

Earnings Release

April 26, 2019

For the Fiscal Year Ended March 31, 2019

[IFRS]

MEMBERSHIP

Name of registrant:	NTT DOCOMO, INC. (URL https://www.nttdocomo.co.jp/)
Code No.:	9437
Stock exchange on which the Company's shares are listed:	Tokyo Stock Exchange-First Section
Representative:	Kazuhiro Yoshizawa, Representative Director, President and Chief Executive Officer
Contact:	Hideki Maeda, Senior Manager, General Affairs Department / TEL +81-3-5156-1111
Scheduled date for the general meeting of shareholders:	June 18, 2019
Scheduled date for dividend payment:	June 19, 2019
Scheduled date for filing of securities report:	June 19, 2019
Supplemental material on annual results:	Yes
Presentation on annual results:	Yes (for institutional investors and analysts)

(Amounts are rounded off to the nearest 1 million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(1) Consolidated Results of Operations

(Millions of yen, except per share amounts)

	Operating revenues		Operating profit		Profit before taxes		Profit		Profit attributable to shareholders of NTT DOCOMO, INC.		Total comprehensive income	
Year ended March 31, 2019	4,840,849	1.7%	1,013,645	2.7%	1,002,635	(12.2)%	664,851	(16.1)%	663,629	(16.1)%	657,332	(18.3)%
Year ended March 31, 2018	4,762,269	—%	986,960	—%	1,141,690	—%	792,456	—%	790,830	—%	804,218	—%

(Percentages above represent changes compared to the corresponding period of the previous year)

	Basic earnings per share	Diluted earnings per share	ROE	ROA	Operating profit Margin
Year ended March 31, 2019	187.79 (yen)	—	12.0%	13.4%	20.9%
Year ended March 31, 2018	214.27 (yen)	—	14.2%	15.2%	20.7%

(Note) Share of profits (losses) on equity method investments : For the fiscal year ended March 31, 2019: (12,013) million yen
For the fiscal year ended March 31, 2018: 4,446 million yen

(2) Consolidated Financial Position

(Millions of yen, except per share amounts)

	Total assets	Total equity	Equity attributable to shareholders of NTT DOCOMO, INC.	Ratio of Equity attributable to shareholders of NTT DOCOMO, INC. to total assets	Equity attributable to shareholders of NTT DOCOMO, INC. per Share
March 31, 2019	7,340,546	5,394,124	5,371,853	73.2 %	1,610.64 (yen)
March 31, 2018	7,654,938	5,692,228	5,665,107	74.0 %	1,576.63 (yen)

(3) Consolidated Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year ended March 31, 2019	1,216,014	(296,469)	(1,090,052)	219,963
Year ended March 31, 2018	1,498,600	(705,532)	(690,768)	390,468

2. Dividends

	Cash Dividends per Share (yen)					Total Cash Dividends for the Year (Millions of yen)	Payout Ratio	Ratio of dividends to equity attributable to shareholders of NTT DOCOMO, INC
	End of the First Quarter	End of the Second Quarter	End of the Third Quarter	Year End	Total			
Year ended March 31, 2018	—	50.00	—	50.00	100.00	364,889	46.7 %	6.5 %
Year ended March 31, 2019	—	55.00	—	55.00	110.00	381,062	58.6 %	6.9 %
Year ending March 31, 2020 (Forecasts)	—	60.00	—	60.00	120.00		68.6 %	

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Millions of yen, except per share amounts)

	Operating revenues	Operating profit	Profit before taxes	Profit	Profit attributable to shareholders of NTT DOCOMO, INC.	Basic earnings per share
Year ending March 31, 2020	4,580,000 (5.4) %	830,000 (18.1) %	838,000 (16.4) %	577,000 (13.2) %	575,000 (13.4) %	175.00 (yen)

(Percentages above represent changes compared to the corresponding period of the previous year)

* Notes:

(1) Changes in significant subsidiaries:		None
(2) Changes in accounting policies and Estimate		
i. Changes in accounting policies required by IFRS:		Yes
ii. Other Change in accounting policies:		None
iii. Changes in accounting estimates:		None
(3) Number of issued shares (common stock)		
i. Number of issued shares (inclusive of treasury stock):	As of March 31, 2019:	3,335,231,094 shares
	As of March 31, 2018:	3,782,299,000 shares
ii. Number of treasury stock:	As of March 31, 2019:	133 shares
	As of March 31, 2018:	189,114,487 shares
iii. Number of weighted average common shares outstanding:	For the fiscal year ended March 31, 2019:	3,533,819,862 shares
	For the fiscal year ended March 31, 2018:	3,690,843,188 shares

* This earnings release is not subject to an audit by independent auditors.

* Explanation for forecasts of operations and other notes:

First-time adoption of IFRS

We have adopted IFRS from the beginning of the fiscal year ended March 31, 2019. For information about the differences between IFRS and US GAAP, please refer to “3. Consolidated Financial Statements” on Page 17.

Forecast of results

All forward-looking statements that are not historical facts are based on management’s current plans, expectations, assumptions and estimates based on the information available as of the filing date of this document. Some of the projected numbers in this report were derived using certain assumptions that were indispensable for making such projections in addition to historical facts. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. With regard to various known and unknown risks, uncertainties and other factors, please see our latest Annual reports and Quarterly Securities Reports on our website.

(Resolution of share repurchase up to prescribed maximum limit)

The forecasts of “Basic Earnings per Share” for the fiscal year ending March 31, 2020 are based on the assumption that DOCOMO will repurchase up to 128.3 million shares for an amount in total not to exceed ¥300,000 million, as resolved at the board of directors’ meeting held on April 26, 2019.

CONTENTS OF THE ATTACHMENT

	page
Contents of the Attachment	1
1. Information on Consolidated Results	2-15
(1) Operating Results	2-14
(2) Financial Review	15
2. Basic Approach to the Selection of Accounting Standards	16
3. Consolidated Financial Statements	17-41
(1) Consolidated Statements of Financial Position	17-18
(2) Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income	19-20
(3) Consolidated Statements of Changes in Equity	21-22
(4) Consolidated Statements of Cash Flows	23
(5) Notes to Consolidated Financial Statements	24-41
4. Appendix	42-43

1. Information on Consolidated Results

(1) Operating Results

i. Business Overview

In the environment surrounding the Company, competition continues to intensify due to the enhanced government's pro-competition policy, the spread of low-cost smartphone services by sub-brands and MVNOs, new entrants from other industries deciding to enter the market and other factors. All of these companies are pursuing various initiatives aimed at future growth in non-telecommunications businesses as well, with a focus on providing loyalty point programs and enhancing finance/payment businesses. With expanding its business domains, competition beyond the conventional boundaries of the telecommunications business is shifting into high gear due to appear the new competitors from different industries such as EC.

Amid this market environment, we developed and unveiled our Medium-Term Strategy 2020 "Declaration beyond" in April 2017 and strategies based on "Declaration beyond" to realize a richer future with 5G network, and in October 2018 we announced specific strategies and quantitative targets as our medium-term management strategy based on "Declaration beyond," accelerating various initiatives.

As a result, we achieved a total of 70.15million "d POINT CLUB" members and 843 "+d" partners. By linking these to "d POINTs" and other of our assets, we provided new value for our customers and partners, and carried out "revenue opportunity creation centered on customer base." Furthermore, by working towards "execution of customer returns and evolution of customer touchpoints," we achieved 78.45million mobile phone subscriptions, churn rate of 0.57% and 5.76 million "docomo Hikari" subscriptions.

For the fiscal year ended March 31, 2019, operating revenues increased by ¥78.6 billion from the previous fiscal year to ¥4,840.8 billion. This was mainly due to an increase in optical-fiber broadband service revenues due to growth in the number of "docomo Hikari" user as well as an increase in equipment sales due to an increase in the proportion of advanced smartphones in the number of handsets sold. The increase in revenues due to these factors exceeded a decrease in mobile communications services revenues due to expansion of customer returns and a decrease in revenues, driven by the sale of "Radish Boya" which had been a subsidiary of NTT DOCOMO in the previous fiscal year and was sold in February 2018.

