NTT DOCOMO INC
Form 20-F
June 26, 2015
Table of Contents

As filed with the Securities and Exchange Commission on June 26, 2015

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2015

OR

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

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 1-31221

Kabushiki Kaisha NTT DOCOMO

(Exact name of registrant as specified in its charter)

NTT DOCOMO, INC.

(Translation of registrant s name into English)

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

Kenji Higashigaito, Ayano Tamada or Yu Kunita, Investor Relations

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

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

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

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

Title of each class	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, 2015, 3,881,483,855 shares of common stock were outstanding, comprised of 3,859,718,543 shares and 21,765,312 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

U.S. GAAP 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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 2014 refers to our fiscal year ended March 31, 2015, and other fiscal years are referred to in a corresponding manner.

Table of Contents

Special Note Regarding Forward-looking Statements

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

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

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

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

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

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

6. Our domestic and international investments, alliances and collaborations, as well as investments in new business fields, may not produce the returns or provide the opportunities we expect.

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

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

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

10.

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,

Table of Contents

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.

Table of Contents

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, 2011 through 2015. The data in the table is derived from our audited consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). The consolidated balance sheets for the years ended March 31, 2014 and 2015, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2013 through 2015, and notes thereto appear elsewhere in this annual report.

Table of Contents

Selected Financial Data

	Millions of yen, except per share data As of and for the year ended March 31, 2011	2012	2013	2014	2015
Income Statement Data					
Operating revenues:					
Telecommunications services *1	¥ 3,361,235	¥ 3,334,036	¥ 3,176,931	¥ 2,963,980	**¥ 2,747,155**
Equipment sales	477,404	498,889	758,093	872,000	**904,089**
Other operating revenues	385,634	407,078	535,098	625,223	**732,153**
Total	4,224,273	4,240,003	4,470,122	4,461,203	**4,383,397**
Operating expenses	3,379,544	3,365,543	3,632,942	3,642,004	**3,744,326**
Operating income	844,729	874,460	837,180	819,199	**639,071**
Other income (expense) *2	(9,391)	2,498	(3,838)	13,850	**4,812**
Income before income taxes and equity in net income of affiliates *2	835,338	876,958	833,342	833,049	**643,883**
Income taxes *2	332,806	391,798	323,059	307,979	**238,067**
Income before equity in net income of affiliates *2	502,532	485,160	510,283	525,070	**405,816**
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates) *2*3	(10,539)	(24,208)	(29,570)	(69,117)	**(7,782)**
Net Income *2	491,993	460,952	480,713	455,953	**398,034**
Less: Net (income) loss attributable to noncontrolling interests	(1,508)	2,960	10,313	8,776	**12,059**
Net income attributable to NTT DOCOMO, INC. *2	¥ 490,485	¥ 463,912	¥ 491,026	¥ 464,729	**¥ 410,093**
Per Share Data					
Basic and diluted earnings per share attributable to NTT DOCOMO, INC. *4	¥ 117.97	¥ 111.87	¥ 118.41	¥ 112.07	**¥ 101.55**
Dividends declared and paid per share *4	¥ 52	¥ 54	¥ 58	¥ 60	**¥ 65**
Dividends declared and paid per share *4*5	$ 0.6283	$ 0.6553	$ 0. 6160	$ 0. 5826	**$ 0.5418**
Weighted average common shares Outstanding Basic and Diluted (shares) *4	4,157,685,900	4,146,760,100	4,146,760,100	4,146,760,100	**4,038,191,678**
Balance Sheet Data					
Working capital *6	¥ 1,032,131	¥ 1,204,258	¥ 1,105,642	¥ 1,320,776	**¥ 1,301,074**
Total property, plant and equipment, net	2,523,319	2,536,297	2,560,284	2,557,766	**2,511,067**
Total assets *2	6,791,593	6,948,082	7,169,725	7,508,030	**7,146,340**
Total debt *7	428,378	256,680	253,766	230,346	**222,651**
Total liabilities	1,913,999	1,839,311	1,759,160	1,814,517	**1,728,135**
Common stock	949,680	949,680	949,680	949,680	**949,680**
Total NTT DOCOMO, INC. shareholders equity *2	4,850,436	5,062,527	5,368,475	5,643,366	**5,380,072**
Total Equity *2	4,877,594	5,108,771	5,410,565	5,678,644	**5,402,616**
Other Financial Data					
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	720,999	708,838	731,632	752,997	**699,860**
Net cash provided by operating activities	1,287,037	1,110,559	932,405	1,000,642	**962,977**
Net cash used in investing activities	(455,370)	(974,585)	(701,934)	(703,580)	**(651,194)**
Net cash used in financing activities	(421,969)	(378,616)	(260,967)	(269,793)	**(734,257)**
Margins (percent of operating revenues):					
Operating income margin	20.0%	20.6%	18.7%	18.4%	**14.6%**
	11.6%	10.9%	11.0%	10.4%	**9.4%**

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

*1 As a result of reclassification in the fiscal year ended March 31, 2015, some elements (revenues from satellite mobile communications, cable television of overseas and other services) included in conventional Other operating revenues in the financial statements for the fiscal years ended March 31, 2011, 2012, 2013 and 2014 have been retroactively reclassified into Telecommunications services. The amounts of the reclassification are ¥6.6 billion, ¥7.5 billion, ¥8.5 billion and ¥8.2 billion for the fiscal years ended March 31, 2011, 2012, 2013 and 2014.

*2 The 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, 2011 to 2014 are based on the number of shares after the stock split, respectively.

*5 The dividends per share were translated into U.S. dollars at the relevant record date.

*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.

Table of Contents

Exchange Rate Data

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

Fiscal Year ended March 31,	High *1	Low *1	Average *2	Period-end
2011	94.24	80.48	85.00	82.76
2012	82.41	76.34	78.86	82.41
2013	94.16	77.92	83.26	94.16
2014	105.25	97.52	100.46	102.98
2015	119.96	101.28	110.78	119.96
Calendar Year 2014				
December	121.38	117.28	119.32	119.85
Calendar Year 2015				
January	120.20	116.78	118.25	117.44
February	120.38	117.33	118.76	119.72
March	121.50	119.01	120.39	119.96
April	120.36	118.80	119.51	119.86
May	124.18	119.09	120.80	123.98
June (through June 5, 2015)	125.58	124.06	124.61	125.58

*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.

Table of Contents

D. Risk Factors
Risks Relating to Our Business

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

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

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

At the same time, competition is intensifying as a result of the introduction of other new services and technologies, especially low-priced and flat-rate services, such as fixed-line or mobile IP phones (including services that use applications that run on our smartphones and tablets), high-speed broadband Internet service, digital broadcasting, public wireless LAN using Wi-Fi, free or low-priced services of OTT[*1] service providers, the provision of SIM[*2] 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[*3] and competitors from other industries. With the use of open platform devices like smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones, and in addition, NTT East and NTT West started a wholesale optical-fiber access service which enables a diverse group of market participants to provide services utilizing optical-fiber connections and set discounts for fixed and mobile network services, so it is possible that such businesses and others may eventually launch services that are more convenient for customers, and further intensify rate competition.

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

Table of Contents

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 this fierce market environment, in order to provide advanced services and increase convenience to our customers, we have made various revisions, such as in rates and the provision of discounted services. For example, we introduced the flat-rate domestic voice service to our subscribers and the packet flat-rate services for LTE (Xi) subscribers. We also introduced a fixed amount discount from monthly usage rates set for each equipment type. As additional new fee plans for flat-rate domestic voice services, we also introduced Kake-hodai & Pake-aeru, which allows for the sharing of packet telecommunications data volume among family members or the same company or organization, Zutto DOCOMO Wari, a discount service for long-term customers, and U25 Ouen Wari a discount plan for customers 25 up to years of age. In addition, in connection with the commencement of our provision of the docomo Hikari optical-fiber broadband service, we launched docomo Hikari Pack , which provides the docomo Hikari optical-fiber broadband service together with smartphones or mobile phones, on March 1, 2015.

However, we cannot be certain that these rate revisions and discounted services will enable us to acquire new and maintain existing subscriptions. Also, the subscription ratio for various discount services or the trend in migration to flat-rate services may not be in line with the expectations of our corporate group, 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 its services and that delivers content services using the communication infrastructure of other companies.

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

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

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

We view increases in revenue as an important factor in our future growth. We aim to increase revenue by, for instance, promoting the more widespread use of i-mode services, of smartphone services such as sp-mode, dmenu and dmarket, 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 and cloud services like Shabette-Concier and the like. Moreover, we look to increase returns through initiatives in new business areas based on the convergence of various businesses and services, such as finance/payment, commerce, medical/healthcare, Machine-to-Machine (M2M)/IoT[*4], environment/energy and education/learning with the aim of realizing a smart life 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.

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

Table of Contents

operating systems and applications necessary to promote the use of smartphone and other services, with handset manufacturers, content providers, and with stores that have installed equipment capable of handling e-wallet transactions;

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

The services, forms of usage, and installment sales and other methods that we offer and plan to offer will be attractive to current and potential subscribers and there will be sufficient demand for such services;

Manufacturers and content providers will steadily create and offer products including FOMA (W-CDMA) and LTE (Xi) handsets, handsets compatible with services we provide, software such as the operating systems and applications necessary to encourage the use of smartphone services, as well as content in a timely fashion and at appropriate prices;

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

Our current and future services, including ISP services such as i-mode, sp-mode, fee plans and discounted services for use of voice and packet communications, intelligent services like Shabette-Concier, the storage services like photo collection, the services on dmarket such as dTV, dhits and dmagazine, and initiatives for new market creation through the convergence with various businesse including financial and payment services like DCMX, commerce businesses run by OAK LAWN MARKETING, INC. and Radishbo-ya Co., Ltd. and medical/healthcare services run by docomo Health Care, Inc. and Nihon Ultmarc Inc. 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 docomo ID 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;

To expand services with improved data communication speed enabled by LTE[*2]/LTE-Advanced[*3] and other technology as planned; and

If the development of our corporate group s new services or forms of use is limited or if development costs are more than anticipated, it may have a material adverse effect on our financial condition and results of operations.

*1 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.
*2 Abbreviation for Long Term Evolution. A mobile communications protocol with specifications formulated by the 3rd Generation Partnership Project.
*3 A more sophisticated mobile communication system, whose standardization to 3GPP, is progressing while maintaining technical compatibility with LTE.

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

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

9

Table of Contents

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:

- Regulations to accelerate competition in the handset area, such as SIM unlocking regulations;
- Revision of the spectrum allocation system, such as reallocation of spectrum and introduction of an auction system;
- Measures to open up some segments of telecommunication platform functions such as authentication and payment collection to other corporations;
- Rules that could require us to open functions regarding our services, such as i-mode and sp-mode services, to platform providers, Internet service providers, content providers, etc.;
- Regulations to prohibit or restrict certain content, transactions or mobile Internet services such as i-mode or sp-mode;
- Regulations that would prohibit or restrict the provision of discounted services by our corporate group premised on continuous usage term agreements, including cancellation charges like that for the Type Xi Ninen and the like;
- Introduction of a system allowing for the cancellation of mobile phone subscriptions early in the contract period;
- Measures which would introduce new costs such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;
- Regulations on the sale, promotion, pricing and others for docomo Hikari and other optical-fiber services realized by the wholesale services of NTT East and NTT West;
- Fair competition measures to promote new entry by MVNOs;
- Introduction of new measures to promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation);
- Review of the structure of the NTT group, which includes our group; and
- Other measures, including the fair competition review system for promoting broadband dissemination directed toward us, NTT East and NTT West or the revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

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

Table of Contents

Further still, in order to ensure new sources of revenue, we are pursuing initiatives to create new value through the convergence of mobile services with various services and industries, including finance/payment, commerce, medical/healthcare, M2M/IoT, environment/energy, education/learning and other fields through equity participation and partnerships. 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.

* The total volume of transmissions.

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

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

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

Even though our corporate group plans to establish specified base stations to use the allocated 700MHz band as soon as the operating conditions are met, if measures for acceleration (acceleration measures for termination) of the transfer of existing FPU* and specified radio microphones that are currently using this spectrum do not proceed as anticipated, our corporate group may not be able to operate the mobile communication network smoothly, service quality may decline, and additional expenses may arise.

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

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

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

* Abbreviation for Field Pickup Unit. A wireless relay system used for TV broadcasting of sports, news, and the like.

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

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

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

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

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

Our domestic and international investments, alliances and collaborations, as well as investments in new business fields, may not produce the returns or provide the opportunities we expect.

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

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 new business fields outside of the mobile telecommunication business, such as finance/payment, commerce, medical/healthcare, M2M/IoT, environment/energy, education/learning and the like, anticipated synergies may not be realized due to uncertain and unforeseeable ancillary factors, as we have little experience in such new fields of business, 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 new businesses through the convergence of mobile service with various other services and industries, including finance/payment, commerce, medical/healthcare, M2M/IoT, environment/energy and education/learning. Should problems arise due to the imperfection in such products or services, they 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 ; or
- Harm or loss to customers due to imperfections in products and services in the new fields such as finance/payment, commerce, medical/healthcare, M2M/IoT, environment/energy and education/learning that we provide as part of our effort to expand the new business fields.

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.

Table of Contents

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 mobile phones while driving, riding a bicycles or walking. Further, there are currently a variety of discussions concerning such issues as the pros and cons of elementary and junior high schools students having mobile phones, the sufficiency and accuracy of our access restriction service to screen harmful web sites (filtering service), which applies generally to subscribers under 20 years of age in accordance with the enactment of the Act on Establishment of Enhanced Environment for Youth s Safe and Secure Internet Use, and the increase in harm caused by the use of CGM* by young people, as they increasingly have access to the Internet from their mobile phones. These issues may similarly damage our corporate image.

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

* Abbreviation for Consumer Generated Media. Media which is created by consumers over the Internet, such as Social Networking Services (SNS).

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

We possess information on numerous subscribers in telecommunications, credit, catalog sales 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, cyberattacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks, distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers, and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.

We have built a nationwide network, including base stations, antennas, switching centers and transmission lines, and provide mobile communication service using this network. In order to operate our network systems in a safe and stable manner, we have various measures in place, such as duplicative systems. However, despite these measures, our system could fail for various reasons, including malfunctioning of system hardware and software, natural disasters such as earthquakes, tsunamis, typhoons and floods, paralysis of social infrastructure, such as power shortages, terrorism, and similar events and incidents, and the inability to sufficiently operate and maintain network facilities due to, for example, the proliferation of harmful substances or the spread of an epidemic. These system failures can require an extended time for repair and, as a result, may lead to decreased revenues and significant cost burdens, and our financial condition and results of operations may be adversely affected.

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

Table of Contents

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

If we are unable to properly respond to any such events, our credibility or corporate image may decrease, and we may experience a decrease in revenues as well as significant cost burdens, and if market growth slows or the market shrinks due to any such event, ARPU may decrease below our forecast, or we may not be able to gain new subscriptions or maintain the existing number of subscriptions at the level we expect. All of these factors may affect our financial condition and results of operations.

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

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

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

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

As of March 31, 2015, 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.

Table of Contents

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, 2015, 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 13,374,228,000 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 1ADSs). 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 members of the board of 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

Table of Contents

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.

