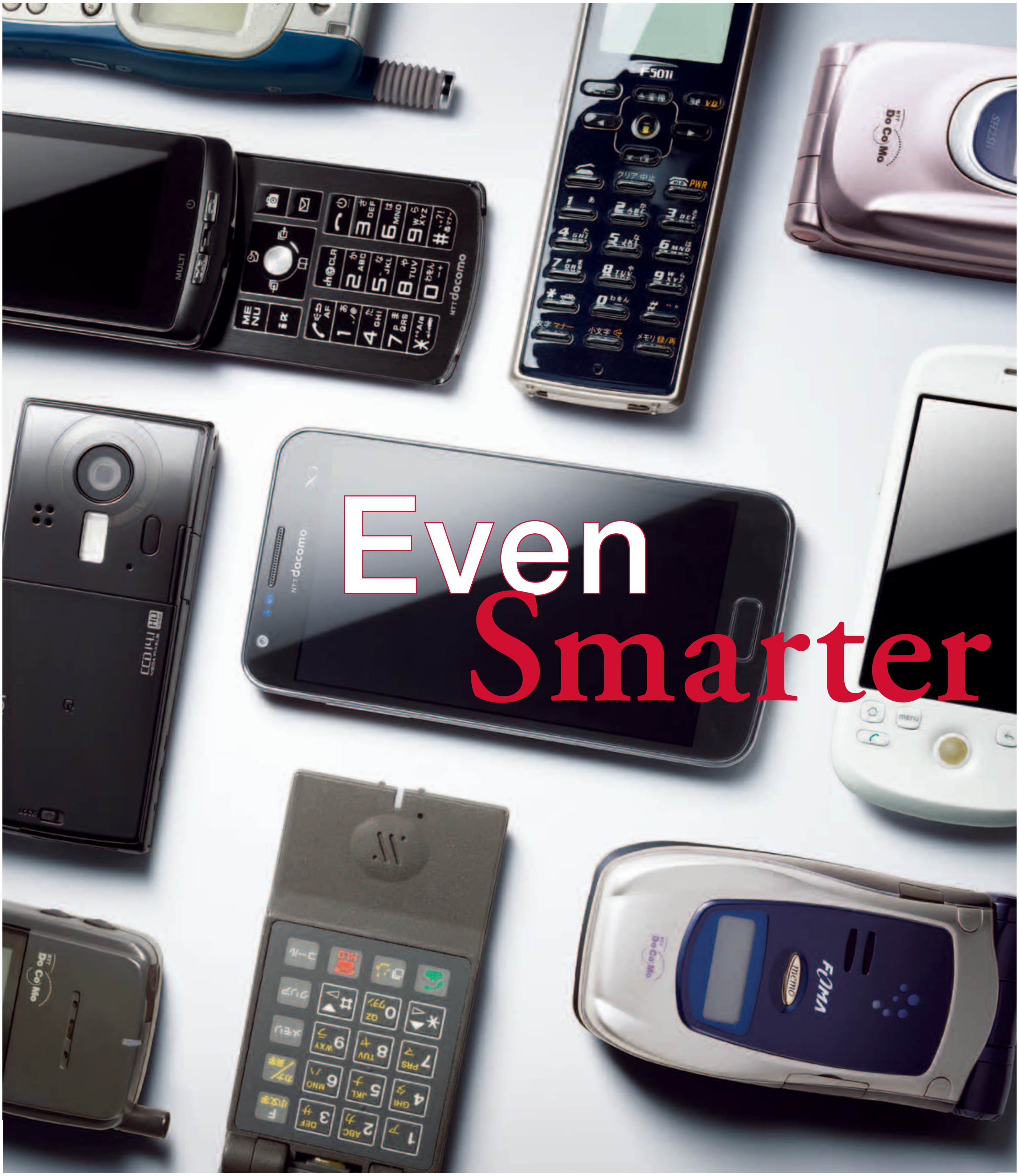
NTT docomo



Even Smarter

Annual Report 2012

Year Ended March 31, 2012

Annual Report 2012

Key Message

Even Smarter

DOCOMO is aspiring to make a smart life a reality for each and every customer.
It is 2012, and we are reaping the benefits of technological advances, making our lives more comfortable and convenient.
In the world of mobile phones, the emergence of smartphones has been the impetus for drastic change. Mobile phones are no longer just tools to make life easier—they are now items on the cutting edge of cool.
In this era, DOCOMO is providing innovations that no one else can. We are harnessing the strength of a business foundation built together with customers over two decades to amaze, delight and create new value.
As an ongoing provider of services putting people in touch with one another, DOCOMO will connect the smart world to everyday life from the customer's point of view.
We look to bring ease to sophisticated functions, to add splendor to innovation, and to infuse cool with warmth.
DOCOMO is embarking on a new journey to the next stage in our evolution—shaping a smart life that is more fulfilling with the peace of mind, convenience, and enjoyment our innovations generate.
In this annual report, we present our thoughts on this new challenge.

Unless specifically stated otherwise, information in this annual report is as of July 2012. As used in this annual report, references to "DOCOMO", "the Company", "we", "our", "our group" and "us" are to NTT DOCOMO, INC. and its consolidated subsidiaries except as the context otherwise requires.
Names of companies or products presented in this annual report are the trademarks or registered trademarks of their respective organizations.

DEFINITION OF TERMS

"Fiscal 2011" refers to our fiscal year ended March 31, 2012, and other fiscal years are referred to in a corresponding manner.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. These forward-looking statements are based on our current predictions, plans, expectations, acknowledgements and estimates based on the information obtained by us until the date of this annual report. The projections of figures such as the outlook for results in this annual report require us to make certain assumptions that are indispensable for making such projections in addition to the definitive and precisely recognized historical facts. These forward-looking statements are subject to certain inherent risks, uncertainties and other factors that could cause our actual results to differ from the outlook for or projections of such results or figures.

On the cover

① ***mova N*** **(1991)** First handset in the *mova* series (analog)
② ***Digital mova F*** **(1993)** First digital *mova* series handset
③ ***F501i*** **(1999)** First *i-mode* handset
④ ***FOMA P2101V*** **(2001)** First *FOMA* handset
⑤ ***Digital mova R691i GEOFREE*** **(2001)** DOCOMO's first water-resistant handset
⑥ ***mova SH251i*** **(2002)** DOCOMO's first camera phone
⑦ ***F-04B*** **(2009)** World's first separable handset
⑧ ***HT-03A*** **(2009)** Japan's first *Android* OS handset
⑨ ***SHO1C*** **(2010)**
⑩ ***GALAXY S II LTE*** **(2011)** DOCOMO's first *Xi*-compatible smartphone

Contents

Ten-Year Summary of Selected Financial Data

NTT DOCOMO, INC. and Subsidiaries
Fiscal years

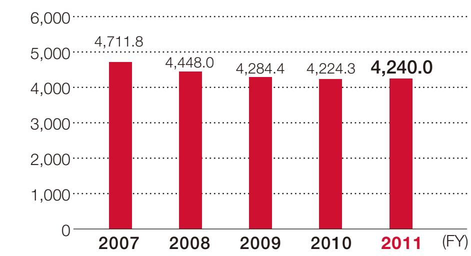
	2002	2003	2004	2005	2006
Operating results:					
Operating revenues	¥4,809,088	¥5,048,065	¥4,844,610	¥4,765,872	¥4,788,093
Wireless services	4,350,861	4,487,912	4,296,537	4,295,856	4,314,140
Equipment sales	458,227	560,153	548,073	470,016	473,953
Operating expenses	3,752,369	3,945,147	4,060,444	3,933,233	4,014,569
Operating income	1,056,719	1,102,918	784,166	832,639	773,524
Net income attributable to NTT DOCOMO, INC.	212,491	650,007	747,564	610,481	457,278
Comprehensive income attributable to NTT DOCOMO, INC.	152,796	668,425	723,818	579,653	448,214
Total assets	6,058,007	6,262,266	6,136,521	6,365,257	6,116,215
Total interest-bearing liabilities	1,348,368	1,091,596	948,523	792,405	602,965
Total shareholders' equity	3,475,514	3,704,695	3,907,932	4,052,017	4,161,303
Debt ratio	28.0%	22.8%	19.5%	16.4%	12.7%
Shareholders' equity ratio	57.4%	59.2%	63.7%	63.7%	68.0%
Net cash provided by operating activities	1,584,610	1,710,243	1,181,585	1,610,941	980,598
Net cash used in investing activities	(871,430)	(847,309)	(578,329)	(951,077)	(947,651)
Adjusted free cash flows[1, 2]	468,915	862,934	1,003,583	510,905	192,237
Capital expenditures	853,956	805,482	861,517	887,113	934,423
Research and development expenses	126,229	124,514	101,945	110,509	99,315
Depreciation and amortization	749,197	720,997	735,423	737,066	744,122
Operating income margin	22.0%	21.8%	16.2%	17.5%	16.2%
EBITDA margin[2]	38.2%	36.8%	33.6%	33.7%	32.9%
ROCE before tax effect[3]	22.1%	22.9%	16.2%	17.2%	16.1%
Per share data[4] (Yen):					
Earnings per share	¥ 4,254	¥ 13,099	¥ 15,771	¥ 13,491	¥ 10,396
Shareholders' equity per share	69,274	76,234	84,455	91,109	95,457
Cash dividends declared per share[5]	500	1,500	2,000	4,000	4,000
Shares:					
Average common shares outstanding	49,952,907	49,622,595	47,401,154	45,250,031	43,985,082

1 Adjusted free cash flows exclude the effects of uncollected revenues due to bank holidays at the end of the period and changes in investment derived from purchases, redemption at maturity and disposals of financial instruments held for cash management purposes with original maturities of longer than three months.
2 For the reconciliations of these Non-GAAP financial measures, see page 125.
3 ROCE (Return on capital employed) = Operating income / (Shareholders' equity + Total interest-bearing liabilities)
ROCE ratios are calculated using the simple average of the balance sheet figures for the applicable fiscal year-end and those of the prior fiscal year-end.
4 In the calculation of per share data, treasury stocks are not included in the number of issued shares during or at the end of the year.
5 Cash dividends declared per share are presented in the fiscal year to which each record date for the dividends belongs.

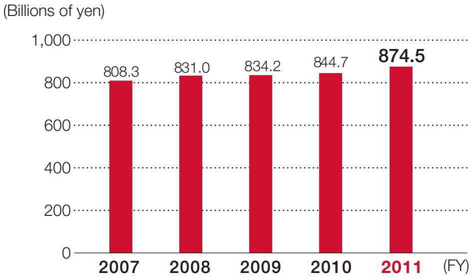
Millions of yen

2007	2008	2009	2010	**2011**
¥4,711,827	¥ 4,447,980	¥ 4,284,404	¥4,224,273	**¥4,240,003**
4,165,234	3,841,082	3,776,909	3,746,869	**3,741,114**
546,593	606,898	507,495	477,404	**498,889**
3,903,515	3,617,021	3,450,159	3,379,544	**3,365,543**
808,312	830,959	834,245	844,729	**874,460**
491,202	471,873	494,781	490,485	**463,912**
478,738	405,774	523,091	450,909	**436,338**
6,210,834	6,488,220	6,756,775	6,791,593	**6,948,082**
478,464	639,233	610,347	428,378	**256,680**
4,276,496	4,341,585	4,635,877	4,850,436	**5,062,527**
10.1%	12.8%	11.6%	8.1%	**4.8%**
68.9%	66.9%	68.6%	71.4%	**72.9%**
1,560,140	1,173,677	1,182,818	1,287,037	**1,110,559**
(758,849)	(1,030,983)	(1,163,926)	(455,370)	**(974,585)**
442,410	93,416	416,878	589,777	**503,479**
758,743	737,606	686,508	668,476	**726,833**
100,035	100,793	109,916	109,108	**108,474**
776,425	804,159	701,146	693,063	**684,783**
17.2%	18.7%	19.5%	20.0%	**20.6%**
34.8%	37.7%	36.6%	37.1%	**37.3%**
17.0%	17.1%	16.3%	16.1%	**16.5%**
¥ 11,391	¥ 11,172	¥ 11,864	¥ 11,797	**¥ 11,187**
100,321	103,966	111,424	116,969	**122,084**
4,800	4,800	5,200	5,200	**5,600**
43,120,586	42,238,715	41,705,738	41,576,859	**41,467,601**

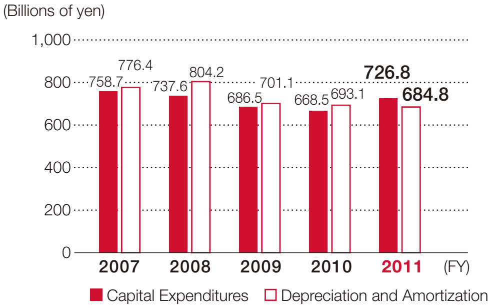
Operating Revenues



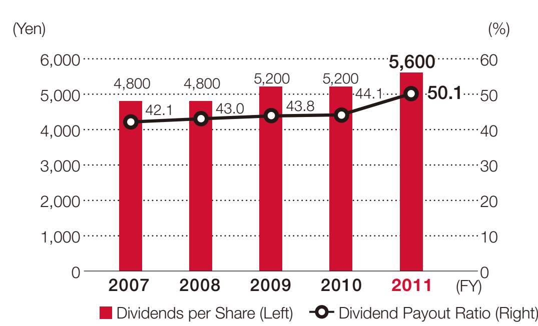
Operating Income



Capital Expenditures/Depreciation and Amortization



Dividends per Share/Dividend Payout Ratio



Market Trends and DOCOMO over the Past Year

Trends in the Mobile Phone Market

Japan's mobile phone market continues to grow, fueled by expansion in smartphones. Domestic smartphone shipment volume topped 20 million in 2011, growing to account for half of total mobile phone shipments in Japan. This smartphone surge propelled domestic mobile phone subscriptions to 128.2 million as of the end of March 2012, with the number of mobile phone subscribers surpassing the population for the first time with a population penetration rate of 100.1%.

Numerous forces are driving market growth. There is the spread of social media and the expansion of content applications in a variety of categories, including games, books, music, and video. Faster deployment of Long Term Evolution (LTE) next-generation high-speed communications services is also playing a role. In addition, a greater variety of smartphone, tablet and other offerings, and the proliferation of mobile Wi-Fi routers with extensive device compatibility have added momentum to domestic mobile phone shipment volumes.

DOCOMO over the Past Year

Fiscal 2011 1Q

April / May / June

Apr. 22, 2011 — Launched *Koe-no-Takuhaibin* service -A service for directly delivering voice messages via SMS-

Apr. 25, 2011 — DeNA Co., Ltd and DOCOMO agreed to form a business alliance-Links DOCOMO's portal site with Mobage services- on *i-mode* mobile phones and smartphones

May 13, 2011 — Agreed to purchase shares in Philippine Long Distance Telephone Company (PLDT), a telecommunications operator in the Philippines

From June 1, 2011 to Apr. 1, 2012 — Provided the Monthly Support Set Discount

June 22, 2011 — Started providing *docomo Anshin Scan,* virus detection service to smartphone users free of charge

2Q

July / August / September

July 21, 2011 — Launched new insurance service, *docomo medical insurance*

Sept. 1, 2011 — Launched *docomo-zemi,* learning support service for smartphones

Sept. 15, 2011 — Achieved top ranking in business customer satisfaction for mobile phone and PHS services for a third consecutive year in the 2011 Japan Business Mobile Phone Service Study*

From Sept. 28, 2011 to May. 31, 2012 — Offered *Kids Discount* campaign for children aged 3 to 12

* J.D. Power Asia Pacific 2009–2011 Japan Business Mobile Phone Service Studies(SM). 2011 Study based on a total of 3,214 responses from 2,466 companies with 100 or more employees up to two responses from one company about telecommunications firms who supply a mobile telephone / PHS service. www.jdpower.co.jp

All of the domestic mobile phone carriers offer sales plans where customers can receive a discount on the price of the handset through basic monthly fees. Voice revenues continue to decline due to the penetration of these plans. Against this backdrop, companies face the task of raising packet communications revenues. Flat-rate services are the mainstream in packet billing, with carriers promoting enrollment in these billing plans while working hard to win and retain high packet users. Mobile phone carriers across the board are seeing a continued climb in packet communications revenues, thanks to the recent addition of initiatives to expand the use of smartphones enabling the provision of application services with high added value.

On the flip side, the swift rise of smartphones and data communications devices has exacerbated mobile phone carriers' traffic problems. All the carriers are leveraging wireless technologies like LTE to shore up mobile high-speed network infrastructure, while expanding public wireless LAN access points to facilitate mobile data offloading to non-cellular networks.

3Q

October November December

Oct. 15, 2011 — Started offering new *Xi ("crossy")* data plans *Xi Data Plan Flat Ninen* and *Xi Data Plan2 Ninen*, etc.

Nov. 24, 2011 — Launched *Xi Talk 24*, domestic flat-rate calls within DOCOMO subscription lines 24 hours a day

Xiトーク24

Nov. 24, 2011 — Ranked No. 1* for a second consecutive year in the 2010-2011 Japan Mobile Telephone Service Satisfaction Study.

Dec. 6, 2011 — Increased investment in mmbi, Inc., a licensed Broadcasting System Operator, for "Mobacas," mobile multimedia broadcasting

Dec. 25, 2011 — Established the Task Force for Improvement of Network Infrastructure

* J.D. Power Asia Pacific 2010–2011 Japan Mobile Phone Service Studies[SM]. 2011 Study based on a total of 31,200 responses from mobile phone subscribers in Japan.

4Q

January February March

From Jan. 20 to May 31, 2012 — Offered the *Ouen Student Discount,* campaign for students and their families

キミと明日へ。応援学割

Mar. 1, 2012 — Started offering the *Shabette Concier,* voice agent application

Mar. 11, 2012 — The number of DOCOMO mobile phone subscriptions topped 60 million

Mar. 18, 2012 — *Xi* subscriptions topped 2 million—the number of subscriptions doubled from 1 million in just three months

Mar. 19, 2012 — Announced establishment of DOCOMO InsightMarketing, Inc. (founded April 2, 2012) jointly with INTAGE Inc.

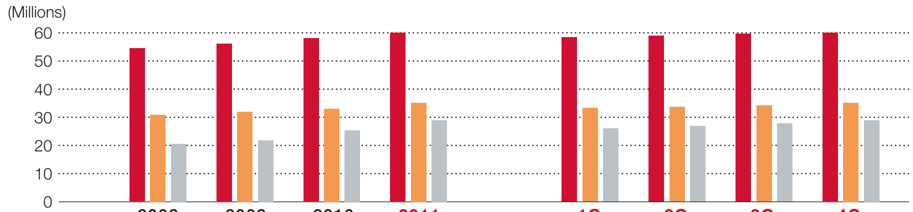
docomo InsightMarketing

Operating Data

Number of Subscriptions

(Fiscal year/quarterly data)

Source: Telecommunications Carriers Association

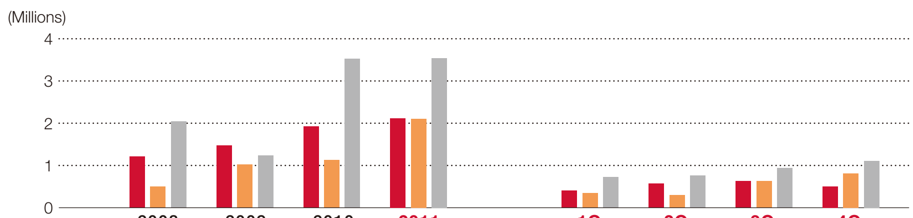


(Thousands)	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	**54,600.7**	**56,082.1**	**58,009.8**	60,129.5	**58,414.8**	**58,993.2**	**59,624.4**	60,129.5
Market Share of Subscriptions	50.8%	50.0%	48.5%	46.9%	48.2%	47.9%	47.5%	46.9%
au[1]	30,842.8	31,872.4	32,999.0	35,109.1	33,352.2	33,658.6	34,297.9	35,109.1
SoftBank Mobile	20,632.9	21,876.6	25,408.7	28,949.0	26,138.7	26,898.4	27,835.3	28,949.0

Net Additions

(Fiscal year/quarterly data)

Source: Telecommunications Carriers Association

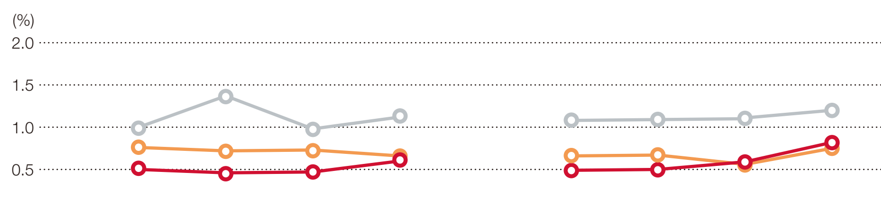


(Thousands)	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	**1,213.0**	**1,481.5**	**1,927.5**	2,119.6	**405.0**	**578.4**	**631.1**	505.1
au[1]	503.6	1,029.7	1,126.6	2,109.8	353.2	306.4	639.0	811.2
SoftBank Mobile	2,046.7	1,243.7	3,532.1	3,540.3	730.0	759.7	936.9	1,113.7

Churn Rate

(Fiscal year/quarterly data)

Source: Public sources from each company

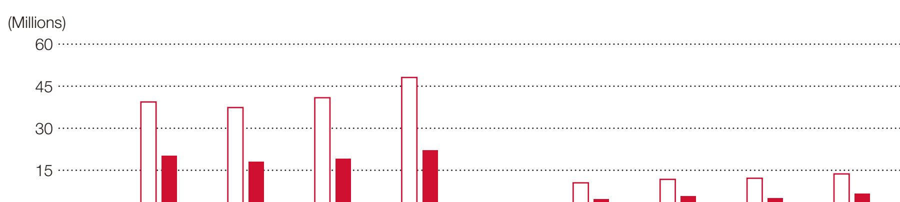


	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	**0.50%**	**0.46%**	**0.47%**	0.60%	**0.49%**	**0.50%**	**0.59%**	0.82%
au[1]	0.76%	0.72%	0.73%	0.66%	0.66%	0.67%	0.56%	0.75%
SoftBank Mobile	1.00%	1.37%	0.98%	1.12%	1.08%	1.09%	1.11%	1.20%

Number of Handsets Sold

(Fiscal year/quarterly data)

Source: Public sources from each company

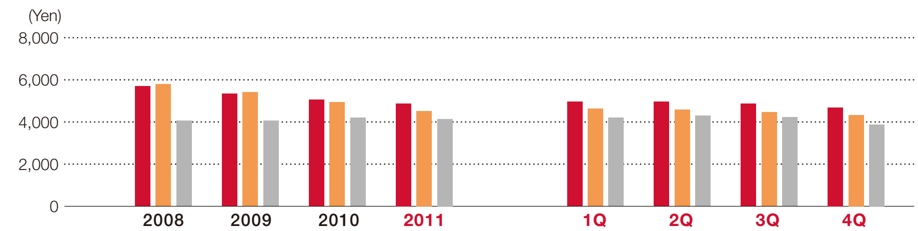


(Millions)	2008	2009	2010	2011	1Q	2Q	3Q	4Q
Total Sales for the Entire Market[2] (DOCOMO+au+SoftBank Mobile)	39.36	37.37	40.87	48.10	10.51	11.75	12.15	13.69
DOCOMO	**20.13**	**18.04**	**19.06**	22.09	**4.65**	**5.70**	**5.07**	6.68

Aggregate ARPU

(Fiscal year/quarterly data)

Source: Public sources from each company



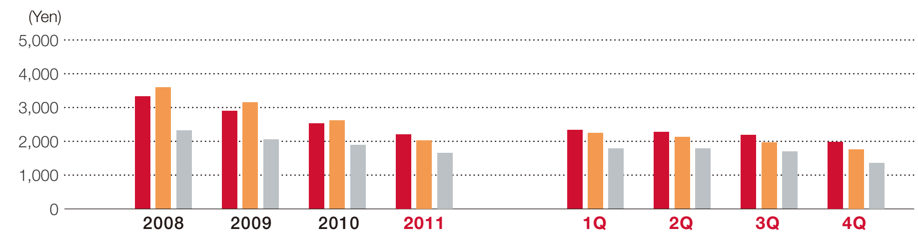
(Yen)

	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	5,710	5,350	5,070	4,870	4,960	4,970	4,880	4,680
au[1]	5,800	5,410	4,940	4,510	4,640	4,590	4,470	4,340
SoftBank Mobile	4,070	4,070	4,210	4,150	4,210	4,310	4,230	3,890

Voice ARPU

(Fiscal year/quarterly data)

Source: Public sources from each company



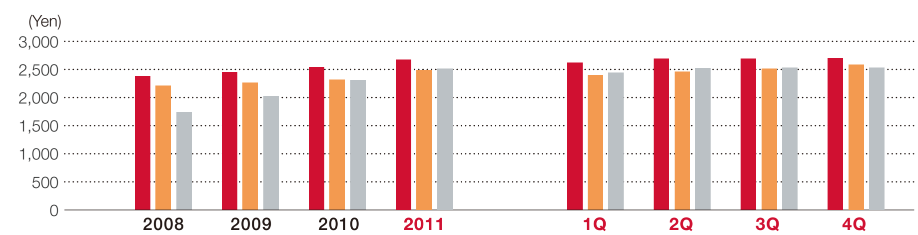
(Yen)

	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	3,330	2,900	2,530	2,200	2,340	2,280	2,190	1,980
au[1]	3,590	3,150	2,620	2,020	2,240	2,130	1,960	1,760
SoftBank Mobile	2,320	2,050	1,890	1,650	1,780	1,780	1,700	1,350

Packet ARPU[3]

(Fiscal year/quarterly data)

Source: Public sources from each company



(Yen)

	2008	2009	2010	2011	1Q	2Q	3Q	4Q
DOCOMO	2,380	2,450	2,540	2,670	2,620	2,690	2,690	2,700
au[1]	2,210	2,260	2,320	2,490	2,400	2,460	2,510	2,580
SoftBank Mobile	1,740	2,020	2,310	2,510	2,440	2,520	2,530	2,530

DOCOMO's Definition and Calculation Methods of ARPU and MOU

Definition of ARPU and MOU

(1) ARPU (Average monthly Revenue Per Unit):
Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to designated services on a per subscription basis. ARPU is calculated by dividing various revenue items included in operating revenues from our wireless services, such as basic monthly charges, voice communication charges and packet communication charges, from designated services which are incurred consistently each month, by the number of active subscriptions to the relevant services. Accordingly, the calculation of ARPU excludes revenues that are not representative of monthly average usage such as activation fees. We believe that our ARPU figures provide useful information to analyze the average usage per subscription and the impacts 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.

(2) MOU (Minutes of Use): Average monthly communication time per subscription.

ARPU Calculation Methods

Aggregate ARPU = Voice ARPU + Packet ARPU

- Voice ARPU: Voice ARPU Related Revenues (basic monthly charges, voice communication charges) / No. of active subscriptions
- Packet ARPU: Packet ARPU Related Revenues (basic monthly charges, packet communication charges) / No. of active subscriptions

Active Subscriptions Calculation Methods

No. of active subscriptions used in ARPU and MOU calculations is as follows:

Sum of No. of active subscriptions for each month ((No. of subscriptions at the end of previous month + No. of subscriptions at the end of current month) / 2) during the relevant period.

Note: Subscriptions and revenues for Communication Module Services and *Phone Number Storage* and *Mail Address Storage services* are not included in the ARPU and MOU calculations.

1 Includes TU-KA (TU-KA was phased out at the end of March 2008)
2 Figures do not include EMOBILE
3 Specific names might differ by company.
* Definitions of ARPU, MOU, etc., might be different from those used by other companies.

20 years of Evolution

Phase 1

Expanding Our Individual User Base

1992–

In Japan, the first mobile phone small enough to fit in a pocket was rolled out in 1991. It was launched by Nippon Telegraph and Telephone Corporation (NTT) under the brand name *mova*. When this bundle of sophisticated technology debuted, it garnered attention in Japan and overseas as the world's smallest mobile phone handset. *Mova*'s subsequent migration from analog to digital technology spurred call quality improvement and data communications use. At the same time, we expanded our base station network from "lines" alongside roads to "webs" covering major areas like business and shopping centers. Further, we introduced a string of measures including the elimination of security deposits, the introduction of a handset purchase system, and smaller handsets to rapidly expand the user base. Mobile phones started out as a status symbol for executives and the wealthy, but gained traction as a business tool and eventually as a personal tool.

1992
NTT DOCOMO begins operations

1993
Launch of digital *mova* service

1997
Launch of *DoPa* packet data communications service

Launch of international roaming service

1998
Start of "Family Discount"

and Growth

Phase 2

Mobile Phone's Transition from Talk to Use

1999–

Before mobile phones went mainstream, our *Pocket Bell* pagers gave birth to a pager friend craze, and then *10 Yen Mail* and *Short Mail* services became popular for mobile phone services and fueled the spread of the texting culture, mainly among young people and women. We launched our *i-mode* service in 1999, enabling users to send and receive e-mail with pictograms as well. The service was a huge hit with younger people.

When Internet access was added to the mix, mobile phones went beyond talk to become a tool to use—moving into the position of IT infrastructure. We began offering the world's first third-generation (3G) mobile communication service, *FOMA*, in 2001. The service enabled high call quality and high-speed data transmission to allow for the exchange of diverse information including music and images, opening the doors to the mobile multimedia world. This was followed by a stream of assorted specifications, from water resistance to cameras, GPS, and the *Osaifu-Keitai* e-wallet.

We fostered the evolution of mobile phones, repeatedly pushing the envelope to usher in multimedia, ubiquitous, global communications.

Launch of *i-mode* service

1999

Launch of *FOMA* service

2001

Start of *i-mode* FeliCa service (*Osaifu-Keitai* e-wallet)

2004

Start of *Pake-hodai*, packet flat-rate service for *i-mode*

Phase 3

Taking Lifestyle Infrastructure to New Levels

2005–

We are also taking services to new levels. The birth of our *i-channel* content distribution, *One-Seg* terrestrial digital television, and *iD* credit payment service have furthered the advancement of mobile phones into every corner of life. In addition, we bolstered measures to ensure safety and peace of mind with respect to mobile phone use. Specific steps include the launch of *Kids' PHONE*, and provision of *Mobile Phone Protection & Delivery* service, *Data Security* service, and *Area Mail* disaster information services.

Then, in 2008, when mobile phones were becoming a fixture of everyday life, DOCOMO unveiled its medium-term vision "Change and Challenge to Achieve New Growth." The vision's ultimate goal is to raise customer satisfaction by focusing on our existing customers. Leveraging mobile platform attributes such as real-time, personal authentication and positional information functions, we developed mobile phones into tools supporting individual tasks rather than life in general to deliver greater convenience to our customers. Then, in 2009, we launched smartphones with the Android operating system, ushering in the smartphone era in Japan and bringing even bigger change to the market.

Launch of *i-channel*

Launch of *iD* credit payment service

2005

Launch of *DCMX* credit service

Release of handsets compatible with terrestrial digital television (*One-Seg*)

2006

Launch of *i-concier*

2008

Phase 4

Moving to a New Mobile Era

2010–

DOCOMO's new era dawned with the proliferation of smartphones and tablets, and the start of *Xi* service, a next-generation communications platform based on LTE, realizing high speed, large capacity, and low latency. On the services front, in step with the full-on uptake of smartphones, in 2011 we began offering *d-menu* and *d-market*, and released smartphone-compatible versions of *i-channel* and *i-concier*. We also put Japan's first broadcasting station for smartphones—*NOTTV*—on air in 2012.

Going forward, we will continue our pursuit of the "evolution of mobile services offering expandable services in an open environment." Our goal is to offer customers greater safety, peace of mind, convenience, and efficiency in their personal and business lives through mobile phones. We aspire to make a fulfilling, smart life a reality.

During 20 years of business, the number of DOCOMO mobile phone subscribers has grown to over 60 million. Today, DOCOMO is evolving its service offerings further by creating new value and the development of business models from the convergence of mobile and other industries. We at DOCOMO would again like to express our gratitude to all of our stakeholders over the last two decades, and are united in a commitment to achieving greater growth.

2010
- Release of tablet devices
- Launch of *Xi* next-generation mobile service

2011
- Release of *Xi*-compatible smartphones and tablets

2012
- Launch of *"NOTTV"* mobile multimedia broadcasting station for smartphones

President's Message
Creating New Value

I am honored to have been appointed President and CEO of DOCOMO at the 21st Ordinary General Meeting of Shareholders and Board of Directors' meeting held on June 19, 2012. I kindly request your support as I work to leverage my experience to take our business to the next level.

In fiscal 2011, we overcame challenges greater than any we have ever faced, among them the Great East Japan Earthquake.

We put to use the important lessons learned from the restoration of damaged communications equipment and the earthquake and tsunami in general. Recognizing the gravity of the issue, we immediately established new disaster preparedness measures in April 2011, and had successfully implementing most of them by February 2012.

In addition, a series of service interruptions arose during the year. We offer our sincerest apologies to our customers for the great inconvenience these caused. We finished conducting a comprehensive inspection of equipment and implementing key measures to address these problems by March 2012. We are also making additional efforts to develop a more sophisticated network infrastructure, targeting even more reliable mobile communications.

Since fiscal 2008, we have steadily worked toward our medium-term vision "DOCOMO's Change and Challenge to Achieve New Growth." In fiscal 2011, I believe we were able to deliver revenue and earnings growth by promoting initiatives capitalizing on our overall strength—from our mobile device offerings focused on smartphones to our networks, services, and billing plans.

In fiscal 2012, we will move to become an Integrated Service Company with mobile services at its core, working to achieve the operating income target of ¥900 billion set out for this final year of "Change and Challenge" and realize "Medium-Term Vision 2015—Shaping a Smart Life*" unveiled in November 2011.

I look forward to your ongoing support for these endeavors.

* Please refer to the "Medium-Term Vision 2015" feature on page 21 for more details.

President and Chief Executive Officer
Kaoru Kato

President's Interview

The business foundation that we have built together with our customers is a strength that we will use to grow as a company that continues to inspire confidence as we seek to bring our Medium-Term Vision 2015 announced in November 2011 to fruition.

1 ON MY APPOINTMENT AS PRESIDENT AND CEO

"Driven by a spirit of "speed and challenge," the DOCOMO Group is coordinating its efforts in a determined push to make a "smart life" a reality for every customer."

The explosive popularity of smartphones today marks a major turning point in the market, and competition remains fierce. As the uptake of mobile phones approaches its limits, the pressure is on to deliver appealing products and services in a timely manner, all in an environment that is more open than ever. Motivated by a spirit of "speed and challenge," DOCOMO is committed to leading the market. Above all else, we will move with speed in the fast-changing mobile world and stand ever ready to passionately take on new challenges.

Having worked on mobile communications and mobile phone development and popularization since the market's inception, I have seen people become more connected and their lives and society change dramatically as a result of advancements in mobile communications. Through this experience, I strongly feel that "Mission" and "Aspiration" are words that define DOCOMO as a company. Our mission, as a vital social infrastructure, is to ensure the communications that connect people. By "aspiration," I refer to the dream shared by our customers, myself and every DOCOMO Group employee—to bring greater convenience and fulfillment to everyday life through the mobile phones and smartphones we hold in the palms of our hands.

As we celebrate our 20th anniversary, the entire DOCOMO Group is staunchly committed to fulfilling its mission and making this shared aspiration a reality. By continuing steadily to provide attractive and easy-to-use mobile devices and services, and to develop a more reliable network infrastructure, we aim to achieve our Medium-Term Vision 2015, along with new growth and greater levels of customer satisfaction.

Also, we will work anew to fulfill our mission of delivering true safety and security to customers, taking to heart lessons learned from the Great East Japan Earthquake last year and the series of service interruptions that greatly inconvenienced our customers. As a company responsible for vital social infrastructure, we will follow through on our commitments so that we will remain a loved and trusted company for years to come.

2 DOCOMO'S BUSINESS ENVIRONMENT AND FISCAL 2011 INITIATIVES

> "We achieved increases in both revenues and income for the first time in eight fiscal years by aggressively expanding smartphone usage and developing our LTE service *Xi*."

Competition remains fierce in the mobile communications market as it approaches maturation due to increased population coverage. However, smartphone market growth is expanding possibilities for delivering new value to customers.

In fiscal 2011, DOCOMO strove to increase smartphone uptake and developed the LTE service *Xi*.

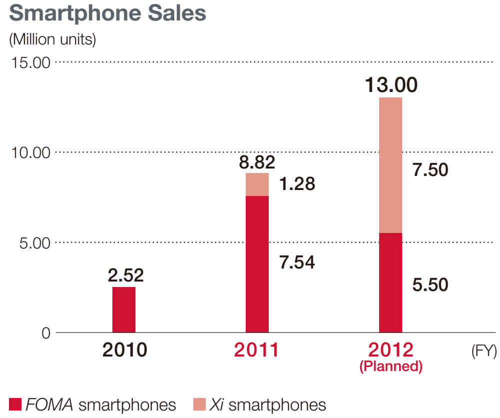
With an eye to greater smartphone penetration, we introduced new smartphone services like the *dmenu* portal site, the *dmarket* content market, and the *Shabette-Concier* application enabling control of mobile phone functions with voice commands, as well as enhanced our handset lineup and billing plan. Our efforts grew smartphone sales to 8.82 million in fiscal 2011, up 3.5 times on a year-on-year basis.