Operating expenses increased by ¥51.9 billion from the previous fiscal year to ¥3,827.2 billion. This was mainly due to an increase in expenses associated with the expansion of "docomo Hikari" revenues and an increase in the cost of equipment sold associated with an increase in equipment sales, despite a decrease in expenses attributable to the sale of "Radish Boya" in February 2018.

As a result, operating profit increased by ¥26.7 billion from the previous fiscal year to ¥1,013.6 billion for the fiscal year ended March 31, 2019.

Profit before taxes decreased by ¥139.1billion from the previous fiscal year to ¥1,002.6 billion. The main reason for this is that in the previous fiscal year ended March 31, 2018, DOCOMO received payment of an arbitration award from Tata Sons Limited and recorded it as "Income from arbitration award."

Accordingly, profit attributable to shareholders of NTT DOCOMO, INC. decreased by ¥127.2 billion from the previous fiscal year to ¥663.6 billion for the fiscal year ended March 31, 2019.

Consolidated results of operations for the fiscal years ended March 31, 2018 and 2019 were as follows:

<Results of operations>

	Billions of yen					
	Year ended March 31, 2018		Year ended March 31, 2019		Increase (Decrease)	
Operating revenues	¥	4,762.3	¥	4,840.8	¥	78.6 1.7 %
Operating expenses		3,775.3		3,827.2		51.9 1.4
Operating profit		987.0		1,013.6		26.7 2.7
Finance income		9.2		7.5		(1.7) (18.3)
Finance costs		(6.6)		(6.5)		(0.1) (0.8)
Income from arbitration award		147.6		—		(147.6) —
Share of profits (losses) on equity method investments		4.4		(12.0)		(16.5) —
Profit before taxes		1,141.7		1,002.6		(139.1) (12.2)
Income taxes		349.2		337.8		(11.5) (3.3)
Profit		792.5		664.9		(127.6) (16.1)
Shareholders of NTT DOCOMO, INC.		790.8		663.6		(127.2) (16.1)
Noncontrolling interests	¥	1.6	¥	1.2	¥	(0.4) (24.8)
ROE*		14.2 %		12.0 %		(2.2) point —

* For an explanation of our definitions of ROE, see "4. Reconciliations of the Disclosed Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures" on page 42.

<Operating revenues>

	Billions of yen					
	Year ended March 31, 2018		Year ended March 31, 2019		Increase (Decrease)	
Telecommunications services	¥	3,092.7	¥	3,130.7	¥	37.9 1.2 %
Mobile communications services revenues		2,867.3		2,844.4		(22.9) (0.8)
Optical-fiber broadband service and other telecommunications services revenues		225.4		286.3		60.9 27.0
Equipment sales		789.8		844.4		54.6 6.9
Other operating revenues		879.7		865.8		(13.9) (1.6)
Total operating revenues	¥	4,762.3	¥	4,840.8	¥	78.6 1.7 %

ii. Segment Results

Telecommunications Business—

<Results of operations>

	Billions of yen					
	Year ended March 31, 2018		Year ended March 31, 2019		Increase (Decrease)	
Operating revenues from telecommunications business	¥	3,894.4	¥	3,977.1	¥	82.7 2.1 %
Operating profit (loss) from telecommunications business		854.2		866.3		12.1 1.4

Operating revenues from the telecommunications business for the fiscal year ended March 31, 2019 increased by ¥82.7 billion, or 2.1%, from ¥3,894.4 billion for the previous fiscal year to ¥3,977.1 billion.

This was mainly due to an increase in optical-fiber broadband service revenues due to growth in the number of “docomo Hikari” user as well as an increase in equipment sales due to an increase in the proportion of advanced smartphones in the number of handsets sold. The increase in revenues due to these factors exceeded the decrease in mobile communications services revenues due to expansion of customer returns.

Operating expenses from the telecommunications business increased by ¥70.6 billion, or 2.3%, from ¥3,040.2 billion for the previous fiscal year to ¥3,110.8 billion. This was mainly due to an increase in expenses associated with the expansion of “docomo Hikari” revenues and an increase in cost of equipment sold associated with an increase in equipment sales, despite a decrease in depreciation expenses.

Consequently, operating profit from the telecommunications business was ¥866.3 billion, an increase of ¥12.1 billion, or 1.4%, from ¥854.2 billion for the previous fiscal year.

<<Key Topics>>

●Enhanced Customer Returns and Encouraging Switch to Smartphones

We continued working to enhance returns to our customers and encourage the switch to smartphones, mainly by leveraging our “Basic Share Pack,” “Basic Pack” and “Zutto DOCOMO Wari Plus” billing plans in an effort to address their diverse needs.

The number of subscriptions for “docomo with,” a billing plan targeting customers who use a single handset for an extended period of time, topped 5 million in March 2019, mainly as a result of expanding the number of eligible models. In addition, the number of smartphone and tablet users was 40.53million, due to providing services such as “Welcome Sumaho Wari” and “DOCOMO Smartphone program for over 60.”

Launch Date	Principal Initiatives
May 2018	“Basic Share Pack” and “Basic Pack” with billing plans applied according to usage
May 2018	“Zutto DOCOMO Wari Plus” which allows customers to choose a billing discount or provision of “d POINTS” depending on their “d POINT CLUB” stage
September 2018	“ docomo Hikari Renewal Loyalty Points” which provide “d POINTS” to customers who use “docomo Hikari” for an extended period of time
November 2018	“Welcome Sumaho Wari” which discounts charges when customers first switch from a feature phone to a smartphone
December 2018	“docomo Student Discount” which discounts smartphone charges for under 25 years old customers
March 2019	“DOCOMO Smartphone program for over 60” a discount service that can be used by over 60 years old customers

●Evolved Customer Touchpoints

In an effort to shorten waiting times and response times, we provided the “Otasuke Robot,” a chatbot* that can consult about customer problems with smartphones or “docomo Hikari,” during the hours when docomo shops or

docomo Information Center are congested or closed, and also expanded available shops for visit reservation.

We also organized “docomo Smartphone classes” at docomo shops to enable customers to use smartphones safely and conveniently, and reinforced the support system for all customer touchpoints.

* A program or service that provides automated response to inquiries named after “chat” and “robot.”

●Reinforcement of Communication Network

In order to provide customers with comfortable network experience in a high-speed communication environment, we expanded the coverage of our “PREMIUM 4G” service to 1,684 cities across Japan as of March 31, 2019. In March 2019, we launched a communication service that offers Japan’s fastest maximum download speed*² of 1,288Mbps by extending the carrier frequency ranges aggregated by CA*¹. Additionally, in November 2018, we commenced a communication service that offers maximum upload speed of 131.3Mbps through new introduction of CA.

As a result of these efforts, we achieved improvements in our download and upload speeds over the previous year. Our download speed was 191Mbps (up 5% from the previous year) and our upload speed was 31Mbps (up 35% from the previous year), based on the “Guidelines for the Effective Speed Measurement Method of Internet Connection Services Provided by Mobile Telecommunications Carriers and Information Providing Method, etc. for Users”*³ defined by the Ministry of Internal Affairs and Communications.

*1 CA (carrier aggregation): A technology that aggregates multiple carrier frequency ranges

*2 As of March 31, 2019 (according to DOCOMO research)

*3 Median value (Android + iOS)

Number of subscriptions by services and other operating data are as follows:

<Number of subscriptions by services>

	Thousand subscriptions			
	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	
Mobile telecommunication services	76,370	78,453	2,083	2.7 %
Including: “Kake-hodai & Pake-aeru” billing plan	41,964	45,793	3,829	9.1
Mobile telecommunication services (LTE(Xi))	50,097	55,872	5,775	11.5
Mobile telecommunication services (FOMA)	26,273	22,581	(3,692)	(14.1)
“docomo Hikari” optical broadband service	4,762	5,759	996	20.9 %

Note: Number of subscriptions to Mobile telecommunications services, Mobile telecommunications services (LTE(Xi)) and Mobile telecommunications services (FOMA) includes Communication Module services subscriptions.