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 8 regional subsidiaries. However, the other 8 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.

B. Business Overview

1. Business Overview

We are a mobile telecommunications carrier belonging to the NTT group, for which NTT serves as the holding company. We currently provide mobile telephone services over our LTE and W-CDMA networks. We have approximately 66,595 thousand subscribers and a domestic market share* of 43.6%.

* Domestic PHS services subscriptions are not included in the market share calculations.

Table of Contents

Together with our 173 subsidiaries and 31 affiliates, we conduct business as the NTT DOCOMO group. Our major subsidiaries and affiliates as of March 31, 2015 are listed below.

Name	Percentage Voting Interest
Service Subsidiaries[*1*2]: 12	
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%
Other Subsidiaries: 161	
ABC Cooking Studio Co.,Ltd.	51.0%
Buongiorno S.p.A.	100%
DOCOMO ANIME STORE, INC.	60.0%
DOCOMO Capital, Inc.	100%
DOCOMO Communications Laboratories Europe GmbH	100%
DOCOMO Datacom, Inc.	66.2%
DOCOMO Deutschland GmbH	100%
docomo Healthcare, Inc.	66.0%
DOCOMO interTouch Pte. Ltd.	100%
DOCOMO PACIFIC, INC.	100%
D2C Inc.	51.0%
e Engineering, Inc.	100%
MAGASeek Corporation	75.0%
MCV Guam Holding Corp.	100%
mmbi, Inc.	60.5%
net mobile AG	87.4%
Nihon Ultmarc Inc.	77.5%
NTT DOCOMO USA, Inc.	100%
OAK LAWN MARKETING, INC.	51.0%
PacketVideo Corporation	81.8%
Radishbo-ya Co., Ltd.	90.0%
Tower Records Japan Inc.	50.3%
and other subsidiaries	
Affiliates: 31	
Avex Broadcasting & Communications Inc.	30.0%
FeliCa Networks, Inc.	38.0%
Hutchison Telephone Company Limited.	24.1%
Nippon Telecommunications Network Co., Ltd.	37.4%
NTT Broadband Platform, Inc.	22.0%
NTT Resonant Inc.	33.3%
Philippine Long Distance Telephone Company	8.6%
Robi Axiata Limited	8.4%

Table of Contents

Name	Percentage Voting Interest
Sumitomo Mitsui Card Company, Limited.	34.0%
Tata Teleservices Limited [*3]	26.5%
ZENRIN DataCom Co., Ltd.	18.1%
and other affiliates	

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

*2 In efforts to further improve customer services provided locally, operational services which until now were provided by 25 business-entrusted subsidiaries across Japan reorganized in 12 subsidiaries including DOCOMO CS, Inc. as of July 1, 2014.

*3 On April 25, 2014, DOCOMO s Board of Directors resolved to exercise its option to sell DOCOMO s entire stake (1,248,974,378 shares, or about 26.5% of outstanding shares) in Tata Teleservices Limited (TTSL) as soon as the conditions for such exercise are met, and the options were exercised on July 7, 2014. Although repeatedly discussed, the failure to perform obligations according to the shareholder agreement led to a petition for arbitration based on an inter-shareholder agreement with Tata Sons Limited, which is the holding company of the Tata Group, as the respondent on January 3, 2015. For more details, please see D. Trend Information in Item 5.

During the fiscal year ended March 31, 2015, we realigned our five operating segments which consisted of a mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities, and miscellaneous businesses into three operating segments, which consist of telecommunications business, smart life business and other businesses in order to clearly define our business management of telecommunications domains, where we are taking steps to reinforce our competitiveness, and the smart life domains where we are striving for further expansion of revenue sources by making Smart Life a reality toward the establishment of a new path to grow.

The telecommunications business includes those from 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. Combined, this accounted for the greater part of our operating revenues for the fiscal year ended March 31, 2015.

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 the development, sale and maintenance of IT systems.

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

Breakdown of Operating Revenues

	Millions of yen Year ended March 31, 2013*	2014*	2015
Telecommunications business	¥ 3,923,754	¥ 3,827,328	**¥ 3,654,565**
Smart life business	294,156	356,783	**436,997**
Other businesses	272,440	302,224	**319,815**

* The figures for 2013 and 2014 reflect the realignment of business segments effectuated during the fiscal year ended March 31, 2015.

For more details of our business segment information, please see A. Operating Results Segment Information in Item 5.

Table of Contents

Competitive Environment

In the Japanese mobile communications market, in addition to the rapid proliferation and expansion in use of smartphones, tablets and other function-rich mobile devices, due to the government s policy of promoting of the spread of Mobile Virtual Network Operators (MVNOs) and other factors, various new market participants are expected to continue to enter the market and many new services are expected to continue to be invented.

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, 2015, we had a market share of 43.6%, KDDI group had a market share of 28.5% and SOFTBANK group had a market share of 27.9%.

As of March 31, 2015 we had approximately 66,595 thousand cellular subscribers, an increase of 3,490 thousand from the end of the previous fiscal year. Also, our cellular churn rate for March 2015 was 0.71%.

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 cellular subscriptions for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Thousands Year ended March 31,		
	2013	**2014**	**2015**
Cellular subscriptions *1	61,536	63,105	**66,595**
LTE (Xi) subscriptions	11,566	21,965	**30,744**
FOMA subscriptions *1	49,970	41,140	**35,851**
Estimated market share of total subscriptions	45.2%	43.8%	**43.6%**
Subscription growth rate	2.3%	2.6%	**5.5%**
Average monthly churn rate *1*2	0.82%	0.87%	**0.71%**

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

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

Furthermore, Japan s telecommunications sector has seen a dramatic change in its market structure.

In May 2014, NTT unveiled its Hikari Collaboration Model a new wholesale business model for its fiber access services. As this enables telecommunications operators and a wide range of other market participants to provide services utilizing fiber connections, the competition in the market is expected to intensify even further, transcending the traditional boundaries of the telecommunications business.

Due to government regulations, we are prohibited from partnering exclusively within the NTT group, and we have been unable to partner with NTT group companies to provide packages of mobile phone and fixed communication services or offer discount services such as those which have become popular among rival companies in recent years.

Table of Contents

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.

Although our business environment is severe, as stated above, due to the market environment, regulations and changes in our business model, we are endeavoring to strengthen our competitiveness based on the business strategy described below.

Business Strategy

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

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

In April 28, 2015, we announced our medium-term initiatives and the Business Management Policies for FY2015 (year ending March 31, 2016).

Initiatives for the medium-term

To respond to customer needs on an ongoing basis, we will implement initiatives for co-creation an effort to create new added value together with various external partners by constantly evolving the format of collaboration.

1) Roll-out of +d

As presented in Medium-Term Vision 2015, we have hitherto worked on new value creation centered on mobile communications by pursuing convergence with other industries and services. Going forward, we will further advance these undertakings and embark on a new initiative dubbed +d a joint value creation initiative that we plan to promote together with partners, making available to our partners our own business assets, such as our payment platform and point program, etc. To further accelerate this initiative, we will standardize the names of the various services that we offer. In the new arrangement, our services will begin with the letter d, so customers can easily appreciate the various DOCOMO services that they can utilize.

2) Co-Creation of Social Values

We will also work to offer new values to various partners, further evolving the forms of collaboration, which have so far been centered on value creation for consumers. Specifically, in the areas of IoT, Regional Revitalization, 2020*, and Solution of Social Issues, we will strive to create new services and businesses in collaboration with partners utilizing the assets of both parties, with the goal of capturing new revenue opportunities in new domains that transcend the confines of our current industries or business formats.

Through the abovementioned initiatives, we will aim to expand the smart life business and other businesses while accommodating customer requirements.

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

Table of Contents

FY2015 Business Management Policies

We developed our FY2015 Business Management Policies, positioning FY2015 as the year of making a solid step toward the achievement of our medium-term growth. Considering the attainment of operating income target a matter of utmost importance, we will take actions aimed at increasing our telecommunications services revenues, expanding the smart life business and other businesses and improving our cost efficiency.

1) Actions Aimed at Increasing Telecommunications Services Revenues

- Facilitate subscriptions to new billing plan and docomo Hikari service, and strengthen retention measures

- Boost packet revenues by encouraging subscriber migration to larger data buckets

2) Actions Aimed at Expansion of Smart Life Business and Other Businesses

- Accelerate measures aimed at expanding the adoption of dmarket and other services, and expand our sphere of service by adding home offerings

- Cultivate new demand by stepping up enterprise sales, and step up B2B2C* offerings

3) Cost Efficiency Improvement

- Reinforcement of PREMIUM 4G service and more efficient use of capital expenditures

- Rigorous cost efficiency improvements through structural reforms

We will continue to engage ourselves in co-creation of added value for customers in collaboration with partners, so that what is perceived as new today can be taken for granted in the future.

* Abbreviation for Business to Business to Consumer: a business arrangement in which an entity supports the consumer business of another company.

2. Networks

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

LTE Development

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

In the fiscal year ended March 31, 2015, the total number of LTE base stations was increased to 97,400 stations from 55,300 stations as of March 31, 2014 to further improve the area coverage of our LTE service.

We offer high-speed LTE service that realizes a maximum download speed of 150Mbps in the Tokyo, Nagoya and Osaka metropolitan areas. Also, in pursuit of further enhancement of transmission speeds, we increased the number of LTE base stations compatible with a maximum download speed of 100Mbps or higher to 57,700 stations from 3,500 stations as of March 31, 2014.

In March 2015, we launched the PREMIUM 4G service that delivers downlink speeds of up to 225Mbps using the LTE-Advanced system, which incorporates carrier aggregation[*1], advanced C-RAN[*2] and other technologies that realize further speed/capacity enhancements over LTE service.

*1 Technology that achieves improvement of data transmission speed by aggregating multiple carriers

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

Table of Contents

Spectrum Use Status

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

2GHz Band:

The 20MHz x 2 allocated in the 2GHz band is jointly used by our LTE and W-CDMA networks. A maximum 15MHz x 2 is used for our LTE network.

1.7GHx Band:

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

1.5GHz Band:

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

800MHz Band:

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

700MHz Band:

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 Mobile 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. We plan to start providing LTE services as of the first quarter of fiscal year 2015 for the 10MHz x 2 allocated in the 700MHz band.

3.5GHz Band:

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

Effort to Assure Stable Network Quality

For providing customers with a stable and comfortable communication environment, we moved ahead with the reinforcement of our network facilities to respond to the increase in data traffic resulting from the expanded adoption of smartphones. For example, we expanded the LTE network capacity, utilized transmission speed controls for data communication by especially heavy users for data communications and offloaded data to docomo Wi-Fi.

In addition, to prepare for possible large-scale disasters, such as an earthquake directly striking the Tokyo metropolitan area, we have taken various measures such as the dispersion of important communications facilities previously concentrated in the metropolitan area, securing emergency power sources, and making it possible to switch to power saving mode via remote control.

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

Table of Contents

3. Products

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

To expand our smartphone user base and to facilitate the adoption of multiple devices by a single user in order to meet the diverse needs of customers, we have strived to enrich our product lineup. In the fiscal year ended March 31, 2015, we introduced 17 smartphone models, 9 tablet models, 8 feature phone models and 3 data communication device models, and sold approximately 23,751 thousand units. Sales of each type of device are discussed below.

Smartphones/Tablets

Our 2014 summer collection smartphones are equipped with various DOCOMO-specific features including voice calls using VoLTE[*1] technology and an emergency power-saving mode. The Android smartphones in our 2014-2015 winter/spring collection are all equipped with VoLTE compatibility. All handset models carry high-resolution audio[*2] featuring sound quality exceeding music CDs. In addition, we expanded the lineup of devices to meet the diverse needs of customers, including commencement of sales of the latest model of popular iPhone and iPad in September and October 2014 respectively.

As a result of the above, the number of smartphones and tablets sold was 14.6 million units, an increase of 0.81 million units over the number sold last term, reaching approximately 60% of total sales for the fiscal year ended March 31, 2015.

*1 Abbreviation for Voice over LTE
*2 A generic term to describe music data and music player equipment that realize audio quality superior to general music CD.

Data Communications Devices

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

We introduced a USB data card as a part of our 2014 summer collection and also introduced two mobile Wi-Fi routers, as a part of our 2014-2015 winter/spring collection, that have built-in LTE Advanced capability, a technology that supports download speeds of up to 225 Mbps.

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 a Partner for a Smart Life for each and every customer, we offer a diverse range of communications devices to make customers lives more secure, safe, convenient and comfortable.

In December 2014, we launched a transmitter able to send the user s heart rate to a smartphone by linking with a wearable training data measurement device utilizing a new material called hitoe.

In addition, in April 2015, we released the Docotch, a wearable device in the form of a wristwatch, enabling the condition of children and their surroundings to be checked. We have also released special devices for pets, etc.

Table of Contents

4. Services

By providing superior sound quality voice services through VoLTE and introducing the docomo Hikari optical-fiber broadband service, we are endeavoring to further increase the convenience of communication services and create value through the provision of new services combining docomo Hikari with smartphones and mobile phones. We also enriched our dmarket portal that offers a wide variety of convenient content, and pursued collaboration and alliances with external partners to provide new services in various sectors.

Telecommunications Services

Mobile Phone 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 for smartphones as well as expand the smartphone market, LTE (Xi) service subscriptions rose to approximately 30,744 thousand as of March 31, 2015.

In addition, other main services among mobile phone services include international services such as international calling service and international roaming service, public wireless LAN service docomo Wi-Fi, services for corporate customers such as Office Link, a service that allows mobile phones to be used as internal lines, Business Mopera Anshin Manager, which enables the unified control of corporate mobile phones, and a satellite cell phone service. A summary of the principal initiatives in other main services among mobile phone services implemented during the fiscal year ended March 31, 2015, is provided below:

In June 2014, we were the first telecommunication carrier in Japan to commence a new LTE-based voice communications service, VoLTE which delivers more stable and superior sound quality compared to conventional voice calling service.

We commenced the trial service of docomo Wi-Fi for visitor which enables foreign travelers visiting Japan to utilize docomo Wi-Fi service.

To enable overseas travelers to utilize LTE service even more comfortably, we worked on LTE international roaming coverage expansion and increased the number of LTE roaming destinations to 43 countries and regions as of March 31, 2015.

Optical-fiber Broadband Service

In order to provide broadband communications environment to allow users to enjoy high-speed service both indoors and outdoors, in March 2015, we commenced docomo Hikari service our optical-fiber broadband service that enables high-speed access at speeds of up to 1Gbps, and simultaneously launched docomo Hikari Pack a bundle package that allows users to use docomo Hikari broadband service and smartphones/docomo feature phones at affordable rates.

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

Furthermore, with the provision of docomo Hikari, we also began to provide Internet access service docomo net, and support services Hikari Remote Support, Hikari On-site Support which enables docomo Hikari to be used with a greater sense of security.

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

Table of Contents

Initiatives to Become a Partner for Smart Life

Initiatives Aimed at dmarket Enrichment and Expansion of User Base

To expand the adoption of DOCOMO-operated content market, dmarket services among a broader range of users, we have added new content and implemented various initiatives aimed at increasing its subscriber base.

