NTT DOCOMO INC
Form 20-F
June 24, 2016
Table of Contents

As filed with the Securities and Exchange Commission on June 24, 2016

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended March 31, 2016

OR

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

OR

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

Date of event requiring this shell company report

Commission file number: 1-31221

Kabushiki Kaisha NTT DOCOMO

(Exact name of registrant as specified in its charter)

NTT DOCOMO, INC.

(Translation of registrant s name into English)

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

Kenji Higashigaito or Yu Kunita, Investor Relations

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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 2015 refers to our fiscal year ended March 31, 2016, 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, 2012 through 2016. The data in the table is derived from our audited consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). The consolidated balance sheets for the years ended March 31, 2015 and 2016, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2014 through 2016, and notes thereto appear elsewhere in this annual report.

Table of Contents

Selected Financial Data

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

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

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

*2 Consolidated financial statements for the fiscal year ended March 31, 2013 have been revised due to the reinstatement of the equity method for an investee.

*3 Includes impairment of investments in affiliates. See Note 6 of Notes to Consolidated Financial Statements.

*4 As we conducted a 1:100 stock split with an effective date of October 1, 2013, Per Share Data for the fiscal years ended March 31, 2012 to 2014 are based on the number of shares after the stock split, respectively.

*5 Dividends per share were translated into U.S. dollars at the end of period.

*6 Working capital was computed by subtracting total current liabilities from total current assets.

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

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
2012	82.41	76.34	78.86	82.41
2013	94.16	77.92	83.26	94.16
2014	105.25	97.52	100.46	102.98
2015	119.96	101.28	110.78	119.96
2016	123.98	112.42	120.13	112.42
Calendar Year 2015				
December	123.52	120.27	121.64	120.27
Calendar Year 2016				
January	121.05	116.38	118.23	121.05
February	121.06	111.36	114.62	112.90
March	113.94	111.30	112.93	112.42
April	112.06	106.90	109.55	106.90
May	110.75	106.34	108.85	110.75
June (through June 3, 2016)	109.55	106.88	108.39	106.88

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT East) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West) started a wholesale optical-fiber access service which enables a diverse group of market participants to provide services utilizing optical-fiber connections and set discounts for fixed and mobile network services, so it is possible that such businesses and others may eventually launch services that are more convenient for customers, and further intensify rate competition. Moreover, there has been an increase in mobile communications operators entering into and collaborating with other industries, including due to factors such as the full liberalization of the electricity market, and rate competition could intensify due to discounts for packages incorporating services provided by operators in different industries.

Table of Contents

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

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

*1 Abbreviation of Over The Top. A business that does not own the communications infrastructure required for delivering their services and that delivers content services using the communication infrastructure of other companies.
*2 Abbreviation of Subscriber Identity Module. An IC card inserted into a handset on which subscriber information is recorded, used to identify user.
*3 Abbreviation of Mobile Virtual Network Operator. A business that borrows the wireless communication infrastructure of other companies to provide services.

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

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

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

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

Table of Contents

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

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

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

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

Our current and future services, including (i) ISP services such as i-mode and sp-mode, (ii) fee plans and discounted services for use of voice and packet communications, (iii) artificial intelligent services like Shabette-Concier, (iv) the storage services like photo collection, (v) the services on dmarket such as dTV, dhits and dmagazine, *1 and (vi) +d initiatives, the convergence with various businesses, such as financial and payment services like d CARD and docomo insurance, commerce businesses run by OAK LAWN MARKETING, INC. and Radishbo-ya Co., Ltd. and life-related services run by docomo Health Care, Inc. and ABC Cooking Studio Co., Ltd. will be attractive to existing and potential subscribers and achieve continued or new growth;

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

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

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

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

*1 Our value co-creation initiatives, which aim to deliver new values by making available the business assets that we have accumulated through our operations. For more information, please see B.1. Business Overview in Item 4.
*2 Abbreviation of Long Term Evolution. A mobile communications protocol with specifications formulated by the 3rd Generation Partnership Project (3GPP).
*3 An advanced mobile communication system standardized by 3GPP that maintains technical compatibility with LTE system..