< Number of units sold>

	Thousand units			
	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)	
Number of handsets sold	25,460	24,429	(1,031)	(4.1)%
Mobile telecommunication services (LTE(Xi))				
New LTE(Xi) subscription*1	10,039	9,930	(109)	(1.1)
Change of subscription from FOMA	3,207	3,021	(186)	(5.8)
LTE(Xi) handset upgrade by LTE(Xi) subscribers	10,201	10,082	(119)	(1.2)
Mobile telecommunication services (FOMA)				
New FOMA subscription*1	1,190	924	(266)	(22.4)
Change of subscription from LTE(Xi)	28	28	1	2.5
FOMA handset upgrade by FOMA subscribers	795	444	(351)	(44.2)
Churn rate*2	0.65 %	0.57 %	(0.08) point	–
Handset churn rate*3	0.51 %	0.47 %	(0.04) point	–

*1: New subscriptions include mobile line subscriptions of MVNOs and Communication Module subscriptions.

*2: “Churn rate” is calculated excluding the subscriptions and cancellations of subscriptions of MVNOs.

*3: Churn rate in Basic Plans (excluding Data Plans and Device Plus 500), Xi/FOMA Billing Plans and Type Limit Value / Type Limit for smartphones and feature phones, etc.

<Trend of ARPU and MOU>

	Yen				Increase	
	Year ended March 31, 2018	Year ended March 31, 2019			(Decrease)	
Aggregate ARPU	¥ 4,710	¥ 4,800	¥		90	1.9 %
Mobile ARPU	4,370	4,360			(10)	(0.2)
“docomo Hikari” ARPU	340	440			100	29.4
MOU (minutes)	136	134			(2)	(1.5)%

Notes:

1. Definition of ARPU and MOU
 - a. ARPU (Average monthly Revenue Per Unit):
Average monthly revenue per unit, or ARPU, is used to measure the average monthly operating revenues attributable to designated services on a per user basis. ARPU is calculated by dividing telecommunications services revenues (excluding certain revenues) by the number of active users of our wireless services in the relevant periods, as shown below under “ARPU Calculation Method.” We believe that our ARPU figures provide useful information to analyze the average usage per user and the impacts of changes in our billing arrangements.
 - b. MOU (Minutes of Use):
Average monthly communication time per user
2. ARPU Calculation Methods
Aggregate ARPU= Mobile ARPU + “docomo Hikari” ARPU
 - Mobile ARPU : Mobile ARPU Related Revenues { Voice related revenues (basic monthly charges, voice communication)
+ Packet related revenues (basic monthly charges, packet communication charges) }
/ Number of active users
 - “docomo Hikari” ARPU : “docomo Hikari” ARPU Related Revenues (basic monthly charges, voice communication changes)
/Number of active users
3. Active Users Calculation Method
Sum of number of active users for each month ((number of users at the end of previous month + number of users at the end of current month) /2) during the relevant period
4. The number of “users” used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:
 - a. Subscriptions of communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver” and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs; and
 - b. Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for “Xi” or “FOMA” services in his/her name.

Revenues from communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver,” wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs, and revenues related to “d POINT” are not included in the ARPU calculation.

Smart life business—

<Results of operations>

	Billions of yen					
	Year ended March 31, 2018		Year ended March 31, 2019		Increase (Decrease)	
Operating revenues from smart life business	¥	450.8	¥	448.8	¥	(2.0) (0.4)%
Operating profit (loss) from smart life business		60.3		68.1		7.8 12.8

Operating revenues from the smart life business for the fiscal year ended March 31, 2019 were ¥448.8 billion, a decrease of ¥2.0 billion, or 0.4%, from ¥450.8 billion for the previous fiscal year. This was mainly due to a decrease in revenues, driven by the sale of “Radish Boya” which had been a subsidiary of NTT DOCOMO in the previous fiscal year and was sold in February 2018, exceeded the increase in revenues from our finance/payment services and other services.

Operating expenses from the smart life business were ¥380.7 billion, a decrease of ¥9.8 billion, or 2.5%, from ¥390.5 billion for the previous fiscal year. This was mainly due to a decrease in expenses attributable to the sale of “Radish Boya” in February 2018, as well as a decrease in expenses associated with contents service revenues. This decrease in expense was greater than an increase in expenses associated with the increase in revenues from our finance/payment services.

As a result, operating profit from the smart life business was ¥68.1 billion, an increase of ¥7.8 billion, or 12.8%, from ¥60.3 billion for the previous fiscal year.

<<Key Topics>>

●Improved Convenience of “d POINTs”

For the smart life business segment, we worked to encourage the use and improve the convenience of “d POINTs” by continuing to make “d POINTs” available at more locations, including “Matsumoto Kiyoshi” stores operated by Matsumotokiyoshi Holdings Co., Ltd. and “BIG ECHO” operated by DAIICHIKOSHO CO., LTD. in order to accelerate “transformation into a business foundation centered on our membership base.”

We also made efforts to expand the number of stores that handle “d POINTs” overseas, and newly enabled the use of “d POINTs” at some stores in New York and Hawaii.

As a result of these efforts, as of March 31, 2019, the total number of partners participating in the “d POINTs” program was 418 at approximately 99,100 stores.

●Expansion of Services Toward Realization of Smart Life

We provided new entertainment experiences and services aimed at offering our customers value and excitement. Additionally, in February 2019 we decided to make NTT Plala Inc. a subsidiary in order to increase the added value of 5G contents and to diversify video viewing styles*.

Launch Date	Principal Initiatives
May 2018	“my daiz” AI agent service that makes timely proposals of information and services needed in everyday life
September 2018	“Hikari TV for docomo” which lets customers enjoy specialty channels, video on demand, as well as terrestrial and BS digital broadcasting on their home television, smartphone or tablet using fiber optic lines
January 2019	“Shintaikan Live” service that allows customers to view live music streaming on smartphones or other devices from multiple angles
March 2019	“Disney DELUXE,” Disney’s official entertainment service

*NTT Plala Inc. will become our wholly owned subsidiary company in July 2019.

●Initiatives for Growth of Finance/Payment Businesses

We provided new finance/payment services that let customers experience ease, convenience, benefit and safety, using our payment, points, authentication and credit base, along with AI, IoT and other devices, through co-creation with our partners. In April 2018, we launched “d Payment,” a new smartphone payment service using QR codes and barcodes, and the number of downloads of the “d Payment app” topped 3.8 million in the fiscal year ended March 31, 2019 . “d Payment” became available for use at stores including “Lawson” local stores operated by Lawson, Inc., “FamilyMart” local stores operated by FamilyMart Co., Ltd., “Amazon.co.jp,” the general online store operated by Amazon Japan, G.K. and so on.

Moreover, the total number of “d CARD” subscribers* as of March 31, 2019 grew to 19.95 million, an increase of 1.03 million from March 31, 2018, and the total number of “d CARD GOLD” subscribers topped 5.0million in January 2019. In addition, the total amount of transactions through our finance/payment services reached ¥3,911.4 billion for the fiscal year ended March 31, 2019, an increase of ¥739.5 billion from the previous fiscal year.