The principal actions we undertook during the fiscal year ended March 31, 2015 are summarized below:

- We launched a new home food delivery service, ddelivery. With this service, users can search restaurants/menus and place orders using voice command via our Shabette-Concier voice agent service, and also make payments using docomo Points.

- We launched dmagazine electronic magazine service, which provides users with unlimited access to wide-ranging genres of magazines and/or individual articles from smartphone/tablets for a flat monthly fee.

- We extended the free trial period of dvideo, danime store, dhits, and dmagazine, to allow customers to try out and appreciate the attractiveness of these services offered through our dmarket portal.

As a result of the abovementioned measures, the combined number of dmarket store subscriptions* reached 10 million in January 2015, and grew further to 11.88 million as of March 31 2015. Furthermore, in May 2015, we launched dGourmet service, which provides basic cooking lessons, food-related information such as recipes and restaurant rankings, and coupons.

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

Lineup of dmarket services

Service	Service Overview
danime store	Flat-rate animated video distribution service
dapple & review	Site offering review of popular apps on Google Play
dkids	Flat-rate distribution service of educational content for children
dcreators	Online market enabling the sale and purchase of hand-made items
dGourmet*1	Distribution service of information and coupons related to foods
dgame	Site offering Web-based games*2 and app-based games
dshopping	Online shopping service for food, daily necessities, electrical appliances and other goods
ddelivery	Home food delivery service
dtravel	Site for booking accommodation at hotels and Japanese inns
dhits	Flat-rate music distribution service
dvideo*3	Flat-rate video/movie distribution service
d fashion	Fashion e-commerce site
dbook	Electronic book store enabling viewing of manga, novels and how-to books
dmagazine	Flat-rate electronic magazine distribution service
dmusic	Music download service

Table of Contents

*1 Service started on May 28, 2015.
*2 Games that can be enjoyed anywhere with an Internet connection and without the need to install applications.
*3 Service name was changed from dvideo to dTV on April 22, 2015.

To deliver Smart Life experience, we aim to drive innovation and create new value and new markets through the convergence of mobile devices with various industries and services by collaborating with alliance partners, especially in fields that offer great synergy with our mobile business, including dmarket. In the fiscal year ended March 31, 2015, we engaged in the following initiatives centered on lifestyle-related services.

We introduced a new service dubbed Runtastic for docomo, a training support service developed jointly with runtastic GmbH, which measures and manages user s heart rate and other body data using the hitoe wearable measurement device in conjunction with a dedicated application.

DOCOMO, NTT Urban Development Corporation, NTT Data Corporation and NTT Facilities, Inc. pooled the management resources of the four companies to establish the joint venture DOCOMO BIKESHARE, INC., which provides cycle sharing services, in February 2015.

We partnered with Japan Best Rescue System Co., Ltd. to launch Home Anshin Partner, which provides support for trouble in various aspects of everyday life such as plumbing and locks, in addition to housekeeping services, in March 2015.

The overseas version of Hanashite Hon yaku automatic translation application for smartphones and tablet devices, which translates spoken Japanese into a number of foreign languages and vice versa, has been launched under the service name of Jspeak, targeting travelers from abroad visiting Japan.

DOCOMO, SYSTRAN INTERNATIONAL Co., Ltd. and FueTrek Co., Ltd. established Mirai Translate, Inc., a joint venture to develop and market machine translation technology and services with the highest accuracy in the industry, in October 2014.

The actions we have undertaken in our principal business fields are as follows:

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.

Shopping Services(Commerce)

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

Overview of business of major subsidiaries

Subsidiaries	Business Overview
OAK LAWN MARKETING, INC.	Mail order sales business using media centered on television
Radishbo-ya Co., Ltd.	Member-based home delivery services offering organic and low-pesticide vegetables and additive-free foods
Tower Records Japan Inc.	Sale of music software such as CDs and DVDs

28

Table of Contents

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

Subsidiaries	Business Overview
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

* Joint venture with OMRON HEALTHCARE Co., Ltd.

Furthermore, to deliver Smart Life experience in other domain of the three above, we are operating NOTTV, Japan s first broadcasting station for smartphones provided via storage-based broadcasting through our subsidiary mmbi and offer four real-time broadcasting channels (as of March 31, 2015) for interactive programs made up of 24-hour news, etc. and storage type broadcasting by combining broadcasting and communication.

Other Initiatives

As of September 2014, the combined total of subscriptions to the Osusume Pack, which bundles the Sugotoku-Contents and other recommended services that allow customers to utilize their smartphones in various convenient ways, and the Anshin Pack, which combines the Mobile Device Protection Service and various other services designed to ensure worry-free use of smartphones, broke through the 10 million mark.

We established the gacco site providing Japan s first Massive Open Online Courses (MOOC*) and provided courses aimed at the development of data scientists. We also plan to offer courses enabling a broad range of learning spanning basic technology in information security to legal systems, and aim to develop human resources for fields with heightening social needs.

We are operating DOCOMO Innovation Village, a startup support program for venture companies and organizations with innovative service technologies. Additionally, in the fiscal year ended March 31, 2015, we established a new program purposed for the strengthen of the venture companies partnership, and strived to boost initiative.

* A form of open learning provided by universities, etc. in which anyone can participate at no cost via the Internet.

M2M/IoT Business

We are involved in businesses that install communication modules in cars, provide information services for car navigation and combine various types of equipment with mobile communications. A summary of the M2M* services we implemented during the fiscal year ended March 31, 2015, is provided below:

We entered into an agreement with Tesla Motors, Inc. to provide the in-vehicle information/communication platform and data connectivity for its Model S electric vehicles marketed in Japan. In addition, we hosted DOCOMO Automobile Business Solution Summit and implemented other measures aimed at fostering and expanding new businesses through the convergence of automobiles and IoT[*2].

Table of Contents

We entered into a basic agreement for business alliance with Vodafone Group Plc to address the delivery of M2M services with the aim of strengthening corporate marketing to global accounts.

As a SIM card to be embedded in M2M-enabled machines, we started offering Japan s first eSIM[*3] that can store not only DOCOMO s phone number but also the phone number of overseas carriers.

The principal actions we have undertaken are as follows:

Through an alliance with Pioneer Corporation, which is a leading company in car electronics, we provide Docomo DriveNet Navi, a car navigation service for smartphone users, and Docomo DriveNet Info, a service for supporting car life.

Utilizing the platform of Jasper Technologies, we provide companies operating businesses inside and outside Japan with the docomo M2M Platform, which enables centralized management of docomo lines and overseas telecommunications carriers lines for communication modules embedded in vehicles, construction equipment and information devices.

*1 Abbreviation for Machine-to-Machine. A system that automatically handles the communication between servers or other equipment and various devices installed with communications capability such as vehicles, vending machines, and information appliances, etc.
*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.
*3 Abbreviation for Embedded Subscriber Identity Module.

Global Expansion

We make investments in and form partnerships with overseas mobile operators and various market participants in different business domains with the long-term aim of strengthening our global competitiveness.

In regards to investments in mobile operators, we aim to achieve financial returns by strengthening the business foundations of our investment partners through supporting their businesses and to achieve synergies with our partners. In addition, through investment in various overseas companies in recent years, we have been making efforts to build a global open platform and promote various services that fully take into consideration the special characteristics of countries and regions. Our recent efforts in the application layer are shown below.

Recent Investment in the application layer

Investment Target	**Investment Date**	**Business Overview**
net mobile AG	November 2009	Mobile content delivery platform business and billing/payment business for telecommunications carriers mainly in Europe
VMG Media Joint Stock Company	August 2011	Provision of content and content management platform in Vietnam
Buongiorno S.p.A.	August 2012	Provision and operation of mobile content delivery and platform service
MCV Guam Holding Corp.	May 2013	Cable television business, Internet access business and fixed telephone business in Guam
fine trade gmbh	October 2013	Payment service for online sales

Table of Contents

5. Tariffs

Mobile Communications Charge

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

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

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

Basic Monthly Charge for Voice Communication Service and Voice Communication Charges

Since June 2014, we have offered a new billing plan, Kake-hodai for the LTE (Xi) service and FOMA service, which enables subscribers to make nationwide voice calls for a flat monthly rate regardless of the number or length of calls.

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

Data Communication Charges

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

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

If the data usage in a month exceeds the monthly data quota, users can pay an additional set fee for each 1GB of data or transmission speed is lowered to 128kbps until the end of that month.

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

The new billing plan has enjoyed favorable reviews from early on, with its total subscriptions topping 20 million in a year after its launch.

Optical-fiber Broadband Service Charge

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

31

Table of Contents

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

The details of the charges in connection with items (i) and (ii) 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.

We also introduced a new discount plan, called docomo Hikari Pack, which is bundled with existing mobile basic monthly charges, called Kake-hodai Plan and Data Plan, to provide mobile subscribers and subscribers of docomo Hikari with further discounts.

A wide range of discounts based on DOCOMO mobile users data quotas will be available, with especially attractive offers for those with higher data quotas.

In addition, we launched the Hikari Sumaho Wari, an additional discount offered to smartphones or tablets subscribers to the Hikari Share Pack in the docomo Hikari Pack in case they are new subscribers or subscribers switching from other carriers with the same number using mobile number portability (MNP). The discount is applied to the mobile basic monthly charge.

Furthermore, Zutto DOCOMO Wari discounts for subscribers who have been with DOCOMO for at least five years and U25 Ouen Wari discounts for customers up to age 25 can be applied to docomo Hikari Pack for further discounts.

6. Sales and Marketing

Sales Channels

We sell our products and services through a vast sales network covering the entire country of Japan. The shops that deal with our products and services are operated by various distributors, and as of March 31, 2015, there were 2,399 docomo Shops nationwide. In addition to docomo Shops, there are general distributors that handle the products and services of multiple operators such as mass merchandisers of consumer electronics and other stores that also sell our products. As of March 31, 2015, the number of such shops was approximately 4,300 (excluding docomo Shops). In addition to the face-to-face channel, we have established online shopping and 10 call-centers nationwide (as of March 31, 2015) and consider these channels to be important to improving convenience for our customers. For smartphones and docomo Hikari, we have established exclusive call centers and are enhancing the support system for customer care.

Sales Methods

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

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

32

Table of Contents

Customer Support

Customer Loyalty Program

As part of our efforts to provide enhanced customer services, we offer a customer loyalty program called docomo Premier Club. This reward program consists of a point accumulation service, complimentary services and after-sales services; depending on their monthly mobile phone usage, subscribers earn points, which can be applied to purchasing handsets, or exchanged for travel tickets, restaurant vouchers, etc.

After-sales Support

As described below, we have continually worked to strengthen our after-sales support with the aim of further improving customer satisfaction:

- Anshin Remote Support 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.

- Hikari Remote Support providing support for operation and configuration of PCs, PC peripherals and software through dedicated operators and dedicated tools.

- Hikari On-site Support in which dedicated staff visit the customer s home to provide support for operation and configuration of PCs, PC peripherals and software.

- Area quality improvements based on proposals and methods for improvement tailored to circumstances, in response to specific requests for area improvement from customers.

- Mobile Device Protection Service and Mobile Device Protection Service for iPhone & iPad provide comprehensive coverage for problems related to mobile handsets such as water exposure, loss or malfunction.

The number of subscribers to Anshin Remote Support topped 10 million in February 2015.

7. Research and Development

In our base located in the Yokosuka Research Park, we engage in research and development of basic technology, mobile communication systems and a wide variety of new products and services. As part of our ongoing research and development and in order to continue to improve our devices, networks and services, each of our research and development departments collaborates with product development staff at other operating divisions. We are also working with major manufacturers of our products and network equipment.

In order to address technology innovations overseas, we have established research centers in the United States, Germany and China. Together with DOCOMO Capital, Inc. and 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 in addition to the development of VoLTE, and major technologies used in LTE-Advanced such as carrier aggregation and Advanced C-RAN, are as follows:

Technology Put to Practical Use During the Fiscal Year Ended March 31, 2015

For i-concier and Shabette-Concier, we developed new functions such as a function to enable those applications to display more accurate information to a user by studying the user s preferences, usage history and others or a function that allows to have uninterrupted smooth chat with Shabette-Chara.

Technical Developments to be Implemented

We are the first mobile telecommunications carrier in Japan to succeed in substantiation experiments of VoLTE international roaming connections between Japan and Korea, and Japan and the United States.

To aim for commercial implementation by March 2016, we have begun experimentation and development of network virtualization technology, with six major global vendors, to improve network connection during peak times of network communication traffic.

We developed a small authentication device, the portable SIM, which connects to the network simply by being held over a smartphone or tablet.

We developed Double Power Control technology that controls power usage giving priority to surplus solar power and night-time power, and introduced it to green base stations used for field testing.

Future Technology Initiatives

In order to provide the most advanced communications network by 2020, we are engaged in 5G research in cooperation with the major global vendors with the aim of achieving mobile communications speed exceeding 10Gbps, an enhancement of LTE service to have about 1,000 times greater capacity, and handling of an increase in terminals with the permeation of IoT communications and of diverse services. During the fiscal year ended March 31, 2015, we succeeded in data communications of at least 5Gbps when receiving in indoor tests and at least 4.5Gbps when receiving in outdoor test.

In order to offer advice to our customers on the prevention and treatment of lifestyle-related diseases on an individual basis, we developed a wearable device for measuring the biological gas component (acetone) that is naturally emitted by the skin and serves as an indicator of combustion of body fat. Furthermore, in order to establish a method for the prevention and early detection of certain illnesses, we have begun joint research, with Tohoku University, which is the first of its kind to utilize our company s mobile healthcare technology and analytic technology for genomes and the like owned by Tohoku University.

We have established a joint venture company, Mirai Translate, Inc., with SYSTRAN INTERNATIONAL Co., Ltd. and FueTrek Co., Ltd. We are proceeding with research with the aim of developing translation technology that has the world s highest level of machine translation accuracy and the provision of software and services using this technology in order to realize a world free of language barriers to respond to the further increase in foreign visitors to Japan, overseas travel by Japanese and overseas expansion by Japanese companies expected to occur by 2020.

8. Regulations

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

The Telecommunications Business Act

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

Table of Contents

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

	Regulation
a. Tariff settings, service offerings, etc.	Unregulated in principle (excluding universal service and certain designated telecommunication services).
	Accountability to users concerning outline of terms and conditions of telecommunications service and proper and swift processing of complaints and inquiries from the users are required.
b. Business improvement order	The Minister of MIC may order a telecommunications carrier to improve business activities to protect the interests of the public and users with regard to the secrecy of communications, unreasonably discriminatory treatment, ensuring important communications, tariff and other service conditions, etc.
c. Interconnection	Obligation, in principle, for interconnection with other telecommunications carriers that propose interconnection.
	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.

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.

Table of Contents

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 called new Softbank Mobile. The new Softbank Mobile was designated as a carrier who installs Category II telecommunications facilities, resulting in all MNO*s currently providing services (excluding Broad band Wireless Access or Personal Handy-phone System operators) being designated as carriers who install Category II telecommunications facilities.

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

Method of Connection Charges Calculation

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

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 percent, changes in this market share and other circumstances; and also, for the purpose of ensuring a fair environment of competition with other telecommunications carriers, we are accordingly prohibited from engaging in anti-competitive behavior such as:

- Use of information of other mobile network operators obtained from such other mobile operators through interconnection for other purposes;
- Unduly favorable treatment of specific telecommunication carriers; and
- Undue discipline imposed on or interference with other carriers, manufacturers or suppliers of telecommunications equipment.

