes the date of initial application is recorded to retained earnings as of the date of initial application, and also incremental disclosures related to the amount affected by the application of this new standard are required. DOCOMO has not decided on a transition method and are currently evaluating the impact of the new standard on DOCOMO’s consolidated financial statements and related disclosures. The impact on revenue resulting from the application of the new standard will be subject to assessments that are dependent on many variables, including, but not limited to, the terms, the transaction prices including discounts and the mixture of the goods and services of DOCOMO’s contractual arrangements. While DOCOMO is continuing to assess all potential impacts resulting from the application of the new standard, DOCOMO believes that the most significant impacts may include the following items:

- The standard requires the recognition of incremental costs of obtaining and direct costs of fulfilling contracts with customers as assets. Accordingly, DOCOMO expects that part of the sales commissions and other charges that have previously been treated as expenses will be recognized as additional assets, which will be amortized over the estimated average period of the subscription for each service. For the fiscal year ended March 31, 2017, the amount of sales commissions incurred for agent resellers was ¥320,800 million which was mainly included in “Selling, general and administrative” in DOCOMO’s consolidated statements of income under the existing standards.
- The standard requires that if customers are granted by an entity the option to acquire additional goods or services at a discount by a contract agreed between the customer and the entity, the entity shall identify this option as a separate performance obligation upon granting such option as a part of the consideration of the transaction being recognized as contract liabilities, and recognize revenue when the additional good or service is transferred at a discount to the customer or when such option expires. Accordingly, DOCOMO expects that in relation to “docomo POINTs” and “d POINTs” which have traditionally been recorded as accrued liabilities, DOCOMO will recognize a part of the considerations for the transaction of mobile communications and other services as contract liabilities at the time when the points are granted, and recognize revenue when the points are used for the additional good or service at a discount or when the points expire. For the fiscal year ended March 31, 2017, the amount of expenses for point programs under the existing standards was ¥94,291 million, which was included in “Selling, general and administrative” in DOCOMO’s consolidated statements of income.

DOCOMO have established a team to implement the introduction of the new standard. DOCOMO is in the process of implementing changes to DOCOMO’s systems and setting up reporting processes and internal controls for the adoption of the new revenue recognition standard.

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

**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 makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also affects the recognition of changes in fair value of financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. 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.

**Simplifying the Test for Goodwill Impairment—**

On January 26, 2017, the FASB issued ASU 2017-04 “Simplifying the Test for Goodwill Impairment,” which eliminates Step 2 from the goodwill impairment test. Instead, the amendments in this update require that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. The amendments in this update are effective for DOCOMO on April 1, 2020. Early adoption of the standard for goodwill impairment tests with measurement dates after January 1, 2017 would also be permitted. DOCOMO is currently evaluating the effect of adopting the ASU.

**3. Cash and cash equivalents:**

“Cash and cash equivalents” as of March 31, 2016 and 2017 comprised the following:

	Millions of yen	
	2016	2017
Cash .....	¥ 97,683	¥102,167
Certificates of deposit .....	50,000	10,000
Commercial paper .....	433	236
Bailment for consumption .....	206,321	177,207
Total .....	¥354,437	¥289,610

The commercial paper as of March 31, 2016 and 2017 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.”

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

**4. Inventories:**

“Inventories” as of March 31, 2016 and 2017 comprised the following:

	Millions of yen	
	2016	2017
Finished goods . . . . .	¥149,356	¥148,720
Materials and supplies . . . . .	4,520	4,668
Total . . . . .	¥153,876	¥153,388

**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.

DOCOMO terminated the multimedia broadcasting business for mobile devices on June 30, 2016. The termination did not result in the recognition of impairment losses.

**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.

## NTT DOCOMO, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2016 and 2017, 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.

#### **PLDT Inc.—**

PLDT Inc. (“PLDT”) is a telecommunication operator in the Philippines and a public company listed on the Philippine Stock Exchange and the New York Stock Exchange.

DOCOMO held approximately 15% of PLDT’s outstanding common shares and approximately 9% of voting interest in PLDT as of March 31, 2016 and 2017. The ratio of outstanding common shares and voting interest in PLDT held by DOCOMO as of March 31, 2016 and 2017 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, 2016 and 2017, 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 ¥126,325 million and ¥112,592 million as of March 31, 2016 and 2017, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥152,683 million and ¥114,841 million as of March 31, 2016 and 2017, respectively.

#### **Tata Teleservices Limited—**

Tata Teleservices Limited (“TTSL”) is a telecommunication operator in India and a privately held company.

As of March 31, 2016 and 2017, DOCOMO held approximately 26.5% and 21.6%, respectively, of the outstanding common shares of TTSL.

Under the shareholders agreement (the “Agreement”) entered into among TTSL, Tata Sons Limited (“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 ¥124.7 billion<sup>\*1</sup>) 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 1 rupee = ¥1.72 as of May 31, 2017

**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<sup>\*2</sup>) for Tata Sons' breach of the shareholders agreement, upon DOCOMO's tender of its entire stake in TTSL to Tata Sons or its designee.

On July 8, 2016, DOCOMO submitted an application to the High Court in India ("the Court") requesting enforcement of the LCIA Award in India. On February 25, 2017, DOCOMO and Tata Sons submitted a joint application to the Court requesting the Court to declare that the LCIA Award is enforceable in India. On April 28, 2017, the Court delivered a court decision approving the joint application. The remittance will be made after the necessary procedures under Indian regulations are completed.

Since the transfer of DOCOMO's shares in TTSL has not been completed as of March 31, 2017, DOCOMO has not accounted for the transfer of the shares considering uncertain circumstances. DOCOMO may recognize a gain if the transfer of TTSL shares with the remittance from Tata Sons described above is completed. DOCOMO continues to account for the investment in TTSL under the equity method as DOCOMO continues to hold approximately 21.6% of the outstanding voting shares of TTSL and have the representation on the Board of Directors of TTSL.

**Impairment—**

DOCOMO evaluates the recoverability of the carrying value of its investments in affiliates including those mentioned above when there are indications that a decline in value below carrying amount may be other than temporary.

As a result of such evaluations, DOCOMO recorded impairment charges for other-than-temporary declines during the fiscal years ended March 31, 2015 and 2016. The impacts of such impairment charges on DOCOMO's results of operations and financial position were inconsequential. DOCOMO determined that there were other-than-temporary declines in values, of certain investments including Hutchison Telephone Company Limited ("HTCL") and recorded impairment charges aggregating ¥23,342 million, net of deferred income taxes of ¥578 million, for the fiscal year ended March 31, 2017. The impairment charges are included in "Equity in net income (losses) of affiliates, net of applicable taxes" in the accompanying consolidated statements of income.

DOCOMO believes that the estimated fair values of each of its investments in affiliates as of March 31, 2017 subsequent to the recording of the impairment charges 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, 2017.

DOCOMO's shares of undistributed earnings of its affiliates included in its consolidated retained earnings were ¥44,367 million, ¥52,203 million and ¥77,945 million, as of March 31, 2015, 2016 and 2017, 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, 2016 and 2017 was greater by ¥263,669 million and ¥200,551 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.

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<sup>\*2</sup> \$1 = ¥110.96 as of May 31, 2017

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

The following represents summarized financial information for DOCOMO's affiliates.

	<u>Millions of yen</u> <u>2015</u>
Operating information	
Operating revenues .....	¥ 1,229,153
Operating income .....	148,515
Income from continuing operations .....	48,076
Net income .....	48,076
Net income attributable to shareholders' of the affiliates .....	<u>48,725</u>
	<u>Millions of yen</u> <u>2016</u>
Balance sheet information	
Current assets .....	¥ 1,615,276
Non-current assets .....	2,229,766
Current liabilities .....	1,481,985
Long-term liabilities .....	1,549,242
Equity .....	813,815
Noncontrolling interests .....	<u>26,453</u>
	<u>Millions of yen</u> <u>2016</u>
Operating information	
Operating revenues .....	¥ 1,479,223
Operating income .....	144,668
Income from continuing operations .....	38,317
Net income .....	38,317
Net income attributable to shareholders' of the affiliates .....	<u>35,618</u>
	<u>Millions of yen</u> <u>2017</u>
Balance sheet information	
Current assets .....	¥ 1,661,042
Non-current assets .....	1,987,091
Current liabilities .....	1,595,153
Long-term liabilities .....	1,263,543
Equity .....	789,437
Noncontrolling interests .....	<u>2,441</u>
	<u>Millions of yen</u> <u>2017</u>
Operating information	
Operating revenues .....	¥ 1,145,804
Operating income .....	97,844
Income from continuing operations .....	150,766
Net income .....	150,766
Net income attributable to shareholders' of the affiliates .....	<u>151,656</u>

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

**7. Marketable securities and other investments:**

“Marketable securities and other investments” as of March 31, 2016 and 2017 comprised the following:

	Millions of yen	
	2016	2017
Marketable securities:		
Available-for-sale .....	¥ 170,477	¥ <b>179,659</b>
Other investments .....	12,428	<b>18,991</b>
Marketable securities and other investments (Non-current) .....	¥ 182,905	¥ <b>198,650</b>

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, 2016 and 2017, aggregated by maturities, were as follows:

	Millions of yen			
	2016		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Due after 1 year through 5 years .....	¥ —	¥ —	¥ 5	¥ 5
Due after 5 years through 10 years .....	—	—	—	—
Due after 10 years .....	—	—	—	—
Total .....	¥ —	¥ —	¥ 5	¥ 5

The cost, gross unrealized holding gains and losses and fair value as of March 31, 2016 and 2017, aggregated by type of available-for-sale securities included in “Marketable securities and other investments,” were as follows:

	Millions of yen			
	2016			
	Cost /Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities .....	¥ 103,179	¥ 68,150	¥ 852	¥170,477
	Millions of yen			
	2017			
	Cost /Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities .....	¥ 101,487	¥ 78,527	¥ 360	¥179,654
Debt securities .....	5	—	—	5

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2015, 2016 and 2017 were as follows:

	Millions of yen		
	2015	2016	2017
Proceeds . . . . .	¥ 1,003	¥ 8,836	¥ <b>3,921</b>
Gross realized gains . . . . .	609	5,867	<b>3,158</b>
Gross realized losses . . . . .	(734)	(42)	<b>(12)</b>

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, 2016 and 2017, 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					
	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 . . . . .	¥ 2,656	¥ 351	¥ 2,680	¥ 501	¥ 5,336	¥ 852
Cost method investments . . . . .	16	37	57	1,154	73	1,191

	Millions of yen					
	2017					
	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 . . . . .	¥ 3,307	¥ 360	¥ —	¥ —	¥ 3,307	¥ 360

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, DOCOMO does not estimate the fair value of such cost method investments unless DOCOMO identifies events or changes in circumstances that may have a significant adverse effect on the fair value of the investments.