Launch Date	Principal Initiatives
April 2018	“d Payment,” a payment service that lets customers pay bills from local stores together with their monthly mobile phone bill while collecting and using “d POINTs”
May 2018	“Point Investment,” a service that allows customers to experience investment using “d POINTs”
May 2018	Offering of “THEO + docomo,” a service provided by Money Design Co., Ltd. that lets customers automatically manage assets starting from small amounts through use of robot advisers

* The combined members of “d CARD” and “d CARD mini”

Other businesses—

<Results of operations>

	Billions of yen					
	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)			
Operating revenues from other businesses	¥ 439.8	¥ 440.7	¥	0.9	0.2 %	
Operating profit (loss) from other businesses	72.4	79.2		6.8	9.4	

Operating revenues from the other businesses for the fiscal year ended March 31, 2019 amounted to ¥440.7 billion, an increase of ¥0.9 billion, or 0.2%, from ¥439.8 billion for the previous fiscal year. This was mainly due to an increase in revenues from IoT services and other services for corporate customer as well as increase in revenues from our “Mobile Device Protection Service” driven by an increase in the proportion of advanced smartphones in the number of subscriptions to our “Mobile Device Protection Service.” The increase in revenues due to these factors exceeded the decrease in revenue from overseas mobile content distribution business.

Operating expenses from the other businesses were ¥361.5 billion, a decrease of ¥5.9 billion, or 1.6%, from ¥367.4 billion for the previous fiscal year. This was mainly due to a decrease in expenses resulting from cost efficiencies that exceeded an increase in expenses such as impairment loss incurred in the overseas mobile content distribution business.

Consequently, operating profit from the other businesses was ¥79.2 billion, an increase of ¥6.8 billion, or 9.4%, from ¥72.4 billion for the previous fiscal year.

<<Key Topics>>

●“Top Gun” Initiatives

Through cooperation between the R&D unit and Corporate Sales and Marketing team, we have been implementing “Top Gun” initiatives to realize prompt sales activities, business verification and service creation since October 2017. During the fiscal year ended March 31, 2019, we provided services such as “TANA SCAN-AI” that can confirm the state of product displays on shelves through AI image recognition.

●Initiatives for Proliferation of IoT

We worked to increase productivity and added value for our corporate customers through various solutions as the spread and use of IoT becomes increasingly advanced and the global IoT market expands further with the approach of the 5G era.

We entered into a collaboration agreement with Valeo Group for the development and provision of next-generation connected cars and mobility services in April 2018. Valeo Group, a supplier of automotive components and systems, is engaged in the development of three core technologies that drive the automotive revolution that is currently taking place in the auto industry, i.e. electrification, autonomous driving and digital mobility. We have started the development of next-generation mobility services combining the technologies and the solutions owned by our two companies.

In addition, we began offering “Globiot” global IoT solutions that provide one-stop connectivity, operational support and consulting services in various countries for corporations that are deploying IoT services globally in July 2018.

Furthermore, in October 2018, we developed and launched “LTE-M,” a service that allows corporate customers to reduce the price and power consumption of IoT devices.

●Supporting Program for Business Startups

We made investments in various startup companies to accelerate innovation in services, technologies and processes. For example, we invested in Locix, Inc., a company that develops wireless technologies with low power consumption in July 2018. Combining our image recognition engine with the low power consumption wireless camera developed and provided by Locix, Inc., we carried out demonstration tests to detect the status of pest occurrence from remote sites for the agriculture industry.

In addition, in February 2019, we invested in Hatch Entertainment Ltd., a provider of mobile game streaming services, with a view to offering new entertainment for the 5G era.

iii. Trend of Capital Expenditures

<Capital expenditures>

	Billions of yen				
	Year ended March 31, 2018	Year ended March 31, 2019	Increase (Decrease)		
Total capital expenditures	¥ 577.0	¥ 593.7	¥ 16.7	2.9 %	
Telecommunications business	546.5	562.7	16.2	3.0	
Smart life business	16.7	16.9	0.1	0.8	
Other businesses	13.8	14.2	0.4	2.8	

Notes:

1. Capital expenditures include investments related to the acquisition of intangible assets.
2. Capital expenditures for the year ended March 31, 2019 do not include investments related to the acquisition of spectrum related assets.
3. The above amounts do not include consumption taxes, etc.

The principal expenditures made during the fiscal year ended March 31, 2019 are summarized below.

●Expansion of Telecommunications Facilities

As a result of our aggressive roll-out of “PREMIUM 4G” service in the high-traffic areas in urban centers to construct a network that can offer “greater comfort of access” to our customers, the total number of “PREMIUM 4G”-compatible base stations increased from previously 108,300 stations as of March 31, 2018 to 145,600 stations as of March 31, 2019. In addition, in pursuit of further coverage improvement of our LTE service, we increased the total number of LTE base stations from 185,000 as of March 31, 2018 to 208,500 as of March 31, 2019.

●Measures for More Efficient Use of Capital Expenditures

Toward the goal of further strengthening our managerial structure, we continued to pursue more efficient use of capital expenditures through reduction of equipment procurement and other costs, and further improvement of the efficiency of telecommunications facilities construction. We also promoted the integration and/or capacity expansion of our facilities with the introduction of high-performance equipment for the purpose of reducing our future network operation costs.

●Proactive Investment for the 5G Era

We made further investment in 5G to accelerate development and building of networks for the start of pre-service in September 2019.

As a result of the above measures, the total capital expenditures for the fiscal year ended March 31, 2019 increased by 2.9% from the previous fiscal year to ¥593.7 billion.

iv Prospects for the Fiscal Year Ending March 31, 2020

The environment surrounding our businesses has changed significantly.

In Japanese telecommunications market, competition has intensified due to the penetration of Mobile Virtual Network Operators (MVNOs) and sub-brands of major Mobile Network Operators (MNOs) in addition to the competitions among major MNOs. In addition, the market is expected to become more active in the fiscal year ending March 31, 2020 due to an entry by new MNO.

Based on this market environment, we consider the fiscal year ending March 31, 2020 as the "year to execute "change" to propel further growth" and introduce new billing plans, "Gigaho" and "Gigalight", to enhance competitiveness ahead of changing market conditions. In the first year of the introduction of the new billing plans, we expect to see a decline in profits due to the early shift of customers that are given a cost advantage by new billing plans. We will enhance our customer base by strengthening our relationship with customers by attractive new billing plans and proposing each customer optimal products and services.

In addition, for medium-term growth, we will steadily grow the smart life business and other businesses, particularly the finance/payment services and corporate solutions services. We will also implement measures related to 5G and achieve cost efficiency improvements of ¥130 billion which will be beyond the result for the fiscal year ended March 31, 2019. We promote these initiatives through the "Digital marketing based on membership" and expect forecasts for the fiscal year ending March 31, 2020 below.

Operating revenues for the fiscal year ending March 31, 2020 are estimated to be ¥4,580.0 billion, a decrease of ¥260.8 billion from the previous fiscal year due to a decline in mobile communications services revenues resulting from the introduction of new billing plans "Gigaho" and "Gigalight" despite a growth in the smart life business and other businesses and "docomo Hikari."

Operating expenses are expected to be ¥3,750.0 billion, a decrease of ¥77.2 billion from the previous fiscal year due to cost efficiency improvements such as a decrease in agency commissions resulting from an introduction of handset sales methods that is separated from mobile communications charges.

Accordingly, operating profit for the fiscal year ending March 31, 2020 is estimated to be ¥830 billion.

	Billions of yen					
	Year ended March 31, 2019		Year ending March 31, 2020 (Forecasts)		Increase (Decrease)	
Operating revenues	¥	4,840.8	¥	4,580.0	¥	(260.8) (5.4)%
Operating profit		1,013.6		830.0		(183.6) (18.1)%
Profit before taxes		1,002.6		838.0		(164.6) (16.4)%
Profit attributable to shareholders of NTT DOCOMO, INC.		663.6		575.0		(88.6) (13.4)%
Capital expenditures		593.7		570.0		(23.7) (4.0)%
Adjusted free cash flows excluding changes in investments for cash management purposes*		619.4		630.0		10.6 1.7%
Adjusted free cash flows excluding changes in investments for cash management purposes and estimated impact of IFRS16*		619.4		530.0		(89.4) (14.4)%
EBITDA*		1,559.0		1,440.0		(119.0) (7.6)%
EBITDA* excluding estimated impact of IFRS16**		1,559.0		1,340.0		(219.0) (14.0)%
ROE*		12.0 %		10.8%		(1.2) point —

* For an explanation of our definition of adjusted free cash flows excluding changes in investments for cash management purposes, EBITDA and ROE, see "4. Reconciliations of the Disclosed Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures" on page 46.