In December 2014, the Information and Communications Council of the MIC issued a report in which the Council concluded the regulation of prohibited activity on mobile telecommunication industry should be relaxed. In response to the report, an amendment to the Telecommunications Business Act was enacted and promulgated in May 2015. The amendment will become effective from a date to be designated within one year from the promulgation. Once the amendment comes into force, we believe we will be able to collaborate exclusively with specific business partners (excluding some of our group companies specified by the MIC separately) and to create diverse services through the utilization of information and communications technologies by coordinating with a variety of companies inside and outside Japan, which we expect will contribute to the improvement of convenience for customers and the improvement of our international 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

36

Table of Contents

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 MVNO are matters, in principle, to be decided by consultations between the parties, and when an MNO has had a request for connection from an MVNO, unless it has grounds to refuse, it must comply with such request.

Introduction of BodySAR regulations

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

9. Relationship with NTT

NTT is our parent company and owned 66.65% of our voting rights as of March 31, 2015. The government of Japan, in the name of the Minister of Finance, owned 34.91% 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, 2015, we conduct our day-to-day business operations independently of NTT and its other subsidiaries. All transactions between us and each of NTT and its subsidiaries and affiliates are conducted with fair and appropriate distance. In the year ended March 31, 2015, we had sales of ¥47,129 million to NTT and its subsidiaries and had cost of services, selling, general and administrative expenses and capital expenditures of ¥221,906 million, ¥201,829 million and ¥59,925 million, respectively, to NTT and its other subsidiaries, compared to sales of ¥43,872 million and cost of services, selling, general and administrative expenses and capital expenditures of ¥215,968 million, ¥198,288 million and ¥75,768 million, respectively, in the year ended March 31, 2014. We also had accounts receivable of ¥5,735 million from NTT and its subsidiaries and payables of ¥75,197 million to NTT and its subsidiaries as of March 31, 2015, compared to ¥5,058 million and ¥79,077 million as of March 31, 2014.

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

Table of Contents

We were to plan to have our shares listed and NTT s ownership in us reduced approximately 5 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 member of the board 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. Takashi Nakamura, a full-time employee of NTT, serves part-time on our board of directors.

To date, with respect to the stake in us held by NTT, such documents as the Deregulation Committee 1998 report, the 2000 opinion of the Regulatory Reform Committee, and the government s Three-year Program for Promoting Regulatory Reform of 2001 have concluded that, from the perspective of promoting completion among NTT group companies, efforts should be made to further lower the stake. NTT has declared its view that its ownership of our shares does not have any adverse effects on fair competition and that it intends to maintain its ownership stake in us at 51% or above. Further, the Japanese government has not decided what action, if any, it will take with respect to NTT s ownership of our shares.

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 99.9% of the voting interest, see Item 7.B. Related Party Transactions and Note 15 of Notes to Consolidated Financial Statements Related Party Transactions.

10. Legal Proceedings

We have initiated normal actions relating to the collection of telecommunications charges and other legal proceedings in the ordinary course of business and are not involved in any litigation and have not been involved in other legal proceedings in the preceding 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, 2015, NTT, our parent company, was our largest shareholder and owned 66.65% of our outstanding voting shares. We are the largest wireless telecommunication services provider in Japan based on the number of subscriptions.

There are no subsidiaries that are considered to be significant as of March 31, 2015.

D. Property, Plant and Equipment

Our property includes buildings which contain wireless telecommunication equipment. As of March 31, 2015, we and our regional offices owned 3,741,558 square meters of land and 1,702,668 square meters of office space, buildings containing switching centers, company dormitories and warehouses throughout Japan. In addition, as of March 31, 2015, we leased 9,573,101 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, 2015
- Operating Results for the fiscal year ended March 31, 2014
- Segment Information
- Operating Trends and Prospects for the fiscal year ending March 31, 2016

B. Liquidity and Capital Resources

Cash Requirements

Sources of Cash

C. Research and Development

39

Table of Contents

A. Operating Results

Overview

We are the largest cellular network operator in Japan with a total subscription of 66.60 million, which represented 43.6% of all cellular subscriptions in Japan as of March 31, 2015. 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 service, satellite communications services and international services. To make Smart Life a reality, we provide smart life services such as video and music distribution, electronic books and other services offered through our dmarket portal, finance/payment services, shopping services and various other services to support our customers daily lives. We also provide Mobile Device Protection Service, development, sales and maintenance of IT systems and others.

Japan s telecommunications sector has seen dramatic change in its market structure.

In May 2014, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) unveiled its Hikari Collaboration Model a new wholesale business model for its fiber access service. As this enables telecommunications operators and a wide range of other players to provide services utilizing fiber connections, competition transcending the traditional boundaries of telecommunications market is starting.

Within the mobile communications market, the trend towards market entry by various players and the emergence of new services is expected to gather momentum due to the rapid proliferation and expanded use of smartphones, tablets and other function-rich mobile devices as well as the government s pro-competition policy and other factors.

Amid these changes in the market environment, in the fiscal year ended March 31, 2015, to strengthen our competitiveness in the mobile communications domains, we launched a new billing plan, Kake-hodai & Pake-aeru, while continuing to enhance our network through LTE services and introducing highly functional and attractive devices (handsets). With respect to our efforts in the smart life business and other businesses, we strived to further enrich our dmarket portal, facilitated collaboration and alliances with various partners and expanded new services that are expected to sustain customers smart life. Meanwhile, we reorganized our corporate group and internal organizations to establish a structure that can deliver enhanced customer services, and shifting of human resources to high-priority areas (the smart life and enterprise businesses) in an effort to solidify our business foundation. As a result of these endeavors, we were awarded high scores for both our consumer and enterprise offerings in the customer satisfaction surveys conducted by external institutions, and improved our performance in the acquisition of net additions, churn rate and other indicators in mobile communications services.

Furthermore, in March 2015, toward the goals of delivering one-stop service for both mobile and fixed-line communications, realizing smart home services and boosting the competitiveness of our core mobile business, we launched the docomo Hikari service (our optical-fiber broadband service) and docomo Hikari Pack, a bundle package that allows users to use docomo Hikari and our mobile phone service at affordable rates, making the first step in our journey to offering new added value through the convergence of fixed-line and mobile communications services.

For the fiscal year ended March 31, 2015, operating revenues decreased by ¥77.8 billion from the prior fiscal year to ¥4,383.4 billion due mainly to the expanded impact from the broadened uptake of the Monthly Support discount program and the negative impact caused by the Kake-hodai & Pake-aeru new billing plan in the initial phase following its launch, which more than offset the increase in revenues from equipment sales, smart life business and other businesses.

Operating expenses increased by ¥102.3 billion from the prior fiscal year to ¥3,744.3 billion, due mainly to a rise in revenue-linked expenses such as cost of equipment sold and other factors despite our ongoing cost reduction efforts.

As a result of the foregoing we recorded operating income of ¥639.1 billion, a decrease of ¥180.1 billion from the prior fiscal year.

Income before income taxes and equity in net income (losses) of affiliates was ¥643.9 billion, and net income attributable to NTT DOCOMO, INC. was ¥410.1 billion, recording a decrease of ¥54.6 billion from the prior fiscal year.

We will continue to engage ourselves in co-creation of added value for customers in collaboration with partners, so that what is perceived as new today can be taken for granted in the future.

Market Trend

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

Market

According to an announcement by the Telecommunications Carriers Association and cellular network operators, the mobile communications market in Japan saw a 8.68 million net increase in cellular subscriptions for the fiscal year ended March 31, 2015. The total number of cellular subscriptions in Japan grew to 152.70 million as of March 31, 2015, which represented a market penetration rate of approximately 120%. The growth prospect of new subscriptions to voice-enabled devices is expected to be limited given the rise in the penetration rate and decrease in future population. The recent increase in the total number of new subscriptions has been driven mainly by an increase in subscriptions achieved through stimulation of demand for secondary devices such as tablet devices and mobile Wi-Fi routers, the development of new markets such as embedded communication modules, and an increase in corporate subscriptions. Consequently, the annual growth rate of cellular subscriptions was 6.1%, 5.9% and 6.0% for the years ended March 31, 2013, 2014 and 2015, respectively.

As of March 31, 2015, cellular services were provided in Japan by three network operators, including us, and their group companies. In addition to providing cellular services, the network operators 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 network operators in Japan have introduced the LTE[*1] system, a mobile communications standard developed as an extension to the third-generation mobile communications (3G) system and LTE subscribers including users shifting from 3G have been increasing rapidly. The total number of subscriptions to our LTE(Xi) service reached 30.74 million as of March 31, 2015, increasing sharply from 21.97 million as of March 31, 2014. In addition, driven by an increase in subscribers to LTE(Xi) services, the sales of smartphones have recorded a remarkable increase in recent years. During the fiscal year ended March 31, 2015, we sold a total of 14.60 million smartphone units, which accounted for over 60% of the total number of our annual device sales and approximately 90% of smartphone users enjoy LTE(Xi) services. We expect this trend of expanded subscriptions to our LTE(Xi) service and smartphone sales to continue going forward.

Table of Contents

While the growth prospects for Japan s mobile phone market may be limited in terms of the number of subscriptions to devices used primarily for voice communication, data usage has been increasing owing to the expanded uptake of smartphones and offering various billing plans for packet access to meet customers diverse requirement and high-speed data services. Furthermore, new market opportunities are beginning to emerge in such areas as content and applications for smartphones. Meanwhile, promotion of penetration of MVNO[*2] services is being advocated under government policies and we expect a diverse range of players to have plans to enter the market in the future as well. Mobile phone users are actively switching operators using the Mobile Number Portability (MNP) system commenced in 2006. In addition, with the use of open platform devices like smartphones and tablets becoming increasingly widespread, OTT[*3] players, offer competitive services and thus the competition in the Japan s mobile communications market is expected to remain fierce.

Demands on network operators to secure sufficient network capacity to accommodate the growing data traffic due to increasing use of smartphones have been mounting. As one way of addressing rising data traffic, it is expected that adoption of LTE-Advanced[*4] technology enabling even higher speeds and capacities for LTE services will increase among network operators. We began providing LTE-Advanced services in March 2015 under the service name PREMIUM 4G.

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

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

*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.

*4 A more sophisticated mobile communication system, whose standardization to 3GPP, is progressing while maintaining technical compatibility with LTE.

Technical developments/Services

In June 2014, amid challenging market conditions, to deliver a diverse range of advanced services and to improve the convenience of our subscribers, we began offering a new billing plan, Kake-hodai & Pake-aeru, to our subscribers. This new billing plan consists of the four principal services of a flat-rate domestic voice calling plan, a plan to enable sharing of the packet data quota among family members, a discount service favoring long-term users with graduated discounts based on length of subscription, and a service providing discounts to users age 25 or younger. Price competition is expected to continue in the future, as other operators have introduced similar flat-rate domestic voice calling plans.

Innovations in internet technology may have a material impact on the mobile communications industry including ourselves. IP (Internet Protocol) telephony, which is a form of voice communications based on IP technology, has already become a popular means of communications in fixed-line services as a result of the broad penetration of local broadband access, and the use of applications that enable voice communication over IP technology on smartphones has also become prevalent. In addition, there are moves by some cellular operators to introduce voice over LTE networks (VoLTE) that enable voice communication over LTE technology and IP technology and we started offering Japan s first VoLTE service in June 2014. Because VoLTE offers greater spectral efficiency and superior voice communications quality, the adoption of VoLTE may expand to full scale in the mobile communications industry in the future.

In addition, in response to the start of wholesaling of fiber access services by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, we launched the docomo Hikari service (our optical-fiber broadband service) and docomo Hikari Pack, a bundle package that allows users to use docomo Hikari and our mobile phone service at affordable rates in March 2015. However, since it is possible for a diverse range of players, not just network operators, to provide similar services using optical-fiber and to offer discounts on bundles with mobile communications and fixed-line communications, the business environment could grow more competitive beyond the existing boundaries of the telecommunications market.

Table of Contents

Regulatory environment

We and other cellular network operators 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 including tariff-related regulations. An amendment to the Telecommunications Business Act was enacted in May 2015. Once implemented, that amendment of the act would greatly ease the prohibitions that apply to NTT DOCOMO, INC. and it is expected that it would permit NTT DOCOMO, INC. to cooperate freely with various partners in the same way that other mobile network operators can. The amendments also would introduce rules intended to protect consumers. The consumer protection policies would apply to all communication businesses, not just us, and each company would be required to interact with consumers in accordance with those regulations. Further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent cellular network operators including ourselves.

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

Table of Contents

Operating Results for the fiscal year ended March 31, 2015

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

Breakdown of Financial Information

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

(1) Inclusive of circuit switched data communications

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

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

Table of Contents

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

Operating revenues for the fiscal year ended March 31, 2015, were ¥4,383.4 billion, a decrease of ¥77.8 billion or 1.7% from ¥4,461.2 billion for the prior fiscal year. Telecommunications services revenues were ¥2,747.2 billion, decreasing by ¥216.8 billion or 7.3% compared to ¥2,964.0 billion for the prior fiscal year. Of these, mobile communications services revenues decreased by ¥219.1 billion or 7.4%, from the previous year s figure of ¥2,955.8 billion, to ¥2,736.6 billion. Voice revenues decreased by ¥181.4 billion or 17.0% year on year to ¥883.8 billion from ¥1,065.2 billion for the prior fiscal year. The decline in voice revenues includes the expanded impact of the Monthly Support discounts of ¥73.1 billion and the impact of the shift of some FOMA users to lower-rate plans. Monthly Support is a service that provides up to 24 months of discounts from monthly service charges, in fixed amounts depending on device purchased, to subscribers using devices such as smartphones and tablets whose subscriptions satisfy certain conditions. Packet communications revenues recorded a decrease of ¥37.8 billion or 2.0% to ¥1,852.8 billion from ¥1,890.6 billion for the prior fiscal year. This decrease was due to the fact that the positive effects on revenues from the increase in LTE(Xi) service subscribers and aggressive sales promotion of smartphones and other devices were outweighed by the negative effects on revenues of the expanded impact of Monthly Support discounts and the negative impact caused by our new billing plan in the initial phase following its launch because the migration of our customers to the plan grew faster than expected. The negative impact on revenue due to the expanded Monthly Support discounts was ¥43.9 billion. The total number of LTE(Xi) service subscriptions as of March 31, 2015 grew to 30.74 million, and the total number of smartphones sold during the 12-month period through March 31, 2015 reached 14.60 million. As a result, the voice ARPU for the fiscal year ended March 31, 2015 dropped ¥230 or 16.3% to ¥1,180 from ¥1,410 for the prior fiscal year. The packet ARPU for the fiscal year ended March 31, 2015 was ¥2,600, down ¥100 or 3.7% from ¥2,700 for the prior fiscal year. Optical-fiber broadband service and other telecommunications services revenues increased by ¥2.3 billion or 28.2% from ¥8.2 billion in the prior fiscal year to ¥10.5 billion in the fiscal year ended March 31, 2015.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

Key Performance Indicators

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

	Years ended March 31			
	2014	2015	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	63,105	**66,595**	3,490	5.5 %
LTE(Xi) services	21,965	**30,744**	8,779	40.0 %
FOMA services	41,140	**35,851**	(5,289)	(12.9)%
New Billing Plan		**17,827**	17,827	
Market Share (%) (1)(2)	43.8	**43.6**	(0.2)	
Aggregate ARPU (yen/month/subscription) (3)(6)	4,610	**4,370**	(240)	(5.2)%
Voice ARPU (4)	1,410	**1,180**	(230)	(16.3)%
Packet ARPU	2,700	**2,600**	(100)	(3.7)%
Smart ARPU	500	**590**	90	18.0 %
MOU (minutes/month/subscription) (3)(5)(6)	109	**112**	3	2.8 %
Churn Rate (%) (2)	0.87	**0.71**	(0.16)	

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association and cellular network operators
(2) Data calculated including Communication Module Services subscriptions
(3) Data are calculated excluding revenues and subscriptions from communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver, and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs.
(4) Inclusive of circuit switched data communications
(5) MOU (Minutes of Use): Average communication time per month per subscription
(6) Calculation Methods has been changed from the Fiscal Year Ended March 31, 2015. (Accordingly, ARPU and MOU of the Fiscal Year Ended March 31, 2014 have also been changed.)