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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Cost method investments included in other investments . . . . .	¥12,394	¥18,957
Including: Investments whose fair values were not evaluated for impairment . . . . .	11,058	18,948

The amount of other-than-temporary impairment of “marketable securities and other investments” is disclosed in Note 14 “Other income (expense).”

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

**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, 2016 and 2017 were as follows:

	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)
	<u>143,918</u>	<u>70,753</u>	<u>51,640</u>	<u>266,311</u>
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)
	<u>¥ 143,927</u>	<u>¥ 68,363</u>	<u>¥ 31,405</u>	<u>¥ 243,695</u>
	Millions of yen			
	2017			
	Telecommunications business	Smart life business	Other businesses	Consolidated
Balance at beginning of year				
Gross goodwill	¥ 143,927	¥ 70,731	¥ 51,127	¥ 265,785
Accumulated impairment losses	—	(2,368)	(19,722)	(22,090)
	<u>143,927</u>	<u>68,363</u>	<u>31,405</u>	<u>243,695</u>
Goodwill impairment loss	(4,076)	(5,887)	—	(9,963)
Foreign currency translation adjustment	(846)	27	(1,942)	(2,761)
Balance at end of year				
Gross goodwill	143,081	70,758	49,185	263,024
Accumulated impairment losses	(4,076)	(8,255)	(19,722)	(32,053)
	<u>¥ 139,005</u>	<u>¥ 62,503</u>	<u>¥ 29,463</u>	<u>¥ 230,971</u>

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 "Impairment loss" of the consolidated statements of income.

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

In the fiscal year ended March 31, 2017, because of the adverse change in its business environment, DOCOMO recognized ¥4,076 million and ¥5,887 million goodwill impairment losses for reporting units in the telecommunications business segment and smart life business segment, respectively. The fair values of these reporting units were measured using the discounted cash flow method. The amounts of these impairment losses were included in “Impairment loss” of the consolidated statements of income.

**Other intangible assets—**

Other intangible assets, as of March 31, 2016 and 2017 comprised the following:

	Millions of yen		
	2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
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
Total amortizable intangible assets .....	<u>¥ 2,792,716</u>	<u>¥2,202,049</u>	<u>¥ 590,667</u>
Unamortizable intangible assets:			
Trademarks and trade names .....			¥ 13,052
Spectrum related assets .....			11,294
Total unamortizable intangible assets .....			<u>¥ 24,346</u>
Total .....			<u>¥ 615,013</u>

	Millions of yen		
	2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network .....	¥ 1,093,449	¥ 831,067	¥ 262,382
Internal-use software .....	1,502,350	1,233,568	268,782
Software acquired to be used in manufacture of handsets .....	258,682	231,136	27,546
Rights to use telecommunications facilities of wireline operators ...	19,099	8,379	10,720
Other .....	39,597	29,793	9,804
Total amortizable intangible assets .....	<u>¥ 2,913,177</u>	<u>¥2,333,943</u>	<u>¥ 579,234</u>
Unamortizable intangible assets:			
Trademarks and trade names .....			¥ 11,348
Spectrum related assets .....			18,194
Total unamortizable intangible assets .....			<u>¥ 29,542</u>
Total .....			<u>¥ 608,776</u>

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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, 2017 was ¥150,772 million, the main components of which were software for telecommunications network in the amount of ¥62,366 million and internal-use software in the amount of ¥79,417 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, 2015, 2016 and 2017 was ¥180,218 million, ¥165,387 million and ¥167,799 million, respectively. Estimated amortization of existing intangible assets for fiscal years ending March 31, 2018, 2019, 2020, 2021 and 2022 is ¥160,129 million, ¥132,148 million, ¥98,409 million, ¥68,799 million and ¥40,432 million, respectively. The weighted-average amortization period of the intangible assets acquired during the fiscal year ended March 31, 2017 is 6 years.

The amount of unamortizable intangible assets acquired during the fiscal year ended March 31, 2017 was ¥6,900 million.

Spectrum related assets are related to the acquisition of 700MHz band that DOCOMO incurred for the former licensees to migrate from the 700MHz band to the other frequency spectrum based on the acceleration measures for termination of the Radio Act of Japan. As long as DOCOMO is in compliance with the regulations required by the Ministry of Internal Affairs and Communications, DOCOMO is able to renew and extend the 700MHz band license at a minimum cost. Therefore, it is determined that the spectrum related assets have indefinite useful lives. The weighted-average period from March 31, 2017 to the next renewal or extension is 4 years.

**9. Other assets:**

“Other assets” as of March 31, 2016 and 2017 comprised the following:

	Millions of yen	
	2016	2017
Deposits . . . . .	¥ 91,984	¥ 86,507
Deferred customer activation costs . . . . .	95,171	110,967
Receivables held for sale (Non-current). . . . .	272,318	214,692
Allowance for doubtful accounts . . . . .	(4,865)	(9,749)
Long-term prepaid expenses . . . . .	11,547	10,713
Asset for employees’ retirement benefits . . . . .	4,898	9,166
Other . . . . .	8,050	12,016
Total . . . . .	¥479,103	¥434,312

**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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Short-term borrowings denominated in Japanese Yen:		
Unsecured short-term loans from financial institutions . . . . .	¥ 1,500	¥ 1,500
(Year ended March 31, 2016—weighted-average rate per annum : 0.5% as of March 31, 2016)		
(Year ended March 31, 2017—weighted-average rate per annum : 0.4% as of March 31, 2017)		
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions . . . . .	264	123
(Year ended March 31, 2016—weighted-average rate per annum :0.7% as of March 31, 2016)		
(Year ended March 31, 2017—weighted-average rate per annum :0.7% as of March 31, 2017)		
Total short-term borrowings . . . . .	¥ 1,764	¥ 1,623

Long-term debt as of March 31, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Debt denominated in Japanese Yen:		
Unsecured corporate bonds . . . . .	¥220,000	¥220,000
(Year ended March 31, 2016—interest rates per annum : 0.2%-2.0%, due : years ending March 31, 2018-2024)		
(Year ended March 31, 2017—interest rates per annum : 0.2%-2.0%, due : years ending March 31, 2018-2024)		
Unsecured indebtedness to financial institutions . . . . .	400	257
(Year ended March 31, 2016—interest rates per annum : 0.9%, due : years ending March 31, 2017-2018)		
(Year ended March 31, 2017—interest rates per annum : 0.7%-1.4%, due : years ending March 31, 2018-2022)		
Sub-total . . . . .	¥220,400	¥220,257
Less: Current portion . . . . .	(200)	(60,217)
Total long-term debt . . . . .	¥220,200	¥160,040

For the fiscal years ended March 31, 2016 and 2017, 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

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

interest rate swaps agreements designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2016 and 2017. DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2016 and 2017.

Interest costs related to short-term borrowings and long-term debt for the fiscal years ended March 31, 2015, 2016 and 2017 totaled ¥2,790 million, ¥2,681 million and ¥2,636 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, 2017, were as follows:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2018 .....	¥ 60,217
2019 .....	110,017
2020 .....	13
2021 .....	8
2022 .....	2
Thereafter .....	50,000
Total .....	<u>¥ 220,257</u>

**11. Redeemable noncontrolling interest**

Changes in the redeemable noncontrolling interest for the fiscal years ended March 31, 2015, 2016 and 2017 were as follows:

	<u>Millions of yen</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Balance at beginning of year .....	<u>¥14,869</u>	<u>¥15,589</u>	<u>¥16,221</u>
Comprehensive income			
Net income .....	718	632	<b>683</b>
Other comprehensive income (loss)			
Foreign currency translation adjustment, net of applicable taxes .....	2	(0)	<b>(1)</b>
Changes in interest in subsidiaries .....	—	—	<b>6,100</b>
Cash distributions to redeemable noncontrolling interests .....	—	—	<b>(61)</b>
Balance at end of year .....	<u>¥15,589</u>	<u>¥16,221</u>	<u>¥22,942</u>

**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.

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

The distributable amount available for the payments of dividends to shareholders as of March 31, 2017 was ¥3,911,084 million and was included in “Additional paid-in capital” and “Retained earnings.”

In the general meeting of shareholders held on June 20, 2017, the shareholders approved cash dividends of ¥148,183 million or ¥40 per share, payable to shareholders of record as of March 31, 2017, which were declared by the Board of Directors on April 27, 2017.

**(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 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.

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.

NTT DOCOMO, INC. also carries out compulsory acquisition of less-than-one-unit shares upon request.

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.

	<b>Number of issued shares</b>	<b>Number of treasury stock</b>
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 . .	—	120,867,062
Acquisition of treasury stock through purchase of less-than-one-unit shares . . . . .	—	43
Retirement of treasury stock . . . . .	(127,229,000)	(127,229,000)
As of March 31, 2016 . . . . .	3,958,543,000	197,926,250
Acquisition of treasury stock based on the resolution of the Board of Directors . .	—	<b>56,031,000</b>
Acquisition of treasury stock through purchase of less-than-one-unit shares . . . . .	—	<b>217</b>
Retirement of treasury stock . . . . .	<b>(58,980,000)</b>	<b>(58,980,000)</b>
<b>As of March 31, 2017 . . . . .</b>	<b>3,899,563,000</b>	<b>194,977,467</b>

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

**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.

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.

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 also repurchased 47,010,000 shares of its common stock for a total purchase price of ¥125,174 million by way of market purchases in accordance with the discretionary dealing contract as of December 31, 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. No shares were repurchased from NTT during the fiscal year ended March 31, 2017.

The aggregate number and price of shares repurchased for the fiscal years ended March 31, 2015, 2016 and 2017 were as follows:

<u>Years ended March 31</u>	<u>Shares</u>	<u>Millions of yen</u>
2015 .....	265,276,245	¥ 473,036
2016 .....	120,867,105	¥ 307,486
<b>2017 .....</b>	<b>56,031,217</b>	<b>¥ 149,607</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, 2016 and 2017.

<u>Date of the resolution of the Board of Directors</u>	<u>Shares</u>	<u>Millions of yen</u>
March 27, 2015 .....	279,228,000	¥ 490,986
March 25, 2016 .....	127,229,000	¥ 260,872
<b>March 24, 2017 .....</b>	<b>58,980,000</b>	<b>¥ 128,997</b>

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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 years ended March 31, 2016 and 2017 resulted in decreases of “Retained earnings” by ¥260,872 million and ¥128,997 million, respectively, on the consolidated balance sheets in response to the treatment described above. There were no changes in the number of authorized shares.