** This figure excludes the impact of IFRS16 while the presentation of expenses related to leases changes from "cost of equipment sold and services, and other expenses" to "depreciation and amortization" as a result of adoption of IFRS 16.

Notes:

Japanese telecommunications sector is characterized by rapid changes in the market environment due to technical innovations, market entry by new competitors and other factors. To respond to such changes, our corporate group may introduce new billing plans or other measures that could potentially have a significant impact on our revenues and income. The timing of introduction of such measures will be decided after comprehensively taking into consideration our operational circumstances and the actions of our competitors, and therefore, is not necessarily decided beforehand. Such measures, depending on the timing of implementation, may significantly affect our results forecasts to be made at the time of our first-half results announcement. Providing such prospects on a half-year basis, therefore, may not be adequate or useful as information to be disclosed to investors. Accordingly, we will provide prospects for the full year only, and report progress vis-à-vis the projected full-year forecasts by disclosing actual results on a quarterly basis.

(2) Financial Review

i. Financial Position

	Billions of yen					
	March 31, 2018		March 31, 2019		Increase (Decrease)	
Total assets	¥	7,654.9	¥	7,340.5	¥	(314.4) (4.1) %
Equity attributable to shareholders of NTT DOCOMO, INC.		5,665.1		5,371.9		(293.3) (5.2)
Total liabilities		1,962.7		1,946.4		(16.3) (0.8)
Including: Interest bearing liabilities		161.2		50.0		(111.2) (69.0)

Note: Change in equity attributable to shareholders of NTT DOCOMO, INC. is mainly due to purchase of treasury stock on January 7, 2019.

ii. Cash Flow Conditions

	Billions of yen					
	Year ended March 31, 2018		Year ended March 31, 2019		Increase (Decrease)	
Net cash provided by operating activities	¥	1,498.6	¥	1,216.0	¥	(282.6) (18.9) %
Net cash used in investing activities		(705.5)		(296.5)		409.1 58.0
Net cash used in financing activities		(690.8)		(1,090.1)		(399.3) (57.8)
Free cash flows (1)		793.1		919.5		126.5 15.9
Changes in investments for cash management purposes		(69.7)		300.2		369.9 —
Free cash flows excluding changes in investments for cash management purposes (2)		862.8		619.4		(243.4) (28.2)

Notes: (1) Free cash flows = Net cash provided by operating activities + Net cash used in investing activities

(2) Changes in investments for cash management purposes = Changes by purchases, redemption at maturity and disposals of financial instruments held for cash management purposes with original maturities of longer than three months

For the year ended March 31, 2019, net cash provided by operating activities was ¥1,216.0 billion, a decrease of ¥282.6 billion, or 18.9%, from the previous fiscal year. The main reason for this is that DOCOMO received payment of an arbitration award from Tata Sons Limited in the previous fiscal year and an increase in cash outflows for income taxes.

Net cash used in investing activities was ¥296.5 billion, a decrease of ¥409.1 billion, or 58.0%, from the previous fiscal year. This was mainly due to a decrease in cash outflows for purchases of short-term investments.

Net cash used in financing activities was ¥1,090.1 billion, an increase of ¥399.3 billion, or 57.8%, from the previous fiscal year. This was mainly due to an increase in cash outflows for purchase of treasury stock, payments of long-term debt and dividends paid.

As a result of the foregoing, the balance of cash and cash equivalents was ¥220.0 billion as of March 31, 2019, a decrease of ¥170.5 billion, or 43.7%, from the previous fiscal year end.

2. Basic Approach to the Selection of Accounting Standards

With the goal of improving the international comparability of its financial information in the capital markets, among other reasons, we have adopted IFRS in place of U.S. GAAP, beginning with the first quarter of the fiscal year ending March 31, 2019.

3. Consolidated Financial Statements

(1) Consolidated Statements of Financial Position

	Millions of yen		
	Date of transition to IFRS (April 1, 2017)	March 31, 2018	March 31, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 287,910	¥ 390,468	¥ 219,963
Trade and other receivables	1,916,813	1,976,715	2,128,156
Other financial assets	302,253	372,083	70,933
Inventories	154,356	187,432	178,340
Other current assets	76,206	90,145	91,308
Subtotal	2,737,538	3,016,843	2,688,699
Asset held for sale	—	—	234,160
Total current assets	2,737,538	3,016,843	2,922,859
Non-current assets:			
Property, plant and equipment	2,493,188	2,548,216	2,623,789
Goodwill	79,312	72,448	33,177
Intangible assets	606,836	598,124	608,513
Investments accounted for using the equity method	380,342	391,446	151,741
Securities and other financial assets	412,900	435,257	439,742
Contract costs	268,018	276,282	297,733
Deferred tax assets	279,030	206,806	150,725
Other non-current assets	107,054	109,516	112,267
Total non-current assets	4,626,680	4,638,095	4,417,687
Total assets	¥ 7,364,218	¥ 7,654,938	¥ 7,340,546

	Millions of yen		
	Date of transition to IFRS (April 1, 2017)	March 31, 2018	March 31, 2019
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥ 61,906	¥ 111,230	¥ —
Trade and other payables	876,594	910,958	1,058,007
Other financial liabilities	11,230	28,047	10,495
Accrued income taxes	105,809	155,026	166,503
Contract liabilities	189,370	215,480	211,752
Provisions	34,753	37,919	29,086
Other current liabilities	141,385	188,298	150,805
Total current liabilities	1,421,047	1,646,957	1,626,647
Non-current liabilities:			
Long-term debt	160,040	50,000	50,000
Other financial liabilities	30,540	9,453	9,310
Defined benefit liabilities	198,747	206,792	207,425
Contract liabilities	18,955	29,587	37,054
Provisions	8,766	9,075	7,845
Other non-current liabilities	9,946	10,847	8,140
Total non-current liabilities	426,994	315,754	319,775
Total liabilities	1,848,041	1,962,710	1,946,422
Equity:			
Equity attributable to shareholders of NTT DOCOMO, INC.			
Common stock	949,680	949,680	949,680
Additional paid-in capital	147,740	153,115	169,083
Retained earnings	4,727,986	4,908,373	4,160,495
Treasury stock	(426,443)	(448,403)	(0)
Other components of equity	91,723	102,342	92,595
Total equity attributable to shareholders of NTT DOCOMO, INC.	5,490,685	5,665,107	5,371,853
Noncontrolling interests	25,492	27,121	22,271
Total equity	5,516,177	5,692,228	5,394,124
Total liabilities and equity	¥ 7,364,218	¥ 7,654,938	¥ 7,340,546

(2) Consolidated Statements of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statements of Profit or Loss

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2019
Operating revenues:		
Telecommunications services	¥ 3,092,739	¥ 3,130,660
Equipment sales	789,845	844,428
Other operating revenues	879,685	865,760
Total operating revenues	4,762,269	4,840,849
Operating expenses:		
Personnel expenses	288,115	288,940
Cost of equipment sold and services, and other expenses	2,531,257	2,533,708
Depreciation and amortization	486,550	470,922
Communication network charges	390,390	432,045
Loss on disposal of property, plant and equipment and intangible assets	67,163	68,768
Impairment loss	11,833	32,821
Total operating expenses	3,775,309	3,827,204
Operating profit	986,960	1,013,645
Finance income	9,196	7,510
Finance costs	(6,557)	(6,506)
Income from arbitration award	147,646	—
Share of profits (losses) on equity method investments	4,446	(12,013)
Profit before taxes	1,141,690	1,002,635
Income taxes	349,234	337,784
Profit	¥ 792,456	¥ 664,851
Profit attributable to:		
Shareholders of NTT DOCOMO, INC.	790,830	663,629
Noncontrolling interests	1,626	1,222
Profit	¥ 792,456	¥ 664,851
Earnings per share attributable to shareholders of NTT DOCOMO, INC.		
Basic earnings per share	¥ 214.27	¥ 187.79