As for *Xi* service development, we began providing voice services in addition to data communications, expanded the service area, enriched the *Xi*-compatible device lineup, and offered new user-friendly billing plans. We succeeded in selling 2.3 million *Xi*-compatible mobile devices in fiscal 2011, up 87.9 times on a year-on-year basis.

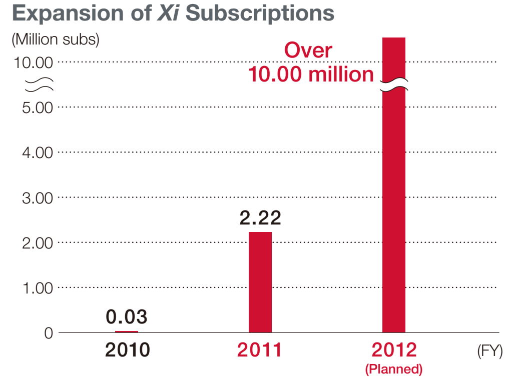
In addition, as part of initiatives to become an Integrated Service Company, we rolled out *NOTTV*, a broadcasting station for smartphones, began providing prepaid data billing plans for portable game consoles, forged a business alliance with OMRON HEALTHCARE Co., Ltd. in the medical and healthcare business, and entered into a tie-up with Radishbo-ya Co., Ltd. in the commerce business.

Our endeavors delivered results. Operating revenues edged up 0.4% year on year to ¥4.24 trillion, and operating income rose 3.5% year on year to ¥874.5 billion. For the first time in eight fiscal years, we grew both operating revenues and operating income.

Smartphone Sales



Expansion of *Xi* Subscriptions



3 RESTORATION OF NETWORK INFRASTRUCTURE DAMAGED BY THE GREAT EAST JAPAN EARTHQUAKE, NEW DISASTER PREPAREDNESS MEASURES AND PREVENTIVE MEASURES FOR SERVICE INTERRUPTIONS

"We worked steadily to repair communications equipment, implemented new disaster preparedness measures, and strove to improve our network infrastructure."

During the Great East Japan Earthquake, in addition to direct damage in the form of destroyed and submerged communications equipment, transmission links were severed and emergency backup power was depleted as power outages dragged on. The damage was unprecedented. Immediately after the earthquake and tsunami, we established a Disaster Countermeasures Office and worked to restore damaged communications equipment as quickly as possible. We finished emergency fixes by the end of April 2011 and full-scale restoration by the end of September 2011.

We applied the lessons from the earthquake and tsunami to establish new disaster preparedness measures in April 2011. The measures aim to 1) secure communications in important areas, 2) ensure swift response to disaster-stricken areas, and 3) offer our customers greater convenience in times of disaster. We had implemented most of the new steps as of the end of February 2012. We will continue to strive to build a highly-reliable, disaster-resistant network.

Regretfully, there was also a series of service interruptions in fiscal 2011 that greatly inconvenienced our customers. The disturbances were primarily due to a surge in communications traffic from smartphone growth that triggered malfunctions of communication equipment used for the *sp-mode* system, which provides smartphone ISP service, and packet switching. We rapidly responded to this serious situation, establishing the Task Force for Improvement of Network Infrastructure and launching a company-wide investigation to uncover the causes and implement measures to prevent recurrence. We had key countermeasures in effect by March 2012, and we have verified our networks' stability. Moving ahead, we will keep working to bring our network infrastructure to a level where it can accommodate 50 million smartphones, envisioning even more reliable mobile communications equipment.

New Disaster Preparedness Measures

Securing communication in key areas	(1) Construction of base stations using a large-zone scheme
	(2) Uninterruptible power supply, 24-hour battery supply
Swift response to disaster-stricken areas	(3) Increase of satellite mobile phones
	(4) Increase of satellite entrance circuits
	(5) Deployment of emergency microwave entrance facilities
Offer our customers greater convenience in times of disaster	(6) Disaster voice messaging service
	(7) Improvement of Restoration Area Maps
	(8) Support of voice guidance in the Disaster Message Board
	(9) Further utilization of Area Mail
	(10) Further utilization of ICT through convergence with SNS, etc.

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Please refer to page 36 for more details about restoration efforts following the Great East Japan Earthquake and new disaster preparedness measures.

4 MEDIUM-TERM ACTION PLAN "CHANGE AND CHALLENGE" PROGRESS AND FISCAL 2012 EARNINGS OUTLOOK

"We aim to achieve the "Change and Challenge" operating income target of ¥900 billion and a second consecutive year of both operating revenue and operating income growth."

We have been carrying out our medium-term action plan "DOCOMO's Change and Challenge to Achieve New Growth" (hereinafter "Change and Challenge") since fiscal 2008. Under this plan, we pressed ahead with various measures to further increase customer satisfaction, earning a No. 1 ranking in customer satisfaction in the 2010–2011 Japan Mobile Telephone Service Satisfaction Study conducted by J.D. Power Asia Pacific for the second straight year.

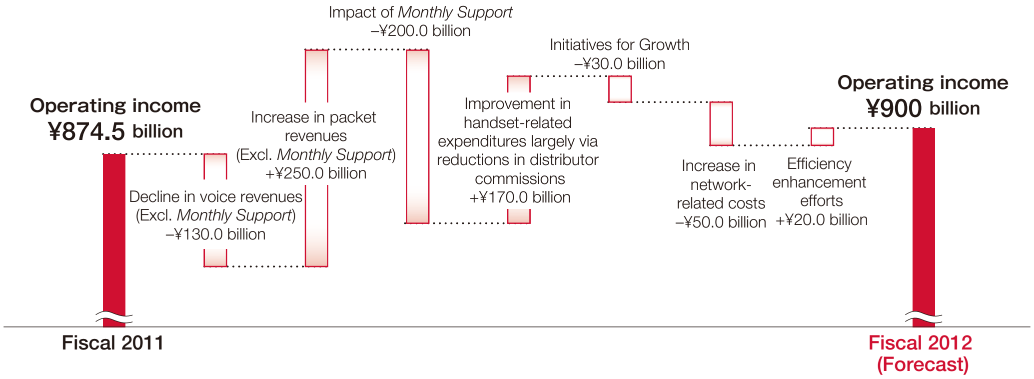
In fiscal 2012, we will continue to strive to elevate customer satisfaction. We will also work to achieve an operating income of ¥900 billion, as the final year target for "Change and Challenge" and the fruit of our efforts over the past five years. Further, we will strive to grow both operating revenues and operating income for the second year in a row. We aim to make it a year that puts DOCOMO on a growth trajectory.

To achieve this end, we will harness our comprehensive strengths in handsets, networks, services, and billing plans to make smartphones more widespread and expand migration to *Xi* service. Specifically, we plan to grow smartphone sales by 47% year on year to 13 million units. Accordingly, we expect to increase fiscal 2012 operating revenues by ¥210 billion year on year to ¥4.45 trillion, primarily through growth in packet revenues and equipment sales revenues.

Although we will push forward with realizing greater cost efficiency, operating expenses are projected to be ¥3,550.0 billion, up ¥184.5 billion from the previous fiscal year. This increase will largely reflect growth in expenses for creating more sophisticated network infrastructure and for future revenue expansion. Another likely contributor will be a higher cost of equipment sold, tracking growth in sales volume.

As a result, we expect to grow operating income by ¥25.5 billion year on year to ¥900 billion.

Fiscal 2012 Performance Forecast Highlights



5 OVERVIEW OF MEDIUM-TERM VISION 2015 AND FISCAL 2012 ACTIONS

"We will evolve into an "Integrated Service Company with mobile services at its core" to achieve our Corporate Vision for 2020."

In November 2011, DOCOMO formulated the new "Medium-Term Vision 2015—Shaping a Smart Life," (hereinafter "Medium-Term Vision 2015") aimed at evolving into an Integrated Service Company with mobile services at its core, and clarifying its medium-term strategy.

We created "Medium-Term Vision 2015" to accelerate "Change and Challenge" so that we can realize our Corporate Vision for 2020 "Pursuing Smart Innovation: HEART." From this time forward, we will shore up measures to achieve "Medium-Term Vision 2015."

By accelerating efforts in mobile service innovation and the convergence of industries and services with "DOCOMO clouds," we will aim to offer enhanced safety and security and deliver more convenient and efficient solutions to everyday life and business. Our goal here is to help people enjoy fulfilling, smart lives.

In fiscal 2012, we will work toward realizing our medium-term vision for 2015 by focusing on the four objectives below as we carry out operations.

1. **Grow net additions by promoting smartphones and *Xi***
   We will leverage DOCOMO's comprehensive strengths to improve Mobile Number Portability and grow net additions.
2. **Provide cloud-based services**
   We will provide value-added services by utilizing DOCOMO's cloud technologies enabling sophisticated information processing.
3. **Evolve into an Integrated Service Company with mobile services at its core**
   We will work to deliver innovations through the convergence of mobile with various industries and services.
4. **Improve customer satisfaction and ensure safety and security**
   We will aim to remain No. 1 in customer satisfaction and build high-quality, safe, secure networks.

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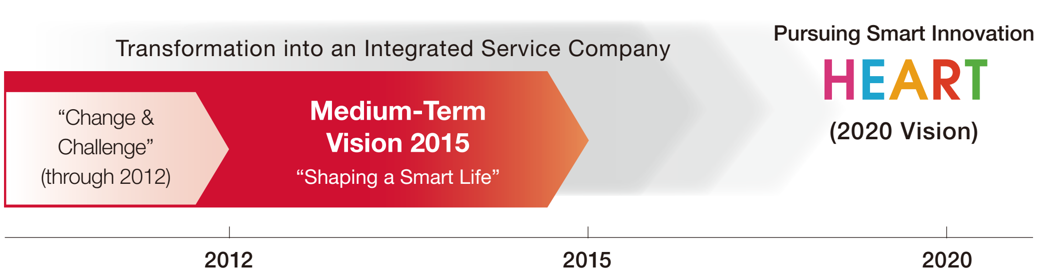
Please refer to the "Medium-Term Vision 2015—Shaping a Smart Life" feature on page 21 for more details.

Positioning of "Medium-Term Vision 2015"



6 POLICY ON PROFIT ALLOCATION TO SHAREHOLDERS

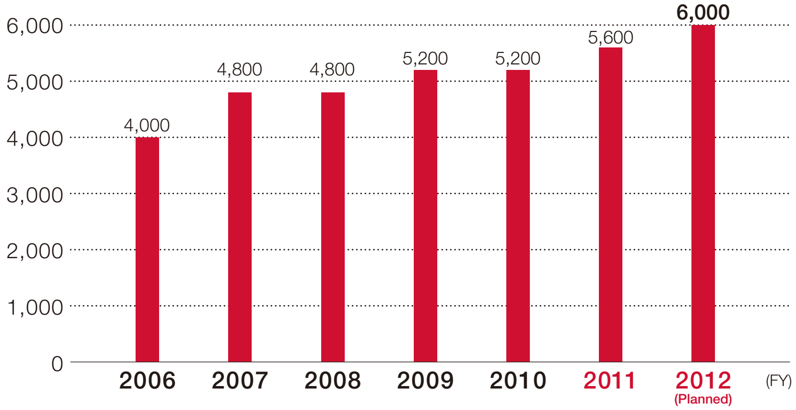
“We will take a flexible, nimble approach to shareholder returns, taking into account our financial standing and our shareholders' expectations.”

DOCOMO regards returning profits to shareholders as a management priority. In fiscal 2011, we increased the annual dividend by ¥400 from the previous fiscal year to ¥5,600 per share. We plan to raise the annual dividend by ¥400 to ¥6,000 per share in fiscal 2012, making a dividend payout ratio of 44.7%.

Going forward, we will keep working to maintain a stable dividend and one of the highest dividend payout ratios in Japan, while endeavoring to bolster our financial position and secure internal reserves.

Regarding the acquisition of treasury stock, we will continue to utilize the measures in place providing the Board of Directors with the flexibility to execute such acquisitions of treasury stock as they see fit. Along with continuing our commitment to a stable dividend, we intend to prioritize funds on hand for investment in growth fields, working to ensure adequate returns to shareholders.

Cash Dividends per Share
(Yen/Share)



Special Features

Medium-Term Vision 2015

"Shaping a Smart Life"

In November 2011, DOCOMO established Medium-Term Vision 2015 "Shaping a Smart Life" (hereinafter "Medium-Term Vision 2015"). Targeting evolution into an Integrated Service Company with mobile services at its core, "Medium-Term Vision 2015" is designed to expedite "DOCOMO's Change and Challenge to Achieve New Growth," an action plan released in fiscal 2008, to take us one solid step closer to achieving our Corporate Vision for 2020 "Pursuing Smart Innovation: HEART." The following is a more detailed look at the "Medium-Term Vision 2015" that DOCOMO is striving to fulfill.

Evolving Core Businesses

- Evolution of Smartphone Services
- Evolution of Handsets
- Expanding Smartphone and *Xi* Service Uptake
- Bolstering Our Network Infrastructure

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Developing New Businesses

- Convergence of Industries and Services
- Initiatives to Create New Markets
- Expansion of Global Businesses

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Business Support via *docomo cloud*

- "Personal" Cloud
- "Business" Cloud
- Network Cloud

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Awareness of Underlying Risks and “Medium-Term Vision 2015” Goals

Awareness of the risks faced in the business environment in recent years was one factor behind DOCOMO’s formulation and implementation of “Medium-Term Vision 2015.”

Technological innovation is accelerating all over the world. A host of players in the Internet market have gone beyond conventional business boundaries, seizing new market opportunities to rapidly increase their presence and take markets by storm. The rise of these new players has the potential to turn preconceptions on their head, putting mobile communications providers like DOCOMO at risk of becoming “dumb pipes” for connectivity. Further, the spread of new communication styles like VoIP and Social Networking Services (SNS) in the smartphone era will directly erode the conventional mobile communications business. In this business landscape, it will be imperative that we take the initiative to expand our business scope beyond a traditional mobile phone business driven by traffic revenues to secure additional sources of revenue.

With these risks in mind, our newly established “Medium-Term Vision 2015” sets out to help each and every customer lead a more fulfilling, smart life. It looks to achieve this by 1) bringing customers greater enjoyment and convenience with a wide array of devices focused on smartphones; 2) delivering innovations through the convergence of various industries and services, with the aim of becoming an Integrated Service Company with mobile services at its core; and 3) using the *docomo cloud* to expedite these initiatives.

Changes in the Environment Surrounding DOCOMO

Market & Society

- Ongoing globalization
- Population decline, low birthrate, rapid aging in Japan
- Heightened desire for safety and security following the Great East Japan Earthquake
- More serious environmental problems, shift to sustainable society
- Various service and industry convergence tracking technological advancements

Competitors

- Uptake of social networking services (SNS) and other new communication styles
- Rise of global players promoting rival business models and advance of cloud services

DOCOMO

- Risk of decline in voice revenues due to widespread VoIP usage
- Traffic business growth saturation
- Awareness of communications network importance emphasized by the disaster
- Explosion in data traffic as a result of mobile broadband penetration and smartphone growth

Evolving Core Businesses

DOCOMO has launched a myriad of devices led by smartphones, and spurred the evolution of services and handsets. Going forward, we will capitalize on the advantages of an open environment to take mobile services to the next level.

For example, we will pursue new avenues for enjoyment and convenience through services enabling multiple devices to be used with one common ID, services linking address books and SNS, and the like.

Evolution of Smartphone Services

We will pursue advancements in services and ecosystems that only we can so that a broader range of customers can enjoy using smartphones.

For one, we will enhance site and content offerings leveraging smartphones' expressive power and operability that are accessible through DOCOMO's portal site, *dmenu*. Next, we will work to raise user numbers and content revenues from our directly-run content market, *dmarket*, by enhancing content merchandise and genres. Additionally, we will enrich our diverse lineup of original services that make the most of smartphone convenience.

Evolution of Handsets

In an open environment, we will develop a diverse lineup of handsets with attractive functions suited to each customer. This will entail offering properties and models that are in high demand, like water resistance and the *Raku-Raku PHONE* series of simplified smartphones, new services like *NOTTV*, and functions focused on safety and peace of mind, such as *Disaster Voice Messaging* service. We look to spur this evolution even further through the incorporation of new technologies, including sensor technology enabling new services using environmental information like temperature, pressure, and radiation levels, as well as recommendation technology enabling sophisticated concierge services.

Developing Services via Smartphones

Further Evolution of Services

Multi-device	**Evolution in markets**
Common ID for multiple devices	Greater merchandise variation
Evolution in address books	**Evolution in service linkages**
Links between address book and SNS	Linking wide-ranging services and content
Evolution in data storage	**Evolution in real linkages**
"Online safe-deposit" for personal information	Expanded use in verification infrastructure for payments, coupons and other areas of everyday life

Evolution of Devices via New Technologies

Sensor technology	**Media linkages**
Sensor jacket (radiation sensors, etc.)	Intuitive (touch, flick) data transmission
Recommendation technology	**Battery technology**
Advancements in concierge functions	High-speed charger/long-life battery
User interface	**Wearable technology**
Highly intuitive information provision UI	Eyewear-style devices

Expanding Smartphone and *Xi* Service Uptake

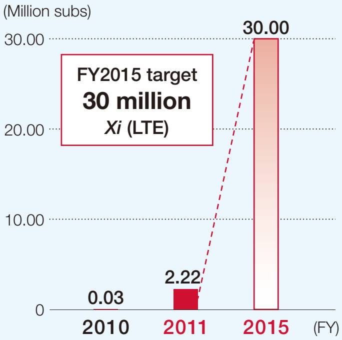
We aim to grow smartphone subscriptions to 40 million by fiscal 2015 by propelling smartphones further into the mainstream by offering services for which DOCOMO is known and handsets matched to individual customer tastes. The driving force for this will be active expansion of the *Xi* service area and *Xi*-compatible device offerings, targeting 30 million *Xi* subscriptions by fiscal 2015.

By encouraging greater usage among customers through these comprehensive initiatives, we look to bring packet revenues to around ¥2.7 trillion in fiscal 2015—roughly 1.5 times the fiscal 2011 number.

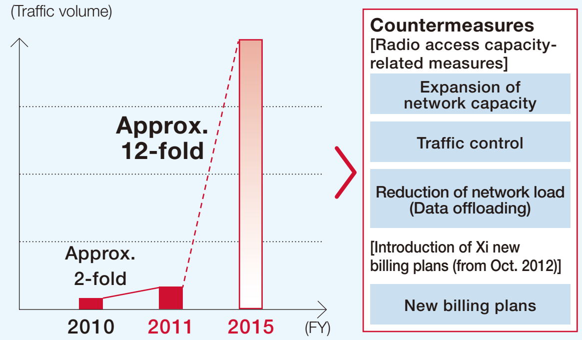
Bolstering Our Network Infrastructure

We will also work to accommodate increasing traffic as the uptake of smartphones gains momentum. We expect about 12 times as much traffic in fiscal 2015 as there was in fiscal 2011. With this in mind, we are bolstering our communications equipment, expanding network capacity—mainly for *Xi* service as it has excellent frequency usage efficiency, controlling transmission speeds (dynamic control) for especially heavy users of data communications, and utilizing "docomo Wi-Fi" public wireless LAN services to offload data. By taking steps along these lines, we will deliver stable communications quality to our customers.

Xi (LTE) Subscriptions*



Projected Traffic Growth



* *Xi* subscriptions includes subscriptions to data communications devices, Wi-Fi and tablets.

Transforming Mobile Phones into "Personal Life Agents"

Smartphones and tablets featuring touch panels and large displays are moving rapidly into the mainstream, bringing monumental change to the mobile services market. Along with the emergence of the high-speed *Xi* network and business base reinforcement, smartphone uptake is projected to extend the scope of markets in areas like video services, e-books, and e-commerce where there have been issues with diffusion via feature phones and PCs.

DOCOMO will keep pace with changes in these mobile service markets by altering the way it provides services. We will move from a handset-driven to a network-led model. In other words, we will shift to a service provision model using a "cloud environment." Doing so will enable us to provide recommendation functions and personalized service according to customers' tastes and usage history, a multi-device environment, network-based data storage services, and high value-added services like the *Shabette Concier* voice-agent application and *Translator Phone Service*.

I want us to transform mobile equipment into customers' "personal life agents" through these initiatives, as part of wider moves to bring a "smart life" to customers as an Integrated Service Company.

Hiroyasu Asami
Senior Vice President
Responsible for Multimedia
Managing Director
Smart Communication Services Department

Developing New Businesses

With an eye to achieving its vision for 2020 "Pursuing Smart Innovation: HEART," DOCOMO will go beyond its role as a mobile communications firm to become a "personal life agent," helping each and every customer achieve greater levels of safety, security, convenience, and efficiency in their personal and professional lives.

Convergence of Industries and Services

As a mobile communications provider, DOCOMO has led the advancement of mobile communications by pursuing the potential that the mobile world offers. Moving forward, we will use these advancements in mobile technologies to converge a wide spectrum of industries and services, sparking innovation and new value.

Initiatives to Create New Markets

In fields where major synergies with mobile communications are likely, we will pursue alliances with various companies to create new markets.

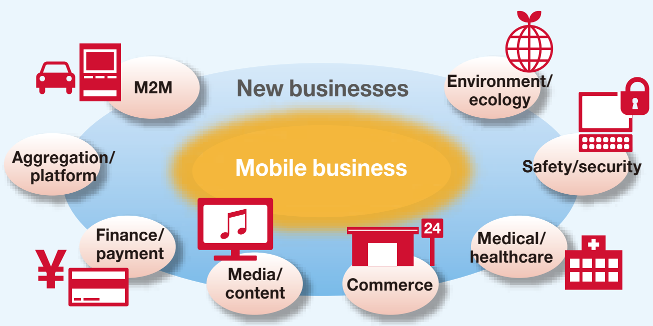
Specifically, we are eyeing strategic investments primarily to acquire majority stakes in firms in the following eight business sectors: 1) media and content, 2) finance and payment, 3) commerce, 4) medical and healthcare, 5) machine-to-machine (M2M), 6) aggregation and platforms, 7) environment and ecology, and 8) safety and security/other.

We generated sales of roughly ¥400 billion in these new business fields in fiscal 2011. We want to multiply this figure by around 2.5 times to reach the ¥1 trillion mark by fiscal 2015.

Expansion of Global Businesses

Another task is to accelerate global development. We will aggressively develop our platform business as we enhance our business alliances and cooperation with overseas communications providers. Namely, we will drive the convergence of industries and services on a global scale with global platform services like the content aggregation and M2M businesses, services tailored to specific regions in areas like finance and payment, and similar offerings.

Convergence of Various Industries and Services



Expansion into New Business Fields

DOCOMO is constantly expanding its business horizons, leveraging the mobile know-how it has built up over the years and pursuing alliances with companies in an array of industries and service areas.

A key initiative in the media and content business is the provision of a new broadcasting service linking communications and broadcasting with the launch of the broadcasting station for smartphones, *NOTTV*, by mmbi, Inc.

In the commerce business, we made a tender offer for the shares of Radishbo-ya Co., Ltd., which provides a membership-based home-delivery service for organic and low-pesticide vegetables. In the field of food, which is at the root of everyday life, we aim to enhance customer convenience by offering a new mobile commerce platform. In addition, we established the joint venture DOCOMO Insight Marketing, Inc. with INTAGE Inc. to help further high-value-added corporate marketing activities.

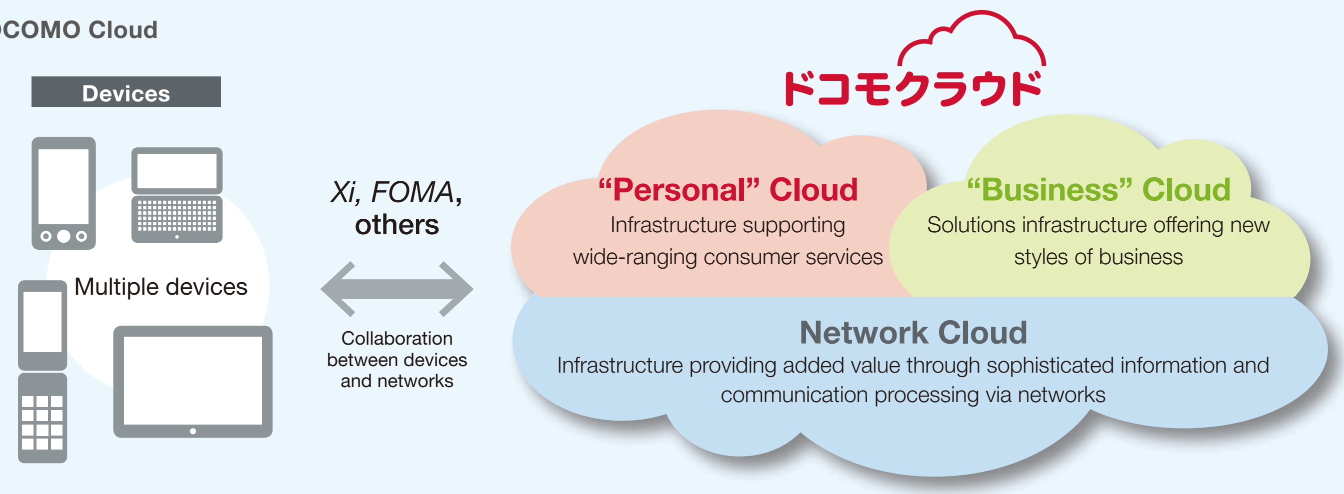
In the medical and healthcare business, we forged a basic agreement with OMRON HEALTHCARE Co., Ltd., to jointly establish a joint venture to develop and provide healthcare and medical assistance services.

Moving ahead, we will continue to promote mobile integration with industries and services as part of moves to take us closer to becoming an Integrated Service Company with mobile services at its core.

Toshiki Nakayama
Senior Vice President
Managing Director Frontier Services Department

Business Support via *docomo cloud*

DOCOMO Cloud



We are putting *docomo cloud*, which comprises three clouds, into play to speed up the evolution of mobile services (core businesses) and industry and service convergence (new businesses), envisioning a fulfilling, smart life.

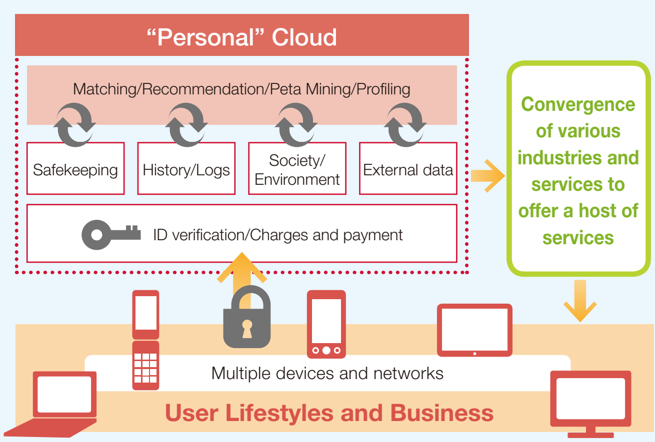
"Personal" Cloud

By applying sophisticated information processing technology to large volumes of data stored in the secure personal cloud, we will create new value by providing a spectrum of customer lifestyle-oriented services that fuse diverse industries and services.

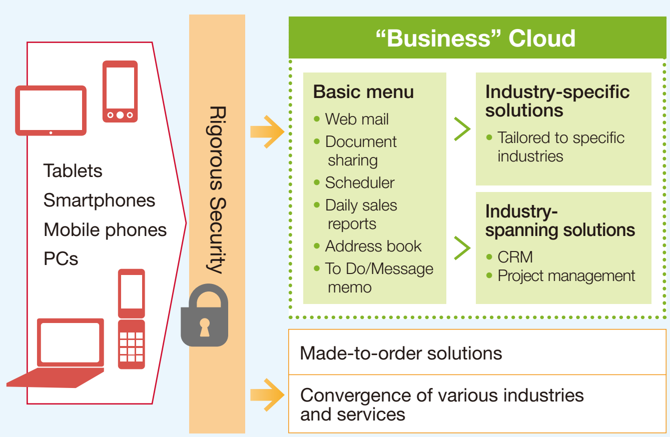
"Business" Cloud

To meet our customers' wide-ranging needs, we are pursuing alliances with various partners to create diverse cloud services and spur innovation in the way business is done by offering a host of business solutions compatible with multiple devices.

New Value Creation Targeted via "Personal" Cloud



New Business Model Enabled by the "Business" Cloud



Work on the "Business" Cloud

Docomo cloud comprises the "personal" cloud, the "business" cloud, and the network cloud. The business cloud offers a variety of solutions to revolutionize the way customers do business.

In 2011, we offered the *Mobile Secure Desktop, Mobile Groupware,* and *Smartphone Remote Control Service*. Further, in August 2012, we will roll out Virtual PBX Type, a cloud-based version in the nationwide internal line connection service *Office Link*. Since fees for these services start at only a few hundred yen a month, we believe they can be marketed to a wide range of corporate customers considering introducing mobile devices like smartphones or tablets, irrespective of industry or business type. These services are available anytime, anywhere as they utilize DOCOMO's high-quality mobile network and very reliable datacenter. This eliminates the need for in-house equipment and maintenance, and enables a move to a paperless environment and the reduction of overtime. These services can also be used for things like daily report creation and customer management, playing a role in boosting customers' sales.

In the future, we look to keep offering functions and services that showcase DOCOMO, filling out the "business" cloud's lineup of security and other services while coordinating these efforts with those on the "personal" cloud and network cloud fronts.

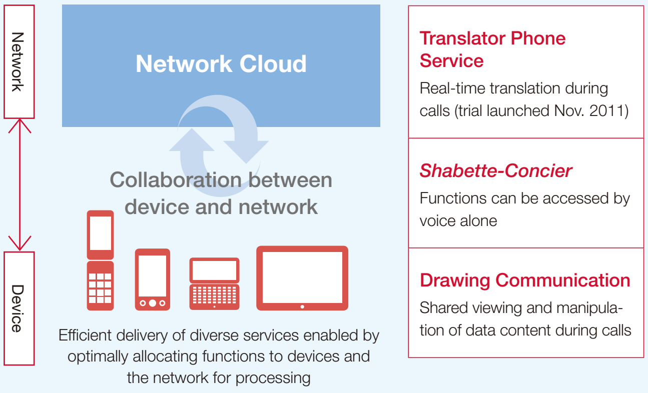
Tsutomu Shindou
Executive Vice President
Managing Director of Corporate Marketing Division
Managing Director of TOHOKU Reconstruction Support Office
Member of the Board of Directors

"Network" Cloud

We will team up mobile devices and networks to deliver innovative services like our *Shabette-Concier* voice-agent application and *Translator Phone Service*. Using our networks for sophisticated information and communication processing, we will efficiently deliver an assortment of added value to our customers independent of the specific device used.

These varied cloud services will be developed under the *docomo cloud* brand.

New Communication Style Enabled by the Network Cloud



Raising Corporate Value by Making Smart Life a Reality

Using the business foundation that we have built together with our customers over the years as a strength, we will bring a smart life to each and every customer by evolving into an Integrated Service Company through the pursuit of "Medium-Term Vision 2015." We also aim to expand revenues from our core business led by packet communications, and expanding our business scale in new businesses through convergence with new industries and services. Then, augmenting our growth and corporate value as well as shareholder value, we will keep working to provide our customers with a wide array of stress-free services that can be used almost anywhere.

Review of Operations

Performance Overview

Operating Revenues

Voice revenues in fiscal 2011 fell ¥170.3 billion, or 9.9%, year on year to ¥1,541.9 billion due to the greater uptake of the *Value Plan*. Packet communications revenues rose ¥148.9 billion, or 8.8%, year on year to ¥1,843.9 billion due to strong smartphone sales and *Xi* services development. Cellular services revenues therefore fell ¥21.4 billion, or 0.6%, year on year to ¥3,385.7 billion. Other revenues rose ¥15.7 billion, or 4.6%, year on year to ¥355.4 billion, partly due to an increase in *Mobile Phone Protection & Delivery Service* subscriptions. As a result, wireless service revenues fell just ¥5.8 billion, or 0.2%, year on year to ¥3,741.1 billion.

Equipment sales revenues rose ¥21.5 billion, or 4.5%, year on year to ¥498.9 billion, due mainly to an increase in the number of handsets sold to agent resellers.

As a result, operating revenues in fiscal 2011 rose ¥15.7 billion, or 0.4%, year on year to ¥4,240.0 billion.

Operating Revenues

Fiscal year (Billions of yen)

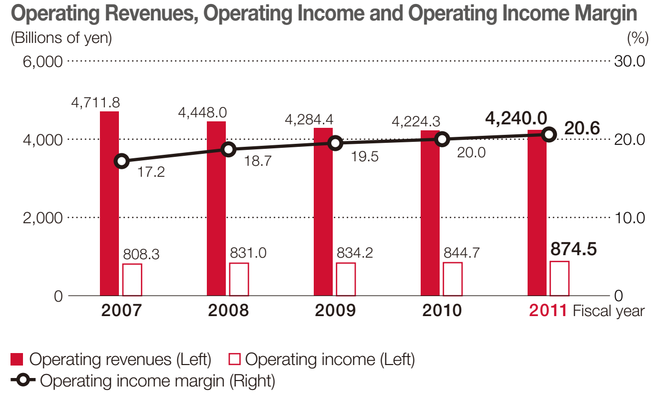
	2010	**2011**	Increase (Decrease)
Wireless services	3,746.9	3,741.1	(0.2)%
Cellular services revenues	3,407.1	3,385.7	(0.6)%
Voice revenues	1,712.2	1,541.9	(9.9)%
Packet communications revenues	1,694.9	1,843.9	8.8 %
Other revenues	339.7	355.4	4.6 %
Equipment sales	477.4	498.9	4.5 %
Total operating revenues	4,224.3	4,240.0	0.4 %

Operating Expenses and Operating Income

Non-personnel expenses increased ¥40.0 billion, or 1.9%, year on year to ¥2,117.6 billion. In contrast, communication network charges were sharply lower, declining ¥50.1 billion, or 19.2%, year on year to ¥211.2 billion. Depreciation and amortization declined ¥8.3 billion, or 1.2%, to ¥684.8 billion due to more effective capital expenditure. As a result, operating expenses fell ¥14.0 billion, or 0.4%, year on year to ¥3,365.5 billion.

Operating income therefore rose ¥29.7 billion, or 3.5%, to ¥874.5 billion. Income before income taxes was ¥877.0 billion and net income attributable to NTT DOCOMO, INC. after income taxes was ¥463.9 billion, down ¥26.6 billion, or 5.4%, from the previous fiscal year.

Operating Revenues, Operating Income and Operating Income Margin



Operating Expenses

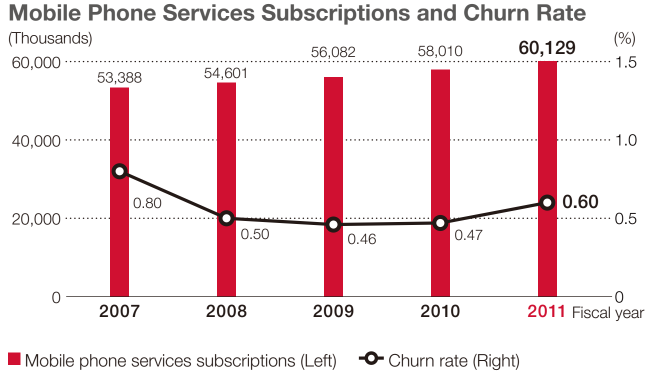
Fiscal year	2010	2011	Increase (Decrease)
			(Billions of yen)
Personnel expenses	264.6	272.9	3.1 %
Non-personnel expenses	2,077.6	2,117.6	1.9 %
Depreciation and amortization	693.1	684.8	(1.2)%
Loss on disposal of property, plant and equipment and intangible assets	44.3	40.3	(9.1)%
Communication network charges	261.3	211.2	(19.2)%
Taxes and public dues	38.7	38.8	0.3 %
Total operating expenses	3,379.5	3,365.5	(0.4)%

Subscriptions

Mobile phone services subscriptions were strong at the end of March 2012. Credit goes primarily to growth in smartphone penetration and stimulation of demand for a second device—mainly *Xi*-compatible data communication devices and tablets. Greater use of the *Otayori Photo Service*, prepaid data-only billing plans for portable gaming consoles, and other services also provided a boost. Subscriptions rose 2.12 million, or 3.7%, year on year to 60.13 million. Of this, 2.22 million subscriptions were for *Xi* service and 57.9 million for *FOMA* service.

In addition, the churn rate in fiscal 2011 was 0.60%, up 0.13 points year on year due to impacts from Mobile Number Portability and compulsory cancellations stemming from the termination of *mova* services on March 31, 2012.