Definition of ARPU

Aggregate ARPU:	Voice ARPU + Packet ARPU + Smart ARPU
Voice ARPU:	Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU:	Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions
Smart ARPU:	A part of other operating revenues (revenues from content, collection of charges, mobile phone insurance service, advertising and others) / number of active subscriptions

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

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

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

Table of Contents

Operating Results for the fiscal year ended March 31, 2014

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2014. The tables below describe selected data from our consolidated statement of income for the fiscal years ended March 31, 2014 and 2013:

Breakdown of Financial Information

	Millions of yen Years ended March 31			
	2013	2014	Increase (Decrease)	Change (%)
Operating revenues:				
Telecommunications services	¥ 3,176,931	¥ **2,963,980**	¥ (212,951)	(6.7)%
Mobile communications services revenues	3,168,478	**2,955,788**	(212,690)	(6.7)%
Voice revenues[(1)]	1,274,584	**1,065,196**	(209,388)	(16.4)%
Packet communications revenues	1,893,894	**1,890,592**	(3,302)	(0.2)%
Optical-fiber broadband service and other telecommunications services revenues [(2)]	8,453	**8,192**	(261)	(3.1)%
Equipment sales	758,093	**872,000**	113,907	15.0 %
Other operating revenues [(2)]	535,098	**625,223**	90,125	16.8 %
Total operating revenues	4,470,122	**4,461,203**	(8,919)	(0.2)%
Operating expenses:				
Cost of services	1,003,497	**1,059,619**	56,122	5.6 %
Cost of equipment sold	767,536	**785,209**	17,673	2.3 %
Depreciation and amortization	699,754	**718,694**	18,940	2.7 %
Impairment loss	452		(452)	
Selling, general and administrative	1,161,703	**1,078,482**	(83,221)	(7.2)%
Total operating expenses	3,632,942	**3,642,004**	9,062	0.2 %
Operating income	837,180	**819,199**	(17,981)	(2.1)%
Other income (expense), net	(3,838)	**13,850**	17,688	
Income before income taxes and equity in net income (losses) of affiliates	833,342	**833,049**	(293)	(0.0)%
Income taxes	323,059	**307,979**	(15,080)	(4.7)%
Income before equity in net income (losses) of affiliates	510,283	**525,070**	14,787	2.9 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(29,570)	**(69,117)**	(39,547)	(133.7)%
Net income	480,713	**455,953**	(24,760)	(5.2)%
Less: Net (income) loss attributable to noncontrolling interests	10,313	**8,776**	(1,537)	(14.9)%
Net income attributable to NTT DOCOMO, INC.	¥ 491,026	¥ **464,729**	¥ (26,297)	(5.4)%

(1) Inclusive of circuit switched data communications

(2) With the introduction of Optical-fiber service and other telecommunications service revenues in the fiscal year ended March 31, 2015, some elements (revenues from satellite mobile communications, cable television of overseas and other services) included in conventional Other operating revenues in the financial statements for the fiscal year ended March 31, 2013 and 2014 have been retroactively reclassified into Optical-fiber broadband service and other

telecommunications services revenues. The amounts of the reclassification are ¥8,453 million and ¥8,192 million for the fiscal year ended March 31, 2013 and 2014.

Analysis of operating results for the fiscal year ended March 31, 2014 and comparison with the prior fiscal year

Operating revenues for the fiscal year ended March 31, 2014, were ¥4,461.2 billion, a decrease of ¥8.9 billion or 0.2% from ¥4,470.1 billion for the prior fiscal year. Telecommunications services revenues were ¥2,964.0 billion, decreasing by ¥213.0 billion or 6.7% compared to ¥3,176.9 billion for the prior fiscal year. Of these, mobile communications services revenues were ¥2,955.8 billion, decreasing by ¥212.7 billion or 6.7% compared to ¥3,168.5 billion for the prior fiscal year. The year-on-year decrease in mobile communications services revenues was primarily attributable to the impact from the Monthly Support discount program. Voice revenues decreased by ¥209.4 billion or 16.4% year on year to ¥1,065.2 billion from ¥1,274.6 billion for the prior fiscal year. The decline in voice revenues excluding the impact of the Monthly Support discounts was ¥80.3 billion. Packet communications revenues recorded a decrease of ¥3.3 billion or 0.2% to ¥1,890.6 billion from ¥1,893.9 billion for the prior fiscal year. When calculated without the Monthly Support discount impact, packet communications revenues posted a growth of ¥121.2 billion. The growth of packet communications revenues (excluding the impact of Monthly Support discounts) was driven mainly by the increase in LTE(Xi) service subscriptions and expanded data usage resulting from aggressive sales promotion of smartphones and other devices. The total number of LTE(Xi) service subscriptions as of March 31, 2014 grew to 21.97 million, and the total number of smartphones sold during the 12-month period through March 31, 2014 reached 13.78 million. However, because the increase in packet communications revenues was not sufficient to completely offset the negative revenue impact of the Monthly Support discount program, which expanded by ¥253.6 billion over the prior fiscal year, the mobile communications services revenues recorded a year-on-year decrease. As a result, the voice ARPU for the fiscal year ended March 31, 2014 dropped ¥350 or 19.9% to ¥1,410 from ¥1,760 for the prior fiscal year. The packet ARPU for the fiscal year ended March 31, 2014 was ¥2,700, down ¥20 or 0.7% from ¥2,720 for the prior fiscal year. Optical-fiber broadband service and other telecommunications services revenues decreased by ¥0.3 billion or 3.1% from ¥8.5 billion in the prior fiscal year to ¥8.2 billion in the fiscal year ended March 31, 2014.

Equipment sales revenues increased by ¥113.9 billion or 15.0% to ¥872.0 billion for the fiscal year ended March 31, 2014 from ¥758.1 billion for the prior fiscal year, primarily due to a rise in sales price per- unit to resellers resulting from an increase in the ratio of the sales number of smartphones to the total as a result of commencement of sales of the popular iPhone[*1] in September 2013 in addition to the Android Smartphones that we already sold.

Other operating revenues increased by ¥90.1 billion or 16.8% from ¥535.1 billion for the prior fiscal year to ¥625.2 billion for the fiscal year ended March 31, 2014. The increase in other operating revenues was mainly driven by an increase in revenues derived from the growth of subscriptions to various dmarket services which resulted in a significant increase in revenues from dmarket compared to the prior fiscal year. Full-year consolidations of sales revenues from Tower Records Japan Inc., and Buongiorno S.p.A. in Italy, subsidiaries that we acquired in July 2012 in order to expand the smart life business and other businesses, also contributed to this increase.

Operating expenses increased by ¥9.1 billion or 0.2% from ¥3,632.9 billion for the prior fiscal year to ¥3,642.0 billion for the fiscal year ended March 31, 2014.

Cost of services increased by ¥56.1 billion or 5.6% from ¥1,003.5 billion for the prior fiscal year to ¥1,059.6 billion for the fiscal year ended March 31, 2014 resulting from the rise in expenses for the expansion of smart life business and other businesses. 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 ¥17.7 billion or 2.3% to ¥785.2 billion from ¥767.5 billion for the prior fiscal year primarily as a result of an increase in procurement cost per unit and the increase in the number of smartphones sold.

Depreciation and amortization expenses increased by ¥18.9 billion or 2.7% to ¥718.7 billion from ¥699.8 billion for the prior fiscal year resulting from a significant increase in the number of installations of base stations to improve the coverage of our LTE network and to reinforce our network facilities to accommodate the growth in data traffic.

Selling, general and administrative expenses decreased by ¥83.2 billion or 7.2% to ¥1,078.5 billion from ¥1,161.7 billion for the prior fiscal year. Selling, general and administrative expenses decreased overall as a result of cost efficiency improvement efforts aimed at further strengthening our management structure. In addition, docomo Points Service -related expenses, decreased by ¥9.2 billion as a result of the changes made to the terms of the docomo Points Service, commissions paid to agent resellers decreased by ¥11.3 billion and advertising expenses decreased by ¥8.9 billion, offsetting an increase in selling, general and administrative expenses which was driven primarily by consolidating full-year selling, general, and administrative expenses of Tower Records Japan Inc., and Buongiorno S.p.A. in Italy, subsidiaries that we acquired in July 2012.

Impairment losses decreased by ¥0.5 billion since none were recorded in the fiscal year ended March 31, 2014.

As described above, the increases in cost of services, cost of equipment sold and depreciation and amortization expenses exceeded the decreases in selling, general and administrative expenses, and impairment loss, which result in an increase of operating expenses.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2014 decreased by ¥18.0 billion or 2.1% from ¥837.2 billion for the prior fiscal year to ¥819.2 billion. Accordingly, the operating income margin dropped from 18.7% for the prior fiscal year to 18.4%.

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 ¥13.9 billion as other income, net for the fiscal year ended March 31, 2014, achieving an increase after recognizing other expense, net of ¥3.8 billion in the prior fiscal year. This was because other-than-temporary impairment loss on marketable securities and other investments decreased to ¥3.1 billion from ¥10.9 billion and foreign exchange losses, net of ¥0.9 billion changed to foreign exchange gains, net of ¥4.4 billion.

Income before income taxes and equity in net income (losses) of affiliates decreased by ¥0.3 billion to ¥833.0 billion for the fiscal year ended March 31, 2014 from ¥833.3 billion for the prior fiscal year.

Income taxes decreased by ¥15.1 billion to ¥308.0 billion for the fiscal year ended March 31, 2014, from ¥323.1 billion for the prior fiscal year, representing effective income tax rates of 37.0% and 38.8% for the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates increased by ¥39.5 billion or 133.7% to ¥69.1 billion for the fiscal year ended March 31, 2014 from ¥29.6 billion for the fiscal year ended March 31, 2013. For both the fiscal years, the equity in losses of certain affiliates including TTSL offset against the equity in income of other affiliates including PLDT. For the fiscal year ended March 31, 2014, the equity loss of TTSL increased from the previous year due mainly to an additional impairment charge of TTSL amounting to ¥51.2 billion as a result of the growing business risk of mobile network operators including an increase in cost to maintain or acquire frequency spectrum due to a steep rise of the auction price of frequency spectrum in India. This resulted in a further downward revision of our estimated future cash flows of TTSL and we concluded that this further decline in value was other than temporary. Its decline in value was ¥6.8 billion in the previous year. The other reason for the increase in the equity loss of TTSL was attributable to an increase in the net loss of TTSL due mainly to an increase in its financial burden which was partially offset by the decrease in operating losses resulting from TTSL s rationalization of the operation. See Critical Accounting Policies and Estimates Impairment of investments for further discussion and analysis of the impairment of TTSL and see Note 6. For the fiscal year ended March 31, 2014, the equity income of PLDT increased from the previous year resulting primarily from the appreciation of the Philippine Peso which was the local currency of PLDT, against Japanese Yen in weighted average used for the conversion of income statement items into Japanese Yen during the fiscal year ended March 31, 2014 as compared with the prior fiscal year.

Table of Contents

As a result of the foregoing, we reported ¥464.7 billion in net income attributable to NTT DOCOMO, INC., representing a decrease of ¥26.3 billion or 5.4% from ¥491.0 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, 2014 and 2013 are provided below:

	Years ended March 31			
	2013	2014	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	61,536	**63,105**	1,569	2.6 %
LTE(Xi) services	11,566	**21,965**	10,399	89.9 %
FOMA services	49,970	**41,140**	(8,830)	(17.7)%
Market Share (%) (1)(2)	45.2	**43.8**	(1.4)	
Aggregate ARPU (yen/month/subscription) (3)(6)	4,900	**4,610**	(290)	(5.9)%
Voice ARPU (4)	1,760	**1,410**	(350)	(19.9)%
Packet ARPU	2,720	**2,700**	(20)	(0.7)%
Smart ARPU	420	**500**	80	19.0 %
MOU (minutes/month/subscription) (3)(5)(6)	118	**109**	(9)	(7.6)%
Churn Rate (%) (2)	0.82	**0.87**	0.05	

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association and cellular network operators.
(2) Data calculated including Communication Module Services subscriptions
(3) Data are calculated excluding revenues and subscriptions from communication module services, Phone Number Storage, Mail Address Storage, docomo Business Transceiver, and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs.
(4) Inclusive of circuit switched data communications
(5) MOU (Minutes of Use): Average communication time per month per subscription
(6) Calculation Methods has been changed from the Fiscal Year Ended March 31, 2015. (Accordingly, ARPU and MOU of the Fiscal Year Ended March 31, 2013 and 2014 have also been changed.)

Definition of ARPU

Aggregate ARPU: Voice ARPU + Packet ARPU + Smart ARPU
Voice ARPU: Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU: Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions
Smart ARPU: A part of other operating revenues (revenues from content, collection of charges, mobile phone insurance service, advertising and others) / number of active subscriptions

Number of active subscriptions used in ARPU calculations is as follows:
Sum of number of active subscriptions for each month* during the relevant period from April to March

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

Segment Information

General

We realigned its conventional five operating segments, which consist of mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities, and miscellaneous businesses into three operating segments, which consist of telecommunications business, smart life

business and other businesses from the fiscal year ended March 31, 2015 in order to clarify the responsibilities of management of the telecommunications business where we are taking steps to reinforce its competitiveness, and the smart life business where we are striving for creating new revenue sources through convergence of our telecommunications businesses with various industries and services for making customers lifestyle and businesses more secure, safe, convenient and efficient by delivering new value to society and creating new market.

The telecommunications business 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 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 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				
	2013	2014	2015	Increase (Decrease) 2014 vs 2013	Increase (Decrease) 2015 vs 2014
Segment operating revenues	¥ 3,923,754	¥ 3,827,328	**¥ 3,654,565**	¥ (96,426)	¥ (172,763)
Segment operating expenses	3,086,961	3,014,592	**3,018,489**	(72,369)	3,897
Segment operating income (loss)	¥ 836,793	¥ 812,736	**¥ 636,076**	¥ (24,057)	¥ (176,660)

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

Table of Contents

robust network, even though depreciation and amortization expenses decreased due to a change in estimate of the expected useful life of certain software and commissions paid to agent resellers also decreased. As a result, the operating income of the telecommunications business segment in the fiscal year ended March 31, 2015 fell by ¥176.7 billion or 21.7% to ¥636.1 billion, from ¥812.7 billion in the prior fiscal year, due largely in part to the effects of the decrease in mobile communications service revenues.