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2019
Profit	¥ 792,456	¥ 664,851
Other comprehensive income (net of taxes):		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit plans	1,227	3,750
Change in the fair value of financial assets measured at fair value through other comprehensive income	—	1,105
Share of other comprehensive income of investments accounted for using the equity method	(216)	(3,731)
Total of items that will not be reclassified to profit or loss	1,011	1,124
Items that may be reclassified subsequently to profit or loss		
Unrealized holding gains (losses) on available-for-sale securities	1,904	—
Foreign exchange translation differences	(4,003)	(8,594)
Share of other comprehensive income of investments accounted for using the equity method	12,850	(49)
Total of items that may be reclassified subsequently to profit or loss	10,751	(8,643)
Total other comprehensive income (net of taxes)	11,762	(7,519)
Total comprehensive income	¥ 804,218	¥ 657,332
Total comprehensive income attributable to:		
Shareholders of NTT DOCOMO, INC.	802,460	656,026
Noncontrolling interests	1,759	1,306
Total comprehensive income	¥ 804,218	¥ 657,332

(3) Consolidated Statements of Changes in Equity

Millions of yen								
Equity attributable to Shareholders of NTT DOCOMO, INC.								
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total	Noncontrolling interests	Total equity
Balance as of April 1, 2017	¥ 949,680	¥ 147,740	¥ 4,727,986	¥ (426,443)	¥ 91,723	¥ 5,490,685	¥ 25,492	¥ 5,516,177
Profit			790,830			790,830	1,626	792,456
Other comprehensive income					11,630	11,630	132	11,762
Total comprehensive income	—	—	790,830	—	11,630	802,460	1,759	804,218
Dividends			(333,413)			(333,413)	(119)	(333,532)
Purchase of treasury stock				(300,000)		(300,000)		(300,000)
Retirement of treasury stock			(278,040)	278,040		—		—
Changes in ownership interests without loss of control		(265)				(265)	(11)	(276)
Put options granted to noncontrolling interests		5,640				5,640		5,640
Transfer from other components of equity to retained earnings			1,011		(1,011)	—		—
Total transactions with shareholders	—	5,375	(610,442)	(21,960)	(1,011)	(628,038)	(130)	(628,167)
Balance as of March 31, 2018	¥ 949,680	¥ 153,115	¥ 4,908,373	¥ (448,403)	¥ 102,342	¥ 5,665,107	¥ 27,121	¥ 5,692,228

Millions of yen

	Equity attributable to shareholders of NTT DOCOMO, INC.						Noncontrolling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Other components of equity	Total		
Balance as of March 31, 2018	¥ 949,680	¥ 153,115	¥ 4,908,373	¥ (448,403)	¥ 102,342	¥ 5,665,107	¥ 27,121	¥ 5,692,228
Cumulative impact on initial adoption of IFRS 9, "Financial Instruments"			2,665		9,371	12,035		12,035
Balance as of April 1, 2018	949,680	153,115	4,911,038	(448,403)	111,713	5,677,142	27,121	5,704,263
Profit			663,629			663,629	1,222	664,851
Other comprehensive income					(7,603)	(7,603)	84	(7,519)
Total comprehensive income	—	—	663,629	—	(7,603)	656,026	1,306	657,332
Dividends			(377,284)			(377,284)	(583)	(377,868)
Purchase of treasury stock				(600,000)		(600,000)		(600,000)
Retirement of treasury stock			(1,048,403)	1,048,403		—		—
Changes in ownership interests without loss of control		1				1	2,554	2,555
Changes in ownership interests with loss of control						—	(8,126)	(8,126)
Put options granted to noncontrolling interests		15,968				15,968		15,968
Transfer from other components of equity to retained earnings			11,515		(11,515)	—		—
Total transactions with shareholders	—	15,968	(1,414,172)	448,403	(11,515)	(961,316)	(6,155)	(967,471)
Balance as of March 31, 2019	¥ 949,680	¥ 169,083	¥ 4,160,495	¥ (0)	¥ 92,595	¥ 5,371,853	¥ 22,271	¥ 5,394,124

(4) Consolidated Statements of Cash Flows

	Millions of yen			
	Year ended March 31, 2018		Year ended March 31, 2019	
Cash flows from operating activities:				
Profit	¥	792,456	¥	664,851
Reconciliation of profit and net cash provided by operating activities:				
Depreciation and amortization		486,550		470,922
Impairment losses		11,833		32,821
Finance income		(9,196)		(7,510)
Finance costs		6,557		6,506
Share of (profits) losses on equity method investments		(4,446)		12,013
Income taxes		349,234		337,784
(Increase) decrease in inventories		(39,059)		4,793
(Increase) decrease in trade and other receivables		(61,193)		(153,962)
Increase (decrease) in trade and other payables		51,574		84,882
Increase (decrease) in contract liabilities		36,751		25,285
Increase (decrease) in defined benefit liabilities		8,408		639
Other, net		86,213		21,558
Subtotal		1,715,682		1,500,584
Dividends received		18,035		16,539
Interests received		534		493
Interests paid		(3,359)		(1,816)
Income taxes paid and refund		(232,291)		(299,786)
Net cash provided by operating activities		1,498,600		1,216,014
Cash flows from investing activities:				
Purchases of property, plant and equipment		(422,534)		(392,168)
Purchases of intangible and other assets		(201,216)		(203,058)
Purchases of non-current investments		(14,570)		(14,641)
Proceeds from sales of non-current investments		1,589		16,945
Purchases of short term investments		(891,059)		(341,089)
Proceeds from redemption of short term investments		821,335		641,268
Increase (decrease) due to losses on control of subsidiaries		(602)		(10,463)
Other, net		1,524		6,737
Net cash used in investing activities		(705,532)		(296,469)
Cash flows from financing activities:				
Repayments of long-term debt		(60,257)		(110,026)
Proceeds of short term borrowing		(475)		72
Repayments of finance lease liabilities		(1,188)		(1,179)
Payments to acquire treasury stock		(300,000)		(600,000)
Cash dividends paid		(333,506)		(377,245)
Cash dividends paid to noncontrolling interests		(119)		(583)
Other, net		4,776		(1,091)
Net cash used in financing activities		(690,768)		(1,090,052)
Effect of exchange rate changes on cash and cash equivalents		258		3
Net increase (decrease) in cash and cash equivalents		102,558		(170,504)
Cash and cash equivalents at beginning of year		287,910		390,468
Cash and cash equivalents at end of period	¥	390,468	¥	219,963

(5) Notes to Consolidated Financial Statements

i. Note to Going Concern Assumption

There is no corresponding item.

ii. Change in Accounting Policies

DOCOMO has adopted IFRS 9 “Financial Instruments” (revised in July 2014) (“IFRS 9”) from the fiscal beginning of the fiscal year ended 31, 2019 (April 1, 2018).

With respect to the changes in accounting policies following IFRS 9, comparative information is not restated, in accordance with the exemptions under IFRS 7 “Financial Instruments: Disclosures” (revised in July 2014) (“IFRS 7”) and IFRS 9, which are based on IFRS 1. U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) are applied at the transition date and the end of the previous fiscal year ended March 31, 2018. The difference between U.S. GAAP-based carrying amounts and IFRS 9-based carrying amounts at the beginning of the fiscal year ended March 31, 2019 is accounted for as adjustments to retained earnings and other components of equity.

Although equity securities for which fair values are not readily determinable are measured using the cost method under U.S. GAAP, following the adoption of IFRS 9 at the beginning of the fiscal year ended March 31, 2019, they were designated as items to be measured at fair value through other comprehensive income, and changes in their fair value are recorded in “Other comprehensive income (net of taxes)” in the consolidated statement of comprehensive income.