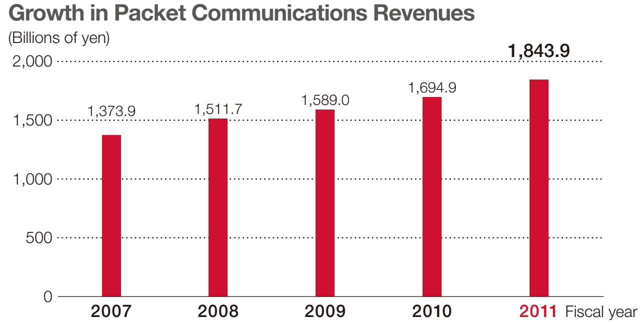
Mobile Phone Services Subscriptions and Churn Rate



Packet Communications Revenues

Packet communications revenues are steadily expanding. The explosive uptake of smartphones is fueling a rise in packet ARPU and net additions, mainly for *Xi* compatible data communications devices and tablets. As a result, packet communications revenues grew ¥148.9 billion year on year, or 8.8%, to ¥1,843.9 billion.

Growth in Packet Communications Revenues



At a Glance

CORE BUSINESS: "EVOLUTION OF MOBILE SERVICES"

Services

page 32

In November 2011, we launched the *dmenu* portal and *dmarket* content market for smartphones. As of the end of March 2012 *dmenu* had around 900 content providers offering roughly 4,600 sites. Further, subscriptions to *dmarket's* VIDEO store surpassed 1 million just five months after its launch.
We also made available for smartphones the popular *i-mode* services like *i-channel*, *i-concier*, as well as the *Area Mail* service offering simultaneous distribution of emergency disaster information. Moreover, we introduced the *docomo Anshin Scan* smartphone antivirus service.

Handsets

page 32

So that each customer can select the best handset for their lifestyle, we are developing our smartphone lineup through the *docomo with series* and the *docomo NEXT series*, starting with 2011–2012 Winter-Spring models.
In addition, we worked to enhance our lineup of *Xi*-compatible devices, adding new smartphones and tablets to our existing data-communications device offerings.

Billing Plans

page 33

We offered billing plans suited to a wide variety of usage patterns to promote *Xi* service uptake.
In November 2011, we rolled out the *Xi Talk 24* voice plan offering domestic calls to DOCOMO subscribers around the clock for a flat rate. We also offered packet flat-rate services for *Xi*-compatible smartphones—*Xi Pake-hodai Flat* and *Xi Pake-hodai Double*.
Further, we enhanced our billing plans to stimulate demand for a second device, such as encouraging customers with a smartphone to buy a tablet.

Networks

page 34

We took various steps to provide customers with a stable telecommunications environment.
We expanded the *Xi* service area to all of Japan's 47 prefectures, with a focus mainly on prefectural capital cities, by the end of January 2012, and achieved general population coverage of 30% and 100% population coverage in all ordinance-designated cities across Japan as of March 2012.
We worked on several fronts to address problems stemming from traffic growth. We promoted migration from *FOMA* services to *Xi* services with higher frequency usage efficiency, while controlling transmission speeds (dynamic control) for especially heavy users of data communications and utilizing "*docomo Wi-Fi*" public wireless LAN services to offload data.
Aside from this, we implemented measures in response to the series of service interruptions that arose in fiscal 2011.

Great East Japan Earthquake Restoration and New Disaster Preparedness Measures

page 36

DOCOMO established a Disaster Countermeasures Office at its Head Office and at the Tohoku Regional Office right after the Great East Japan Earthquake, and quickly took steps to restore damaged communications equipment.
In addition to restoration activities, we proactively worked toward recovery of the affected areas, including by establishing the *docomo Disaster Relief Charity Website*.
Further, we formulated *new disaster preparedness measures* by April 2011, putting to use the lessons learned from our restoration activities.

NEW BUSINESS: “CONVERGENCE OF INDUSTRIES AND SERVICES”

Media/Content Business

page 38

Japan’s first broadcasting station for smartphones, *NOTTV*, came on the air in April 2012. *NOTTV* offers both real-time and storage-type broadcasting services. Going forward, we will work to increase service uptake by developing robust programming and content that will excite viewers, quickly expanding the broadcast area, and bringing *NOTTV*-enabled devices into widespread use.

Finance/Payment Business

page 39

DOCOMO is working to encourage the spread of its credit brand *iD* for use with the *Osaifu-Keitai* service, as well as the *iD* compatible credit service *DCMX*.
At the end of March 2012, *iD* members totaled 16.88 million, and *DCMX* subscriptions grew 630,000 year on year to 12.95 million.

Commerce Business

page 39

In March 2012, DOCOMO entered into a capital alliance with Radishbo-ya Co., Ltd., provider of a home-delivery service for organic and low-pesticide vegetables and additive-free foods. With this tie-up, DOCOMO’s true expansion into commerce business will gain speed.

Medical/Healthcare Business

In December 2011, we introduced our *docomo Healthcare* service offering health management and disease prevention assistance to smartphone and other users.
In the same month, we also entered into a basic agreement with OMRON HEALTHCARE Co., Ltd. concerning a business and capital alliance; this culminated in the establishment of a joint venture in July 2012.

Machine-to-Machine (M2M) Business

In December 2011, we launched prepaid data billing plans wherein use of 3G communications for a specified amount of time during a certain period can be gained by paying a fee in advance.
We first offered the plans for Sony Computer Entertainment Inc.’s PlayStation® Vita (3G/Wi-Fi model), which was launched in the same month.

Aggregation/Platforms Business

page 40

As part of efforts to bolster our platform business foundation overseas, we invested in Vietnam’s biggest mobile content provider—VMG Media Joint Stock Company. In addition, German mobile content distribution platform business operator net mobile AG, a DOCOMO subsidiary, became the largest shareholder of Germany-based net-m privatbank 1891 AG, an entity with its own banking business license, as we look to expand the scope of our finance and payment operations.

Environment/Ecology Business

page 40

Bicycle sharing is garnering attention as a transportation system with a small ecological footprint. Since 2010, DOCOMO has been involved in pilot bicycle sharing programs in various locations as part of the environmental/ecology business. In May 2011, we developed and introduced new services with an eye to gaining further traction.

R&D

page 41

On the research and development front, we developed smartphone services, including a translator phone service and our voice-agent application *Shabette-Concier*, while forging ahead with technological development aimed at future commercial viability, such as green base stations, and mobile spatial statistics.
We also continued to carry out field experiments of LTE-Advanced, a fourth-generation mobile communication technology.

Main Initiatives

CORE BUSINESS: “EVOLUTION OF MOBILE SERVICES”

Services

We are enriching our smartphone services to enhance the customer experience, thereby encouraging further smartphone uptake.

We began offering our *dmenu* and *dmarket* services in November 2011.

Smartphone Portal Site *dmenu*

This portal site offers customers easy access to large amounts of content and services from content providers, including content that has evolved from *i-mode* and information relative to the user’s present location.

New content business has gathered steam as the site enables content providers to manage membership, offer contents by monthly charge via smartphones.

DOCOMO-Operated Content Market for Smartphone *dmarket*

This content market comprises four stores—the pre-existing *VIDEO Store*, *BOOK Store*, and *MUSIC Store*, and the newly added *ANIME Store*—and an *App & Review* area providing information on applications. We aim to grow user numbers and content revenue by providing and introducing useful and fun content that capitalizes on smartphone features. Starting in August 2012, we will realize a multiple device framework. For instance, a book purchased at the BOOK Store via a smartphone during a commute can be picked up from the last page bookmarked later on a tablet device at home.

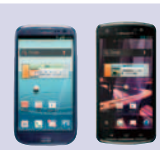
In addition, we strove to increase customer convenience by making available for smartphones popular *i-mode* services like *i-channel*, *i-concier*, and *Keitai Data Oazukari Service*, Data Security Service, and providing free of charge the *docomo Anshin Scan* smartphone antivirus service.

CORE BUSINESS: “EVOLUTION OF MOBILE SERVICES”

Handsets

We revamped our smartphone offerings and rolled out *Xi*-compatible smartphones and tablets as part of initiatives to reinforce our handset lineup to meet diverse customer needs.

New smartphone series

Series					
docomo NEXT series	Concept	Expand your horizons by being on the cutting edge			
	Values provided	Surprising sophistication	Smart work	Mastery-driven satisfaction	
docomo with series	Concept	Familiarity and more fun every day			
	Values provided	Widespread enjoyment	Welcoming familiarity	Reassuring ease of use	

We devoted efforts to enhancing our lineup of handsets and devices, focusing on smartphones.

Revamping of Smartphone Offerings

We set out to rework our smartphone lineup, starting with 2011–2012 Winter-Spring models. We are developing our lineup through the *docomo with series* focused on delivering "widespread enjoyment," "welcoming familiarity," and "reassuring ease of use," as well as the *docomo NEXT series* focused on delivering "surprising sophistication," "smart work," and "mastery-driven satisfaction." In doing this, we look to offer a handset that is suited to each customer's lifestyle.

More smartphones equipped with popular *i-mode* features

We aggressively introduced smartphones equipped with popular *i-mode* features such as *Osaifu-Keitai* (e-wallet), *One-Seg* terrestrial digital television, water resistance, and infrared communication.

More *Xi*-compatible smartphones

In fiscal 2011, we shored up our lineup by releasing four *Xi*-compatible smartphones, three tablets, and four data communications devices. In fiscal 2012, we aim to bring the share of *Xi*-compatible smartphone sales to around 60%.

Launch of *Disney Mobile on docomo*

In February 2012, as the first round of collaboration with The Walt Disney Company (Japan) Ltd., we rolled out *Disney Mobile on docomo smartphones,* spotlighting the Disney brand.

CORE BUSINESS: "EVOLUTION OF MOBILE SERVICES"

Billing Plans

We expanded our billing plans, focusing on *Xi* services to promote more widespread use of *Xi*-compatible devices. In doing this, we look to offer customers greater choice of billing plans and tap into demand for a second device.

Voice flat-rate service for *Xi*

In November 2011, we began offering our *Xi Talk 24* voice flat-rate service. The service offers domestic calls to DOCOMO subscribers anytime 24 hours a day for a fixed rate. At ¥1,480 per month, it has been well received by customers for its simple, easy-to-understand rate structure.

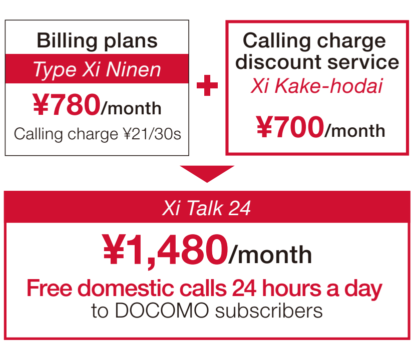
Packet flat-rate services for *Xi*

In November 2011, we introduced new packet flat-rate services for *Xi*-compatible smartphones—*Xi Pake-hodai Flat* and *Xi Pake-hodai Double*. If data transmission volume exceeds 7GB, customers can choose either or avoid additional charges by changing to a maximum transmission speed of 128 kbps or continue to use high-speed transmission by paying additional fees.

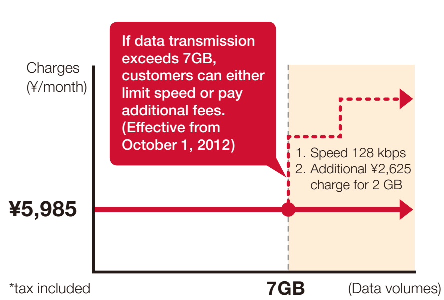
Second Device Discount Campaigns

To make it easier for customers to use a second device such as a *Xi*-compatible tablet, or a dedicated data device, we launched the *Xi*^{2} *Discount* in March 2012 *Plus Xi-wari Discount* in May 2012. For a limited time, these campaigns offer discount rates on monthly service for a second device.

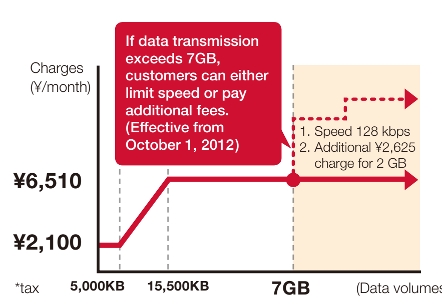
***Xi Talk 24* billing plans**



Xi Pake-hodai Flat



Xi Pake-hodai Double



CORE BUSINESS: "EVOLUTION OF MOBILE SERVICES"

Networks

We are building high-quality networks to deliver safety and security in response to increasing traffic driven by the spread of smartphones.

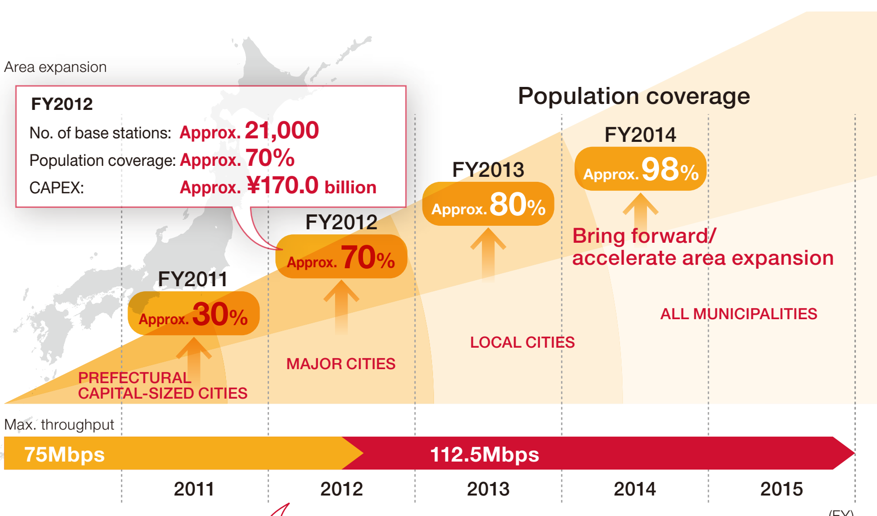
Acceleration of *Xi* service area expansion

We are striving to expand the *Xi* service area with the goal of increasing *Xi* service uptake.

We initially offered *Xi* service in the Tokyo, Nagoya, and Osaka areas, but are gradually accelerating service area expansion beginning with regions with large communications volume. In July 2011, we began offering service in six additional major cities. By January 2012, the service area had been extended to all of Japan's 47 prefectures, centered on cities hosting prefectural offices. By March 2012, we had achieved general population coverage for *Xi* service of 30%, with 100% population coverage for all ordinance-designated cities across Japan. By March 31, 2012, we had installed 7,000 *Xi* service base stations nationwide.

We are enlarging the service area more quickly than we initially planned. We aim to increase population coverage to 70% in major cities by the end of March 2013 and to achieve roughly 98% population coverage by the end of March 2015.

Xi Area Expansion Plans



Mar. 30, 2012 Achieved 100% population coverage* in all ordinance-designated cities in Japan

*Population coverage in ordinance-designated cities is calculated based on the availability of services at the location of the city office of ordinance-designated cities (or ward office in the case of 23 special wards of Tokyo).

Implementation of transmission speed controls (dynamic control)

The characteristics of mobile phones are such that it is sometimes difficult to maintain high-quality service when there is localized congestion of data communications.

We therefore utilize transmission speed controls (dynamic control) for especially heavy users of data communications when and where there is communications gridlock.

This enables us to ensure the fair use of networks and provide more customers with a stable and comfortable communications environment.

Enhancement of *docomo Wi-Fi* public wireless LAN services

Amid growing data communications traffic, we are also concentrating on data offloading. This involves diverting a portion of mobile phone traffic from cellular to other networks.

One effective means is to offload data to our "*docomo Wi-Fi*" public wireless LAN services at places like stations, airports, coffee shops, and fast food outlets.

DOCOMO has been running a campaign since October 2011 waving monthly fees for its public wireless LAN services in a move to increase their use. In addition, we began offering the service at stores of the Seven & i Holdings Co., Ltd. Group in December 2011. This is one of the steps we have been taking to rapidly increase access points, targeting growth to between 60,000 and 70,000 hot spots during the first half of fiscal 2012 and to more than 100,000 hot spots during the second half of the year.

Response to Series of Service Interruptions

Recognizing the gravity of a series of service interruptions that arose in fiscal 2011 and administrative guidance from the Ministry of Internal Affairs and Communications (MIC), we established the Task Force for Improvement of Network Infrastructure in December 2011. Headed by the president and CEO, the task force swiftly led a companywide investigation into the causes of the interruptions and implementation of steps to prevent their recurrence, so as to regain customer confidence. In addition, we reported on the steps we took to MIC at the end of March 2012.

We will continue working to upgrade our network infrastructure so that it can accommodate 50 million smartphones, setting our sights on even higher communications equipment reliability.

Response to Service Interruptions and Measures to Prevent Recurrence

DOCOMO's planning and design, maintenance, and development departments joined forces to determine the causes of and countermeasures for service interruptions. We have finished taking steps to address the reported problems. Additionally, we upgraded our network infrastructure and improved processing capacity and processing systems to prevent recurrence, and revised construction procedures and implemented other measures toward accident-free construction.

Full Inspection of Network Infrastructure and Operations

Along with implementing measures, we conducted a sweeping review of network infrastructure and operations throughout the entire organization, covering 145 categories and 256,966 items. We verified our network's operating stability through this full inspection. We are also working to bolster our network infrastructure to support future smartphone traffic, including by addressing the increasing number of control signals.

Keeping Customers Abreast of Network Status

To provide information as quickly as possible, we shored up our internal frameworks and customer service procedures as well as reinforced initial communication of such information within the company.

Furthermore, to relay information on operational status to customers more intuitively, faster and more accurately, we have increased the speed with which information is posted to our website. We also provide related information to media outlets and other sources, and have improved the notices on our website about construction by adding maps showing the areas where work is scheduled.

Response to Series of Service Interruptions

Category		Details	Completion Date (tentative)
Measures for processing capabilities	Packet switching equipment	Add packet switching equipment based on results of comprehensive inspection of processing capabilities	2012 Apr.
		Further improve processing capabilities for new packet switching equipment models	2012 Aug.
	Sp-mode systems	Introduce newly developed mail information servers	2012 Feb.
		Make software improvements and add network devices in response to smartphone growth	2012 Dec.
	Traffic overload	Change processing approach during connection route malfunction	2012 Apr.
		Change processing approach when service control system switches over to backup	2012 Aug.
	Increase in control signals	Change wireless connection protocol to enable communication from multiple applications at once	2012 Dec.
Measures for processing formats		Change in *sp-mode* and *mopera* connection protocols (Change to connection protocol where IP address mismatches do not occur)	2012 Mar.
		Introduce function to prevent problems with identification information during processing	2012 Jan.
Measures concerning software quality		Prepare development documents and bolster testing	2012 Mar.
Measures for construction quality		Assess construction impact on customers, share construction information in-house, confirm in advance recovery procedures for unforeseen contingencies during construction work	2012 Feb.
		Depending on construction work specifics, set rules for implementation time slots, etc., to minimize impact on customers	2012 Feb.

Great East Japan Earthquake Restoration and New Disaster Preparedness Measures

DOCOMO worked to restore communications equipment damaged by the Great East Japan Earthquake as quickly as possible. In addition, we drew up new disaster preparedness measures in April 2011 based on what we learned from the earthquake, and had finished putting most of them into effect as of the end of February 2012. Moreover, we reviewed our disaster response manual, including our business continuity plan (BCP), and thoroughly verified operational procedures for new disaster preparedness equipment and measures for responding to a major disaster.

Restoration Measures

We established a Disaster Countermeasures Office at the Head Office and at the Tohoku Regional Office right after the March 2011 earthquake, and we worked with the help of other NTT Group companies and communications construction firms to get damaged communications equipment back in service as soon as possible.

Specifically, we deployed around 30 vehicles with portable base stations, 30 power supply vehicles, and 400 portable power generators immediately following the earthquake as a stopgap measure. Additionally, we provided Restoration Area Maps to inform those affected by the earthquake of the status of communications restoration work, the re-opening of DOCOMO shops, and other vital information.

Further, we mobilized some 4,000 people to temporarily repair transmission lines and recover power supplies in order of precedence. We completed emergency fixes by the end of April 2011 and real restoration by the end of September 2011.


A Disaster Countermeasures Office meeting

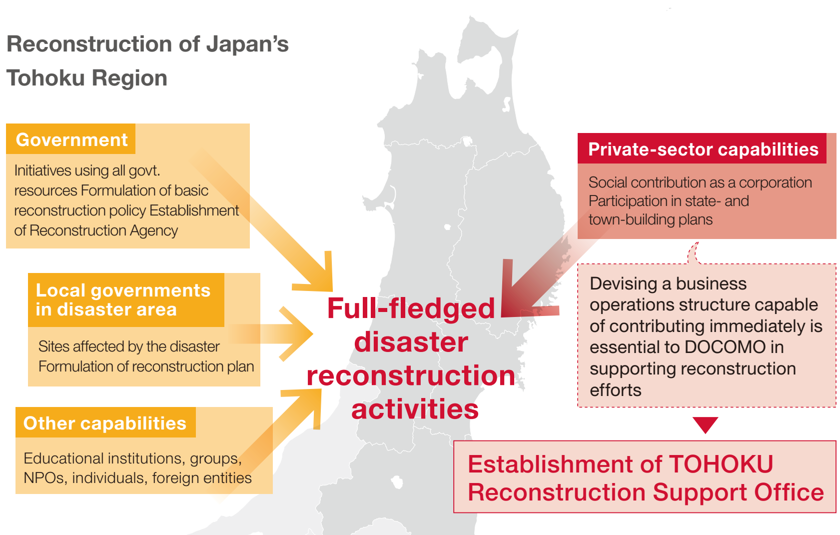

Using high-performance antennas DOCOMO extended its service area to cover the exclusion zone around the Fukushima Daiichi Nuclear Power Plant

Reconstruction Support Initiatives

We launched the *docomo Disaster Relief Charity Website* to provide assistance to affected areas, collecting roughly ¥1 billion in donations from customers. Additionally, the NTT Group donated a total of ¥1 billion, including a ¥500 million donation from DOCOMO.

Moreover, we established the TOHOKU Reconstruction Support Office as an operational structure to facilitate swift contribution to reconstruction activities in affected areas and participation in urban

Power supply vehicles



development as a company. With this in place, we set up an information distribution system for the affected areas and implemented various measures utilizing tablets.

Other ways in which we are contributing to reconstruction include employee volunteer activities in the affected areas and established a call center on July 2012 to promote job creation in the affected areas.

New Disaster Preparation Measures

Securing communication for key areas

There were numerous communication disruptions due to direct as well as indirect damage from the Great East Japan Earthquake. Learning from this experience, we installed large-zone base stations at 104 locations throughout Japan. One of these base stations can be used to cover several areas should multiple ordinary base stations sustain damage from a disaster.

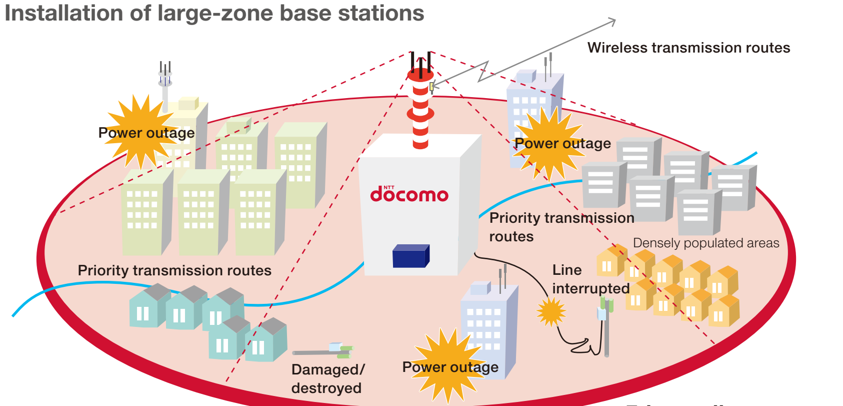
In addition to conventional steps to address power outages, we provided 721 base stations nationwide with uninterruptible power through the installation of in-house power generators. Further, we enabled service continuation for at least 24 hours after any power outage at 1,070 base stations across Japan by equipping them with large-capacity batteries.

Swift response to disaster-stricken areas

We are making ongoing efforts to deploy additional satellite mobile phones to facilitate rapid establishment of communication services at shelters and public institutions when there is a disaster.

In addition, we worked toward rapid recovery in areas with service disruptions by doubling the number of vehicle-mounted mobile base stations with satellite connectivity to 19 nationwide, and deploying an additional 24 portable base stations. This enables us to provide network services using satellite entrance circuits in the event that our terrestrial communications equipment is damaged.

Installation of large-zone base stations



*Typical base station covers a radius of 100 m to several km

Offer our customers greater convenience in times of disaster

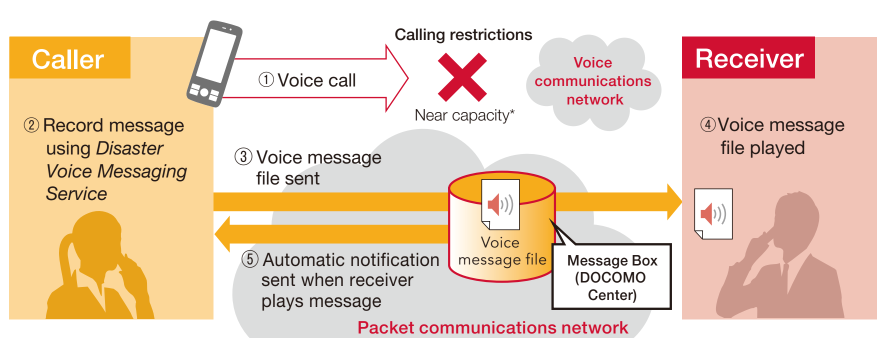
We made available for smartphones our *Area Mail* service, which offers simultaneous distribution of emergency alerts such as disaster and evacuation information and tsunami warnings. We also took steps to enhance the functions of the Restoration Area Maps posted on our website, including issuing shortening release times and increasing legibility. Moreover, we began offering our *Disaster Voice Messaging* service in March 2012. The service enables users to send spoken messages using packet communications to convey information about their well-being to family and friends in the event of a major disaster.

We are also decentralizing important facilities as an additional precaution, and will continue with our disaster preparedness initiatives going forward.

Impact on performance

In fiscal 2011, we posted expenses of ¥22.0 billion, including outlays to restore communications equipment and support customers in quake-affected areas, and made capital expenditures of roughly ¥24.0 billion for new disaster preparedness measures and full-fledged restoration.

Disaster Voice Messaging Service



*Condition in which voice communications become difficult due to line congestion following a disaster.

NEW BUSINESS: "CONVERGENCE OF INDUSTRIES AND SERVICES"

Media/Content Business

Launch of *NOTTV*, Japan's first broadcasting station for smartphones. *NOTTV* offers broadcasting services linking mobile, TV and social media together as never before.

Overview of *NOTTV*

NOTTV is Japan's first broadcasting station for smartphones. It was launched in April 2012 by DOCOMO's subsidiary mmbi, Inc. Viewers can enjoy high-quality audio, high-definition real-time and storage-type broadcasting services. *NOTTV* offers new services like that never experienced before, bringing TV, mobile and social media together.

Features of *NOTTV*

NOTTV offers real-time viewing as with traditional TV broadcasts and time-shifted viewing enabling stored programs and content in a wealth of genres to be enjoyed anytime. *NOTTV*'s entertainment palette also includes a variety of digital content, from newspapers to magazines. Further, *NOTTV* can respond flexibly to situations such as when sports matches go into overtime, since original programming accounts for around 60% of live broadcasting. Also on offer are 24-hour news channels and broadcasts of pertinent information during disasters. Moreover, *NOTTV* delivers a whole new range of broadcasting services to enjoy, with interactive programming linking broadcasts and communications, and programing combining real-time viewing and social media. In this way, we will bring more fun and convenience to everyday life for *NOTTV* viewers.

Initiatives to Promote Service Uptake

Our initiatives to increase *NOTTV* uptake include creating attractive programs and content, expanding the broadcasting area and lineup of *NOTTV*-enabled devices, and setting affordable rates.

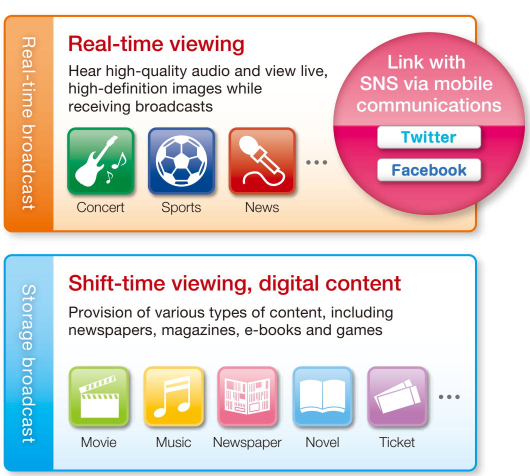
We are gradually expanding the broadcasting area with a view to nationwide coverage.

We plan to add another five compatible devices in the first half of fiscal 2012 to the two devices we launched in fiscal 2011.

For ¥420 (tax included) a month, users can access programming and content across a wide range of genres. In the future, we plan to also offer premium programming and content for additional fees.

In addition, we are running a trial campaign through early September 2012 for customers who want to see what *NOTTV* is like before signing up.

Through such efforts, we aim to grow subscriptions to 1 million by the end of fiscal 2012.



Program name: Music Bank
Channel name: KBS World

NEW BUSINESS: "CONVERGENCE OF INDUSTRIES AND SERVICES"

Finance/Payment Business

Credit brand *iD* membership is up to 16.88 million, with *DCMX* credit service subscriptions up to 12.95 million. DOCOMO will strive to promote uptake, with an eye to further boosting convenience.

DOCOMO worked to encourage the spread of its credit brand *iD* for use with the *Osaifu-Keitai* service, as well as the *iD*-compatible credit service *DCMX*.

We strove to enlist new credit brand *iD* member stores, bringing the service to the nationwide Skylark Group of family restaurants with around 2,600 outlets as of February 2012. As a result, we had installed 550,000 *iD* reader terminals and had 16.88 million *iD* members at the end of fiscal 2011.

We worked to win members and promote use of our credit service *DCMX*, in part by revising our *DCMX GOLD* service to enhance the service menu, and by offering a multitude of campaigns. These included special bonus incentives for new memberships and upgrades. As a result, *DCMX* subscriptions totaled 12.95 million at the end of fiscal 2011.

NEW BUSINESS: "CONVERGENCE OF INDUSTRIES AND SERVICES"

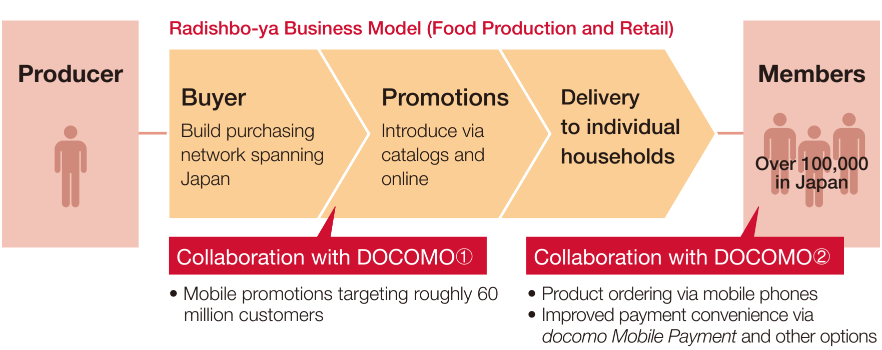
Commerce Business

DOCOMO will launch its full-scale expansion into the commerce business, which offers synergies with its mobile efforts. By bringing the world of mobile to food, a field at the root of everyday life, DOCOMO will deliver high-value-added services that increase customer satisfaction for companies in both sectors.

In January 2012, DOCOMO, Lawson, Inc., and Radishbo-ya Co., Ltd. agreed to move toward business and capital alliances. Soon thereafter, Radishbo-ya became a subsidiary of DOCOMO in March 2012.

Radishbo-ya operates a membership-based home-delivery service for organic and low-pesticide vegetables. It provides customers with safe, high-quality produce and products that inspire confidence. This tie-up with the strong and trusted names of LAWSON and Radishbo-ya will accelerate DOCOMO's full-scale expansion into commerce business in the field of food, where synergies with mobile communications can be generated. We will collaborate on marketing leveraging DOCOMO's customer base and product purchasing platforms such as smartphones. We will also take steps to address social issues like food safety and confidence, providing solutions for the aging society, and environmental protection and agricultural problems.

Business Model and Collaboration with DOCOMO



NEW BUSINESS: "CONVERGENCE OF INDUSTRIES AND SERVICES"

Aggregation/Platforms Business

On a global scale, DOCOMO is accelerating businesses targeting the development of aggregation and platforms for a range of content. As one element of this, DOCOMO invested in VMG, Vietnam's largest mobile content provider, followed by entry into finance and payment services in Europe through the net mobile AG.

As part of initiatives to reinforce our platform business base overseas, we acquired a roughly 25% stake in Vietnam's largest mobile content provider—VMG Media Joint Stock Company. Our goal is to leverage the content distribution and other know-how that we have amassed to date in Japan and overseas to bolster VMG's operating foundation, and to promote our value-added services such as platform and content distribution abroad. In addition, DOCOMO's subsidiary net mobile AG —a German mobile content distribution platform business operator—became the largest shareholder of net-m privatbank 1891 AG*1—which holds banking and credit card business licenses and will incorporate the company's service platform and main systems. This will expand the scope of our finance and payment services. Beyond enabling us to newly add debit and credit card payment options for mobile phone content and application offerings, we can now move forward with developing a variety of other payment options as well.

*1 Name changed from Bankverein Werther AG in July 2012.

NEW BUSINESS: "CONVERGENCE OF INDUSTRIES AND SERVICES"

Environment/Ecology Business

We have engaged in pilot programs for eco-friendly bicycle sharing in a move toward mainstreaming and commercializing the concept in Japan. In May 2011, we developed and introduced new services designed to further increase use.

Cycle sharing is gaining attention as a transportation system with low environmental impact, where users can pick up and return bicycles for rent anywhere within a fixed area. As part of its environment/ecology business, DOCOMO has conducted pilot programs in the cities of Sapporo, Fujisawa and Yokohama since 2010. In May 2011, we developed and introduced new services designed to further increase use.

Development of a General-purpose Cycle Sharing System

This system developed jointly with PEDAL LTD., enables up to 30 cycle ports to be arranged freely for each terminal installed. Anticipated use of the system ranges from large-scale usage by local government to use within condominium complexes and other defined areas. Further, it can be used with an IC card (FeliCa card), saving the trouble of issuing a membership card.

Launch of Bicycling Application *cosoado Cycles plus*

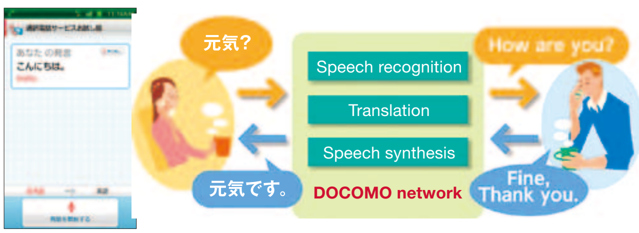
This bicycling support application for smartphones with the Android operating system was developed jointly with WingStyle Co., Ltd. It offers a multitude of functions, including the display of cycling distance and routes, recommended spots of interest along a more scenic route to the intended destination called "michikusa-navi," as well as calories burned.

General-purpose cycle sharing system

R&D

DOCOMO is pursuing R&D into technologies that will help realize its Medium-Term Vision 2015. In development of LTE-Advanced, the 4th generation mobile communications format, DOCOMO is conducting transmission tests under actual wireless environment conditions.

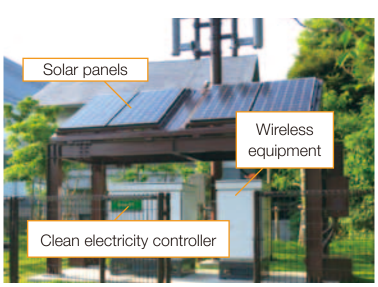
Translator Phone Service



Smartphone-Related Development

On the smartphone front, we forged forward with development of *Shabette-Concier*, a voice-agent application that makes it easy to use diverse services and functions by simply speaking into a smartphone; *Translator Phone Service*, which provides real-time interpretation of voice communications without relying on mobile phone handset processing power by using DOCOMO's network for things like speech recognition, translation, and speech synthesis; and *Memory Collection*, a service that gives users access to automatic sorting and categorization of photographs and videos taken with smartphones and digital cameras just by uploading their data to the Internet.

Green Base Station Test System
(at DOCOMO R&D Center)



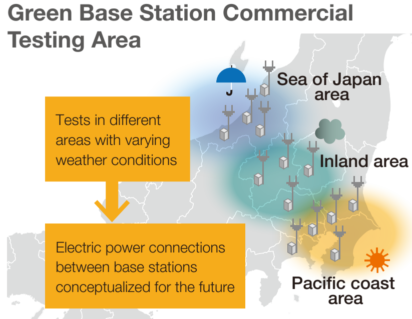
Technological Development Targeting Commercialization

We are also pressing ahead with the development of an assortment of technologies that we look to commercialize in the near future.

As for development of a disaster-resilient, green base station, we built a unit for testing equipped with solar panels, a lithium-ion battery, and a green power controller, and began outdoor tests at the DOCOMO R&D Center with the aim of starting commercial trials in fiscal 2012.

