

# Financial Section

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## Message from CFO



**Kazuto Tsubouchi**

Executive Vice President,  
Member of the Board of Directors

### Outlook for Fiscal 2011 (Ending March 2012)

The key factor in the outlook for fiscal 2011 is growth in packet revenues. DOCOMO is aiming to grow packet revenues by ¥135.1 billion year on year through initiatives in the expanding smartphone market, efforts to promote usage among the low-ARPU segment such as *i-mode*, and capture of demand for second devices in the data communications market.

In addition to growth in packet revenues, we will also continue to grow non-mobile phone businesses such as home shopping and credit services. Through these and other activities, we aim to make-up for the decline in voice revenues and realize a ¥5.7 billion increase in operating revenue to ¥4,230 billion for fiscal 2011—returning to revenue growth for the first time in the five years since fiscal 2006.

In the smartphone market our goal is to increase the number of smartphones sold during fiscal 2011 by 3.48 million units year on year to 6 million units. This kind of growth in sales could result in a sharp increase in commissions paid to agent resellers, but we will avoid this with our *Monthly Support* program, introduced in March 2011. We will also implement companywide cost reductions and other measures to effectively strengthen our financial position.

As a result of these efforts, we expect to increase operating income in fiscal 2011 by ¥5.3 billion year on year to ¥850 billion. We will strive to achieve our goal of operating income of over ¥900 billion in fiscal 2012 as outlined in our medium-term vision, and to continue on a sustained growth path.

### Key Management Indicators

DOCOMO views the EBITDA margin and ROCE as key management indicators in its bid to develop a stronger management position by focusing on both profitability and capital efficiency. The EBITDA margin tracks profitability, while ROCE is important for assessing the efficiency of invested capital. To maximize our corporate value we are looking to maintain an EBITDA margin of 35% or higher, while achieving an ROCE of at least 20%. Further, to ensure flexibility in future capital procurement, we are taking steps to reduce our level of interest-bearing liabilities, along with other measures to strengthen our financial position.

In fiscal 2010, the EBITDA margin was 37.1%, while ROCE was 16.1%. During the year we substantially reduced our interest-bearing liabilities, from ¥610.3 billion to ¥428.4 billion, bringing the debt ratio down to 8.1% from 11.6% in the previous fiscal year. Our long-term debt obligations were rated as AA by Standard & Poor's and Aa1 by Moody's, which indicate that we continue to maintain some of the highest credit ratings among telecommunications operators in the world.

### Use of Cash Flow and Basic Policy on Distribution of Earnings

DOCOMO aggressively and efficiently reinvests the cash generated from its businesses as capital expenditure and other investments to maintain and enhance its long-term competitiveness. Our policy is to use cash mainly for the mobile phone business, as well as on investments in growth opportunities that offer potential synergies with the mobile phone business. DOCOMO also recognizes that the return of profits to shareholders is one of management's highest priorities. We therefore aim to continue paying a stable dividend that allows us to maintain one of the top payout ratios among Japanese companies. We also take into consideration our progress on earnings targets and work to strengthen our financial position and secure adequate internal reserves. Regarding the acquisition of treasury stock, we will continue to study opportunities to purchase our shares as deemed appropriate through resolution of the Board of Directors. In principle, we seek to limit the amount of such treasury stock to approximately 5% of total issued shares, with any excess holdings retired at the end of the fiscal year.

In fiscal 2010, DOCOMO paid a total annual dividend of ¥5,200 per share. In fiscal 2011, we plan to increase the dividend by ¥400 yen to ¥5,600 per share. For treasury stock, in fiscal 2010 we acquired 138,141 shares of DOCOMO's own common stock, for ¥20.0 billion, and at the end of the period retired 140,000 shares, or approximately 0.3% of total shares issued prior to the retirement.

Going forward, DOCOMO will monitor trends in the operating environment and capital markets as we continue to focus on shareholder returns and maintaining a sound financial position. At the same time we will strive to realize our medium-term vision, and achieve sustainable growth.

# Operating and Financial Review and Prospects

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

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

We will discuss the following matters in this section:

## A. Operating Results

- Overview
- Trends in the Mobile Communications Industry in Japan
- Operating Strategies • Operating Trends
- Operating Results for the Year Ended March 31, 2011
- Operating Results for the Year Ended March 31, 2010
- Segment Information
- Recent Accounting Pronouncements
- Critical Accounting Policies

## B. Liquidity and Capital Resources

- Cash Requirements
- Sources of Cash

## C. Research and Development

## D. Prospects for Business Trends and Financial Performance

## A. OPERATING RESULTS

### ■ Overview

We are the largest cellular network operator in Japan providing a wide array of wireless communication services including cellular phone service. As of March 31, 2011, we had approximately 58.01 million subscriptions, which represented 48.5% of all cellular subscriptions in Japan. We earn revenues and generate cash primarily by offering a variety of wireless voice and data communication services and products. In cellular services, which account for the majority of our revenues, we provide voice communication services as well as data communication services via our nationwide packet communications network. In addition to cellular services, we presently provide credit payment services, home shopping services, mobile advertisement sales, internet access services for hotels and various other services.

Now that the use of cellular phone has become widespread in Japan, it is difficult to duplicate the rapid growth we experienced in our earlier operations. Under these market conditions, we announced our new corporate vision of "Pursuing Smart Innovation: HEART" in July 2010. In view of the anticipated changes in society in the future, we aim to drive innovation by leveraging the unique properties of mobile devices and partnering with a broad range of companies to connect people and society in smart, innovative ways for enhanced quality of life, and thereby create new revenue sources with the aim of achieving further growth and delivering new value to society.

During the fiscal year ended March 31, 2011, we worked particularly to expand subscribers' packet usage by enriching our video content portfolio and taking other measures aimed at boosting users' data usage and promoting various initiatives to expand the user base of smartphones and PC data cards. In particular, to respond to the rapid expansion of the smartphone market, we significantly reinforced our product lineup, revised our billing plans and worked toward the

enrichment of content and applications for mobile phones. We also carried out various initiatives aimed at enhancing customer satisfaction on a continual basis from the previous fiscal year.

For the year ended March 31, 2011, our operating revenues were ¥4,224.3 billion, a decrease of ¥60.1 billion from the prior fiscal year due primary to the decline in voice revenues. On the other hand, we recognized operating income of ¥844.7 billion, achieving an increase of ¥10.5 billion from the prior fiscal year through our continuous efforts to reduce our operating expenses including network-related expenses. Net income attributable to NTT DOCOMO, INC. decreased by ¥4.3 billion from the prior fiscal year to ¥490.5 billion. Cash flows from operating activities were ¥1,287.0 billion, increasing by ¥104.2 billion from the prior fiscal year due mainly to the decrease of fund-provision in relation to installment receivables for subscribers' handset purchases. Capital expenditures decreased by ¥18.0 billion from the prior fiscal year to ¥668.5 billion as we worked to improve our efficiency while enhancing the quality of our network.

On March 11, 2011, a magnitude 9.0 earthquake, the Great East Japan Earthquake, struck Japan with its epicenter located off the coast of Tohoku. The earthquake and the subsequent tsunami caused damage to our communication and other facilities, disruption of services due to power outage and other impacts. Immediately after the earthquake, we established the Disaster Countermeasures Offices in our Tokyo headquarters and the Tohoku Regional Office and worked toward early restoration of damaged facilities and resumption of services. As a result, by March 31, 2011, we resumed most of our FOMA service and reopened approximately 90% of our docomo Shops in the stricken area. In relation to the disaster, we recorded ¥7.1 billion in operating expenses for the fiscal year ended March 31, 2011, including write-downs of damaged facilities and equipment, and personnel and

other expenses incurred in response for the disaster. However, there was no significant impact on our results for the fiscal year ended March 31, 2011.

### ■ Trends in the Mobile Communications Industry in Japan

According to an announcement by the Telecommunications Carriers Association, the mobile communications market in Japan saw a 7.35 million net increase in cellular subscriptions for the year ended March 31, 2011. The total number of cellular subscriptions in Japan grew to 119.54 million as of March 31, 2011, which represented a market penetration rate of approximately 93%. Although the total number of subscriptions expanded due to development of new markets such as smartphones, PC data cards and built-in communication modules, the annual growth rate of cellular subscriptions has slowed in line with the rise in penetration rate and the decrease in the future population, and was limited to 4.6%, 4.4% and 6.6% for the years ended March 31, 2009, 2010 and 2011, respectively. We believe the growth rate of new cellular subscriptions in the coming years will also be limited to a similar level.

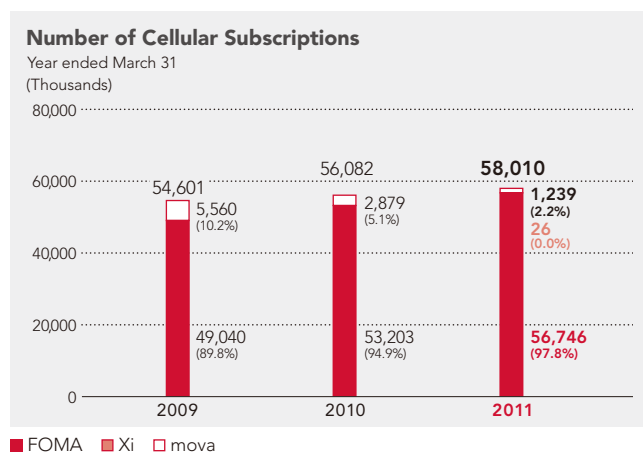
As of March 31, 2011, cellular services were provided in Japan by four network operators including us and their group companies. In addition to providing cellular services, the network operators also develop mobile phones and other communications devices compatible with their communications services jointly with manufacturers, and subsequently sell them to agent resellers and other retailers for sale to subscribers. As for cellular services, after we launched our third-generation mobile communications (3G) services, FOMA, using the W-CDMA technology in 2001, other operator groups also introduced 3G services. In recent years, 3G services have become the mainstream service for all operator groups. As of March 31, 2011, the number of 3G mobile communications service subscribers in Japan totaled 118.13 million, accounting for 98.8% of the total number of mobile phone subscriptions. In December 2010, we launched Japan's first commercial service using LTE (Long-Term Evolution), a technical standard developed as an extension to the 3G system, in Tokyo, Nagoya and Osaka under a new service brand called "Xi." As of March 31, 2011, the

total number of subscriptions to Xi service was approximately 26,000. Meanwhile, the sales of smartphones have recorded a remarkable increase in recent years. We expect this trend of expanded smartphone sales will continue going forward. According to our forecast, the total number of smartphones to be sold in the fiscal year ending March 31, 2012 is projected to increase by more than two-fold compared to the previous fiscal year and the size of the smartphone market is likely to become larger than that of the existing feature phone market within the fiscal year ending March 31, 2013.

While the growth prospects for Japan's mobile phone market may be limited in terms of the number of subscriptions, data usage has been increasing owing to the expanded uptake of smartphones and growing adoption of flat-rate billing plans for unlimited packet access and high-speed data services, and new market opportunities are beginning to emerge in such areas as content and applications for mobile devices. The network operators in Japan have been competing against one another to retain existing subscriptions, to acquire new subscriptions and to capture revenues from new markets by addressing the following issues:

- Pricing strategy: Offering free voice calls among family members subscribing to the same operator, free voice calls among phones subscribed under the same corporate subscription account, introduction of new discount services conditioned upon long-term subscriptions, introduction of packet flat-rate services, and introduction of billing plans offering discounts to smartphone users, etc.;
- Handset sales promotion: Introduction of installment payment scheme for the purchase of a handset, and mobile phone protection service for lost or damaged handsets and delivery of a replacement phone, etc.;
- New service introduction: Electronic payment using mobile phones, music and video distribution, automatic information delivery tailored to user's preference, location information service, provision of applications for mobile phones, electronic book service, etc.;
- New handset development: Release of handsets and smartphones equipped with various features such as contactless IC (Integrated Circuit) chip, GPS-based positioning, or security functions, etc.;
- Networks: Improvement of communications quality and expansion of high-speed data service areas using HSPA and LTE, etc.; and
- Alliances: Collaboration with external partners in other industries, such as retailers, financial institutions, content holders, etc.

Changes in the Japanese regulatory environment in recent years have accelerated competition among cellular network operators. In October 2009, the Ministry of Internal Affairs and Communications (MIC) published a report entitled "Interconnection Rules in Response to Changes in the Telecommunications Market Environment." The report recommended that (1) in terms of interconnection charges, appropriate rules should be established for interconnection charges and same rules should be applied to all cellular network operators,



and (2) in terms of establishing rules for roaming, each cellular network operator should construct its own telecommunication networks in principle, because spectrum is scarce but allocated to cellular network operators in the mobile telecommunication business. In the Japanese mobile phone market, operators have hitherto provided handsets and network services based on the premise of applying SIM lock to mobile devices. In April 2010, however, the MIC conducted a public hearing concerning the use of SIM locks in mobile devices, and established guidelines in June 2010 presenting a move toward disabling SIM locks through voluntary actions of network operators. In response to this move, we decided to install a feature that can disable the SIM locks in principle to all mobile devices we release after April 2011.

In Japan, radio spectrum has been used in accordance with the "spectrum utilization fee system," under which mobile network operators or other parties operating a radio base station using the spectrum allocated by the government are charged fees for the use of such spectrum. In December 2010, the MIC's Policy Making Platform, a task force for ICT policies in a global era, presented a direction to promptly start studies on the introduction of an auction system for allocation of radio spectrum.

Further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent cellular network operators including us.

Innovations in internet technology may have a material impact on the mobile communications industry including ourselves. IP (Internet Protocol) telephony, which is a form of voice communications based on IP technology, has already become a popular means of communications in fixed-line services as a result of the broad penetration of local broadband access. If the application of IP telephony technology to mobile communications becomes widely accepted, it could cause a significant change in the revenue structure of the mobile communications industry. Meanwhile, progress has been made in the development of convergence services, combining fixed-line and mobile communications with rise in the penetration of mobile phones and broadband services. This concept of fixed-mobile convergence has already been partially realized in the form of single-bill service for both fixed and mobile services, or content/e-mail address sharing between the two networks. The demand for seamless connectivity between fixed and mobile networks or composite devices supporting access to both fixed and mobile networks may increase in the future. In the field of high-speed wireless networks, WiMAX was approved as a standard of the Institute of Electrical and Electronics Engineers in the United States. In Japan, two network operators were awarded the license to operate broadband wireless access systems using the 2.5 GHz spectrum band in December 2007, and their commercial services were commenced in July 2009.

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

## ■ Operating Strategies

We believe that the cellular market in Japan has already entered a mature phase with its total cellular subscriptions exceeding 100 million in December 2007. In a mature market, it is necessary to attract subscribers of competitors because it is difficult to drive the acquisition of new subscribers relying on potential subscribers who have never owned a cellular phone. It is also indispensable to minimize the loss of subscriptions to competitors as a result of heated competition. As a market leader with the largest market share, we attach priority to the retention of existing subscriptions.

In April 2008, we announced "New DOCOMO Commitments," our vision for transformation and, taking this opportunity, renewed our corporate brand logo. In July 2008, we reorganized our group structure by integrating our former eight regional subsidiaries for the purpose of improving customer services and enhancing the speed and effectiveness of our operations. In October 2008, we announced our medium-term business directions based on a new action plan, "DOCOMO's Change and Challenge to Achieve New Growth," to be implemented through March 2013. "DOCOMO's Change" includes concrete actions to revisit every aspect of the business from the customers' perspective, from customer relations to handsets and networks based on a thoroughly hands-on approach to serving customers at all levels of our group as pledged in our "New DOCOMO Commitments" proclamation. "DOCOMO's Challenge" includes action plans to drive innovation in collaboration with a wide range of partners, committing us to take on the challenges of creating new value by leveraging the virtually unlimited potential of mobile phones by responding to further advancements and diversifications in the mobile market, where development of services that take advantage of unique mobile properties such as real time immediacy, personal authentication, and GPS capabilities in conjunction with the evolution of networks and handsets, as well as new services that transcend conventional boundaries through the increasing adoption of open-platform handsets and entry of new global players are taking place.

During the fiscal year ended March 31, 2011, we worked to improve customer satisfaction by employing various measures such as reinforcement of our product lineup, enrichment of billing options and enhancement of after-sales support. We ranked No. 1 in a consumer satisfaction study conducted by J.D. Power Asia Pacific. We also received the highest ranking in the satisfaction study of business customers by J.D. Power Asia Pacific as well as the survey on mobile data device users by Nikkei BP Consulting for two straight years. As shown by these achievements, we believe our endeavors toward improved customer satisfaction have delivered tangible results.

In the fiscal year ending March 31, 2012, we will continue to review every aspect of our operations, from products/services to customer responsiveness to network construction, under the "DOCOMO's Change" initiatives aiming to further improve customer satisfaction. We are determined not to be content with the acquisition of No. 1

customer satisfaction scores, and we are committed to continuing our all-out efforts to achieve further improvement in customer satisfaction.

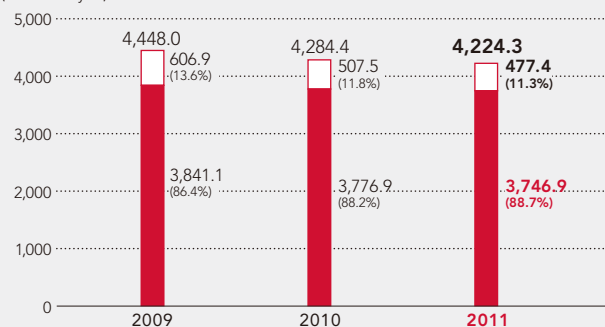
We are positioning the fiscal year ending March 31, 2012 as the second year in the execution phase of our "DOCOMO's Challenge" programs, with the goal of providing services that are tailored to the lifestyle and individual needs of each customer and contributing to the sustained development of society by providing solutions to pressing issues. We will promptly and steadily implement the following actions:

- Expansion of packet usage: We will aim to increase packet ARPU by promoting subscriptions to flat-rate billing plans for packet access, accelerating subscribers' migration to smartphones, acquiring more users through subscriptions to second mobile devices such as data communications devices or tablets, and proliferating the use of video services.
- Proliferation of smartphones: We will move ahead with our endeavors to offer attractive devices, transplant to smartphones "i-channel", "i-concier" and various other services that have so far been provided only on i-mode phones, and introduce new services that take advantage of the unique properties of smartphones. We will also put in place organizational structures and systems, etc., to respond to the full-scale proliferation of the smartphone market.
- Roll-out of the Xi service and network evolution: To further enrich the Xi service launched in December 2010, we will move ahead with the development of network, devices and services to establish a foundation for promoting a wide array of advanced mobile broadband services. We will also work to further expand network coverage.
- Promotion and further advancement of service personalization: We will further advance "i-concier" and introduce this service on smartphones to support the daily life of each customer, and offer a rich portfolio of content tailored to each customer's needs or usage opportunities.
- Deployment of social-support services: We will continually strive to create new businesses with the full-scale launch of social-support services in fields such as environment, health management and finance, while actively seeking alliances with external partners to secure new revenue sources.
- Introduction and promotion of converged services: We will aim to provide more convenient services which are comfortable to use, such as the "Otayori Photo Service," "docomo Drive Net" navigation and electronic books, and to further expand machine-to-machine businesses which connect devices not incorporated into a network.
- Further advancement of devices: We will strengthen the lineup of our smartphones and other products to cater to the needs of broader customer segments. We also plan to add more variety to the lineup of Xi-enabled mobile devices.
- Collaboration of devices and networks: We will aim to realize advanced services by optimizing the allocation of functions between devices and networks, leveraging the high-speed, large-capacity and low-latency properties of the LTE network.
- Basic research aimed at new value creation: We will work on the verification of our research for creating businesses that contribute to the development of society and industries, and aim to realize a richer society that takes advantage of the characteristics of mobile communications. In particular, we will further advance our joint research on "Mobile Spatial Statistics."
- Expansion of international businesses: We will strive to expand the revenues streams from international businesses by further enriching our international services and enhancing our overseas service counters. We will also seek revenue expansion and sustained growth through overseas business deployment by allying with partners.
- Domestic investments and alliances: We will endeavor to expand revenues and achieve sustained growth by creating new businesses and reinforcing our core business through the pursuit of investments and alliances in Japan. We will also drive innovation jointly with our partners and aim to create new value.

Taking the actions mentioned above as well as pursuing further operational efficiency by particularly focusing on cost reduction in such areas as network-related costs and other general expenses, we aim to achieve an operating income of over ¥900 billion for the fiscal year ending March 31, 2013. We will also strive to further expand our business by cultivating new business opportunities as well as becoming a "comprehensive service provider" centered around mobile communications, which we envisioned in our new corporate vision, "Pursuing Smart Innovation: HEART."

### Operating Revenues

Year ended March 31  
(Billions of yen)



■ Wireless services □ Equipment sales

## ■ Operating Trends

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

### Revenues

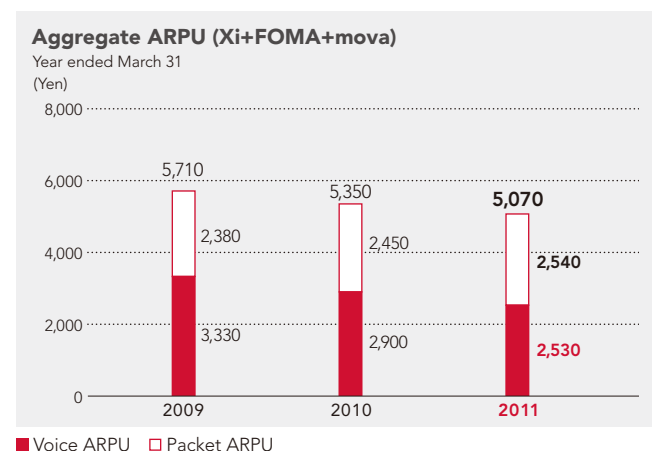
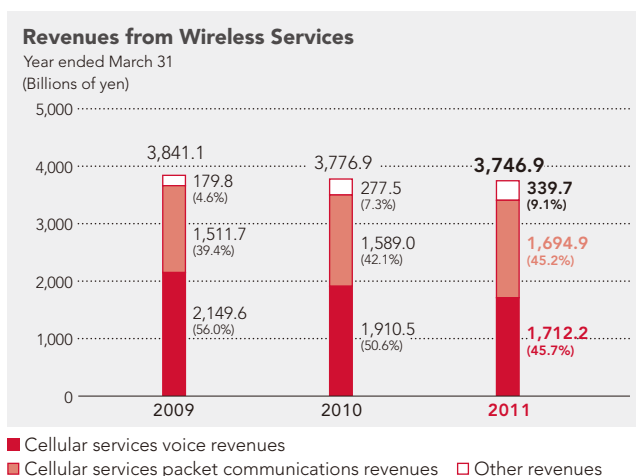
#### Wireless Services

We earn our wireless services revenues primarily from basic monthly charges, calling charges for outgoing calls, revenues from incoming calls including interconnection charges and charges for optional value-added services and features. Cellular services, which earn the majority of our overall revenues, consist of the third generation FOMA services, the second generation mova services and other services. We have decided to discontinue mova services on March 31, 2012 to more efficiently concentrate our business resources. We have been promoting the migration of mova subscribers to FOMA services, and the total number of FOMA subscriptions reached 56.75 million or 97.8% of our total number of cellular subscriptions as of March 31, 2011. We will continue our efforts to induce existing mova subscribers to migrate to FOMA services toward the scheduled termination of mova services on March 31, 2012.

Cellular services revenues include voice revenues and packet communications revenues. Voice revenues are derived from a combination of basic monthly charges for service and additional calling charges billed by connection time. The main source of our packet communications revenues are currently i-mode revenues, but smartphones and other new data services have become the largest drivers behind their growth. The contribution of packet communications revenues to our wireless services revenues has increased every year and accounted for 45.2% of wireless service revenues for the year ended March 31, 2011, as compared to 42.1% and 39.4% for the years ended March 31, 2010 and 2009, respectively.

Our top operational priorities include maintaining our current subscribers and the level of our average monthly revenue per unit ("ARPU"). Our cellular services revenues are essentially a function of our number of active subscriptions multiplied by ARPU.

Our number of subscriptions continues to grow, but its growth rate has been confined to a limited level. Our subscription churn rate, or contract termination rate, is an important performance indicator for us to achieve our important goal of retaining our current subscriptions. The churn rate has an impact on our number of subscriptions and in particular affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our revenues by decreasing the amount of revenues we are able to collect from each subscriber on average. In order to keep our churn rate low, we have focused on subscriber retention by implementing certain measures including offering discounts for long-term subscribers. During the fiscal year ended March 31, 2011, we employed various measures aimed for improving customer satisfaction on a continual basis from the previous fiscal year, including communications quality enhancement initiatives, revamping of after-sales support, and introduction of attractive billing plans. To improve our communications quality, we offered a service in which we dispatch our field staff to customers' premises within 48 hours, in principle, after setting up an appointment based on an inquiry from customers, and implemented various other measures aimed at enhancing our area coverage and network quality. To revamp our after-sales support, we continued to offer the "Mobile Phone Checking Service," which provides users with free basic checkups and cleaning of handsets, and also continued the program to provide a free battery pack or FOMA portable charger. In order to offer attractive billing plans, we focused mainly on the revision of our billing structure for data communications services in view of the rise in demand for data services, introducing new flat-rate billing options for smartphones, "Pake-hodai flat" and "Pake-hodai double 2," as well as the "Monthly Support" discount program, under which eligible subscribers purchasing a certain product such as a smartphone or a tablet device will be able to receive certain levels of discounts, which will vary by each model, on their monthly phone bill for up to 24 months. We also



started offering a flat-rate billing plan for unlimited packet access for users traveling abroad, "Overseas Pake-hodai." As a result of these endeavors, our churn rate for the fiscal year ended March 31, 2011 was maintained at a low rate of 0.47%.

ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as basic monthly charges, calling charges and packet communications charges, from designated services by the number of active subscriptions to the relevant services. ARPU is another important performance indicator for us to measure average monthly revenues per subscription. Accordingly, the calculation of ARPU excludes revenues that are not representative of monthly average usage such as subscription activation fees. We believe that our ARPU figures calculated in this way provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations.