While receivables held for sale are measured at the lower of cost and fair value, and the portion of the cost exceeding the fair value is recorded as a valuation allowance in “trade and other receivables” and “securities and other financial assets” in the consolidated statement of financial position under U.S. GAAP, they are classified as financial assets measured at fair value through profit or loss since April 1, 2018.

Cumulative effects of the adoption of IFRS 9 on the consolidated statement of financial position at the beginning of the fiscal year ended March 31, 2019 are an increase of ¥4,397 million in “Investments accounted for using equity method,” an increase of ¥11,190 million in “Securities and other financial assets,” a decrease of ¥3,435 million in “Deferred tax assets,” an increase of ¥116 million in “Other non-current liabilities,” an increase of ¥2,665 million in “Retained earnings,” and an increase of ¥9,371 million in “Other components of equity.” The impact on “profit” and “basic earnings per share” for the fiscal year ended March 31, 2019 is immaterial.

iii. Changes in NTT DOCOMO, INC. Shareholders' Equity

Share Repurchases and Share Retirements

On October 31, 2018, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 260 million shares of its common stock for an amount in total not exceeding ¥600,000 million during the period from November 1, 2018 through March 31, 2019.

On November 6, 2018, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 257,953,468 shares of its common stock for an amount in total not exceeding ¥600,000 million by way of tender offer from November 7, 2018 through December 7, 2018 and repurchased 257,953,469 shares of its common stock at ¥600,000 million on January 7, 2019.

The aggregate number of shares acquired from our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION, was 256,752,200 shares and the amount in total was ¥597,206 million for the fiscal year ended March 31, 2019.

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

The aggregate number and price of shares repurchased for the Fiscal year ended March 31, 2019 were as follows:

	Shares	Millions of yen
Year ended March 31, 2019	257,953,552	600,000

NTT DOCOMO, INC. retired its own shares held as treasury stock as shown in the following table for the fiscal year ended March 31, 2019. The share retirement resulted in a decrease of "Retained earnings" by ¥1,048,403 million in the same amount as the aggregate purchase price. There were no changes in the number of authorized shares.

Date of the resolution of the Board of Directors	Shares	Millions of yen
February 22, 2019 (a Board of Directors meeting)	447,067,906	1,048,403

iv. Segment Information

DOCOMO's chief operating decision maker (the "CODM") is its Board of Directors. The CODM evaluates the performance and makes resource allocations of its segments based on the information provided by DOCOMO's internal management reports.

DOCOMO has three operating segments, which consist of telecommunications business, smart life business and other businesses.

The telecommunications business includes mobile phone services (LTE(Xi) services and FOMA services), optical-fiber broadband service, satellite mobile communications services, international services and the equipment sales related to these services. The smart life business includes distribution services such as video, music and electronic books as well as finance/payment services, shopping services and various other services to support our customers' daily lives. The other businesses primarily include "Mobile Device Protection Service," as well as development, sales and maintenance of IT systems.

Segment operating revenues:

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2019
Telecommunications business-		
External customers.....	¥ 3,892,855	¥ 3,975,490
Intersegment.....	1,548	1,614
Subtotal.....	3,894,403	3,977,104
Smart life business-		
External customers.....	435,737	432,297
Intersegment.....	15,087	16,506
Subtotal.....	450,824	448,804
Other businesses-		
External customers.....	433,677	433,062
Intersegment.....	6,079	7,635
Subtotal.....	439,756	440,697
Segment total.....	4,784,983	4,866,605
Elimination.....	(22,714)	(25,756)
Consolidated.....	¥ 4,762,269	¥ 4,840,849

Segment operating profit (loss):

	Millions of yen	
	Year ended March 31, 2018	Year ended March 31, 2019
Telecommunications business.....	¥ 854,242	¥ 866,343
Smart life business.....	60,347	68,101
Other businesses.....	72,371	79,200
Operating profit.....	986,960	1,013,645
Finance income.....	9,196	7,510
Finance costs.....	(6,557)	(6,506)
Income from arbitration award.....	147,646	—
Share of profits (losses) on equity method investments	4,446	(12,013)
Profit before taxes.....	¥ 1,141,690	¥ 1,002,635

v. Events after the reporting period

(Sale of shares in an affiliate)

As of March 31, 2019, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card Company, Limited. ("Sumitomo Mitsui Card"). Sumitomo Mitsui Card is a credit card operator in Japan and a privately held company.

In July 2005, DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. (SMFG) and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the "Osai-fu-Keitai" (mobile wallet) service. The investment we made in Sumitomo Mitsui Card in accordance with this agreement had been accounted for using the equity method.

In September 2018, we entered into an agreement with Sumitomo Mitsui Card and Sumitomo Mitsui Financial Group, Inc. (SMFG) to sell all Sumitomo Mitsui Card shares in our possession to SMFG in April 2019.

Therefore, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," DOCOMO reclassified its investment in Sumitomo Mitsui Card from "Investment accounted for using the equity method" to "Asset held for sale." In addition, the application of the equity method was discontinued and the asset was subsequently measured at the lower of its carrying amount and fair value less costs to sell. As a result, the asset is recorded at carrying amount at the time when the equity method was discontinued as of March 31, 2019.

As of March 31, 2019, the carrying amount of "Asset held for sale" is ¥234,160 million.

As of April 1, 2019, DOCOMO sold all Sumitomo Mitsui Card shares in our possession to SMFG. Cumulative other comprehensive income (net of taxes) related to "Asset held for sale" amounted to ¥47,765 million (credit) and was included in "Other components of equity" in the consolidated statements of financial position as of March 31, 2019. All of this amount are not recognized in profit or loss but are directly reclassified to "Retained earnings" when the asset was sold. This sale had no material effect on the consolidated statements of profit or loss.

(Resolution of share repurchase up to prescribed maximum limit)

On April 26, 2019, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 128.3 million outstanding shares of its common stock for an amount in total not exceeding ¥300,000 million during the period from May 7, 2019 through April 30, 2020.

vi. First-time adoption of IFRS

DOCOMO has prepared its condensed consolidated financial statements in accordance with IFRS from the first quarter ended June 30, 2018. The most recent consolidated financial statements prepared in accordance with U.S. GAAP covered the fiscal year ended March 31, 2018, and the date of transition to IFRS from U.S. GAAP was April 1, 2017.

(1) Exemptions under IFRS 1

A first-time adopter of IFRS is, in principle, required to retrospectively apply each IFRS standard effective at the end of its first IFRS reporting period. However, IFRS 1 provides two types of exceptions to this principle, those subject to mandatory application of the exemptions and those subject to voluntary application. The effects of applying these exemptions are adjusted to retained earnings or other components of equity on the transition date.

The exemptions voluntarily applied by DOCOMO are as follows.

- Business combinations

Under IFRS 1, an entity may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the transition date.

DOCOMO has elected not to apply IFRS 3 retrospectively to the business combinations that occurred prior to April 1, 2002. Thus, the amount of goodwill associated with the business combinations that occurred prior to April 1, 2002 was recognized at the carrying amount based on U.S. GAAP. Such goodwill is tested for impairment on the transition date, regardless of whether there is any indication of impairment.

- Deemed cost

Under IFRS 1, an entity may elect to use the fair value of an item of property, plant and equipment at the transition date as the deemed cost on that date. Thus, with respect to some items of property, plant and equipment, DOCOMO uses their fair value at the transition date as their deemed cost on that date.

- Foreign exchange translation differences

Under IFRS 1, an entity may elect to deem the cumulative translation differences to be zero at the transition date. DOCOMO has elected to deem the cumulative translation differences to be zero at the transition date, which are recognized in retained earnings.

- Revenue

Under IFRS 1, an entity may apply the transitional provisions under paragraph C5 of IFRS 15 “Revenue from Contracts with Customers.” DOCOMO has retrospectively applied IFRS 15 through the practical expedient set out in (d) under paragraph C5 of IFRS 15, and thus has not disclosed the amount of consideration allocated to the remaining performance obligations or the timing when DOCOMO expects to recognize such amount as revenue, for all reporting periods prior to the beginning of the first IFRS reporting period.