**(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, 2015, 2016 and 2017 were as follows:

	Millions of yen				
	2015				
	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, 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
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

**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

Millions of yen					
2017					
	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, 2016 . . . . .	¥ 61,624	¥ (218)	¥ 6,281	¥ (52,799)	¥ 14,888
Other comprehensive income (loss) before reclassifications . . . . .	12,821	37	(13,557)	8,313	7,614
Amounts reclassified from accumulated other comprehensive income (loss) . . . . .	(1,082)	48	582	2,396	1,944
Other comprehensive income (loss) . . .	11,739	85	(12,975)	10,709	9,558
Less: other comprehensive (income) loss attributable to noncontrolling interests . . . . .	(0)	—	185	—	185
Balance as of March 31, 2017 . . . . .	¥ 73,363	¥ (133)	¥ (6,509)	¥ (42,090)	¥ 24,631

**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, 2016 and 2017 were as follows:

	Millions of yen		
	Amounts reclassified out of accumulated other comprehensive income (loss) (*1)		
	2016	2017	Affected line items in the consolidated statements of income
Unrealized holding gains (losses) on available-for-sale securities . . . . .	¥1,796	¥ <b>1,553</b>	“Other, net” of “Other income (expense)”
	249	<b>53</b>	“Equity in net income (losses) of affiliates”
	2,045	<b>1,606</b>	Pre-tax amount
	(767)	<b>(524)</b>	Tax benefit (expense)
	<u>1,278</u>	<u><b>1,082</b></u>	Net-of-tax amount
Unrealized gains (losses) on cash flow hedges . . . . .	(46)	<b>(70)</b>	“Equity in net income (losses) of affiliates”
	(46)	<b>(70)</b>	Pre-tax amount
	15	<b>22</b>	Tax benefit (expense)
	<u>(31)</u>	<u><b>(48)</b></u>	Net-of-tax amount
Foreign currency translation adjustment . . . . .	263	—	“Other, net” of “Other income (expense)”
	—	<b>(880)</b>	“Equity in net income (losses) of affiliates”
	263	<b>(880)</b>	Pre-tax amount
	—	<b>298</b>	Tax benefit (expense)
	<u>263</u>	<u><b>(582)</b></u>	Net-of-tax amount
Pension liability adjustment . . . . .	(931)	<b>(3,492)</b>	(*2)
	(931)	<b>(3,492)</b>	Pre-tax amount
	305	<b>1,096</b>	Tax benefit (expense)
	<u>(626)</u>	<u><b>(2,396)</b></u>	Net-of-tax amount
Total reclassified amounts . . . . .	¥ 884	¥ <b>(1,944)</b>	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.

**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, 2015, 2016 and 2017 were as follows:

	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) . . . . .	<u>¥ 58,623</u>	<u>¥ (15,238)</u>	<u>¥ 43,385</u>

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		
	2016		
	Pre-tax amount	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) . . . . .	<u>¥(54,222)</u>	<u>¥ 16,517</u>	<u>¥(37,705)</u>

**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 ¥3 million and ¥3 million, respectively, for the fiscal year ended March 31, 2016.

	Millions of yen		
	2017		
	Pre-tax amount	Tax benefit / (expense)	Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities . . . . .	¥ 18,516	¥ (5,695)	¥ 12,821
Less: Reclassification of realized gains and losses included in net income . . . . .	(1,606)	524	(1,082)
Unrealized gains (losses) on cash flow hedges . . . . .	54	(17)	37
Less: Reclassification of realized gains and losses included in net income . . . . .	70	(22)	48
Foreign currency translation adjustment . . . . .	(16,337)	2,780	(13,557)
Less: Reclassification of realized gains and losses included in net income . . . . .	880	(298)	582
Pension liability adjustment			
Actuarial gains (losses) arising during period, net . . . . .	12,150	(3,837)	8,313
Less: Amortization of prior service cost . . . . .	(1,082)	340	(742)
Less: Amortization of actuarial gains and losses . . . . .	4,526	(1,421)	3,105
Less: Amortization of transition obligation . . . . .	48	(15)	33
Total other comprehensive income (loss) . . . . .	¥ 17,219	¥ (7,661)	¥ 9,558

Unrealized holding gains on available-for-sale securities and foreign currency translation losses, net of tax, attributable to noncontrolling interests were ¥0 million and ¥(185) million, respectively, for the fiscal year ended March 31, 2017.

**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 ¥96,997 million, ¥83,315 million and ¥83,050 million for the fiscal years ended March 31, 2015, 2016 and 2017, 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 ¥69,129 million, ¥61,544 million and ¥62,531 million for the fiscal years ended March 31, 2015, 2016 and 2017, respectively.

**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, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Net realized gains (losses) on dispositions of marketable securities and other investments . . . . .	¥ (125)	¥ 5,825	¥ 3,146
Other-than-temporary impairment loss on marketable securities and other investments . . . . .	(902)	(636)	(2,305)
Loss on sale of a subsidiary . . . . .	—	(13,117)	—
Foreign exchange gains (losses), net . . . . .	(409)	(3,627)	(2,715)
Dividends income . . . . .	3,675	4,213	4,615
Penalties and compensation for damages . . . . .	1,460	1,105	1,237
Other, net . . . . .	627	759	516
Total . . . . .	¥ 4,326	¥ (5,478)	¥ 4,494

**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, 2015, 2016 and 2017, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥59,925 million, ¥59,049 million and ¥60,668 million, respectively.

NTT DOCOMO, INC. repurchased its common stock from NTT during the fiscal years ended March 31, 2015 and 2016. No shares were repurchased from NTT during the fiscal year ended March 31, 2017. 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, 2017. 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 ¥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.

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

The balance of bailments was ¥437,207 million as of March 31, 2017. The assets related to the contracts were recorded as “Cash and cash equivalents” of ¥177,207 million and “Short-term investments” of ¥260,000 million in the consolidated balance sheet as of March 31, 2017. The contracts had remaining terms to maturity ranging less than 3 months with an average interest rate of 0.05% per annum as of March 31, 2017.

The average balances of the contracts for bailments that expired during the fiscal years ended March 31, 2015, 2016 and 2017 were ¥111,077 million, ¥323,467 million and ¥225,908 million, respectively. The amount of interest derived from the contracts was recorded as “Interest income” of ¥589 million, ¥388 million and ¥63 million in the consolidated statements of income for the fiscal years ended March 31, 2015, 2016 and 2017, 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, 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.

For the fiscal year ended March 31, 2017, the amount of “receivables for telecommunications services” that DOCOMO sold to NTT FINANCE was ¥4,439,214 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 ¥60,827 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, 2017, was ¥299,467 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.

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

The amounts of payables related to the transactions as of March 31, 2016 and 2017 were ¥80,169 million and ¥109,303 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, 2015, 2016 and 2017 were ¥21,655 million, ¥23,777 million and ¥28,804 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, 2016 and 2017 were ¥1,156 million and ¥1,319 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 has three operating segments, which consist of telecommunications business, smart life business, and other businesses.

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 year ended March 31, 2015 has been restated to conform to the presentation for the fiscal years ended March 31, 2016 and 2017.

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.

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

**Segment operating revenues:**

<b>Years Ended March 31</b>	<b>Millions of yen</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Telecommunications business-			
External customers .....	¥ 3,653,344	¥ 3,688,486	¥ <b>3,709,947</b>
Intersegment .....	1,221	1,293	<b>1,209</b>
Subtotal .....	3,654,565	3,689,779	<b>3,711,156</b>
Smart life business-			
External customers .....	427,707	491,234	<b>486,547</b>
Intersegment .....	15,613	12,895	<b>15,371</b>
Subtotal .....	443,320	504,129	<b>501,918</b>
Other businesses-			
External customers .....	302,346	347,364	<b>388,058</b>
Intersegment .....	11,146	11,912	<b>12,342</b>
Subtotal .....	313,492	359,276	<b>400,400</b>
Segment total .....	4,411,377	4,553,184	<b>4,613,474</b>
Elimination .....	(27,980)	(26,100)	<b>(28,922)</b>
Consolidated .....	¥ 4,383,397	¥ 4,527,084	¥ <b>4,584,552</b>

**Segment operating income (loss):**

<b>Years Ended March 31</b>	<b>Millions of yen</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Segment operating income (loss)-			
Telecommunications business .....	¥ 636,076	¥ 708,854	¥ <b>832,798</b>
Smart life business .....	(2,394)	46,450	<b>57,919</b>
Other businesses .....	5,389	27,720	<b>54,021</b>
Consolidated operating income .....	639,071	783,024	<b>944,738</b>
Other income (expenses) .....	4,812	(5,003)	<b>4,825</b>
Income before income taxes and equity in net income (losses) of affiliates .....	¥ 643,883	¥ 778,021	¥ <b>949,563</b>

**Segment assets:**

<b>As of March 31</b>	<b>Millions of yen</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Segment assets-			
Telecommunications business .....	¥ 5,275,976	¥ 5,309,327	¥ <b>5,243,470</b>
Smart life business .....	553,647	601,601	<b>677,182</b>
Other businesses .....	228,581	237,862	<b>258,531</b>
Segment total .....	6,058,204	6,148,790	<b>6,179,183</b>
Elimination .....	(1,875)	(1,988)	<b>(1,381)</b>
Corporate .....	1,090,011	1,067,312	<b>1,275,272</b>
Consolidated .....	¥ 7,146,340	¥ 7,214,114	¥ <b>7,453,074</b>

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

**Other Significant items:**

<b>Years Ended March 31</b>	Millions of yen		
	2015	2016	2017
Depreciation and amortization-			
Telecommunications business . . . . .	¥ 614,821	¥ 592,073	¥ <b>418,669</b>
Smart life business . . . . .	24,594	16,892	<b>16,190</b>
Other businesses . . . . .	20,372	16,969	<b>17,482</b>
Consolidated . . . . .	¥ 659,787	¥ 625,934	¥ <b>452,341</b>

<b>Years Ended March 31</b>	Millions of yen		
	2015	2016	2017
Capital expenditures-			
Telecommunications business . . . . .	¥ 635,445	¥ 573,893	¥ <b>576,151</b>
Smart life business . . . . .	17,195	13,855	<b>14,391</b>
Other businesses . . . . .	9,125	7,468	<b>6,536</b>
Consolidated . . . . .	¥ 661,765	¥ 595,216	¥ <b>597,078</b>

<b>Years Ended March 31</b>	Millions of yen		
	2015	2016	2017
Point program expenses-			
Telecommunications business . . . . .	¥ 60,971	¥ 49,155	¥ <b>82,302</b>
Smart life business . . . . .	6,945	9,112	<b>14,063</b>
Other businesses . . . . .	—	1	<b>60</b>
Segment total . . . . .	67,916	58,268	<b>96,425</b>
Elimination . . . . .	(211)	(436)	<b>(2,134)</b>
Consolidated . . . . .	¥ 67,705	¥ 57,832	¥ <b>94,291</b>

<b>Years Ended March 31</b>	Millions of yen		
	2015	2016	2017
Impairment losses of goodwill and unamortizable intangible assets-			
Telecommunications business . . . . .	¥ —	¥ —	¥ <b>4,076</b>
Smart life business . . . . .	—	2,368	<b>7,538</b>
Other businesses . . . . .	—	6,252	—
Consolidated . . . . .	¥ —	¥ 8,620	¥ <b>11,614</b>

<b>Years Ended March 31</b>	Millions of yen		
	2015	2016	2017
Impairment loss of long-lived assets-			
Telecommunications business . . . . .	¥ —	¥ 1,684	¥ —
Smart life business . . . . .	30,161	7,186	—
Other businesses . . . . .	—	193	<b>591</b>
Consolidated . . . . .	¥ 30,161	¥ 9,063	¥ <b>591</b>

Segment operating income (loss) is segment operating revenues less segment operating expenses.