In November 2007, we introduced a handset sales method called "Value Course." "Value Course" is a sales method, where the purchase of a handset is not discounted by a certain type of sales commission which had previously been paid to agent resellers, specifically designed for providing discounts on handset sales. As this handset sales method requires customers to pay full price to purchase a new handset, it awards the subscribers with a subscription to a billing plan with discounted basic monthly charges called "Value Plan." While we simultaneously introduced another sales method more similar to the conventional method called "Basic Course," where a subscriber purchases a handset discounted by our direct subsidy and undiscounted billing plans are applied, so far more than 95% of subscribers have opted for the "Value Course," and the number of "Value Plan" subscriptions reached approximately 41.25 million, or 71% of our total subscriptions, as of March 31, 2011. Our aggregate ARPU (Xi+FOMA+mova) has been on a constant decline, and the drop of voice ARPU, in particular, has accelerated in recent years. This is due largely to the impact from the expanded uptake of "Value Plan" because basic monthly charges are included in the calculation of voice ARPU and the impact from the drop of billable MOU resulting from the growing utilization of free calling allowances. The revisions made to the calculation method of our interconnection fees (access charges) have also contributed to the decline in voice ARPU. From the fiscal year ended March 31, 2011, in accordance with the "Guidelines for the Operation of the Type II Specified Telecommunications Equipment Systems" published by the Ministry of Internal Affairs and Communications in March 2010, our interconnection fees are calculated

excluding operating expenses (with the exception of some expense items) from the cost of interconnection.

For the fiscal year ended March 31, 2011, although we achieved an increase in packet communications revenues as a result of our intensive efforts to boost the usage of video and other data services and strengthen the sales of smartphones and other devices, our total cellular service revenues continued to decline because the increase of data revenues fell short of completely offsetting the drop in voice revenues resulting from the expanded uptake of "Value Plan" and reduced billable MOU.

Raising packet communications revenues is one of the top priorities in our business strategy, and we have employed various measures aimed at expanding subscribers' packet usage. Such measures include expanding user base of smartphones, PC data cards and mobile Wi-Fi routers, encouraging subscribers to join flat-rate packet billing plans, expansion of video usage, enrichment of everyday life-oriented content, improving the ease of use and convenience of our products. Through the execution of "DOCOMO's Change and Challenge" action plan, we will strive to retain our existing subscriber base by enhancing the level of customer satisfaction, and achieve growth by increasing our packet ARPU.

#### Equipment Sales

We collaborate with handset manufacturers to develop handsets compatible with our cellular services, purchase the handsets from those handset manufacturers and then sell those handsets to agent resellers for sale to our subscribers.

As described in the section of Wireless Services above, in November 2007, we introduced a handset sales method, "Value Course." Payment in installments is made available for a subscriber to purchase a handset from agent resellers under this "Value Course" purchase scheme. If a subscriber chooses to pay in installments, under the agreement entered into among the subscriber, the agent reseller and us, we provide funds by paying for the purchased handset to the agent resellers and include the installment charge for the purchased handset in the monthly bill for network usage for the installment payment term. This agreement is separate from the telecommunications service contract entered into between the subscriber and us, or the equipment sales contract concluded between the agent reseller and subscriber. Because the revenues from equipment sales are recognized upon the delivery of handsets to agent resellers, cash collection of the installments receivable for the purchased handset from subscribers do not have an impact on any of our revenues, including equipment sales revenues.



Revenues from equipment sales, primarily sales of handsets and other telecommunications equipment to agent resellers, accounted for 11.3% of total operating revenues for the year ended March 31, 2011. We account for a portion of the sales commissions that we pay to agent resellers as a reduction in equipment sales revenues in accordance with U.S. GAAP. As a result, structurally, the cost of equipment sold has exceeded equipment sales revenues. However, with the introduction of "Value Course" in November 2007 and accompanying reduction of sales commissions, the amount of sales commissions deducted from equipment sales revenues decreased significantly, and the effects of the excess amount of cost of the equipment sold over equipment sales revenues has also weakened. During the year ended March 31, 2011, equipment sales revenues decreased by ¥30.1 billion or 5.9% compared to the prior fiscal year due mainly to the decrease in the wholesale price per unit achieved as a result of a decrease in the procurement cost per unit.

Because the trend of handset sales is closely interrelated with the cost of handsets sold, please refer to the "Cost of Equipment Sold" section below.

#### Creation of New Revenues Sources

As the Japanese mobile phone market continues to mature, the competition among carriers has intensified in such areas as rate reductions. Against this backdrop, with the aim of achieving sustained growth, we have worked to diversify our revenue sources while stepping up our efforts to reinforce our wireless services business.

Following the launch of our credit brand "iD" in December 2005, we commenced a proprietary mobile credit payment service "DCMX" in April 2006. Through these services, which enable credit payment using mobile phones with the contactless IC chips embedded inside the handset, we would like to transform mobile phones into a tool that serves various needs in everyday life. With the subscriber base of "DCMX" reaching 12.32 million and the number of "iD" reader/writer machines installed growing to approximately 510,000 as of March 31, 2011, the amount of credit transactions handled has also been rising.

In April 2009, to invigorate the mobile e-commerce market that offers great potential for growth in the future, we acquired a majority stake in OAK LAWN MARKETING, INC., a leading TV and home shopping firm in Japan which subsequently became our consolidated subsidiary.

Our subsidiary for multimedia broadcasting service, Multimedia Broadcasting, Inc., which changed its name to mmbi, Inc. on April 1, 2011, received approval from the Ministry of Internal Affairs and Communications for setting up stations for commissioned broadcasting

business in September 2010. To prepare for the commercial launch of multimedia broadcasting business scheduled for April 2012, the commissioned broadcasting business was spun off to an operating subsidiary, Japan Mobilecasting, Inc. in January 2011. Multimedia broadcasting service is a new type of broadcast media based on the ISDB-Tmm standard, which can offer both storage-type broadcasting services that allow users to view a wide variety of content such as videos, music, newspapers, magazines and electronic books after automatically storing the content in mobile devices, as well as a high-quality streaming service that delivers high-quality, high-resolution broadcasting content in real time.

We will continue to strive to expand these business fields going forward. We intend to pursue investments and alliances with the aim of strengthening our operations, without distinction as to core or new business, to expand our revenues and achieve sustained growth. We will continually seek opportunities of investment and alliance that will benefit our business management.

## Expenses

### Cost of Services

Cost of services represents the expenses we incur directly in connection with providing our subscribers with wireless communication services and includes the cost for usage of other operators' networks, maintenance of equipment or facilities and payroll for employees dedicated to the operations and maintenance of our wireless services. Cost of services accounted for 26.5% of our total operating expenses for the year ended March 31, 2011. Major components of cost of services include facility maintenance expenses, which are incurred to maintain our network facilities, and communication network charges, which we pay for the usage of other operators' networks or for access charges, accounting for 33.5% and 29.1% of the total cost of services, respectively. The amount of our communication network charges is dependent on the rates set by other operators. Cost of Services for the year ended March 31, 2011 decreased by ¥4.1 billion or 0.5% to ¥896.5 billion from the prior fiscal year.

### Cost of Equipment Sold

Cost of equipment sold arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, which is basically dependent on the number of handsets sold to agent resellers and the purchase price per handset. Cost of equipment sold represented 19.6% of our operating expenses for the year ended March 31, 2011. The cost of equipment sold for the fiscal year ended March 31, 2011 decreased by ¥35.7 billion, or 5.1%, compared to the prior fiscal year due mainly to the reduction in the per-unit cost of procurement, which was achieved through the preparation of a product lineup consisting mainly of low-price handsets featuring stylish designs in response to customers' orientation toward less expensive products.

### Depreciation and Amortization

Depreciation and amortization accounted for 20.5% of our operating expenses for the year ended March 31, 2011. In order to respond attentively to demand from our subscribers, we made capital investments primarily for the FOMA services network during the period through March 31, 2011. The principal actions undertaken during the fiscal year ended March 31, 2011, included the following:

- Further enhancement of FOMA network service area quality to respond attentively to customers' requests;
- Reinforcement of network facilities in response to the traffic growth resulting from the increased adoption of smartphones, etc.; and
- Roll-out of service areas for the launch of Xi, which utilizes LTE system

Our annual capital expenditures have been declining after FOMA-related network investments peaked in the fiscal year ended March 31, 2007. Therefore, depreciation and amortization expenses have also been showing a downward trend. In addition, we have been involved with cost saving efforts such as economized procurement, design and installment of low-cost devices and improvements in construction processes. As a consequence, depreciation and amortization expenses for the year ended March 31, 2011 decreased from the prior fiscal year.

For more details concerning our capital expenditures, please refer to "Capital Expenditures" to be hereinafter described.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses represented 33.4% of our total operating expenses for the year ended March 31, 2011. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, the most significant of which was

commissions paid to agent resellers. While some of these commissions are linked to sales activities such as new subscriptions and handset upgrades, others result from non-sales activities such as processing of billing plan changes and handset repairs. In accordance with U.S. GAAP, in our accounting, a portion of the sales activities linked commissions paid to agent resellers is recognized as a deduction from equipment sales while the rest of commissions, both sales activities linked and non-sales activities linked, as selling, general and administrative expenses.

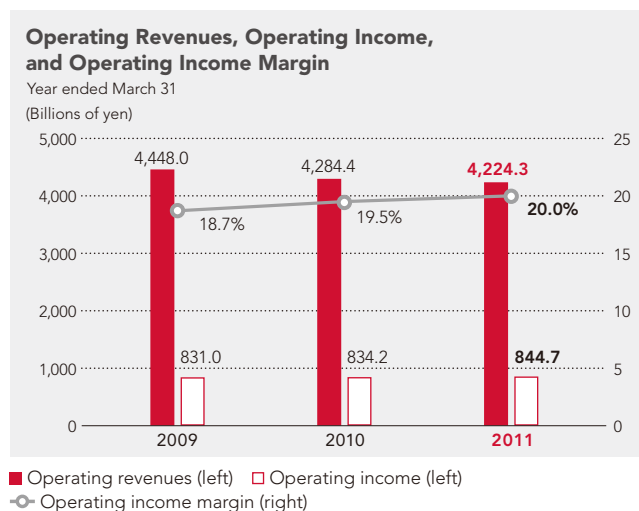
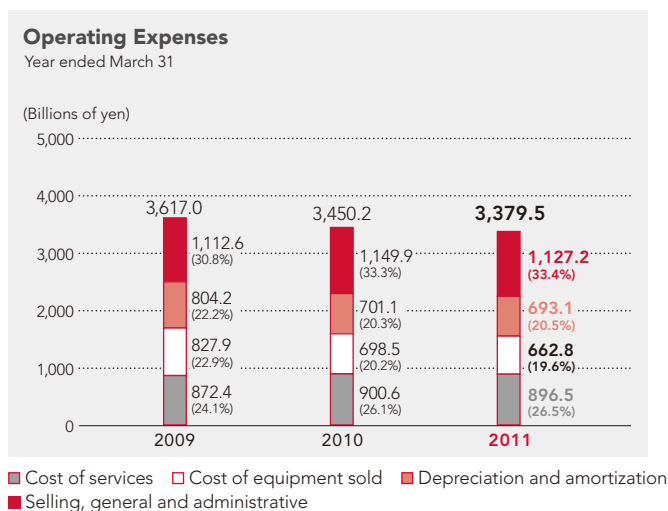
Our total selling, general and administrative expenses for the fiscal year ended March 31, 2011 declined compared to the prior fiscal year due to our efforts to decrease the amount of the commissions included in the selling, general and administrative expenses and to other measures dedicated to more efficient use of operational expenses.

### Operating income

For the year ended March 31, 2011, operating revenues decreased from the prior fiscal year owing to a decline in wireless services revenues resulting from a drop in ARPU and a decrease of equipment sales revenues caused by a reduction in the wholesale price per unit. On the other hand, the decrease in operating expenses resulting from the decline in costs of equipment sold and other expenses associated with the sales of equipment and our ongoing efforts to reduce costs, including reductions in network-related costs, more than offset the decrease in operating revenues. As a result, operating income recorded a year-on-year increase.

### Other income and expenses, equity in net income (losses) of affiliates

As part of our corporate strategy, we have made investments in foreign and domestic companies in businesses that complement our mobile communications business. In accordance with U.S. GAAP, the



investment is accounted for under the equity method and recognized under "Investments in affiliates" in our consolidated balance sheets when we are able to exercise significant influence over the investee, but do not have a controlling financial interest. In accordance with equity method accounting, we include our equity in the net income or losses of affiliates in our consolidated statements of income. Where we do not have an ability to exercise significant influence over the investee, we include the investment as "Marketable securities and other investments" in our consolidated balance sheets. Our results of operations can be affected by impairments of such investments and losses and gains on the sale of such investments. The impairment charges for "Marketable securities and other investments" and realized gains or losses from sales of "Investments in affiliates" and "Marketable securities and other investments" are recognized in "Other

income and expenses," whereas the impairment charges for "Investments in affiliates" are recognized in "Equity in net income (losses) of affiliates." In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in "Equity in net losses of affiliates" in our consolidated statements of income and comprehensive income for relevant years. It is possible that we could experience similar impairments with respect to our "Investments in affiliates" and "Marketable securities and other investments" again in the future. Please refer to "Critical Accounting Policies—Impairment of investments." We may also experience material gains or losses on the sale of our investments. As of March 31, 2011, the total carrying value of "Investments in affiliates" was ¥525.5 billion, while the total carrying value for investments in "Marketable securities and other investments" was ¥128.1 billion.

## ■ Operating Results for the Year Ended March 31, 2011

The following discussion includes analysis of our operating results for the year ended March 31, 2011. The tables below describe selected operating data and income statement data:

### Key Performance Indicators

	Years ended March 31			
	2010	2011	Increase (Decrease)	Change (%)
<b>Cellular</b>				
Subscriptions (thousands)	56,082	<b>58,010</b>	1,928	3.4%
Xi services (thousands)	–	<b>26</b>	–	–
FOMA services (thousands)	53,203	<b>56,746</b>	3,542	6.7%
mova services (thousands)	2,879	<b>1,239</b>	(1,640)	(57.0)%
i-mode services (thousands)	48,992	<b>48,141</b>	(851)	(1.7)%
sp-mode services (thousands)	–	<b>2,095</b>	–	–
Market Share (%) <sup>(1)(2)</sup>	50.0	<b>48.5</b>	(1.5)	–
Aggregate ARPU (Xi+FOMA+mova) (yen/month/subscription) <sup>(3)</sup>	5,350	<b>5,070</b>	(280)	(5.2)%
Voice ARPU (yen/month/subscription) <sup>(4)</sup>	2,900	<b>2,530</b>	(370)	(12.8)%
Packet ARPU (yen/month/subscription)	2,450	<b>2,540</b>	90	3.7%
MOU (Xi+FOMA+mova) (minutes/month/subscription) <sup>(3)(5)</sup>	136	<b>134</b>	(2)	(1.5)%
Churn Rate (%) <sup>(2)</sup>	0.46	<b>0.47</b>	0.01	–

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

(2) Data calculated including Communication Module Services subscriptions.

(3) Data are calculated excluding Communication Module Services-related revenues and Communication Module Services subscriptions, and Phone Number Storage and Mail Address Storage services-related revenues and those subscriptions.

(4) Inclusive of circuit switched data communications.

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

Breakdown of Financial Information	Millions of yen			
	Years ended March 31			
	2010	2011	Increase (Decrease)	Change (%)
<b>Operating revenues</b>				
Wireless services	¥3,776,909	<b>¥3,746,869</b>	¥ (30,040)	(0.8)%
Cellular services revenues	3,499,452	<b>3,407,145</b>	(92,307)	(2.6)%
– Voice revenues <sup>(6)</sup>	1,910,499	<b>1,712,218</b>	(198,281)	(10.4)%
Including: FOMA services	1,785,518	<b>1,658,863</b>	(126,655)	(7.1)%
– Packet communications revenues	1,588,953	<b>1,694,927</b>	105,974	6.7%
Including: FOMA services	1,558,284	<b>1,679,840</b>	121,556	7.8%
Other revenues	277,457	<b>339,724</b>	62,267	22.4%
Equipment sales	507,495	<b>477,404</b>	(30,091)	(5.9)%
Total operating revenues	4,284,404	<b>4,224,273</b>	(60,131)	(1.4)%
<b>Operating expenses</b>				
Cost of services	900,642	<b>896,502</b>	(4,140)	(0.5)%
Cost of equipment sold	698,495	<b>662,829</b>	(35,666)	(5.1)%
Depreciation and amortization	701,146	<b>693,063</b>	(8,083)	(1.2)%
Selling, general and administrative	1,149,876	<b>1,127,150</b>	(22,726)	(2.0)%
Total operating expense	3,450,159	<b>3,379,544</b>	(70,615)	(2.0)%
<b>Operating income</b>	834,245	<b>844,729</b>	10,484	1.3%
<b>Other income (expense)</b>	1,912	<b>(9,391)</b>	(11,303)	–
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	836,157	<b>835,338</b>	(819)	(0.1)%
<b>Income taxes</b>	338,197	<b>337,837</b>	(360)	(0.1)%
<b>Income before equity in net income (losses) of affiliates</b>	497,960	<b>497,501</b>	(459)	(0.1)%
Equity in net income (losses) of affiliates (net of applicable taxes)	(852)	<b>(5,508)</b>	(4,656)	(546.5)%
<b>Net income</b>	497,108	<b>491,993</b>	(5,115)	(1.0)%
Less: Net (income) loss attributable to noncontrolling interests	(2,327)	<b>(1,508)</b>	819	35.2%
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ 494,781	<b>¥ 490,485</b>	¥ (4,296)	(0.9)%

(6) Inclusive of circuit switched data communications.

### Analysis of operating results for the year ended March 31, 2011 and comparison with the prior fiscal year

The total number of our cellular (Xi+FOMA+mova) subscriptions as of March 31, 2011 was 58.01 million, up 1.93 million, or 3.4%, compared to 56.08 million as of the end of the prior fiscal year. As of March 31, 2011, the number of FOMA subscriptions reached 56.75 million, which equaled 97.8% of our total cellular subscriptions, posting an increase of 3.54 million, or 6.7%, compared to 53.20 million as of March 31, 2010. On the other hand, the number of mova subscriptions has decreased constantly since the fiscal year ended March 31, 2004 as a result of our efforts to migrate subscribers to the FOMA network. As of March 31, 2011, the total number of mova subscriptions was 1.24 million, decreasing by 1.64 million, or 57.0%, from 2.88 million as of the end of the prior fiscal year. Our subscriber market share as of March 31, 2011 was 48.5%, dropping by 1.5 points from 50.0% as of the end of the prior fiscal year. The number of i-mode subscriptions was 48.14

million as of March 31, 2011, recording a decrease of 0.85 million or 1.7% from 48.99 million as of March 31, 2010. On the other hand, the subscriptions to “sp mode,” our ISP service for smartphones launched in September 2010, reached 2.09 million as of March 31, 2011.

The total number of handsets sold in the fiscal year ended March 31, 2011 grew to 19.06 million, posting an increase of 1.02 million, or 5.6%, compared to 18.04 million for the prior fiscal year, driven by the surge in the sales of smartphones.

Aggregate ARPU for cellular (Xi+FOMA+mova) service for the fiscal year ended March 31, 2011 dropped to ¥5,070, down ¥280 or 5.2%, compared to ¥5,350 for the prior fiscal year. Voice ARPU decreased by ¥370 or 12.8% to ¥2,530, compared to ¥2,900 for the prior fiscal year. The primary factor behind this decline was the increase in the number of users subscribing to the “Value Plan” and decline in billable MOU. Packet ARPU, on the other hand, grew to ¥2,540, recording an increase of ¥90 or 3.7% from ¥2,450 for the prior fiscal year. The

main reasons for the increase in packet ARPU include the impact of expanded data usage resulting from our efforts for boosting the usage of i-mode service, migrating existing subscribers to smartphones and acquiring new smartphone subscriptions, and cultivating new demand for mobile Wi-Fi routers and tablet devices. The MOU (Xi+FOMA+mov) decreased by 2 minutes or 1.5% to 134 minutes compared to 136 minutes for the prior fiscal year. The billable MOU, in particular, decreased from 118 minutes for the prior fiscal year to 114 minutes, posting a decline of 4 minutes or 3.4%, due mainly to the expansion of free communications allowances.

Our cellular churn rate was 0.47% and 0.46% for the fiscal years ended March 31, 2011 and March 31, 2010, respectively. The churn rate for the fiscal year ended March 31, 2011 maintained a level comparable to the previous fiscal year in which we saw a record low churn rate, owing to our customer satisfaction improvement initiatives. We have successfully maintained our churn rate lower than that of other carriers in Japan, which we believe was attained as a result of various factors, including among other things, introduction of competitive billing plans and gaining the confidence of customers in our network and services. However, no assurance can be given that we can maintain the churn rate at the current level or achieve a further reduction.

Our operating revenues for the fiscal year ended March 31, 2011, were ¥4,224.3 billion, a decline of ¥60.1 billion or 1.4% from ¥4,284.4 billion for the prior fiscal year. Wireless services revenues were ¥3,746.9 billion, decreasing by ¥30.0 billion or 0.8% compared to ¥3,776.9 billion for the prior fiscal year. Consequently, the contribution of wireless services revenues to our total operating revenues for the fiscal year ended March 31, 2011 increased to 88.7% from 88.2% for the prior fiscal year. The year-on-year decrease in wireless services revenues was primarily attributable to the drop of cellular services revenues, particularly voice revenues. The decline in cellular services revenues was the net result of the decrease in voice revenues (which dropped by ¥198.3 billion or 10.4% to ¥1,712.2 billion from ¥1,910.5 billion for the prior fiscal year), which was partially offset by the increase in packet revenues (which grew by ¥106.0 billion or 6.7% from ¥1,589.0 billion in the prior fiscal year to ¥1,694.9 billion). An analysis on the reasons for the decline in voice revenues and increase in packet revenues is provided in the section explaining the changes in ARPU. Of the cellular services revenues, the revenues generated by FOMA voice services decreased by ¥126.7 billion or 7.1% from ¥1,785.5 billion for the prior fiscal year to ¥1,658.9 billion for the fiscal year ended March 31, 2011. On the other hand, the revenues generated by FOMA packet services increased to ¥1,679.8 billion, up ¥121.6 billion or 7.8%, from ¥1,558.3 billion for the prior fiscal year. Equipment sales revenues decreased by ¥30.1 billion or 5.9% to ¥477.4 billion for the year ended March 31, 2011 from ¥507.5 billion for the prior fiscal year, due mainly to a reduction in the whole-sale price per unit.

Operating expenses decreased by ¥70.6 billion or 2.0% from ¥3,450.2 billion for the prior fiscal year to ¥3,379.5 billion for the fiscal year ended March 31, 2011. This was mainly attributable to a decrease in cost of equipment sold, which dropped by ¥35.7 billion or 5.1% to ¥662.8 billion from ¥698.5 billion for the prior fiscal year as a result of a reduction in the handset procurement cost per unit: a reduction in selling, general and administrative expenses of ¥22.7 billion or 2.0% from ¥1,149.9 billion for the prior fiscal year to ¥1,127.2 billion for the fiscal year ended March 31, 2011 resulting from the decline in customer service-related expenses: and a decrease in depreciation and amortization, which declined by ¥8.1 billion or 1.2% from ¥701.1 billion for the prior fiscal year to ¥693.1 billion for the fiscal year ended March 31, 2011.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2011 increased by ¥10.5 billion or 1.3%, from ¥834.2 billion for the prior fiscal year to ¥844.7 billion. Accordingly, the operating income margin improved from 19.5% for the prior fiscal year to 20.0%. The growth of operating income, despite a decrease in operating revenues, contributed to this improvement, which was attained by making up for the decline in operating revenues resulting mainly from the reduction of voice revenues by a reduction of network-related costs and other operating expenses.

Other income (expense) includes items such as interest income, interest expense, gains and losses on sale of "Marketable securities and other investments" and foreign exchange gains and losses. We accounted for ¥9.4 billion as other expense for the fiscal year ended March 31, 2011, increasing expenses by ¥11.3 billion compared to the prior fiscal year, during which we recorded other income of ¥1.9 billion. This is mainly because we recorded other-than-temporary impairment charges for marketable securities and other investment in the fiscal year ended March 31, 2011, while we recognized only minimal other-than-temporary impairment charges in the prior fiscal year ended March 31, 2010.

Income before income taxes and equity in net income (losses) of affiliates decreased by ¥0.8 billion or 0.1% to ¥835.3 billion for the fiscal year ended March 31, 2011, from ¥836.2 billion for the prior fiscal year.

Income taxes were ¥337.8 billion for the year ended March 31, 2011 and ¥338.2 billion for the year ended March 31, 2010, representing effective income tax rate of approximately 40.4% for both fiscal years. We are subject to income taxes imposed by various taxing authorities in Japan, including corporate income tax, corporate enterprise tax, corporate inhabitant income taxes and special local corporation tax, which in the aggregate amounted to a statutory income tax rate of 40.8% for both fiscal years ended March 31, 2011 and March 31, 2010. The Japanese government introduced various special tax benefits, one of which enabled us to deduct from our taxable income a portion of investments in research and development ("R&D

investment tax incentive"). The difference between our effective tax rate and statutory income tax rate for the years ended March 31, 2011 and 2010 arose primarily from such special tax allowances.

For equity in net losses of affiliates (net of applicable taxes), we recognized our equity in the net losses of our affiliates of ¥5.5 billion

for the fiscal year ended March 31, 2011 and ¥0.9 billion for the fiscal year ended March 31, 2010.

As a result of the foregoing, we recorded ¥490.5 billion in net income attributable to NTT DOCOMO, INC., posting a decrease of ¥4.3 billion or 0.9% from ¥494.8 billion for the prior fiscal year.