Aside from this, we conducted research on mobile spatial statistics—population statistics compiled via statistical processing of positional, attribute, and other data necessary for mobile phone service. Further, we worked to develop an ultra-quick battery charger offering a full charge in approximately 1/10 to 1/15 the time of a conventional product, and interchangeable sensor jackets.

Green Base Station Commercial Testing Area



LTE-Advanced Testing

LTE-Advanced is a fourth-generation (4G) wireless communications protocol. It is a more sophisticated version of the Long Term Evolution (LTE) platform that DOCOMO brought into service under the brand Xi. DOCOMO developed a testing system for LTE-Advanced in 2010, achieving a download speed of roughly 1 Gbps and an upload speed of roughly 200 Mbps in an indoor signal transmission test in a simulated environment with a wired connection.

In fiscal 2011, we verified the performance of LTE-Advanced's key technologies in the field. Specifically, we used our testing system to conduct wireless transmission tests under actual usage conditions at the DOCOMO R&D Center, and in Kanagawa Prefecture's Yokosuka and Sagamihara cities. By May 2011, we had achieved a download speed of 600 Mbps and upload speeds of at least 200 Mbps in an outdoor moving signal transmission test under real conditions using one mobile station. In addition, in November 2011, we reached total transmission speed of at least 1 Gbps on the downlink in an indoor signal transmission test under real conditions with simultaneous transmission with two mobile stations.

DOCOMO will continue to conduct research and development on LTE-Advanced in pursuit of faster, higher-capacity networks as well as promote global standardization.

Car mobile station measurement

Management System and CSR

Corporate Governance

Basic Approach

Guided by its corporate philosophy of "creating a new world of communications culture," DOCOMO's management policy is to maximize corporate value so as to earn a high degree of trust and recognition from shareholders and customers. To this end, the Company will help to achieve a vibrant and enriched society by promoting mobile multimedia through the provision of services useful to customers' lives and businesses. At the same time, the Company will strive to enhance and bolster its core businesses with an emphasis on promoting wider adoption of *FOMA* and *Xi* services.

The Company believes that maintaining effective corporate governance is crucial to continuously increasing corporate value. Aiming to achieve the goal of ensuring promptness, transparency and soundness in its business management, the Company has been working to establish a governance structure that allows it to both make management decisions without delay and reinforce its audit and internal controls, as well as to improve its communications with stakeholders.

Overview of Corporate Governance Structure

DOCOMO recognizes that mobile phones, its core business, have come to play a vital role as social infrastructure in line with market expansion for these products. Accordingly, the Company has adopted a corporate governance structure consisting of a Board of Directors, corporate auditors and a Board of Corporate Auditors. This structure reflects a desire for directors to have a key role in important business execution matters, from the standpoint of realizing consistent and stable business operations through the effective utilization of management resources. From the position of ensuring sound and effective management, this configuration also reflects the desire for a structure in which directors, serving concurrently as corporate officers responsible for business execution, mutually supervise their respective actions, while corporate auditors perform audits of overall management. Similarly, the Company appoints outside directors and corporate auditors, with a view to further enhancing monitoring and audit functions.

In addition, the Company has introduced the corporate officer system to clearly delineate the roles of business execution and monitoring, and to better reinforce business execution functions. This system enables speedier responsiveness to changes in the operating environment.

Through initiatives of this kind, DOCOMO strives constantly to boost management speed in order to realize consistent and stable business operations, as well as develop a corporate governance structure capable of bolstering both auditing and governance functions.

Also, the Company has transferred a portion of decision-making authority from the Board of Directors to the representative directors and corporate officers to enable agile business execution by the responsible corporate officers. Furthermore, more than half of the members of the Board of Directors are assigned the responsibility of serving concurrently as corporate officers. This effectively enhances the mutual supervision of the members of the Board of Directors, while simultaneously strengthening the management supervision function.

Business Execution and Management Supervision System

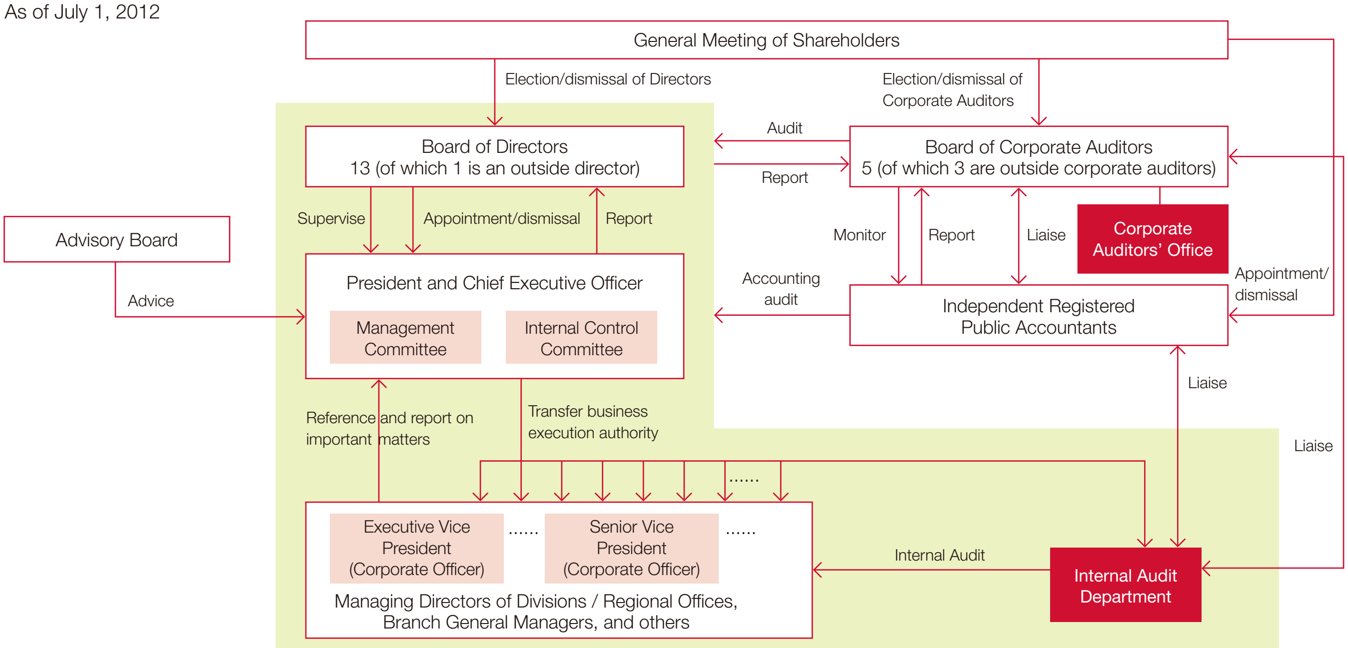
The Board of Directors consists of 13 members, including one outside director. In principle, the Board of Directors meets once a month, and extraordinary meetings are convened if necessary. In this way, decisions are made on important business matters, status reports are received as needed from Board of Directors members assigned the responsibility for business execution, and management supervision is implemented. For decision making on important matters related to business execution, the Company has established the Management Committee, which includes the president and chief executive officer, senior executive vice presidents, executive vice presidents and full-time corporate auditors. The Management Committee meets in principle once a week, and extraordinary meetings are convened if necessary, to enable flexible, rapid decision making by the president and chief executive officer.

Audit Structure

The Board of Corporate Auditors consists of five members, including three outside corporate auditors. The Board of Corporate Auditors in principle meets once a month to make decisions on audit policies, plans, methods, and other important issues relating to the audit of the Company. Each corporate auditor, in accordance with audit policies and audit plans determined by the Board of Corporate Auditors, attends important meetings, such as meetings of the Board of Directors, and receives reports from directors, examines important documents, and conducts on-site examinations of the head office, major work sites, and major subsidiaries. In this way, corporate auditors appropriately conduct audits of the status of execution of duties by the directors and report to the Board of Corporate Auditors on the status of audit implementation. The Company's corporate auditors promote

DOCOMO's Business Execution and Management Supervision Mechanism

As of July 1, 2012



mutual understanding and information-sharing with the corporate auditors of subsidiaries. Corporate auditors ensure the effectiveness of audits by collaborating and exchanging information on audit plans and results with the Internal Audit Department, an independent unit established to perform internal audits of the Company and its registered public accountants on a regular basis.

Management Incorporating Objective Expert Opinion

The Company has established an advisory board composed of experts in various fields, including an advisory board in the United States to receive advice from a global viewpoint. In this way, the objective opinions and proposals of advisory board members regarding management issues facing the Company are reflected in management. To ensure it receives a diverse range of advice, the Company invites advisory board members from various walks of life to sit on the advisory board, including prominent business leaders, university professors, commentators, and journalists.

Compensation of Directors and Corporate Auditors

Matters regarding the compensation of directors are determined by the Board of Directors. The compensation of directors (excluding outside directors) comprises monthly compensation as well as bonuses. Monthly compensation is paid in accordance with such factors as the importance and scope of responsibilities for each management level. Bonuses are paid in consideration of such factors as the Company's results. To reflect results over the medium- to-long term, a portion of monthly compensation is contributed to a director stock purchase plan through the Director's Shareholders Association. The shares of the Company that are purchased through the plan are held throughout the term of office.

In consultation with corporate auditors, it has been decided to pay only monthly compensation to corporate auditors in order to ensure a high degree of independence. The aggregate compensation paid to the directors and corporate auditors during fiscal 2011 was as follows.

Aggregate Compensation Paid to Directors and Corporate Auditors

Position	Number	Total compensation
Directors	15*1	504 million yen
Corporate auditors	8*2	129 million yen
Total	23	633 million yen

The above total includes the following compensation to outside directors

	Number	Total compensation
Total amount of compensation for the outside directors	5*3	69 million yen

*1 The above includes three directors who retired at the conclusion of the 20th Ordinary General Meeting of Shareholders held on June 17, 2011.
*2 The above includes three corporate auditors who retired at the conclusion of the 20th Ordinary General Meeting of Shareholders held on June 17, 2011.
*3 The above includes two corporate auditors who retired at the conclusion of the 20th Ordinary General Meeting of Shareholders held on June 17, 2011.

Relationship with Parent Company

The corporate group led by our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), operates the following main businesses: the regional communications business, the long distance and international communications business, the mobile communications business and the data communications business. As of March 31, 2012, NTT owned 66.65% of the voting rights of the Company and was in a position to influence the Company's management decision-making through the exercise of majority shareholder rights. However, the Company has its own management responsibility and conducts operational management in accordance with its own decision-making.

IR Activities and Programs for Investors

The Company's efforts to achieve transparency in management include timely and fair disclosure of management information, enabled by developing disclosure controls and procedures. In particular, the Company is also implementing IR activities with an emphasis on fair disclosure, such as streaming video of results presentations. Furthermore, the Company is working to create opportunities for direct communication between its top management and investors, such as through presentations for institutional investors in Japan and overseas and IR seminars targeted at individual investors. Meanwhile, the Company simultaneously disseminates IR information over the Internet.

The opinions the Company receives are duly considered in the management of the Company and are also shared internally to improve its services and operating results.

Status of IR-related Activities

	Supplementary explanation	Briefing by representative in person
Regular presentations held for individual investors	We hold presentations for individual investors, in which the president explains recent results, future initiatives, and the return of profits to shareholders, among other topics. In fiscal 2011, we held presentations in Tokyo in August 2011 and in Osaka in February 2012. More than 250 people attended each event.	**Yes**
Regular presentations held for securities analysts and institutional investors	Quarterly results are explained by either the president or the senior executive vice presidents, as well as by the corporate officers in charge of corporate finance, corporate planning, sales and other areas. We also hold presentations when announcing new products and services to provide detailed product or service explanations, and to explain sales forecasts, among other matters. Moreover, we brief investors on the status of our businesses at conferences sponsored by securities companies. We held eight presentations during fiscal 2011.	**Yes**
Regular presentations held for overseas investors	We provide a live streaming broadcast of the aforementioned presentations for securities analysts and institutional investors that take place in Japan with simultaneous interpretation in English on our website. We also hold individual meetings as necessary, mainly in Western countries and Asia, to explain recent results, future initiatives, and the return of profits to shareholders, among other matters.	**Yes**
IR materials posted on the Company's website	We post a variety of information on our website, including monthly and quarterly operational and financial data, video and presentation documents for results presentations, and a special website for individual investors. We also post earnings information, securities reports, and briefing documents. DOCOMO's IR website: http://www.nttdocomo.co.jp/english/corporate/ir/	
IR-related departments assignment (of person in charge)	The departments involved with IR are the Investor Relations Department and the General Affairs Department. The corporate officer responsible for IR is a senior executive vice president. The liaison officers are the Head of Investor Relations and the Senior Manager in the General Affairs Department.	

Initiatives to Invigorate the General Meeting of Shareholders and Promote Efficient Voting

	Supplementary explanation
Early mailing of convocation notices for the general meeting of shareholders	In 2012, we mailed convocation notices seven days before the statutory cut-off date (22 days before the general meeting date).
Scheduled the general meeting of shareholders so as to avoid days on which shareholder meetings are concentrated	In 2012, we held the Ordinary General Meeting of Shareholders on June 19 (Tuesday).
Electronic voting	Enabled voting from Internet-enabled mobile phones, smartphones and PCs
Initiatives to facilitate a better voting environment for institutional investors, including participation in the electronic voting platform	Enabled voting via the electronic proxy voting platform for institutional investors operated by Investor Communications Japan (ICJ)
Providing summary English translation of the Notices of Convocation for the General Meeting of Shareholders	We made convocation notices available both in Japanese and English on our website.
Others	• We provided video streaming of the General Meeting of Shareholders over the Internet (live recording). • We set up a “communications lounge” at a separate venue on the same day as the General Meeting of Shareholders to showcase our initiatives and services, etc.

Message from Outside Corporate Auditor

Corporate Auditor
Eiko Tsujiyama

Professor of Accounting Faculty of Business and Commerce, Waseda University
Corporate Auditor of Mitsubishi Corporation
Director of ORIX Corporation
Corporate Auditor of Lawson, Inc.
Corporate Auditor of Shiseido Co., Ltd.

One year has passed since I was appointed as an outside corporate auditor at DOCOMO in June 2011. During this time, I have served in this role to promote governance at DOCOMO on behalf of shareholders who have little direct access to internal company activities. Specifically, I attended Board of Corporate Auditors and Board of Directors meetings, actively providing feedback leveraging my finance and accounting expertise to ensure the transparency, fairness, and efficiency of internal decision-making processes. In addition, I monitored the status of compliance and governance structures through dialogue with corporate auditors and the Internal Audit Department.

I also strove to get a firsthand feel of the organizational climate by taking part in various internal company events whenever possible. By attending events like the nationwide “*docomo Shop* Staff Customer Reception Contest,” I learned of the ingenious on-the-ground measures that staff at docomo Shops throughout Japan have been taking in a move to keep the top spot in customer satisfaction for the third straight year. Properly functioning corporate governance hinges on robust internal controls, clearly defined management responsibilities, and strong external monitoring functions. However, I think genuine corporate governance also calls for management to articulate the corporate vision, share this vision with all employees including at subsidiaries, and foster a corporate culture that supports employees in achieving this vision. From that perspective, I think being able to see with my own eyes the enthusiasm displayed by young employees at these events was extremely meaningful.

Last year, DOCOMO released its medium-term vision for 2015. Under this vision, DOCOMO aims to become an Integrated Service Company with mobile services at its core, working with business partners on innovations that fuse mobile communications with all manner of industries and services to create new value and markets.

I think DOCOMO will become more involved than ever in new lines of business, with other companies, and overseas to achieve these goals. Along the way, DOCOMO is bound to face the great challenge of determining how to maintain compliance and governance frameworks at firms it has invested in and at business partners with different corporate cultures, and, in some cases, national character. Information security management is also a major issue for DOCOMO. With these things in mind, I will continue to make various proposals from the perspective of an outside corporate auditor, watching over DOCOMO as it makes ongoing contributions to society as the bearer of new communication culture.

Internal Control

Basic Policy for Internal Control

In accordance with the Basic Policy on Fortifying Internal Control Systems, as approved by the Board of Directors, we maintain a system for the purpose of securing rigorous compliance with laws and regulations, business effectiveness and efficiency, and financial reporting reliability. These initiatives are centered on the Internal Control Committee. Furthermore, the Company's Internal Audit Department implements audits with the objective of contributing to the minimization of risks and increased corporate value for the entire DOCOMO Group (head office, branches, and Group companies worldwide). The department's work includes evaluating the effectiveness of the internal control system.

Risk Management

We strive to strengthen risk management with the basic policy of identifying and responding to business risk as early as possible. Specifically, in accordance with our Risk Management Principles, business risks are regularly identified, and the Internal Control Committee designates risks that require company-wide management. Management policies for those identified risks are formulated, and appropriate efforts are made to prevent such risks from materializing and to prepare for a quick response should they occur.

Ethics and Legal Compliance

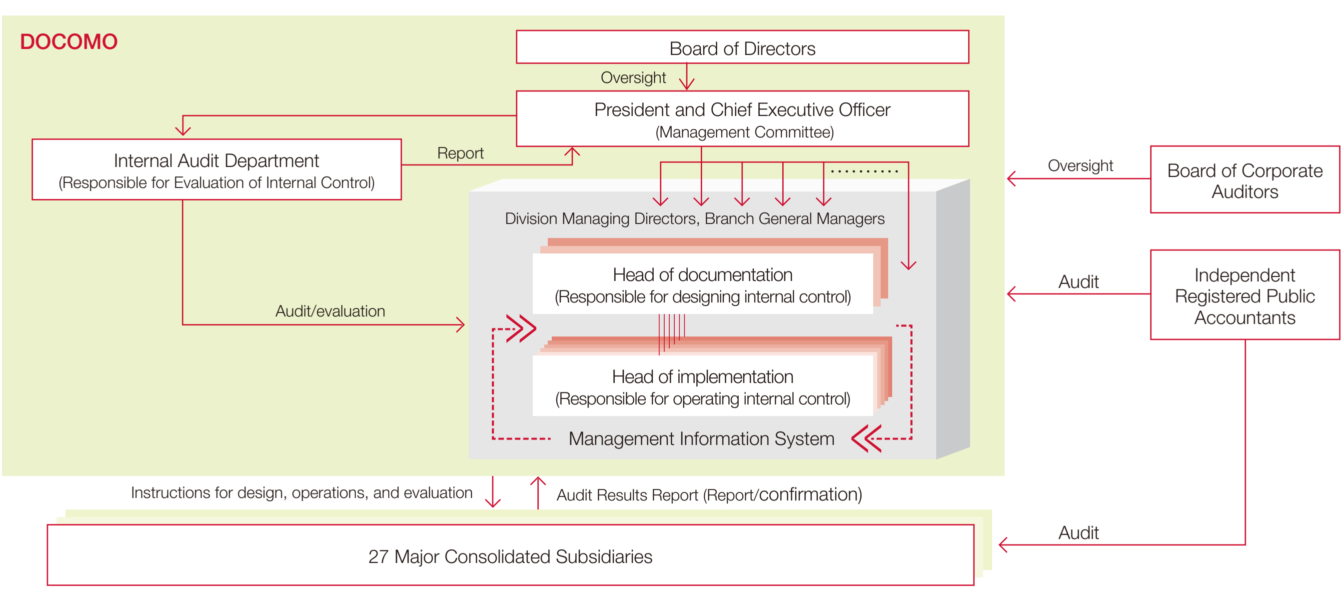
Each of our employees is instructed to follow the NTT DOCOMO Group Code of Ethics. Ensuring that activities are based on high ethical standards is the foundation of our compliance management. Specifically, we are building a compliance promotion system, which is centered on Compliance Promotion Committees, that implements initiatives pertaining to ethics and laws, and establishes avenues within and outside the Company for consulting on related issues. In addition, all divisions have employees with responsibility for compliance promotion, and we implement education and training in ethics and legal compliance for all employees. We have carried out initiatives to enhance awareness of compliance on a company-wide basis, including a compliance awareness survey of every employee, the results of which were reflected in our various measures to ensure compliance.

Ensuring Reliability of Financial Reporting

To meet the requirements of the Sarbanes-Oxley Act and the Financial Instruments and Exchange Act of Japan, we employ the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework for the design, operation, and evaluation of our internal control system related to financial reporting. In fiscal 2011, we evaluated the Company and 27 major consolidated subsidiaries, and concluded that internal control over financial reporting was effective.

Sarbanes-Oxley Act, Section 404 Organization Chart

As of July 1, 2012



Information Management

Enhancement of Information Management System

The DOCOMO Group has been entrusted with personal information (customer information) of approximately 60 million people, and accordingly, ensuring information security is an important management issue.

As a telecommunications company with public-oriented operations, the rigorous management and protection of customer information is our most important duty. In recognition of this, we have assigned the position of Chief Privacy Officer (CPO) to the senior executive vice president level. The CPO heads the Information Management Committee, which meets on a regular basis. The committee considers and promotes personal information protection measures. In addition, to advance integrated information management, we have established information security departments and each work site has an employee who is responsible for information management. Outside contractors who perform work for the Company are required to designate a person responsible for the handling of that work for each organization and policy. We have established and are advancing a system that assigns responsibility for personal information management in each organization and operation.

Formulation of Management and Administration Rules

To fulfill our obligations above, in regard to the handling of information of customers, shareholders, employees, etc., we have systematically formulated internal regulations in accordance with the Personal Information Protection Act and the guidelines of related government ministries and agencies, clarified internal rules regarding information management, and formulated and announced a privacy policy that clarifies detailed handling policies in accordance with basic principles regarding customer information protection.
http://www.nttdocomo.co.jp/english/utility/privacy/

Specific Initiatives

In working to strengthen information management, we are advancing and developing the following safety management measures:

(1) Physical Security
- Restrictions on numbers of information management terminals, continuous optimization of installed locations and authorized people
- Rigorous control of the lending and checking-out of portable information terminals (laptops, etc.)
- Secure storage of all types of recording media, and strict control of number stored and checking-in and checking-out
- Consolidation and special monitoring of terminals used to extract large amounts of customer information (lists) (Restricted room entry/Biometric identity confirmation at entry and exit/Usage-prevention and encryption measures for media/Implementation of continuous monitoring through monitoring cameras)
- Transition to paperless handling of documents, such as customer applications

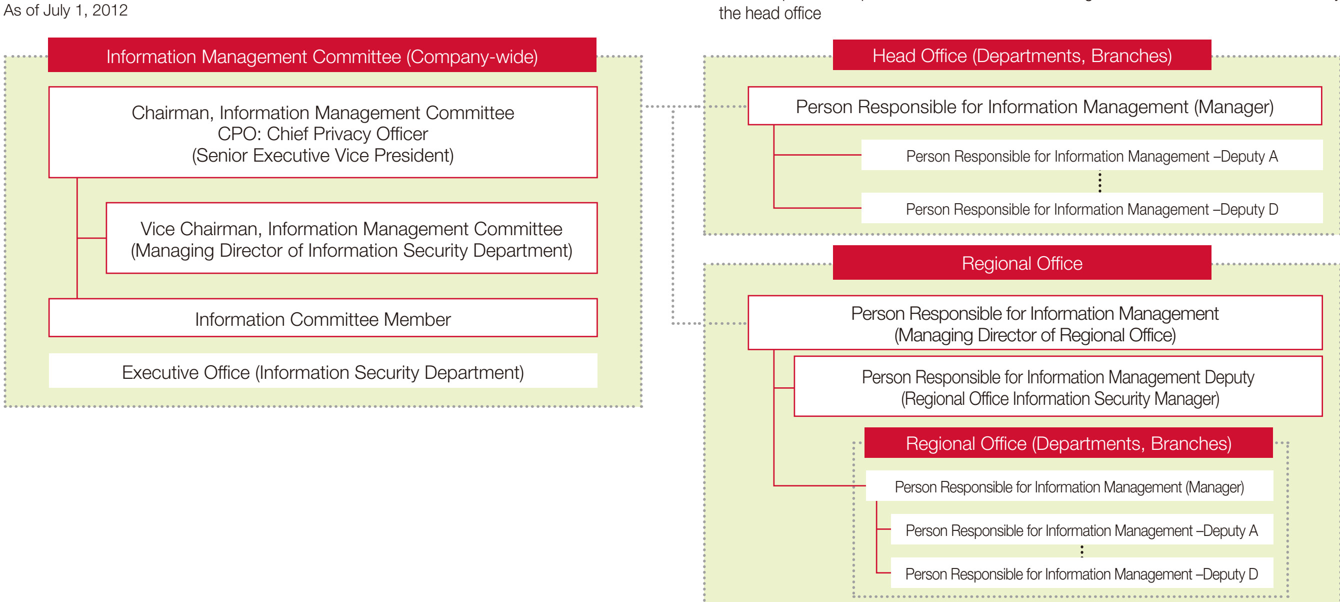
(2) Human Security
- Implementation of information management training (at least once a year) for all employees, from top management to temporary employees, for Group companies, and for customer service agents (docomo Shops, etc.)
- Production and distribution of various tools for use in information management training
- Confirmation of implementation of information management training and evaluation of effectiveness (use of e-learning, etc.)

(3) Technical Security
- Periodic, mandatory password changes for information management terminals
- Information system access-log retention and periodic (monthly) checks
- Introduction of biometric identity confirmation for use of customer information management systems
- Stricter customer information search parameters
- Prevention of misdirected faxes through the introduction of virtual private networking (VPN) for fax lines (secure fax)
- Introduction of encryption software for information system terminals and communication channels
- Information system-based information management, strict monitoring to prevent unauthorized removal of information out of the office
- Countermeasures and monitoring to prevent cyber-attacks on information system servers

(4) Organizational Security
- Establishment of system for assignment of responsibility for information management
- Advance confirmation of personal information management status prior to conclusion of consignment contracts
- Mandatory conclusion of information protection agreements and receipt of written pledges from all employees
- Uniform, periodic inspections at all work sites handling customer information and audits by the head office

Information Management System

As of July 1, 2012



Corporate Social Responsibility (CSR)

In accordance with its “CSR Message of NTT DOCOMO,” DOCOMO implements CSR activities with the aim of creating abundance and comfort in life and culture.

DOCOMO’s CSR Activities

CSR occupies an important position at the heart of DOCOMO’s management approach. Our aim is to further develop our business by helping, through our business activities, to realize a safe, secure and sustainable society in which all people can enjoy abundance and convenience. Our CSR Message has been developed with this role for DOCOMO in mind.

CSR Message of NTT DOCOMO

We connect people to people, and people to their world. We open the door to the future.

Any time, any place, we connect people to people, and people to the future.
That is our mission at DOCOMO, in our aim to be a “Relation Service Company.”
We listen to each individual customer and to society.
We innovate toward the future.
We create abundance and convenience in life and culture.
We address issues of the global environment and society, as part of our commitment to contribute to sustainable development of the society.

Working for the individual user

We carefully design our services so that all of our customers will find them convenient and easy to use.

Reliable quality

We provide stable communications quality everywhere and at all times, and offer critical communications functions even in disasters and other emergency situations.

Safe and secure

We make a serious effort to deal with information security and other issues that arise in society as a result of the use of communications technologies.

Protecting the global environment

We reduce environmental impact in each process of our business activities, and work closely with our customers to protect the global environment.

Principal Initiatives

New Disaster Preparedness Measures

Making the most of tough lessons learned from the Great East Japan Earthquake that struck Japan in March 2011, DOCOMO in April that same year drafted and enacted new disaster preparedness measures anchored by three points: securing communication in key areas, swift response to disaster-stricken areas, and improved convenience when customers cope with disaster. These interrelated initiatives were largely completed in fiscal 2011.

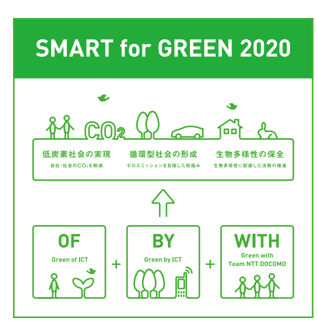
Moreover, we began offering a service that uses packet communications, which connect relatively easier than voice during a disaster, to allow users to leave voice messages to confirm their safety. Similarly, *Area Mail*, used for fast information dissemination during emergencies, began delivering tsunami warnings*1 issued by the Japan Meteorological Agency. In tandem, we are advancing actions that utilize ICT to support disaster-stricken areas, including partnerships with Google Person Finder and Twitter. Ultimately, we are pushing ahead with providing safety and confidence to the public in the event that one of a range of possible disasters should ever strike again.

>> Please refer to page 36 for more details about restoration work in the wake of the Great East Japan Earthquake and new disaster preparedness measures.

*1 Refers to tsunami warnings regarding large and ordinary tsunamis issued by the Japan Meteorological Agency.

Global environmental protection activities

In fiscal 2010, we formulated SMART for GREEN 2020, the DOCOMO Group’s environmental vision for 2020.



Under this vision, we expect to reduce our CO_2 greenhouse gas emissions in fiscal 2020 by more than 10% (120,000 tons-CO_2) compared to fiscal 2008. The Group must also contribute to reductions of more than 10 million tons across Japanese society through ICT service utilization. In fiscal 2011, we actively adopted energy-saving equipment and reduced our greenhouse gas emissions as part of efforts to preserve the natural environment. Guided by the vision, we will target actions in three areas: (1) Creation of a low-carbon society; (2) Formation of a sustainable society; and (3) Preservation of biodiversity. Through these actions, we will contribute to ongoing betterment of people's lives and the sustainable development of society as a whole.

As for handset recycling, we vigorously targeted related PR activities at customers, resulting in the recovery of around 3.72 million in fiscal 2011, for a cumulative total of some 80.36 million.

With respect to preserving biodiversity, DOCOMO Group employees play a key role in our *docomo Woods* forestation activities.

Promotion of universal design

DOCOMO is committed to the Universal Design (UD) approach of realizing products and services that are easy for each individual customer to use, including elderly customers or those with disabilities. To that end, we are implementing an initiative, known as *docomo Hearty Style*, to promote awareness of UD in our products and shops. In products, we have formulated Universal Design (UD) guidelines. We are giving greater consideration to ease of use in our handset development activities. Also, the cumulative nationwide sales of *Raku Raku PHONE* series handsets, which have enjoyed a favorable reputation among many users since their introduction in 1999, exceeded 21.05 million by the end of March 2012. In shops, we are working to make tangible enhancements such as establishing counters based on UD principles, as well as intangible enhancements by conducting training for staff members. As of the end of fiscal 2011, we had introduced step-free entrances at approximately 90% of our 2,395 existing *docomo Shops*, and had handicapped parking spaces, wheelchair accessible counters and toilets installed at over 70% of shop locations.

Realization of a secure, safe mobile society

The rapid adoption of mobile phones has facilitated convenient, abundant communications. On the other hand, there has been an increase in incidents where youth can access inappropriate content or become involved in crime or other problems. DOCOMO believes taking steps to deal with these problems is a natural duty of a mobile telecommunications operator. To help resolve these problems, we are working to implement educational activities regarding the safe use of mobile phones, such as the *Mobile Phone Safety Program* classes for youth, parents and teachers. These classes cover mobile phone rules and etiquette, and teach strategies for dealing with crime or other problems that may occur when using a mobile phone. We also offer classes for seniors that include countermeasures to help users avoid being targeted by telephone scams and other crimes. *Mobile Phone Safety Program* classes were held approximately 7,100 times during fiscal 2011 and attended by 950,000 people. As a result, a cumulative total of 27,900 such classes have been held since their debut in 2004, attended by a total of 4.1 million people.

In regard to our *Access Restriction Service* (Filtering Service), in addition to previously offered menus and customizable settings that can be selected based on a child's school age, in light of the widespread use of smartphones in recent years, we began offering a "Secure Mode" that restricts the installation and launch of applications and Wi-Fi usage. Together with the "*sp-mode* Filter," parents are now able to specify limits based on their child's phone usage.

Furthermore, with the April 1, 2009 enforcement of the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, we are now striving to confirm decisions by parents and legal guardians with respect to phone usage by their children. Accordingly, while the use of *i-mode* and *sp-mode* by minors as a rule requires *Access Restriction Service* enrollment, from October 2011 we began requiring the submission of documentation that includes specific reasons for not utilizing filtering services for cases in which applicable customers opt not to use the *Access Restriction Service*.

DOCOMO has been recognized for these CSR initiatives by its selection as a component of several socially responsible investment (SRI) indexes: the DOW Jones Sustainability Indexes (DJSI) DJSI Asia Pacific Index, an SRI index focused specifically on companies in the Asia-Pacific region; MS-SRI, an SRI index created by Morningstar Japan K.K.; and the FTSE4Good index, an SRI index created by FTSE.

DOCOMO remains committed to further meeting the expectations of all of its stakeholders in order to ensure sustained growth.

>> For further information, please refer to the NTT DOCOMO Group CSR Report 2012 (Slated publication dates: July 2012 (booklet); Web version scheduled for release in September 2012)
http://www.nttdocomo.co.jp/english/corporate/csr/report

Board of Directors and Corporate Auditors As of July 1, 2012

From left: President and Chief Executive Officer Kaoru Kato, Senior Executive Vice President Fumio Iwasaki, Senior Executive Vice President Kazuto Tsubouchi

President and Chief Executive Officer
Kaoru Kato

Senior Executive Vice Presidents
Kazuto Tsubouchi
Responsible for:
– Global business
– Corporate
– CSR

Fumio Iwasaki
Responsible for:
– Multimedia services
– Network
– Technology

Executive Vice Presidents
Tsutomu Shindou
Managing Director of Corporate Marketing Division
Managing Director of TOHOKU Reconstruction Support Office

Takashi Tanaka
Responsible for:
– Consumer sales
– Branches in Kanto and Koshinetsu areas

Kazuhiro Yoshizawa
Managing Director of Corporate Strategy & Planning Department
Responsible for:
– Mobile Society Research Institute

Seizo Onoe
Managing Director of R&D Center

Senior Vice Presidents
Wataru Kagawa
Managing Director of General Affairs Department
Managing Director of Corporate Citizenship Department
Managing Director of Business Process Improvement Office

Kiyohito Nagata
Managing Director of Strategic Marketing Department

Hirotaka Sato
Managing Director of Accounts and Finance Department

Kazuhiro Takagi
Managing Director of Human Resources Management Department

Members of the Board of Directors
Ryuji Yamada
Chief Strategic Advisor

Hiroo Kusumoto[1]

Full-time Corporate Auditors
Shuro Hoshizawa
Takanori Utano
Haruo Morosawa[2]

Corporate Auditors
Kyouichi Yoshizawa[2]
Eiko Tsujiyama[2]

1 Mr. Hiroo Kusumoto, Director, is an outside director as provided in Article 2, Paragraph 15 of the Corporation Law.
2 Full-time Corporate Auditor Mr. Haruo Morosawa and Corporate Auditors Mr. Kyouichi Yoshizawa and Ms. Eiko Tsujiyama are outside corporate auditors as provided in Article 2, Paragraph 16 of the Corporation Law.