For the fiscal year ended March 31, 2014, operating revenues from our telecommunications business segment decreased by ¥96.4 billion or 2.5% to ¥3,827.3 billion from ¥3,923.8 billion in the prior fiscal year. Telecommunications services revenues decreased by ¥127.3 billion or 4.2% to ¥2,932.5 billion from ¥3,059.8 billion in the prior fiscal year. Mobile communications services revenues, a part of telecommunications services revenues consisting of revenues from mobile-phone voice and packet communications, decreased by ¥129.6 billion or 4.2% to ¥2,924.7 billion from ¥3,054.3 billion in the prior fiscal year. The year-on-year decrease in mobile communications services revenues was mainly attributable to a decrease in voice revenues and the impact of the Monthly Support discount program. Equipment sales revenues increased by ¥118.9 billion or 15.9% to ¥866.4 billion from ¥747.5 billion in the prior fiscal year due to a rise in the per-unit sales to resellers resulting from an increase in the ratio of the sales number. Operating revenues from our telecommunications business segment represented 85.3% and 87.4% of total of segment operating revenues for the years ended March 31, 2014 and 2013, respectively. Operating expenses in our telecommunications business segment decreased by ¥72.4 billion or 2.3% to ¥3,014.6 billion in the fiscal year ended March 31, 2014, from ¥3,087.0 billion in the prior fiscal year due to a decrease in selling, general and administrative expenses driven by a reduction in docomo Points Service -related expenses resulting from the changes made to the terms of the docomo Points Service and other ongoing cost reduction efforts, despite an increase in depreciation and amortization expenses related to the upgrade of equipment for the LTE(Xi) service network. As a result, operating income from our telecommunications business in the fiscal year ended March 31, 2014 decreased by ¥24.1 billion or 2.9% to ¥812.7 billion from ¥836.8 billion in the prior fiscal year.

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, 2015, Operating Results for the fiscal year ended March 31, 2014 discussed above and Operating Trends and Prospects for the fiscal year ending March 31, 2016 in the following section.

Smart life business

	Millions of yen Years ended March 31				
	2013	2014	2015	Increase (Decrease) 2014 vs 2013	Increase (Decrease) 2015 vs 2014
Segment operating revenues	¥ 294,156	¥ 356,783	**¥ 436,997**	¥ 62,627	¥ 80,214
Segment operating expenses	279,018	344,978	**440,893**	65,960	95,915
Segment operating income (loss)	¥ 15,138	¥ 11,805	**¥ (3,896)**	¥ (3,333)	¥ (15,701)

For the fiscal year ended March 31, 2015, operating revenues from smart life business segment increased by ¥80.2 billion or 22.5% to ¥437.0 billion from ¥356.8 billion in the prior fiscal year. The increase is primarily due to the fact that revenues for the entire fiscal year of ABC Cooking Studio Co., Ltd., which became a subsidiary in January 2014, were recorded for the fiscal year ended March 31, 2015, increase in revenues from the Sugotoku-Contents services due to growth in the number of subscribers, and increase in revenues from dmarket resulting from an increase in subscribers of monthly subscription services in dmarket and an increase in sales of pay-per-view or -use content services of dmarket. Operating revenues of the smart life business segment represented 9.9% of total of segment operating revenues in the fiscal year ended March 31, 2015 and 8.0% in the prior fiscal year. Operating expenses in the smart life business segment increased by ¥95.9 billion or 27.8% from ¥345.0 billion in the prior fiscal year to ¥440.9 billion in the fiscal year ended March 31, 2015, due to the full-year consolidation of operating expenses from ABC Cooking Studio Co., Ltd. for the fiscal year ended March 31,

Table of Contents

2015, an increase in revenue-linked expenses from the Sugotoku-Contents, dmarket, and other services, and impairment losses of ¥30.2 billion recorded in connection with multimedia broadcasting business for mobile devices assets. As a result, the operating income (loss) of the smart life business segment in the fiscal year ended March 31, 2015 fell by ¥15.7 billion to an operating loss of ¥3.9 billion, from operating income of ¥11.8 billion in the prior fiscal year. When the impairment loss of multimedia broadcasting business for mobile devices assets are excluded, the operating income of the smart life business segment increased by ¥14.5 billion or 122.5% from the prior fiscal year.

For the fiscal year ended March 31, 2014, operating revenues from our smart life business segment increased by ¥62.6 billion or 21.3% to ¥356.8 billion from ¥294.2 billion in the prior fiscal year. The increase in operating revenues was primarily due to an increase in revenue from dmarket and the full-year consolidation of the operating revenues and operating expenses from Tower Records Japan Inc., acquired in July 2012, and other acquisitions to expand the smart life business. Operating revenues from our smart life business segment represented 8.0% and 6.6% of total of segment operating revenues for the years ended March 31, 2014 and 2013, respectively. Operating expenses in our smart life business segment increased by ¥66.0 billion or 23.6% to ¥345.0 billion in the fiscal year ended March 31, 2014 from ¥279.0 billion in the prior fiscal year. The increase in operating expenses was primarily due to increases in expenses for enriching goods and services rendered in existing stores and expenses for launching new stores for dmarket portal in the initial phase following their launch. As a result, the operating income of the smart life business segment in the fiscal year ended March 31, 2014 decreased by ¥3.3 billion or 22.0% to ¥11.8 billion from ¥15.1 billion in the prior fiscal year.

Other businesses

	Millions of yen Years ended March 31				
	2013	2014	2015	Increase (Decrease) 2014 vs 2013	Increase (Decrease) 2015 vs 2014
Segment operating revenues	¥ 272,440	¥ 302,224	**¥ 319,815**	¥ 29,784	¥ 17,591
Segment operating expenses	287,191	307,566	**312,924**	20,375	5,358
Segment operating income (loss)	¥ (14,751)	¥ (5,342)	**¥ 6,891**	¥ 9,409	¥ 12,233

Operating revenues from other businesses segment increased by ¥17.6 billion or 5.8% from ¥302.2 billion in the prior fiscal year to ¥319.8 billion for the fiscal year ended March 31, 2015. Operating revenues of the other businesses segment represented 7.2% of total of segment operating revenues in the fiscal year ended March 31, 2015 and 6.7% in the prior fiscal year. Operating expenses from other businesses segment increased by ¥5.4 billion or 1.7% from ¥307.6 billion in the prior fiscal year to ¥312.9 billion. The increases in operating revenues and operating expenses were primarily due to an increase in subscribers to Mobile Device Protection Service. Consequently, operating income (loss) from the other businesses segment for the fiscal year ended March 31, 2015 increased by ¥12.2 billion to an operating income of ¥6.9 billion from an operating loss of ¥5.3 billion in the prior fiscal year.

Operating revenues from other businesses increased by ¥29.8 billion or 10.9% to ¥302.2 billion for the fiscal year ended March 31, 2014, from ¥272.4 billion in the prior fiscal year. The increase in operating revenues was primarily due to an increase in subscribers to Mobile Device Protection Service and an increase in revenues from development, sales and maintenance of IT systems. Operating revenues from the other businesses segment represented 6.7% and 6.1% of total of segment operating revenues in the fiscal year ended March 31, 2014 and 2013. Operating expenses from other businesses segment increased by ¥20.4 billion or 7.1% from ¥287.2 billion in the prior fiscal year to ¥307.6 billion. The increase in operating expenses was primarily due to an increase in revenue-linked expenses. Operating loss from the other businesses segment for the fiscal year ended March 31, 2015 decreased by ¥9.4 billion from ¥14.8 billion in the prior fiscal year to ¥5.3 billion.

Operating Trends and Prospects for the fiscal year ending March 31, 2016

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, 2016.

Operating Revenues

(1) Telecommunications Services

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

Toward the goal of increasing the number of subscriptions, it is important to acquire a new subscription and retain existing customers. Although it is difficult to expect a significant increase in the number of new subscriptions given the high cellular penetration rate, we need to meet demand for various types of communication devices and services, e.g., 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 expanding the user base of our LTE(Xi) service. As a result, the total number of LTE(Xi) service subscriptions as of March 31, 2015 increased by 40.0% compared to the number for the prior fiscal year.

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. For the fiscal year ended March 31, 2015, we reduced our churn rate to 0.71% compared to 0.87% in the fiscal year ended March 31, 2014 and 0.82% in the fiscal year ended March 31, 2013. The acquisition of net additions for the fiscal year ended March 31, 2015 increased to 3.49 million from 1.57 million in the prior fiscal year. This resulted from the introduction of a new billing plan, Kake-hodai & Pake-aeru, in June 2014 as an effort to improve our competitive strength along with other factors including network improvements achieved through offering LTE services and attractive, high-performance devices (handsets). Going forward, we will employ measures aimed at lowering the churn rate by increasing the number of subscribers who use the new billing plan, securing subscribers through bundling 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, 2015 had grown 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, 2016 as we strive to cultivate new market demand and take proactive measures to promote the sales of smartphones and expand the LTE network, aimed at expanding the user base of our LTE(Xi) service.

The mobile communications services revenues recorded a year-on-year decline in the fiscal year ended March 31, 2015 due to the significant impact of the Monthly Support discount program and new billing plan. Monthly Support is a discount program that we introduced in 2011 to provide customers purchasing a

Table of Contents

smartphone, tablet or other product under certain subscription conditions with prescribed amount of discounts, which vary by each model, on their monthly phone bill for up to 24 months. Because most of the customers purchasing a smartphone or tablet, etc., have opted to use Monthly Support discounts, the total number of Monthly Support discounts subscriptions has been growing in line with the spread of smartphones and other applicable devices. This has been one of the principal factors driving the decline in mobile communications revenues in recent years, and this trend will likely continue during the fiscal year ending March 31, 2016.

The new Kake-hodai & Pake-aeru billing plan consists of the four principal services: a flat-rate domestic voice calling plan, a plan to enable sharing of the packet data quota among family members, a discount service favoring long-term users with graduated discounts based on length of subscription, and a service providing discounts to users of age 25 or younger. We began offering this plan in June 2014. The new plan has been well received, as the number of subscribers using the plan rose to more than 10 million in the four months after its introduction and had climbed to 17.83 million by March 31, 2015. During the fiscal year ended March 31, 2015, the new billing plan had a negative effect on revenues as subscribers found it beneficial to switch to the new plan at a faster pace than anticipated. We expect to reduce these negative effects in the fiscal year ending March 31, 2016 as the decrease in voice revenues stops and packet communications revenues increase through efforts to migrate subscribers to higher-end plans with higher monthly rates.

Voice revenues of the mobile communications services revenues recorded a year-on-year decrease of 17.0% during the fiscal year ended March 31, 2015, after declining by 16.4% in the prior fiscal year. The primary reasons behind the drop in voice revenues were the negative impacts on revenues from the increase in discounts from the Monthly Support discount program and the shift of some FOMA users to lower-rate plans. The downtrend of voice revenues is likely to continue in the fiscal year ending March 31, 2016 as the Monthly Support discount program continues to grow.

Packet communications revenues of the mobile communications services revenues for the fiscal year ended March 31, 2015 decreased by 2.0% from the prior fiscal year in the fiscal year ended March 31, 2015 due to the expanded negative impact on revenues from the increase in discounts from the Monthly Support discount program and the growing migration of our customers to our new billing plan, despite the growth in packet usage resulting from the growth of LTE(Xi) service subscriptions and the increase of smartphone/data plan users achieved through our active promotion of smartphones and other devices. On the other hand, packet communications revenues per smartphone user is high and the number of users of data dedicated equipment such as tablet devices continue to grow. Despite the increasing impact of the Monthly Support discount program, we believe that the decrease in our packet communications revenues will stop in the fiscal year ending March 31, 2016 as a result of our active endeavors to migrate subscriptions to higher-end plans with higher monthly rates and aggressive sales promotion of smartphones. The contribution of packet communications revenues to our mobile communications services revenues has increased every year and accounted for 67.7% of mobile communications services revenues for the fiscal year ended March 31, 2015, as compared to 64.0% and 59.8% for the years ended March 31, 2014 and 2013, respectively.

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 Smart ARPU. We believe that our ARPU figures provide certain level of useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. For Voice ARPU, revenue has been decreasing recently due to the aforementioned discount program, but we forecast that the rate of decrease will shrink for the fiscal year ending March 31, 2016. While the introduction of a flat-rate domestic voice calling plan, included in the new billing plan, has negatively impacted Voice ARPU for the fiscal year ended March 31 2015, as many subscribers shift to the new plans, as they found it beneficial to switch to the new plan for this period, we expect that further penetration of the new billing plan will have positive impact on Voice ARPU for the fiscal year ending March 31, 2016. For Packet ARPU, though the negative impact of the aforementioned discount will continue, we expect that the rate of decrease will shrink for the fiscal year ending

March 31, 2016 through our efforts to migrate subscriptions to higher-end plans with higher monthly rates. For Smart ARPU, we believe that the ARPU will continue to increase for the fiscal year ending March 31, 2016 due to the increase in revenue from smart life business including dmarket.

Optical-fiber broadband service and other telecommunications services revenues represent revenues from optical-fiber broadband service, satellite mobile communications services, cable television services of overseas and other telecommunications services.

In March 2015, we launched the docomo Hikari service (our optical-fiber broadband service that enables high-speed access at speeds of up to 1Gbps) and docomo Hikari Pack, a bundle package that allows users to use docomo Hikari and smartphones/docomo feature phones service at affordable rates. By offering new added value through the convergence of fixed-line and mobile communications services, we expect to not only secure revenues from monthly optical-fiber broadband service charges but also to secure new subscriptions to our mobile phone services and prevent cancellations.

(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. As a result, we experienced a period where the cost of equipment sold continuously exceeded equipment sales revenues. However, because of a rise in sales price per unit to resellers and the increase in the number of smartphones sold, equipment sales revenues exceeded the cost of equipment sold for the fiscal year ended March 31, 2014. Revenues from equipment sales for the fiscal year ended March 31, 2015 increased by 3.7% compared to the prior fiscal year due to the increase in the number of devices, including smartphones, sold. We expect this growth trend to continue in the fiscal year ending March 31, 2016 as we project further increase in the total smartphone sales.

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 smart life business and other businesses such as Mobile Device Protection Service and dmarket. We set a goal to expand smart life business and other businesses through alliances with various companies. During the fiscal year ending March 31, 2016, we will continue working toward the goal of expanding revenues from 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

Table of Contents

a simple telephone call. This service 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, 2016.