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

The Japanese telecommunications industry has been undergoing regulatory reform in many areas, including rate regulation. Because we operate on radio spectrum allocated by the Japanese government, the mobile telecommunications industry in which we operate is particularly affected by the regulatory environment. Furthermore, in some cases, our group is subject to special regulations that are not imposed on other providers. Various governmental bodies have been recommending or considering changes that could affect the mobile telecommunications industry, and there may be continued reforms, including the introduction or revision of laws, regulations, or systems that could have an adverse effect on us. These include:

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

Table of Contents

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

In addition to the above proposed changes that may impact the mobile communications business, we may be impacted by a variety of laws, regulations, and systems inside and outside of Japan. For example, in response to an increase in the number of subscriptions or in the traffic* per subscriber, we have proceeded with the enhancement of our telecommunications facilities in order to ensure and improve our service quality. As a result, we are using an increasing amount of electricity. Moreover, we are implementing measures directed towards reducing greenhouse gas emissions, including deployment of low-power consumption devices and efficient power generators. However, with the implementation of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect on our financial condition and results of operations. Also, the financial condition and operating results of our corporate group may be adversely affected by the increased cost of maintaining and operating the facilities we require for providing our services on account of electricity cost increases due to high fuel prices. In July 2010 the Dodd Frank Wall Street Reform and Consumer Protection Act was signed into law in the United States. Based on this, the U.S. Securities and Exchange Commission established rules in August 2012 requiring listed companies that use designated minerals in their products to disclose whether such minerals come from the Democratic Republic of the Congo and adjoining countries. The implementation of these rules could have an adverse effect on our financial condition and operating results in the form of higher costs arising from expense of conducting the research needed for regulatory compliance or from an increase in the prices of materials that use such minerals.

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

Table of Contents

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

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

* The total volume of transmissions.

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

In recent years, the companies in which we have invested have experienced a variety of negative impacts, including severe competition, increased debt burdens, significant change in share prices and financial difficulties. To the extent that these investments are accounted for by the equity method and to the extent that the investee companies have net losses, our financial results will be adversely affected by our *pro rata* portion of these losses. If there is a loss in the value of our investment in any investee company and it is not regarded as a temporary decline, our corporate group may be required to adjust the book value and recognize an impairment loss for such investment. Also, a business combination or other similar transaction involving any of our investee companies could require us to realize impairment loss for any decline in the value of investment in such investee company. In either event, our financial condition or results of operations could be materially adversely affected.

Table of Contents

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

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

- Malfunctions, defects or breakdowns in any of the various functions built into our handsets;
- Malfunctions, defects or failures in the software and systems necessary for the services we provide;
- Malfunctions, defects or failures in handsets or services originating from imperfection in services of other parties;
- Leaks or losses of information, e-money, reward points, or content due to malfunctions, defects or failures in handsets, software, or systems or imperfection in services of other parties;
- Improper use of information, e-money, credit functions and reward points by third parties due to a loss or theft of handsets;
- Improper access or misuse of customer information/data stored on handsets or servers, such as usage histories and balances, by a third party;
- Inadequate and inappropriate management of e-money, credit functions, reward points, or other data by companies with which we make alliances or collaborate;
- Harm or losses to customers due to defects in products or services offered through an e-commerce business such as a home shopping service, or products and services offered on one of our platforms, such as dmenu or dmarket.

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

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

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

The mobile phones used in connection with crimes such as billing fraud are most often rental mobile phones. To combat these misuses of our services, we have introduced various measures such as refusing to provide services to unscrupulous mobile phone rental companies that violate the Mobile Phone Improper Use Prevention Act, such as by not confirming the identity of the individual at the time of rental. However, in the event that criminal usage increases, mobile phones may be regarded as a societal problem, which may lead to an increase in the cancellation of contracts.

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

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

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

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

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

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

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

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

Table of Contents

However, if we cannot come to an agreement with the holders of the rights concerned or a mutual agreement concerning the granted rights cannot be maintained afterwards, there is a possibility that we or our business partners might not be able to provide our specific technologies, products or services. Also, if we receive claims of violation of intellectual property rights from others, we may be required to expend considerable time and expense to reach a resolution. If such claims are acknowledged, we may be liable to pay damages for infringement of the rights concerned, which may adversely affect our financial condition and results of operations.

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

As of March 31, 2016, NTT owned 65.66% of our outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications (currently the MIC) in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint directors. Currently, although we conduct our day-to-day operations independently of NTT and its other subsidiaries, certain important matters are discussed with, or reported to, NTT. As such, NTT could take actions that are in its best interests but may not be in the interests of our other shareholders.

Risks Relating to the Shares and the ADSs

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

As of March 31, 2016, NTT owned 65.66% of our outstanding voting shares. Under Japanese law, NTT, like any other shareholder, generally is able to dispose of our shares freely on the Tokyo Stock Exchange or otherwise. Additionally, our Board of Directors is authorized to issue 13,501,457,000 additional shares generally without any shareholder approval. The sale or issuance or the potential for sale or issuance of such shares could have an adverse impact on the market price of our shares.

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

Each ADS represents the right to receive one share of common stock. Therefore, pursuant to the terms of the deposit agreement with our depositary, The Bank of New York Mellon, in order to withdraw any shares, a holder 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 directors, executive officers or audit & supervisory board members.