Organizational Structure

NTT DOCOMO, INC.
As of July 1, 2012

- Board of Directors
  - President and CEO
    - R&D Center
      - Research Laboratories
      - R&D Strategy Department
      - Communication Device Development Department
      - Service & Solution Development Department
      - Core Network Development Department
      - Radio Access Network Development Department
      - R&D General Affairs Department
    - Strategic Marketing Department
    - Customer Satisfaction Department
    - Product Department
    - Smart Communication Services Department
    - Frontier Services Department
    - Ubiquitous Services Department
    - Network Department
    - Wireless Technology Standardization Department
    - Services Platform Department
    - Radio Access Network Engineering Department
    - Core Network Engineering Department
    - Network Service Operation Department
    - Communication Device Support Department
    - Advertising & Promotion Department
    - Sales Promotion Department
    - Front Support Center
    - Customer Service Department
    - Billing Service Department
    - Corporate Marketing Division
      - Corporate Marketing Department I
      - Corporate Marketing Department II
      - Corporate Marketing Department III
      - Solution Business Department
      - Corporate Marketing Strategy Department
    - Global Business Division
    - Credit Card Business Division
    - Information Systems Department
    - Procurement and Supply Department
    - Corporate Strategy & Planning Department
    - Business Alliance Department
    - Human Resources Management Department
    - General Affairs Department
    - Accounts and Finance Department
    - Intellectual Property Department
    - Legal Department
    - Internal Audit Department
    - Information Security Department
    - Public Relations Department
    - Corporate Citizenship Department
    - Investor Relations Department
    - Mobile Society Research Institute
    - TOHOKU Reconstruction Support Office
    - Branches: Marunouchi, Shinjuku, Shibuya, Tama, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, Gunma, Yamanashi, Nagano, Niigata
    - Regional Offices: Hokkaido, Tohoku, Tokai, Hokuriku, Kansai, Chugoku, Shikoku, Kyushu
- Board of Corporate Auditors
  - Corporate Auditors
    - Corporate Auditors' Office

Subsidiaries and Affiliates

As of March 31, 2012

Subsidiaries: 127

Company name	Voting rights ownership	Business activities
Service subsidiaries: 25		
DOCOMO Service Inc.	100.00%	Support for billing services of mobile phones
DOCOMO Engineering Inc.	100.00%	Design, construction and maintenance of telecommunication facilities
DOCOMO Mobile Inc.	100.00%	Maintenance and logistics of mobile phones and other terminals
DOCOMO Support Inc.	100.00%	Operations of call centers and support for sales agents
DOCOMO Systems, Inc.	100.00%	Development and maintenance of internal information systems, sales of hardware relating to information systems
DOCOMO Technology, Inc.	100.00%	Commissioned business from DOCOMO in research and development of mobile communication
DOCOMO Business Net Inc.	100.00%	Sales agent business and sales support business
and 18 other companies		
Other subsidiaries: 102		
DOCOMO Capital, Inc.	100.00%	Search for and investment in venture companies with innovative state-of-the-art technology applicable to mobile communications services
DOCOMO Communications Laboratories Europe GmbH	100.00%	Research concerning value-added network services Research concerning next-generation mobile telecommunications networks
DOCOMO Innovations, Inc.	100.00%	Promotion of Open Innovation and network technology research in Silicon Valley
DOCOMO Europe Limited	100.00%	Support for DOCOMO overseas development in Europe
DOCOMO interTouch Pte. Ltd.	100.00%	Holding company for corporate group that provides high-speed Internet connection services for hotels worldwide
DOCOMO PACIFIC, INC.	100.00%	Mobile communications business in Guam and the Commonwealth of the Northern Mariana Islands
Mobile Innovation Company Limited	72.61%	Vehicle traffic control business in Thailand
net mobile AG	87.13%	Management of platforms related to mobile content distribution and billing
NTT DOCOMO USA, Inc.	100.00%	Support for DOCOMO overseas development in the United States
PacketVideo Corporation	100.00%	Provision of middleware for mobile phones
DOCOMO Beijing Communications Laboratories Co., Ltd.	100.00%	Promotion of research activities focused on next-generation wireless communications technology Participation in bodies involved in international standardization and local standardization in China
DOCOMO China Co., Ltd.	100.00%	Provision of mobile solution services for corporations in China
OAK LAWN MARKETING, INC.	51.00%	Mail-order business using televised media as main sales channel
Dynastep, inc.	98.36%	Independent and commissioned planning, development and management of certification examinations using mobile phones
D2 Communications Inc.*	51.00%	Production and management of advertising for the mobile market
DOCOMO TAMETAN, INC.	97.71%	Provision of peripheral information on individual corporations and sales areas, plus commissioned planning and creation of content
DOCOMO.COM, INC.	100.00%	Consulting and investment targeting mobile content providers
NIPPON DATA COM Co., Ltd.	66.24%	Information systems, outsourcing, and operational support/temporary staffing businesses
mmbi, Inc.	60.45%	Basic broadcasting pursuant to Japan's Broadcast Act and provision of related services
Radishbo-ya Co., Ltd.	74.60%	Home delivery of organic and low-pesticide vegetables and additive-free food products
and 82 other companies		

Affiliates: 32

Company name	Voting rights ownership	Business activities
Hutchison Telephone Company Limited	24.10%	Mobile communications business in Hong Kong and Macau
Hutchison 3G HK Holdings Limited	24.10%	Holding company for mobile communications business in Hong Kong and Macau
Philippine Long Distance Telephone Company	14.50%	Fixed-line telephone company and full owner of mobile communications operator Smart Communications in the Philippines
Robi Axiata Limited	30.00%	Mobile communications business in Bangladesh
Tata Teleservices Limited	26.50%	Mobile communications business in India
VMG Media Joint Stock Company	25.00%	Provider of content and content management platforms in Vietnam
AEON MARKETING CO.,LTD	29.00%	Mobile, marketing and sales promotion agent businesses for the AEON Group
Weather Service inc.	35.00%	Provision of services offering a full range of weather-related information
Avex Broadcasting & Communications Inc.	30.00%	Membership-based mobile video distribution business
NTT Broadband Platform, Inc.	22.00%	Services pertaining to wireless network connections, plus merchandise sales utilizing information and communications systems
NTT Resonant Inc.	33.33%	Communications and portal businesses
EveryStar Co., Ltd.	30.00%	UGC media operation via mobile
Cross Ocean Media, Inc.	20.00%	Advertising business using digital signage installed primarily at Lawson convenience stores
ZENRIN DataCom CO.,LTD.	20.60%	Map, net navigation and Web-GIS businesses for mobile phones
Tower Records Japan Inc.	42.10%	Music and video software sales business
2Dfacto, Inc.	40.00%	Management of bookstore services for sale of e-books and paper books via the Internet
Nippon Telecommunications Network Co., Ltd.	37.43%	Phone line (dedicated line) services
FeliCa Networks, Inc.	38.00%	FeliCa licensing and platform management businesses, hosting business, systems integration, and software business
Boardwalk Inc.	22.00%	Event ticketing sales, planning/production/sales of digital content, others
Sumitomo Mitsui Card Company, Limited	34.00%	Services related to credit cards, loans, warranties and gift cards
Mobile Internet Capital, Inc.	30.00%	Support for venture firms in mobile Internet-related fields and investment fund management
Rakuten Auction, Inc.	40.00%	Internet auction services business
CXD NEXT CO., LTD.	40.00%	Provision of electronic settlement-related services and store support services
The JV, Ltd.	30.00%	Management of McDonald's membership organization, and planning, execution and management of membership-related services and promotions
Transaction Media Networks Inc.	20.00%	Provision of payment infrastructure related to electronic pay settlement
and 8 other companies		

*Name changed to D2C Inc. on June 1, 2012.

Financial Section

Message from CFO

Kazuto Tsubouchi
Senior Executive Vice President,
Member of the Board of Directors

Outlook for Fiscal 2012 (Ending March 2013)

Similar to fiscal 2012, we are projecting top- and bottom-line growth for the fiscal year ending March 31, 2013.

The main factors driving growth in operating revenues are likely to be rises in both packet communications and equipment sales revenues. Voice revenues will continue to decline, mainly reflecting the impact of the *Monthly Support* program and VoIP. Nevertheless, by reinforcing initiatives aimed at encouraging further smartphone uptake and migration to *Xi*, we are targeting a year-on-year increase on the order of ¥230.0 billion in packet communications revenues for the year. Equipment sales revenues, meanwhile, are expected to improve by around ¥230.0 billion.

Furthermore, we are eyeing operating revenues of ¥4,450.0 billion, representing a year-on-year increase of ¥210.0 billion. This improvement will mainly come from promoting initiatives for becoming an integrated service enterprise, coupled with growth in other income.

Turning to operating expenses, although we will push forward with realizing greater cost efficiency, operating expenses are projected to be ¥3,550.0 billion, up ¥184.5 billion from the previous fiscal year. This increase will largely reflect growth in expenses for creating more sophisticated network infrastructure and for *NOTTV* and other sources of future revenue expansion. Another likely contributor will be a higher cost of equipment sold, tracking growth in smartphone sales.

As a result, our outlook for operating income is ¥900.0 billion, up ¥25.5 billion year on year. This milestone will mark achievement of the operating income target outlined as part of our “Change and Challenge” plan announced in fiscal 2008.

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 2011, the EBITDA margin was 37.3%, while ROCE was 16.5%. During the year we continued to substantially reduce our interest-bearing liabilities, from ¥428.4 billion to ¥256.7 billion, bringing the debt ratio down further to 4.8% from 8.1% in the previous fiscal year. Our long-term debt obligations were rated as AA by Standard & Poor’s and Aa2 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. Regarding the use of internal reserves, our approach is to strive to enhance corporate value in various ways, including through proactive R&D, capital investment and allocation to other types of investment to cope with sudden market changes, adoption of new technologies, the provision of new services, and business domain expansion through alliances with new business partners.

Regarding the acquisition of treasury stock, we will continue to study opportunities to flexibly 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 2011, DOCOMO paid a total annual dividend of ¥5,600 per share. In fiscal 2012, we plan to increase the dividend by ¥400 to ¥6,000 per share.

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

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, 2012, we had approximately 60.13 million subscriptions, which represented 46.9% 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 services, home shopping services, internet access services for hotels and various other services.

During the fiscal year ended March 31, 2012, we worked particularly to expand subscribers’ packet usage. We promoted various initiatives to expand the user base of smartphones and PC data cards while enriching our content portfolio and taking other measures aimed at boosting users’ data usage. In particular, we aggressively promoted the sales of smartphones after significantly revamping our smartphone lineup through the introduction of two new product lines, “docomo with series” and “docomo NEXT series,” to make it easier for customers to choose the right model for their needs. We also launched the “dmarket” content market that is directly operated by us and the “dmenu” portal for smartphones, and implemented various initiatives aimed at improving our communication service quality and customer satisfaction on a continuing basis from the previous fiscal year.

In the period in and after June 2011, a series of service interruptions occurred in our communication network due to the surge in both data traffic and control signaling resulting from the rapid increase of smartphones, which caused malfunctions in our communication equipment. Despite our ongoing efforts to accommodate the growth of traffic, these accidents occurred as a result of a combination of multiple factors including, among other things, greater-than-expected network traffic and software glitches. In response to these problems, we established a Task Force for Improvement of Network Infrastructure to reinforce our operational structure so as to prevent recurrence of service interruptions, and we started implementing various other measures. The implementation of corrective measures for the causes of service interruptions was completed by February 29, 2012, and the additional measures to prevent recurrence of similar issues are expected to be completed before December 31, 2012.

The Great East Japan Earthquake in March 2011 caused damage to our communication and other facilities, resulting in disruption of services or other inconveniences to customers. By March 31, 2012, we nearly completed the repair of damaged facilities. The impact of the earthquake damage on our consolidated financial results for the fiscal years ended March 31, 2011 and 2012 was insignificant. However, based on the lessons learned from the experience of the earthquake, we implemented a wide range of new disaster preparedness measures comprising, among other things, measures for securing communication in key areas in the event of a disaster, measures for swift response to disaster-stricken areas, and measures for further improvement of customer convenience during disasters. We nearly completed the implementation of these new disaster preparedness measures by March 31, 2012.

For the year ended March 31, 2012, our operating revenues were ¥4,240.0 billion, an increase of ¥15.7 billion from the prior fiscal year due primarily to the increase in packet communication revenues and equipment sales revenues. Also, we continued our efforts to reduce cost on the expense side. As the result, we recognized operating income of ¥874.5 billion, achieving an increase of ¥29.7 billion from the prior fiscal year. Net income attributable to NTT DOCOMO, INC. decreased by ¥26.6 billion from the prior fiscal year to ¥463.9 billion mainly due to a decrease of the net deferred tax assets caused by the enactment of a tax reform to lower corporate tax rates going forward. Cash flows from operating activities were ¥1,110.6 billion, decreasing by ¥176.5 billion from the prior fiscal year mainly due to a decrease of revenues collections caused by bank closures at the end of the fiscal period and the decrease of cash collections in relation to subscribers' handset purchases under the installment method. Capital expenditures increased by ¥58.4 billion from the prior fiscal year to ¥726.8 billion primarily due to the outlays for the repair of facilities damaged by the Great East Japan Earthquake and implementation of new disaster preparedness measures.

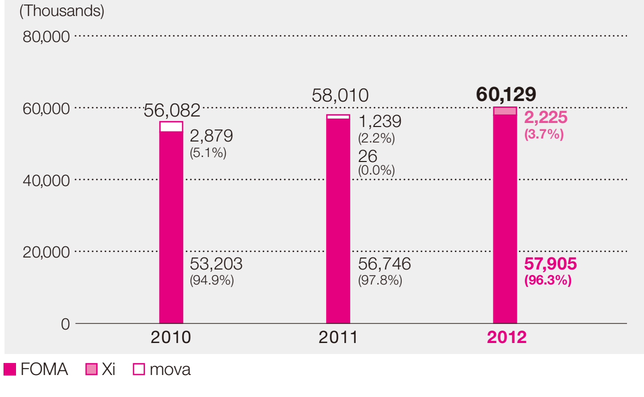
■ Trends in the Mobile Communications Industry in Japan

According to an announcement by the Telecommunications Carriers Association and cellular network operators, the mobile communications market in Japan saw an 8.67 million net increase in cellular subscriptions for the year ended March 31, 2012. The total number of cellular subscriptions in Japan grew to 128.20 million as of March 31, 2012, which represented a market penetration rate of approximately 100%.

The annual growth rate of cellular subscriptions was 4.4%, 6.6% and 7.3% for the years ended March 31, 2010, 2011 and 2012, respectively. The growth prospects of new subscriptions to voice-enabled devices is expected to be limited given the rise in the penetration rate and decrease in future population. The recent increase in the total number of new subscriptions has been driven mainly by the increase of subscriptions achieved through the development of new markets such as smartphones, tablet devices, PC data cards, portable gaming consoles and built-in communication modules.

As of March 31, 2012, 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, third-generation mobile communications (3G) services have already been introduced by all network operators in Japan and in recent years have become the mainstream service for all operator groups. 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 under a new service brand called "Xi." As of March 31, 2012, the total number of subscriptions to Xi service was 2.22 million, increasing sharply from 26,000 as of March 31, 2011. 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 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.

Number of Cellular Subscriptions
Year ended March 31
(Thousands)



While the growth prospects for Japan's mobile phone market may be limited in terms of the number of subscriptions to devices used primarily for voice communication, data usage has been increasing owing to the expanded uptake of smartphones and 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. On the other hand, the societal demands on network operators to secure sufficient network capacity to accommodate the growing data traffic and construct a reliable network capable of providing stable communication services even in disasters have been mounting.

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, electronic book service, cloud service, provision of applications for mobile phones, etc.;
- Provision of attractive devices: Release of devices equipped with various features such as contactless IC (Integrated Circuit) chip, GPS-based positioning functions, security functions, or waterproof capabilities, devices furnished with stylish designs, slim and light-weight devices, and devices with long battery hours, etc.;
- Networks: Improvement of communications quality, expansion of high-speed data service areas using HSPA and LTE, construction of a network capable of delivering stable communication services even in disasters, etc.; and

• Alliances: Collaboration with external partners in other industries, such as retailers, financial institutions, content holders, and application providers, 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 the 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, following the cabinet approval of the "Draft Partial Amendments to the Radio Law," relevant government entities have commenced studies for the introduction of a spectrum auction system.

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. In recent years, the use of applications that enable voice communication over IP technology (VoIP) on smartphones has become popular. In addition, there are moves by some major cellular operators in overseas markets to introduce voice IP service over LTE networks (VoLTE). Hence, there is a possibility that the use of IP-based voice communication services may expand more extensively in mobile phones.

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 was previously limited only to the provision of single-bill service for both fixed and mobile services, or content/ e-mail address sharing between the two networks. In recent years, however, our competitors have been stepping up their efforts to offer converged fixed and mobile services as smartphone penetration rises. The use of such convergence services may accelerate more extensively in line with the further expansion of smartphone penetration, and 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, WiMAX operators have successfully expanded their number of subscriptions to a certain size by March 31, 2012, following their launch of commercial services 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 by cultivating 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, and at the same time, we will aim to create new value in new business fields.

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.

In November 2011, we announced our Medium-Term Vision 2015: "Shaping a Smart Life." We formulated the vision to further accelerate the activities undertaken under our 2008 action plan "DOCOMO's Change and Challenge to Achieve New Growth" as well as to establish clear steps and initiatives to be implemented for the transformation into an integrated service company, toward the realization our corporate vision 2020, "Pursuing Smart Innovation: HEART," which we announced in July 2010.

Based on this Medium-Term Vision, while continually striving for improved customer satisfaction, we will propel the "evolution of mobile services" and "new value creation through convergence with industries and services" leveraging "docomo cloud" with the aim of offering enhanced safety and security and delivering more convenient and efficient solutions to people's everyday lives and businesses, to fulfill smart lives.

<Initiatives for Evolution of Mobile Services>

We have hitherto worked toward the advancement of services and products offering a wide array of devices centered on smartphones. Going forward, toward further evolution of mobile services, we will continually endeavor to develop flexible and expandable services and content in an open environment, and improve their operability to ensure comfortable usage in pursuit of greater enjoyment and convenience for our customers.

In the area of devices, we will build attractive features into our products in an open environment to offer a lineup that can meet the individual needs of each customer. Specifically, we plan to introduce handsets furnished with waterproof casings, "Osaifu-Keitai" e-wallet and other functions highly sought by customers, models incorporating new functions or services like Xi or "NOTTV" multimedia broadcasting, and those supporting "emergency earthquake alert" or other safety/security-related features.

With respect to services, to provide customers with unprecedented levels of enjoyment and convenience, we will aim to realize multi-device environment, where users can utilize multiple devices with a single common ID, so that they can access various services with the optimal device depending on the circumstances or their preferences. At the same time, we will adopt new sensor technologies to store and process environmental data such as temperature, air pressure or radiation levels, thereby enabling delivery of new services.

On the other hand, as mobile devices and services become more sophisticated, it will be increasingly essential for us to provide customers with a stable communications environment. We plan to accommodate the growth of traffic by expanding our network capacity primarily using our Xi service, which features high-speed, large-capacity and low-latency transmission.

<New Value Creation through Convergence with Industries/Services>

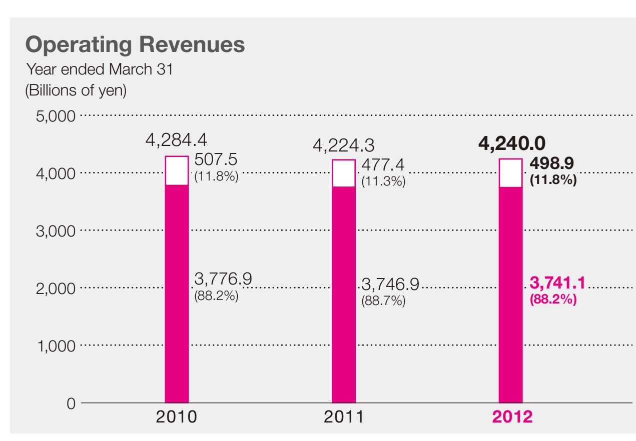
As a telecommunications operator, we have traditionally pursued the potential of mobile communications. Going forward, however, we will drive innovation through the convergence of mobile with various other industries and services in collaboration with our alliance partners with the aim of creating new values and markets.

We plan to make strategic investments, pursuing majority investment opportunities in principle, in eight business areas that offer great synergies with our core mobile business, such as the media/content business which includes broadcasting and electronic publishing services and finance/payment business including credit or insurance services. Regarding our global business, we will continue to promote investments and alliances with overseas carriers, while actively developing platform business taking advantage of our expanding customer contacts.

<docomo cloud>

We will devote ourselves to advance mobile services and create new value through the convergence with various industries and services leveraging three clouds: the personal cloud, which serves as the platform underpinning a wide range of services for consumers; the business cloud, which functions as the solutions platform that allows us to propose new business styles; and the network cloud, which offers added values that can only be provided by a telecommunications carrier through the advanced information/communication processing capabilities of its network.

Taking the aforementioned actions 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 for a further increase in operating income 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 an "integrated service company placing mobile at the core" which we envisioned in our new corporate vision, "Pursuing Smart Innovation: HEART."



■ Operating Trends

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

Revenues

Wireless Services

Wireless services revenues consist of “Cellular service revenues” and “Other revenues.” We earn our wireless services revenues primarily from basic monthly charges, calling charges for outgoing calls, packet communications charges, 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 LTE-based Xi services, the third generation FOMA services, the second generation mova services and other services. We terminated mova services on March 31, 2012 to more efficiently concentrate our business resources.

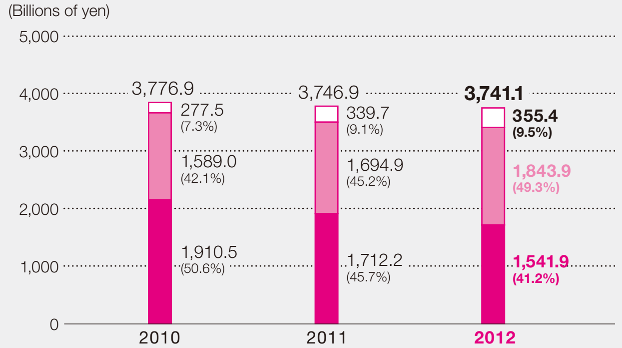
(a) Cellular Services Revenues

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 amount of packet communications revenues has been increasing in line with the spread of smartphones and tablet devices, because some of our existing mobile phone users subscribe to tablets or other products as a second mobile device exclusively for data communications and also because users’ data usage generally increases after they migrate from a conventional i-mode handset to a smartphone. The contribution of packet communications revenues to our wireless services revenues has increased every year and accounted for 49.3% of wireless service revenues for the year ended March 31, 2012, as compared to 45.2% and 42.1% for the years ended March 31, 2011 and 2010, respectively.

Cellular services revenues are impacted by the changes in the total number of subscriptions, pricing measures such as the discounts and billing plans offered to customers as well as users’ usage behavior. In particular, the levels of revenues generated by each subscription have become increasingly diverse in recent years, as a result of the spread of smartphones, which generally generate higher data usage compared to conventional mobile phones, and the rise in demand for more diversified devices and services such as tablets (no voice communications capability and high data usage), communication modules embedded in various equipment (no voice communications capability and low data usage), portable gaming consoles and other data-only devices (no voice communications capability and data services provided through prepaid data billing plans).

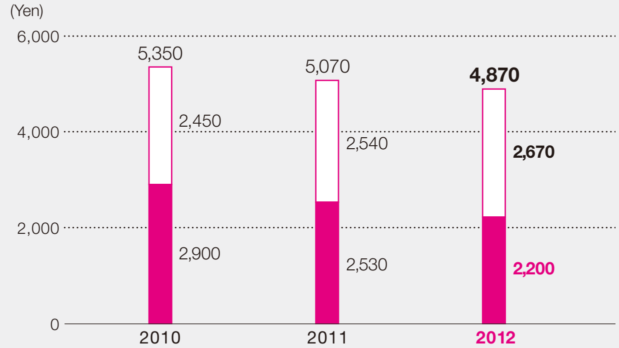
As a result of our efforts to cultivate new market demands such as demand for tablet devices, our number of subscriptions has continued to increase, but the growth rate of conventional subscriptions that include voice service has been confined to a limited level. Our subscription churn rate, or contract termination rate, is an important performance indicator for us to achieve our important goal of retaining our current subscriptions. The churn has an impact on our number of subscriptions and in particular affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our income by decreasing the average amount of revenues we are able to collect from each subscriber or by increasing our expenses. In order to keep our churn rate low, we have focused on subscriber retention by implementing certain measures including offering discounts for subscribers. During the fiscal year ended March 31, 2012, amid intensified competition resulting from our competitors’ intensified efforts to improve competitiveness in areas such as their handset lineup and network quality, we employed various measures aimed at improving customer satisfaction on a continuing basis from the previous fiscal year, including communications quality enhancement initiatives and revamping of

Revenues from Wireless Services
Year ended March 31
(Billions of yen)



■ Cellular services voice revenues
■ Cellular services packet communications revenues □ Other revenues

Aggregate ARPU (Xi+FOMA+mova)
Year ended March 31
(Yen)



■ Voice ARPU □ Packet ARPU

after-sales support. 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 check-ups and cleaning of handsets, and also continued the "Mobile Phone Protection & Delivery Service," which is discussed later in the "(b) Other Revenues" section.

In view of the rise in demand for data services in recent years, we have significantly expanded our smartphone lineup and launched a content market "dmarket" that is directly operated by us, the "dmenu portal" for smartphones and the "docomo Anshin Scan" virus detection service for smartphones. In addition, we also started offering a number of services on smartphones that are popular in i-mode, such as "i-channel" and "i-concier." With respect to Xi service, we progressively expanded its coverage, released Xi-enabled smartphone and tablet devices and launched the "Xi Talk 24" flat-rate voice plan offering 24-hour unlimited domestic voice calls to all of our users.

As a result of these endeavors, we were awarded the No. 1 ranking in the consumer satisfaction survey of an external research organization for two straight years. Our churn rate for the fiscal year ended March 31, 2012 was maintained at a low rate of 0.60%, though there was an increase from 0.47% for the previous fiscal year.

In 2007, we introduced a handset sales method called "Value Course." "Value Course" is a sales method, in which the purchase of a handset is not discounted by a certain type of sales commission that 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." The number of "Value Plan" subscriptions reached 45.21 million, or 75% of our total subscriptions, as of March 31, 2012. In 2011, we introduced the "Monthly Support" discount program that provides customers purchasing a smartphone or tablet, etc., under certain subscription conditions with prescribed amount of discounts, which vary by each model, on their monthly phone bill for up to 24 months. Because most of the customers purchasing a smartphone or tablet, etc., have opted to use "Monthly Support" discounts, the total number of "Monthly Support" subscriptions has been growing in line with the spread of smartphones and other applicable devices. Our voice revenues have been on a constant decline in recent years. This is due largely to the impact from the expanded uptake of the aforementioned "Value Plan" and "Monthly Support" program as well as the impact from the drop of billable MOU (Minutes of Use) resulting from the growing utilization of free calling allowances and changes in customer's usage behavior such as increased utilization of data services. We expect the impact of "Monthly Support" discounts on our voice revenues will expand in the future as the number of smartphones and tablet devices sold increases.

The revisions made to the calculation method of our interconnection fees (access charges) have also contributed to the decline in voice revenues. From the fiscal year ended March 31, 2011, our interconnection fees are calculated 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.

For the fiscal year ended March 31, 2012, although we achieved an increase in packet communications revenues as a result of our intensive efforts to boost the usage of 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 "Monthly Support" discounts 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. We will strive to retain our existing subscriber base by enhancing the level of customer satisfaction, and achieve growth by increasing our packet communications revenues.

Cellular services revenues are essentially a function of our number of active subscriptions multiplied by the average monthly revenue per unit ("ARPU"). 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. We use ARPU as a performance indicator 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 certain level of useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. 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 mainly to the impact from the expanded uptake of the aforementioned discount programs as well as the impact from the increase of data-only service subscriptions that do not accompany voice communication services. We expect the use of data-only devices will expand in the future, which will likely continue to put downward pressure on our voice ARPU.

(b) Other Revenues

The primary items comprising other revenues include external sales revenues of consolidated subsidiaries, "Mobile Phone Protection & Delivery Service"-related revenues and credit services business revenues.

External Sales Revenues of Consolidated Subsidiaries

External sales revenues of consolidated subsidiaries include the revenues from home shopping service, Internet access service for hotel facilities and other services provided through our consolidated subsidiaries. In April 2009, as a step to invigorate the mobile e-commerce market that offers great potential for growth in the future, we entered the home shopping business by acquiring a majority stake in OAK LAWN MARKETING, INC., a leading TV shopping service provider in Japan.

"Mobile Phone Protection & Delivery Service"-related Revenues

"Mobile Phone Protection & Delivery Service" is a service that covers handset issues such as loss and water exposure, and delivers a replacement handset of the same model and color as the original one directly to the customer with a simple telephone call for a monthly fee prescribed for each handset model (either ¥294 or ¥399). The monthly fees are set at a level close to the insurance premium born by us for the provision of service. As of March 31, 2012, the total number of subscriptions to "Mobile Phone Protection & Delivery Service" was 35.36 million.

Credit Services Business Revenues

Following the launch of our credit brand "iD" in December 2005, we commenced a proprietary mobile credit payment service "DCMX" in April 2006. These services enable credit payment using mobile phones with the contactless IC chips embedded inside the handsets. With the combined subscriptions to "DCMX" service reaching 12.95 million and the number of "iD" reader terminals installed growing to 550,000 as of March 31, 2012, the total amount of credit transactions handled has also been rising.

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, we introduced a handset sales method, "Value Course," in 2007. 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 11.8% of total operating revenues for the year ended March 31, 2012. 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. Because we have reduced the amount of sales commissions following the introduction of "Value Course", 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, 2012, equipment sales revenues increased by ¥21.5 billion or 4.5% compared to the prior fiscal year due mainly to an increase in the total number of devices sold driven by the strong sales of smartphones.

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

Creation of New Revenues Sources

As the Japanese mobile phone market continues to mature, we will work to further reinforce our wireless communication business while securing new revenue sources by driving innovation through the convergence of mobile with various industries and services. Having identified the eight business fields of "media/content," "commerce," "finance/payment," "medical/healthcare," "environment/ecology," "M2M," "aggregation/platform" and "safety/security" as areas that can offer great synergies with our core mobile business, we plan to make strategic investments in these areas in principle by acquiring a majority stake in relevant companies. Principal actions undertaken in these new business fields are summarized below:

Media/Content Business

In December 2011, along with leading Japanese broadcasting companies, we made an additional investment in our subsidiary, mmbi, Inc., which brought our total investment in the company to ¥30.0 billion and our ownership to 60.5%. In April 2012, mmbi began operating NOTTV, the first-ever broadcasting station specifically for smartphones. The company provides interactive programs through three real-time channels and through stored-content services. Going forward, it plans to offer digital content other than video content such as e-books.

Commerce Business

In March 2012, we acquired common shares and stock acquisition rights equivalent to 71.6% of the total number of shares issued by Radishbo-ya Co., Ltd., a premium home delivery service provider of organic and preservative-free foods for ¥5.3 billion, aiming to swiftly establish the foundation for commerce business and to expand the membership-based home food delivery service market in Japan by combining it with mobile communications services. Following the acquisition, Radishbo-ya became our consolidated subsidiary.

In April 2012, we established a new joint venture company with Intage, Inc. The new joint venture, DOCOMO Insight Marketing, Inc., plans to launch a new type of mobile-based research and marketing support business leveraging smartphones and other mobile devices, by combining Intage's data analysis and product development know-how with our DOCOMO Premier Club customer base of approximately 50 million. We are a 51.0% owner in this joint venture.

In June 2012, our board of directors approved the acquisition of an additional 8.1% stakes in Tower Records Japan Inc., which will raise our total ownership in Tower Records Japan to 50.3%. Following the acquisition, Tower Records Japan will become our consolidated subsidiary.

Medical/Healthcare Business

In December 2011, we started "docomo Healthcare" service, which provides users with support for health management and disease prevention through smartphones and other devices. In April 2012, we entered into a joint venture agreement with Omron Healthcare Co., Ltd., with a view to establishing a joint venture to develop and offer healthcare and medical support services by making use of "docomo Healthcare" and the health management service platform operated by Omron Healthcare. Our ownership in the new joint venture is expected to be 66%.

Aggregation/Platform Business

In November 2011, net mobile AG, our German-based subsidiary which operates platforms for mobile content distribution and billing services provided mainly to mobile operators in Europe, acquired Bankverein Werther AG, which holds licenses for banking business in Germany and credit card business in Europe. By acquiring Bankverein Werther's service infrastructure and backbone system, net mobile aims to make functional enhancements to its distribution and billing platforms.

In May 2012, we announced that we intend to acquire all shares in Buongiorno S.p.A., one of the largest providers of mobile internet content and apps in Europe through a public tender offer. The tender offer will be conducted by our German subsidiary, DOCOMO Deutschland GmbH. Leveraging Buongiorno's global customer base that allows it to reach customers in 57 countries, we intend to strengthen the foundation of our mobile platform businesses overseas. The maximum amount that the tender can reach is approximately €224 million or approximately ¥24 billion.

We will continue to strive to expand these new 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, payroll for employees dedicated to the operations and maintenance of our wireless services, and insurance costs related to "Mobile Phone Protection & Delivery Service." Cost of services accounted for 26.6% of our total operating expenses for the year ended March 31, 2012. 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 36.8% and 23.6% 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, 2012 decreased by ¥2.6 billion or 0.3% from the prior fiscal year to ¥893.9 billion. While communication network charges decreased compared to the prior fiscal year, other costs such as insurance costs increased. The insurance costs increased due to an increase of subscriptions for "Mobile Phone Protection & Delivery Service."

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 20.7% of our operating expenses for the year ended March 31, 2012. The cost of equipment sold for the fiscal year ended March 31, 2012 increased by ¥32.2 billion, or 4.9%, compared to the prior fiscal year, primarily because the cost increase resulting from the growth in the total number of handsets sold was larger than the reduction in the per-unit cost of procurement achieved through an increase in the sales of low-price handsets featuring stylish designs and the rise in the proportion of globally marketed smartphones, which can be procured at relatively low costs due to their global reach, in our lineup of high-end models.

Depreciation and Amortization

Depreciation and amortization accounted for 20.3% of our operating expenses for the year ended March 31, 2012. 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, 2012. We also worked for the early restoration of communication facilities damaged by the Great East Japan Earthquake and implemented new disaster preparedness measures based on the lessons learned from the experience of the earthquake. The principal actions undertaken during the fiscal year ended March 31, 2012, 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.;
- Roll-out of LTE-based Xi service areas;
- Restoration of facilities damaged by the Great East Japan Earthquake; and
- Implementation of new disaster preparedness measures, such as roll-out of large-zone base stations and introduction of uninterruptible power supply in selected base stations, etc.

We have been involved with cost saving efforts such as economized procurement, design and installment of low-cost devices and improvements in construction processes. Our annual capital expenditures have been declining after FOMA-related network investments peaked in the fiscal year ended March 31, 2007, which resulted in a decrease in depreciation and amortization expenses in the subsequent years. As a consequence, depreciation and amortization expenses for the fiscal year ended March 31, 2012 decreased by ¥8.3 billion, or 1.2% from the prior fiscal year to ¥684.8 billion. However, due to impacts from the outlays for the aforementioned disaster damage recovery and new disaster preparedness measures, and the additional investments for the improvement of network infrastructure aimed for stable network operations and further processing capacity enhancement, depreciation and amortization expenses for a few subsequent fiscal years are projected to be higher than the level for the fiscal year ended March 31, 2012.

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

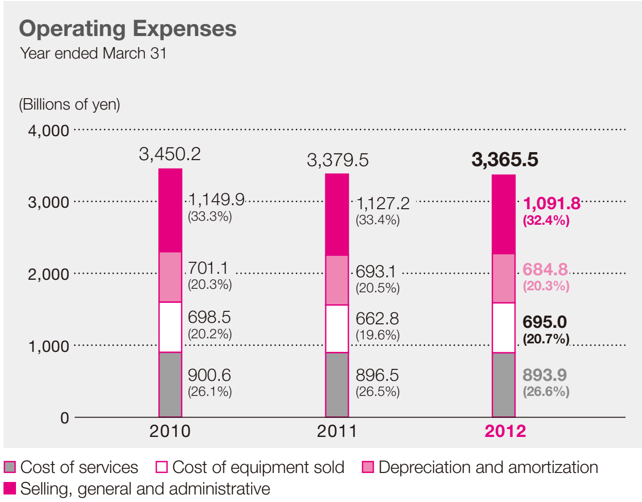
Selling, General and Administrative Expenses

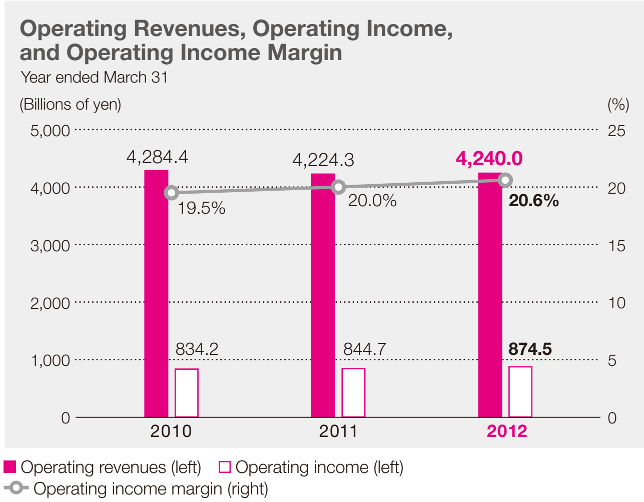
Selling, general and administrative expenses represented 32.4% of our total operating expenses for the year ended March 31, 2012. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, 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. The expenses incurred in relation to "docomo Points Service" customer loyalty program, handset repair and other after-sales support to customers are also included in selling, general and administrative expenses.

Our total selling, general and administrative expenses for the fiscal year ended March 31, 2012 declined compared to the prior fiscal year, due mainly to a reduction in "docomo Points Service" -related expenses resulting from the revisions made to the loyalty program in April 2011, and a decrease in after-sales support-related expenses resulting from the decline in the number of handsets submitted for repair in line with the increase of subscribers migrating to a smartphone, which offset the growth in commissions paid to agent resellers caused by an increase in the number of purchase orders processed due to expanded smartphone sales.

Operating income

As described above, operating revenues for the year ended March 31, 2012 increased from the prior fiscal year because the increase in equipment sales revenues was greater than the decrease in wireless services revenues. On the other hand, operating expenses recorded a decrease from the prior fiscal year owing mainly to a reduction in network-related costs and our ongoing cost-cutting efforts, which more than offset the increase in cost of equipment sold. 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 at cost or fair value 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." Please refer to "Critical Accounting Policies—Impairment of investments," regarding our accounting policy for the impairment of investments.