Furthermore, the revenues derived from dmarket one of our cloud-based services launched in the fiscal year ended March 31, 2011 have also expanded over the years. dmarket is a marketplace that resides on a cloud infrastructure, through which we offer a rich variety of digital contents including videos, music and electronic books as well as a wide array of physical merchandise such as groceries and other daily necessaries. The marketplace comprises a number of stores, e.g., dvideo (a distribution platform for movies, TV series, etc.; renamed dTV on April 22, 2015), dgame (platform for provision of games), dhits (music distribution service) and dmagazine (a magazine distribution service). During the fiscal year ended March 31, 2015, we worked to offer even more compelling contents through each dmarket store. As a consequence, the combined subscriptions to dvideo, dhits, danime store dkids and dmagazine that offer contents for a prescribed monthly subscription fee grew to 11.88 million, and revenues from dmarket increased significantly compared to the prior fiscal year. dmagazine, introduced in June 20, 2014, is experiencing steady growth in its subscription count, rising to more than 1.9 million subscriptions as of March 31, 2015. The revenues provided through dmarket is projected to increase going forward.

As a result of the foregoing, other operating revenues for the fiscal year ended March 31, 2015 increased by 17.1%, compared to the prior fiscal year. Other operating revenues for the fiscal year ending March 31, 2016 are projected to record year-on-year gains resulting from an increase in revenues derived from dmarket and an expansion of revenues from our subsidiaries, compared to the fiscal year ended March 31, 2015.

We use Smart ARPU as a performance indicator that is specifically designed to reflect revenues from certain services in the smart life business segment and other businesses segment. Smart ARPU for the fiscal year ended March 31, 2015 grew to ¥590 from ¥500 for the fiscal year ended March 31, 2014, driven by the expansion of smart life business and other businesses and we expect the amount of Smart ARPU will continue to increase going forward.

Accordingly, we expect that the operating revenues will grow in the fiscal year ending March 31, 2016.

Operating Expenses

(1) Cost of Services

Cost of services represents the expenses we incur directly in connection with providing our customers with mobile communications services and/or other services offered by our subsidiaries. Cost of services includes the costs for using of other operators networks, maintenance of equipment or facilities, payroll for employees dedicated to the operations and maintenance of our mobile communications networks, insurance costs related to Mobile Device Protection Service -related service and other service related costs of our subsidiaries. Cost of services accounted for 31.0% of our total operating expenses for the fiscal year ended March 31, 2015. 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 28.4% and 20.7% of the total cost of services, respectively, for the fiscal year ended March 31, 2015. 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, 2015 increased by 9.4% from the prior fiscal year. This was primarily due to an increase in costs associated with the growth of sales revenues of our consolidated subsidiaries acquired in order to expand the smart life business segment. As we expect an increase in costs associated with the increase in revenues from new growth business areas such as dmarket and Mobile Device Protection Service in the fiscal year ending March 31, 2016, 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 22.8% of our operating expenses for the fiscal year ended March 31, 2015. The cost of equipment sold for the fiscal year ended March 31, 2015 increased by 8.6% compared to the prior fiscal year, primarily due to strong sales of smartphones and tablets, whose procurement costs per unit are higher than for feature phones. While the growth in revenues from equipment sales from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2015 was lower than the growth in cost of equipment sold over the same period, this was due to restraint on raising the per-unit sales of handsets to resellers for competitive reasons. As we expect a further increase in the per-unit cost of procurement due to a handset lineup of feature-rich models along with further expansion of smartphone sales and similar developments in the fiscal year ending March 31, 2016, cost of equipment sold is expected to continue to rise in that fiscal year.

(3) Depreciation and Amortization Expenses

Depreciation and amortization expenses accounted for 17.6% of our operating expenses for the fiscal year ended March 31, 2015. Depreciation and amortization expenses for the fiscal year ended March 31, 2015 decreased by 8.2% from the prior fiscal year. This was due to the effects of a revision of ¥51.3 billion in the estimate of the expected useful life of certain software for the telecommunications network and internal-use software as well as a decrease due to improved cost efficiency of capital expenditures, even though in the prior fiscal year and the fiscal year ended March 31, 2015 we increased capital expenditures to significantly increase the installations of base stations to improve the coverage of the LTE service network and to reinforce our network facilities to accommodate the growth in data traffic. In the fiscal year ending March 31, 2016, depreciation and amortization expenses is expected to decrease slightly because we will continue to endeavor to enhance our cost efficiency through the integration of facilities/equipment and efficiency improvement of construction works, reduction of equipment procurement costs and other measures. 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 27.8% of our total operating expenses for the fiscal year ended March 31, 2015. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, the most significant of which is commissions paid to agent resellers. While some of these commissions are linked to sales activities such as new subscriptions and handset upgrades, others result from non-sales activities such as processing of billing plan changes and handset repairs. A portion of the sales activities linked commissions paid to agent resellers is recognized as a deduction from equipment sales while the rest of commissions, both sales activities linked and non-sales activities linked is recognized, as selling, general and administrative expenses. The expenses incurred in relation to docomo Points Service customer loyalty 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, 2015 decreased by 3.4% from the prior fiscal year as a result of a reduction in commissions paid to agent resellers. Our selling, general and administrative expenses for the fiscal year ending March 31, 2016 are expected to see a decrease in commissions paid to agent resellers and in expenses related to the docomo Points Service program and an increase in expenses in new growth business areas such as dmarket.

Operating expenses for the fiscal year ending March 31, 2016 are therefore expected to increase compared to the fiscal year ended March 31, 2015 at a pace slower than the projected growth of operating revenues.

As a result of the foregoing, we expect operating income for the fiscal year ending March 31, 2016 to record a year-on-year increase over the fiscal year ended March 31, 2015.

Table of Contents

B. Liquidity and Capital Resources

Cash Requirements

Our cash requirements for the fiscal year ending March 31, 2016 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 wireless telecommunications industry in general is highly capital intensive because significant capital expenditures are required for the construction of the wireless 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 usage of data communications services has expanded remarkably as a result of a steady increase in the number of LTE(Xi) subscriptions, a rapid surge in the use of smartphones and other factors. Accordingly, we are required to respond to the rapid growth in demand for higher transmission speeds and a surge of traffic.

In the fiscal year ended March 31, 2015, we made progress on building a robust network pursing breadth, speed and convenience. In doing so, we significantly increased installations of LTE base stations in order to further improve the area coverage of our LTE service. The number of indoor and outdoor LTE base stations increased by 42,100 from the end of the prior fiscal year, to a cumulative total of 97,400 base stations. Also, in pursuit of further enhancement of transmission speeds, we increased the number of LTE base stations compatible with a maximum download speed of 100Mbps or higher to 57,700 stations from 3,500 stations as of March 31, 2014. In March 2015, we launched the PREMIUM 4G service that delivers downlink speeds of up to 225Mbps using the LTE-Advanced[*1] system, which incorporates carrier aggregation[*2], advanced C-RAN[*3] and other technologies that realize further speed/capacity enhancements over LTE service.

Total capital expenditures for the fiscal years ended March 31, 2015, 2014 and 2013 were ¥661.8 billion, ¥703.1 billion and ¥753.7 billion, respectively. Our capital expenditures for the fiscal year ended March 31, 2015 recorded a decrease of ¥41.4 billion or 5.9% compared to the prior fiscal year. This was achieved through pursuit of cost efficiency improvements for the wireless telecommunications network toward the goal of further strengthening our management foundation, through the integration and capacity expansion of equipment, improvements in the efficiency of construction, and reduction of equipment procurement costs and streamlining of our research and development item. For the fiscal year ended March 31, 2015, 96.0% of capital expenditures were used for the telecommunications business, 2.6% for the smart life business, and 1.4% for other businesses. By comparison, in the prior fiscal year 93.6% of capital expenditures were used for the telecommunications business, 3.9% for the smart life business, and 2.4% for other businesses.

Our total capital expenditures for the fiscal year ending March 31, 2016 are estimated to decrease to ¥630.0 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, 95.4% will be appropriated for use in the telecommunications business, approximately 2.9% for the smart life business, and approximately 1.7% 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.

*1 A more sophisticated mobile communication system, whose standardization to the 3rd Generation Partnership Project, is progressing while maintaining technical compatibility with LTE.

*2 Technology that achieves improvement of data transmission speed by aggregating multiple carriers.

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

Long-term Debt and other Contractual Obligations

As of March 31, 2015, we had ¥220.6 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥220.9 billion as of March 31, 2014. We redeemed ¥70.0 billion of unsecured corporate bonds and issued an additional ¥50.0 billion of unsecured corporate bonds in order to finance the decrease in cash due to the redemption during the fiscal year ended March 31, 2014. We repaid ¥0.2 billion, ¥75.0 billion and ¥82.2 billion of long-term debt in the years ended March 31, 2015, 2014 and 2013, respectively. Of our long-term debt outstanding as of March 31, 2015, ¥0.6 billion, including the current portion, was financed by financial institutions, majority of 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, 2016 through 2018. As of March 31, 2015, 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, 2015, we and our long-term debt obligations were rated by rating agencies as shown in the table below. Such ratings were issued by the rating agencies upon our requests. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretions. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

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

Table of Contents

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.

	Millions of yen				
			Payments Due by Period		
Category of Obligations	**Total**	**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	**603**	203	400		
Interest Payments on Long-Term Debt	**10,839**	2,595	5,186	1,780	1,278
Capital Leases	**3,603**	1,413	1,671	506	13
Operating Leases	**43,045**	11,555	16,055	9,276	6,159
Other Contractual Obligations [1]	**439,268**	432,716	4,031	1,833	688
Total	**¥ 717,358**	¥ 448,482	¥ 87,343	¥ 123,395	¥ 58,138

(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 ¥1,166 million to the contract-type corporate pension plans and an amount of ¥2,129 million to the NTT Corporate Defined Benefit Pension Plan in the fiscal year ending March 31, 2016. 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, 2015, we had committed ¥26.0 billion for property, plant and equipment, ¥386.2 billion for inventories and ¥27.0 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, 2015, 2014 and 2013:

	Millions of yen		
		Years ended March 31	
	2013	**2014**	**2015**
Net cash provided by operating activities	¥ 932,405	¥ 1,000,642	**¥ 962,977**
Net cash used in investing activities	(701,934)	(703,580)	**(651,194)**
Net cash used in financing activities	(260,967)	(269,793)	**(734,257)**
Net increase (decrease) in cash and cash equivalents	(28,404)	33,246	**(421,367)**
Cash and cash equivalents at beginning of year	522,078	493,674	**526,920**
Cash and cash equivalents at end of year	¥ 493,674	¥ 526,920	**¥ 105,553**

62

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

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

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

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

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

Analysis of cash flows for the fiscal year ended March 31, 2014 and comparison with the prior fiscal year

For the fiscal year ended March 31, 2014, net cash provided by operating activities was ¥1,000.6 billion, an increase of ¥68.2 billion or 7.3% from the prior fiscal year, due mainly to an increase in cash inflows from customers in relation to the collection of installment receivables for customers handset purchases under the installment method, a decrease of commissions paid to resellers and a decrease of corporate tax payments.

Net cash used in investing activities was ¥703.6 billion, an increase of ¥1.6 billion or 0.2% from the prior fiscal year. This was due mainly to a decrease in cash inflows resulting from the redemption of short-term investments for cash management purpose, despite a decrease in purchases of property, plant and equipment as a result of efficient network construction, a decrease in cash outflows from purchases of short-term investments and a decrease in cash outflows resulting from purchases of long-term bailment for consumption to a related party.

Net cash used in financing activities was ¥269.8 billion, an increase of ¥8.8 billion or 3.4% from the prior fiscal year, due mainly to an increase in cash outflows resulting from repayments of short-term borrowings and dividends paid.

The balance of cash and cash equivalents was ¥526.9 billion as of March 31, 2014, an increase of ¥33.2 billion or 6.7% 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 ¥259.6 billion as of March 31, 2014, compared to ¥281.8 billion as of March 31, 2013.

Prospect of cash flows for the fiscal year ending March 31, 2016

As for our sources of cash for the fiscal year ending March 31, 2016, we currently expect our net cash flows from operating activities to increase from the prior fiscal year due to factors including an increase in cash inflows from customers in connection with the collection of installment receivables for customers handset purchases under the installment method together with a projected decrease in corporate tax and other payments. Our net cash flow used in investing activities for the fiscal year ending March 31, 2016 is expected to be approximately ¥630.0 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 at this point.

Table of Contents

C. Research and Development

Our research and development activities include development of new products and services, research and development related to next generation mobile communications (5G) aimed at the construction of economical network and the reinforcement of our telecommunications business, the construction of infrastructure for the provision of new services toward the expansion of smart life business and basic research aimed at driving innovation. Research and development costs are charged to expenses as incurred. We incurred ¥97.0 billion, ¥102.0 billion and ¥111.3 billion and as research and development expenses for the years ended March 31, 2015, 2014 and 2013, 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 2016.

Issues Facing DOCOMO and Management s Responses to Those Issues

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

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

In April 28, 2015, we announced our medium-term initiatives and the Business Management Policies for FY 2015 (year ending March 31, 2016).

Initiatives in the future for the medium-term

To respond to customer needs on an ongoing basis, we will implement initiatives for co-creation an effort to create new added value together with various external partners by constantly evolving the format of collaboration.

(1) Roll-out of +d
As presented in Medium-Term Vision 2015, we have to date worked on new value creation centered on mobile communications by pursuing convergence with other industries and services. Going forward, we will further advance these undertakings and embark on a new initiative dubbed +d a joint value creation initiative that we plan to promote together with partners, making available to our partners our own business assets, such as our payment platform and point program, etc. To further accelerate this initiative, we will standardize the names of the various services that we offer. In the new arrangement, our services will begin with the letter d, so customers can easily appreciate the various our services that they can utilize.

(2) Co-Creation of Social Values
We will also work to offer new values to various partners, further evolving the forms of collaboration, which have so far been centered on value creation for consumers. Specifically, in the areas of IoT*1, Regional Revitalization, 2020*2, and Solution of Social Issues, we will strive to create new services and businesses in collaboration with partners utilizing the assets of both parties, with the goal of capturing new revenue opportunities in new domains that transcend the confines of our current industries or business formats.

FY2015 Business Management Policies

We developed our FY2015 Business Management Policies, positioning FY2015 as the year of making a solid step toward the achievement of our medium-term growth. Considering the attainment of operating income

Table of Contents

target a matter of utmost importance, we will take actions aimed at increasing our telecommunications services revenues, expanding the smart life business and other businesses and improving our cost efficiency.

(1) Actions Aimed at Increasing Telecommunications Services Revenues

- Facilitate subscriptions to new billing plan and docomo Hikari service, and strengthen retention measures.

- Boost packet revenues by encouraging subscriber migration to larger data buckets.

(2) Actions Aimed at Expansion of Smart Life Business and Other Businesses

- Accelerate measures aimed at expanding the adoption of dmarket and other services, and expand our sphere of service by adding home offerings.

- Cultivate new demand by stepping up enterprise sales, and stepping up B2B2C[*3] offerings.

(3) Cost Efficiency Improvement

- Reinforcement of PREMIUM 4G service and more efficient use of capital expenditures.

- Rigorous cost efficiency improvements through structural reforms.

We will continue to engage ourselves in co-creation of added value for customers in collaboration with partners, so that what is perceived as new today can be taken for granted in the future.

*1 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.
*2 2020 refers to the anticipated increase in tourism and general economic activity, between now and 2020 and the opportunity to develop various new products and services to capture this anticipated increase in demand.
*3 Abbreviation for Business to Business to Consumer; a business arrangement in which an entity supports the consumer business of another company.