**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.

As indicated in “Property, plant and equipment” under Note 2. (a) “Significant accounting policies,” previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment with the exception of buildings, which are depreciated on a straight-line basis. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation for all property, plant, and equipment. As a result, compared with the depreciation method used prior to April 1, 2016, operating income for the Telecommunications business segment, Smart life business segment, and Other businesses segment for the fiscal year ended March 31, 2017 increased by ¥153,548 million, ¥340 million and ¥162 million, respectively.

For the fiscal years ended March 31, 2015 and 2016, 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, 2015, 2016 and 2017.

Operating revenues from products and services were as follows:

<u>Years ended March 31</u>	<u>Millions of yen</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Telecommunications services .....	¥2,747,155	¥2,815,507	<b>¥2,985,094</b>
Mobile communications services revenues .....	2,736,649	2,767,591	<b>2,843,962</b>
— Voice revenues .....	883,844	849,440	<b>875,203</b>
— Packet communications revenues .....	1,852,805	1,918,151	<b>1,968,759</b>
Optical-fiber broadband service and other telecommunications services revenues .....	10,506	47,916	<b>141,132</b>
Equipment sales .....	904,089	860,486	<b>719,161</b>
Other operating revenues .....	732,153	851,091	<b>880,297</b>
Total operating revenues .....	<u>¥4,383,397</u>	<u>¥4,527,084</u>	<u><b>¥4,584,552</b></u>

**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 for the pension benefit earned up to March 31, 2014, and the defined contribution pension plans sponsored by DOCOMO for the pension benefit earned on and after April 1, 2014.

**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, 2016 and 2017. DOCOMO uses a measurement date of March 31.

	Millions of yen	
	2016	2017
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 217,950	¥ <b>226,933</b>
Service cost	9,438	<b>9,501</b>
Interest cost	2,113	<b>1,123</b>
Actuarial (gain) loss	11,536	<b>(4,494)</b>
Transfer of liability from contract-type corporate pension plans of the NTT group	(2,828)	<b>253</b>
Benefit payments	(11,276)	<b>(12,676)</b>
Projected benefit obligation, end of year	¥ 226,933	¥ <b>220,640</b>
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 98,981	¥ <b>97,309</b>
Actual return on plan assets	1,685	<b>2,709</b>
Employer contributions	1,199	<b>61</b>
Transfer of plan assets from contract-type corporate pension plans of the NTT group	(859)	<b>44</b>
Benefit payments	(3,697)	<b>(3,600)</b>
Fair value of plan assets, end of year	¥ 97,309	¥ <b>96,523</b>
As of March 31:		
Funded status	¥ (129,624)	¥ <b>(124,117)</b>

The amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Liability for employees' retirement benefits	¥ (134,522)	¥ <b>(133,283)</b>
Asset for employees' retirement benefits	4,898	<b>9,166</b>
Net amount recognized	¥ (129,624)	¥ <b>(124,117)</b>

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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Actuarial gains (losses), net	¥ (44,040)	¥ <b>(37,103)</b>
Prior service cost, net	374	<b>(184)</b>
Transition obligation	(403)	<b>(355)</b>
Total	¥ (44,069)	¥ <b>(37,642)</b>

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The accumulated benefit obligation was ¥226,932 million and ¥220,639 million as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation . . . . .	¥ 225,465	¥ <b>218,942</b>
Fair value of plan assets . . . . .	95,516	<b>94,534</b>
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation . . . . .	¥ 225,464	¥ <b>218,941</b>
Fair value of plan assets . . . . .	95,516	<b>94,534</b>

The net periodic pension cost for the fiscal years ended March 31, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Service cost . . . . .	¥ 8,562	¥ 9,438	¥ <b>9,501</b>
Interest cost on projected benefit obligation . . . . .	2,821	2,113	<b>1,123</b>
Expected return on plan assets . . . . .	(2,003)	(1,931)	<b>(1,915)</b>
Amortization of prior service cost . . . . .	(851)	(694)	<b>(558)</b>
Amortization of actuarial gains and losses . . . . .	834	1,128	<b>1,649</b>
Amortization of transition obligation . . . . .	112	49	<b>48</b>
Net periodic pension cost . . . . .	¥ 9,475	¥ 10,103	¥ <b>9,848</b>

Other changes in plan assets and benefit obligations recognized in “Accumulated other comprehensive income (loss)” for the fiscal years ended March 31, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Other changes in plan assets and benefit obligations:			
Actuarial (gains) losses arising during period, net . . . . .	¥ 8,882	¥ 11,782	¥ <b>(5,288)</b>
Amortization of prior service cost . . . . .	851	694	<b>558</b>
Amortization of actuarial gains and losses . . . . .	(834)	(1,128)	<b>(1,649)</b>
Amortization of transition obligation . . . . .	(112)	(49)	<b>(48)</b>
Total recognized in “Accumulated other comprehensive income (loss)” . . . . .	¥ 8,787	¥ 11,299	¥ <b>(6,427)</b>

Total recognized in net periodic pension cost and “Accumulated other comprehensive income (loss)” was ¥18,262 million, ¥21,402 million and ¥3,421 million for the fiscal years ended March 31, 2015, 2016 and 2017, respectively.

**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, 2018 is ¥1,180 million, ¥47 million and ¥3 million, respectively.

The assumptions used in determination of the projected benefit obligations as of March 31, 2016 and 2017 were as follows:

	<u>2016</u>	<u>2017</u>
Discount rate . . . . .	0.5%	<b>0.7%</b>

The assumptions used in determination of the net periodic pension cost for the fiscal years ended March 31, 2015, 2016 and 2017 were as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Discount rate . . . . .	1.4%	1.0%	<b>0.5%</b>
Expected long-term rate of return on plan assets . . . . .	2.0	2.0	<b>2.0</b>

DOCOMO does not use the long-term rate of salary increases in estimating the projected benefit obligations and the net periodic pension cost, considering the policies of lump-sum severance and the contract type corporate pension plans.

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, 2016 and 2017. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 “Fair value measurements.”

	Millions of yen			
	2016			
	Total	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	—	—
Life insurance company general accounts . . . . .	13,530	—	13,530	—
Other . . . . .	1,468	—	(1)	1,469
Sub-total . . . . .	¥66,307	¥47,108	¥17,730	¥1,469
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities . . . . .	¥ 1,849			
Domestic equity securities . . . . .	954			
Foreign debt securities . . . . .	722			
Foreign equity securities . . . . .	643			
Pooled funds . . . . .	26,834			
Total . . . . .	¥97,309			

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

	Millions of yen			
	2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents . . . . .	¥ 2,168	¥ 2,168	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds . . . . .	37,237	36,215	1,022	—
Domestic corporate bonds . . . . .	4,972	—	4,972	—
Equity securities				
Domestic stocks . . . . .	4,334	4,334	—	—
Foreign stocks . . . . .	1,730	1,730	—	—
Life insurance company general accounts . . . . .	13,217	—	13,217	—
Other . . . . .	902	—	—	902
Sub-total . . . . .	¥64,560	¥44,447	¥19,211	¥ 902
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities . . . . .	¥ 2,701			
Domestic equity securities . . . . .	803			
Foreign equity securities . . . . .	268			
Pooled funds . . . . .	28,191			
Total . . . . .	¥96,523			

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.

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.

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

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 at net asset value using inputs derived principally from observable market data provided by financial institutions.

Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Fair values of pooled funds are measured at net asset value calculated by the trust operator.

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.

Effective April 1, 2016, DOCOMO adopted the provisions of ASU 2015-07, “Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),” in which investments measured at fair value using the net asset value per share method (or its equivalent) as a practical expedient are not required to be categorized in the fair value hierarchy and are separately presented to permit reconciliation of total pension plan assets. Certain reclassification has been made to the prior year’s table to conform to the presentation used for the fiscal year ended March 31, 2017.

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 2017 was: domestic bonds, 65.0%; domestic stocks, 10.0%; foreign stocks, 5.0%; and life insurance company general accounts, 20.0%.

As of March 31, 2016 and 2017, 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 ¥175 million (0.2% of total plan assets) and ¥203 million (0.2% of total plan assets), respectively.

The benefit payments, which reflect expected future service, are expected to be as follows:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2018 .....	¥ 12,205
2019 .....	11,467
2020 .....	11,171
2021 .....	10,885
2022 .....	15,928
2023-2027 .....	67,228

Defined contribution pension plan

DOCOMO recognized ¥2,059 million and ¥2,948 million of retirement benefit expenses related to DOCOMO’s defined contribution benefit plan in the fiscal years ended March 31, 2016 and 2017, respectively.

**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 when they are required for the period. The total amount of contributions by DOCOMO was ¥16,168 million, ¥16,603 million and ¥17,272 million for the fiscal years ended March 31, 2015, 2016 and 2017, 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, 2016 and 2017 represented approximately 11.3% and 13.5% 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, 2016 and 2017. 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, 2016 and 2017.