■ Operating Results for the Year Ended March 31, 2012

The following discussion includes analysis of our operating results for the year ended March 31, 2012. The tables below describe selected income statement data:

Breakdown of Financial Information

	Millions of yen			
	Years ended March 31			
	2011	**2012**	Increase (Decrease)	Change (%)
Operating revenues:				
Wireless services	¥3,746,869	**¥3,741,114**	¥ (5,755)	(0.2)%
Cellular services revenues	3,407,145	**3,385,737**	(21,408)	(0.6)%
– Voice revenues [1]	1,712,218	**1,541,884**	(170,334)	(9.9)%
Including: FOMA services	1,658,863	**1,518,328**	(140,535)	(8.5)%
– Packet communications revenues	1,694,927	**1,843,853**	148,926	8.8 %
Including: FOMA services	1,679,840	**1,809,790**	129,950	7.7 %
Other revenues	339,724	**355,377**	15,653	4.6 %
Equipment sales	477,404	**498,889**	21,485	4.5 %
Total operating revenues	4,224,273	**4,240,003**	15,730	0.4 %
Operating expenses:				
Cost of services	896,502	**893,943**	(2,559)	(0.3)%
Cost of equipment sold	662,829	**695,008**	32,179	4.9 %
Depreciation and amortization	693,063	**684,783**	(8,280)	(1.2)%
Selling, general and administrative	1,127,150	**1,091,809**	(35,341)	(3.1)%
Total operating expense	3,379,544	**3,365,543**	(14,001)	(0.4)%
Operating income	844,729	**874,460**	29,731	3.5 %
Other income (expense)	(9,391)	**2,498**	11,889	–
Income before income taxes and equity in net income (losses) of affiliates	835,338	**876,958**	41,620	5.0 %
Income taxes	337,837	**402,534**	64,697	19.2 %
Income before equity in net income (losses) of affiliates	497,501	**474,424**	(23,077)	(4.6)%
Equity in net income (losses) of affiliates (net of applicable taxes)	(5,508)	**(13,472)**	(7,964)	(144.6)%
Net income	491,993	**460,952**	(31,041)	(6.3)%
Less: Net (income) loss attributable to noncontrolling interests	(1,508)	**2,960**	4,468	–
Net income attributable to NTT DOCOMO, INC.	¥ 490,485	**¥ 463,912**	¥ (26,573)	(5.4)%

(1) Inclusive of circuit switched data communications

Analysis of operating results for the year ended March 31, 2012 and comparison with the prior fiscal year

Operating revenues for the fiscal year ended March 31, 2012, were ¥4,240.0 billion, an increase of ¥15.7 billion or 0.4% from ¥4,224.3 billion for the prior fiscal year. Wireless services revenues were ¥3,741.1 billion, decreasing by ¥5.8 billion or 0.2% compared to ¥3,746.9 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, 2012 decreased to 88.2% from 88.7% 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 ¥170.3 billion or 9.9% to ¥1,541.9 billion from ¥1,712.2 billion for the prior fiscal year), which was partially offset by the increase in packet revenues (which grew by ¥148.9 billion or 8.8% from ¥1,694.9 billion in the prior fiscal year to ¥1,843.9 billion). The primary factors behind the decline of voice revenues were the increase in the number of users subscribing to the "Value Plan" and "Monthly Support" discount program, and decline in billable MOU. Consequently, voice ARPU deceased by ¥330 or 13.0% from ¥2,530 for the prior fiscal year to ¥2,200. On the other hand, the increase in packet communication revenues was driven mainly by the expansion of data usage achieved by spreading the use of smartphones, acquiring new smartphone users and capturing new demands leveraging mobile Wi-Fi routers and tablet devices. Because smartphone users' data usage is generally higher compared to that of conventional i-mode handset users, the increase in the number of subscribers migrating to a smartphone tends to result in an expansion of packet revenues. For the year ended March 31, 2012, we sold a total of 8.82 million smartphone units. As a result, our packet ARPU grew by ¥130 or 5.1% from ¥2,540 for the prior fiscal year to ¥2,670.

Equipment sales revenues increased by ¥21.5 billion or 4.5% to ¥498.9 billion for the year ended March 31, 2012 from ¥477.4 billion for the prior fiscal year, due mainly to an increase in the number of handsets sold.

Operating expenses decreased by ¥14.0 billion or 0.4% from ¥3,379.5 billion for the prior fiscal year to ¥3,365.5 billion for the fiscal year ended March 31, 2012. This was mainly attributable to a decreases in selling, general and administrative expenses of ¥35.3 billion or 3.1% from ¥1,127.2 billion for the prior fiscal year to ¥1,091.8 billion for the fiscal year ended March 31, 2012 resulting from the decline in customer service-related expenses, and a decrease in depreciation and amortization, which declined by ¥8.3 billion or 1.2% from ¥693.1 billion for the prior fiscal year to ¥684.8 billion for the fiscal year ended March 31, 2012, although cost of equipment sold increased by ¥32.2 billion or 4.9% to ¥695.0 billion from ¥662.8 billion for the prior fiscal year primarily as a result of an increase in the number of handsets sold.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2012 increased by ¥29.7 billion or 3.5%, from ¥844.7 billion for the prior fiscal year to ¥874.5 billion. Accordingly, the operating income margin improved from 20.0% for the prior fiscal year to 20.6%. The increase in operating income margin was driven mainly by the reduction of network-related costs and other continuing cost-efficiency improvement efforts in areas including customer services as aforementioned.

Other income (expense) includes items such as interest expense, interest income, gains and losses on sale of "Marketable securities and other investments" and foreign exchange gains and losses. We recognized ¥2.5 billion as "other income, net" for the fiscal year ended March 31, 2012, increasing income by ¥11.9 billion compared to the prior fiscal year, during which we recognized "other expense, net" of ¥9.4 billion. This is mainly because we recognized other-than-temporary impairment charges for marketable securities and other investment in the prior fiscal year, while we recognized only minimal other-than-temporary impairment charges in the fiscal year ended March 31, 2012.

Income before income taxes and equity in net income (losses) of affiliates increased by ¥41.6 billion or 5.0% to ¥877.0 billion for the fiscal year ended March 31, 2012, from ¥835.3 billion for the prior fiscal year.

Income taxes were ¥402.5 billion for the year ended March 31, 2012 and ¥337.8 billion for the year ended March 31, 2011, representing effective income tax rates of approximately 45.9% and 40.4% for the fiscal years ended March 31, 2012 and March 31, 2011, respectively. The increase in effective tax rate for the year ended March 31, 2012 was mainly due to the changes in corporate tax rates resulting from the enactment of the act for partial amendment to the Japanese corporate tax law on November 30, 2011. The aggregate statutory income tax rate declined from 40.8% to 38.1% or 35.8% for deferred tax assets and liabilities resulting from temporary differences that were expected to be recovered or settled in the fiscal years ending March 31, 2013 and March 31, 2016 or thereafter. Due to the change in the enacted tax rates, net deferred tax assets existing at the enactment date decreased by ¥36.5 billion, and the impact was charged to income taxes expense.

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, 2012 and March 31, 2011. 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 year ended March 31, 2011 arose primarily from such special tax allowances, and for the year ended March 31, 2012, from the aforementioned change in corporate tax rate in relation to amendment of Japanese corporate tax law.

For equity in net losses of affiliates (net of applicable taxes), we recognized our equity in the net losses of our affiliates of ¥13.5 billion for the fiscal year ended March 31, 2012 and ¥5.5 billion for the fiscal year ended March 31, 2011. This was due to the increase of losses of some affiliates including Tata Teleservices Limited, offsetting against the increase in income of other affiliates, that were reflected in our consolidated results.

As a result of the foregoing, we reported ¥463.9 billion in net income attributable to NTT DOCOMO, INC., representing a decrease of ¥26.6 billion or 5.4% from ¥490.5 billion for the prior fiscal year.

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2012 and 2011 are provided below:

Key Performance Indicators

	Years ended March 31			
	2011	**2012**	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	58,010	**60,129**	2,120	3.7 %
Xi services (thousands)	26	**2,225**	2,199	–
FOMA services (thousands)	56,746	**57,905**	1,159	2.0 %
mova services (thousands)	1,239	**0**	(1,239)	(100.0)%
packet flat-rate services (thousands)	31,921	**36,295**	4,374	13.7 %
i-mode services (thousands)	48,141	**42,321**	(5,819)	(12.1)%
sp-mode services (thousands)	2,095	**9,586**	7,492	357.7 %
Market Share (%) (1)(2)	48.5	**46.9**	(1.6)	–
Aggregate ARPU (Xi+FOMA+mova) (yen/month/subscription) (3)	5,070	**4,870**	(200)	(3.9)%
Voice ARPU (yen/month/subscription) (4)	2,530	**2,200**	(330)	(13.0)%
Packet ARPU (yen/month/subscription)	2,540	**2,670**	130	5.1 %
MOU (Xi+FOMA+mova) (minutes/month/subscription) (3)(5)	134	**126**	(8)	(6.0)%
Churn Rate (%) (2)	0.47	**0.60**	0.13	–

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association and cellular network operators
(2) Data calculated including Communication Module Services subscriptions
(3) Data calculated excluding Communication Module Services-related revenues and subscriptions, and Phone Number Storage and Mail Address Storage services-related revenues and subscriptions
(4) Inclusive of circuit switched data communications
(5) MOU (Minutes of Use): Average communication time per month per subscription

Definition of ARPU
Aggregate ARPU: Voice ARPU + Packet ARPU
Voice ARPU: Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU: Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions

Number of active subscriptions used in ARPU calculations is as follows:
FY Results: Sum of number of active subscriptions for each month* from April to March
*Active subscriptions for each month = (number of subscriptions at the end of previous month + number of subscriptions at the end of current month) / 2

■ 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 income statement data for the fiscal years ended March 31, 2011 and 2010:

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

(1) Inclusive of circuit switched data communications

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

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). 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. The primary factors behind the decline in voice revenues were the increase in the number of users subscribing to the "Value Plan" and decline in billable MOU. This resulted in a decrease in voice ARPU of ¥370 or 12.8% from ¥2,900 for the prior fiscal year to ¥2,530. The main reasons for the increase in packet ARPU included 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. Consequently, packet ARPU grew by ¥90 or 3.7% from ¥2,450 for the prior fiscal year to ¥2,540.

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 wholesale 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 recognized ¥9.4 billion as "other expense, net" for the fiscal year ended March 31, 2011, increasing by ¥11.3 billion compared to the prior fiscal year, during which we recognized "other income, net" of ¥1.9 billion. This is mainly because we recognized other-than-temporary impairment charges of ¥13.4 billion 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 an 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 reported ¥490.5 billion in net income attributable to NTT DOCOMO, INC., representing a decrease of ¥4.3 billion or 0.9% from ¥494.8 billion for the prior fiscal year.

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2011 and 2010 are provided below:

Key Performance Indicators

	Years ended March 31			
	2010	2011	Increase (Decrease)	Change (%)
Cellular				
Subscriptions (thousands)	56,082	58,010	1,928	3.4 %
Xi services (thousands)	–	26	–	–
FOMA services (thousands)	53,203	56,746	3,542	6.7 %
mova services (thousands)	2,879	1,239	(1,640)	(57.0)%
packet flat-rate services (thousands)	25,767	31,921	6,154	23.9 %
i-mode services (thousands)	48,992	48,141	(851)	(1.7)%
sp-mode services (thousands)	–	2,095	–	–
Market Share (%) (1)(2)	50.0	48.5	(1.5)	–
Aggregate ARPU (Xi+FOMA+mova) (yen/month/subscription) (3)	5,350	5,070	(280)	(5.2)%
Voice ARPU (yen/month/subscription) (4)	2,900	2,530	(370)	(12.8)%
Packet ARPU (yen/month/subscription)	2,450	2,540	90	3.7 %
MOU (Xi+FOMA+mova) (minutes/month/subscription) (3)(5)	136	134	(2)	(1.5)%
Churn Rate (%) (2)	0.46	0.47	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 calculated excluding Communication Module Services-related revenues and subscriptions, and Phone Number Storage and Mail Address Storage services-related revenues and subscriptions
(4) Inclusive of circuit switched data communications
(5) MOU (Minutes of Use): Average communication time per month per subscription

Definition of ARPU
Aggregate ARPU: Voice ARPU + Packet ARPU
Voice ARPU: Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU: Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions
Number of active subscriptions used in ARPU calculations is as follows:
FY Results: Sum of number of active subscriptions for each month* from April to March
*Active subscriptions for each month = (number of subscriptions at the end of previous month + number of subscriptions at the end of current month) / 2

■ Segment Information

General

Our chief operating decision maker ("CODM") is the board of directors. The CODM evaluates the performance and makes resource allocations of our segments based on the information derived from our internal management reports.

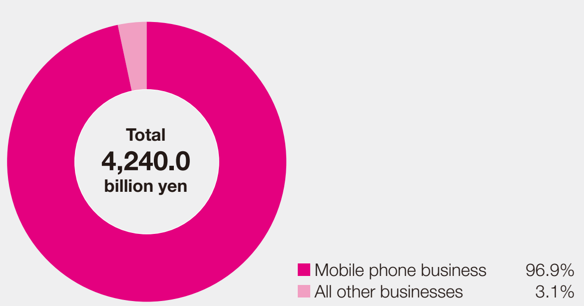
We have five operating segments, which consist of mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities, and miscellaneous businesses.

Due to its quantitative significance, only the mobile phone business qualifies as a reportable segment and therefore is disclosed as such. The remaining four operating segments are each quantitatively insignificant and therefore combined and disclosed as "all other businesses."

Mobile phone business

For the year ended March 31, 2012, operating revenues from our mobile phone business segment increased by ¥19.9 billion or 0.5% to ¥4,110.6 billion from ¥4,090.7 billion in the prior fiscal year. Cellular services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥21.4 billion or 0.6% to ¥3,385.7 billion for the year ended March 31, 2012 from ¥3,407.1 billion in the prior fiscal year. Equipment sales revenues increased by ¥21.5 billion or 4.5% to ¥498.9 billion for the year ended March 31, 2012 from ¥477.4 billion for the prior fiscal year due to an increase in the number of handsets sold. Revenues from our mobile phone business segment represented 96.9% and 96.8% of total operating revenues for the years ended March 31, 2012 and 2011, respectively. Operating expenses in our mobile phone business segment decreased by ¥9.7 billion or 0.3% to ¥3,224.2 billion from ¥3,233.9 billion in the prior fiscal year. This was mainly due to the reduction of network-related costs and other continuing cost-efficiency improvement efforts in areas including customer services. As a result, segment income from our mobile phone business increased by ¥29.6 billion or 3.5% to ¥886.3 billion compared to ¥856.7 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, 2012," which were discussed above.

Operating Revenues by Segment
Year ended March 31, 2012



All other businesses

Operating revenues from all other businesses decreased by ¥4.2 billion or 3.1% from ¥133.6 billion in the prior fiscal year to ¥129.4 billion for the year ended March 31, 2012, which represented 3.1% of total operating revenues. Operating expenses from all other businesses decreased by ¥4.3 billion or 3.0% from ¥145.6 billion in the prior fiscal year to ¥141.3 billion. The decrease in operating revenues was mainly due to the decrease in miscellaneous businesses and the decrease in operating expenses was mainly due to the reduction of costs related to our credit services business. Consequently, operating loss from all other businesses for the year ended March 31, 2012 slightly improved to ¥11.9 billion from ¥12.0 billion in the prior fiscal year.

■ Recent Accounting Pronouncements Not Yet Adopted

As of March 31, 2012, we expect that any recent accounting pronouncements not yet adopted will have no material impacts on our operating results or financial positions.

■ 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, 2012, 2011 and 2010 were ¥684.8 billion, ¥693.1 billion and ¥701.1 billion, respectively. We determine the useful lives of our assets at the time the assets are acquired and base our determinations on expected usage, experience with similar assets, established laws and regulations as well as taking into account anticipated technological or other changes. The estimated useful lives of our wireless telecommunications equipment are generally set at from 8 to 16 years. The estimated useful life of our internal-use software is set up to 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. In the fiscal years ended March 31, 2012, 2011 and 2010, changes to the estimated useful lives of certain property, plant and equipment, internal use software and other intangible assets did not have a material impact on our operating results or financial positions.

Impairment of long-lived assets

We perform an impairment review for our long-lived assets other than goodwill and other indefinite intangibles 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 and 2010. We recognized impairment loss for a certain long-lived asset for the fiscal year ended March 31, 2012. The impact of the impairment on our financial results was insignificant.

Impairment of investments

We have made investments in certain domestic and foreign entities. These investments are accounted for under the equity method, cost method, or at fair value as appropriate based on various conditions such as ownership percentages, exercisable influence over the investments and marketability of the investments. In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in "Equity in net losses of affiliates" in our consolidated statements of income and comprehensive income for relevant years. It is possible that we could experience similar impairments with respect to our "Investments in affiliates" and "Marketable securities and other investments" again in the future. We may also experience material gains or losses on the sale of our investments. As of March 31, 2012, the total carrying value of "Investments in affiliates" was ¥480.1 billion, while the total carrying value for investments in "Marketable securities and other investments" was ¥128.4 billion. Major investee companies of us are Sumitomo Mitsui Card Co., Ltd., TTSL (Tata Teleservices Limited) of India and PLDT (Philippine Long Distance Telephone Company) of Philippine, all of which are included in "Investments in affiliates" as of March 31, 2012.

Equity method and cost method accounting require that we assess if a decline in value or an associated event regarding any such investment has occurred and, if so, whether such decline is other than temporary. We perform a review for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. Factors that we consider important and that can trigger an impairment review include, but are not limited to, the following:

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

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

In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a new cost basis in the carrying amount of the investment. The impairment charge of "Investment in affiliates" is included in "Equity in 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, 2012, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates, but the impact of the impairment charges on our results of operations and financial position was inconsequential. We did not recognize any impairment charges on "Investments in affiliates" for the years ended March 31, 2011 and 2010.

We recorded impairment charges on certain investments which were classified as "Marketable securities and other investments." The amount of impairment charges on "Marketable securities and other investments" was ¥4.0 billion, ¥13.4 billion and ¥4.0 billion for the years ended March 31, 2012, 2011 and 2010, 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, 2012 and 2011 was ¥182.9 billion and ¥199.6 billion, respectively. Point program expense for the years ended March 31, 2012, 2011 and 2010 was ¥95.8 billion, ¥126.8 billion and ¥142.2 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, 2012, 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 income debt securities that are currently available and expected to be available during the period to maturity of the pension benefits. In determining the expected long-term rate of return on plan assets, we consider the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical performances. The rates are reviewed annually and we review our assumptions in a timely manner when an event occurs that would have significant influence on the rates or the investment environment changes dramatically.

The discount rates applied in determination of the projected benefit obligations as of March 31, 2012 and 2011, and expected long-term rates of return on plan assets for the years ended March 31, 2012 and 2011 were as follows:

	Years ended March 31	
	2011	**2012**
Non-contributory defined benefit pension plan		
Discount rate	2.0%	**1.9%**
Expected long-term rate of return on plan assets	2.3%	**2.0%**
Actual return on plan assets	Approximately (2)%	**Approximately 1%**
NTT CDBP		
Discount rate	2.0%	**1.9%**
Expected long-term rate of return on plan assets	2.5%	**2.5%**
Actual return on plan assets	Approximately (2)%	**Approximately 1%**

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2012 and March 31, 2011 was ¥202.4 billion and ¥196.1 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2012 and March 31, 2011, based on actuarial computations which covered only DOCOMO employees' participation, was ¥102.8 billion and ¥97.3 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, 2012 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

	Billions of yen		
Change in Assumptions	Change in projected benefit obligation	Change in pension cost, before applicable taxes	Accumulated other comprehensive income (loss), net of applicable taxes
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate	(12.2) / 13.0	0.4 / (0.4)	8.1 / (8.6)
0.5% increase/decrease in expected long-term rate of return on plan assets	–	(0.4) / 0.4	–
NTT CDBP			
0.5% increase/decrease in discount rate	(10.1) / 11.2	0.1 / (0.1)	6.6 / (7.2)
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, 2012, 2011 and 2010, we recognized as revenues deferred activation fees of ¥14.0 billion, ¥14.6 billion and ¥18.4 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2012, remaining unrecognized deferred activation fees were ¥88.6 billion.

B. LIQUIDITY AND CAPITAL RESOURCES

■ Cash Requirements

Our cash requirements for the year ending March 31, 2013 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 smartphones 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, 2012 recorded an increase of ¥58.4 billion or 8.7% compared to the prior fiscal year. This was mainly due to the factors that caused an increase of investments such as further quality enhancement of FOMA areas, capacity buildup in response to the growth in data traffic, expansion of Xi network as well as the additional outlays required for the restoration of communication facilities and equipment damaged by the Great East Japan Earthquake and the implementation of new disaster preparedness measures based on the lessons learned from the experience of the earthquake, although the increase from these factors were partly offset by our ongoing efforts toward improvement of capital investment efficiency such as reduction of procurement costs, introduction of economical equipment and devising efficient designs and construction processes.

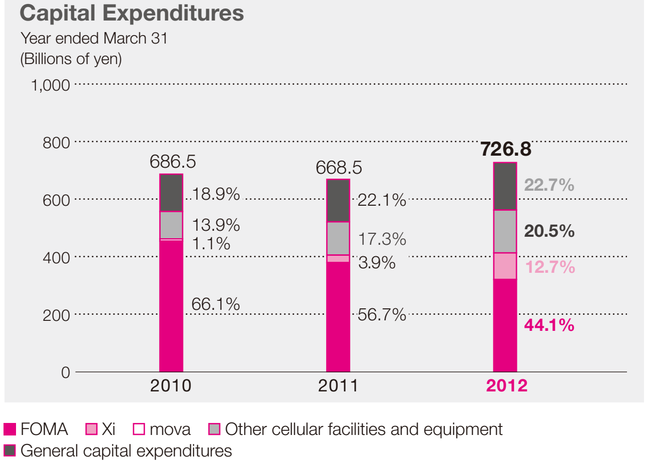
During the fiscal year ended March 31, 2012, we added 4,300 outdoor base stations to our FOMA network, growing the cumulative number of FOMA outdoor base stations to 67,100. The cumulative number of indoor base stations grew to 31,700, as we completed the installation in 2,500 base stations during the fiscal year ended March 31, 2012. As for Xi service, which was launched in the fiscal year ended March 31, 2011, we increased its cumulative number of base stations to over 7,000.

Total capital expenditures for the years ended March 31, 2012, 2011 and 2010 were ¥726.8 billion, ¥668.5 billion and ¥686.5 billion, respectively. For the year ended March 31, 2012, 44.1% of capital expenditures were used for construction of the FOMA network, 12.7% for construction of the Xi network, 20.5% for the installation of servers and other cellular facilities and equipment and 22.7% for general capital expenditures such as an internal IT system. By comparison, in the prior fiscal year, 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.

For the year ending March 31, 2013, we expect total capital expenditures to be ¥735.0 billion, of which approximately 29% will be appropriated for the FOMA network, 23% for the Xi network, 25% for servers and other cellular facilities and equipment and 23% for general capital expenditures. In the fiscal year ending March 31, 2013, 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, increase the number of Wi-Fi access points and make investments required for new services and businesses and dispersion of key facilities, while pursuing efficiency enhancement. We already started employing measures to prevent recurrence of the service interruptions reported in the fiscal year ended March 31, 2012, and the outlays required for the improvement of network infrastructure are factored in the above capital expenditures forecast for the fiscal year ending March 31, 2013. As these general trends are expected to continue in the fiscal year ending March 31, 2013 and the subsequent few fiscal years, according to our current estimates, the total annual capital expenditures for the next few fiscal years will likely be around ¥700.0 billion.

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.

Capital Expenditures



Long-term Debt and Other Contractual Obligations

As of March 31, 2012, we had ¥255.9 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥428.1 billion as of the end of the prior fiscal year. We did not implement any long-term financing in the years ended March 31, 2012 or 2011. We repaid ¥171.9 billion, ¥180.1 billion and ¥29.0 billion of long-term debt, in the years ended March 31, 2012, 2011 and 2010, respectively.

Of our long-term debt outstanding as of March 31, 2012, ¥15.9 billion, including the current portion, was indebtedness to financial institutions, majority of which has fixed interest rates, with a weighted average interest rate of 1.5% per annum. The term of maturities was from the year ending March 31, 2013 through 2018. As of March 31, 2012, we also had ¥240.0 billion, including the current portion, in bonds due from the year ending March 31, 2013 to 2019 with a weighted average coupon rate of 1.5% per annum.

As of March 31, 2012, we and our long-term debt obligations were rated by rating agencies as shown in the table on the following page. Such ratings were issued by the rating agencies upon our requests. On September 1, 2011, Moody's downgraded our long-term obligation rating from Aa1 to Aa2, and changed the outlook for the rating from "negative" to "stable." 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	Aa2	Stable
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.

	Millions of yen				
	Payments Due by Period				
Category of Obligations	Total	1 year or less	1-3 years	3-5 years	After 5 years
Long-Term Debt					
Bonds	¥240,000	¥60,000	¥70,000	¥ –	¥110,000
Loans	15,947	15,428	447	52	20
Interest Payments on Long-Term Debt	16,164	3,710	5,099	4,206	3,149
Capital Leases	6,129	2,657	2,667	782	23
Operating Leases	18,577	2,627	4,108	3,299	8,543
Other Contractual Obligations	71,137	69,593	1,044	500	–
Total	¥367,954	¥154,015	¥83,365	¥8,839	¥121,735

* 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, 2012, we had committed ¥35.0 billion for property, plant and equipment, ¥20.4 billion for inventories and ¥15.8 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, 2012, 2011 and 2010:

	Millions of yen		
	Years ended March 31		
	2010	2011	**2012**
Net cash provided by operating activities	¥ 1,182,818	¥1,287,037	**¥1,110,559**
Net cash used in investing activities	(1,163,926)	(455,370)	**(974,585)**
Net cash used in financing activities	(260,945)	(421,969)	**(378,616)**
Net increase (decrease) in cash and cash equivalents	(241,833)	407,836	**(243,473)**
Cash and cash equivalents at beginning of year	599,548	357,715	**765,551**
Cash and cash equivalents at end of year	¥ 357,715	¥ 765,551	**¥ 522,078**

Analysis of cash flows for the year ended March 31, 2012 and comparison with the prior fiscal year

For the fiscal year ended March 31, 2012, net cash provided by operating activities was ¥1,110.6 billion, a decrease of ¥176.5 billion or 13.7% from the prior fiscal year, mainly due to a decrease of revenue collections due to bank closures at the end of the fiscal period and a decrease of the cash collections in relation to subscribers' handset purchases under the installment method.

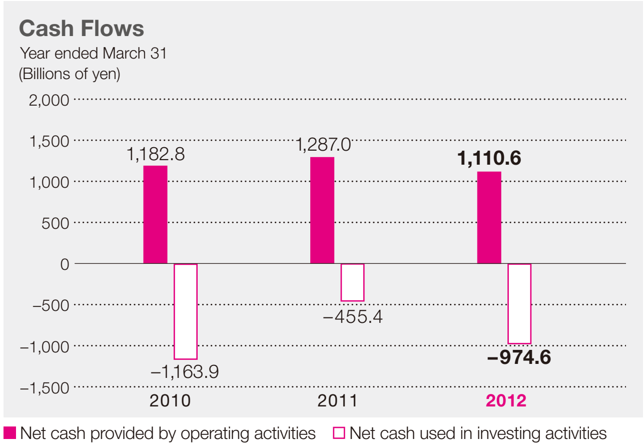
Net cash used in investing activities was ¥974.6 billion, an increase of ¥519.2 billion or 114.0% from the prior fiscal year. This was mainly due to an increase in purchases of short-term investments of more than three months for cash management purpose and a decrease of proceeds from redemption of short-term bailment for consumption to a related party.

Net cash used in financing activities was ¥378.6 billion, a decrease of ¥43.4 billion or 10.3% from the prior fiscal year. This was mainly due to an increase in proceeds from noncontrolling interests due to capital increase in subsidiaries and a decrease in payments to acquire treasury stock.

The balance of cash and cash equivalents was ¥522.1 billion as of March 31, 2012, a decrease of ¥243.5 billion or 31.8% from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥381.5 billion as of March 31, 2012, compared to ¥161.0 billion as of March 31, 2011.

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.

Prospect of cash flows for the year ending March 31, 2013

As for our sources of cash for the year ending March 31, 2013, 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 of fund-provision in relation to installment receivables for subscribers' handsets purchases despite the projected decrease in corporate tax and other payments.

In June, 2012, in order to improve customers' convenience and operational efficiency, our board of directors approved to enter into an agreement with NTT FINANCE CORPORATION, under which we will transfer our billing claims against our customers to be billed on and after July 1, 2012 to NTT FINANCE. We currently expect that the agreement will not have a material impact on our cash management as the payment conditions of the consideration of claims transferred to NTT FINANCE are set in the agreement approximately equivalent to our cash collection cycle history.

Our net cash flow used in investing activities for the year ending March 31, 2013 is expected to be approximately ¥735.0 billion. We do not include any items other than capital expenditures in our forecast of net cash flows in investing activities, as it is difficult to estimate impacts of such items on cash flows in investing activities at this point.

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 ¥108.5 billion, ¥109.1 billion and ¥109.9 billion as research and development expenses for the years ended March 31, 2012, 2011 and 2010, 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, 2013 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 demand 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 or further reduce 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, 2013.
- In the fiscal year ended March 31, 2012, voice revenues recorded a decline over the prior fiscal year, but packet communications revenues posted year-on-year gains. This trend is likely to continue in the fiscal year ending March 31, 2013.

  The primary reasons behind the expected decline in voice revenues include the reduction of revenues resulting from the expanded uptake of "Monthly Support" discount program, an increase in the number of customers who choose billing plans with lower basic monthly charges, a decrease in billable MOU, and the impact of reduced interconnection fees revenue.

  The primary reason behind the expected increase in packet communications revenues 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, 2013 will further increase, compared to 8.82 million for the fiscal year ended March 31, 2012.
- Equipment sales revenues for the fiscal year ended March 31, 2012 reported a growth over the prior fiscal year primarily due to the increase in the number of smartphones sold despite the decline in the wholesale price per unit resulting from reduced cost of procurement. The growth trend in equipment sales revenues is expected to continue in the fiscal year ending March 31, 2013, because we expect to achieve an increase in the total number of smartphones to be sold and to further improve the efficiency of our handset sales commissions which will be recognized as a decrease in equipment sales revenues under U.S. GAAP.
- "Other revenues" recorded an increase in the fiscal year ended March 31, 2012 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, 2013 as well, as we plan to take actions to drive the growth of the mobile multimedia broadcasting business launched in April 2012, credit service, home shopping and other businesses.

As a result of the foregoing, operating revenues for the fiscal year ending March 31, 2013 are expected to record a second consecutive year-on-year increase, following the increase in the fiscal year ended March 31, 2012.

Operating Expenses:

- Cost of equipment sold recorded an increase in the fiscal year ended March 31, 2012, mainly due to the increase in the total number of smartphones sold. Because we anticipate a similar trend to continue in the fiscal year ending March 31, 2013, cost of equipment sold is projected to increase in the fiscal year ending March 31, 2013.
- 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, 2013. 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. On the other hand, expenses required for new businesses for future growth are projected to increase owing to the rise in expenses resulting from the launch of mobile multimedia broadcasting service and other factors.

  As a result of the foregoing, operating expenses for the fiscal year ending March 31, 2013 are expected to increase compared to the fiscal year ended March 31, 2012, although we expect such increases to be somewhat less than the expected increase in operating revenue.

Due to the above, we expect operating income for the fiscal year ending March 31, 2013 to increase from the fiscal year ended March 31, 2012.

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, development of appealing new handsets, 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 ARPU diminishing at a greater than expected rate or an increase in our costs and expenses.

Market changes, such as the introduction of Mobile Number Portability ("MNP"), the development of appealing handsets, 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 handsets that keep up with the needs and desires of customers, including handsets that support high-speed services and music/video playback, new services such as music and video distribution services, and flat-rate services for voice communications and e-mail, as well as installment sales methods for devices. There are also providers that offer services related to the convergence of fixed and mobile services, such as aggregated point programs, services offering free calls between fixed-line and mobile phones and discounts for combining fixed line and mobile services, and if services that are highly convenient for customers are offered in the future, the Company, which is subject to regulatory constraints, may be limited in its ability to respond in a timely and suitable manner. Furthermore, if other providers offer handsets that are more appealing than our own handset lineup, we may be unable to respond in a timely and suitable manner. 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 (including services used by applications that run on our smartphones and tablets), high-speed broadband Internet service, 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 open platform devices like smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones, and it is possible that those businesses, etc. may eventually launch services that are more convenient for customers, and further intensify 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, there could be a greater-than-expected decline in ARPU and/or greater-than-expected costs. In this fierce market environment, in order to provide advanced services and increase convenience to our customers, we have made various rate revisions. For example, in March 2011 we introduced "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; and in November 2011 we introduced the "Xi Kake-hodai" flat-rate domestic voice service among our subscribers and the "Xi Pake-hodai FLAT" and "Xi Pake-hodai double" packet flat-rate services for "Xi" subscribers. 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 increases in revenue as an important factor to our future growth, for instance, the increasing of revenues by promoting the use of i-mode services, smartphone services such as sp-mode, dmenu, dmarket and mobile services such as i-concier, and encouraging the more widespread use of FOMA and Xi services, as well as the expansion of their associated data communications. Also important is increasing revenues through initiatives that create new value by converging mobile services and various businesses and services such as media/content, finance/payment, commerce, medical/healthcare, Machine-to-Machine ("M2M") and environment/ecology with the aim of transforming into an "integrated services company placing mobile at the core." However, a number of uncertainties may arise to prevent the development of these services and constrain our growth.

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

- To develop the cooperative relationships as anticipated with the partners needed to provide the services and/or forms of usage that we offer, with the software vendors who provide the operating systems and applications necessary to promote the use of smartphone and other services, with content providers, and with stores that have installed equipment capable of handling e-wallet transactions;
- To provide planned new services and forms of usage as scheduled and keep costs needed for the deployment and expansion of such services within budget;
- The services, forms of usage, and installment sales and other methods that we offer and plan to offer will be attractive to current and potential subscribers and there will be sufficient demand for such services;
- Manufacturers and content providers will steadily create and offer products including FOMA and Xi handsets, handsets compatible with services we provide, software such as the operating systems and applications necessary to encourage the use of smartphone services, as well as content in a timely fashion and at appropriate prices;
- Our current and future mobile services and data communication services, including i-mode services, smartphone services such as sp-mode, dmenu, and dmarket, i-concier, and initiatives for new market creation through the convergence with various businesses, including financial and payment services such as DCMX, media/content services like NOTTV, commerce businesses run by OAK LAWN MARKETING, INC. and Radishbo-ya Co., Ltd. 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
- To expand services with improved data communication speed enabled by LTE* and other technology as planned.

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

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

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

- 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 (Government agencies are internally acting/examining the measures necessary to implement a spectrum auction system, such as presenting a bill to amend a portion of the Radio Act in 2012.);
- 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 or the revision of the rules of access charge between operators to enhance competition, that would restrict our business operations in the telecommunications industry.

In addition to the above proposed changes that may impact the mobile communications business, we may be impacted by a variety of laws, regulations, and systems inside and outside of Japan. For example, in response to an increase in the number of subscriptions or in the traffic 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. In July 2010 the Dodd–Frank Wall Street Reform and Consumer Protection Act was signed into law in the U.S. Based on this, the US Securities and Exchange Commission is slated to establish rules requiring listed companies that use minerals in their products to disclose whether such minerals come from the Democratic Republic of the Congo and adjoining countries. The implementation of these rules could have an adverse effect on our financial condition and operating results in the form of higher costs arising from expense of conducting the research needed for regulatory compliance or from an increase in the prices of materials that use such minerals.

Further still, in order to ensure new sources of revenue, we are pursuing initiatives to create new value through the convergence of mobile services with various services and industries, including media/content, finance/payment, commerce, medical/healthcare, M2M, environment/ecology and other fields through equity participation and partnerships. Therefore, we are vulnerable to impacts from laws, regulations and systems specific to new services, operations and areas of business, in addition to the laws, regulations and systems applicable to the mobile communications business. If such laws, regulations, or systems are implemented, they may work as constraints on our group's business operations, and this may have an adverse effect on our group's financial condition and corporate performance.

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

* 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 and could increase our costs.

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

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

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

If we are not able to address such problems sufficiently and in a timely manner, our ability to provide mobile communication services could be constrained and we could lose subscribers to our competitors; while at the same time, the cost of investing in equipment to address these issues could increase, and this could materially affect our financial condition and results of operations.

In the fiscal year ended March 2012 there were a series of service interruptions that arose due to failures in communications equipment such as the sp-mode system and packet switching equipment that were primarily caused by a rapid increase in data communications traffic and in the volume of control signals that accompanied the spread of smartphones. In light of this series of disruptions, we took measures to prevent a reoccurrence and conducted a thorough inspection of our communications network equipment. Along with verifying that our communications network is now stable, we are also working to address the increase in control signals and strengthen the foundation of our network to accommodate future smartphone traffic. However, should the number of subscribers, the volume of subscriber traffic, or the volume of control signals exhibit greater-than-anticipated growth in the future, or should there be other unforeseen circumstances, service quality could deteriorate, resulting in an adverse effect on our financial condition and operating results.

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

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

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

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

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

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

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

However, there can be no assurance that we will be able to maintain or enhance the value or performance of the past or future investments or joint ventures established, or that we will receive the returns or benefits we expect from these investments, alliances and collaborations. 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.