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

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

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

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

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

Table of Contents

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

We are a joint stock corporation organized under the Companies Act. We were incorporated and registered in August 1991 under the name of NTT Mobile Communications Planning Co., Ltd., and, in April 1992, we were renamed NTT Mobile Communications Network, Inc. We changed our name to NTT DoCoMo, Inc. on April 1, 2000 (NTT DOCOMO, INC. since June 2010). Our corporate head office is at Sanno Park Tower, 11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-6150, Japan. Our telephone number is 81-3-5156-1111. We have no agent in the United States in connection with this annual report.

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

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

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

B. Business Overview

1. Business Overview

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

Table of Contents

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

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

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

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

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

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

Breakdown of Operating Revenues

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

Competitive Environment

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

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

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

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

Table of Contents

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

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

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

*2 In general, the term churn rate is defined as the percentage of customers who disconnect their service relative to the total subscription base. Our measurement of churn rates includes voluntary terminations in connection with handset upgrades or changes. The average monthly churn rate for each fiscal year is calculated*1 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*2 from April to March.

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

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

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

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

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

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

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

Business Strategy

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

Table of Contents

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

Initiatives to be Implemented over the Medium Term

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

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

In addition to creating value for our customers, we will also strive to offer new value to various of our partners. Particularly, in the areas of IoT[2], Regional Revitalization, 2020, and Solution of Social Issues, we will move forward with the co-creation of social values, creating new services and businesses in collaboration with our partners and utilizing the assets of both parties, with the goal of capturing revenue opportunities in new business fields that transcend the confines of industries or business formats.

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

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

FY2016 Priority Initiatives

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

Expansion of Telecommunications Business

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

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

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

Reinforcement of Smart Life Business and Other Businesses

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

Table of Contents

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

2. Networks

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

LTE Development

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

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

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

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

Spectrum Use Status

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

2GHz Band:

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

1.7GHx Band:

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

1.5GHz Band:

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

800MHz Band:

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

700MHz Band:

With regard to our plan to open specified base stations to be used for the 700MHz band, approval was received from the Minister of MIC in June 2012. In addition, the Association of 700MHz Frequency Promotion was established by 4 operators (NTT DOCOMO, Inc., KDDI Corporation, eAccess Ltd. (currently SoftBank Corp.) and Okinawa Cellular Telephone Company) that were approved at the same time. Together with the appropriate transfer of new frequency bands to existing licensees currently using the frequencies, receiver measures for overland digital TV broadcasts are being implemented. Since May 2015, we have been using the 10MHz x 2 allocated in the 700MHz band for LTE services.

3.5GHz Band:

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

Effort to Assure Stable Network Quality

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

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

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

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

3. Products

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

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

Smartphones/Tablets

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

Table of Contents

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

Data Communications Devices

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

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

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

Other Communications Devices

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

4. Services

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

Telecommunications Services

Mobile Communications Services

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

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

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

Optical-fiber Broadband Service

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

Table of Contents

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

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

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

Smart Life Business

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

Media/Contents Services, dmarket

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

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

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

Lineup of dmarket services

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

dTV	Flat-rate video/movie distribution service

Table of Contents

*1 This service will end on June 28, 2016.
*2 Games that can be enjoyed anywhere with an Internet connection and without the need to install applications.

Finance/Payment Services

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

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

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

Shopping Services(Commerce)

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

Overview of business of major subsidiaries

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
MAGASeek Corporation	Online sales of women and men s clothing

Services to Support Our Customers Daily Lives

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

Overview of business of major subsidiaries

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
DOCOMO BIKESHARE, INC.	Provision of bicycle sharing services
DOCOMO gacco, Inc.	Provision of gacco, Japan s first MOOC service, and the gacco system ASP business

* Joint venture with OMRON HEALTHCARE Co., Ltd.

27

Table of Contents

Other Businesses

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

5. Tariffs

Mobile Communications Charge

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

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

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

Basic Monthly Charge for Voice Communication Service and Voice Communication Charges

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

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

Data Communication Charges

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

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

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

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

Further Enrichment of New Billing Plan

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

Added options for low-usage customers

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

Choice between two courses

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

Expand additional advantages to long-term subscribers

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

Optical-fiber Broadband Service Charge

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

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

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

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

Table of Contents

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

6. Sales and Marketing

Sales Channels

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

Sales Methods

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

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

Loyalty Programs

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

After-sales Support

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

Table of Contents

7. Research and Development

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

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

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

The results of our recent development are as follows:

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

Communications toy

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

New translation service

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

IoT platform

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

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

VoLTE roaming

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

The application of Mobile Spatial Statistics

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

31

Table of Contents

Technical Developments to be Implemented

Further increasing the speed of PREMIUM 4G

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

Fifth-generation Mobile Communications System (5G)

We aim