	Millions of yen	
	2016	2017
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥131,142	¥153,606
Service cost	4,743	6,436
Interest cost	1,311	757
Actuarial (gain) loss	19,652	(7,936)
Internal adjustment due to transfer of employees within the NTT group	(1,136)	257
Other	139	101
Benefit payments	(2,245)	(2,577)
Projected benefit obligation, end of year	¥153,606	¥150,644
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 86,459	¥ 86,524
Actual return on plan assets	330	2,746
Employer contributions	2,242	2,501
Employee contributions	458	492
Internal adjustment due to transfer of employees within the NTT group	(859)	155
Other	139	101
Benefit payments	(2,245)	(2,577)
Fair value of plan assets, end of year	¥ 86,524	¥ 89,942
As of March 31:		
Funded status	¥ (67,082)	¥ (60,702)

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

Amounts recognized in “Accumulated other comprehensive income (loss)” as of March 31, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Actuarial gains (losses), net .....	¥ (41,022)	¥ (30,027)
Prior service cost, net .....	3,924	3,400
Total .....	¥ (37,098)	¥ (26,627)

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥115,796 million and ¥113,958 million as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation .....	¥ 153,606	¥ 150,644
Fair value of plan assets .....	86,524	89,942
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation .....	¥ 115,562	¥ 113,699
Fair value of plan assets .....	86,274	89,663

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the fiscal years ended March 31, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Service cost .....	¥ 3,905	¥ 4,743	¥ 6,436
Interest cost on projected benefit obligation .....	1,613	1,311	757
Expected return on plan assets .....	(1,892)	(2,141)	(2,140)
Amortization of prior service cost .....	(525)	(524)	(524)
Amortization of actuarial gains and losses .....	686	775	2,453
Contribution from employees .....	(432)	(458)	(492)
Net periodic pension cost .....	¥ 3,355	¥ 3,706	¥ 6,490

**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, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Other changes in plan assets and benefit obligations:			
Actuarial (gains) losses arising during period, net . . . . .	¥ 3,213	¥ 21,463	¥ (8,542)
Amortization of prior service cost . . . . .	525	524	524
Amortization of actuarial gains and losses . . . . .	(686)	(775)	(2,453)
Total recognized in “Accumulated other comprehensive income (loss)” . . . . .	¥ 3,052	¥ 21,212	¥ (10,471)

Total recognized in net periodic pension cost and “Accumulated other comprehensive income (loss)” was ¥6,407 million, ¥24,918 million and ¥(3,981) million for the fiscal years ended March 31, 2015, 2016 and 2017, 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, 2018 is ¥1,509 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, 2016 and 2017 were as follows:

	2016	2017
Discount rate . . . . .	0.5%	<b>0.7%</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, 2015, 2016 and 2017 were as follows:

	2015	2016	2017
Discount rate . . . . .	1.4%	1.0%	<b>0.5%</b>
Long-term rate of salary increases . . . . .	3.4	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.

**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, 2016 and 2017. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 "Fair value measurements."

	Millions of yen			
	2016			
	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
Life insurance company general accounts . . . . .	10,294	—	10,294	—
Other . . . . .	131	—	0	131
Sub-total . . . . .	<u>¥62,331</u>	<u>¥45,475</u>	<u>¥16,725</u>	<u>¥ 131</u>
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities . . . . .	¥ 8,007			
Domestic equity securities . . . . .	5,784			
Foreign debt securities . . . . .	2,436			
Foreign equity securities . . . . .	1,498			
Pooled funds . . . . .	<u>6,468</u>			
Total . . . . .	<u>¥86,524</u>			

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

	Millions of yen			
	2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 1,596	¥ 1,596	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds	28,842	27,651	1,191	—
Domestic corporate bonds	7,715	—	7,715	—
Foreign government bonds	2,614	2,196	418	—
Foreign corporate bonds	57	51	6	—
Equity securities				
Domestic stocks	9,142	9,142	—	—
Foreign stocks	4,869	4,869	—	—
Life insurance company general accounts	10,690	—	10,690	—
Other	102	—	—	102
Sub-total	<u>¥65,627</u>	<u>¥45,505</u>	<u>¥20,020</u>	<u>¥ 102</u>
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities	¥ 8,690			
Domestic equity securities	5,489			
Foreign debt securities	1,978			
Foreign equity securities	1,434			
Pooled funds	<u>6,724</u>			
Total	<u>¥89,942</u>			

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.

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.

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

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 at net asset value using inputs derived principally from observable market data provided by financial institutions.

Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Fair values of pooled funds are measured at net asset value calculated by the trust operator.

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 dramatically, the NTT CDBP will review the asset allocation as necessary. The weighted average target ratio in March 2017 was: domestic bonds, 55.8%; domestic stocks, 15.0%; foreign bonds, 6.2%; foreign stocks, 10.6%; and life insurance company general accounts, 12.4%.

As of March 31, 2016 and 2017, 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 ¥5,401 million (0.5% of total plan assets) and ¥4,375 million (0.4% of total plan assets), respectively.

DOCOMO expects to contribute ¥2,404 million to the NTT CDBP in the fiscal year ending March 31, 2018.

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:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2018 .....	¥ 2,110
2019 .....	2,208
2020 .....	2,240
2021 .....	2,328
2022 .....	2,406
2023-2027 .....	12,327

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

**18. Income taxes:**

Total income taxes for the fiscal years ended March 31, 2015, 2016 and 2017 comprised the following:

	Millions of yen		
	2015	2016	2017
Income taxes-current	¥ 218,552	¥ 267,249	¥ 238,172
Income taxes-deferred			
Adjustments of deferred tax liabilities and assets for enacted changes in tax laws	25,040	15,160	—
Adjustments of the beginning of the year balance of a valuation allowance	—	(32,698)	—
Changes in deferred tax assets related to net operating loss carryforwards	(1,465)	(3,716)	26,669
Changes in deferred tax assets and liabilities related to property, plant and equipment and intangible assets	(9,351)	(5,333)	32,458
Other	5,291	(28,943)	(9,620)
Total income taxes-deferred	19,515	(55,530)	49,507
Other comprehensive income (loss)	15,238	(16,517)	7,661
Total income taxes	¥ 253,305	¥ 195,202	¥ 295,340

For the fiscal years ended March 31, 2015, 2016 and 2017, NTT DOCOMO, INC. and its domestic subsidiaries were subject to a National Corporate Tax of 25.5%, 23.9%, and 23.4%, respectively, a Corporate Inhabitant Tax of approximately 5% and a deductible Corporate Enterprise Tax and Special Local Corporate Tax of approximately 8%, 7% and 5%, 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, 2015, 2016 and 2017 were 35.8%, 33.4% and 31.6%, respectively. The actual effective income tax rates for the fiscal years ended March 31, 2015, 2016 and 2017 were 37.0%, 27.2% and 30.3%, respectively.

Amendments to the Japanese Corporate Tax Law were enacted on March 31, 2015, and the corporate tax rate was changed effective from April 1, 2015 and includes further changes 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 includes further changes 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.

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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 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 operated the multimedia broadcasting business for mobile devices. DOCOMO, therefore, released all of the valuation allowance for the related deferred tax assets of those subsidiaries.

During the fiscal year ended March 31, 2017, DOCOMO terminated the multimedia broadcasting business for mobile devices, and DOCOMO absorbed these subsidiaries, resulting in the utilization of such subsidiaries’ net operating carryforwards. The current income tax benefits related to the utilization of net operating carryforwards are recorded in “Income taxes – current” and the related deferred income tax expenses are included in the “Changes in deferred tax assets related to net operating loss carryforwards” in the above table of total income taxes.

As indicated in “Property, plant and equipment” under Note 2. (a) “Significant accounting policies,” previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment with the exception of buildings, which are depreciated on a straight-line basis. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation for all property, plant, and equipment for financial reporting purposes. The change in the depreciation method resulted in the decrease in the deferred tax assets for temporary differences of property, plant, and equipment, which is included in the “Changes in deferred tax assets and liabilities related to property, plant and equipment and intangible assets” in the table above.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutory income tax rate .....	35.8%	33.4%	<b>31.6%</b>
Expenses not deductible for tax purposes .....	0.3	0.2	<b>0.2</b>
Research and other credits .....	(0.7)	(1.4)	<b>(0.5)</b>
Tax credits of investment in productivity improvement facilities .....	(3.6)	(2.7)	<b>(1.8)</b>
Excess of the tax basis over the amount for financial reporting of investment in a subsidiary .....	—	—	<b>(0.6)</b>
Change in valuation allowance .....	2.0	(3.9)	<b>0.1</b>
Effect of enacted changes in tax laws and rates .....	3.9	1.9	—
Effect of outside basis differences of equity method investment .....	(0.6)	(0.3)	<b>0.3</b>
Goodwill impairment loss .....	—	0.4	<b>0.3</b>
Other .....	(0.1)	(0.4)	<b>0.7</b>
Actual effective income tax rate .....	<u>37.0%</u>	<u>27.2%</u>	<u><b>30.3%</b></u>

According to the Japanese Corporate Tax Law, a company may elect to apply for either deductible special depreciation or tax credits for investments in productivity improvement facilities. DOCOMO elected to apply for the tax credit for the investments of these eligible investments. The tax credit from investments in productivity improvement facilities amounted to ¥23,435 million, ¥20,667 million and ¥17,328 million for NTT DOCOMO, INC. and its domestic subsidiaries for the fiscal years ended March 31, 2015, 2016 and 2017, respectively. Under

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

the Japanese Corporate Tax Law, the investment tax credit does not reduce any tax basis of the related assets. Accordingly, 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, 2016 and 2017.