## ■ Operating Results for the Year Ended March 31, 2010

The following discussion includes analysis of our operating results for the year ended March 31, 2010. The tables below describe selected operating data and income statement data:

### Key Performance Indicators

	Years ended March 31			
	2009	2010	Increase (Decrease)	Change (%)
<b>Cellular</b>				
Subscriptions (thousands)	54,601	56,082	1,481	2.7%
FOMA services (thousands)	49,040	53,203	4,163	8.5%
mova services (thousands)	5,560	2,879	(2,682)	(48.2)%
i-mode services (thousands)	48,474	48,992	518	1.1%
Market Share (%) <sup>(1) (2)</sup>	50.8	50.0	(0.8)	–
Aggregate ARPU (FOMA+mova) (yen/month/subscription) <sup>(3)</sup>	5,710	5,350	(360)	(6.3)%
Voice ARPU (yen/month/subscription) <sup>(4)</sup>	3,330	2,900	(430)	(12.9)%
Packet ARPU (yen/month/subscription)	2,380	2,450	70	2.9%
MOU (FOMA+mova) (minutes/month/subscription) <sup>(3) (5)</sup>	137	136	(1)	(0.7)%
Churn Rate (%) <sup>(2)</sup>	0.50	0.46	(0.04)	–

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

(2) Data calculated including Communication Module Services subscriptions.

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

(4) Inclusive of circuit switched data communications.

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

Breakdown of Financial Information	Millions of yen			
	Years ended March 31			
	2009	2010	Increase (Decrease)	Change (%)
<b>Operating revenues</b>				
Wireless services	¥3,841,082	¥3,776,909	¥ (64,173)	(1.7)%
Cellular services revenues	3,661,283	3,499,452	(161,831)	(4.4)%
– Voice revenues <sup>(6)</sup>	2,149,617	1,910,499	(239,118)	(11.1)%
Including: FOMA services	1,877,835	1,785,518	(92,317)	(4.9)%
– Packet communications revenues	1,511,666	1,588,953	77,287	5.1%
Including: FOMA services	1,449,440	1,558,284	108,844	7.5%
Other revenues	179,799	277,457	97,658	54.3%
Equipment sales	606,898	507,495	(99,403)	(16.4)%
Total operating revenues	4,447,980	4,284,404	(163,576)	(3.7)%
<b>Operating expenses</b>				
Cost of services	872,438	900,642	28,204	3.2%
Cost of equipment sold	827,856	698,495	(129,361)	(15.6)%
Depreciation and amortization	804,159	701,146	(103,013)	(12.8)%
Selling, general and administrative	1,112,568	1,149,876	37,308	3.4%
Total operating expenses	3,617,021	3,450,159	(166,862)	(4.6)%
<b>Operating income</b>	830,959	834,245	3,286	0.4%
<b>Other income (expense)</b>	(50,486)	1,912	52,398	–
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	780,473	836,157	55,684	7.1%
<b>Income taxes</b>	308,400	338,197	29,797	9.7%
<b>Income before equity in net income (losses) of affiliates</b>	472,073	497,960	25,887	5.5%
Equity in net income (losses) of affiliates (net of applicable taxes)	(672)	(852)	(180)	(26.8)%
<b>Net income</b>	471,401	497,108	25,707	5.5%
Less: Net (income) loss attributable to noncontrolling interests	472	(2,327)	(2,799)	–
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ 471,873	¥ 494,781	¥ 22,908	4.9%

(6) Inclusive of circuit switched data communications.

### Analysis of operating results for the year ended March 31, 2010 and comparison with the prior fiscal year

The total number of our cellular (FOMA+mova) subscriptions as at March 31, 2010 was 56.08 million, up 1.48 million, or 2.7%, compared to 54.60 million as of the end of the prior fiscal year. As of March 31, 2010, the number of FOMA subscriptions reached 53.20 million, which equaled 94.9% of our total cellular subscriptions, posting an increase of 4.16 million, or 8.5%, compared to 49.04 million as of March 31, 2009. On the other hand, the number of mova subscriptions has decreased constantly since the fiscal year ended March 31, 2004, as a result of our efforts to migrate subscribers to the FOMA network. As of March 31, 2010, the total number of mova subscriptions was 2.88 million, decreasing by 2.68 million, or 48.2%, from 5.56 million as of the end of the prior fiscal year. Our subscriber market share as of March 31, 2010 dropped by 0.8 points from 50.8% as of the end of the prior fiscal year to 50.0%. The number of i-mode subscriptions reached 48.99 million as of March 31, 2010, recording an increase of 0.52 million or 1.1% from 48.47 million as of March 31, 2009.

Aggregate ARPU for cellular (FOMA+mova) service for the fiscal year ended March 31, 2010 dropped to ¥5,350, down ¥360 or 6.3%, compared to ¥5,710 for the prior fiscal year. Voice ARPU decreased by ¥430 or 12.9% to ¥2,900, compared to ¥3,330 for the prior fiscal year. The primary factors behind this decline were the significant increase in the number of users subscribing to the “Value Plan” and decline in billable MOU. Packet ARPU, on the other hand, grew to ¥2,450, recording an increase of ¥70 or 2.9% from ¥2,380 for the prior fiscal year. The main reasons for the increase in packet ARPU include the growth in the number of users subscribing to flat-rate packet plans for unlimited i-mode access, and the widespread adoption of “i-channel” and other services designed to boost i-mode usage. The MOU (FOMA+mova) decreased by 1 minute or 0.7% to 136 minutes compared to 137 minutes for the prior fiscal year. The billable MOU, in particular, decreased from 124 minutes for the prior fiscal year to 118 minutes, posting a decline of 6 minutes or 4.8%, due mainly to the expansion of free communications allowances.

Our cellular churn rate was 0.46% and 0.50% for the fiscal years ended March 31, 2010 and March 31, 2009, respectively. The churn rate for the fiscal year ended March 31, 2010 dropped by 0.04 points to a record low, owing to our efforts to promote the adoption of new handset sales methods and customer satisfaction improvement initiatives. We have successfully maintained our churn rate lower compared to that of other carriers in Japan, which we believe was attained as a result of various factors, including among other things, introduction of competitive billing plans and gaining the confidence of customers in our network and services. However, no assurance can be given that we can maintain the churn rate at the current level or achieve a further reduction.

During the fiscal year ended March 31, 2010, we strived to expand subscribers' packet usage through the expansion and enrichment of our video content services and other measures, and also accelerated the personalization of services with the launch of an upgraded behavior support service compatible with the Auto-GPS locating capability. In addition, we have taken various steps aimed at enhancing customer satisfaction, including the enrichment of our handset lineup, billing plans and after-sales support.

Our operating revenues for the fiscal year ended March 31, 2010, were ¥4,284.4 billion, posting a decline of ¥163.6 billion or 3.7% from ¥4,448.0 billion for the prior fiscal year. Wireless services revenues were ¥3,776.9 billion, decreasing by ¥64.2 billion or 1.7% compared to ¥3,841.1 billion for the prior fiscal year. The contribution of wireless services revenues to our total operating revenues for the fiscal year ended March 31, 2010 increased to 88.2% from 86.4% for the prior fiscal year. The year-on-year decrease in wireless services revenues was primarily attributable to the drop of cellular services revenues, particularly voice revenues. The decline in cellular services revenues was the net result of the decrease in voice revenues (which dropped by ¥239.1 billion or 11.1% to ¥1,910.5 billion from ¥2,149.6 billion for the prior fiscal year) and the increase in packet revenues (which grew by ¥77.3 billion or 5.1% from ¥1,511.7 billion in the prior fiscal year to ¥1,589.0 billion). An analysis on the reasons for the decline in voice revenues and increase in packet revenues is provided in the section explaining the changes in ARPU. Of the cellular services revenues, the revenues generated by FOMA voice services decreased by ¥92.3 billion or 4.9% from ¥1,877.8 billion for the prior fiscal year to ¥1,785.5 billion for the fiscal year ended March 31, 2010. On the other hand, the revenues generated by FOMA packet services increased to ¥1,558.3 billion, up ¥108.8 billion or 7.5%, from ¥1,449.4 billion for the prior fiscal year. Equipment sales revenues decreased by ¥99.4 billion or 16.4% to ¥507.5 billion for the year ended March 31, 2010 from ¥606.9 billion for the prior fiscal year, because our handset sales were negatively affected by the sluggish economic conditions and other factors.

Operating expenses decreased by ¥166.9 billion or 4.6% from ¥3,617.0 billion for the prior fiscal year to ¥3,450.2 billion for the fiscal year ended March 31, 2010. This was mainly attributable to (i) a

decrease in cost of equipment sold, which dropped by ¥129.4 billion or 15.6% to ¥698.5 billion from ¥827.9 billion for the prior fiscal year, as a result of a decrease in the total number of handsets sold and the reduction in the handset procurement cost per unit, and (ii) a decrease in depreciation and amortization, which declined by ¥103.0 billion or 12.8% from ¥804.2 billion (inclusive of accelerated depreciation charges of mova-related assets) for the prior fiscal year to ¥701.1 billion for the fiscal year ended March 31, 2010. On the other hand, due to the increase in customer service-related expenses, cost of services increased by ¥28.2 billion or 3.2% from ¥872.4 billion for the prior fiscal year to ¥900.6 billion for the fiscal year ended March 31, 2010, while selling, general and administrative expenses grew to ¥1,149.9 billion, up ¥37.3 billion or 3.4%, compared to ¥1,112.6 billion for the prior fiscal year.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2010 increased by ¥3.3 billion or 0.4%, from ¥831.0 billion for the prior fiscal year to ¥834.2 billion. Accordingly, the operating income margin improved from 18.7% for the prior fiscal year to 19.5%. The growth of operating income, despite a decrease in operating revenues, contributed to this improvement, which was attained by making up for the decline in operating revenues resulting mainly from the reduction of voice revenues by a reduction of network-related costs and other operating expenses, and performance improvements in miscellaneous businesses segment.

Other income (expense) includes items such as interest income, interest expense, gains and losses on sale of "Marketable securities and other investments" and foreign exchange gains and losses. We accounted for ¥1.9 billion as other income for the fiscal year ended March 31, 2010, achieving an improvement of ¥52.4 billion compared to the prior fiscal year, during which we recorded other expenses of ¥50.5 billion. This is because we recorded only minimal other-than-temporary impairment charges for "Marketable securities and other investments" in the fiscal year ended March 31, 2010, while we recognized other-than-temporary impairment charges of ¥57.8 billion in the prior fiscal year ended March 31, 2009. The other-than-temporary impairment charges recognized in the prior fiscal year included an impairment of ¥26.3 billion, which resulted mainly from foreign currency fluctuation, for the common shares of KT Freetel Co., Ltd. (KTF) based on its fair market value as of March 31, 2009 in connection with the merger of KTF and KT Corporation (KT) in June 2009, under which KTF shares would be exchanged for KT common shares and KT exchangeable bonds.

Income before income taxes and equity in net income (losses) of affiliates increased by ¥55.7 billion or 7.1% to ¥836.2 billion for the fiscal year ended March 31, 2010, from ¥780.5 billion for the prior fiscal year.

Income taxes were ¥338.2 billion for the year ended March 31, 2010, and ¥308.4 billion for the year ended March 31, 2009, representing effective income tax rate of approximately 40.4% and 39.5%,



respectively. We are subject to income taxes imposed by various taxing authorities in Japan, including corporate income tax, corporate enterprise tax, corporate inhabitant income taxes and special local corporation tax, which in the aggregate amounted to a statutory income tax rate of 40.8% for both fiscal years ended March 31, 2010 and March 31, 2009. The Japanese government introduced various special tax benefits, one of which enabled us to deduct from our taxable income a portion of investments in research and development (“R&D investment tax incentive”). The difference between our effective tax rate and statutory income tax rate for the years ended March 31, 2010 and 2009 arose primarily from such special tax allowances.

For equity in net losses of affiliates (net of applicable taxes), we recognized our equity in the net losses of our affiliates of ¥0.9 billion for the fiscal year ended March 31, 2010 and ¥0.7 billion for the fiscal year ended March 31, 2009.

As a result of the foregoing, for the fiscal year ended March 31, 2010, we recorded ¥494.8 billion in net income attributable to NTT DOCOMO, INC., posting an increase of ¥22.9 billion or 4.9% from ¥471.9 billion for the prior fiscal year.

## ■ Segment Information

### General

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

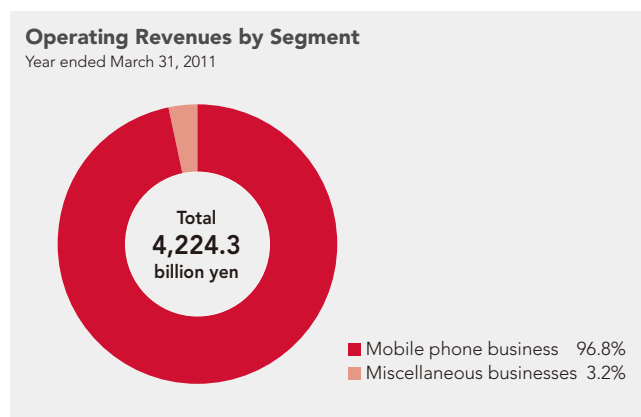
The mobile phone business segment includes Xi services, FOMA services, mova services, packet communications services, satellite mobile communications services, international services and the equipment sales related to these services. The miscellaneous businesses segment includes home shopping services,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

### Mobile phone business segment

For the year ended March 31, 2011, operating revenues from our mobile phone business segment decreased by ¥77.0 billion or 1.8% to ¥4,090.7 billion from ¥4,167.7 billion in the prior fiscal year. Cellular services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥92.3 billion or 2.6% to ¥3,407.1 billion for the year ended March 31, 2011 from ¥3,499.5 billion in the prior fiscal year. Equipment sales revenues for the year ended March 31, 2011 decreased from the prior fiscal year due to a reduction in the wholesale price per unit. Revenues from our mobile phone business segment represented 96.8% and 97.3% of total operating revenues for the years ended March 31, 2011 and 2010, respectively. Operating expenses in our mobile phone business segment decreased by ¥88.1 billion or 2.7% to ¥3,233.9 billion from ¥3,322.1 billion in the prior fiscal year. As a result, operating income from our mobile phone business segment increased by ¥11.1 billion or 1.3% to ¥856.7 billion compared to ¥845.6 billion in the prior fiscal year. Analysis of the changes in revenues and expenses of our mobile phone business segment is also presented in “Operating Trends” and “Operating Results for the Year Ended March 31, 2011,” which were discussed above.

### Miscellaneous businesses segment

Operating revenues from our miscellaneous businesses increased by ¥16.9 billion or 14.5% from ¥116.7 billion in the prior fiscal year to ¥133.6 billion for the year ended March 31, 2011, which represented 3.2% of total operating revenues. Operating expenses from our miscellaneous businesses increased by ¥17.5 billion or 13.7% from ¥128.1 billion in the prior fiscal year to ¥145.6 billion. The increase in operating revenues and expenses resulted primarily from the steadfast expansion of the home shopping business, which uses television as its main medium. As we have also promoted the measures aimed for the launch and expansion of multimedia broadcasting and other new businesses, operating loss from our miscellaneous businesses for the year ended March 31, 2011 grew to ¥12.0 billion from ¥11.4 billion in the prior fiscal year.



### ■ Recent Accounting Pronouncements

In October 2009, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2009-13 “Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements” (“ASU2009-13”). ASU2009-13 requires allocation of the overall consideration to each deliverable in an arrangement with multiple deliverables using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables and eliminates residual method of allocation. ASU2009-13 is effective for fiscal years beginning on or after June 15, 2010. We currently estimate that the impact of adopting ASU2009-13 on our results of operations and financial position will be immaterial.

### ■ Critical Accounting Policies

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

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

The values of our property, plant and equipment, such as the base stations, antennas, switching centers and transmission lines used by our cellular business, our internal-use software and our other intangible assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives. We estimate the useful lives of property, plant and equipment, internal-use software and other intangible assets in order to determine

the amount of depreciation and amortization expenses to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2011, 2010 and 2009 were ¥693.1 billion, ¥701.1 billion and ¥804.2 billion, respectively. For the year ended March 31, 2009, depreciation and amortization expenses included the effect of accelerated depreciation charges of ¥60.1 billion for mova-related assets through the changes in estimated useful lives accompanied by our decision to discontinue mova services on March 31, 2012, while the effect of such accelerated depreciation charges was not material for the year ended March 31, 2011 and 2010. We determine the useful lives of our assets at the time the assets are acquired and base our determinations on expected usage, experience with similar assets, established laws and regulations as well as taking into account anticipated technological or other changes. The estimated useful lives of our wireless telecommunications equipment are generally set at from 8 to 16 years. The estimated useful life of our internal-use software is set at 5 years. If technological or other changes occur more rapidly or in a different form than anticipated, new laws or regulations are enacted, or the intended usage changes, the useful lives assigned to these assets may need to be shortened, resulting in recognition of additional depreciation and amortization expenses or losses in future periods.

#### Impairment of long-lived assets

We perform an impairment review for our long-lived assets to be held and used, including fixed assets such as our property, plant and equipment and certain identifiable intangibles such as software for telecommunications network, internal-use software and rights to use telecommunications facilities of wire line network operators, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This analysis is separate from our analysis of the useful lives of our assets, although it is affected by some similar factors. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following trends or conditions related to the business that utilizes a particular asset:

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

When we determine that the carrying amount of specific assets may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. If the carrying value of the assets exceeds the sum of the expected undiscounted future net cash flows, we record an impairment loss based on the fair values of the assets. Such fair values may be based on established markets, independent appraisals and valuations or discounted cash flows. If actual market and operating conditions under which assets are used are less favorable or subscriber numbers are less than those projected by management, either of which results in loss of cash flows, additional impairment charges for assets not previously written-off may be required. We did not recognize any impairment charges for the years ended March 31, 2011, 2010 and 2009.

### Impairment of investments

We have made investments in certain domestic and foreign entities. These investments are accounted for under the equity method, cost method, or at fair value as appropriate based on various conditions such as ownership percentages, exercisable influence over the investments and marketability of the investments. The total carrying value for the "Investments in affiliates" was ¥525.5 billion, while the total carrying value for "Marketable securities and other investments" was ¥128.1 billion as of March 31, 2011. Equity method and cost method accounting require that we assess if a decline in value or an associated event regarding any such investment has occurred and, if so, whether such decline is other than temporary. We perform a review for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following:

- significant or continued declines in the market values of the investee;
- loss of operating cash flow in current period;
- significant underperformance of historical cash flows of the investee;
- significant impairment losses or write-downs recorded by the investee;
- significant changes in the quoted market price of public investee affiliates;
- negative results of competitors of investee affiliates; and
- other negative industry or economic trends.

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

In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a new cost basis in the carrying amount of the investment. The impairment charge of "Investment in affiliates" is included in "Equity in losses of affiliates" while the impairment charge of "Marketable securities and other investments" is reflected in "Other income (expense)" in our consolidated statements of income and comprehensive income.

For the year ended March 31, 2009, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates, but the impairment charges did not have a material impact on our results of operations and financial position. We did not recognize any impairment charges on "Investments in affiliates" for the year ended March 31, 2011 and 2010.

We also recorded impairment charges on certain investments which were classified as "Marketable securities and other investments." The amount of impairment charges on "Marketable securities and other investments" was ¥13.4 billion, ¥4.0 billion and ¥57.8 billion for the year ended March 31, 2011, 2010 and 2009, respectively.

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

### Accrued liabilities for point programs

We offer "docomo Points Service," which provides benefits, including discounts on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record "Accrued liabilities for point programs" relating to the points that customers earn. The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2011 and 2010 was ¥199.6 billion and ¥174.9 billion, respectively. Point program expense for the years ended March 31, 2011, 2010 and 2009 was ¥126.8 billion, ¥142.2 billion and ¥114.7 billion, respectively.

In determining the accrued liabilities for point programs, we estimate such factors as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription. Higher-than-estimated utilization rate could result in the need for recognizing additional expenses or accrued liabilities in the future. In determining the accrued liabilities for point programs as of March 31, 2011, one percent raise in point utilization rate would result in an additional accrual of approximately ¥1.6 billion, if all the other factors are held constant.

### Pension liabilities

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

Calculation of the amount of pension cost and liabilities for retirement allowances requires us to make various judgments and assumptions including the discount rate, expected long-term rate of return on plan assets, long-term rate of salary increases and expected remaining service lives of our plan participants. We believe that the most

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

The discount rates applied in determination of the projected benefit obligations as of March 31, 2011 and 2010, and expected long-term rates of return on plan assets for the years ended March 31, 2011 and 2010 were as follows:

	Years ended March 31	
	2010	2011
Non-contributory defined benefit pension plan		
Discount rate	2.1%	<b>2.0%</b>
Expected long-term rate of return on plan assets	2.5%	<b>2.3%</b>
Actual return on plan assets	Approximately 14%	<b>Approximately (2)%</b>
NTT CDBP		
Discount rate	2.1%	<b>2.0%</b>
Expected long-term rate of return on plan assets	2.5%	<b>2.5%</b>
Actual return on plan assets	Approximately 13%	<b>Approximately (2)%</b>

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2011 and March 31, 2010 was ¥196.1 billion and ¥190.4 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2011 and March 31, 2010, based on actuarial computations which covered only DOCOMO employees' participation, was ¥96.4 billion and ¥88.7 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the

greater of the projected benefit obligation or the fair value of plan assets are amortized from "Accumulated other comprehensive income (loss)" over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our non-contributory defined benefit pension plan and the NTT CDBP as of March 31, 2011 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

Change in Assumptions	Billions of yen		
	Change in projected benefit obligation	Change in pension cost, before applicable taxes	Accumulated other comprehensive income (loss), net of applicable taxes
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate	(11.8) / 12.6	0.4 / (0.3)	7.2 / (7.7)
0.5% increase/decrease in expected long-term rate of return on plan assets	–	(0.4) / 0.3	–
NTT CDBP			
0.5% increase/decrease in discount rate	(9.6) / 10.7	0.1 / (0.1)	5.8 / (6.4)
0.5% increase/decrease in expected long-term rate of return on plan assets	–	(0.3) / 0.3	–

Please also refer to Note 15 “Employees’ retirement benefits” to our consolidated financial statements for further discussion.

### Revenue recognition

We defer upfront activation fees and recognize them as revenues over the expected term of a subscription. Related direct cost to the extent of the activation fee amount are also being deferred and amortized over the same period. The reported amounts of revenue and cost of services are affected by the level of activation fees, related direct cost and the estimated length of the subscription period over which such fees and cost are amortized. Factors that affect our estimate of the subscription period over which such fees and cost are amortized include subscriber churn rate and newly introduced or anticipated competitive products, services and technology. The current amortization periods are based on an analysis of historical trends and our experiences. For the years ended March 31, 2011, 2010 and 2009, we recognized as revenues deferred activation fees of ¥14.6 billion, ¥18.4 billion and ¥29.0 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2011, remaining unrecognized deferred activation fees were ¥83.7 billion.

## B. LIQUIDITY AND CAPITAL RESOURCES

### ■ Cash Requirements

Our cash requirements for the year ending March 31, 2012 include cash needed to pay to the agent resellers to provide funds under the installment payment scheme, to expand our network, to invest in other facilities, to make repayments for interest bearing liabilities and other contractual obligations and to pay for strategic investments, acquisitions, joint ventures or other investments aimed for capturing business opportunities. We believe that cash generated from our operating activities, future borrowings from banks and other financial institutions or future offerings of debt or equity securities in the capital markets will provide sufficient financial resources to meet our currently anticipated capital and other expenditure requirements and to satisfy our debt service requirements. We believe we have enough financing ability supported by our high creditworthiness resulting from our stable financial performance and strong financial standing. Also, our management is of the opinion that the working capital is sufficient for our present requirements. When we determine the necessity for external financing, we take into consideration the amount of cash demand, timing of payments, available reserves of cash and cash equivalents and expected cash flows from operations. If we determine that demand for cash exceeds the amount of available reserves of cash and cash equivalents and expected cash flows from operations, we plan on obtaining external financing through borrowing or the issuance of debt or equity securities. Additional debt, equity or other financing may be required if we underestimate our capital or other expenditure requirements, or overestimate our future cash flows. There can be no assurance that such external financing will be available on commercially acceptable terms or in a timely manner.

## Capital Expenditures

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

In recent years, the usage of data communications services has expanded remarkably as a result of a rapid surge in the use of smart-phones and other factors. We intend to accommodate the projected growth in data communications traffic through the combination of a number of measures, including capacity expansion of our existing FOMA network, coverage expansion of Xi services, application of traffic control against excessive network use, and data offloading through the use of Wi-Fi and other technologies.

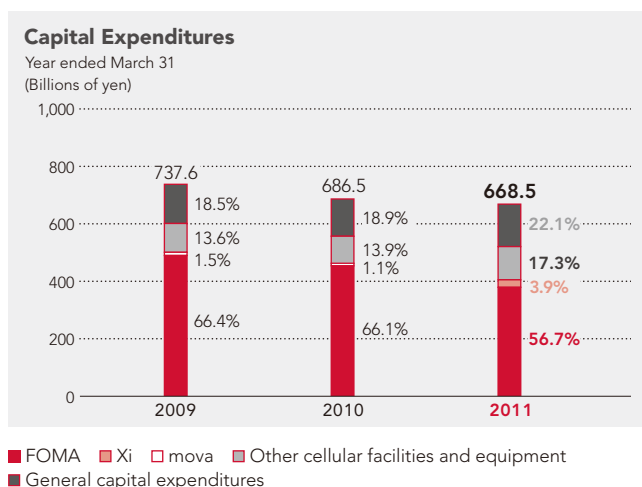
Our capital expenditures for the fiscal year ended March 31, 2011 recorded a decrease of ¥18.0 billion or 2.6% compared to the prior fiscal year. This was achieved by reducing the capital expenditures related to the construction of the FOMA network, which have continued to decline since the fiscal year ended March 31, 2007, and by employing various measures for improving the efficiency of capital investments such as reduction of procurement costs, introduction of economical equipment and devising efficient designs and construction processes, which more than offset factors that caused an increase in the amount of investments, such as further quality enhancement of FOMA areas, capacity buildup in response to the growth in data communications traffic and roll-out of Xi network. Moving ahead with the conversion to an IP-based network, we facilitated the integration and capacity enhancement of our network equipment. These initiatives

enabled us to construct our service areas and improve the efficiency of quality enhancement activities by choosing from various different options the optimal equipment for each site taking into consideration the surrounding environmental conditions, traffic volume and other factors. During the fiscal year ended March 31, 2011, we added 7,100 outdoor base stations to our FOMA network, growing the cumulative number of FOMA outdoor base stations to 62,800. The cumulative number of indoor base stations grew to 29,200, as we completed the installation in 4,400 base stations during the fiscal year ended March 31, 2011. As for Xi service, which was launched during the fiscal year ended March 31, 2011, we completed the installation of 700 outdoor and 300 indoor base stations.