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

Various functions are mounted on the mobile handsets we provide. Additionally, a large number of vendors, including our partners and other companies, provide services via the mobile handsets that we provide. If any problems arise due to the imperfection in a product or service provided by the Company or by another vendor such as technological problems in the handsets provided by us or by outside vendors or in software or systems, or if any other failures, defects, or losses arise, such problems could diminish our credibility or corporate image, lead to an increase in cancellations of subscriptions, or result in an increase in expenses for indemnity payments to subscribers, and our financial condition or results of operations may be affected. Furthermore in an effort to ensure new sources of revenue, we are pursuing initiatives to create new value through the convergence of mobile service with various other services and industries, including media/content, finance/payment, commerce, medical/healthcare, M2M and environment/ecology. Should problems arise due to the imperfection in such products or services, they could diminish our credibility or corporate image and our financial condition, or results of operations may be affected. Certain events may lead to a decrease in our credibility and corporate image, an increase in cancellations of subscriptions or increased costs. The following are possible examples of such events:

- Malfunctions, defects or breakdowns in any of the various functions built into our handsets;
- Malfunctions, defects, or failures in the software and systems necessary for the services we provide;
- Malfunctions, defects, or failures in handsets or services originating from imperfection in services of other parties;
- Leaks or losses of information, e-money, reward points, or content due to malfunctions, defects, or failures in handsets, software, or systems or imperfection in services of other parties;

- Improper use of information, e-money, credit functions and reward points by third parties due to a loss or theft of handsets;
- Improper access or misuse of customer information/data stored on handsets or servers, such as usage histories and balances, by a third party;
- Inadequate and inappropriate management of e-money, credit functions, reward points, or other data by companies with which we make alliances or collaborate; or
- Harm or losses to customers due to imperfection in products or services offered as part of our effort to create new value, such as defective or flawed products or services offered through an e-commerce business such as a home shopping service.

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 suspending our services to companies which distribute large amounts of such unsolicited bulk e-mails, the problem has not yet been rooted out. If our subscribers receive a large amount of unsolicited e-mail, it may cause a decrease in customer satisfaction and may damage our corporate image, leading to a reduction in the number of i-mode or sp-mode subscriptions.

Mobile phones have been used in crimes such as billing fraud. To combat these misuses of our services, and because voice-enabled pre-paid mobile phones are easier to use in criminal activities, we have introduced various measures such as stricter identification confirmation at points of purchase and terminated service for voice-enabled pre-paid mobile phones as of March 31, 2012. However, in the event that criminal usage increases, mobile phones may be regarded by society as a problem, which may lead to an increase in the 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 frequency of the use of packet communications as our handsets and services became more sophisticated. There have also been problems with high charges due to excessive use of paid content services and problems with accidents being caused by the use of mobile phones while operating automobiles and bicycles. 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 in accordance with 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 to respond appropriately to those issues in the future. Should we fail to do so, we may experience an increase in the cancellation of existing subscriber contracts or fail to acquire new subscribers as expected, and this may affect our financial condition and results of operations.

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

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

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

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

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, software bugs, deliberate incidents induced by computer viruses, cyber attacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks, distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers, and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.

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

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

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

Concerns about adverse health effects arising from wireless telecommunications 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 sources have suggested that radio wave emissions from mobile 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 telecommunications carriers and handset manufactures affixing labels to their handsets showing levels of radio 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 radio wave emissions and health problems.

Furthermore, although the radio wave emissions of our cellular handsets and base stations comply with the electromagnetic safety guidelines of Japan and guidelines by the International Commission on Non-Ionizing Radiation Protection, 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 and new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

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

As of March 31, 2012, 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, 2011 and 2012

	Millions of yen	
ASSETS	2011	**2012**
Current assets:		
Cash and cash equivalents	¥ 765,551	**¥ 522,078**
Short-term investments		
Third parties	141,028	**281,504**
Related parties	–	**90,000**
Accounts receivable		
Third parties	751,809	**952,795**
Related parties	10,602	**10,206**
Sub-total	762,411	**963,001**
Credit card receivables	160,446	**189,163**
Less: Allowance for doubtful accounts	(18,021)	**(23,550)**
Total accounts receivable and credit card receivables, net	904,836	**1,128,614**
Inventories	146,357	**146,563**
Deferred tax assets	83,609	**76,858**
Prepaid expenses and other current assets		
Third parties	107,380	**106,028**
Related parties	6,538	**6,616**
Total current assets	2,155,299	**2,358,261**
Property, plant and equipment:		
Wireless telecommunications equipment	5,569,818	**5,700,951**
Buildings and structures	845,588	**867,553**
Tools, furniture and fixtures	507,914	**520,469**
Land	198,842	**199,802**
Construction in progress	95,251	**133,068**
Sub-total	7,217,413	**7,421,843**
Accumulated depreciation and amortization	(4,694,094)	**(4,885,546)**
Total property, plant and equipment, net	2,523,319	**2,536,297**
Non-current investments and other assets:		
Investments in affiliates	525,456	**480,111**
Marketable securities and other investments	128,138	**128,389**
Intangible assets, net	672,256	**680,831**
Goodwill	205,573	**204,890**
Other assets		
Third parties	220,232	**236,763**
Related parties	29,687	**18,984**
Deferred tax assets	331,633	**303,556**
Total non-current investments and other assets	2,112,975	**2,053,524**
Total assets	¥ 6,791,593	**¥ 6,948,082**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2011	2012
Current liabilities:		
Current portion of long-term debt	¥ 173,102	**¥ 75,428**
Short-term borrowings	276	**733**
Accounts payable, trade		
Third parties	495,842	**607,403**
Related parties	113,495	**131,380**
Accrued payroll	54,801	**55,917**
Accrued interest	916	**767**
Accrued income taxes	162,032	**150,327**
Other current liabilities		
Third parties	120,993	**130,037**
Related parties	1,711	**2,011**
Total current liabilities	1,123,168	**1,154,003**
Long-term liabilities:		
Long-term debt (exclusive of current portion)	255,000	**180,519**
Accrued liabilities for point programs	199,587	**173,136**
Liability for employees' retirement benefits	152,647	**160,107**
Other long-term liabilities		
Third parties	181,275	**169,459**
Related parties	2,322	**2,087**
Total long-term liabilities	790,831	**685,308**
Total liabilities	1,913,999	**1,839,311**
Equity:		
NTT DOCOMO, INC. shareholders' equity		
Common stock, without a stated value—		
Authorized shares		
188,130,000 shares at March 31, 2011 and 2012		
Issued shares		
43,650,000 shares at March 31, 2011 and 2012		
Outstanding shares		
41,467,601 shares at March 31, 2011 and 2012	949,680	**949,680**
Additional paid-in capital	732,914	**732,592**
Retained earnings	3,621,965	**3,861,952**
Accumulated other comprehensive income (loss)	(76,955)	**(104,529)**
Treasury stock		
2,182,399 shares at March 31, 2011 and 2012	(377,168)	**(377,168)**
Total NTT DOCOMO, INC. shareholders' equity	4,850,436	**5,062,527**
Noncontrolling interests	27,158	**46,244**
Total equity	4,877,594	**5,108,771**
Commitments and contingencies		
Total liabilities and equity	¥6,791,593	**¥6,948,082**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

NTT DOCOMO, INC. and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of yen		
	2010	2011	**2012**
Operating revenues:			
Wireless services			
Third parties	¥ 3,727,801	¥ 3,702,658	**¥ 3,698,579**
Related parties	49,108	44,211	**42,535**
Equipment sales			
Third parties	503,086	474,506	**496,556**
Related parties	4,409	2,898	**2,333**
Total operating revenues	4,284,404	4,224,273	**4,240,003**
Operating expenses:			
Cost of services (exclusive of items shown separately below)			
Third parties	685,774	678,666	**673,383**
Related parties	214,868	217,836	**220,560**
Cost of equipment sold (exclusive of items shown separately below)	698,495	662,829	**695,008**
Depreciation and amortization	701,146	693,063	**684,783**
Selling, general and administrative			
Third parties	1,031,011	1,012,267	**965,816**
Related parties	118,865	114,883	**125,993**
Total operating expenses	3,450,159	3,379,544	**3,365,543**
Operating income	834,245	844,729	**874,460**
Other income (expense):			
Interest expense	(5,061)	(4,943)	**(2,774)**
Interest income	1,289	1,326	**1,376**
Other, net	5,684	(5,774)	**3,896**
Total other income (expense)	1,912	(9,391)	**2,498**
Income before income taxes and equity in net income (losses) of affiliates	836,157	835,338	**876,958**
Income taxes:			
Current	381,507	355,734	**339,866**
Deferred	(43,310)	(17,897)	**62,668**
Total income taxes	338,197	337,837	**402,534**
Income before equity in net income (losses) of affiliates	497,960	497,501	**474,424**
Equity in net income (losses) of affiliates, net of applicable taxes	(852)	(5,508)	**(13,472)**
Net income	497,108	491,993	**460,952**
Less: Net (income) loss attributable to noncontrolling interests	(2,327)	(1,508)	**2,960**
Net income attributable to NTT DOCOMO, INC.	¥ 494,781	¥ 490,485	**¥ 463,912**
Net income	¥ 497,108	¥ 491,993	**¥ 460,952**
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	13,159	(12,297)	**1,901**
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	1,937	7,003	**1,994**
Change in fair value of derivative instruments, net of applicable taxes	(63)	4	**(2)**
Foreign currency translation adjustment, net of applicable taxes	5,917	(28,258)	**(32,082)**
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income	(35)	356	**3,084**
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net	6,828	(6,367)	**(2,746)**
Prior service cost arising during period, net	–	48	**(72)**
Less: Amortization of prior service cost	(1,340)	(1,346)	**(1,347)**
Less: Amortization of actuarial gains and losses	1,858	1,144	**1,606**
Less: Amortization of transition obligation	79	88	**76**
Total other comprehensive income (loss)	28,340	(39,625)	**(27,588)**
Comprehensive income	525,448	452,368	**433,364**
Less: Comprehensive (income) loss attributable to noncontrolling interests	(2,357)	(1,459)	**2,974**
Comprehensive income attributable to NTT DOCOMO, INC.	¥ 523,091	¥ 450,909	**¥ 436,338**
Per share data:			
Weighted average common shares outstanding—Basic and Diluted (shares)	41,705,738	41,576,859	**41,467,601**
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. (yen)	¥ 11,863.62	¥ 11,797.07	**¥ 11,187.34**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

NTT DOCOMO, INC. and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of yen							
	NTT DOCOMO, INC. shareholders' equity							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock at cost	Total NTT DOCOMO, INC. shareholders' equity	Non-controlling interests	Total equity
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
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)
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
Balance at March 31, 2011	**¥949,680**	**¥732,914**	**¥3,621,965**	**¥ (76,955)**	**¥(377,168)**	**¥4,850,436**	**¥27,158**	**¥4,877,594**
Cash dividends declared (¥5,400 per share)			**(223,925)**			**(223,925)**		**(223,925)**
Cash distributions to noncontrolling interests						**–**	**(1,280)**	**(1,280)**
Acquisition of new subsidiaries						**–**	**1,746**	**1,746**
Contributions from noncontrolling interests		**(322)**				**(322)**	**21,655**	**21,333**
Others						**–**	**(61)**	**(61)**
Comprehensive income								
Net income			**463,912**			**463,912**	**(2,960)**	**460,952**
Other comprehensive income (loss)								
Unrealized holding gains (losses) on available-for-sale securities				**3,895**		**3,895**	**(0)**	**3,895**
Change in fair value of derivative instruments				**(2)**		**(2)**		**(2)**
Foreign currency translation adjustment				**(28,984)**		**(28,984)**	**(14)**	**(28,998)**
Pension liability adjustment:								
Actuarial gains (losses) arising during period, net				**(2,746)**		**(2,746)**	**0**	**(2,746)**
Prior service cost arising during period, net				**(72)**		**(72)**		**(72)**
Less: Amortization of prior service cost				**(1,347)**		**(1,347)**		**(1,347)**
Less: Amortization of actuarial gains and losses				**1,606**		**1,606**		**1,606**
Less: Amortization of transition obligation				**76**		**76**		**76**
Balance at March 31, 2012	**¥949,680**	**¥732,592**	**¥3,861,952**	**¥(104,529)**	**¥(377,168)**	**¥5,062,527**	**¥46,244**	**¥5,108,771**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NTT DOCOMO, INC. and Subsidiaries
Years Ended March 31, 2010, 2011 and 2012

	Millions of yen		
	2010	2011	**2012**
Cash flows from operating activities:			
Net income	¥ 497,108	¥ 491,993	**¥ 460,952**
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	701,146	693,063	**684,783**
Deferred taxes	(44,550)	(22,563)	**52,176**
Loss on sale or disposal of property, plant and equipment	32,735	27,936	**24,055**
Impairment loss on marketable securities and other investments	4,007	13,424	**4,030**
Equity in net (income) losses of affiliates	2,122	10,539	**24,208**
Dividends from affiliates	12,854	12,757	**12,052**
Changes in assets and liabilities:			
(Increase) / decrease in accounts receivable	(1,056)	75,200	**(198,538)**
(Increase) / decrease in credit card receivables	(30,042)	(19,746)	**(14,584)**
Increase / (decrease) in allowance for doubtful accounts	242	2,469	**5,388**
(Increase) / decrease in inventories	(17,262)	(5,217)	**245**
(Increase) / decrease in prepaid expenses and other current assets	1,582	(2,753)	**338**
(Increase) / decrease in non-current installment receivables for handsets	13,860	7,029	**(12,809)**
Increase / (decrease) in accounts payable, trade	(21,227)	(30,988)	**94,747**
Increase / (decrease) in accrued income taxes	(53,765)	(23,805)	**(11,751)**
Increase / (decrease) in other current liabilities	(22,019)	(14,464)	**7,361**
Increase / (decrease) in accrued liabilities for point programs	57,605	47,959	**(26,451)**
Increase / (decrease) in liability for employees' retirement benefits	(8,015)	14,203	**7,095**
Increase / (decrease) in other long-term liabilities	35,878	(8,791)	**(12,296)**
Other, net	21,615	18,792	**9,558**
Net cash provided by operating activities	1,182,818	1,287,037	**1,110,559**
Cash flows from investing activities:			
Purchases of property, plant and equipment	(480,080)	(423,119)	**(480,416)**
Purchases of intangible and other assets	(245,488)	(250,757)	**(237,070)**
Purchases of non-current investments	(10,027)	(11,746)	**(35,582)**
Proceeds from sale of non-current investments	9,534	3,946	**2,540**
Acquisitions of subsidiaries, net of cash acquired	(29,209)	(7,678)	**(3,624)**
Purchases of short-term investments	(377,591)	(745,602)	**(1,164,203)**
Redemption of short-term investments	69,605	917,492	**1,023,698**
Long-term bailment for consumption to a related party	–	(20,000)	**–**
Short-term bailment for consumption to a related party	(90,000)	(20,000)	**(80,000)**
Proceeds from redemption of short-term bailment for consumption to a related party	–	110,000	**–**
Other, net	(10,670)	(7,906)	**72**
Net cash used in investing activities	(1,163,926)	(455,370)	**(974,585)**
Cash flows from financing activities:			
Repayment of long-term debt	(29,042)	(180,075)	**(171,879)**
Proceeds from short-term borrowings	138,214	717	**4,991**
Repayment of short-term borrowings	(138,149)	(488)	**(4,467)**
Principal payments under capital lease obligations	(3,256)	(4,597)	**(4,380)**
Payments to acquire treasury stock	(20,000)	(20,000)	**–**
Dividends paid	(208,709)	(216,283)	**(223,865)**
Contributions from noncontrolling interests	–	–	**21,333**
Other, net	(3)	(1,243)	**(349)**
Net cash provided by (used in) financing activities	(260,945)	(421,969)	**(378,616)**
Effect of exchange rate changes on cash and cash equivalents	220	(1,862)	**(831)**
Net increase (decrease) in cash and cash equivalents	(241,833)	407,836	**(243,473)**
Cash and cash equivalents at beginning of year	599,548	357,715	**765,551**
Cash and cash equivalents at end of year	¥ 357,715	¥ 765,551	**¥ 522,078**
Supplemental disclosures of cash flow information:			
Cash received during the year for:			
Income tax refunds	¥ 1,323	¥ 301	**¥ 251**
Cash paid during the year for:			
Interest, net of amount capitalized	5,251	5,023	**2,922**
Income taxes	436,459	378,998	**351,964**
Non-cash investing and financing activities:			
Assets acquired through capital lease obligations	2,347	5,631	**2,036**
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	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, 32.59% 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, 2012.

DOCOMO provides its subscribers with wireless telecommunications services such as Xi services, FOMA services, mova services, packet communications services, 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 terminated mova services on March 31, 2012.

2. Summary of significant accounting and reporting policies:

(a) Adoption of new accounting standards

Multiple-Deliverable Revenue Arrangements

Effective April 1, 2011, DOCOMO adopted Accounting Standards Update ("ASU") 2009-13 "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements" issued by the Financial Accounting Standards Board ("FASB") in October 2009. 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. The adoption of ASU2009-13 did not have a material impact on DOCOMO's results of operations and financial position.

Financing Receivables

Effective April 1, 2011, DOCOMO adopted provisions regarding the disclosures about activity in the allowance for credit losses of ASU2010-20 "Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" issued by the FASB in July 2010. These provisions require a rollforward schedule of the allowance for credit losses during a reporting period. See Note 20 for the related disclosures.

Fair Value Measurement and Disclosure

Effective January 1, 2012, DOCOMO adopted ASU2011-04 "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" issued by the FASB in May 2011. ASU2011-04 is intended to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. To achieve this objective, ASU2011-04 clarifies existing fair value measurement and disclosure requirements and changes a particular principle or requirement regarding fair value measurement and disclosure. The adoption of ASU2011-04 did not have a material impact on DOCOMO's results of operations and financial position. See Note 18 for the related disclosures.

Multiemployer Plans

Effective April 1, 2011, DOCOMO adopted ASU2011-09 "Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan" issued by the FASB in September 2011. ASU2011-09 requires that an employer provides more detailed information about an employer's involvement in multiemployer pension plans, including the names of the significant multiemployer plans and the level of an employer's participation in the significant multiemployer plans. The adoption of ASU2011-09 did not have any impact on DOCOMO's results of operations and financial position. See Note 15 for the related disclosures.

(b) 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, 2010, 2011 and 2012, 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 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.

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, 2010, 2011 and 2012 resulting in losses totaling ¥18,539 million, ¥9,821 million and ¥14,651 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, 2010, 2011 and 2012 were ¥513,753 million, ¥488,973 million, and ¥460,295 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, 2010, 2011 and 2012.

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 and so forth. 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 methods, 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 or losses which offset transaction gains or losses of the hedged items or cash flows which offset the cash flows related to the underlying position in respect of amount and timing.

All derivative instruments are recorded 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 DOCOMO 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), 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.

Deferred revenue and deferred charges as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Current deferred revenue	¥81,219	**¥67,664**
Long-term deferred revenue	72,214	**75,657**
Current deferred charges	11,481	**12,913**
Long-term deferred charges	72,214	**75,657**

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.

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, 2010, 2011 and 2012, 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.

(c) 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 mobile phone services. For the fiscal year ended March 31, 2011, ¥7,123 million was recognized in operating expenses as a result of this disaster. Most of these expenses were recognized in the mobile phone business segment.

There were no significant additional costs and expenses incurred and not significant changes to previously estimated accrued costs and expenses by DOCOMO for this disaster for the fiscal year ended March 31, 2012.

3. Cash and cash equivalents:

"Cash and cash equivalents" as of March 31, 2011 and 2012 comprised the following:

	Millions of yen	
	2011	**2012**
Cash	¥305,574	**¥161,597**
Certificates of deposit	210,000	**20,000**
Commercial paper	199,977	**199,979**
Bailment for consumption	50,000	**140,000**
Other	–	**502**
Total	¥765,551	**¥522,078**

The aggregate amount of commercial paper as of March 31, 2011 and 2012 were ¥259,972 million and ¥259,953 million, respectively and ¥59,995 million and ¥59,974 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.

The aggregate amount of certificates of deposit as of March 31, 2011 and 2012 were ¥220,000 million and ¥200,000 million, respectively and ¥10,000 million and ¥180,000 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.

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

4. Inventories:

"Inventories" as of March 31, 2011 and 2012 comprised the following:

	Millions of yen	
	2011	**2012**
Telecommunications equipment to be sold	¥141,106	**¥140,634**
Materials and supplies	2,560	**2,993**
Other	2,691	**2,936**
Total	¥146,357	**¥146,563**

5. Investments in affiliates:

Sumitomo Mitsui Card Co., Ltd.—

As of March 31, 2011 and 2012, 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 the "Osaifu-Keitai" (wallet-phone) service.

Philippine Long Distance Telephone Company—

As of March 31, 2011 and 2012, DOCOMO held approximately 14% and 15%, respectively, 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. Furthermore, DOCOMO acquired an additional common equity interest for ¥19,519 million in November, 2011, because PLDT acquired Digital Telecommunications Philippines, Inc. through a stock swap; and this was projected to decrease DOCOMO's interest in PLDT. As a result, DOCOMO and NTT Com held approximately 15% and 6%, respectively, of PLDT's outstanding common shares. Together with the PLDT common shares continued to be held by NTT Com, on a consolidated basis NTT held approximately 20% 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 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 investment by applying the equity method from the date of the initial acquisition of PLDT shares.

On June, 2011, the Supreme Court of the Philippines promulgated a Decision, in which the Court held that non-voting preferred shares are not included in the computation of the Filipino-alien equity requirement of public utilities companies. Although the Supreme Court decision is not final and still under reconsideration, and PLDT is not a party to this case, amendments to the Articles of Incorporation to issue the voting preferred stock were approved in the Special Meeting of Stockholders on March 22, 2012. Upon the approval of the amendments by the Philippine Securities and Exchange Commission, the voting preferred stock could be newly issued in future.

DOCOMO's carrying amount of its investment in PLDT was ¥95,859 million and ¥108,582 million as of March 31, 2011 and 2012, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥119,749 million and ¥162,411 million as of March 31, 2011 and 2012, respectively.

Tata Teleservices Limited—

As of March 31, 2011 and 2012, DOCOMO held approximately 26% and 27%, respectively, 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 decided 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, 2012. The impact of impairment charges on DOCOMO's results of operations or financial position was inconsequential. 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, 2011 and 2012 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, 2012.

DOCOMO's shares of undistributed earnings of its affiliated companies included in its consolidated retained earnings were ¥11,967 million, ¥14,531 million and ¥22,208 million, as of March 31, 2010, 2011 and 2012, 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, 2011 and 2012 was greater by ¥382,037 million and ¥323,097 million, respectively, than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees. The differences mainly consist of investor level goodwill and fair value adjustments for amortizable intangible assets.

The condensed combined financial information of all affiliates is as follows.

	Millions of yen	
Balance sheet information	2011	**2012**
Current assets	¥1,164,247	**¥1,245,671**
Non-current assets	1,376,831	**1,461,178**
Current liabilities	1,035,196	**1,141,486**
Long-term liabilities	850,160	**824,211**
Equity	655,722	**741,152**
Redeemable preferred stock	1,533	**1,233**
Noncontrolling interests	30,280	**27,905**

	Millions of yen	
Operating information	2011	**2012**
Operating revenues	¥888,397	**¥952,655**
Operating income	107,133	**90,451**
Income (loss) from continuing operations	30,222	**(5,365)**
Net income (loss)	30,222	**(5,365)**
Net income attributable to shareholders' of the affiliated companies	32,082	**3,479**

The condensed combined financial information of affiliates that recorded "Net income attributable to shareholders' of the affiliated companies," which primarily includes Sumitomo Mitsui Card and PLDT, is as follows.

	Millions of yen	
Balance sheet information	2011	**2012**
Current assets	¥996,026	**¥1,124,310**
Non-current assets	725,890	**877,558**
Current liabilities	738,131	**896,335**
Long-term liabilities	530,089	**496,179**
Equity	453,696	**609,354**
Redeemable preferred stock	–	**–**
Noncontrolling interests	1,495	**7,776**

	Millions of yen	
Operating information	2011	**2012**
Operating revenues	¥613,689	**¥708,891**
Operating income	162,143	**141,617**
Income from continuing operations	113,244	**99,798**
Net income	113,244	**99,798**
Net income attributable to shareholders' of the affiliated companies	113,163	**102,266**

The condensed combined financial information of affiliates that recorded "Net loss attributable to shareholders' of the affiliated companies," which primarily includes TTSL, is as follows.

	Millions of yen	
Balance sheet information	2011	2012
Current assets	¥168,221	**¥121,361**
Non-current assets	650,941	**583,620**
Current liabilities	297,065	**245,151**
Long-term liabilities	320,071	**328,032**
Equity	202,026	**131,798**
Redeemable preferred stock	1,533	**1,233**
Noncontrolling interests	28,785	**20,129**

	Millions of yen	
Operating information	2011	2012
Operating revenues	¥274,708	**¥243,764**
Operating loss	(55,010)	**(51,166)**
Loss from continuing operations	(83,022)	**(105,163)**
Net loss	(83,022)	**(105,163)**
Net loss attributable to shareholders' of the affiliated companies	(81,081)	**(98,787)**

6. Marketable securities and other investments:

"Marketable securities and other investments" as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	2012
Marketable securities:		
Available-for-sale	¥117,763	**¥115,995**
Other investments	10,375	**12,394**
Marketable securities and other investments (Non-current)	¥128,138	**¥128,389**

Maturities of debt securities classified as available-for-sales included in "Marketable securities and other investments" as of March 31, 2011 and 2012 were as follows:

	Millions of yen			
	2011		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Due after 1 year through 5 years	¥4	¥4	**¥26**	**¥26**
Due after 5 years through 10 years	–	–	**–**	**–**
Due after 10 years	–	–	**–**	**–**
Total	¥4	¥4	**¥26**	**¥26**

The aggregate cost, gross unrealized holding gains and losses and fair value by type of available-for-sale securities included in "Marketable securities and other investments" as of March 31, 2011 and 2012 were as follows:

	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

	Millions of yen			
	2012			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	**¥106,186**	**¥20,909**	**¥11,126**	**¥115,969**
Debt securities	**26**	**–**	**–**	**26**

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the years ended March 31, 2010, 2011 and 2012 were as follows:

	Millions of yen		
	2010	2011	**2012**
Proceeds	¥71,640	¥3,585	**¥2,189**
Gross realized gains	5,627	475	**1,211**
Gross realized losses	(4,934)	(22)	**(202)**

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, 2011 and 2012, 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					
	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

	Millions of yen					
	2012					
	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	**¥39,366**	**¥11,117**	**¥27**	**¥ 9**	**¥39,393**	**¥11,126**
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Cost method investments	**287**	**1,489**	**17**	**102**	**304**	**1,591**

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

For long-term investments in various privately held companies for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. Accordingly, DOCOMO believes that it is not practicable to disclose estimated fair values of these cost method investments. Unless DOCOMO identifies events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments, the fair value of such cost method investments is not estimated.

The aggregate carrying amount of cost method investments included in other investments and the aggregate carrying amount of investments whose fair values were not evaluated for impairment as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Cost method investments included in other investments	¥10,341	**¥12,353**
Including: Investments whose fair values were not evaluated for impairment	9,714	**10,381**

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.

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 segment for the years ended March 31, 2011 and 2012 were as follows:

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

	Millions of yen		
	2012		
	Mobile phone business	All other businesses	Consolidated
Balance at beginning of year	**¥151,207**	**¥54,366**	**¥205,573**
Goodwill acquired during the year	**1,611**	**5,645**	**7,256**
Impairment losses	**(6,310)**	**–**	**(6,310)**
Foreign currency translation adjustment	**(952)**	**(677)**	**(1,629)**
Balance at end of year			
Gross goodwill	**151,866**	**59,334**	**211,200**
Accumulated impairment losses	**(6,310)**	**–**	**(6,310)**
	¥145,556	**¥59,334**	**¥204,890**

Segment information is disclosed in Note 14.

The main components of goodwill acquired during the years ended March 31, 2011 and 2012 were ¥10,852 million associated with the additional acquisition of 65.0% shares of PacketVideo Corporation and ¥5,636 million associated with the acquisition of 74.6% shares of Radishbo-ya Co., Ltd., respectively.

Because of the rapid adverse change in its business environment, DOCOMO recognized a ¥6,310 million non-cash goodwill impairment charge for its PacketVideo Corporation reporting unit. The fair value of this reporting unit was measured using the discounted cash flow method in combination with a market approach. The amount of this impairment loss was included in "Selling, general and administrative" of the consolidated statements of income and comprehensive income.

Other intangible assets—

Other intangible assets, as of March 31, 2011 and 2012 comprised the following:

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

	Millions of yen		
	2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	**¥ 921,565**	**¥ 652,665**	**¥268,900**
Internal-use software	**1,177,583**	**897,447**	**280,136**
Software acquired to be used in manufacture of handsets	**216,129**	**122,547**	**93,582**
Rights to use telecommunications facilities of wireline operators	**19,625**	**8,271**	**11,354**
Other	**38,130**	**15,201**	**22,929**
Total amortizable intangible assets	**¥2,373,032**	**¥1,696,131**	**¥676,901**
Unamortizable intangible assets:			
Trademarks and trade names			**¥ 3,930**
Total unamortizable intangible assets			**¥ 3,930**
Total			**¥680,831**

The amount of amortizable intangible assets acquired during the year ended March 31, 2012 was ¥239,549 million, the main components of which were software for telecommunications network in the amount of ¥98,456 million and internal-use software in the amount of ¥111,806 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, 2010, 2011 and 2012 was ¥187,393 million, ¥204,090 million and ¥224,488 million, respectively. Estimated amortization of existing intangible assets for fiscal years ending March 31, 2013, 2014, 2015, 2016 and 2017 is ¥202,072 million, ¥168,542 million, ¥132,559 million, ¥81,467 million, and ¥28,089 million, respectively. The weighted-average amortization period of the intangible assets acquired during the year ended March 31, 2012 is 5.0 years.

8. Other assets:

"Other assets" as of March 31, 2011 and 2012 comprised the following:

	Millions of yen	
	2011	**2012**
Deposits	¥ 59,615	**¥ 59,637**
Deferred customer activation costs	72,214	**75,657**
Installment receivables for handsets (Non-current)	75,391	**88,716**
Allowance for doubtful accounts	(1,118)	**(1,530)**
Long-term bailment for consumption to a related party	20,000	**10,000**
Other	23,817	**23,267**
Total	¥249,919	**¥255,747**

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, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions	¥276	**¥733**
(Year ended March 31, 2011—weighted-average variable rate per annum: 5.3% as of March 31, 2011)		
(Year ended March 31, 2012—weighted-average variable rate per annum: 2.7% as of March 31, 2012)		
Total short-term borrowings	¥276	**¥733**

Long-term debt as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Debt denominated in Japanese Yen:		
Unsecured corporate bonds	¥ 407,032	**¥240,000**
(Year ended March 31, 2011 — interest rates per annum: 1.0%–2.0%, due: years ending March 31, 2012–2019)		
(Year ended March 31, 2012 — interest rates per annum: 1.0%–2.0%, due: years ending March 31, 2013–2019)		
Unsecured indebtedness to financial institutions	21,000	**15,797**
(Year ended March 31, 2011 — interest rates per annum: 1.3%–1.5%, due: years ending March 31, 2012–2013)		
(Year ended March 31, 2012 — interest rates per annum: 0.7%–1.5%, due: years ending March 31, 2013–2014)		
Debt denominated in Euro:		
Unsecured indebtedness to financial institutions	70	**150**
(Year ended March 31, 2011 — interest rates per annum: 2.4% as of March 31, 2011, due: year ending March 31, 2012)		
(Year ended March 31, 2012 — interest rates per annum: 9.7% as of March 31, 2012, due: year ending March 31, 2018)		
Sub-total	¥ 428,102	**¥255,947**
Less: Current portion	(173,102)	**(75,428)**
Total long-term debt	¥ 255,000	**¥180,519**

Interest rates on DOCOMO's debts 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. DOCOMO didn't use interest rate swap transactions as of March 31, 2012. Interest costs related specifically to short-term borrowings and long-term debt for the years ended March 31, 2010, 2011 and 2012 totaled ¥7,441 million, ¥6,709 million and ¥4,356 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, 2012, were as follows:

Year ending March 31,	Millions of yen
2013	¥ 75,428
2014	70,421
2015	26
2016	26
2017	26
Thereafter	110,020
Total	¥255,947

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, 2012 was ¥3,810,822 million and was included in "Additional paid-in capital" and "Retained earnings."

In the general meeting of shareholders held on June 19, 2012, the shareholders approved cash dividends of ¥116,109 million or ¥2,800 per share, payable to shareholders recorded as of March 31, 2012, which were declared by the board of directors on April 27, 2012.

In order to improve capital efficiency and to implement flexible 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—

The changes in the number of issued shares and treasury stock for the years ended March 31, 2010, 2011 and 2012 were as follows.

DOCOMO has not issued shares other than shares of its common stock.

	Number of issued shares	Number of treasury stock
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
Acquisition of treasury stock based on the resolution of the board of directors	–	138,141
Retirement of treasury stock	(140,000)	(140,000)
As of March 31, 2011	43,650,000	2,182,399
Acquisition of treasury stock based on the resolution of the board of directors	**–**	**–**
Retirement of treasury stock	**–**	**–**
As of March 31, 2012	**43,650,000**	**2,182,399**

The general meeting of shareholders approved a stock repurchase plan 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 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
December 17, 2010	December 20, 2010 – January 28, 2011	160,000	20,000

DOCOMO did not resolve any stock repurchase plans in the fiscal year ended March 31, 2012.

The aggregate number and price of shares repurchased for the years ended March 31, 2010, 2011 and 2012 were as follows:

Year ended March 31,	Shares	Millions of yen
2010	154,065	¥20,000
2011	138,141	20,000

DOCOMO did not repurchase its own shares in the fiscal year ended March 31, 2012.

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, 2010	160,000	¥27,936
March 28, 2011	140,000	24,195

DOCOMO did not retire its own shares in the fiscal year ended March 31, 2012.

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, 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)
2011 change	(5,293)	4	(27,854)	(6,433)	(39,576)
As of March 31, 2011	¥ 5,691	¥(109)	¥(54,989)	¥(27,548)	¥ (76,955)
2012 change	**3,895**	**(2)**	**(28,984)**	**(2,483)**	**(27,574)**
As of March 31, 2012	**¥ 9,586**	**¥(111)**	**¥(83,973)**	**¥(30,031)**	**¥(104,529)**

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 ¥109,916 million, ¥109,108 million and ¥108,474 million for the years ended March 31, 2010, 2011 and 2012, respectively.

Advertising expenses—

Advertising costs are charged to expense as incurred. Advertising expenses are included in "Selling, general and administrative" expenses and amounted to ¥54,114 million, ¥54,984 million and ¥61,872 million for the years ended March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Net realized gains (losses) on dispositions of investments in affiliates	¥ (26)	¥ 95	**¥ 423**
Net realized gains on dispositions of marketable securities and other investments	693	453	**1,009**
Other-than-temporary impairment loss on marketable securities and other investments	(4,007)	(13,424)	**(4,030)**
Foreign exchange gains (losses), net	(615)	(1,575)	**(1,034)**
Rental revenue received	2,524	1,804	**1,765**
Dividends income	4,652	4,819	**4,362**
Penalties and compensation for damages	2,204	1,605	**1,419**
Other, net	259	449	**(18)**
Total	¥ 5,684	¥ (5,774)	**¥ 3,896**

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. The balances of "Accounts payable, trade" due to the related parties as of March 31, 2011 and 2012 primarily consisted of accounts payables assumed for a number of different types of transactions with NTT group companies and Sumitomo Mitsui Card, which is our affiliated company. During the years ended March 31, 2010, 2011 and 2012, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥72,928 million, ¥76,214 million ¥91,416 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, 2012. 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 ¥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 balance of bailment was ¥240,000 million as of March 31, 2012. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥140,000 million, "Short-term investments" of ¥90,000 million, and "Other assets" of ¥10,000 million in the consolidated balance sheet as of March 31, 2012. The contracts had remaining terms to maturity ranging up to 1 years and 9 months with an average interest rate of 0.1% per annum as of March 31, 2012.

The average balance of the contracts of bailment expired during the years ended March 31, 2010, 2011 and 2012 was ¥15,616 million, ¥82,959 million and ¥58,907 million, respectively. The recorded amounts of "Interest income" derived from the contracts were ¥75 million, ¥171 million and ¥183 million for the years ended March 31, 2010, 2011 and 2012, respectively.

In May, 2012, DOCOMO and NTT FINANCE entered into a basic contract regarding billing and collection of DOCOMO's billing claims. Pursuant to this contract, the meeting of the board of directors resolved to enter into an individual contract regarding the transfer of billing claims with NTT FINANCE in June, 2012. Under the contracts, billing claims which will be billed to customers for DOCOMO's telecommunications services on or after July 1, 2012 will be transferred, at fair value, to NTT FINANCE.

14. Segment reporting:

DOCOMO's chief operating decision maker ("CODM") is its board of directors. The CODM evaluates the performance and makes resource allocations of its segments based on the information derived from DOCOMO's internal management reports. 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. There were no transactions between the operating segments.