Decision to exercise option for sale of stake in TTSL

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

As of March 31, 2015, we held approximately 26.5% of the outstanding common shares of TTSL.

Under the shareholders agreement (the Agreement) entered into among TTSL, Tata Sons Limited (Tata Sons), the parent company of TTSL, and us, when we entered into a business alliance with TTSL in March 2009, we were granted certain shareholder rights including the right to require Tata Sons to find a suitable buyer for our entire stake (1,248,974,378 shares, or approximately 26.5% of outstanding shares) in TTSL for 50% of the our acquisition price, which amounts to 72.5 billion Indian rupees (or ¥141.4 billion[*]) or at fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets by March 31, 2014. The right became exercisable on May 30, 2014, and we exercised the right on July 7, 2014.

The obligation of Tata Sons under the Agreement was not fulfilled, although we repeatedly held discussions with Tata Sons in regards to the sale of its entire stake in TTSL, pursuant to the Agreement. Accordingly, we submitted its request for arbitration to the London Court of International Arbitration on January 3, 2015.

The sale of investment in TTSL has not been completed as Tata Sons has not fulfilled its obligation, and thus we have not accounted for the sales transaction for the year ended March 31, 2015. We continue to account for the investment in TTSL under the equity method as we continue to hold approximately 26.5% of the outstanding voting shares of TTSL and have representation on the board of directors of TTSL even after submitting the request for arbitration. The financial effect of this matter cannot be estimated at this time due to the aforementioned uncertainties surrounding this investment. We may recognize a gain or loss upon disposition of its TTSL shares or in the event that it becomes probable that the transaction as described above will not be carried out.

* 1 rupee = ¥1.95 as of May 29, 2015

E. Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Please refer to Item 5.B.

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

Critical Accounting Policies and Estimates

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

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

The values of our property, plant and equipment, such as the base stations, antennas, switching centers and transmission lines used by our telecommunications business, our internal-use software and our other intangible assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives. We estimate the useful lives of property, plant and equipment, internal-use software and other intangible assets in order to determine the amount of depreciation and amortization expenses to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2015, 2014 and 2013 were ¥659.8 billion, ¥718.7 and ¥699.8 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 8 to 16 years. The estimated useful life of our internal-use software is up to 7 years. If technological or other changes occur more rapidly or in a different form than anticipated, new laws or regulations are enacted, or the intended usage changes, the useful lives assigned to these assets may need to be shortened, resulting in recognition of additional depreciation and amortization expenses or losses in future periods. Effective July 1, 2014, we revised our estimate of the expected useful life of certain software for telecommunications network and internal-use software based on the actual utilization of the software to reflect an extended expected maximum useful life from 5 years to 7 years. Due to this change, Depreciation and amortization in the fiscal year ended March 31, 2015, decreased by ¥51.3 billion.

Table of Contents

In the fiscal years ended March 31, 2014 and 2013, changes to the estimated useful lives of certain property, plant and equipment, internal-use software and other intangible assets did not have a material impact on our operating results or financial positions.

Impairment of long-lived assets

We perform an impairment review for our long-lived assets other than goodwill and intangible assets that have indefinite useful lives (unamortizable intangible assets) to be held and used, including fixed assets such as our property, plant and equipment and certain identifiable intangibles such as software for telecommunications network, internal-use software and rights to use telecommunications facilities of wire line network operators, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This analysis is separate from our analysis of the useful lives of our assets, although it is affected by some 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 years ended March 31, 2015, we recorded an impairment loss of ¥30.2 billion on our multimedia broadcasting business for mobile devices related long-lived assets. Please refer to Note 5 to our consolidated financial statements for further information. For the fiscal years ended March 31, 2014 and 2013, we recognized impairment loss for a certain long-lived assets, of which the impact of the impairment on our financial results was insignificant.

Impairment of goodwill and unamortizable intangible assets

The majority of our goodwill was recognized when we purchased all the remaining non-controlling interests in our eight regional subsidiaries through share exchanges and made those subsidiaries wholly owned in November 2002. In addition, we have acquired majority equity stakes in a number of companies in recent years for the purpose of expanding into smart life domains, and the recognition of these majority investments resulted in an increase of goodwill. Consequently, the carrying amount of goodwill as of March 31, 2015 was ¥266.3 billion. The carrying amount of unamortizable intangible assets as of March 31, 2015 was ¥16.4 billion.

We perform annually, usually as of March 31, and if an event or circumstances occurs that would imply impairment, an impairment test of goodwill and unamortizable intangible assets recognized as a result of business combinations. 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 intangible assets. If different estimates or assumptions are used in determining the discounted present value of future cash flows, it could result in different appraisal of goodwill, and may require additional impairment charges to be recognized in the future.

For the fiscal years ended March 31, 2013 and 2014, the most significant amount of recorded goodwill resided in the mobile business in Japan reporting unit, which is included in our mobile business segment. This reporting unit has recorded goodwill of ¥133.5 billion and has passed the first step of the impairment test by a substantial margin. During the fiscal year ended March 31, 2015, we realigned its operating segments in order to reflect the change in the management of the businesses which resulted in a reorganization of our financial reporting structure of internal organization in a manner that caused the composition of its reportable segments to change. In addition, reporting units were also realigned accordingly and the goodwill were allocated to respective reporting units based on relative fair value. For the fiscal year ended March 31, 2015, the most significant amount of recorded goodwill resides in the telecommunications business in Japan reporting unit, which is included in our telecommunications business segment. This reporting unit has recorded goodwill of ¥127.3 billion since as of the date of the change in the reporting units and has passed the first step of the impairment test by a substantial margin. The fair value of the remaining goodwill which resides in other reporting units also exceeds the net carrying amount by a significant margin or is not considered significant for the fiscal year ended March 31, 2013, 2014 and 2015. 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.

We did not recognize any goodwill impairment for the fiscal years ended March 31, 2015 and 2014. The amount of goodwill impairment charges for the fiscal year ended March 31, 2013 was ¥7.3 billion. 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, 2015, the total carrying value of Investments in affiliates was ¥439.1 billion, while the total carrying value for investments in Marketable securities and other investments was ¥195.0 billion. Our major investee companies are Sumitomo

Table of Contents

Mitsui Card Co., Ltd., Philippine Long Distance Telephone Company of the Philippines and TTSL (Tata Teleservices Limited) of India and these are classified as Investments in affiliates as of March 31, 2015.

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, 2015, 2014 and 2013, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates.

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

The amounts of impairment charges on Investments in affiliates for the fiscal years ended March 31, 2014 and 2013 were ¥51.3 billion and ¥25.9 billion, including TTSL respectively. In estimating the investment value of those equity method investees, we used the weighted average cost of capital of 12.6% mainly for the fiscal year ended March 31, 2014 and 11.3% to 15.9% for the fiscal year ended March 31, 2013 as a significant unobservable input.

We reviewed the business outlook of TTSL in order to determine if the value of the investment in TTSL has suffered a decline that was other than temporary because of the recent economic and financial environment surrounding its industry. During the fiscal year ended March 31, 2013, our estimated future cash flows of TTSL were adjusted downward as a result of the intensifying tariff competition among mobile network operators in India and our views of our long term outlook at that time and we concluded that the recoverable amount was significantly below carrying value and that this impairment was other than temporary. Consequently, we recognized an impairment charge of ¥6.8 billion. During the fiscal year ended March 31, 2014, our estimate of future cash flows of TTSL were further revised downward as a result of the growing business risk of mobile network operators in India, including an increase in the cost of maintaining or acquiring frequency spectrum due to a steep rise of the auction price of frequency spectrum in India. Reflecting growing business risk and recent operating results of TTSL, the weighted average cost of capital increased to 12.6%, which was applied to these revised estimated cash flows and we concluded that the further decline in value was other than temporary. Consequently, we recognized an additional impairment charge of ¥51.2 billion. As described in D.Trend Information of Operating and Financial Review and Prospects , we plan to dispose of our entire investment in TTSL. We may recognize a gain or loss upon disposition of our TTSL shares or if the transaction as previously described above is not be carried out.

We recorded impairment charges on certain investments which were classified as Marketable securities and other investments. The amount of impairment charges on Marketable securities and other investments was ¥0.9 billion, ¥3.1 billion and ¥10.9 billion for the years ended March 31, 2015, 2014 and 2013, respectively.

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

Accrued liabilities for point programs

We offer docomo Points Service, which provides benefits, including discounts on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record Accrued liabilities for point programs relating to the points that customers earn. The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2015 and 2014 was ¥91.6 billion and ¥116.4 billion, respectively. Point program expense for the years ended March 31, 2015, 2014 and 2013 was ¥67.7 billion, ¥70.8 billion and ¥74.7 billion, respectively.

In determining the accrued liabilities for point programs, we estimate factors such as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription. 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, 2015, one percent raise in point utilization rate would result in an additional accrual of approximately ¥1.1 billion, if all the other factors are held constant.

Pension liabilities

We sponsor a non-contributory defined benefit pension plan which covers almost all of our employees called for contract-type corporate pension plan. We introduced NTT DOCOMO, INC. s contract-type corporate pension plan to a defined contribution pension plan effective on and after April 1, 2014. NTT DOCOMO, INC. s contract-type corporate pension plan continues to remain for the pension 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.

Table of Contents

The discount rates applied in determination of the projected benefit obligations as of March 31, 2015 and 2014, and expected long-term rates of return on plan assets for the years ended March 31, 2015 and 2014 were as follows:

	Years ended March 31	
	2014	2015
Contract-type corporate pension plan		
Discount rate	1.4%	**1.0%**
Expected long-term rate of return on plan assets	2.0%	**2.0%**
Actual return on plan assets	Approximately 9%	**Approximately 3%**
NTT CDBP		
Discount rate	1.4%	**1.0%**
Expected long-term rate of return on plan assets	2.5%	**2.5%**
Actual return on plan assets	Approximately 10%	**Approximately 12%**

The amount of projected benefit obligations of our contract-type corporate pension plan as of March 31, 2015 and 2014 was ¥218.0 billion and ¥206.1 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2015 and 2014, based on actuarial computations which covered only our employees participation, was ¥131.1 billion and ¥116.9 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized from Accumulated other comprehensive income (loss) over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our contract-type corporate pension plan and the NTT CDBP as of March 31, 2015 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

	Billions of yen		
Change in Assumptions	**Change in projected benefit obligation**	**Change in pension cost, before applicable taxes**	**Accumulated other comprehensive income (loss), net of applicable taxes**
Contract-type corporate pension plan			
0.5% increase/decrease in discount rate	(9.8) / 10.3	0.6 / (0.6)	6.7 / (7.0)
0.5% increase/decrease in expected long-term rate of return on plan assets		(0.4) / 0.5	
NTT CDBP			
0.5% increase/decrease in discount rate	(13.7) / 15.3	0.3 / (0.0)	9.4 / (9.5)
0.5% increase/decrease in expected long-term rate of return on plan assets		(0.4) / 0.4	

Please also refer to Note 17 Employees retirement benefits to our consolidated financial statements for further discussion.

Revenue recognition

We defer upfront activation fees and recognize them as revenues over the expected term of a subscription. Related direct cost to the extent of the activation fees amount are also being deferred and amortized over the same period. The reported amounts of revenue and cost of services are affected by the level of activation fees, related direct cost and the estimated length of the subscription period over which such fees and cost are amortized. Factors that affect our estimate of the subscription period over which such fees and cost are amortized include subscriber churn rate and newly introduced or anticipated competitive products, services and technology.

Table of Contents

The current amortization periods are based on an analysis of historical trends and our experiences. For the years ended March 31, 2015, 2014 and 2013, we recognized as revenues deferred activation fees of ¥21.5 billion, ¥16.3 billion and ¥29.6 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2015 and 2014, remaining unrecognized deferred activation fees were ¥90.1 billion and ¥72.7 billion, respectively.

Recently issued Accounting Standards

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 new standard is effective for us on April 1, 2017. On April 29, 2015, the FASB issued an exposure draft to delay the effective date of the ASU by one year. In the event that the exposure draft goes into effect, the standard would be effective for us on April 1, 2018 and early application of the standard as of April 1, 2017 would also be permitted.

We are currently evaluating the effect that the ASU will have on our consolidated financial statements and related disclosures.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors, Corporate Executives and Audit & Supervisory Board Members

Our members of the board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation specify the number of members of the board 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 member of the board of directors is 2 years, although they may serve any number of consecutive terms. The Board of Directors elects from among member of the board of directors one or more representative directors, who have the authority individually to represent us. From among member of the board of 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 5 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 4 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 member of the board of directors, to audit our financial statements and business reports submitted by our member of the board of directors to the general meetings of shareholders and to report to the shareholders the results of investigations regarding any actions by our member of the board of 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

Table of Contents

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 member of the board of 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 audit & supervisory board members and members of the board of 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 members of the board of directors and audit & supervisory board members as of June 26, 2015 and certain other information.

Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned (1)	Date Current Terms Ends	Initial Appointment Date
Member of the Board of Directors:						
Kaoru Kato (2) (May 20, 1951)	President and Chief Executive Officer	April 1977	Entered NTT Public Corporation	34,500	June 2016	June 2008
		July 2007	Executive Vice President, Managing Director of Corporate Strategy Planning Department of NTT DoCoMo Kansai, Inc.			
		June 2008	Executive Vice President, Managing Director of Corporate Strategy and Planning Department of the Company			
		April 2009	Executive Vice President, Managing Director of Corporate Strategy and Planning Department and Managing Director of Mobile Society Research Institute of the Company			
		July 2009	Executive Vice President, Managing Director of Corporate Strategy and Planning Department of the Company			
		June 2012	President and Chief Executive Officer of the Company			
Kazuhiro Yoshizawa (2) (Jun. 21, 1955)	Senior Executive Vice President, Chief Information Officer, Chief Information security Officer and	April 1979	Entered NTT Public Corporation	18,700	June 2016	June 2011
		June 2007	Senior Vice President, Managing Director of Corporate Marketing Department II of the Company			
	Chief Privacy Officer/	June 2011				

Responsible for Technology, Device and Information strategy		Senior Vice President, Managing Director of Human Resources Management Department of the Company
	June 2012	Executive Vice President, Managing Director of Corporate Strategy & Planning Department, Responsible for Mobile Society Research Institute of the Company
	July 2013	Executive Vice President, Managing Director of Corporate Strategy & Planning Department, Managing Director 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, Device and Information strategy of the Company

Table of Contents

Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned [1]	Date Current Terms Ends	Initial Appointment Date
Yoshikiyo Sakai [2] (Oct. 10, 1956)	Senior Executive Vice President/ Responsible for Consumer business, Marketing, Global business and Corporate	April 1980	Entered NTT Public Corporation	8,600	June 2016	June 2014
		June 2005	Managing Director of Investor Relations Department of the Company			
		July 2008	Managing Director of Public Relations Department of the Company			
		June 2009	Senior Vice President, Managing Director of Public Relations Department of the Company			
		June 2012	Senior Vice President, Director of Finance and Accounting Department, Member of the Board of Directors of NTT			
		June 2014	Senior Executive Vice President, Responsible for Consumer business, Marketing, Global business and Corporate of the Company			
			(Effective from July 1, 2015)		&nb	