Total capital expenditures for the years ended March 31, 2011, 2010 and 2009 were ¥668.5 billion, ¥686.5 billion and ¥737.6 billion, respectively. For the year ended March 31, 2011, 56.7% of capital expenditures were used for construction of the FOMA network, 3.9% for construction of the Xi network, 17.3% for the installation of servers and other cellular facilities and equipment and 22.1% for general capital expenditures such as an internal IT system. By comparison, in the prior fiscal year, 66.1% of capital expenditures were used for construction of the FOMA network, 1.1% for the mova network, 13.9% for other cellular facilities and equipment, and 18.9% for general capital expenditures.

For the year ending March 31, 2012, we expect total capital expenditures to be ¥705.0 billion, of which approximately 47.0% will be appropriated for the FOMA network, 11.2% for the Xi network, 18.0% for servers and other cellular facilities and equipment and 23.8% for general capital expenditures. In the fiscal year ending March 31, 2012, we plan to build up the FOMA network facilities and expand Xi service areas on a continual basis to accommodate the projected growth in data traffic, while pursuing efficiency enhancement by further accelerating the IP conversion of our voice network. The estimated total annual capital expenditures for the fiscal year ending March 31, 2012 include the investments required for the replacement of facilities damaged by the Great East Japan Earthquake and new disaster preparedness measures of approximately ¥30.0 billion. Experiencing the earthquake, we have been currently reviewing the structure of our business facilities to construct a system to counter natural disasters. In response to the review, our management may take measures that require us to make additional capital expenditures.

According to our current estimates, the total annual capital expenditures for the fiscal year ending March 31, 2013 and the subsequent few fiscal years will likely be maintained below ¥700.0 billion. Although we are projecting an increase in investments arising from the expansion of the Xi service areas and the launch of new



services and businesses such as multimedia broadcasting service for mobile devices, because the FOMA-related capital expenditures have already peaked, we will pursue efficient capital expenditures by rolling out the Xi service areas economically in view of actual demand while sharing common facilities with the FOMA network and continuing other endeavors aimed for enhancing the efficiency of our investments.

Our actual level of capital expenditures may vary significantly from expected levels for a number of reasons. Capital expenditures for expansion and enhancement of our existing cellular network may be influenced by the growth in subscriptions and traffic, which is difficult to predict with certainty, the ability to identify and procure suitably located base station sites on commercially reasonable terms, competitive environments in particular regions and other factors. The nature, scale and timing of capital expenditures to reinforce our network may be materially different from our current plans due to demand for the services, delays in the construction of the network or in the introduction of services and changes in the variable cost of components for the network. We expect that these capital expenditures will be affected by market demand for data communications services, and by the state of our existing network expansion efforts that are being continued to satisfy these communication demands.

#### Long-term Debt and Other Contractual Obligations

As of March 31, 2011, we had ¥428.1 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥610.3 billion as of the end of the prior fiscal year. We issued domestic straight bonds in the

aggregate amount of ¥239.9 billion in the year ended March 31, 2009 for the purpose of capital expenditures and refinancing of existing long-term debt. We did not implement any long-term financing in the years ended March 31, 2011 or 2010. We repaid ¥180.1 billion, ¥29.0 billion and ¥77.1 billion of long-term debt, in the years ended March 31, 2011, 2010 and 2009, respectively.

Of our long-term debt outstanding as of March 31, 2011, ¥21.1 billion, including the current portion, was indebtedness to financial institutions, majority of which has fixed interest rates, with a weighted average interest rate of 1.4% per annum. The term of maturities was from the year ending March 31, 2012 through 2013. As of March 31, 2011, we also had ¥407.0 billion, including the current portion, in bonds due from the year ending March 31, 2012 to 2019 with a weighted average coupon rate of 1.2% per annum.

As of March 31, 2011, we and our long-term debt obligations were rated by rating agencies as shown in the table below. Such ratings were issued by the rating agencies upon our requests. On May 18, 2009, Moody's changed the outlook for our long-term obligation rating from "stable" to "negative." On May 13, 2011, Moody's announced that it placed Aa1 long-term obligation ratings on us under review for possible downgrade. Credit ratings reflect rating agencies' current opinions about our financial capability of meeting payment obligations of our debt in accordance with their terms. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretions. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

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

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

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

most of our long-term debt bears interest at fixed-rate, we use interest rate swap transactions, under which we receive fixed rate interest payments and pay floating rate interest payments, to hedge the changes in fair value of certain debt as a part of our asset-liability management ("ALM").

## Long-Term Debt, Lease Obligations and Other Contractual Obligations

Category of obligations	Millions of yen				
	Total	Payments due by period			
		1 year or less	1-3 years	3-5 years	After 5 years
Long-Term Debt					
Bonds	¥407,032	¥167,032	¥130,000	¥ –	¥110,000
Loans	21,070	6,070	15,000	–	–
Interest Payments on Long-Term Debt	20,725	4,606	6,673	4,198	5,248
Capital Leases	8,804	4,355	3,475	937	37
Operating Leases	20,047	2,874	3,924	3,234	10,015
Other Contractual Obligations	74,834	73,101	1,733	–	–
<b>Total</b>	<b>¥552,512</b>	<b>¥258,038</b>	<b>¥160,805</b>	<b>¥8,369</b>	<b>¥125,300</b>

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

"Other contractual obligations" principally consisted of commitments to purchase property and equipment for our cellular network, commitments to purchase inventories, mainly handsets, and commitments to purchase services. As of March 31, 2011, we had committed ¥28.9 billion for property, plant and equipment, ¥23.8 billion for inventories and ¥22.1 billion for other purchase commitments.

In addition to our existing commitments, we expect to make significant capital expenditures on an ongoing basis for our FOMA

and Xi networks and for other purposes. Also, we consider potential opportunities for entry to new areas of business, merger and acquisitions, establishment of joint ventures, strategic investments or other arrangements primarily in wireless communications businesses from time to time. Currently, we have no contingent liabilities related to litigation or guarantees that could have a materially adverse effect on our financial position.

## ■ Sources of Cash

The following table sets forth certain information about our cash flows during the years ended March 31, 2011, 2010 and 2009:

	Millions of yen		
	Years ended March 31		
	2009	2010	2011
Net cash provided by operating activities	¥ 1,173,677	¥ 1,182,818	<b>¥1,287,037</b>
Net cash used in investing activities	(1,030,983)	(1,163,926)	<b>(455,370)</b>
Net cash used in financing activities	(182,441)	(260,945)	<b>(421,969)</b>
Net increase (decrease) in cash and cash equivalents	(47,357)	(241,833)	<b>407,836</b>
Cash and cash equivalents at beginning of year	646,905	599,548	<b>357,715</b>
Cash and cash equivalents at end of year	¥ 599,548	¥ 357,715	<b>¥ 765,551</b>

## Analysis of cash flows for the year ended March 31, 2011 and comparison with the prior fiscal year

For the year ended March 31, 2011, net cash provided by operating activities was ¥1,287.0 billion, an increase of ¥104.2 billion or 8.8% from the prior fiscal year, mainly due to an increase in cash inflow resulting from a decrease of fund-provision in relation to installment receivables for subscribers' handset purchases, and due to a decrease in the payment of income taxes.

Net cash used in investing activities was ¥455.4 billion, a decrease of ¥708.6 billion or 60.9% from the prior fiscal year. This was mainly due to an increase of proceeds from redemption of short-term investments, an increase of proceeds from redemption of short-term bailment for

consumption to a related party and a decrease in purchases of non-current assets, which were partially offset by an increase in purchases of short-term investments of more than three months for cash management purpose.

Net cash used in financing activities was ¥422.0 billion, an increase of ¥161.0 billion or 61.7% from the prior fiscal year. This was mainly due to an increase in repayment of long-term debt and an increase in dividends paid.

The balance of cash and cash equivalents was ¥765.6 billion as of March 31, 2011, an increase of ¥407.8 billion or 114.0% from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our



cash efficiently, was ¥161.0 billion as of March 31, 2011, compared to ¥403.0 billion as of March 31, 2010.

### Analysis of cash flows for the year ended March 31, 2010 and comparison with the prior fiscal year

Net cash provided by operating activities for the fiscal year ended March 31, 2010 was ¥1,182.8 billion, an increase of ¥9.1 billion or 0.8% from the prior fiscal year. The increase was mainly due to an increased amount of cash collection of installment receivable for handsets from customers, which was partially offset by (1) a decrease in cash inflow due mainly to a decrease in voice ARPU and (2) an increase in cash outflow due to factors such as an increase in payment for income taxes as a result of a tax adjustment for accelerated depreciation of mova-related assets recorded in the previous year.

Net cash used in investing activities was ¥1,163.9 billion, an increase of ¥132.9 billion or 12.9% from the prior fiscal year. The increase was mainly due to an increase in purchases of short-term investments of more than three months for cash management purposes, a decrease of proceeds from redemption of long-term bailment for consumption to a related party, and an increase in short-term bailment for consumption to a related party, which were partially offset by a decrease in purchases of property, plant and equipment and non-current investments.

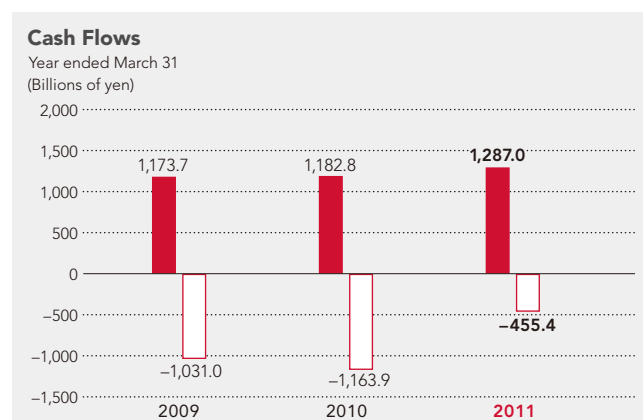
Net cash used in financing activities was ¥260.9 billion, an increase of ¥78.5 billion or 43.0% from the prior fiscal year. The increase was mainly due to a decrease of proceeds from long-term debt, which was partially offset by a decrease in payments to acquire treasury stock and repayment of long-term debt.

The balance of cash and cash equivalents was ¥357.7 billion as of March 31, 2010, a decrease of ¥241.8 billion or 40.3% from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥403.0 billion and ¥2.4 billion as of March 31, 2010 and 2009, respectively.

### Prospect of cash flows for the year ending March 31, 2012

As for our sources of cash for the year ending March 31, 2012, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year due to an increase in cash outflows resulting mainly from the increase in handset installment claims payable to agent resellers caused by the expanded sales of handset equipments, although it is expected to be partially offset by a decrease in the payment of income taxes.

Our net cash flow used in investing activities for the year ending March 31, 2012 is expected to increase due to a projected increase in capital expenditures to ¥705.0 billion compared to ¥668.5 billion for the fiscal year ended March 31, 2011.



■ Net cash provided by operating activities □ Net cash used in investing activities

### C. RESEARCH AND DEVELOPMENT

Our research and development activities include development of new products and services, development related to LTE and research on fourth-generation mobile communications systems or LTE-Advanced, conversion into IP networks for economical network constructions and basic research aimed for driving innovation. Research and development costs are charged to expenses as incurred. We incurred ¥109.1 billion, ¥109.9 billion and ¥100.8 billion as research and development expenses for the years ended March 31, 2011, 2010 and 2009, respectively.

### D. PROSPECTS FOR BUSINESS TRENDS AND FINANCIAL PERFORMANCE

The mobile communication market in Japan is undergoing changes brought about by such factors as increasing rate of mobile phone penetration, diversification of customer needs, and rapid growth in smartphone adoption. Under these market conditions, with operators stepping up their efforts in such areas as reinforcement of handset lineup, provision of value-added services and introduction of less expensive billing plans, the competition among operators is expected to remain intense.

The trends in the market expected for the fiscal year ending March 31, 2012, are summarized below:

#### Operating Revenues:

- Although it will be difficult to expect a significant increase in the number of new subscriptions given the rise in the penetration rate to a high level, we will aim to expand our subscription count by cultivating new demands for smartphones, PC data cards, mobile Wi-Fi routers, embedded communication modules and other devices. Also, we intend to strive to expand the customer base of our Xi service. On the other hand, we will strive to maintain our low churn rate through loyalty marketing targeted at enhancing the satisfaction of our existing users. As a result of these actions, we believe we can achieve an increase in our total cellular subscriptions during the fiscal year ending March 31, 2012. We will also facilitate the migration of mova subscribers to FOMA and Xi networks in view of the scheduled termination of mova service on March 31, 2012.
- In the fiscal year ended March 31, 2011, both our aggregate cellular ARPU (Xi+FOMA+mova) and voice ARPU recorded a decline over the prior fiscal year, but packet ARPU posted year-on-year gains. This trend is likely to continue in the fiscal year ending March 31, 2012, but the pace of decline in aggregate ARPU is expected to slow as we plan to step up our measures for boosting packet ARPU.

The primary reasons behind the decline in voice ARPU include the reduction of revenues resulting from the expanded uptake of "Value Plan," a billing plan introduced in November 2007 which offers discounts on basis monthly charges, a decrease in billable MOU, and the impact of reduced interconnection fees revenue resulting from the revisions made to the calculation method of interconnection charges.

The primary reason behind the increase in packet ARPU is the growth in revenues derived from the increase in the number of smartphone and PC data card users, expansion in the subscriptions to flat-rate billing plans for packet access and other factors. We expect the total number of smartphones to be sold in the fiscal year ending March 31, 2012 will increase, compared to 2.52 million for the fiscal year ended March 31, 2011.

- Equipment sales revenues for the fiscal year ended March 31, 2011 decreased due to the decline in the wholesale price per unit resulting from reduced cost of procurement. The reduction of procurement and wholesale price per unit is necessary for us to maintain and improve our competitiveness, and we expect to achieve a reduction in both procurement and wholesale price per unit in the fiscal year ending March 31, 2012. We also expect to improve the efficiency of our handset sales commissions in the fiscal year ending March 31, 2012, which is expected to result in reduced commission fees deducted from the equipment sales revenues under the U.S. GAAP. Because this revenue boosting effect of improving the efficiency of sales commissions is likely to become greater than the negative revenue impact resulting from a reduction in the wholesale price per unit, the equipment sales revenues for the fiscal year ending March 31, 2012 are projected to record an increase compared to the prior fiscal year.
- "Other revenues," which are the revenues generated by businesses other than cellular phone business, recorded an increase in the fiscal year ended March 31, 2011 as a result of actions implemented for their growth. We expect to achieve a year-on-year increase in other revenues in the fiscal year ending March 31, 2012 as well, as we plan to take actions to drive the growth of credit payment, home shopping and other businesses.
- As a result of the foregoing, operating revenues for the fiscal year ending March 31, 2012 are expected to increase from the fiscal year ended March 31, 2011.

**Operating Expenses:**

- Cost of equipment sold recorded a decrease in the fiscal year ended March 31, 2011, as we prepared a product lineup mainly comprising low-price handsets in view of the growing demands for less expensive products among our customers. Because we anticipate a similar trend to continue in the fiscal year ending March 31, 2012, cost of equipment sold is projected to decline in the fiscal year ending March 31, 2012.
- Improvement of cost efficiency is expected for Selling, general and administrative expenses, network-related costs (communication network charges, depreciation and amortization costs) and other operating expenses for the fiscal year ending March 31, 2012. We aim to achieve the improvement of cost efficiency through a review on sales policies, enhancement of operational efficiency expected from the integration of nationwide common operations, and efficient facility roll-out to be achieved through the introduction of new technologies and review of design methods and other factors.
- For the restoration of facilities damaged by the Great East Japan Earthquake and additional measures for enhanced disaster preparedness, we plan to incur expenses of approximately ¥20.0 billion in the fiscal year ending March 31, 2012.
- As a result of the foregoing, the operating expenses for the fiscal year ending March 31, 2012 are expected to increase slightly compared to the fiscal year ended March 31, 2011.

Due to the above, we expect operating income for the fiscal year ending March 31, 2012 to increase from the fiscal year ended March 31, 2011.

The Great East Japan Earthquake that hit Japan on March 11, 2011 caused disruptions to our business activities and those of our partners such as agent resellers and equipment vendors. The possible occurrence of social infrastructure paralysis caused by such events as aftershocks, deterioration of power supply, proliferation of radioactive substance from the disaster-hit nuclear power plant, and stagnation in Japan's overall economy may restrict our business activities and those of our partner companies, or may require us to incur additional expenses or investments that are currently unforeseen, or may disrupt the provision of our services resulting in a loss of sales opportunities, which could lead to a failure to generate the expected revenues.

In particular, concerns of power supply shortages have been mounting in the aftermath of the Great East Japan Earthquake due to damage sustained by the nuclear power plant in Fukushima, and in May 2011, the Japanese Government decided to introduce the restriction of electricity use during certain periods and times during July and September 2011, based on Article 27 of the Business Electricity Act. The restriction requests large electricity customers to reduce, in principle, 15% of the maximum power use during the periods and times of 2010 that corresponds to the restricted periods and times of 2011. Introduction of the restriction and other additional measures that restrict electricity use could have an adverse effect on our business activities in terms of the provision of services to customers, including the provision of telecommunications service or sales of mobile devices and other activities. It could also affect the production activities of our partner companies and result in an impact on our supply chain, including the supply of handset equipment for sale and network facilities, and the consumption behavior of our customers. These potential impacts are not factored in the results forecasts for the fiscal year ending March 31, 2012, as it is difficult to assess the scale of such impacts at this point.

## Risk Factors

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

Market changes such as the introduction of Mobile Number Portability ("MNP") and the emergence of new service providers are resulting in increasing competition from other service providers in the telecommunications industry. For example, other mobile service providers have introduced new products and services including 3G handsets, music player handsets, music distribution services, and flat-rate services for voice communications and e-mail, and installment sales methods for handsets. There are also providers that now offer or may in the future offer services such as combined billing, aggregated point programs, and services offering free calls between fixed-line and mobile phones in conjunction with fixed-line communications, which may be more convenient for customers.

At the same time, competition may increase, resulting from the introduction of other new services and technologies, especially low-priced and flat-rate services, such as fixed-line or mobile IP phones, high-speed broadband Internet service and digital broadcasting, public wireless LAN, and so on or convergence 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 due to the expansion of the areas of competition arising from the entry of competitors in the market, including MVNOs\* and competitors from other industries, changes in the regulatory environment, and increased rate competition. With the use of smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones and it is possible that those businesses, etc. may eventually launch services that are more convenient for customers, thus further intensifying rate competition.

Under these circumstances, the number of net new subscriptions we acquire may continue to decline in the future and may not reach the number we expect. Also, in addition to difficulty acquiring new subscriptions, we may not be able to maintain existing subscriptions at expected levels due to increased competition. Furthermore, in order to capture new subscriptions and maintain existing subscriptions, we may need to incur higher than expected costs. In this fierce market environment, in order to provide advanced services and increase

convenience to our customers, we have made various rate revisions, for example: the introduction in June 2004 of "Pake-hodai," which is a packet flat-rate service for FOMA i-mode, the introduction of new unified rate plans for FOMA services and mova services in November 2005 that users find simple and easy to understand, the introduction in August 2007 of "Fami-wari MAX 50" and "Hitoridemo Discount 50," which give a uniform 50% discount on basic monthly charges, regardless of the length of the subscription period, the introduction in October 2008 of the packet flat-rate service, "Pake-hodai double," with monthly charges varying between the minimum and maximum rates, according to usage, and the introduction in March 2011 of "Pake-hodai FLAT" and "Pake-hodai double 2," our new packet flat-rate services suitable for customers who use a rich variety of content on devices like smartphones and tablets. However, we cannot be certain that these measures will enable us to acquire new and maintain existing subscriptions. Also, although we forecast some decline in ARPU as a result of these rate revisions, if the subscription ratio for various discount services or the trend in migration to flat-rate services are not in line with our expectations, our ARPU may decrease more than our forecast. 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. These foregoing factors may have a material adverse effect on our financial condition and operating results.

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

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

We view as important factors to our future growth increases in revenue, for instance, the expansion of packet communication services and other data communication services from promotion of the use of i-mode, sp-mode and other services, the development and expansion of new services, such as credit services mainly associated with FeliCa, that are useful in everyday life and business, and the development of social support services in various areas, including the environment and ecology, health and medical care, finance and settlement and education. However, a number of uncertainties may arise to prevent the development of these services and constrain our growth.

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

- We will be able to find the partners and content providers needed to provide the services and/or forms of usage that we are introducing and persuade a sufficient number of vendors and other establishments to install FeliCa readers;
- We will be able to provide planned new services and forms of usage as scheduled and keep costs needed for the deployment and expansion of such services within budget;
- 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 and Xi handsets, handsets compatible with services we provide, and content;
- Our current and future data communication services, including i-mode and sp-mode services, and other services, including social support services, will be attractive to existing and potential subscribers and achieve continued or new growth;
- Demand in the market for mobile handset functionality will be as we envision and as a result our handset procurement costs will be reduced, which will enable us to offer our handsets at appropriate prices; and
- We will be able to commence services with improved data communication speed enabled by HSDPA\*, HSUPA\*\* and LTE\*\*\* technology as planned.

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

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

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

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

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

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

- 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;
- 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;
- Fair competition measures to promote new entry by MVNOs;
- Introduction of new measures to promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation);
- Review of the structure of the NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") group, which includes our group; and
- Other measures including competition safeguard measures directed toward us, NTT East and NTT West, revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

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. For example, in response to an increase in the number of subscriptions or in the traffic volume 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.

Further still, we have entered into a wide variety of operations and areas of business by developing social support services in the environment, medical care, finance, and other fields and through equity participation and partnerships in an attempt to secure new sources of profit. Therefore, we are vulnerable to impacts from laws, regulations and systems specific to new services, operations and areas of business, in addition to laws, regulations and systems associated with 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 and changes may arise in our revenue structure, and this may have an adverse effect on our financial condition and results of operations.

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

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

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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 periods, which may cause reduced service quality.

With the number of subscriptions and traffic volume 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.

We may not be able to avoid a reduced quality of services despite our efforts to improve the efficiency of our spectrum use through technology such as HSDPA, HSUPA and LTE and to acquire additional spectrum.

In addition, the quality of the services we provide may also decrease due to the limited processing capacity of our base stations and switching facilities during peak usage periods if our subscription base dramatically increases or the volume of content such as images and music provided through our networks significantly expands. Also, in relation to our FOMA services and FOMA and Xi packet communication services, an increase in the number of service subscriptions and traffic volume per subscriber, as a result of the increasingly widespread

use of smartphones, tablets and data communication devices for PCs may go substantially beyond our projections such that we may not be able to process such traffic with our existing facilities, and our quality of service may decline.

If we are not able to successfully address such problems in a timely manner, there may be constraints on our mobile communication services and we may lose subscribers to our competitors, which may materially affect our financial condition and results of operations.

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

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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 that are compatible with the technology 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 technologies compatible with ours, but there is no guarantee of this in the future.

If a sufficient number of mobile service providers do not adopt technologies compatible with ours, if mobile service providers switch to other technologies, or if there is a delay in the introduction of compatible technologies, 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 manufactures or manufactures 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 our standard technology, and the handsets or network we currently use need to be changed.

If such technologies compatible with the technologies we have adopted do not develop as we expect and we are not able to maintain or improve the quality of our overseas services or enjoy the benefits of global economies of scale, this may have an adverse effect on our financial condition and results of operations.

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

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One of the major components of our strategy is to increase our corporate value through domestic and overseas investments, alliances and collaborations. We have entered into alliances and

collaborations with other companies and organizations overseas which we believe could help us achieve this objective. We are also promoting this strategy by investing in, entering into alliances with and collaborating with domestic companies and investing in new business areas.

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

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

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

Various functions are mounted on the mobile handsets we provide. In addition, services provided on the mobile handsets we provide come from not only our group, but also from a large number of parties other than those belonging to our corporate group. If any technological problem arises with respect to current or future handsets, if malfunction, defect or loss of handsets occurs, or if any issue arises as a result of, for example, a problem in the services provided by other parties, our credibility may decline and our corporate image may be damaged, leading to an increase in cancellations of subscriptions or

an increase in expenses for indemnity payments to subscribers, and our financial condition or results of operations may be affected. Events that may lead to a decrease in our credibility and corporate image, an increase in cancellations of subscriptions or growing costs include the following:

- Breakdown, defect or malfunction in any of the various functions built into our handsets;
- Breakdown, defect or malfunction in our handsets resulting from, for example, a problem in the services provided by other parties;
- Loss of information, e-money, points, etc., due to a breakdown of handsets or other factors;
- Illegal use of information, e-money, credit functions and points by third parties due to a loss or theft of handsets;
- Illegal access to and use of user records and balances accumulated on handsets by third-parties; and
- Inadequate and inappropriate management of e-money, credit functions or points by companies with which we make alliances or collaborate.

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

Mobile phones have been used in crimes such as billing fraud. To combat these misuses of our services, we have introduced various measures such as stricter identification confirmation at points of purchase and ended new contracts for pre-paid mobile phones as of March 31, 2005 because pre-paid mobile phones are easier to use in criminal activities. However, in the event criminal usage increases, mobile phones may be regarded as a problem and lead to an increase in cancellation of contracts.