DOCOMO has five operating segments, which consist of mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities, and miscellaneous businesses. The mobile phone business includes mobile phone services (Xi services, FOMA services, and mova services), packet communications services, satellite mobile communications services, international services and the equipment sales related to these services. Credit services business primarily includes DCMX services. Home shopping services business includes home shopping services business provided primarily through TV media. Internet connection services business for hotel facilities includes high-speed internet connection services for hotel facilities, which are provided in many countries in the world, mainly Asia and Europe. The miscellaneous businesses primarily includes advertisement services, development, sales and maintenance of IT systems.

Due to its quantitative significance, only the mobile phone business qualifies as a reportable segment and therefore is disclosed as such. The remaining four operating segments are each quantitatively insignificant and therefore combined and disclosed as "all other businesses."

Assets by segment are not included in the management reports which is reported to the CODM, however, they are disclosed herein only for the purpose of additional information. The "Reconciliation" column in the tables below is included to reflect the recorded amounts of common assets which are not allocated to any segments and assets in "Reconciliation" 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 "Reconciliation" column include certain expenditures related to the buildings for telecommunications purposes and common facilities, which are not allocated to each segment.

	Millions of yen				
Year ended March 31, 2010	Mobile phone business	All other businesses	Total segments	Reconciliation	Consolidated
Operating revenues	¥4,167,704	¥116,700	¥4,284,404	¥ –	¥4,284,404
Operating expenses	3,322,064	128,095	3,450,159	–	3,450,159
Operating income (loss)	¥ 845,640	¥ (11,395)	¥ 834,245	¥ –	¥ 834,245
Other income (expense)					¥ 1,912
Income before income taxes and equity in net income (losses) of affiliates					¥ 836,157
Depreciation and amortization	¥ 691,851	¥ 9,295	¥ 701,146	¥ –	¥ 701,146
Other significant non-cash item:					
Point program expense	¥ 134,954	¥ 7,266	¥ 142,220	¥ –	¥ 142,220
Total assets	¥4,949,025	¥259,283	¥5,208,308	¥1,548,467	¥6,756,775
Capital expenditures	¥ 556,829	¥ –	¥ 556,829	¥ 129,679	¥ 686,508

	Millions of yen				
Year ended March 31, 2011	Mobile phone business	All other businesses	Total segments	Reconciliation	Consolidated
Operating revenues	¥4,090,659	¥133,614	¥4,224,273	¥ –	¥4,224,273
Operating expenses	3,233,925	145,619	3,379,544	–	3,379,544
Operating income (loss)	¥ 856,734	¥ (12,005)	¥ 844,729	¥ –	¥ 844,729
Other income (expense)					¥ (9,391)
Income before income taxes and equity in net income (losses) of affiliates					¥ 835,338
Depreciation and amortization	¥ 682,029	¥ 11,034	¥ 693,063	¥ –	¥ 693,063
Other significant non-cash item:					
Point program expense	¥ 118,576	¥ 8,271	¥ 126,847	¥ –	¥ 126,847
Total assets	¥4,843,925	¥286,338	¥5,130,263	¥1,661,330	¥6,791,593
Capital expenditures	¥ 520,770	¥ 4,759	¥ 525,529	¥ 142,947	¥ 668,476

	Millions of yen				
Year ended March 31, 2012	Mobile phone business	All other businesses	Total segments	Reconciliation	Consolidated
Operating revenues	**¥4,110,585**	**¥129,418**	**¥4,240,003**	**¥ –**	**¥4,240,003**
Operating expenses	**3,224,241**	**141,302**	**3,365,543**	**–**	**3,365,543**
Operating income (loss)	**¥ 886,344**	**¥ (11,884)**	**¥ 874,460**	**¥ –**	**¥ 874,460**
Other income (expense)					**¥ 2,498**
Income before income taxes and equity in net income (losses) of affiliates					**¥ 876,958**
Depreciation and amortization	**¥ 674,330**	**¥ 10,453**	**¥ 684,783**	**¥ –**	**¥ 684,783**
Other significant non-cash item:					
Point program expense	**¥ 89,378**	**¥ 6,412**	**¥ 95,790**	**¥ –**	**¥ 95,790**
Total assets	**¥4,970,087**	**¥343,293**	**¥5,313,380**	**¥1,634,702**	**¥6,948,082**
Capital expenditures	**¥ 561,661**	**¥ 23,584**	**¥ 585,245**	**¥ 141,588**	**¥ 726,833**

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, 2010, 2011 and 2012.

For segment information related to goodwill impairment losses, see Note 7.

Operating revenues from products and services were as follows:

	Millions of yen		
Year ended March 31,	2010	2011	**2012**
Wireless services	¥3,776,909	¥3,746,869	**¥3,741,114**
Cellular services revenues	3,499,452	3,407,145	**3,385,737**
– Voice revenues	1,910,499	1,712,218	**1,541,884**
Including: FOMA services	1,785,518	1,658,863	**1,518,328**
– Packet communications revenues	1,588,953	1,694,927	**1,843,853**
Including: FOMA services	1,558,284	1,679,840	**1,809,790**
Other revenues	277,457	339,724	**355,377**
Equipment sales	507,495	477,404	**498,889**
Total operating revenues	¥4,284,404	¥4,224,273	**¥4,240,003**

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, 2011 and 2012. DOCOMO uses a measurement date of March 31 for its Defined benefit pension plans.

	Millions of yen	
	2011	**2012**
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 190,368	**¥ 196,064**
Service cost	9,244	**9,491**
Interest cost	3,894	**3,831**
Actuarial (gain) loss	1,586	**2,150**
Recognition of prior service cost	–	**145**
Transfer of liability from defined benefit pension plans of the NTT group	328	**546**
Other	7	**271**
Benefit payments	(9,363)	**(10,095)**
Projected benefit obligation, end of year	¥ 196,064	**¥ 202,403**
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 77,070	**¥ 77,813**
Actual return on plan assets	(1,407)	**1,095**
Employer contributions	5,053	**5,254**
Transfer of plan assets from defined benefit pension plans of the NTT group	77	**105**
Benefit payments	(2,980)	**(3,005)**
Fair value of plan assets, end of year	¥ 77,813	**¥ 81,262**
At March 31:		
Funded status	¥(118,251)	**¥(121,141)**

The amounts recognized in DOCOMO's consolidated balance sheets as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Liability for employees' retirement benefits	¥(118,290)	**¥(121,187)**
Prepaid pension cost	39	**46**
Net amount recognized	¥(118,251)	**¥(121,141)**

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, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Actuarial gains (losses), net	¥(42,262)	**¥(43,242)**
Prior service cost, net	12,611	**10,583**
Transition obligation	(935)	**(810)**
Total	¥(30,586)	**¥(33,469)**

The accumulated benefit obligation for the Defined benefit pension plans was ¥190,067 million and ¥196,512 million as of March 31, 2011 and 2012, 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, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥196,025	**¥202,346**
Fair value of plan assets	77,735	**81,159**
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥190,028	**¥196,454**
Fair value of plan assets	77,735	**81,159**

The net periodic pension cost for the Defined benefit pension plans for the years ended March 31, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Service cost	¥ 9,204	¥ 9,244	**¥ 9,491**
Interest cost on projected benefit obligation	3,979	3,894	**3,831**
Expected return on plan assets	(1,649)	(1,714)	**(1,569)**
Amortization of prior service cost	(1,907)	(1,907)	**(1,907)**
Amortization of actuarial gains and losses	2,190	1,497	**1,644**
Amortization of transition obligation	125	125	**125**
Net periodic pension cost	¥11,942	¥11,139	**¥11,615**

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, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)":			
Actuarial (gains) losses arising during period, net	¥(7,623)	¥ 4,707	**¥ 2,624**
Prior service cost arising during period, net	–	–	**121**
Amortization of prior service cost	1,907	1,907	**1,907**
Amortization of actuarial gains and losses	(2,190)	(1,497)	**(1,644)**
Amortization of transition obligation	(125)	(125)	**(125)**
Total recognized in "Accumulated other comprehensive income (loss)"	¥(8,031)	¥ 4,992	**¥ 2,883**

Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)" was ¥3,911 million, ¥16,131 million and ¥14,498 million for the years ended March 31, 2010, 2011 and 2012, 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, 2013 is ¥1,667 million, ¥123 million and ¥(1,898) million, respectively.

The assumptions used in determination of the Defined benefit pension plans' projected benefit obligations as of March 31, 2011 and 2012 were as follows:

	2011	**2012**
Discount rate	2.0%	**1.9%**
Long-term rate of salary increases	2.9	**2.9**

The assumptions used in determination of the net periodic pension cost for the years ended March 31, 2010, 2011 and 2012 were as follows:

	2010	2011	2012
Discount rate	2.2%	2.1%	**2.0%**
Long-term rate of salary increases	2.2	2.2	**2.9**
Expected long-term rate of return on plan assets	2.5	2.3	**2.0**

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

The following table presents the fair values of DOCOMO's pension plan assets as of March 31, 2011 and 2012. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	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	–
Other	1,967	(0)	(2)	1,969
Total	¥77,813	¥54,644	¥21,188	¥1,981

	Millions of yen			
	2012			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	**¥ 753**	**¥ 753**	**¥ –**	**¥ –**
Debt securities				
Japanese government bonds/local government bonds	**29,628**	**28,266**	**1,362**	**–**
Domestic corporate bonds	**8,795**	**–**	**8,795**	**–**
Foreign government bonds	**6,964**	**6,883**	**81**	**–**
Foreign corporate bonds	**294**	**19**	**275**	**–**
Equity securities				
Domestic stocks	**12,336**	**12,336**	**–**	**–**
Foreign stocks	**8,122**	**8,122**	**–**	**–**
Securities investment trust beneficiary certificates				
Domestic debt securities	**837**	**–**	**837**	**–**
Domestic equity securities	**703**	**–**	**703**	**–**
Foreign debt securities	**498**	**–**	**498**	**–**
Foreign equity securities	**679**	**–**	**679**	**–**
Life insurance company general accounts	**9,454**	**–**	**9,454**	**–**
Other	**2,199**	**–**	**1**	**2,198**
Total	**¥81,262**	**¥56,379**	**¥22,685**	**¥2,198**

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 is classified as Level 3.

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

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 2012 was: domestic bonds, 53.0%; domestic stocks, 13.0%; foreign bonds, 10.0%; foreign stocks, 10.0%; and life insurance company general accounts, 14.0%. 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, 2011 and 2012, 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 ¥515 million (0.7% of total plan assets) and ¥282 million (0.3% of total plan assets), respectively.

DOCOMO expects to contribute ¥5,233 million to the Defined benefit pension plans in the year ending March 31, 2013.

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
2013	¥11,119
2014	11,449
2015	11,616
2016	13,249
2017	12,652
2018–2022	68,912

Social welfare pension scheme and NTT Kigyou-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 Kigyou-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 ¥14,425 million, ¥14,703 million and ¥15,414 million for the years ended March 31, 2010, 2011 and 2012, respectively. In addition, the National Plan is a social welfare pension scheme, and because the information required by its accounting standards is limited, additional quantitative information relating to participation in the multi-employer plan is not disclosed.

Both NTT group, including DOCOMO, and its employees 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, 2011 and 2012 represented approximately 11.0% and 11.4% 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, 2011 and 2012. 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, 2011 and 2012.

	Millions of yen	
	2011	**2012**
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 88,714	**¥ 97,299**
Service cost	3,256	**3,478**
Interest cost	1,849	**1,897**
Actuarial (gain) loss	4,527	**2,104**
Internal adjustment due to transfer of employees within the NTT group	(445)	**(630)**
Other	883	**211**
Benefit payments	(1,485)	**(1,575)**
Projected benefit obligation, end of year	¥ 97,299	**¥102,784**
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 63,599	**¥ 62,942**
Actual return on plan assets	(930)	**1,469**
Employer contributions	803	**834**
Employee contributions	413	**416**
Internal adjustment due to transfer of employees within the NTT group	(341)	**(433)**
Other	883	**211**
Benefit payments	(1,485)	**(1,575)**
Fair value of plan assets, end of year	¥ 62,942	**¥ 63,864**
At March 31:		
Funded status	¥(34,357)	**¥ (38,920)**

Items recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Actuarial gains (losses), net	¥(18,002)	**¥(19,132)**
Prior service cost, net	1,069	**712**
Total	¥(16,933)	**¥(18,420)**

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥77,436 million and ¥81,826 million at March 31, 2011 and 2012, 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, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥97,299	**¥102,784**
Fair value of plan assets	62,942	**63,864**
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥77,380	**¥ 81,749**
Fair value of plan assets	62,880	**63,782**

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the years ended March 31, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Service cost	¥ 3,216	¥ 3,256	**¥ 3,478**
Interest cost on projected benefit obligation	1,798	1,849	**1,897**
Expected return on plan assets	(1,402)	(1,583)	**(1,519)**
Amortization of prior service cost	(357)	(357)	**(357)**
Amortization of actuarial gains and losses	874	326	**1,024**
Contribution from employees	(411)	(413)	**(416)**
Net periodic pension cost	¥ 3,718	¥ 3,078	**¥ 4,107**

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, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Other changes in plan assets and benefit obligations recognized in “Accumulated other comprehensive income (loss)”:			
Actuarial (gains) losses arising during period, net	¥(4,221)	¥7,040	**¥ 2,154**
Amortization of prior service cost	357	357	**357**
Amortization of actuarial gains and losses	(874)	(326)	**(1,024)**
Total recognized in “Accumulated other comprehensive income (loss)”	¥(4,738)	¥7,071	**¥ 1,487**

Total recognized in net periodic pension cost and “Accumulated other comprehensive income (loss)” was ¥(1,020) million, ¥10,149 million and ¥5,594 million for the years ended March 31, 2010, 2011 and 2012, 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, 2013 is ¥1,077 million and ¥(356) 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, 2011 and 2012 were as follows:

	2011	**2012**
Discount rate	2.0%	**1.9%**
Long-term rate of salary increases	3.3	**3.3**

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, 2010, 2011 and 2012 were as follows:

	2010	2011	**2012**
Discount rate	2.2%	2.1%	**2.0%**
Long-term rate of salary increases	2.6	3.4	**3.3**
Expected long-term rate of return on plan assets	2.5	2.5	**2.5**

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, 2011 and 2012. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 18.

	Millions of yen			
	2011			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 637	¥ 637	¥ –	¥ –
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
Total	¥62,942	¥38,074	¥24,458	¥410

	Millions of yen			
	2012			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	**¥ 417**	**¥ 417**	**¥ –**	**¥ –**
Debt securities				
Japanese government bonds/local government bonds	**21,705**	**20,623**	**1,082**	**–**
Domestic corporate bonds	**6,279**	**–**	**6,279**	**–**
Foreign government bonds	**4,916**	**4,870**	**46**	**–**
Foreign corporate bonds	**173**	**9**	**164**	**–**
Equity securities				
Domestic stocks	**13,700**	**13,699**	**1**	**–**
Foreign stocks	**7,721**	**7,721**	**–**	**0**
Securities investment trust beneficiary certificates				
Domestic debt securities	**1,055**	**–**	**1,055**	**–**
Domestic equity securities	**1,383**	**–**	**1,383**	**–**
Foreign debt securities	**883**	**–**	**883**	**–**
Foreign equity securities	**973**	**–**	**973**	**–**
Life insurance company general accounts	**4,329**	**–**	**4,329**	**–**
Other	**330**	**–**	**(0)**	**330**
Total	**¥63,864**	**¥47,339**	**¥16,195**	**¥330**

Cash and cash equivalents

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

Debt securities

Debt securities include Japanese government bonds and local government bonds, domestic corporate bonds, foreign government bonds and foreign corporate bonds. If active market prices are available, fair value is measured by quoted prices for identical assets in active markets, which is classified as Level 1. If active market prices are not available, fair value is measured by inputs derived principally from observable market data provided by financial institutions, which is classified as Level 2.

Equity securities

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

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

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

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

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 2012 was: domestic bonds, 47.7%; domestic stocks, 20.9%; foreign bonds, 10.0%; foreign stocks, 14.4%; and life insurance company general accounts, 7.0%. 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, 2011 and 2012, 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 ¥6,974 million (0.8% of total plan assets) and ¥4,727 million (0.5% of total plan assets), respectively.

DOCOMO expects to contribute ¥817 million to the NTT CDBP in the year ending March 31, 2013.

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
2013	¥ 1,691
2014	2,060
2015	2,220
2016	2,375
2017	2,500
2018–2022	13,814

16. Income taxes:

Total income taxes for the years ended March 31, 2010, 2011 and 2012 comprised the following:

	Millions of yen		
	2010	2011	**2012**
Income from continuing operations before equity in net income (losses) of affiliates	¥338,197	¥337,837	**¥402,534**
Equity in net income (losses) of affiliates	(1,270)	(5,031)	**(10,736)**
Other comprehensive income (loss):			
Unrealized holding gains (losses) on available-for-sale securities	9,109	(8,509)	**(279)**
Less: Reclassification of realized gains and losses included in net income	1,335	4,827	**1,396**
Change in fair value of derivative instruments	(43)	2	**14**
Less: Reclassification of realized gains and losses included in net income	–	–	**–**
Foreign currency translation adjustment	3,082	(12,523)	**(18,713)**
Less: Reclassification of realized gains and losses included in net income	(24)	245	**2,021**
Pension liability adjustment:			
Actuarial gains (losses) arising during period, net	4,702	(4,388)	**(1,463)**
Prior service cost arising during period, net	–	33	**(50)**
Less: Amortization of prior service cost	(923)	(928)	**(928)**
Less: Amortization of actuarial gains and losses	1,280	788	**1,107**
Less: Amortization of transition obligation	55	61	**53**
Total income taxes	¥355,500	¥312,414	**¥374,956**

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

For the years ended March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012 were 40.8%. The effective income tax rate for the years ended March 31, 2010, 2011 and 2012 was 40.4%, 40.4% and 45.9%, respectively.

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

	2010	2011	**2012**
Statutory income tax rate	40.8%	40.8%	**40.8%**
Expenses not deductible for tax purposes	0.1	0.1	**0.4**
Tax credit for special tax treatment	(0.8)	(0.8)	**(0.7)**
Change in valuation allowance	0.1	0.1	**0.9**
Effect of enacted changes in tax laws and rates	–	–	**4.7**
Other	0.2	0.2	**(0.2)**
Effective income tax rate	40.4%	40.4%	**45.9%**

The amendments to the Japanese corporate tax law were enacted on November 30, 2011, and the corporate tax rate will be changed effectively from April 1, 2012. The aggregate statutory income tax rate declined from 40.8% to 38.1% or 35.8% to be used in measuring deferred tax assets and liabilities after the enactment date, resulting from temporary differences that are expected to be recovered or settled during the fiscal years from April 1, 2012 to March 31, 2015, or April 1, 2015 and thereafter. Due to the change in the enacted tax rates, net deferred tax assets as of enactment date decreased by ¥36,454 million, and the adjustment to deferred tax assets and liabilities as of enactment date amounted to ¥36,454 million is recorded in the "Income taxes—deferred" on the consolidated statements of income and comprehensive income. Net income attributable to NTT DOCOMO, INC. decreased by ¥36,582 million as of enacted date.

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, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Deferred tax assets:		
Accrued liabilities for loyalty programs	¥116,137	**¥ 92,289**
Property, plant and equipment and intangible assets principally due to differences in depreciation and amortization	93,924	**80,143**
Liability for employees' retirement benefits	61,191	**56,603**
Foreign currency translation adjustment	23,543	**35,500**
Investments in affiliates	19,342	**29,217**
Deferred revenues regarding "Nikagetsu Kurikoshi" (2-month carry-over)	28,453	**20,794**
Compensated absences	12,730	**12,160**
Accrued enterprise tax	12,513	**11,609**
Marketable securities and other investments	15,322	**10,609**
Asset retirement obligations	6,373	**7,825**
Accrued bonus	7,377	**7,019**
Inventories	4,409	**6,706**
Accrued commissions to agent resellers	4,355	**4,870**
Other	23,491	**26,758**
Sub-total deferred tax assets	¥429,160	**¥402,102**
Less: Valuation allowance	(2,338)	**(10,680)**
Total deferred tax assets	¥426,822	**¥391,422**
Deferred tax liabilities:		
Unrealized holding gains on available-for-sale securities	¥ 3,927	**¥ 5,043**
Identifiable intangible assets	5,503	**4,227**
Property, plant and equipment due to differences in capitalized interest	2,358	**2,031**
Other	1,650	**1,463**
Total deferred tax liabilities	¥ 13,438	**¥ 12,764**
Net deferred tax assets	¥413,384	**¥378,658**

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
	2011	**2012**
Deferred tax assets (Current assets)	¥ 83,609	**¥ 76,858**
Deferred tax assets (Non-current investments and other assets)	331,633	**303,556**
Other current liabilities	–	**–**
Other long-term liabilities	(1,858)	**(1,756)**
Total	¥413,384	**¥378,658**

As of and for the years ended March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012 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. The net changes in the total valuation allowance were an increase of ¥806 million for the year ended March 31, 2010, an increase of ¥1,081 million for the year ended March 31, 2011, and an increase of ¥8,342 million for the year ended March 31, 2012, respectively. Management believes that it is more likely than not that the deferred tax assets less valuation allowances of certain subsidiaries will be realized; however, that assessment could change in the near term if estimates of future taxable income during the 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, 2011.

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, 2011 and 2012 were as follows:

	Millions of yen	
Class of property	2011	**2012**
Machinery, vessels and equipment	¥13,360	**¥12,359**
Less: Accumulated depreciation and amortization	(8,802)	**(9,266)**
Total	¥ 4,558	**¥ 3,093**

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2012 were as follows:

Year ending March 31,	Millions of yen
2013	¥ 2,657
2014	1,638
2015	1,029
2016	557
2017	225
Thereafter	23
Total minimum lease payments	6,129
Less: Amount representing interest	(341)
Present value of net minimum lease payments	5,788
Less: Amounts representing estimated executory costs	(876)
Net minimum lease payments	4,912
Less: Current obligation	(2,134)
Long-term capital lease obligations	¥ 2,778

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, 2012 were as follows:

Year ending March 31,	Millions of yen
2013	¥ 2,627
2014	2,137
2015	1,971
2016	1,756
2017	1,543
Thereafter	8,543
Total minimum rent payments	¥18,577

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, 2010, 2011 and 2012 were as follows:

	Millions of yen		
	2010	2011	**2012**
Rent expense	¥68,673	¥62,666	**¥69,782**

Litigation—

DOCOMO is involved in litigation and claims arising in the ordinary course of business. Management believes that none of the litigation or claims outstanding, pending or threatened against DOCOMO would have a materially adverse effect on its results of operations, cash flows 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, 2012 were ¥34,986 million (of which ¥3,143 million are with related parties) for property, plant and equipment, ¥20,373 million (of which none are with related parties) for inventories and ¥15,778 million (of which ¥909 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, 2011 and 2012 were ¥105,030 million and ¥115,922 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 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.

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

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2011 and 2012 were as follows:

	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	¥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	¥ 2,013	¥ –	¥2,013	¥–

There were no transfers between Level 1 and Level 2.

	Millions of yen			
	2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	**¥ 51,808**	**¥ 51,808**	**¥ –**	**¥–**
Equity securities (foreign)	**64,161**	**64,161**	**–**	**–**
Debt securities (foreign)	**30**	**30**	**–**	**–**
Total available-for-sale securities	**115,999**	**115,999**	**–**	**–**
Total	**¥115,999**	**¥115,999**	**¥ –**	**¥–**
Liabilities:				
Derivatives				
Foreign exchange forward contracts	**¥ 1**	**¥ –**	**¥ 1**	**¥–**
Foreign currency option contracts	**1,096**	**–**	**1,096**	**–**
Total derivatives	**1,097**	**–**	**1,097**	**–**
Total	**¥ 1,097**	**¥ –**	**¥1,097**	**¥–**

There were no transfers between Level 1 and Level 2.

Available-for-sale securities

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

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis 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's assets and liabilities that were measured at fair value on a nonrecurring basis for the fiscal year ended March 31, 2011 were immaterial.
DOCOMO's assets that were measured at fair value on a nonrecurring basis for the fiscal year ended March 31, 2012 were as follows:

	Millions of yen				
	2012				
	Total	Level 1	Level 2	Level 3	gains (losses)
Assets:					
Goodwill	**¥3,897**	**¥–**	**¥–**	**¥3,897**	**¥(6,310)**
Long-lived assets	**353**	**–**	**–**	**353**	**(706)**

Goodwill

Fair value of the reporting unit is measured based on discounted cash flow method in combination with a market approach using unobservable inputs. Therefore, it is classified as Level 3.

Long-lived assets

With the recognition of impairment loss, fair value is measured based on discounted cash flow method using unobservable inputs. Therefore, it is classified as Level 3.

19. Financial instruments:

(a) Risk management

The fair values of DOCOMO's assets and liabilities and DOCOMO's cash flows may be negatively impacted by fluctuations in interest rates and foreign exchange rates. To manage these risks, DOCOMO uses derivative instruments such as interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts as needed. The financial instruments are executed with creditworthy financial institutions and DOCOMO'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.

(b) 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.

Fair value is measured using observable market data, and these derivatives are classified as Level 2.

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2011 and 2012 were as follows:

Millions of yen			
2011		**2012**	
Carrying amount	Fair value	Carrying amount	Fair value
¥428,102	¥438,483	**¥255,947**	**¥267,157**

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).

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.

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

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

DOCOMO redeemed the unsecured corporate bonds hedged by the contract during the fiscal year ended March 31, 2012. DOCOMO didn't use interest rate swap transactions as of March 31, 2012.

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

The contract amounts as of March 31, 2011 and 2012 were as follows:

	Millions of yen	
Instruments	2011	**2012**
Foreign exchange risk management		
Foreign exchange forward contracts	¥ 4,296	**¥ 713**
Foreign currency option contracts	15,143	**9,107**
Total	¥19,439	**¥9,820**

(iii) The effect on the consolidated balance sheets

The locations and fair values of the derivative instruments as of March 31, 2011 and 2012, recorded in the accompanying consolidated balance sheets, were as follows:

Asset derivatives

		Millions of yen	
Instruments	Locations	2011	**2012**
Derivatives designated as hedging instruments			
Interest rate swap agreements	Prepaid expenses and other current assets	¥1,232	**¥–**
Total		¥1,232	**¥–**

Liability derivatives

		Millions of yen	
Instruments	Locations	2011	**2012**
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other current liabilities	¥ 154	**¥ 1**
Foreign currency option contracts	Other current liabilities	724	**742**
	Other long-term liabilities	1,135	**354**
Total		¥2,013	**¥1,097**

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, 2011 and 2012.

(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, 2010, 2011 and 2012, recognized in the accompanying consolidated statements of income and comprehensive income, were as follows:

		Amount of gain (loss) recognized in income on derivative		
		Millions of yen		
Instruments	Locations	2010	2011	**2012**
Derivatives in fair value hedging relationships				
Interest rate swap agreements	Other, net*	¥(136)	¥(2,065)	**¥(1,232)**
Total		¥(136)	¥(2,065)	**¥(1,232)**

		Amount of gain (loss) recognized in income on derivative		
		Millions of yen		
Instruments	Locations	2010	2011	**2012**
Derivatives not designated as hedging instruments				
Foreign exchange forward contracts	Other, net*	¥ 67	¥ (517)	**¥ 36**
Non-deliverable forward contracts (NDF)	Other, net*	16	71	**82**
Foreign currency option contracts	Other, net*	(565)	(1,059)	**(146)**
Total		¥(482)	¥(1,505)	**¥ (28)**

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

(v) Contingent features in derivatives

As of March 31, 2012, 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 manages the credit exposure thereafter by monitoring payment delays. The amounts per transaction for handset purchases and credit card usage are generally low and the billing cycle is also short, generally one month. Therefore, DOCOMO is able to maintain accurate past due information on a timely basis. Most of 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 and 2012 were as follows:

	Millions of yen			
	2011			
	Installment receivables	Credit card receivables	Other	Total
Allowance for doubtful accounts:				
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
Financing receivables:				
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

	Millions of yen			
	2012			
	Installment receivables	Credit card receivables	Other	Total
Allowance for doubtful accounts:				
Beginning balance at March 31, 2011	**¥ 4,504**	**¥ 3,085**	**¥ 231**	**¥ 7,820**
Provision	**4,719**	**2,399**	**195**	**7,313**
Charge-offs	**(3,116)**	**(2,157)**	**(30)**	**(5,303)**
Ending balance at March 31, 2012	**¥ 6,107**	**¥ 3,327**	**¥ 396**	**¥ 9,830**
Ending balance: collectively evaluated for impairment	**6,107**	**3,327**	**37**	**9,471**
Ending balance: individually evaluated for impairment	**–**	**–**	**359**	**359**
Financing receivables:				
Ending balance at March 31, 2012	**¥316,385**	**¥189,163**	**¥9,056**	**¥514,604**
Ending balance: collectively evaluated for impairment	**316,385**	**189,163**	**8,563**	**514,111**
Ending balance: individually evaluated for impairment	**–**	**–**	**493**	**493**

Financial Statement Schedule

NTT DOCOMO, INC. and Subsidiaries
Years ended March 31, 2010, 2011 and 2012

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

	Millions of yen			
	Balance at beginning of year	Charged to expenses	Deductions *	Balance at end of year
2010				
Allowance for doubtful accounts	¥16,422	¥13,990	¥(10,732)	¥19,680
2011				
Allowance for doubtful accounts	¥19,680	¥13,745	¥(14,286)	¥19,139
2012				
Allowance for doubtful accounts	**¥19,139**	**¥17,224**	**¥(11,283)**	**¥25,080**

*Amounts written off.

	Millions of yen			
	Balance at beginning of year	Charged to expenses	Deductions	Balance at end of year
2010				
Valuation allowance for deferred tax assets	¥ 451	¥ 806	¥ (0)	¥ 1,257
2011				
Valuation allowance for deferred tax assets	¥1,257	¥1,090	¥ (9)	¥ 2,338
2012				
Valuation allowance for deferred tax assets	**¥2,338**	**¥8,372**	**¥(30)**	**¥10,680**

Report of Independent Registered Public Accounting Firm

KPMG

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, 2012 and 2011, 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, 2012. 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, 2012 and 2011 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, 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
July 3, 2012

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

	Millions of yen				
Year ended March 31,	2008	2009	2010	2011	**2012**
a. EBITDA	¥1,639,096	¥1,678,422	¥1,568,126	¥1,565,728	**¥1,583,298**
Depreciation and amortization	(776,425)	(804,159)	(701,146)	(693,063)	**(684,783)**
Loss on sale or disposal of property, plant and equipment	(54,359)	(43,304)	(32,735)	(27,936)	**(24,055)**
Operating income	808,312	830,959	834,245	844,729	**874,460**
Other income (expense)	(7,624)	(50,486)	1,912	(9,391)	**2,498**
Income taxes	(322,955)	(308,400)	(338,197)	(337,837)	**(402,534)**
Equity in net income (losses) of affiliates, net of applicable taxes	13,553	(672)	(852)	(5,508)	**(13,472)**
Less: Net (income) loss attributable to noncontrolling interests	(84)	472	(2,327)	(1,508)	**2,960**
b. Net income attributable to NTT DOCOMO, INC.	491,202	471,873	494,781	490,485	**463,912**
c. Operating revenues	4,711,827	4,447,980	4,284,404	4,224,273	**4,240,003**
EBITDA margin (=a/c)	34.8%	37.7%	36.6%	37.1%	**37.3%**
Net income margin (=b/c)	10.4%	10.6%	11.5%	11.6%	**10.9%**

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)

	Millions of yen				
Year ended March 31,	2008	2009	2010	2011	**2012**
Adjusted free cash flows (excluding irregular factors and changes in investments for cash management purposes)	¥ 442,410	¥ 93,416	¥ 416,878	¥ 589,777	**¥ 503,479**
Irregular factors[1]	210,000	–	–	–	**(147,000)**
Changes in investments for cash management purposes[2]	148,881	49,278	(397,986)	241,890	**(220,505)**
Free cash flows	801,291	142,694	18,892	831,667	**135,974**
Net cash used in investing activities	(758,849)	(1,030,983)	(1,163,926)	(455,370)	**(974,585)**
Net cash provided by operating activities	1,560,140	1,173,677	1,182,818	1,287,037	**1,110,559**

1 Irregular factors represent the effects of uncollected revenues due to a 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.

Corporate Information

As of March 31, 2012

Company Name

NTT DOCOMO, INC.

Address

Head Office:
11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-6150, Japan
Tel: +81-3-5156-1111

Date of Establishment

August 1991

Capital

¥949,679,500,000

Fiscal Year-End

March 31

Number of Employees (Consolidated)

23,289

Corporate Web Site

http://www.nttdocomo.co.jp/english/

IR Information:
http://www.nttdocomo.co.jp/english/corporate/ir/

Independent Registered Public Accounting Firm

KPMG AZSA LLC (the Japan member firm of KPMG International)

IR Contact

NTT DOCOMO, INC. IR Department
11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo 100-6150, Japan
Tel: +81-3-5156-1111
Fax: +81-3-5156-0271

Stock Information

As of March 31, 2012

Stock Listings

Tokyo Stock Exchange, First Section listed October 1998
(Securities code: 9437)
New York Stock Exchange listed March 2002
(Ticker symbol: DCM)
London Stock Exchange listed March 2002
(Ticker symbol: NDCM)

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation,
Corporate Agency Department
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan
Tel: +81-3-3212-1211

Depositary for American Depositary Receipts (“ADRs”)

The Bank of New York Mellon Corporation
101 Barclay Street, New York, NY 10286, U.S.A.
U.S. Callers: (888) BNY ADRS
Non-U.S. Callers: +1-201-680-6825

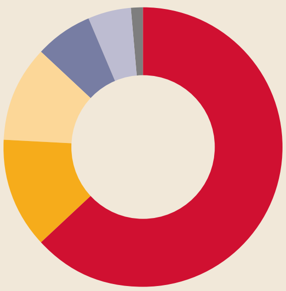
Number of Shares

Total Number of Authorized Shares: 188,130,000
Total Number of Issued Shares: 43,650,000

Number of Shareholders

327,927

Distribution of Ownership among Shareholders



NTT	63.32%
Foreign Corporations, etc.	12.54%
Financial Institutions	11.29%
Individuals and Others	6.64%
Treasury Stock	5.00%
Other Corporations (excluding NTT)	1.21%

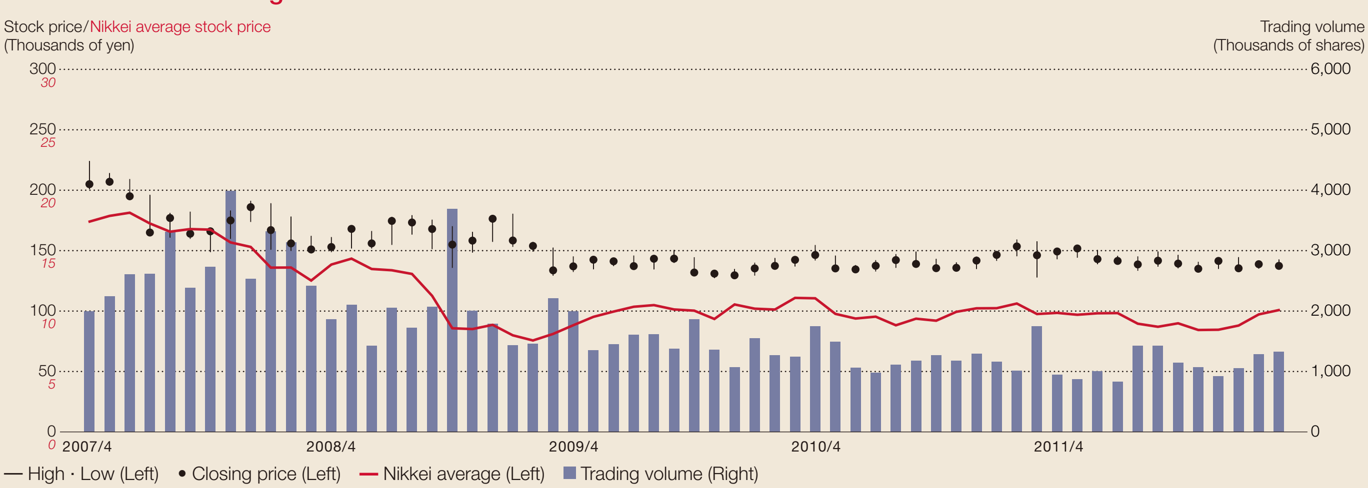
* The figures are based on the list of shareholders and records of actual share ownership as of March 31, 2012.

Principal Shareholders

	Number of Shares Held	Percentage of Total Issued Shares (%)
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	27,640,000	63.32
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	899,816	2.06
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	836,755	1.92
SSBT OD05 OMNIBUS ACCOUNT—TREATY CLIENTS	377,596	0.87
STATE STREET BANK AND TRUST COMPANY	264,636	0.61
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)	252,470	0.58
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS	235,494	0.54
STATE STREET BANK AND TRUST COMPANY 505225	219,351	0.50
MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	186,261	0.43
BARCLAYS CAPITAL INC.	159,000	0.36
Total	31,071,379	71.18

* The Company’s holding of treasury stock (2,182,399 shares equivalent to 5.00% of the total number of issued shares) is not included in the above.

Stock Price and Trading Volume



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NTT DOCOMO, INC.

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