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, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Deferred tax assets:		
Investments in affiliates . . . . .	¥ 110,312	¥ <b>109,062</b>
Liability for employees' retirement benefits . . . . .	61,615	<b>58,362</b>
Property, plant and equipment and intangible assets . . . . .	89,680	<b>57,222</b>
Accrued liabilities for loyalty programs . . . . .	29,840	<b>35,820</b>
Marketable securities and other investments . . . . .	11,368	<b>21,733</b>
Receivables held for sale . . . . .	8,873	<b>19,581</b>
Operating loss carryforwards . . . . .	42,747	<b>16,078</b>
Compensated absences . . . . .	9,876	<b>10,934</b>
Deferred revenues regarding "Zutto Kurikoshi" and "Packet Kurikoshi" . . . . .	15,820	<b>9,235</b>
Allowance for doubtful accounts . . . . .	6,294	<b>8,063</b>
Inventories . . . . .	10,170	<b>7,007</b>
Accrued bonus . . . . .	5,389	<b>5,558</b>
Accrued enterprise tax . . . . .	11,565	<b>5,024</b>
Other . . . . .	17,543	<b>20,578</b>
Sub-total deferred tax assets . . . . .	¥ 431,092	¥ <b>384,257</b>
Less: Valuation allowance . . . . .	(17,672)	<b>(17,631)</b>
Total deferred tax assets . . . . .	¥ 413,420	¥ <b>366,626</b>
Deferred tax liabilities:		
Investments in affiliates . . . . .	¥ 27,975	¥ <b>31,012</b>
Unrealized holding gains on available-for-sale securities . . . . .	20,395	<b>25,772</b>
Identifiable intangible assets . . . . .	5,531	<b>4,321</b>
Other . . . . .	1,261	<b>4,100</b>
Total deferred tax liabilities . . . . .	¥ 55,162	¥ <b>65,205</b>
Net deferred tax assets . . . . .	¥ 358,258	¥ <b>301,421</b>

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

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2016 and 2017 were as follows:

	Millions of yen	
	2016	2017
Deferred tax assets (Current assets) .....	¥ 107,058	¥ <b>81,025</b>
Deferred tax assets (Non-current investments and other assets) .....	261,434	<b>229,440</b>
Other current liabilities .....	(47)	<b>(55)</b>
Other long-term liabilities .....	(10,187)	<b>(8,989)</b>
Total .....	¥ 358,258	¥ <b>301,421</b>

As of March 31, 2017, certain subsidiaries of DOCOMO had operating loss carryforwards for tax purposes of ¥68,873 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	
	2017	
Within 5 years .....	¥	<b>5,105</b>
6 to 20 years .....		<b>47,997</b>
Indefinite periods .....		<b>15,771</b>
Total .....	¥	<b>68,873</b>

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 substantially all of DOCOMO's deferred tax assets is 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 ¥9,060 million for the fiscal year ended March 31, 2015, a decrease of ¥31,029 million for the fiscal year ended March 31, 2016, and a decrease of ¥41 million for the fiscal year ended March 31, 2017, 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, 2015, 2016 and 2017, DOCOMO had no material unrecognized tax benefits. DOCOMO does not believe that there will be any significant increases or decreases in liabilities 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, 2015, 2016 and 2017 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.

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

**Other taxes—**

The consumption tax rate for all taxable goods and services, with minor exceptions, was 8% for the fiscal years ended March 31, 2015, 2016 and 2017. 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.

**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, 2016 and 2017 were as follows:

<u>Class of property</u>	<u>Millions of yen</u>	
	<u>2016</u>	<u>2017</u>
Machinery, vehicles and equipment . . . . .	¥ 5,027	¥ <b>4,801</b>
Less: Accumulated depreciation and amortization . . . . .	(3,333)	(2,839)
Total . . . . .	<u>¥ 1,694</u>	<u>¥ <b>1,962</b></u>

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2017 were as follows:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2018 . . . . .	¥ 1,074
2019 . . . . .	787
2020 . . . . .	525
2021 . . . . .	346
2022 . . . . .	174
Thereafter . . . . .	<u>13</u>
Total minimum lease payments . . . . .	2,919
Less: Amount representing interest . . . . .	<u>(86)</u>
Present value of net minimum lease payments . . . . .	2,833
Less: Amounts representing estimated executory costs . . . . .	<u>(379)</u>
Net minimum lease payments . . . . .	2,454
Less: Current obligation . . . . .	<u>(861)</u>
Long-term capital lease obligations . . . . .	<u>¥ 1,593</u>

The above obligations are classified as part of “Other current liabilities” and “Other long-term liabilities” as appropriate.

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

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, 2017 were as follows:

<u>Years ending March 31</u>	<u>Millions of yen</u>
2018 .....	¥ 12,126
2019 .....	9,418
2020 .....	6,245
2021 .....	4,697
2022 .....	4,147
Thereafter .....	19,511
Total minimum lease payments .....	<u>¥ 56,144</u>

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, 2015, 2016 and 2017 were as follows:

	<u>Millions of yen</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Rental expense .....	<u>¥79,634</u>	<u>¥77,208</u>	<u>¥77,696</u>

**(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 material 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, 2017 were ¥26,558 million (of which ¥2,790 million are with related parties) for property, plant and equipment, ¥30,827 million (of which none are with related parties) for inventories and ¥41,336 million (of which ¥25,515 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, 2016 and 2017 were ¥141,237 million and ¥156,709 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.

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

**(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.

**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.

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2016 and 2017 were as follows:

	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	—	—
Total available-for-sale securities . . . . .	<u>170,482</u>	<u>170,482</u>	<u>—</u>	<u>—</u>
Derivatives				
Foreign exchange forward contracts . . . . .	¥ 16	¥ —	¥ 16	¥ —
Total derivatives . . . . .	<u>16</u>	<u>—</u>	<u>16</u>	<u>—</u>
<b>Total</b> . . . . .	<u>¥ 170,498</u>	<u>¥ 170,482</u>	<u>¥ 16</u>	<u>¥ —</u>
<b>Liabilities:</b>				
Derivatives				
Foreign currency option contracts . . . . .	¥ 2,415	¥ —	¥ 2,415	¥ —
Foreign exchange forward contracts . . . . .	5	—	5	—
Total derivatives . . . . .	<u>2,420</u>	<u>—</u>	<u>2,420</u>	<u>—</u>
<b>Total</b> . . . . .	<u>¥ 2,420</u>	<u>¥ —</u>	<u>¥ 2,420</u>	<u>¥ —</u>

There were no transfers between Level 1 and Level 2.

	Millions of yen			
	2017			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities				
Equity securities (domestic) . . . . .	¥ 83,974	¥ 83,974	¥ —	¥ —
Equity securities (foreign) . . . . .	95,680	95,680	—	—
Debt securities (foreign) . . . . .	5	5	—	—
Total available-for-sale securities . . . . .	<u>179,659</u>	<u>179,659</u>	<u>—</u>	<u>—</u>
Derivatives				
Foreign exchange forward contracts . . . . .	¥ 0	¥ —	¥ 0	¥ —
Total derivatives . . . . .	<u>0</u>	<u>—</u>	<u>0</u>	<u>—</u>
<b>Total</b> . . . . .	<u>¥ 179,659</u>	<u>¥ 179,659</u>	<u>¥ 0</u>	<u>¥ —</u>
<b>Liabilities:</b>				
Derivatives				
Foreign currency option contracts . . . . .	¥ 1,336	¥ —	¥ 1,336	¥ —
Foreign exchange forward contracts . . . . .	11	—	11	—
Total derivatives . . . . .	<u>1,347</u>	<u>—</u>	<u>1,347</u>	<u>—</u>
<b>Total</b> . . . . .	<u>¥ 1,347</u>	<u>¥ —</u>	<u>¥ 1,347</u>	<u>¥ —</u>

There were no transfers between Level 1 and Level 2.

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

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.

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.

DOCOMO's assets that were measured at fair value on a nonrecurring basis for the fiscal years ended March 31, 2016 and 2017 were as follows:

	Millions of yen				
	2016				
	Total	Level 1	Level 2	Level 3	Gains (losses) (before taxes)
Assets:					
Receivables held for sale . . . . .	¥980,686	¥ —	¥980,686	¥ —	¥ (8,742)
Goodwill and unamortizable intangible assets . . . . .	—	—	—	—	(8,620)
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 and unamortizable intangible assets

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 and unamortizable intangible assets 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.

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. 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.

	Millions of yen				
	2017				
	Total	Level 1	Level 2	Level 3	Gains (losses) (before taxes)
Assets:					
Receivables held for sale . . . . .	¥875,429	¥ —	¥875,429	¥ —	¥ (7,063)
Investments in affiliates . . . . .	30,078	1,703	—	28,375	(23,920)
Goodwill and unamortizable intangible assets . . . .	45,947	—	—	45,947	(11,614)
Long-lived assets . . . . .	—	—	—	—	(591)

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.

Investments in affiliates

The fair value of investments in affiliates, including HTCL, is measured based on discounted cash flow method using unobservable inputs. Therefore, they are classified as Level 3.

Goodwill and unamortizable intangible assets

The fair values of the reporting units are measured based on discounted cash flow method using unobservable inputs and are classified as Level 3. The fair values of the overseas telecommunication reporting unit in the telecommunication business segment and a reporting unit in the smart life business segment were lower than their carrying values, resulting in the measurement of their implied fair values of goodwill classified as Level 3.

The fair value of unamortizable intangible asset in the smart life segment in Level 3 is zero since the related future cash flows expected to be generated would be immaterial.

DOCOMO's assets that were measured at fair value on a nonrecurring basis classified in Level 3 for the year ended March 31, 2017 comprised the following:

	Millions of yen			
	2017			
	Fair value	Valuation technique	Significant Unobservable input	Input value
Assets:				
Investments in affiliates . . . . .	¥ 26,552	Discounted cash flow method	Weighted average cost of capital	7.9%
Goodwill and unamortizable intangible assets . . . . .	¥ 45,947	Discounted cash flow method	Weighted average cost of capital	3.0-8.6%

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

**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, 2016 and 2017, the amount of other receivables resulting from the sale of receivables to NTT FINANCE was ¥283,274 million and ¥299,467 million, respectively. As of March 31, 2016 and 2017, the amount of receivables held for sale was ¥1,237,437 million and ¥1,144,948 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.

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2016 and 2017 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					
2016			2017		
Carrying amount		Fair value	Carrying amount		Fair value
¥	220,400	¥	227,919	¥	220,257
				¥	225,325

**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).

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

DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2016 and 2017 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, 2016 and 2017.

**(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, 2016 and 2017 were as follows:

<b>Instruments</b>	<b>Millions of yen</b>	
	<b>2016</b>	<b>2017</b>
Foreign exchange forward contracts . . . . .	¥ 2,965	¥ 1,503
Foreign currency option contracts . . . . .	63,652	28,937
Total . . . . .	¥ 66,617	¥ 30,440

**(iii) The effect on the consolidated balance sheets**

The locations and fair values of the derivative instruments as of March 31, 2016 and 2017, recorded in the consolidated balance sheets, were as follows:

**Asset derivatives**

<b>Instruments</b>	<b>Locations</b>	<b>Millions of yen</b>	
		<b>2016</b>	<b>2017</b>
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts . . . . .	Prepaid expenses and other current assets	¥ 16	¥ 0
Total . . . . .		¥ 16	¥ 0

**Liability derivatives**

<b>Instruments</b>	<b>Locations</b>	<b>Millions of yen</b>	
		<b>2016</b>	<b>2017</b>
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts . . . . .	Other current liabilities	¥ 5	¥ 11
Foreign currency option contracts . . . . .	Other current liabilities	604	112
	Other long-term liabilities	1,811	1,224
Total . . . . .		¥2,420	¥1,347

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

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, 2016 and 2017.