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

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

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

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

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

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**Events and incidents caused by natural disasters, social infrastructure paralysis such as power shortages, proliferation of harmful substances, terror or other destructive acts, the malfunctioning of equipment or software bugs, deliberate incidents induced by computer viruses, cyber attacks, 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 may adversely affect our credibility and/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, natural disasters such as earthquakes, tsunamis, typhoons and floods, paralysis of social infrastructure such as power shortages and interruption of public transportation networks, 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 the Internet. Similar incidents could occur on our networks. If such a virus entered our network or handsets through such means as hacking, unauthorized access, or



otherwise, our system could fail and our mobile phones become unusable. In such an instance, the credibility of our network and customer satisfaction could decrease significantly. Although we have enhanced security measures including systems to block unauthorized access and remote downloading for mobile phones, in order to provide for unexpected events, such precautions may not make our system fully prepared for every contingency. Moreover, our network could be affected by software bugs, incorrect equipment settings and human errors that are not the result of malfeasance but also cause system failures or breakdowns.

In addition, events or incidents caused by natural disasters, social infrastructure paralysis, proliferation of harmful substances, 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 the market growth slows or the market shrinks due to any such event, ARPU may decrease below our forecast, or we may not be able to gain new subscriptions or maintain the existing number of subscriptions at the level we expect. All of these factors may affect our financial condition and results of operations.

The Great East Japan Earthquake that struck on March 11, 2011, caused interference with business activities of both our group and our business partners: for instance, our group suffered physical damage to networks and service interruption due to power outages, and our business partners, including sales agencies, were forced to temporarily close their stores. Should any further unforeseeable incident, including the disruption of social infrastructure due to aftershocks and diminished power supply, the proliferation of harmful substances and other impacts of damaged nuclear power plants, economic downturn, or market contraction, occur in the future in relation to the Great East Japan Earthquake, we may face increased costs required for network recovery and other such spending, or shrinking profits, and our group or our business partners may be subject to constraints in conducting business operations. All of these factors may affect our financial condition and results of operations.

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

Reports by the World Health Organization (WHO), other organizations and various media have suggested that electric wave emissions from

wireless handsets and other wireless telecommunications devices may interfere with various electronic medical devices including hearing aids and pacemakers or may adversely affect the health of their users and others by causing cancer or vision loss. The actual or perceived risk of wireless telecommunication devices to the health of users could adversely affect our corporate image, financial condition and results of operations through increased cancellation by existing subscribers, reduced subscriber growth, reduced usage per subscriber and introduction of new regulations, restrictions, or litigation. The perceived risk of wireless telecommunications devices may have been elevated by certain wireless carriers and handset manufactures affixing labels to their handsets showing levels of electric wave emissions or warnings about possible health risks. Research and studies are ongoing and we are actively attempting to confirm the safety of wireless telecommunication, but there can be no assurance that further research and studies will demonstrate that there is no interrelation between electric wave emissions and health problems.

Furthermore, although the electric wave emissions of our cellular handsets and base stations comply with the electromagnetic safety guidelines of Japan, including guidelines regarding the specific absorption rate of electric waves, and the International Commission on Non-Ionizing Radiation Protection, the guidelines of which are regarded as an international safety standard, the Electromagnetic Compatibility Conference Japan has confirmed that some electronic medical devices are affected by the electromagnetic interference from cellular phones as well as other portable radio transmitters. As a result, Japan has adopted a policy to restrict the use of cellular services inside medical facilities. We are working to ensure that our subscribers are aware of these restrictions when using cellular phones. There is a possibility that modifications to regulations, new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

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

As of March 31, 2011, NTT owned 66.65% of our outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications ("MPT," currently the Ministry of Internal Affairs and Communications, or "MIC") in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint directors. Currently, although we conduct our day-to-day operations independently of NTT and its other subsidiaries, certain important matters are discussed with, or reported to, NTT. As such, NTT could take actions that are in its best interests but may not be in the interests of our other shareholders.

## Consolidated Balance Sheets

NTT DOCOMO, INC. and Subsidiaries  
March 31, 2010 and 2011

ASSETS	Millions of yen	
	2010	2011
<b>Current assets:</b>		
Cash and cash equivalents	¥ 357,715	¥ 765,551
Short-term investments		
Third parties	313,010	141,028
Related parties	90,000	–
Accounts receivable		
Third parties	827,052	751,809
Related parties	11,174	10,602
Sub-total	838,226	762,411
Credit card receivables	126,009	160,446
Less: Allowance for doubtful accounts	(15,633)	(18,021)
Total accounts receivable and credit card receivables, net	948,602	904,836
Inventories	141,277	146,357
Deferred tax assets	100,545	83,609
Prepaid expenses and other current assets		
Third parties	102,263	107,380
Related parties	7,566	6,538
Total current assets	2,060,978	2,155,299
<b>Property, plant and equipment:</b>		
Wireless telecommunications equipment	5,478,833	5,569,818
Buildings and structures	830,921	845,588
Tools, furniture and fixtures	516,084	507,914
Land	199,018	198,842
Construction in progress	83,608	95,251
Sub-total	7,108,464	7,217,413
Accumulated depreciation and amortization	(4,500,874)	(4,694,094)
Total property, plant and equipment, net	2,607,590	2,523,319
<b>Non-current investments and other assets:</b>		
Investments in affiliates	578,095	525,456
Marketable securities and other investments	151,026	128,138
Intangible assets, net	628,691	672,256
Goodwill	198,436	205,573
Other assets		
Third parties	247,530	220,232
Related parties	10,381	29,687
Deferred tax assets	274,048	331,633
Total non-current investments and other assets	2,088,207	2,112,975
<b>Total assets</b>	<b>¥ 6,756,775</b>	<b>¥ 6,791,593</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen	
	2010	2011
<b>Current liabilities:</b>		
Current portion of long-term debt	¥ 180,716	¥ 173,102
Short-term borrowings	78	276
Accounts payable, trade		
Third parties	524,526	495,842
Related parties	107,911	113,495
Accrued payroll	54,580	54,801
Accrued interest	995	916
Accrued income taxes	185,890	162,032
Other current liabilities		
Third parties	131,337	120,993
Related parties	2,129	1,711
Total current liabilities	1,188,162	1,123,168
<b>Long-term liabilities:</b>		
Long-term debt (exclusive of current portion)	429,553	255,000
Accrued liabilities for point programs	151,628	199,587
Liability for employees' retirement benefits	138,447	152,647
Other long-term liabilities		
Third parties	184,036	181,275
Related parties	2,503	2,322
Total long-term liabilities	906,167	790,831
Total liabilities	2,094,329	1,913,999
<b>Equity:</b>		
NTT DOCOMO, INC. shareholders' equity		
Common stock, without a stated value—		
Authorized shares		
188,130,000 shares at March 31, 2010		
188,130,000 shares at March 31, 2011		
Issued shares		
43,790,000 shares at March 31, 2010		
43,650,000 shares at March 31, 2011		
Outstanding shares		
41,605,742 shares at March 31, 2010		
41,467,601 shares at March 31, 2011	949,680	949,680
Additional paid-in capital	757,109	732,914
Retained earnings	3,347,830	3,621,965
Accumulated other comprehensive income (loss)	(37,379)	(76,955)
Treasury stock		
2,184,258 shares at March 31, 2010		
2,182,399 shares at March 31, 2011	(381,363)	(377,168)
Total NTT DOCOMO, INC. shareholders' equity	4,635,877	4,850,436
Noncontrolling interests	26,569	27,158
Total equity	4,662,446	4,877,594
<b>Commitments and contingencies</b>		
<b>Total liabilities and equity</b>	¥6,756,775	¥6,791,593

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income and Comprehensive Income

NTT DOCOMO, INC. and Subsidiaries  
Years Ended March 31, 2009, 2010 and 2011

Millions of yen

	2009	2010	2011
<b>Operating revenues:</b>			
Wireless services			
Third parties	¥3,786,917	¥3,727,801	¥3,702,658
Related parties	54,165	49,108	44,211
Equipment sales			
Third parties	600,630	503,086	474,506
Related parties	6,268	4,409	2,898
Total operating revenues	4,447,980	4,284,404	4,224,273
<b>Operating expenses:</b>			
Cost of services (exclusive of items shown separately below)			
Third parties	630,415	685,774	678,666
Related parties	242,023	214,868	217,836
Cost of equipment sold (exclusive of items shown separately below)	827,856	698,495	662,829
Depreciation and amortization	804,159	701,146	693,063
Selling, general and administrative			
Third parties	980,251	1,031,011	1,012,267
Related parties	132,317	118,865	114,883
Total operating expenses	3,617,021	3,450,159	3,379,544
<b>Operating income</b>	830,959	834,245	844,729
<b>Other income (expense):</b>			
Interest expense	(4,618)	(5,061)	(4,943)
Interest income	2,162	1,289	1,326
Other, net	(48,030)	5,684	(5,774)
Total other income (expense)	(50,486)	1,912	(9,391)
<b>Income before income taxes and equity in net income (losses) of affiliates</b>	780,473	836,157	835,338
<b>Income taxes:</b>			
Current	395,467	381,507	355,734
Deferred	(87,067)	(43,310)	(17,897)
Total income taxes	308,400	338,197	337,837
<b>Income before equity in net income (losses) of affiliates</b>	472,073	497,960	497,501
Equity in net income (losses) of affiliates, net of applicable taxes	(672)	(852)	(5,508)
<b>Net income</b>	471,401	497,108	491,993
Less: Net (income) loss attributable to noncontrolling interests	472	(2,327)	(1,508)
<b>Net income attributable to NTT DOCOMO, INC.</b>	¥ 471,873	¥ 494,781	¥ 490,485
<b>Net income</b>	¥ 471,401	¥ 497,108	¥ 491,993
<b>Other comprehensive income (loss):</b>			
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	(30,310)	13,159	(12,297)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	28,709	1,937	7,003
Change in fair value of derivative instruments, net of applicable taxes	(4)	(63)	4
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(121)	—	—
Foreign currency translation adjustment, net of applicable taxes	(47,538)	5,917	(28,258)
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(54)	(35)	356
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net	(16,316)	6,828	(6,367)
Prior service cost arising during period, net	—	—	48
Less: Amortization of prior service cost	(1,340)	(1,340)	(1,346)
Less: Amortization of actuarial gains and losses	797	1,858	1,144
Less: Amortization of transition obligation	81	79	88
Total other comprehensive income (loss)	(66,096)	28,340	(39,625)
<b>Comprehensive income</b>	405,305	525,448	452,368
Less: Comprehensive (income) loss attributable to noncontrolling interests	469	(2,357)	(1,459)
<b>Comprehensive income attributable to NTT DOCOMO, INC.</b>	¥ 405,774	¥ 523,091	¥ 450,909
<b>Per share data:</b>			
Weighted average common shares outstanding—Basic and Diluted (shares)	42,238,715	41,705,738	41,576,859
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. (yen)	¥11,171.58	¥11,863.62	¥11,797.07

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

NTT DOCOMO, INC. and Subsidiaries  
Years Ended March 31, 2009, 2010 and 2011

	Millions of yen							
	NTT DOCOMO, INC. shareholders' equity					Total NTT DOCOMO, INC. shareholders' equity	Non- controlling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehen- sive income (loss)	Treasury stock at cost			
Balance at March 31, 2008	¥949,680	¥948,571	¥2,793,814	¥ 410	¥(415,979)	¥4,276,496	¥ 1,288	¥4,277,784
Purchase of treasury stock					(136,846)	(136,846)		(136,846)
Retirement of treasury stock		(163,526)			163,526	-		-
Cash dividends declared (¥4,800 per share)			(203,839)			(203,839)		(203,839)
Cash distributions to noncontrolling interests							(3)	(3)
Acquisition of new subsidiaries							944	944
Others							(37)	(37)
Comprehensive income								
Net income			471,873			471,873	(472)	471,401
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				(1,610)		(1,610)	9	(1,601)
Change in fair value of derivative instruments				(125)		(125)		(125)
Foreign currency translation adjustment				(47,586)		(47,586)	(6)	(47,592)
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				(16,316)		(16,316)		(16,316)
Prior service cost arising during period, net								
Less: Amortization of prior service cost				(1,340)		(1,340)		(1,340)
Less: Amortization of actuarial gains and losses				797		797		797
Less: Amortization of transition obligation				81		81		81
Balance at March 31, 2009	¥949,680	¥785,045	¥3,061,848	¥(65,689)	¥(389,299)	¥4,341,585	¥ 1,723	¥4,343,308
Purchase of treasury stock					(20,000)	(20,000)		(20,000)
Retirement of treasury stock		(27,936)			27,936	-		-
Cash dividends declared (¥5,000 per share)			(208,799)			(208,799)		(208,799)
Cash distributions to noncontrolling interests							(3)	(3)
Acquisition of new subsidiaries							22,588	22,588
Others							(96)	(96)
Comprehensive income								
Net income			494,781			494,781	2,327	497,108
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				15,096		15,096	0	15,096
Change in fair value of derivative instruments				(63)		(63)		(63)
Foreign currency translation adjustment				5,852		5,852	30	5,882
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				6,828		6,828		6,828
Prior service cost arising during period, net								
Less: Amortization of prior service cost				(1,340)		(1,340)		(1,340)
Less: Amortization of actuarial gains and losses				1,858		1,858		1,858
Less: Amortization of transition obligation				79		79		79
Balance at March 31, 2010	¥949,680	¥757,109	¥3,347,830	¥(37,379)	¥(381,363)	¥4,635,877	¥26,569	¥4,662,446
Purchase of treasury stock					(20,000)	(20,000)		(20,000)
Retirement of treasury stock		(24,195)			24,195	-		-
Cash dividends declared (¥5,200 per share)			(216,350)			(216,350)		(216,350)
Cash distributions to noncontrolling interests							(1,243)	(1,243)
Acquisition of new subsidiaries								
Others							373	373
Comprehensive income								
Net income			490,485			490,485	1,508	491,993
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				(5,293)		(5,293)	(1)	(5,294)
Change in fair value of derivative instruments				4		4		4
Foreign currency translation adjustment				(27,854)		(27,854)	(48)	(27,902)
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				(6,367)		(6,367)		(6,367)
Prior service cost arising during period, net				48		48		48
Less: Amortization of prior service cost				(1,346)		(1,346)		(1,346)
Less: Amortization of actuarial gains and losses				1,144		1,144		1,144
Less: Amortization of transition obligation				88		88		88
<b>Balance at March 31, 2011</b>	<b>¥949,680</b>	<b>¥732,914</b>	<b>¥3,621,965</b>	<b>¥(76,955)</b>	<b>¥(377,168)</b>	<b>¥4,850,436</b>	<b>¥27,158</b>	<b>¥4,877,594</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

NTT DOCOMO, INC. and Subsidiaries  
Years Ended March 31, 2009, 2010 and 2011

	Millions of yen		
	2009	2010	2011
<b>Cash flows from operating activities:</b>			
Net income	¥ 471,401	¥ 497,108	¥ 491,993
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	804,159	701,146	693,063
Deferred taxes	(87,626)	(44,550)	(22,563)
Loss on sale or disposal of property, plant and equipment	43,304	32,735	27,936
Impairment loss on marketable securities and other investments	57,812	4,007	13,424
Equity in net (income) losses of affiliates	1,239	2,122	10,539
Dividends from affiliates	15,500	12,854	12,757
Changes in assets and liabilities:			
(Increase) / decrease in accounts receivable	(148,909)	(1,056)	75,200
(Increase) / decrease in credit card receivables	(32,857)	(30,042)	(19,746)
Increase / (decrease) in allowance for doubtful accounts	67	242	2,469
Decrease / (increase) in inventories	23,327	(17,262)	(5,217)
Decrease / (increase) in prepaid expenses and other current assets	18,196	1,582	(2,753)
(Increase) / decrease in non-current installment receivable for handsets	(37,712)	13,860	7,029
(Decrease) / increase in accounts payable, trade	(49,286)	(21,227)	(30,988)
Increase / (decrease) in accrued income taxes	35,158	(53,765)	(23,805)
(Decrease) / increase in other current liabilities	(29,126)	(22,019)	(14,464)
Increase / (decrease) in accrued liabilities for point programs	37,390	57,605	47,959
Increase / (decrease) in liability for employees' retirement benefits	29,438	(8,015)	14,203
Increase / (decrease) in other long-term liabilities	17,753	35,878	(8,791)
Other, net	4,449	21,615	18,792
Net cash provided by operating activities	1,173,677	1,182,818	1,287,037
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(517,776)	(480,080)	(423,119)
Purchases of intangible and other assets	(241,373)	(245,488)	(250,757)
Purchases of non-current investments	(313,889)	(10,027)	(11,746)
Proceeds from sale of non-current investments	660	9,534	3,946
Acquisitions of subsidiaries, net of cash acquired	568	(29,209)	(7,678)
Purchases of short-term investments	(32,977)	(377,591)	(745,602)
Redemption of short-term investments	32,255	69,605	917,492
Long-term bailment for consumption to a related party	—	—	(20,000)
Proceeds from redemption of long-term bailment for consumption to a related party	50,000	—	—
Short-term bailment for consumption to a related party	—	(90,000)	(20,000)
Proceeds from redemption of short-term bailment for consumption to a related party	—	—	110,000
Other, net	(8,451)	(10,670)	(7,906)
Net cash used in investing activities	(1,030,983)	(1,163,926)	(455,370)
<b>Cash flows from financing activities:</b>			
Proceeds from long-term debt	239,913	—	—
Repayment of long-term debt	(77,071)	(29,042)	(180,075)
Proceeds from short-term borrowings	62,274	138,214	717
Repayment of short-term borrowings	(64,032)	(138,149)	(488)
Principal payments under capital lease obligations	(2,837)	(3,256)	(4,597)
Payments to acquire treasury stock	(136,846)	(20,000)	(20,000)
Dividends paid	(203,839)	(208,709)	(216,283)
Other, net	(3)	(3)	(1,243)
Net cash provided by (used in) financing activities	(182,441)	(260,945)	(421,969)
Effect of exchange rate changes on cash and cash equivalents	(7,610)	220	(1,862)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(47,357)</b>	<b>(241,833)</b>	<b>407,836</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>646,905</b>	<b>599,548</b>	<b>357,715</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 599,548</b>	<b>¥ 357,715</b>	<b>¥ 765,551</b>
<b>Supplemental disclosures of cash flow information:</b>			
<b>Cash received during the year for:</b>			
Income tax refunds	¥ 21,999	¥ 1,323	¥ 301
<b>Cash paid during the year for:</b>			
Interest, net of amount capitalized	4,141	5,251	5,023
Income taxes	383,838	436,459	378,998
<b>Non-cash investing and financing activities:</b>			
Assets acquired through capital lease obligations	2,334	2,347	5,631
Acquisitions of shares through share exchange	—	15,023	—
Acquisitions of exchangeable bonds through share exchange	—	20,821	—
Acquisitions of shares through conversion of exchangeable bonds	—	26,326	—
Retirement of treasury stock	163,526	27,936	24,195

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

NTT DOCOMO, INC. and Subsidiaries

## 1. Nature of operations:

NTT DOCOMO, INC. and subsidiaries ("DOCOMO") is a joint stock corporation that was incorporated under the laws of Japan in August 1991 as the wireless telecommunications arm of NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT"). NTT, 36.62% of which is owned by the Japanese government, owns 63.32% of DOCOMO's issued stock and 66.65% of DOCOMO's voting stock outstanding as of March 31, 2011.

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

DOCOMO maintains its books and records and prepares its statutory financial statements in conformity with the Japanese Telecommunications Business Act and the related accounting regulations and accounting principles generally accepted in Japan, which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements are prepared in accordance with U.S. GAAP and, therefore, reflect certain adjustments to DOCOMO's books and records.

### (1) Adoption of new accounting standard

#### Financing Receivables

Effective October 1, 2010, DOCOMO adopted Accounting Standards Update ("ASU") 2010-20 "Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" issued by the Financial Accounting Standards Board in July 2010. ASU2010-20 requires enhanced disclosures regarding the nature of the credit risk inherent in the entity's financing receivables, how that credit risk is analyzed and assessed, and the reasons for the change in the allowance for credit losses. The required additional disclosures are in Note 20.

### (2) Significant accounting policies

#### Principles of consolidation—

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

DOCOMO also evaluates whether DOCOMO has a controlling financial interest in an entity through means other than voting rights and accordingly determines whether DOCOMO should consolidate the entity. For the years ended March 31, 2009, 2010 and 2011, DOCOMO had no variable interest entities to be consolidated or disclosed.

#### Use of estimates—

The preparation of DOCOMO's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. DOCOMO has identified the following areas where it believes estimates and assumptions are particularly critical to

DOCOMO provides its subscribers with wireless telecommunications services such as Xi, FOMA, mova, packet communications services (wireless data communications services using packet switching) and satellite mobile communications services, primarily on its own nationwide networks. In addition, DOCOMO sells handsets and related equipment primarily to agent resellers who in turn sell such equipment to subscribers.

DOCOMO plans to terminate mova services on March 31, 2012.

the consolidated financial statements. These are determination of useful lives of property, plant and equipment, internal use software and other intangible assets, impairment of long-lived assets, impairment of investments, accrued liabilities for point programs, pension liabilities and revenue recognition.

During the year ended March 31 2009, DOCOMO decreased the estimated useful lives of its long lived assets related to its mova services. This change in accounting estimate was due to the scheduled termination of mova services on March 31, 2012. As mova subscribers had been steadily migrating to FOMA, DOCOMO had decided to discontinue mova services and concentrate on FOMA services. The change resulted in a decrease of ¥60,072 million in "Income before income taxes and equity in net income (losses) of affiliates", ¥35,563 million in "Net income attributable to NTT DOCOMO, INC." and ¥841.95 in "Basic and Diluted earnings per share attributable to NTT DOCOMO, INC." in the accompanying consolidated statement of income and comprehensive income for the year ended March 31, 2009. The impact on the results of operations and financial position for the years ended March 31, 2010 and 2011 are not material.

#### Cash and cash equivalents—

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

#### Short-term investments—

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

#### Allowance for doubtful accounts—

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

#### Inventories—

Inventories are stated at the lower of cost or market. The cost of equipment sold is determined by the first-in, first-out method. Inventories consist primarily of handsets and accessories. DOCOMO evaluates its inventory mainly for obsolescence on a periodic basis and records valuation adjustments as required. Due to the rapid technological changes associated with the wireless telecommunications business, DOCOMO recognized losses on write-

downs and disposals during the years ended March 31, 2009, 2010 and 2011 resulting in losses totaling ¥14,180 million, ¥18,539 million and ¥9,821 million, respectively, which were included in "Cost of equipment sold" in the accompanying consolidated statements of income and comprehensive income.

#### Property, plant and equipment—

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

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

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

Depreciation and amortization expenses for the years ended March 31, 2009, 2010 and 2011 were ¥614,481 million, ¥513,753 million, and ¥488,973 million, respectively.

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

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

#### Capitalized interest—

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

#### Investments in affiliates—

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

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

#### Marketable securities and other investments—

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

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

Debt securities held by DOCOMO, which DOCOMO has the positive intent and ability to hold to maturity, are classified as held-to-maturity, and the other debt securities that may be sold before maturity are classified as available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale debt securities are carried at fair value with unrealized holding gains or losses, net of applicable taxes, included in "Accumulated other comprehensive income (loss)". Realized gains and losses are determined using the first-in, first-out cost method and are reflected currently in earnings. Debt securities



with original maturities of 3 months or less at the date of purchase are recorded as "Cash and cash equivalents", while those with original maturities of longer than 3 months at the date of purchase and remaining maturities of 1 year or less at the end of fiscal year are recorded as "Short-term investments" in the consolidated balance sheets.

DOCOMO did not hold or transact any trading securities during the years ended March 31, 2009, 2010 and 2011.

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

#### Goodwill and other intangible assets—

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

DOCOMO does not amortize either goodwill, including investor level goodwill related to the investments accounted for under the equity method, or other intangible assets acquired in a purchase business combination and determined to have an indefinite useful life. However, (1) goodwill, except those related to equity method investments, and (2) other intangible assets that have indefinite useful lives are tested for impairment at least annually.

The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). Fair value of the reporting unit is determined using discounted cash flow method. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and DOCOMO performs the second step of the impairment test (measurement). Under the second step, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. If the fair value of the reporting unit exceeds its carrying value, the second step does not need to be performed.

Goodwill related to equity method investments is tested for impairment as a part of the other-than-temporary impairment assessment of the equity method investment as a whole.

Intangible assets that have finite useful lives, consisting primarily of software for telecommunications network, internal-use software, software acquired to be used in manufacture of handsets and rights to use telecommunications facilities of wireline operators are amortized on a straight-line basis over their useful lives.

DOCOMO capitalizes the cost of internal-use software which has a useful life in excess of 1 year. Subsequent costs for additions, modifications or upgrades to internal-use software are capitalized only to the extent that the software is able to perform a task it previously did not perform. Software acquired to be used in manufacture of handsets is capitalized if the technological feasibility of the handset to be ultimately marketed has been established at the time of acquisition. Software maintenance and training costs are expensed as incurred. Capitalized software costs are amortized over up to 5 years.

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

#### Impairment of long-lived assets—

DOCOMO's long-lived assets other than goodwill, such as property, plant and equipment, software and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held for use is evaluated by a comparison of the carrying amount of the asset with future undiscounted cash flows expected to be generated by the asset or asset group. If the asset (or asset group) is determined to be impaired, the loss recognized is the amount by which the carrying value of the asset (or asset group) exceeds its fair value as measured through various valuation techniques, including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary.

#### Hedging activities—

DOCOMO uses derivative instruments, including interest rate swap agreements, foreign currency swap contracts and foreign exchange forward contracts, and other financial instruments in order to manage its exposure to fluctuations in interest rates and foreign exchange rates. DOCOMO does not hold or issue derivative instruments for trading purposes.

These financial instruments are effective in meeting the risk reduction objectives of DOCOMO by generating either transaction gains and losses which offset transaction gains and losses of the hedged items or cash flows which offset the cash flows related to the underlying position in respect of amount and timing.

All derivative instruments are recorded on the consolidated balance sheets at fair value. The recorded fair values of derivative instruments represent the amounts that DOCOMO would receive or pay to terminate the contracts at each fiscal year end.

For derivative instruments that qualify as fair value hedge instruments, the changes in fair value of the derivative instruments are recognized currently in earnings, which offset the changes in fair value of the related hedged assets or liabilities that are also recognized in earnings of the period.

For derivative instruments that qualify as cash flow hedge instruments, the changes in fair value of the derivative instruments are initially recorded in "Accumulated other comprehensive income (loss)" and reclassified into earnings when the relevant hedged transaction is realized.

For derivative instruments that do not qualify as hedging instruments, the changes in fair value of the derivative instruments are recognized currently in earnings.

DOCOMO discontinues hedge accounting when it is determined that the derivative instruments or other financial instruments are no longer highly effective as a hedge or when DOCOMO decides to discontinue the hedging relationship.

Cash flows from derivative instruments that are designated as qualifying hedges are classified in the consolidated statements of cash flows under the same categories as the cash flows from the relevant assets, liabilities or anticipated transactions.

**Accrued liabilities for point programs—**

DOCOMO offers “docomo Points Service,” which provides benefits, including discount on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record “Accrued liabilities for point programs” relating to the points that customers earn. In determining the accrued liabilities for point programs, DOCOMO estimates such factors as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription.

**Employees’ retirement benefit plans—**

DOCOMO recognizes the funded status of its defined benefit plans, measured as the difference between the plan assets at fair value and the benefit obligation, in the consolidated balance sheets. Changes in the funded status are recognized as changes in comprehensive income during the fiscal period in which such changes occur.

Pension benefits earned during the year as well as interest on projected benefit obligations are accrued currently. Net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and prior service cost due to the changes of benefit plans, both of which are included in “Accumulated other comprehensive income (loss)”, are amortized to earnings over the expected average remaining service period of employees on a straight-line basis.

**Revenue recognition—**

DOCOMO primarily generates revenues from two sources—wireless services and equipment sales. These revenue sources are separate and distinct earnings processes. Wireless service is sold to the subscriber directly or through third-party resellers who act as agents, while equipment, including handsets, are sold principally to agent resellers.

DOCOMO sets its wireless services rates in accordance with the Japanese Telecommunications Business Act and government guidelines, which currently allow wireless telecommunications operators to set their own tariffs without government approval. Wireless service revenues primarily consist of basic monthly charges, airtime charges and fees for activation.

Basic monthly charges and airtime charges are recognized as revenues at the time the service is provided to the subscribers. DOCOMO’s monthly billing plans for cellular (FOMA and mova) services generally include a certain amount of allowances (free minutes and/or packets),

Deferred revenue and deferred charges as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Current deferred revenue	¥84,848	<b>¥81,219</b>
Long-term deferred revenue	71,085	<b>72,214</b>
Current deferred charges	12,657	<b>11,481</b>
Long-term deferred charges	71,085	<b>72,214</b>

Current deferred revenue is included in “Other current liabilities” in the consolidated balance sheets.

**Selling, general and administrative expenses—**

Selling, general and administrative expenses primarily include commissions paid to sales agents, expenses associated with point programs, advertising expenses, as well as other expenses such as payroll and related benefit costs of personnel not directly involved in the service operations and maintenance process. Commissions paid to sales agents represent the largest portion of selling, general and administrative expenses.

and the used amount of the allowances is subtracted from total usage in calculating the airtime revenue from a subscriber for the month. DOCOMO offers a billing arrangement called “Nikagetsu Kurikoshi” (2 month carry-over), in which the unused allowances are automatically carried over for up to the following two months. In addition, DOCOMO offers an arrangement which enables the unused allowances that were carried over for the two months to be automatically used to cover the airtime and/or packet charges exceeding the allowances of the other subscriptions in the “Family Discount” group, a discount billing arrangement for families. Out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following two months. As for the portion which is estimated to expire, DOCOMO recognizes the revenue attributable to such portion of allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers make calls or utilize data transmissions.

Equipment sales are recognized as revenues when equipment is accepted by agent resellers and all inventory risk is transferred from DOCOMO. Certain commissions paid to agent resellers are recognized as a reduction of revenue upon delivery of the equipment to such agent resellers.

DOCOMO enables subscribers to select installment payments for the purchase of the handset over a period of 12 or 24 months. When installment payments are selected, under agreements entered into among DOCOMO, subscribers and agent resellers, DOCOMO provides financing by providing funds for the purchase of the handset by the subscribers. DOCOMO then includes current installments for the receivable for the purchased handset with basic monthly charges and airtime charges for the installment payment term. This is a separate contract from the wireless services contract between DOCOMO and the subscriber or the handset purchase agreement between the agent reseller and the subscriber, and cash collection from the subscriber is the recovery of the cash payment. Therefore, cash collection from subscribers for the purchased handsets does not have an impact on DOCOMO’s revenue.

Non-recurring upfront fees such as activation fees are deferred and recognized as revenues over the estimated average period of the subscription for each service. The related direct costs are also deferred to the extent of the related upfront fee amount and are amortized over the same period.

**Income taxes—**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax

assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

DOCOMO determines whether it is more likely than not that a tax position will be sustained and, if any, DOCOMO determines the amount of tax benefit to recognize in the financial statements. DOCOMO has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the consolidated statements of income and comprehensive income.

#### Earnings per share attributable to NTT DOCOMO, INC.—

Basic earnings per share attributable to NTT DOCOMO, INC. include no dilution and are computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share attributable to NTT DOCOMO, INC. assume the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

DOCOMO did not issue dilutive securities during the years ended March 31, 2009, 2010 and 2011, and therefore there is no difference between basic and diluted earnings per share attributable to NTT DOCOMO, INC.

#### Foreign currency translation—

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at rates that approximate those rates prevailing at the time of the transactions. The accompanying translation adjustments are included in "Accumulated other comprehensive income (loss)."

Foreign currency receivables and payables of DOCOMO are translated at appropriate year-end current rates and the accompanying translation gains or losses are included in earnings currently.

The effects of exchange rate fluctuations from the initial transaction date to the settlement date are recorded as exchange gain or loss, which are included in "Other income (expense)" in the accompanying consolidated statements of income and comprehensive income.

### (3) Reclassifications

Certain reclassifications are made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2011.

### (4) The Great East Japan Earthquake

The Great East Japan Earthquake and the subsequent tsunami on March 11, 2011, damaged some of DOCOMO's base station facilities located in certain areas of Tohoku region, and caused the temporary disruption of cellular services. For the fiscal year ended March 31, 2011, ¥7,123 million was recognized in selling, general and administrative expenses as a result of this disaster, pertaining to write-downs of damaged facilities and equipment (¥3,583 million), personnel and other expenses incurred in response to the disaster (¥3,540 million). Most of these expenses were recognized in the mobile phone business segment.

In addition, DOCOMO management also considered the following as a result of this disaster:

#### Impairment of long-lived assets, other than goodwill—

After the damaged assets were written-down or written-off, DOCOMO management considered whether this event indicated that the revised carrying amounts of property, plant and equipment and intangible assets may not be recoverable. DOCOMO management determined that no impairment losses on property, plant and equipment and intangible assets were necessary as a result of this event.

#### Impairment of goodwill—

The potential impact of March 11, 2011 events on the fair value of DOCOMO's domestic mobile phone reporting unit was considered as part of DOCOMO's annual goodwill impairment review of this reporting unit on March 31, 2011. DOCOMO management determined that no goodwill impairment existed at March 31, 2011.

#### Collectability of accounts receivable—

DOCOMO has not experienced any significant change in the trend of payment delays or bad debts of its customers after the earthquake, although DOCOMO offered relief programs including an extension of payment deadlines on phone bills and refunds of the basic monthly fees and other charges to certain customers in the disaster-stricken area. The impact of these relief programs was immaterial.

#### Realization of deferred tax assets—

The potential impact of March 11, 2011 events on DOCOMO's estimates of future taxable income were considered as part of DOCOMO's evaluation of the realizability of its deferred tax assets at March 31, 2011. DOCOMO management determined that no valuation allowance was necessary as a result of this event at March 31, 2011.

### 3. Cash and cash equivalents:

"Cash and cash equivalents" as of March 31, 2010 and 2011 comprised the following:

	Millions of yen	
	2010	2011
Cash	¥277,715	<b>¥305,574</b>
Certificates of deposit	40,000	<b>210,000</b>
Commercial paper	20,000	<b>199,977</b>
Bailment for consumption	20,000	<b>50,000</b>
Total	¥357,715	<b>¥765,551</b>

The aggregate amount of commercial paper as of March 31, 2010 and 2011 was ¥39,990 million and ¥259,972 million, respectively and ¥19,990 million and ¥59,995 million was recorded in "Short-term investments" in the consolidated balance sheet as they have original maturities of longer than 3 months at the date of purchase and remaining maturities of 1 year or less at the end of fiscal year in addition to the amounts in "Cash and

cash equivalents," which is stated above. Commercial paper is classified as held-to-maturity securities and their amortized amounts approximate their fair value.

Information regarding "Bailment for consumption" is disclosed in Note 13.

### 4. Inventories:

"Inventories" as of March 31, 2010 and 2011 comprised the following:

	Millions of yen	
	2010	2011
Telecommunications equipment to be sold	¥137,145	<b>¥141,106</b>
Materials and supplies	995	<b>2,560</b>
Other	3,137	<b>2,691</b>
Total	¥141,277	<b>¥146,357</b>

### 5. Investments in affiliates:

#### Sumitomo Mitsui Card Co., Ltd.—

As of March 31, 2010 and 2011, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card Co., Ltd. ("Sumitomo Mitsui Card"). DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote the credit transaction services which use mobile phones compatible with "Osaifu-Keitai" (wallet-phone) service.

#### Philippine Long Distance Telephone Company—

As of March 31, 2010 and 2011, DOCOMO held approximately 14% of the outstanding common shares of Philippine Long Distance Telephone Company ("PLDT"), a telecommunication operator in the Philippines. PLDT is a public company listed on the Philippine Stock Exchange and the New York Stock Exchange.

On March 14, 2006, DOCOMO acquired approximately 7% of PLDT's outstanding common shares for ¥52,213 million from NTT Communications Corporation ("NTT Com"), a subsidiary of NTT. From March 2007 to February 2008, DOCOMO acquired approximately an additional 7% common equity interest for ¥98,943 million in the market. Together with the PLDT common shares continued to be held by NTT Com, on a consolidated basis NTT held approximately 21% of the total outstanding common shares of PLDT.

In accordance with an agreement entered into on January 31, 2006 between PLDT and its major shareholders, including NTT Com and DOCOMO, DOCOMO has the right to exercise the entire 21% voting rights associated with the ownership interest collectively held by DOCOMO and NTT Com. As DOCOMO obtained the ability to exercise significant influence over PLDT, DOCOMO has accounted for the invest-

ment by applying the equity method from the date of the initial acquisition of PLDT shares.

DOCOMO determined the fair value of tangible, intangible and other assets and liabilities of PLDT with the assistance of an independent third party appraiser in order to recognize and account for DOCOMO's share of identifiable intangible assets and embedded goodwill of its equity investment in PLDT. During the year ended March 31, 2009, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in PLDT were charged to equity in net income (loss) of affiliates. As a result, "Equity in net income (losses) of affiliates, net of applicable taxes" in the consolidated statement of income and comprehensive income for the year ended March 31, 2009 decreased by ¥4,817 million and "Investments in affiliates" in consolidated balance sheet as of March 31, 2009 decreased by ¥8,137 million.

DOCOMO's carrying amount of its investment in PLDT was ¥105,944 million and ¥95,859 million as of March 31, 2010 and 2011, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥134,088 million and ¥119,749 million as of March 31, 2010 and 2011, respectively.

#### Tata Teleservices Limited—

As of March 31, 2010 and 2011, DOCOMO held approximately 26% of the outstanding common shares of Tata Teleservices Limited ("TTSL").

On November 12, 2008, DOCOMO entered into a capital alliance with TTSL and Tata Sons Limited, the parent company of TTSL. On March 25, 2009, DOCOMO acquired TTSL's outstanding common shares for ¥252,321 million pursuant to the capital alliance and accounted for the investment by applying the equity method.

DOCOMO determined the fair value of tangible, intangible and other assets and liabilities of TTSL with the assistance of an independent third party appraiser in order to recognize and account for DOCOMO's share of identifiable intangible assets and embedded goodwill of its equity investment in TTSL. During the year ended March 31, 2010, upon the completion of the evaluation, adjustments to reflect the earnings impact of the final allocation of the investment in TTSL were charged to equity in net income (loss) of affiliates. As a result, "Equity in net income (losses) of affiliates, net of applicable taxes" in the consolidated statement of income and comprehensive income for the year ended March 31, 2010 decreased by ¥2,788 million and "Investments in affiliates" in the consolidated balance sheet as of March 31, 2010 decreased by ¥4,710 million.

DOCOMO made additional investments totaling ¥14,424 million in response to a rights offering that TTSL commenced in March and May, 2011. TTSL is expected to use the capital increase to strengthen the quality of the 3G network in India's market. As a result of its participation in the rights offering, DOCOMO's equity interest in TTSL slightly increased to approximately 27%.

#### Impairment—

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

impairment charges for other-than-temporary declines during the year ended March 31, 2009. The impairments did not have a material impact on DOCOMO's results of operations or financial position. The impairment charges are included in "Equity in net income (losses) of affiliates, net of applicable taxes" in the accompanying statements of income and comprehensive income. DOCOMO has determined that the estimated fair values of each of its investments in affiliates as of March 31, 2010 and 2011 are not less than the related carrying values on an individual basis.

All of the equity method investees, except for PLDT, are privately held companies as of March 31, 2011.

DOCOMO's cumulative share of the earnings or losses of affiliates, less amounts distributed by affiliates as dividends, was ¥10,346 million, ¥11,967 million and ¥14,531 million, as of March 31, 2009, 2010 and 2011, respectively. Dividends received from affiliates were ¥15,500 million, ¥12,854 million and ¥12,757 million for the years ended March 31, 2009, 2010 and 2011, respectively. DOCOMO does not have significant business transactions with its affiliates.

The total carrying value of DOCOMO's "Investments in affiliates" in the accompanying consolidated balance sheets as of March 31, 2010 and 2011 was greater by ¥421,132 million and ¥382,037 million, respectively, than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees. The difference mainly consisted of goodwill and amortizable intangible assets.

## 6. Marketable securities and other investments:

"Marketable securities and other investments" as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Marketable securities:		
Available-for-sale	¥136,631	¥117,763
Other investments	14,395	10,375
Marketable securities and other investments (Non-current)	¥151,026	¥128,138

Maturities of debt securities classified as available-for-sale as of March 31, 2010 and 2011 were as follows:

	Millions of yen			
	2010		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Due within 1 year	¥-	¥-	¥-	¥-
Due after 1 year through 5 years	4	4	4	4
Due after 5 years through 10 years	-	-	-	-
Due after 10 years	-	-	-	-
Total	¥4	¥4	¥4	¥4

The aggregate cost, gross unrealized holding gains and losses and fair value by type of available-for-sale securities as of March 31, 2010 and 2011 were as follows:

	Millions of yen			
	2010			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥121,308	¥20,257	¥4,938	¥136,627
Debt securities	4	–	0	4

	Millions of yen			
	2011			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥109,199	¥10,663	¥2,103	¥117,759
Debt securities	4	0	–	4

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of yen		
	2009	2010	2011
Proceeds	¥660	¥71,640	¥3,585
Gross realized gains	377	5,627	475
Gross realized losses	(267)	(4,934)	(22)

Gross unrealized holding losses on and fair value of available-for-sale securities and cost method investments included in other investments as of March 31, 2010 and 2011, aggregated by investment category and length of time during which individual securities were in a continuous unrealized loss position were as follows:

	Millions of yen					
	2010					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥18,156	¥2,302	¥19,835	¥2,636	¥37,991	¥4,938
Debt securities	4	0	–	–	4	0
Cost method investments	–	–	276	1,309	276	1,309

	Millions of yen					
	2011					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥4,781	¥874	¥10,351	¥1,229	¥15,132	¥2,103
Debt securities	–	–	–	–	–	–
Cost method investments	42	66	104	218	146	284

Other investments include long-term investments in various privately held companies.

For long-term investments in various privately held companies for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Accordingly,

The aggregate carrying amount of cost method investments included in other investments and the aggregate carrying amount of investments whose fair values were not evaluated for impairment as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Cost method investments included in other investments	¥14,351	<b>¥10,341</b>
Including: Investments whose fair values were not evaluated for impairment	9,918	<b>9,714</b>

The amount of other-than-temporary impairment of marketable securities and other investments is disclosed in Note 12.

DOCOMO held approximately 11% of the outstanding common shares of KT Freetel Co., Ltd. ("KTF") as of March 31, 2009, with the initial acquisition cost of ¥65,602 million. On January 20, 2009, DOCOMO agreed with KT Corporation ("KT") that DOCOMO would exchange 40% of its KTF shareholding for KT common shares and the remaining 60% for KT exchangeable bonds in connection with the proposed merger between KT and KTF. Therefore, DOCOMO determined that the decline in value of KTF shares was other than temporary and recognized ¥26,313 million of impairment loss on the investment in KTF shares based on its fair value as of March 31, 2009. The loss is recorded in other income (expense) under the line item "Other, net" in the consolidated statement

of income and comprehensive income for the year ended March 31, 2009. DOCOMO believes that it is not practicable to disclose estimated fair values of these cost method investments. Unless DOCOMO identifies events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments, the fair value of such cost method investments is not estimated.

of income and comprehensive income for the year ended March 31, 2009.

The exchange of KTF shares for KT exchangeable bonds and for KT common shares was carried out on May 27, 2009 and June 1, 2009, respectively. KT exchangeable bonds were acquired for ¥20,821 million and DOCOMO recognized ¥2,753 million of realized loss. KT common shares were acquired for ¥15,023 million and DOCOMO recognized ¥692 million of realized loss. The exchange of KT exchangeable bonds for KT ADRs was carried out on December 14, 2009. KT ADRs were acquired for ¥26,326 million and DOCOMO recognized ¥5,477 million of realized gain. These amounts are included in the table of proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the year ended March 31, 2010 which is presented above.

## 7. Goodwill and other intangible assets:

### Goodwill—

The majority of DOCOMO's goodwill was recognized when DOCOMO purchased all the remaining noncontrolling interests in its eight regional subsidiaries through share exchanges and made these subsidiaries

wholly owned in November 2002.

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2010 and 2011 were as follows:

	Millions of yen		
	2010		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	¥138,597	¥15,788	¥154,385
Goodwill acquired during the year	3,426	40,030	43,456
Foreign currency translation adjustment	60	190	250
Other	—	345	345
Balance at end of year	¥142,083	¥56,353	¥198,436

	Millions of yen		
	2011		
	Mobile phone business	Miscellaneous businesses	Consolidated
Balance at beginning of year	<b>¥142,083</b>	<b>¥56,353</b>	<b>¥198,436</b>
Goodwill acquired during the year	<b>10,852</b>	—	<b>10,852</b>
Foreign currency translation adjustment	<b>(1,219)</b>	<b>(1,901)</b>	<b>(3,120)</b>
Other	<b>(509)</b>	<b>(86)</b>	<b>(595)</b>
Balance at end of year	<b>¥151,207</b>	<b>¥54,366</b>	<b>¥205,573</b>

Information regarding operating segments is discussed in Note 14.

The main components of goodwill acquired during the years ended March 31, 2010 and 2011 were ¥40,030 million associated with the acquisition of 51.0% shares of OAK LAWN MARKETING, INC and ¥10,852 million associated with the additional acquisition of 65.0% shares of PacketVideo Corporation, respectively.

#### Other intangible assets—

Other intangible assets, as of March 31, 2010 and 2011 comprised the following:

	Millions of yen		
	2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	¥ 783,874	¥ 540,767	¥243,107
Internal-use software	1,014,142	740,675	273,467
Software acquired to be used in manufacture of handsets	158,738	77,877	80,861
Rights to use telecommunications facilities of wireline operators	18,193	6,380	11,813
Other	21,844	6,123	15,721
Total amortizable intangible assets	¥1,996,791	¥1,371,822	¥624,969
Unamortizable intangible assets:			
Trademarks and trade names			¥ 3,722
Total unamortizable intangible assets			¥ 3,722
<b>Total</b>			<b>¥628,691</b>

	Millions of yen		
	2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	<b>¥ 824,404</b>	<b>¥ 565,166</b>	<b>¥259,238</b>
Internal-use software	<b>1,092,442</b>	<b>816,389</b>	<b>276,053</b>
Software acquired to be used in manufacture of handsets	<b>190,722</b>	<b>96,107</b>	<b>94,615</b>
Rights to use telecommunications facilities of wireline operators	<b>19,052</b>	<b>7,126</b>	<b>11,926</b>
Other	<b>37,624</b>	<b>11,181</b>	<b>26,443</b>
Total amortizable intangible assets	<b>¥2,164,244</b>	<b>¥1,495,969</b>	<b>¥668,275</b>
Unamortizable intangible assets:			
Trademarks and trade names			<b>¥ 3,981</b>
Total unamortizable intangible assets			<b>¥ 3,981</b>
<b>Total</b>			<b>¥672,256</b>

The amount of amortizable intangible assets acquired during the year ended March 31, 2011 was ¥250,949 million, the main components of which were software for telecommunications network in the amount of ¥104,669 million and internal-use software in the amount of ¥98,825 million. The weighted-average amortization period of such software for telecommunications network and internal-use software is 5.0 years and 4.8 years, respectively. Amortization of intangible assets for the years ended March 31, 2009, 2010 and 2011 was ¥189,678 million, ¥187,393 million and ¥204,090 million, respectively. Estimated amortization of existing intangible

assets for fiscal years ending March 31, 2012, 2013, 2014, 2015 and 2016 is ¥204,187 million, ¥159,294 million, ¥125,546 million, ¥90,710 million, and ¥41,488 million, respectively. The weighted-average amortization period of the intangible assets acquired during the year ended March 31, 2011 is 5.0 years.

The amount of unamortizable intangible assets acquired during the year ended March 31, 2011 was ¥259 million, the component of which was trademarks and trade names.



## 8. Other assets:

"Other assets" as of March 31, 2010 and 2011 comprised the following:

	Millions of yen	
	2010	2011
Deposits	¥ 79,151	¥ 59,615
Deferred customer activation costs	71,085	72,214
Installment receivables for handsets (Non-current)	85,753	75,391
Allowance for doubtful accounts	(4,047)	(1,118)
Long-term bailment for consumption to a related party	–	20,000
Other	25,969	23,817
Total	¥257,911	¥249,919

Information regarding "Long-term bailment for consumption to a related party" is disclosed in Note 13.

## 9. Short-term borrowings and long-term debt:

Short-term borrowings, excluding the current portion of long-term debt as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions	¥78	¥276
(Year ended March 31, 2010 — weighted-average interest rate per annum: 7.6%)		
(Year ended March 31, 2011 — weighted-average variable rate per annum : 5.3% as of March 31, 2011)		
Total short-term borrowings	¥78	¥276

Long-term debt as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Debt denominated in Japanese Yen:		
Unsecured corporate bonds	¥ 572,097	¥ 407,032
(Year ended March 31, 2010 — interest rates per annum: 1.0%–2.0%, due : years ending March 31, 2011–2019)		
(Year ended March 31, 2011 — interest rates per annum: 1.0%–2.0%, due : years ending March 31, 2012–2019)		
Unsecured indebtedness to financial institutions	38,000	21,000
(Year ended March 31, 2010 — interest rates per annum: 1.3%–1.5%, due: years ending March 31, 2011–2013)		
(Year ended March 31, 2011 — interest rates per annum: 1.3%–1.5%, due : years ending March 31, 2012–2013)		
Debt denominated in Euro:		
Unsecured indebtedness to financial institutions	172	70
(Year ended March 31, 2010 — variable rate per annum: 4.6% as of March 31, 2010, due: year ending March 31, 2012)		
(Year ended March 31, 2011 — variable rate per annum: 2.4% as of March 31, 2011, due: year ending March 31, 2012)		
Sub-total	¥ 610,269	¥ 428,102
Less: Current portion	(180,716)	(173,102)
Total long-term debt	¥ 429,553	¥ 255,000

Interest rates on DOCOMO's borrowings are mainly fixed. DOCOMO uses interest rate swap transactions, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM). Information relating to interest rate swap contracts is disclosed in Note 19. Interest costs related specifically to

short-term borrowings and long-term debt for the years ended March 31, 2009, 2010 and 2011 totaled ¥7,187 million, ¥7,441 million and ¥6,709 million, respectively. "Interest expense" in the consolidated statements of income and comprehensive income excludes the amounts of capitalized interest.

The aggregate amounts of annual maturities of long-term debt as of March 31, 2011, were as follows:

Year ending March 31,	Millions of yen
2012	¥173,102
2013	75,000
2014	70,000
2015	—
2016	—
Thereafter	110,000
<b>Total</b>	<b>¥428,102</b>

## 10. Equity:

Effective May 1, 2006, the Corporate Law of Japan provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the board of directors, if the articles of incorporation provide for such interim cash dividends and (iii) an amount equal to at least 10% of decrease in retained earnings by dividends payment be appropriated from retained earnings to a legal reserve up to 25% of capital stock. The legal reserve is available for distribution upon approval of the shareholders.

The distributable amount available for the payments of dividends to shareholders as of March 31, 2011 was ¥3,474,726 million and was included in "Additional paid-in capital" and "Retained earnings".

In the general meeting of shareholders held on June 17, 2011, the shareholders approved cash dividends of ¥107,816 million or ¥2,600 per share, payable to shareholders recorded as of March 31, 2011, which were declared by the board of directors on April 28, 2011.