**(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, 2015, 2016 and 2017, recognized in the consolidated statements of income, were as follows:

<u>Instruments</u>	<u>Locations</u>	<u>Amount of gain (loss) recognized in income on derivative</u>		
		<u>Millions of yen</u>		
		<u>2015</u>	<u>2016</u>	<u>2017</u>
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts . . . . .	Other, net*	¥ (26)	¥ (35)	¥ 29
Non-deliverable forward contracts (NDF) . . .	Other, net*	0	(20)	32
Foreign currency option contracts . . . . .	Other, net*	1,520	(1,963)	(609)
Total . . . . .		<u>¥ 1,494</u>	<u>¥ (2,018)</u>	<u>¥ (548)</u>

\* “Other, net” was included in “Other income (expense).”

**(v) Contingent features in derivatives**

As of March 31, 2017, 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 sales of DOCOMO’s “receivables for telecommunications services” to NTT FINANCE. These receivables generally do not bear interest.

When entering into installment payment, credit card contracts or the contract regarding transfers of receivables with NTT FINANCE, DOCOMO performs credit checks 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 at generally one month. Therefore, DOCOMO is able to maintain accurate past due information on a timely basis. Most of the customers utilize automated payment systems through financial institutions to pay for the outstanding credit card balances, which mitigates the risk of uncollected receivables significantly. In relation to receivables due to transfers, the billing cycle is also short at generally two months and therefore, DOCOMO is also 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 credit services is low. As a result, historical losses of installment receivables and credit card receivables have not been significant and there have been no historical losses on receivables due to transfers.

**NTT DOCOMO, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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.

Financing receivables and related allowance for doubtful accounts as of March 31, 2016 and 2017 were as follows. Installment receivables and related allowance for doubtful accounts are included in "Other" column, since these amounts are immaterial.

	Millions of yen			
	2016			
	Credit card receivables	Receivables due to transfers	Other	Total
<b>Allowance for doubtful accounts:</b>				
Balance as of March 31, 2015 .....	¥ 6,114	¥ —	¥ 4,266	¥ 10,380
Provision .....	9,613	—	(388)	9,225
Charge-offs .....	(5,652)	—	(39)	(5,691)
Balance as of March 31, 2016 .....	¥ 10,075	¥ —	¥ 3,839	¥ 13,914
Ending balance: collectively evaluated for impairment .....	10,075	—	77	10,152
Ending balance: individually evaluated for impairment .....	—	—	3,762	3,762
<b>Financing receivables:</b>				
Balance as of March 31, 2016 .....	¥ 276,492	¥ 283,274	¥ 18,686	¥ 578,452
Ending balance: collectively evaluated for impairment .....	276,492	283,274	9,264	569,030
Ending balance: individually evaluated for impairment .....	—	—	9,422	9,422

**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.

	Millions of yen			
	2017			
	Credit card receivables	Receivables due to transfers	Other	Total
<b>Allowance for doubtful accounts:</b>				
Balance as of March 31, 2016 .....	¥ 10,075	¥ —	¥ 3,839	¥ 13,914
Provision .....	12,670	—	5,364	18,034
Charge-offs .....	(10,075)	—	(175)	(10,250)
Balance as of March 31, 2017 .....	¥ 12,670	¥ —	¥ 9,028	¥ 21,698
Ending balance: collectively evaluated for impairment .....	12,670	—	54	12,724
Ending balance: individually evaluated for impairment .....	—	—	8,974	8,974
<b>Financing receivables:</b>				
Balance as of March 31, 2017 .....	¥ 347,557	¥ 299,467	¥ 18,451	¥ 665,475
Ending balance: collectively evaluated for impairment .....	347,557	299,467	9,472	656,496
Ending balance: individually evaluated for impairment .....	—	—	8,979	8,979

The cost of installment receivables and credit card receivables which were sold for the fiscal year ended March 31, 2017 were ¥794,248 million and ¥42,159 million, respectively. The balance of receivables held for sale as of March 31, 2017 which was reclassified from installment receivables and credit card receivables were ¥827,144 million and ¥3,404 million, respectively.

**NTT DOCOMO, INC. AND SUBSIDIARIES**  
**FINANCIAL STATEMENT SCHEDULE**  
**YEARS ENDED MARCH 31, 2015, 2016 and 2017**

**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>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
<b>2017</b>				
Allowance for doubtful accounts . . . . .	¥ <b>14,560</b>	¥ <b>10,437</b>	¥ <b>(2,223)</b>	¥ <b>22,774</b>

\* Amounts written off.

	Millions of yen			
	Balance as of beginning of year	Charged to expenses	Deductions*	Balance as of end of year
<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
<b>2017</b>				
Valuation allowance for receivables held for sale . . . . .	¥ <b>7,732</b>	¥ <b>6,179</b>	¥ <b>(7,419)</b>	¥ <b>6,492</b>

\* The decrease in valuation allowance for receivables held for sale due to sale of receivables held for sale.

	Millions of yen					Balance as of end of year
	Balance as of beginning of year	Addition: Charged to expenses	Deductions		Foreign currency translation adjustment	
			Credited to expenses*	Expiration of operating loss carryforwards		
<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
<b>2017</b>						
Valuation allowance for deferred tax assets . . . . .	¥ <b>17,672</b>	¥ <b>1,744</b>	¥ <b>(1,146)</b>	¥ —	¥ <b>(639)</b>	¥ <b>17,631</b>

\* The decrease in valuation allowance for deferred tax assets for the fiscal year ended March 31, 2016 due mainly to release of valuation allowance of deferred tax assets related to DOCOMO's subsidiaries operating multimedia broadcasting business for mobile devices.

**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 YOSHIZAWA                      
**Kazuhiro Yoshizawa**  
**President and Chief Executive Officer**

Date: June 23, 2017

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)* <sup>1</sup>
1.3	Regulations of the Board of Directors of the registrant (English translation)* <sup>2</sup>
1.4	Regulations of the Board of Corporate Auditors of the registrant (English translation)* <sup>2</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 27, 2014 and herein incorporated by reference.

\*2 Previously filed with the Securities and Exchange Commission on June 26, 2015 and herein incorporated by reference.

\*3 Previously filed with the Securities and Exchange Commission on June 27, 2006 and herein incorporated by reference.

[Translation]

## **ARTICLES OF INCORPORATION**

**NTT DOCOMO, INC.**

## ARTICLES OF INCORPORATION

Established on July 22, 1991  
Authenticated on July 23, 1991  
Amended on April 28, 1992  
Amended on May 7, 1992  
Amended on May 21, 1992  
Amended on June 24, 1993  
Amended on June 27, 1994  
Amended on June 25, 1997  
Amended on June 24, 1998  
Amended on June 25, 1999  
Amended on June 27, 2000  
Amended on May 15, 2002  
Amended on June 20, 2002  
Amended on June 19, 2003  
Amended on June 18, 2004  
Amended on June 21, 2005  
Amended on June 20, 2006  
Amended on June 20, 2008  
Amended on June 19, 2009  
Amended on June 18, 2010  
Amended on June 17, 2011  
Amended on June 18, 2013  
Amended on October 1, 2013  
Amended on June 18, 2015  
Amended on June 20, 2017

### CHAPTER 1: GENERAL PROVISIONS

#### Article 1. (Trade Name)

The name of the Company shall be “Kabushiki Kaisha Enu Thi Thi Dokomo” and shall be rendered in English as “NTT DOCOMO, INC.”

#### Article 2. (Purpose)

The purpose of the Company shall be to engage in the following businesses:

- (1) Telecommunications business;
- (2) Contracting for constructions works for, undertaking of maintenance for and lease of telecommunications facilities;
- (3) Planning, development, manufacturing, sale and lease of, and undertaking of maintenance for, telecommunications system and information processing system;
- (4) Planning, development, manufacturing, purchase, sale and lease of communications equipment and its peripheral apparatus;
- (5) Planning, development, production, sale and lease of software;
- (6) Transmission service of musical pieces, pictures and information utilizing telecommunications system and information processing service;
- (7) Planning, development and sale of information media for advertising and publicity, and advertising agency business;

- (8) Planning, production and sale of publications;
- (9) Planning, development, acquisition of merchandising rights, development of method of use, licensing, management and transfer of character goods (bearing pictures of characteristic persons or animals) and intermediary business related thereto;
- (10) Acquisition, development of method of use, licensing, management and transfer of copyright, rights related to copyright, design right, trademark right, industrial property right, know-how, and other intellectual property rights, and intermediary business related thereto;
- (11) Financial business;
- (12) Credit card business;
- (13) Issuance, sales and administration of electronic money and other electronic value information (that can be used to purchase, use or exchange commodities, information or services);
- (14) Lease, administration, maintenance and management of real property;
- (15) Personnel-dispatching business;
- (16) Fee-charging employment agency business;
- (17) Multimedia broadcasting business;
- (18) Travel Business
- (19) Any other commercial activities;
- (20) Investment in companies engaged in businesses related to any of the foregoing items;
- (21) Contracting for studies, research, development, training and consulting work for each of the foregoing items; and
- (22) Any and all other businesses incidental or related to each of the foregoing items.

Article 3. (Location of Head Office)

The Company shall have its head office in Chiyoda-ku, Tokyo.

Article 4. (Governing Bodies)

The Company shall have the following governing bodies in addition to the general meeting of shareholders and directors

- (1) Board of Directors
- (2) Audit & Supervisory Board Members
- (3) Audit & Supervisory Board
- (4) Independent Auditors

Article 5. (Method of Public Notice)

Means of Public notices of the Company shall be given by electronic means. However, in the event that public notices cannot be provided by electronic means due to accidents or other unavoidable circumstances, public notices shall be given in the *Nihon Keizai Shimbun*.

## CHAPTER 2: SHARES

### Article 6. (Total Number of Shares to be Issued)

The total number of shares issuable by the Company shall be seventeen billion, four hundred and sixty million (17,460,000,000) shares.

### Article 7. (Share Unit)

The number of shares of the Company to constitute one share unit shall be 100 shares.

### Article 8. (Rights pertaining to Shares Less than One Unit)

Shareholders of the Company may not exercise rights with respect to shares less than one unit other than the following rights:

- (1) The rights listed in the items in Article 189 Paragraph 2 of the Companies Act;
- (2) The right to make requests as stipulated in Article 166 Paragraph 1 of the Companies Act;
- (3) The right to receive allocation of offered shares and offered stock acquisition rights in accordance with the number of shares owned by the shareholder; and
- (4) The right to make requests as stipulated in the following article.

### Article 9. (Additional Purchases of Shares Less than One Unit)

Shareholders of the Company may request the Company to sell the number of shares to complete a share unit in combination with shares less than one unit which they already hold.

### Article 10. (Repurchase of its Own Shares)

The Company may repurchase its own shares through market transactions, etc. by a resolution of the Board of Directors in accordance with the provisions of Article 165, paragraph 2, of the Companies Act of Japan.