In order to improve capital efficiency and to implement flexible

The changes in the number of issued shares and treasury stock for the years ended March 31, 2009, 2010 and 2011 were as follows, where fractional shares are rounded off:

	Number of issued shares	Number of treasury stock
As of March 31, 2008	44,870,000	2,242,073
Acquisition of treasury stock based on the resolution by the general meeting of shareholders	—	856,405
Acquisition of treasury stock at the request of dissenting shareholders against the merger	—	11,711
Acquisition of fractional shares	—	4
Retirement of treasury stock	(920,000)	(920,000)
As of March 31, 2009	43,950,000	2,190,193
Acquisition of treasury stock based on the resolution of the board of directors	—	154,065
Retirement of treasury stock	(160,000)	(160,000)
As of March 31, 2010	43,790,000	2,184,258
<b>Acquisition of treasury stock based on the resolution of the board of directors</b>	<b>—</b>	<b>138,141</b>
<b>Retirement of treasury stock</b>	<b>(140,000)</b>	<b>(140,000)</b>
<b>As of March 31, 2011</b>	<b>43,650,000</b>	<b>2,182,399</b>

Effective August 1, 2008, DOCOMO abolished the fractional share system. DOCOMO has not issued shares other than shares of its common stock.

capital policies in accordance with the business environment, DOCOMO acquires treasury stock.

With regard to the acquisition of treasury stock, the Corporate Law of Japan provides that (i) it can be done according to the resolution of the general meeting of shareholders, and (ii) the acquisition of treasury stock through open market transactions can be done according to the resolution of the board of directors if the articles of incorporation contain such a provision. The provision is stipulated in DOCOMO's articles of incorporation.

### Issued shares and treasury stock—

DOCOMO acquired treasury stock at the request of dissenting shareholders, made pursuant to paragraph (1) of Article 797 of the Corporate Law of Japan, against the merger under which its eight regional subsidiaries were dissolved and merged into DOCOMO as of July 1, 2008.

The general meeting of shareholders approved stock repurchase plans as follows:

Date of the general meeting of shareholders	Term of repurchase	Approved maximum number of treasury stock to be repurchased (Shares)	Approved maximum budget for share repurchase (Millions of yen)
June 19, 2007	June 20, 2007 – June 19, 2008	1,000,000	¥200,000
June 20, 2008	June 21, 2008 – June 20, 2009	900,000	150,000

The meeting of the board of directors approved stock repurchase plans as follows:

Date of the meeting of the board of directors	Term of repurchase	Approved maximum number of treasury stock to be repurchased (Shares)	Approved maximum budget for share repurchase (Millions of yen)
November 9, 2009	November 10, 2009 – November 30, 2009	160,000	¥20,000
<b>December 17, 2010</b>	<b>December 20, 2010 – January 28, 2011</b>	<b>160,000</b>	<b>20,000</b>

The aggregate number and price of shares repurchased for the years ended March 31, 2009, 2010 and 2011 were as follows:

Year ended March 31,	Shares	Millions of yen
2009	868,120	¥136,846
2010	154,065	20,000
<b>2011</b>	<b>138,141</b>	<b>20,000</b>

Based on the resolution of the board of directors, DOCOMO retired its own shares held as treasury stock as shown in the following table. The share retirement resulted in a decrease of "Additional paid-in capital" in the same amount as the aggregate purchase price. There were no changes in the number of authorized shares.

Date of the board of directors	Shares	Millions of yen
March 26, 2009	920,000	¥163,526
March 26, 2010	160,000	27,936
<b>March 28, 2011</b>	<b>140,000</b>	<b>24,195</b>

#### Accumulated other comprehensive income (loss):

Changes in accumulated other comprehensive income (loss), net of applicable taxes, were as follows:

	Millions of yen				
	Unrealized holding gains (losses) on available-for-sale securities	Change in fair value of derivative instruments	Foreign currency translation adjustment	Pension liability adjustment	Accumulated other comprehensive income (loss)
As of March 31, 2008	¥ (2,502)	¥ 75	¥ 14,599	¥ (11,762)	¥ 410
2009 change	(1,610)	(125)	(47,586)	(16,778)	(66,099)
As of March 31, 2009	¥ (4,112)	¥ (50)	¥ (32,987)	¥ (28,540)	¥ (65,689)
2010 change	15,096	(63)	5,852	7,425	28,310
As of March 31, 2010	¥ 10,984	¥ (113)	¥ (27,135)	¥ (21,115)	¥ (37,379)
<b>2011 change</b>	<b>(5,293)</b>	<b>4</b>	<b>(27,854)</b>	<b>(6,433)</b>	<b>(39,576)</b>
<b>As of March 31, 2011</b>	<b>¥ 5,691</b>	<b>¥(109)</b>	<b>¥(54,989)</b>	<b>¥(27,548)</b>	<b>¥(76,955)</b>

The amount of taxes applied to the items in "Accumulated other comprehensive income (loss)" is described in Note 16.

## 11. Research and development expenses and advertising expenses:

### Research and development expenses—

Research and development costs are charged to expense as incurred. Research and development expenses are included primarily in "Selling, general and administrative" expenses and amounted to ¥100,793 million, ¥109,916 million and ¥109,108 million for the years ended March 31, 2009, 2010 and 2011, respectively.

### Advertising expenses—

Advertising costs are charged to expense as incurred. Advertising expenses are included in "Selling, general and administrative" expenses and amounted to ¥54,986 million, ¥54,114 million and ¥54,984 million for the years ended March 31, 2009, 2010 and 2011, respectively.

## 12. Other income (expense):

Other income (expense) included in "Other, net" in the consolidated statements of income and comprehensive income for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Net realized gains (losses) on dispositions of investments in affiliates	¥ –	¥ (26)	¥ 95
Net realized gains on dispositions of marketable securities and other investments	110	693	453
Other-than-temporary impairment loss on marketable securities and other investments	(57,812)	(4,007)	(13,424)
Foreign exchange gains (losses), net	(851)	(615)	(1,575)
Rental revenue received	2,144	2,524	1,804
Dividends income	2,951	4,652	4,819
Penalties and compensation for damages	4,161	2,204	1,605
Other, net	1,267	259	449
Total	¥(48,030)	¥ 5,684	¥ (5,774)

## 13. Related party transactions:

As previously described, DOCOMO is majority-owned by NTT, which is a holding company for more than 700 companies comprising the NTT group.

DOCOMO has entered into a number of different types of transactions with NTT, its subsidiaries and its affiliated companies in the ordinary course of business. DOCOMO's transactions with NTT group companies include purchases of wireline telecommunications services (i.e. for DOCOMO's offices and operations facilities) based on actual usage, leasing of various telecommunications facilities and sales of DOCOMO's various wireless telecommunications services. During the years ended March 31, 2009, 2010 and 2011, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥70,840 million, ¥72,928 million and ¥76,214 million, respectively.

DOCOMO has entered into contracts of bailment of cash for consumption with NTT FINANCE CORPORATION ("NTT FINANCE") for cash management purposes. NTT and its subsidiaries collectively own 99.3% of the voting interests in NTT FINANCE, of which DOCOMO owned 2.9% as of March 31, 2011. Accordingly, NTT FINANCE is a related party of DOCOMO. Under the terms of the contracts, excess cash generated at DOCOMO is bailed to NTT FINANCE and NTT FINANCE manages the funds on behalf of DOCOMO. DOCOMO can

withdraw the funds upon its demand and receives relevant interests from NTT FINANCE. The funds are accounted for as "Cash and cash equivalents," "Short-term investments," or "Other assets" depending on the initial contract periods.

The balance of bailment was ¥110,000 million as of March 31, 2010. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥20,000 million and "Short-term investments" of ¥90,000 million in the consolidated balance sheet as of March 31, 2010. The contracts had remaining terms to maturity ranging up to 4 months with an average interest rate of 0.3% per annum as of March 31, 2010.

The balance of bailment was ¥70,000 million as of March 31, 2011. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥50,000 million and "Other assets" of ¥20,000 million in the consolidated balance sheet as of March 31, 2011. The contracts had remaining terms to maturity ranging up to 2 years and 9 months with an average interest rate of 0.3% per annum as of March 31, 2011.

The average balance of the contracts of bailment expired during the year ended March 31, 2009, 2010 and 2011 was ¥48,778 million, ¥15,616 million and ¥82,959 million, respectively. The recorded amounts of interest income derived from the contracts were ¥270 million, ¥75 million and ¥171 million for the years ended March 31, 2009, 2010 and 2011, respectively.

## 14. Segment reporting:

DOCOMO's management uses the following segment financial information to make decisions on the allocation of management resources and to evaluate business performance. Accounting policies used to determine segment profit or loss and segment assets are consistent with those used to prepare the consolidated financial statements in accordance with U.S. GAAP

DOCOMO has two operating segments. The mobile phone business segment includes Xi services, FOMA services, mova services, packet communications services, satellite mobile communications services, international services and the equipment sales related to these services. The miscellaneous businesses segment includes home shopping services provided primarily through TV media, high-speed internet connection for hotel facilities, advertisement services, development, sales and maintenance of IT systems, credit services and other miscellaneous services, which in the aggregate are not significant in amount. DOCOMO plans to terminate mova services on March 31, 2012. The "Corporate" column in the tables below is not an operating segment but is included to reflect the recorded amounts of common assets which are not allocated to any

operating segment.

DOCOMO identifies its reportable segments based on the nature of services included, as well as the characteristics of the telecommunications networks used to provide those services. DOCOMO's management monitors and evaluates the performance of its segments based on the information derived from DOCOMO's management reports.

Assets by segment are not included in the management reports, however, they are included herein only for the purpose of disclosure. Depreciation and amortization is shown separately, as well as included as part of operating expenses. Corporate assets primarily include cash, securities and investments in affiliates. DOCOMO allocates amounts of asset and related depreciation and amortization to common assets, such as buildings for telecommunications purposes and common facilities, on a systematic and rational basis based on the proportionate amount of network assets of each segment. Capital expenditures in the "Corporate" column include certain expenditures related to the buildings for telecommunications purposes and common facilities, which are not allocated to each segment.

Year ended March 31, 2009	Millions of yen			
	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,381,254	¥ 66,726	¥ –	¥4,447,980
Operating expenses	3,525,967	91,054	–	3,617,021
Operating income (loss)	¥ 855,287	¥ (24,328)	¥ –	¥ 830,959
Other income (expense)				¥ (50,486)
Income before income taxes and equity in net income (losses) of affiliates				¥ 780,473
Other significant non-cash item:				
Point program expense	¥ 111,062	¥ 3,663	¥ –	¥ 114,725
Total assets	¥4,960,000	¥139,617	¥1,388,603	¥6,488,220
Depreciation and amortization	¥ 796,807	¥ 7,352	¥ –	¥ 804,159
Capital expenditures	¥ 601,307	¥ –	¥ 136,299	¥ 737,606

Year ended March 31, 2010	Millions of yen			
	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,167,704	¥116,700	¥ –	¥ 4,284,404
Operating expenses	3,322,064	128,095	–	3,450,159
Operating income (loss)	¥ 845,640	¥ (11,395)	¥ –	¥ 834,245
Other income (expense)				¥ 1,912
Income before income taxes and equity in net income (losses) of affiliates				¥ 836,157
Other significant non-cash item:				
Point program expense	¥ 134,954	¥ 7,266	¥ –	¥ 142,220
Total assets	¥4,949,025	¥259,283	¥ 1,548,467	¥ 6,756,775
Depreciation and amortization	¥ 691,851	¥ 9,295	¥ –	¥ 701,146
Capital expenditures	¥ 556,829	¥ –	¥ 129,679	¥ 686,508

Year ended March 31, 2011	Millions of yen			
	Mobile phone business	Miscellaneous businesses	Corporate	Consolidated
Operating revenues	¥4,090,659	¥133,614	¥ –	¥4,224,273
Operating expenses	3,233,925	145,619	–	3,379,544
Operating income (loss)	¥ 856,734	¥ (12,005)	¥ –	¥ 844,729
Other income (expense)				¥ (9,391)
Income before income taxes and equity in net income (losses) of affiliates				¥ 835,338
Other significant non-cash item:				
Point program expense	¥ 118,576	¥ 8,271	¥ –	¥ 126,847
Total assets	¥4,843,925	¥286,338	¥1,661,330	¥6,791,593
Depreciation and amortization	¥ 682,029	¥ 11,034	¥ –	¥ 693,063
Capital expenditures	¥ 520,770	¥ 4,759	¥ 142,947	¥ 668,476

DOCOMO does not disclose geographical information, since the amounts of operating revenues generated and long-lived assets owned outside Japan are immaterial.

There were no sales and operating revenue from transactions with a single external customer amounting to 10% or more of DOCOMO's revenues for the years ended March 31, 2009, 2010 and 2011.

Revenues from external customers for each similar product and service were as follows:

Year ended March 31,	Millions of yen		
	2009	2010	2011
<b>Operating Revenues:</b>			
Wireless services	¥3,841,082	¥3,776,909	¥3,746,869
Cellular services revenues	3,661,283	3,499,452	3,407,145
– Voice revenues	2,149,617	1,910,499	1,712,218
Including: FOMA services	1,877,835	1,785,518	1,658,863
– Packet communications revenues	1,511,666	1,588,953	1,694,927
Including: FOMA services	1,449,440	1,558,284	1,679,840
Other revenues	179,799	277,457	339,724
Equipment sales	606,898	507,495	477,404
Total operating revenues	¥4,447,980	¥4,284,404	¥4,224,273

## 15. Employees' retirement benefits:

### Severance payments and contract-type corporate pension plan—

Employees whose services with DOCOMO are terminated are normally entitled to lump-sum severance or retirement payments and pension benefits based on internal labor regulations. The amounts are determined by a combination of factors such as the employee's salary eligibility, length of service and other conditions. The pension benefit is covered by the non-contributory defined benefit pension plans ("Defined benefit pension plans") sponsored by DOCOMO.

The following table presents reconciliations and changes in the Defined benefit pension plans' projected benefit obligations and fair value of plan assets for the years ended March 31, 2010 and 2011. DOCOMO uses a measurement date of March 31 for its Defined benefit pension plans.

	Millions of yen	
	2010	2011
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥186,177	¥ 190,368
Service cost	9,204	9,244
Interest cost	3,979	3,894
Actuarial (gain) loss	592	1,586
Transfer of liability from defined benefit pension plans of the NTT group	215	328
Other	151	7
Benefit payments	(9,950)	(9,363)
Projected benefit obligation, end of year	¥ 190,368	¥ 196,064
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 67,040	¥ 77,070
Actual return on plan assets	9,864	(1,407)
Employer contributions	2,680	5,053
Transfer of plan assets from defined benefit pension plans of the NTT group	49	77
Benefit payments	(2,563)	(2,980)
Fair value of plan assets, end of year	¥ 77,070	¥ 77,813
At March 31:		
Funded status	¥(113,298)	¥(118,251)

The amounts recognized in DOCOMO's consolidated balance sheets as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Liability for employees' retirement benefits	¥(113,332)	¥(118,290)
Prepaid pension cost	34	39
Net amount recognized	¥(113,298)	¥(118,251)

Prepaid pension cost is included in "Other assets" in the consolidated balance sheets.

Items recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Actuarial gains (losses), net	¥(39,052)	¥(42,262)
Prior service cost	14,518	12,611
Transition obligation	(1,060)	(935)
Total	¥(25,594)	¥(30,586)

The accumulated benefit obligation for the Defined benefit pension plans was ¥184,555 million and ¥190,067 million as of March 31, 2010 and 2011, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥190,346	<b>¥196,025</b>
Fair value of plan assets	77,014	<b>77,735</b>
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥184,532	<b>¥190,028</b>
Fair value of plan assets	77,014	<b>77,735</b>

The net periodic pension cost for the Defined benefit pension plans for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Service cost	¥ 9,216	¥ 9,204	<b>¥ 9,244</b>
Interest cost on projected benefit obligation	4,058	3,979	<b>3,894</b>
Expected return on plan assets	(2,116)	(1,649)	<b>(1,714)</b>
Amortization of prior service cost	(1,907)	(1,907)	<b>(1,907)</b>
Amortization of actuarial gains and losses	1,192	2,190	<b>1,497</b>
Amortization of transition obligation	127	125	<b>125</b>
Net periodic pension cost	¥10,570	¥11,942	<b>¥11,139</b>

Other changes in plan assets and benefit obligations of the Defined benefit pension plans recognized in "Accumulated other comprehensive income (loss)" for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":			
Actuarial (gains) losses arising during period, net	¥16,136	¥(7,623)	<b>¥ 4,707</b>
Amortization of prior service cost	1,907	1,907	<b>1,907</b>
Amortization of actuarial gains and losses	(1,192)	(2,190)	<b>(1,497)</b>
Amortization of transition obligation	(127)	(125)	<b>(125)</b>
Total recognized in "Accumulated other comprehensive income (loss)"	¥16,724	¥(8,031)	<b>¥ 4,992</b>

Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)" was ¥27,294 million, ¥3,911 million and ¥16,131 million for the years ended March 31, 2009, 2010 and 2011, respectively.

The amount of actuarial losses, transition obligation and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net pension cost during the year ending March 31, 2012 is ¥1,644 million, ¥125 million and ¥(1,907) million, respectively.

The assumptions used in determination of the pension plans' projected benefit obligations as of March 31, 2010 and 2011 were as follows:

	2010	2011
Discount rate	2.1%	<b>2.0%</b>
Long-term rate of salary increases	2.2	<b>2.9</b>

The assumptions used in determination of the net periodic pension cost for the years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Discount rate	2.3%	2.2%	<b>2.1%</b>
Long-term rate of salary increases	2.2	2.2	<b>2.2</b>
Expected long-term rate of return on plan assets	2.5	2.5	<b>2.3</b>

In determining the expected long-term rate of return on plan assets, DOCOMO considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical results.



The following table presents the fair values of DOCOMO's pension plan assets as of March 31, 2010 and 2011. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 443	¥ 443	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	21,332	19,273	2,059	–
Domestic corporate bonds	7,147	–	7,147	–
Foreign government bonds	6,518	6,043	475	–
Foreign corporate bonds	381	21	308	52
Equity securities				
Domestic stocks	19,610	19,346	264	–
Foreign stocks	9,916	9,916	–	–
Securities investment trust beneficiary certificates				
Domestic debt securities	755	–	755	–
Domestic equity securities	1,244	–	1,244	–
Foreign debt securities	366	–	366	–
Foreign equity securities	861	–	861	–
Life insurance company general accounts	6,715	–	6,715	–
Others	1,782	(0)	(0)	1,782
<b>Total</b>	<b>¥77,070</b>	<b>¥55,042</b>	<b>¥20,194</b>	<b>¥1,834</b>

	Millions of yen			
	2011			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 866	¥ 866	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	21,852	20,258	1,594	–
Domestic corporate bonds	8,023	–	8,023	–
Foreign government bonds	9,556	9,067	489	–
Foreign corporate bonds	455	89	354	12
Equity securities				
Domestic stocks	16,873	16,849	24	–
Foreign stocks	7,515	7,515	–	–
Securities investment trust beneficiary certificates				
Domestic debt securities	966	–	966	–
Domestic equity securities	997	–	997	–
Foreign debt securities	632	–	632	–
Foreign equity securities	583	–	583	–
Life insurance company general accounts	7,528	–	7,528	–
Others	1,967	(0)	(2)	1,969
<b>Total</b>	<b>¥77,813</b>	<b>¥54,644</b>	<b>¥21,188</b>	<b>¥1,981</b>

#### Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

#### Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in

active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

#### Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for

identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2.

#### Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured by inputs derived principally from observable market data provided by financial institutions. Therefore, they are classified as Level 2.

#### Life insurance company general accounts

Life insurance company general accounts are the financial assets which guarantee an expected rate of return and a principal and they are all classified as Level 2.

#### Other

Other includes fund of hedge funds and pension investment trust beneficiary rights. Fair value measured by inputs derived from unobservable data provided by financial institutions is classified as Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

The benefit payments, which reflect expected future service under the Defined benefit pension plans, are expected to be as follows:

Year ending March 31,	Millions of yen
2012	¥10,630
2013	11,069
2014	11,639
2015	11,873
2016	13,083
2017 – 2021	68,081

#### Social welfare pension scheme and NTT Kigyō-Nenkin-Kikin (NTT Corporate Defined Benefit Pension Plan)—

DOCOMO participates in the national welfare pension plan (“National Plan”) and a contributory defined benefit pension plan sponsored by the NTT group (NTT Kigyō-Nenkin-Kikin or NTT Corporate Defined Benefit Pension Plan, “NTT CDBP”). The National Plan is a government-regulated social welfare pension plan under the Japanese Employees’ Pension Insurance Act and both NTT group and its employees provide contributions to such plan every year. The National Plan is considered a multi-employer plan and contributions to such plan are recognized as expenses. The total amount of contributions by DOCOMO was ¥13,627 million, ¥14,425 million and ¥14,703 million for the years ended March 31, 2009, 2010 and 2011, respectively.

The Defined benefit pension plans’ policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, DOCOMO selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. DOCOMO then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid- to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, DOCOMO will review the asset allocation as necessary. The target ratio in March 2011 was: domestic bonds, 41.5%; domestic stocks, 23.0%; foreign bonds, 15.0%; foreign stocks, 10.0%; and life insurance company general accounts, 10.5%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

As of March 31, 2010 and 2011, securities owned by the Defined benefit pension plans as its plan assets included the stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥543 million (0.7% of total plan assets) and ¥515 million (0.7% of total plan assets), respectively.

DOCOMO expects to contribute ¥5,140 million to the Defined benefit pension plans in the year ending March 31, 2012.

Both NTT group, including DOCOMO, and its employees provide contributions to the NTT CDBP to supplement the pension benefits to which the employees are entitled under the National Plan. The NTT CDBP is regulated under the Defined-Benefit Corporate Pension Act. The NTT CDBP is considered a defined benefit pension plan. The participation by DOCOMO and its subsidiaries in the NTT CDBP is accounted for as a single employer plan. The number of DOCOMO’s employees covered by the NTT CDBP as of March 31, 2010 and 2011 represented approximately 10.8% and 11.0% of the total members.

The following table presents reconciliations and changes in the NTT CDBP's projected benefit obligation and fair value of plan assets for the years ended March 31, 2010 and 2011. The amount in the table is based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP. The funded status was recognized as "Liability for employees' retirement benefits" in the consolidated balance sheets as of March 31, 2010 and 2011.

	Millions of yen	
	2010	2011
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 83,473	<b>¥ 88,714</b>
Service cost	3,216	<b>3,256</b>
Interest cost	1,798	<b>1,849</b>
Actuarial (gain) loss	2,160	<b>4,527</b>
Internal adjustment due to transfer of employees within the NTT group	(734)	<b>(445)</b>
Benefit payments	(1,199)	<b>(1,485)</b>
Projected benefit obligation, end of year	¥ 88,714	<b>¥ 96,416</b>
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 56,302	<b>¥ 63,599</b>
Actual return on plan assets	7,783	<b>(930)</b>
Employer contributions	800	<b>803</b>
Employee contributions	411	<b>413</b>
Internal adjustment due to transfer of employees within the NTT group	(498)	<b>(341)</b>
Benefit payments	(1,199)	<b>(1,485)</b>
Fair value of plan assets, end of year	¥ 63,599	<b>¥ 62,059</b>
At March 31:		
Funded status	¥(25,115)	<b>¥(34,357)</b>

Items recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Actuarial gains (losses), net	¥(11,288)	<b>¥(18,002)</b>
Prior service cost	1,426	<b>1,069</b>
Total	¥ (9,862)	<b>¥(16,933)</b>

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥71,285 million and ¥76,553 million at March 31, 2010 and 2011, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥88,714	<b>¥96,416</b>
Fair value of plan assets	63,599	<b>62,059</b>
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥71,243	<b>¥76,497</b>
Fair value of plan assets	63,554	<b>61,997</b>

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Service cost	¥ 3,132	¥ 3,216	<b>¥ 3,256</b>
Interest cost on projected benefit obligation	1,790	1,798	<b>1,849</b>
Expected return on plan assets	(1,613)	(1,402)	<b>(1,583)</b>
Amortization of prior service cost	(357)	(357)	<b>(357)</b>
Amortization of actuarial gains and losses	97	874	<b>326</b>
Contribution from employees	(416)	(411)	<b>(413)</b>
Net periodic pension cost	¥ 2,633	¥ 3,718	<b>¥ 3,078</b>

Other changes in plan assets and benefit obligations of the NTT CDBP regarding DOCOMO employees recognized in "Accumulated other comprehensive income (loss)" for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":			
Actuarial (gains) losses arising during period, net	¥11,259	¥(4,221)	<b>¥7,040</b>
Amortization of prior service cost	357	357	<b>357</b>
Amortization of actuarial gains and losses	(97)	(874)	<b>(326)</b>
Total recognized in "Accumulated other comprehensive income (loss)"	¥11,519	¥(4,738)	<b>¥7,071</b>

Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)" was ¥14,152 million, ¥(1,020) million and ¥10,149 million for the years ended March 31, 2009, 2010 and 2011, respectively.

The amount of actuarial losses and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net periodic pension cost during the year ending March 31, 2012 is ¥1,024 million and ¥(357) million, respectively.

The assumptions used in determining the NTT CDBP's projected benefit obligations, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, as of March 31, 2010 and 2011 were as follows:

	2010	2011
Discount rate	2.1%	<b>2.0%</b>
Long-term rate of salary increases	3.4	<b>3.3</b>

The assumptions used in determining the net periodic pension cost, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, for the years ended March 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Discount rate	2.3%	2.2%	<b>2.1%</b>
Long-term rate of salary increases	2.6	2.6	<b>3.4</b>
Expected long-term rate of return on plan assets	2.5	2.5	<b>2.5</b>

In determining the expected long-term rate of return on plan assets, the NTT CDBP considers the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical results.

The following table presents the fair values of NTT CDBP's pension plan assets as of March 31, 2010 and 2011. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 93	¥ 93	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	16,669	14,985	1,684	–
Domestic corporate bonds	16,732	–	16,732	–
Foreign government bonds	3,846	3,523	323	–
Foreign corporate bonds	198	18	102	78
Equity securities				
Domestic stocks	12,304	12,135	169	–
Foreign stocks	5,853	5,853	0	0
Securities investment trust beneficiary certificates				
Domestic debt securities	1,490	–	1,490	–
Domestic equity securities	1,019	–	1,019	–
Foreign debt securities	595	–	595	–
Foreign equity securities	648	–	648	–
Life insurance company general accounts	3,656	–	3,656	–
Other	496	–	(0)	496
<b>Total</b>	<b>¥63,599</b>	<b>¥36,607</b>	<b>¥26,418</b>	<b>¥574</b>

	Millions of yen			
	2011			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ (246)	¥ (246)	¥ –	¥ –
Debt securities				
Japanese government bonds/local government bonds	10,459	9,301	1,158	–
Domestic corporate bonds	15,507	–	15,507	–
Foreign government bonds	4,991	4,731	260	–
Foreign corporate bonds	163	22	141	–
Equity securities				
Domestic stocks	14,849	14,809	40	–
Foreign stocks	8,574	8,574	–	–
Securities investment trust beneficiary certificates				
Domestic debt securities	814	–	814	–
Domestic equity securities	1,545	–	1,545	–
Foreign debt securities	581	–	581	–
Foreign equity securities	667	–	667	–
Life insurance company general accounts	3,745	–	3,745	–
Other	410	–	0	410
<b>Total</b>	<b>¥62,059</b>	<b>¥37,191</b>	<b>¥24,458</b>	<b>¥410</b>

#### Cash and cash equivalents

Cash and cash equivalents include foreign currency deposits and call loans, and are all classified as Level 1.

#### Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government

bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

#### Equity securities

Equity securities include domestic stocks and foreign stocks. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2. Fair value measured by inputs derived from unobservable data is classified as Level 3.

#### Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured by inputs derived principally from observable market data provided by financial institutions. Therefore, they are classified as Level 2.

#### Life insurance company general accounts

Life insurance company general accounts are the financial assets which guarantee an expected rate of return and a principal and they are all classified as Level 2.

#### Other

Other includes loans to employees and lease receivables. Fair value measured by inputs derived from unobservable data provided by financial institutions is classified as Level 3.

Level 3 reconciliation is not disclosed, since the amounts in Level 3 are immaterial.

The NTT CDBP's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, the NTT CDBP selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. The NTT CDBP then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid- to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, the NTT CDBP will review the asset allocation as necessary. The weighted average target ratio in March 2011 was: domestic bonds, 44.3%; domestic stocks, 25.0%; foreign bonds, 10.0%; foreign stocks, 15.0%; and life insurance company general accounts, 5.7%. As securities investment trust beneficiary certificates are established for each asset, they are allocated among domestic bonds, domestic stocks, foreign bonds and foreign stocks.

As of March 31, 2010 and 2011, domestic stock owned by the NTT CDBP as its plan assets included common stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥5,375 million (0.6% of total plan assets) and ¥6,974 million (0.8% of total plan assets), respectively.

DOCOMO expects to contribute ¥786 million to the NTT CDBP in the year ending March 31, 2012.

The benefit payments, which reflect expected future service under the NTT CDBP, based on actuarial computations which covered only DOCOMO employees are expected to be as follows:

Year ending March 31,	Millions of yen
2012	¥ 1,519
2013	1,881
2014	2,063
2015	2,226
2016	2,381
2017–2021	13,474

## 16. Income taxes:

Total income taxes for the years ended March 31, 2009, 2010 and 2011 comprised the following:

	Millions of yen		
	2009	2010	2011
Income from continuing operations before equity in net income (losses) of affiliates	¥308,400	¥338,197	<b>¥337,837</b>
Equity in net income (losses) of affiliates	(567)	(1,270)	<b>(5,031)</b>
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities	(20,875)	9,109	<b>(8,509)</b>
Less: Reclassification of realized gains and losses included in net income	19,786	1,335	<b>4,827</b>
Change in fair value of derivative instruments	(3)	(43)	<b>2</b>
Less: Reclassification of realized gains and losses included in net income	(84)	–	<b>–</b>
Foreign currency translation adjustment	(20,991)	3,082	<b>(12,523)</b>
Less: Reclassification of realized gains and losses included in net income	(7)	(24)	<b>245</b>
Pension liability adjustment:			
Actuarial gains (losses) arising during period, net	(11,229)	4,702	<b>(4,388)</b>
Prior service cost arising during period, net	–	–	<b>33</b>
Less: Amortization of prior service cost	(923)	(923)	<b>(928)</b>
Less: Amortization of actuarial gains and losses	550	1,280	<b>788</b>
Less: Amortization of transition obligation	56	55	<b>61</b>
<b>Total income taxes</b>	<b>¥274,113</b>	<b>¥355,500</b>	<b>¥312,414</b>

Substantially all income or loss before income taxes and income tax expense (benefit) are domestic.

For the years ended March 31, 2009, 2010 and 2011, DOCOMO and its domestic subsidiaries were subject to a National Corporate Tax of 30%, a Corporate Inhabitant Tax of approximately 6% and a deductible Corporate Enterprise Tax and Special Local Corporate Tax of

approximately 8%. The rate of the Corporate Inhabitant Tax and Corporate Enterprise Tax differs depending on the municipality.

The aggregate statutory income tax rates for the years ended March 31, 2009, 2010 and 2011 were 40.8%. The effective income tax rate for the years ended March 31, 2009, 2010 and 2011 was 39.5%, 40.4% and 40.4%, respectively.

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

	2009	2010	2011
Statutory income tax rate	40.8%	40.8%	<b>40.8%</b>
Expenses not deductible for tax purposes	0.2	0.1	<b>0.1</b>
Tax credit for special tax treatment	(0.8)	(0.8)	<b>(0.8)</b>
Tax refund of interest and penalties previously paid	(0.8)	–	<b>–</b>
Other	0.1	0.3	<b>0.3</b>
<b>Effective income tax rate</b>	<b>39.5%</b>	<b>40.4%</b>	<b>40.4%</b>

Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Significant components of deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Deferred tax assets:		
Accrued liabilities for loyalty programs	¥110,700	<b>¥116,137</b>
Property, plant and equipment and intangible assets principally due to differences in depreciation and amortization	91,105	<b>93,924</b>
Liability for employees' retirement benefits	55,881	<b>61,191</b>
Deferred revenues regarding "Nikagetsu Kurikoshi" (2-month carry-over)	29,451	<b>28,453</b>
Foreign currency translation adjustment	11,266	<b>23,543</b>
Investments in affiliates	9,574	<b>19,342</b>
Marketable securities and other investments	11,694	<b>15,322</b>
Compensated absences	12,758	<b>12,730</b>
Accrued enterprise tax	13,903	<b>12,513</b>
Accrued bonus	7,287	<b>7,377</b>
Asset retirement obligations	3,670	<b>6,373</b>
Inventories	8,989	<b>4,409</b>
Accrued commissions to agent resellers	4,600	<b>4,355</b>
Other	19,115	<b>23,491</b>
Sub-total deferred tax assets	¥389,993	<b>¥429,160</b>
Less: Valuation allowance	(1,257)	<b>(2,338)</b>
Total deferred tax assets	¥388,736	<b>¥426,822</b>
Deferred tax liabilities:		
Identifiable intangible assets	¥ 4,135	<b>¥ 5,503</b>
Unrealized holding gains on available-for-sale securities	7,610	<b>3,927</b>
Property, plant and equipment due to differences in capitalized interest	3,066	<b>2,358</b>
Other	753	<b>1,650</b>
Total deferred tax liabilities	¥ 15,564	<b>¥ 13,438</b>
Net deferred tax assets	¥373,172	<b>¥413,384</b>

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2010 and 2011 were as follows:

	Millions of yen	
	2010	2011
Deferred tax assets (Current assets)	¥100,545	<b>¥ 83,609</b>
Deferred tax assets (Non-current investments and other assets)	274,048	<b>331,633</b>
Other current liabilities	—	<b>—</b>
Other long-term liabilities	(1,421)	<b>(1,858)</b>
Total	¥373,172	<b>¥413,384</b>

As of and for the years ended March 31, 2009, 2010 and 2011, DOCOMO had no material unrecognized tax benefits which would favorably affect the effective income tax rate in future periods and does not believe that there will be any significant increases or decreases within the next 12 months. The total amounts of interest and penalties related to unrecognized tax benefits for the years ended March 31, 2009, 2010 and 2011 are immaterial.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carry-forwards become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Management believes that it is more likely than not all of the deferred tax assets, less valuation allowances, will be realized, however, that assessment could change in the near term if estimates of future taxable income during the carry-forward period are reduced.

DOCOMO mainly files income tax returns in Japan. DOCOMO is no longer subject to regular income tax examination by the tax authority before the year ended March 31, 2010.

#### Other taxes—

The consumption tax rate for all taxable goods and services, with minor exceptions, is 5%. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by DOCOMO when purchasing goods and services.



## 17. Commitments and contingencies:

### Leases—

DOCOMO leases certain facilities and equipment under capital leases or operating leases.

Assets covered under capital leases at March 31, 2010 and 2011 were as follows:

Class of property	Millions of yen	
	2010	2011
Machinery, vessels and tools	¥11,269	¥13,360
Less: Accumulated depreciation and amortization	(7,777)	(8,802)
Total	¥ 3,492	¥ 4,558

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen
2012	¥ 4,355
2013	2,246
2014	1,229
2015	682
2016	255
Thereafter	37
Total minimum lease payments	8,804
Less: Amount representing interest	(464)
Present value of net minimum lease payments	8,340
Less: Amounts representing estimated executory costs	(1,043)
Net minimum lease payments	7,297
Less: Current obligation	(3,663)
Long-term capital lease obligations	¥ 3,634

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

The minimum rent payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen
2012	¥ 2,874
2013	2,144
2014	1,780
2015	1,642
2016	1,592
Thereafter	10,015
Total minimum rent payments	¥20,047

Total rent expense for all operating leases except those with terms of 1 month or less that were not renewed for the years ended March 31, 2009, 2010 and 2011 were as follows:

	Millions of yen		
	2009	2010	2011
Rent expense	¥67,954	¥68,673	¥62,666

**Litigation—**

DOCOMO is involved in litigation and claims arising in the ordinary course of business and at least quarterly reviews them. DOCOMO believes that no litigation or claims outstanding, pending or threatened against which in the opinion of management would have a materially adverse effect on its results of operations or financial position.

**Purchase commitments—**

DOCOMO has entered into various contracts for the purchase of property, plant and equipment, inventories (primarily handsets) and services. Commitments outstanding as of March 31, 2011 were ¥28,890 million (of which ¥4,222 million are with related parties) for property, plant and equipment, ¥23,827 million (of which none are with related parties) for inventories and ¥22,117 million (of which ¥387 million are with related parties) for the other purchase commitments.

**Loan commitments—**

DOCOMO conducts the cash advance service accompanying credit business. Total outstanding credit lines regarding loan commitments of the cash advance service as of March 31, 2010 and 2011 were ¥93,049 million and ¥105,030 million, respectively.

Credit lines are not necessarily executed to the maximum amount

because these contracts contain a clause to lower the credit lines if there are reasonable grounds.

**Guarantees—**

DOCOMO enters into agreements in the normal course of business that provide guarantees for counterparties. These counterparties include subscribers, related parties, foreign wireless telecommunications service providers and other business partners.

DOCOMO provides subscribers with guarantees for product defects of cellular phone handsets sold by DOCOMO, but DOCOMO is provided with similar guarantees by the handset vendors and no liabilities were recognized for these guarantees.

Though the guarantees or indemnifications provided in transactions other than those with the subscribers are different in each contract, the likelihood of almost all of the performance of these guarantees or indemnifications are remote and amount of payments DOCOMO could be claimed for is not specified in almost all of the contracts. Historically, DOCOMO has not made any significant guarantee or indemnification payments under such agreements. DOCOMO estimates the fair value of the obligations related to these agreements is not significant. Accordingly, no liabilities were recognized for these obligations.

**18. Fair value measurements:**

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value according to observability. The inputs are described as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability
- Level 3—unobservable inputs for the asset or liability

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2010 and 2011 were as follows:

	Millions of yen			
	2010			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale securities				
Equity securities (domestic)	¥ 53,029	¥ 53,029	¥ –	¥–
Equity securities (foreign)	83,598	83,598	–	–
Debt securities (foreign)	4	4	–	–
Total available-for-sale securities	136,631	136,631	–	–
Derivatives				
Interest rate swap agreements	3,297	–	3,297	–
Total derivatives	3,297	–	3,297	–
<b>Total assets</b>	<b>¥139,928</b>	<b>¥136,631</b>	<b>¥3,297</b>	<b>¥–</b>
<b>Liabilities:</b>				
Derivatives				
Foreign exchange forward contracts	¥ 108	¥ –	¥ 108	¥–
Foreign currency option contracts	1,552	–	1,552	–
Total derivatives	1,660	–	1,660	–
<b>Total liabilities</b>	<b>¥ 1,660</b>	<b>¥ –</b>	<b>¥1,660</b>	<b>¥–</b>

DOCOMO also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a nonrecurring basis under specific situation (for example, impaired assets).

**(1) Assets and liabilities measured at fair value on a recurring basis**

DOCOMO's assets and liabilities measured at fair value on a recurring basis include available-for-sale securities and derivatives.

There were no significant transfers between Level 1 and Level 2.

	Millions of yen			
	2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 46,631	¥ 46,631	¥ -	¥-
Equity securities (foreign)	71,128	71,128	-	-
Debt securities (foreign)	4	4	-	-
Total available-for-sale securities	117,763	117,763	-	-
Derivatives				
Interest rate swap agreements	1,232	-	1,232	-
Total derivatives	1,232	-	1,232	-
Total assets	¥118,995	¥117,763	¥1,232	¥-
Liabilities:				
Derivatives				
Foreign exchange forward contracts	¥ 154	¥ -	¥ 154	¥-
Foreign currency option contracts	1,859	-	1,859	-
Total derivatives	2,013	-	2,013	-
Total liabilities	¥ 2,013	¥ -	¥2,013	¥-

There were no significant transfers between Level 1 and Level 2.

#### Available-for-sale securities

Available-for-sale securities include marketable equity securities and debt securities, which are valued using quoted prices in active markets for identical assets. Therefore, these securities are classified as Level 1.

#### Derivatives

Derivative instruments are interest rate swap agreements, foreign exchange forward contracts and foreign currency option contracts, which are measured using valuation provided by financial institutions based on observable market data. Therefore, these derivatives are classified as Level 2. DOCOMO periodically validates the valuation of such

derivatives using observable market data, such as interest rates.

## (2) Assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis and are not included in the table above. Changes of fair value in such assets and liabilities typically result from impairments.

DOCOMO may be required to measure fair value of long-lived assets, equity securities whose fair values are not readily determinable, and other assets or liabilities on a nonrecurring basis.

DOCOMO omitted the disclosure about assets and liabilities measured on a nonrecurring basis because of its immateriality.

## 19. Financial instruments:

### (1) Risk management

The fair values of DOCOMO's assets and liabilities and DOCOMO's cash flows may be negatively impacted by fluctuations in interest rates and foreign exchange rates. To manage these risks, DOCOMO uses derivative instruments such as interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts as needed. The financial instruments are executed with creditworthy financial institutions and DOCOMO's management believes that there is little risk of default by these counterparties. DOCOMO sets and follows internal regulations that establish conditions to enter into derivative contracts and procedures of approving and monitoring such contracts.

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2010 and 2011 were as follows:

Millions of yen			
2010		2011	
Carrying amount	Fair value	Carrying amount	Fair value
¥610,269	¥621,966	¥428,102	¥438,483

### Derivative instruments—

#### (i) Fair value hedge

DOCOMO uses interest rate swap transactions, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM).

The contract amount and fair value of the interest rate swap agreement as of March 31, 2010 and 2011 were as follows:

Contract Term (in the year ended / ending March 31,)	Weighted average rate per annum		Millions of yen	
	Receive fixed	Pay floating	2010 Contract amount	Fair value
2004–2012	1.5%	0.7%	¥235,800	¥3,297

Contract Term (in the year ended / ending March 31,)	Weighted average rate per annum		Millions of yen	
	Receive fixed	Pay floating	2011 Contract amount	Fair value
2004–2012	1.6%	0.7%	¥165,800	¥1,232

The interest rate swap agreements have remaining terms to maturity ranging from 6 months to 9 months.

#### (ii) Derivatives not designated as hedging instruments

DOCOMO had foreign exchange forward contracts and foreign currency option contracts to hedge currency exchange risk associated with foreign

### (2) Fair value of financial instruments

#### Financial instruments—

Carrying amounts of "Cash and cash equivalents", "Short-term investments", "Accounts receivable", "Credit card receivables", "Accounts payable, trade" and certain other financial instruments approximate their fair values except the items separately referred to below.

#### Long-term debt including current portion—

The fair value of long-term debt including current portion is estimated based on the discounted amounts of future cash flows using DOCOMO's current incremental borrowings rates for similar liabilities.

DOCOMO designated these derivatives as fair value hedges utilizing the short-cut method, which permits an assumption of no ineffectiveness if the key terms of these derivatives and those of certain hedged debt are identical.

currency assets and liabilities. DOCOMO did not designate such derivative instruments as hedging instruments.

The contract amounts as of March 31, 2010 and 2011 were as follows:

Instruments	Millions of yen	
	2010	2011
Foreign exchange risk management		
Foreign exchange forward contracts	¥ 4,478	¥ 4,296
Foreign currency option contracts	21,285	15,143
Total	¥ 25,763	¥19,439

(iii) The effect on the consolidated balance sheets

The locations and fair values of the derivative instruments as of March 31, 2010 and 2011, recorded in the accompanying consolidated balance sheets, were as follows:

Asset derivatives		Millions of yen	
Instruments	Locations	2010	2011
Derivatives designated as hedging instruments			
Interest rate swap agreements	Prepaid expenses and other current assets	¥ 630	¥1,232
	Other assets	2,667	–
Total		¥3,297	¥1,232

Liability derivatives		Millions of yen	
Instruments	Locations	2010	2011
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other current liabilities	¥ 108	¥ 154
Foreign currency option contracts	Other current liabilities	404	724
	Other long-term liabilities	1,148	1,135
Total		¥1,660	¥2,013

The fair values of derivative instruments were measured using valuation provided by financial institutions based on observable market data and represent the amount that DOCOMO could have settled with the counterparties to terminate the contracts outstanding as of March 31, 2010 and 2011.

(iv) The effect on the consolidated statements of income and comprehensive income

The locations and gain (loss) amounts of the derivative instruments for the years ended March 31, 2009, 2010 and 2011, recognized in the accompanying consolidated statements of income and comprehensive income, were as follows:

Instruments		Locations		Amount of gain (loss) recognized in income on derivative		
				Millions of yen		
		2009	2010	2011		
Derivatives in fair value hedging relationships						
Interest rate swap agreements	Other, net*	¥(78)	¥(136)	¥(2,065)		
Total		¥(78)	¥(136)	¥(2,065)		

Instruments		Locations		Amount of gain (loss) recognized in income on derivative		
				Millions of yen		
		2009	2010	2011		
Derivatives not designated as hedging instruments						
Foreign exchange forward contracts	Other, net*	¥(1,090)	¥ 67	¥ (517)		
Non-deliverable forward contracts (NDF)	Other, net*	(4,050)	16	71		
Foreign currency option contracts	Other, net*	–	(565)	(1,059)		
Total		¥(5,140)	¥(482)	¥(1,505)		

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

(v) Contingent features in derivatives

As of March 31, 2011, DOCOMO had no derivative instruments with credit-risk-related contingent features.

Other—

Information regarding "Investments in affiliates" and "Marketable securities and other investments" is disclosed in Notes 5 and 6, respectively.

## 20. Financing receivables:

DOCOMO has financing receivables including installment receivables and credit card receivables. Installment receivables arise from providing funds for the subscribers' handset purchase from agent resellers. Credit card receivables arise from usage of credit services by the customers. These receivables generally do not bear interest.

DOCOMO appropriately extends credit to customers upon these transactions and manages credit risks. When entering into installment payment or credit card contracts, DOCOMO performs credit check and manage the credit exposure thereafter by monitoring payment delays. The amounts per transaction for handset purchases and credit card usage are generally low and the billing cycle is also short, generally one month. Therefore, DOCOMO is able to maintain accurate past due information on a timely basis. Most of its customers utilize automated payment

system to make cash payments, which mitigates the risk of uncollected receivables significantly. Despite a downturn in the economy in recent years, historical losses have not been significant. Due to the nature of the business and its effective credit control system, DOCOMO believes that a credit risk in its business is low.

Allowance for doubtful accounts is computed based on historical bad debt experience and the estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy. When it is determined that there is little possibility of collection based on the debtor's solvency, such receivables are written off. Since DOCOMO appropriately extends credits, manages credit risks and writes off uncollectible receivables, the amount of past due receivables is not significant.

Financing receivables and related allowance for doubtful accounts as of March 31, 2011 were as follows:

	Millions of yen			
	2011			
	Installment receivables	Credit card receivables	Other	Total
<b>Allowance for doubtful accounts:</b>				
Ending balance at March 31, 2011	¥ 4,504	¥ 3,085	¥ 231	¥ 7,820
Ending balance: collectively evaluated for impairment	4,504	3,085	43	7,632
Ending balance: individually evaluated for impairment	-	-	188	188
<b>Financing receivables:</b>				
Ending balance at March 31, 2011	¥303,124	¥160,446	¥7,463	¥471,033
Ending balance: collectively evaluated for impairment	303,124	160,446	7,275	470,845
Ending balance: individually evaluated for impairment	-	-	188	188

## Financial Statement Schedule

NTT DOCOMO, INC. and Subsidiaries  
Years ended March 31, 2009, 2010 and 2011

### SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Millions of yen			Balance at end of year
	Balance at beginning of year	Charged to expenses	Deductions *	
2009				
Allowance for doubtful accounts	¥ 16,501	¥ 9,898	¥ (9,977)	¥ 16,422
2010				
Allowance for doubtful accounts	¥ 16,422	¥ 13,990	¥ (10,732)	¥ 19,680
<b>2011</b>				
Allowance for doubtful accounts	<b>¥19,680</b>	<b>¥13,745</b>	<b>¥(14,286)</b>	<b>¥19,139</b>

\*Amounts written off.

	Millions of yen			Balance at end of year
	Balance at beginning of year	Charged to expenses	Deductions	
2009				
Valuation allowance for deferred tax assets	¥ 348	¥ 103	¥(0)	¥ 451
2010				
Valuation allowance for deferred tax assets	¥ 451	¥ 806	¥(0)	¥ 1,257
<b>2011</b>				
Valuation allowance for deferred tax assets	<b>¥1,257</b>	<b>¥1,090</b>	<b>¥(9)</b>	<b>¥2,338</b>

## Report of Independent Registered Public Accounting Firm



### Report of Independent Registered Public Accounting Firm

The Board of Directors and the Shareholders  
NTT DOCOMO, INC.:

We have audited the accompanying consolidated balance sheets of NTT DOCOMO, INC. and subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2011. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NTT DOCOMO, INC. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

*KPMG AZSA LLC*

Tokyo, Japan  
June 17, 2011

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



## Reconciliations of the Disclosed Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

NTT DOCOMO, INC. and Subsidiaries

### EBITDA and EBITDA margin

Year ended March 31,	Millions of yen				
	2007	2008	2009	2010	2011
<b>a. EBITDA</b>	¥1,574,570	¥1,639,096	¥1,678,422	¥1,568,126	<b>¥1,565,728</b>
Depreciation and amortization	(745,338)	(776,425)	(804,159)	(701,146)	<b>(693,063)</b>
Loss on sale or disposal of property, _plant and equipment	(55,708)	(54,359)	(43,304)	(32,735)	<b>(27,936)</b>
Operating income	773,524	808,312	830,959	834,245	<b>844,729</b>
Other income (expense)	(581)	(7,624)	(50,486)	1,912	<b>(9,391)</b>
Income taxes	(313,679)	(322,955)	(308,400)	(338,197)	<b>(337,837)</b>
Equity in net income (losses) of affiliates, _net of applicable taxes	(1,941)	13,553	(672)	(852)	<b>(5,508)</b>
Less: Net (income) loss attributable to _noncontrolling interests	(45)	(84)	472	(2,327)	<b>(1,508)</b>
b. Net income attributable to NTT DOCOMO, INC.	457,278	491,202	471,873	494,781	<b>490,485</b>
c. Operating revenues	4,788,093	4,711,827	4,447,980	4,284,404	<b>4,224,273</b>
<b>EBITDA margin (=a/c)</b>	32.9%	34.8%	37.7%	36.6%	<b>37.1%</b>
Net income margin (=b/c)	9.6%	10.4%	10.6%	11.5%	<b>11.6%</b>

Note: EBITDA and EBITDA margin, as we use them, are different from EBITDA as used in Item 10 (e) of regulation S-K and may not be comparable to similarly titled measures used by other companies.

### Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)

Year ended March 31,	Millions of yen				
	2007	2008	2009	2010	2011
<b>Adjusted free cash flows (excluding irregular factors and changes in _investments for cash management purposes)</b>	¥ 192,237	¥ 442,410	¥ 93,416	¥ 416,878	<b>¥ 589,777</b>
Irregular factors <sup>1</sup>	(210,000)	210,000	–	–	–
Changes in investments for _cash management purposes <sup>2</sup>	50,710	148,881	49,278	(397,986)	<b>241,890</b>
Free cash flows	32,947	801,291	142,694	18,892	<b>831,667</b>
Net cash used in investing activities	(947,651)	(758,849)	(1,030,983)	(1,163,926)	<b>(455,370)</b>
Net cash provided by operating activities	980,598	1,560,140	1,173,677	1,182,818	<b>1,287,037</b>

1 Irregular factors represent the effects of uncollected revenues due to bank closure at the end of periods.

2 Changes in investments for cash management purposes were derived from purchases, redemption at maturity and disposals of financial instruments held for cash management purposes with original maturities of longer than three months.