### Article 11. (Shareholders Registrar)

1. The Company shall have a shareholders registrar.
2. The shareholders registrar and the place of its handling office shall be designated by a resolution of the Board of Directors.
3. Preparation, maintenance and other administrative services concerning the shareholders' register and the register of stock acquisition rights of the Company shall be entrusted to the shareholders registrar, and the Company shall not directly provide those services.

### Article 12. (Share Handling Regulations)

The Share Handling Regulations established by the Board of Directors shall govern the procedures of the handling, handling fees and the manner of exercise of shareholders' rights relating to the Company's shares and stock acquisition rights, unless otherwise provided for in laws and regulations or in these Articles of Incorporation.

## CHAPTER 3: GENERAL MEETING OF SHAREHOLDERS

### Article 13. (Convocation)

1. The President shall convene, subject to resolution of the Board of Directors, an ordinary general meeting of shareholders of the Company within three months from the day next following the last day of a business year and an extraordinary general meeting of shareholders from time to time whenever necessary.
2. In the absence or disability of the President, one of other member of the board of directors shall act as such in his place in the order of precedence previously determined by the Board of Directors.

### Article 14. (Record date of Ordinary General Meeting of Shareholders)

The record date for the ordinary general meeting of shareholders shall be March 31 of each year.

### Article 15. (Chairman)

The President shall act as chairman at any general meeting of shareholders. In the absence or disability of the President, one of the other members of the board of directors shall act as such in his place in the order of precedence previously determined by the Board of Directors.

### Article 16. (Internet Disclosure of Reference Documents and Deemed Provision)

In convening a general meeting of shareholders, the Company may deem that it has provided the shareholders with the information on the matters which must be described or mentioned in the reference documents of a general meeting of shareholders, business report, financial statements and consolidated financial statements by disclosing such information using the Internet pursuant to the regulations set forth by the ministerial ordinance of the Ministry of Justice.

### Article 17. (Method of Resolution)

1. Resolutions of a general meeting of shareholders shall be adopted by a majority vote of those shareholders having exercisable voting right(s) and present thereat, unless otherwise provided for in laws and regulations or in these Articles of Incorporation.
2. Resolutions pursuant to Article 309, paragraph 2 of the Companies Act of Japan shall be adopted at the shareholder meeting with a quorum of one-third (1/3) of the voting rights of all shareholders having exercisable voting rights, by a vote of two-thirds (2/3) or more of the voting rights represented thereat.

### Article 18. (Exercise of Voting Rights by Proxy)

1. Shareholders or their statutory representatives may exercise their voting rights by authorizing a proxy who must be another shareholder of the Company having voting rights; provided, however, that governmental and local public entities or corporations who are shareholders of the Company may delegate the exercise of their voting rights to one (1) person of their respective officials, staff or employees.
2. A shareholder or his/her statutory representative who intends to exercise his/her voting right by proxy shall be required to previously submit to the Company a document evidencing the power of attorney prior to each general meeting of shareholders.

CHAPTER 4:  
DIRECTORS, BOARD OF DIRECTORS AND REPRESENTATIVE DIRECTORS

Article 19. (Number of Directors)

The Company shall have not more than fifteen (15) members of the board of directors.

Article 20. (Manner in Which Directors are Elected)

1. Members of the board of directors of the Company shall be elected by a resolution passed by a majority vote of the shareholders present at a general meeting of shareholders who shall hold voting rights representing in aggregate one-third (1/3) or more of the voting rights held by all shareholders having exercisable voting rights.
2. The election of members of the board of directors may not be by way of cumulative voting.

Article 21. (Term of Office of Directors)

1. The term of office of members of the board of directors shall expire at the close of the ordinary general meeting of shareholders for the latest business year ending within two (2) years after their assumption of office.
2. The term of office of a member of the board of directors elected to increase the number of members of the board of directors or to fill a vacancy caused by another member of the board of directors who has resigned prior to expiration of his term of office shall be identical to the remaining term of office of the other members of the board of directors then in office.

Article 22. (Board of Directors)

1. The President shall convene any meeting of the Board of Directors and act as chairman thereat.
2. Notwithstanding the provision set forth in the preceding paragraph, the chairman of the Board of Directors, if such office is placed, shall convene any meeting of the Board of Directors and act as chairman thereat, except in his absence or disability.
3. In the absence or disability of the President, one of the other members of the board of directors shall convene the meeting in his place and act as chairman thereat in the order of precedence previously determined by the Board of Directors.
4. In order for a meeting of the Board of Directors to be convened, notice thereof shall be dispatched to each member of the board of directors and each audit & supervisory board member at least three (3) days prior to the date of the meeting; provided, however, that such period may be shortened if so required in urgent cases.
5. In cases where the requirements set forth in Article 370 of the Companies Act are fulfilled, it shall be deemed that a resolution of the Board of Directors has been adopted.
6. Any other matters for the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors, unless otherwise provided for in laws and regulations or in these Articles of Incorporation.

Article 23. (Representative Directors and Directors with Executive Power)

1. The Company shall have one President who shall be selected from among its members of the board of directors by resolution of the Board of Directors.
2. The Company may have one chairman of the Board as well as one or more vice presidents and managing directors.

3. The provision of paragraph 1 shall apply *mutatis mutandis* to the selection of a chairman and one or more executive vice presidents and managing directors referred to in the preceding paragraph.
4. The President shall be authorized to represent the Company.
5. In addition to the President, one or more members of the board of directors empowered to represent the Company shall be selected by resolution of the Board of Directors.
6. The President shall supervise the affairs of the Company, subject to resolution of the Board of Directors.
7. In the absence or disability of the President, one of the other members of the board of directors shall execute his duties in his place in the order of precedence previously determined by the Board of Directors.

Article 24. (Exemption from Liabilities of Directors)

1. The Company may, pursuant to Article 426, paragraph 1 of the Companies Act, exempt director(s) (including those who were members of the board of directors in the past) from damage compensation liabilities resulting from negligence of the member of the board of director's duty to the extent permitted by laws and regulations by a resolution of the Board of Directors.
2. The Company may, pursuant to Article 427, paragraph 1 of the Companies Act, enter into an agreement with members of the board of directors (excluding members of the board of directors with executive authority over operations, etc.) which sets forth the limitation on their damage compensation liabilities resulting from negligence of the director's duty, provided that the amount of the limitation on the damage compensation liabilities under the said agreement shall be that defined by the laws and regulations.

Article 25. (Corporate Advisors and Advisors)

1. The Company may have one or more Corporate Advisors and Advisors by resolution of the Board of Directors.
2. Consultation shall be made by the President with a Corporate Advisor for the overall affairs of the Company or with an Advisor for a specific business of the Company.

CHAPTER 5:  
AUDIT & SUPERVISORY BOARD MEMBERS AND AUDIT & SUPERVISORY BOARD

Article 26. (Number of Audit & Supervisory Board Members)

The Company shall have not more than five (5) audit & supervisory board members.

Article 27. (Manner in Which Audit & Supervisory Board Members are Elected)

Audit & supervisory board members of the Company shall be elected by a resolution passed by a majority vote of the shareholders present at a general meeting of shareholders who shall hold voting rights representing in aggregate one-third (1/3) or more of the voting rights held by all shareholders having exercisable voting rights.

Article 28. (Term of Office)

1. The term of office of audit & supervisory board members shall expire at the close of the ordinary general meeting of shareholders for the latest business year ending within four (4) years after their assumption of office.

2. The term of office of an audit & supervisory board member elected to fill a vacancy caused by an audit & supervisory board member who has resigned prior to expiration of his term of office shall be identical to the remaining term of office of his predecessor.

Article 29. (Audit & Supervisory Board)

1. In order for a meeting of the Audit & Supervisory Board to be convened, notice thereof shall be dispatched to each audit & supervisory board member at least three (3) days prior to the date of the meeting; provided, however, that such period may be shortened if so required in urgent cases.

2. Any other matters for the Audit & Supervisory Board shall be governed by the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board, unless otherwise provided for in laws and regulations or in these Articles of Incorporation.

Article 30. (Full-time Audit & Supervisory Board Members)

The Audit & Supervisory Board shall select one or more full-time audit & supervisory board member by a resolution of the Audit & Supervisory Board.

Article 31. (Exemption from Liabilities of Audit & Supervisory Board Members)

1. The Company may, pursuant to Article 426, paragraph 1 of the Companies Act, exempt audit & supervisory board member(s) (including those who were audit & supervisory board members in the past) from damage compensation liabilities resulting from negligence of an audit & supervisory board member's duty to the extent permitted by laws and regulations by a resolution of the Audit & Supervisory Board.

2. The Company may, pursuant to Article 427, paragraph 1 of the Companies Act, enter into an agreement with audit & supervisory board member(s) which sets forth the limitation on their damage compensation liabilities resulting from negligence of the audit & supervisory board member's duty, provided that the amount of the limitation on the damage compensation liabilities under the said agreement shall be that defined by the laws and regulations.

## CHAPTER 6: ACCOUNTS

Article 32. (Business Year)

The business year of the Company shall begin on April 1 of each year and end on March 31 of the following year.

Article 33. (Dividends)

The record date for the distribution of year-end dividends by the Company shall be March 31 of each year.

Article 34. (Interim Dividends)

The Company may, subject to resolution of the Board of Directors, pay interim dividends with its record date as of September 30 of each year.

Article 35. (Prescription Period for Dividends)

1. If cash dividends are not received within three (3) full years from the date of commencement of payment, the Company shall be exempt from the obligation to make such payment.

2. Dividends remaining unpaid as mentioned in the preceding paragraph shall bear no interest.

**CERTIFICATION**

I, Kazuhiro Yoshizawa, certify that:

1. I have reviewed this annual report on Form 20-F of NTT DOCOMO, INC. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 23, 2017

/s/ KAZUHIRO YOSHIZAWA  
\_\_\_\_\_  
**Kazuhiro Yoshizawa**  
**President and Chief Executive Officer**

**CERTIFICATION**

I, Hirotaka Sato, certify that:

1. I have reviewed this annual report on Form 20-F of NTT DOCOMO, INC. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: June 23, 2017

/s/ HIROTAKA SATO  

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**Hirotaka Sato**  
**Executive Vice President and**  
**Chief Financial Officer**

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NTT DOCOMO, INC. (the “Company”) hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended March 31, 2017 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 23, 2017

/s/ KAZUHIRO YOSHIZAWA

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**Kazuhiro Yoshizawa  
President and Chief Executive Officer**

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of NTT DOCOMO, INC. (the “Company”) hereby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended March 31, 2017 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 23, 2017

/s/ HIROTAKA SATO

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**HirotaKa Sato**  
**Executive Vice President and**  
**Chief Financial Officer**