- Exemption from restatement of comparative information by the application of IFRS 9

If a first-time adopter’s first IFRS reporting period begins before January 1, 2019 and the first-time adopter applies IFRS 9 (2014 version), IFRS 1 permits the entity to apply previously adopted accounting standards, instead of restating comparative information concerning the items within the scope of IFRS 9 as required under IFRS 7 and IFRS 9.

DOCOMO recognizes and measures the items within the scope of IFRS 9 in the consolidated financial statements of the comparative periods in accordance with U.S. GAAP.

(2) Mandatory exceptions to the retroactive application under IFRS 1

IFRS 1 prohibits retroactive applications of IFRS to some items including “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “noncontrolling interests” and “classification and measurement of financial assets.” DOCOMO applies these items prospectively from the transition date (from April 1, 2018 as to the items included in the scope of IFRS 9).

(3) Reconciliations

Reconciliations based on IFRS 1 are as follows. In these reconciliations, the amounts under “Reclassification” include adjustments that affect neither retained earnings nor comprehensive income, while the amounts under “Difference in recognition and measurement” include adjustments that affect retained earnings and comprehensive income.

Reconciliation of equity on the transition date (April 1, 2017)

Consolidated Statements of Financial Position

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
ASSETS						ASSETS
Current assets:						Current assets
Cash and cash equivalents	289,610	—	(1,701)	287,910		Cash and cash equivalents
Short-term investments	301,070	74	1,109	302,253		Other financial assets
Accounts receivable	239,137	1,676,944	732	1,916,813		Trade and other receivables
Receivables held for sale	936,748	(936,748)	—	—		
Credit card receivables	347,557	(347,557)	—	—		
Other receivables	398,842	(398,842)	—	—		
Less: Allowance for doubtful accounts	(19,517)	19,517	—	—		
Inventories	153,388	—	968	154,356		Inventories
Prepaid expenses and other current assets	108,412	(13,388)	(18,817)	76,206	E,F	Other current assets
Total current assets	2,755,247	—	(17,709)	2,737,538		Total current asset
						Non-current assets
Property, plant and equipment:						
Wireless telecommunications equipment	5,084,923	(5,084,923)	—	—		
Buildings and structures	906,177	(906,177)	—	—		
Tools, furniture and fixtures	441,513	(441,513)	—	—		
Land	198,980	(198,980)	—	—		
Construction in progress	204,413	(204,413)	—	—		
Sub-total	6,836,006	(6,836,006)	—	—		
Accumulated depreciation and amortization	(4,295,111)	4,295,111	—	—		
Total property, plant and equipment, net	2,540,895	(2,540,895)	—	—		
	—	2,540,895	(47,706)	2,493,188	B	Property, plant and equipment
Non-current investments and other assets:						
Investments in affiliates	373,758	—	6,584	380,342	A,G	Investments accounted for using the equity method
Marketable securities and other investments	198,650	214,274	(24)	412,900		Securities and other financial assets
Intangible assets, net	608,776	—	(1,940)	606,836	B	Intangible assets
Goodwill	230,971	—	(151,659)	79,312	A	Goodwill
	—	—	268,018	268,018	E	Contract costs
Other assets	434,312	(214,274)	(112,984)	107,054	C,E	Other non-current assets
Deferred tax assets	310,465	—	(31,435)	279,030	A,B,C,E,F,G	Deferred tax assets
Total non-current investments and other assets	2,156,933	2,540,895	(71,147)	4,626,680		Total non-current assets
Total assets	7,453,074	—	(88,856)	7,364,218		Total assets

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
LIABILITIES						LIABILITIES
Current liabilities:						Current liabilities
Current portion of long-term debt	60,217	1,623	67	61,906		Short-term borrowings
Short-term borrowings	1,623	(1,623)	—	—		
Accounts payable, trade	853,538	22,531	525	876,594		Trade and other payables
Accrued payroll	59,187	(59,187)	—	—		
Accrued income taxes	—	11,323	(93)	11,230		Other financial liabilities
Accrued income taxes	105,997	—	(188)	105,809		Accrued income taxes
	—	79,685	109,685	189,370	E	Contract liabilities
	—	1,116	33,636	34,753	E	Provisions
Other current liabilities	194,438	(55,468)	2,414	141,385	E,F	Other current liabilities
Total current liabilities	1,275,001	—	146,046	1,421,047		Total current liabilities
Long-term liabilities:						Non-current liabilities
Long-term debt (exclusive of current portion)	160,040	—	—	160,040		Long-term debt
	—	1,609	28,931	30,540		Other financial liabilities
Accrued liabilities for point programs	94,639	11,243	(97,115)	8,766	E	Provisions
Liability for employees' retirement benefits	193,985	—	4,762	198,747	C	Defined benefit liabilities
	—	—	18,955	18,955	E	Contract liabilities
Other long-term liabilities	145,321	(12,851)	(122,523)	9,946	E	Other non-current liabilities
Total long-term liabilities	593,985	—	(166,991)	426,994		Total non-current liabilities
Total liabilities	1,868,986	—	(20,945)	1,848,041		Total liabilities
Redeemable noncontrolling interests	22,942	—	(22,942)	—		
EQUITY						EQUITY
NTT DOCOMO, INC. shareholders' equity						Equity attributable to shareholders of NTT DOCOMO, INC.
Common stock, without a stated value	949,680	—	—	949,680		Common stock
Additional paid-in capital	326,621	—	(178,881)	147,740	A	Additional paid-in capital
Retained earnings	4,656,139	—	71,847	4,727,986	A,B, C,D, E,F,G	Retained earnings
Accumulated other comprehensive income (loss)	24,631	—	67,091	91,723	A,C, D,G	Other components of equity
Treasury stock	(426,442)	—	(1)	(426,443)		Treasury stock
Total NTT DOCOMO, INC. shareholders' equity	5,530,629	—	(39,945)	5,490,685		Total equity attributable to shareholders of NTT DOCOMO, INC.
Noncontrolling interests	30,517	—	(5,024)	25,492		Noncontrolling interests
Total equity	5,561,146	—	(44,969)	5,516,177		Total equity
Total liabilities and equity	7,453,074	—	(88,856)	7,364,218		Total liabilities and equity

Reconciliation of equity on March 31, 2018

Consolidated Statements of Financial Position

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
ASSETS						ASSETS
Current assets:						Current assets
Cash and cash equivalents	392,749	—	(2,281)	390,468		Cash and cash equivalents
Short-term investments	370,627	55	1,401	372,083		Other financial assets
Accounts receivable	243,684	1,733,178	(147)	1,976,715		Trade and other receivables
Receivables held for sale	901,483	(901,483)	—	—		
Credit card receivables	432,082	(432,082)	—	—		
Other receivables	408,400	(408,400)	—	—		
Less: Allowance for doubtful accounts	(24,899)	24,899	—	—		
Inventories	187,402	—	30	187,432		Inventories
Prepaid expenses and other current assets	125,618	(16,168)	(19,305)	90,145	E,F	Other current assets
Total current assets	3,037,146	—	(20,303)	3,016,843		Total current assets
						Non-current assets
Property, plant and equipment:						
Wireless telecommunications equipment	5,133,128	(5,133,128)	—	—		
Buildings and structures	917,216	(917,216)	—	—		
Tools, furniture and fixtures	448,760	(448,760)	—	—		
Land	199,202	(199,202)	—	—		
Construction in progress	202,963	(202,963)	—	—		
Sub-total	6,901,269	(6,901,269)	—	—		
Accumulated depreciation and amortization	(4,305,239)	4,305,239	—	—		
Total property, plant and equipment, net	2,596,030	(2,596,030)	—	—		
	—	2,596,030	(47,813)	2,548,216	B	Property, plant and equipment
Non-current investments and other assets:						
Investments in affiliates	384,890	—	6,556	391,446	A,G	Investments accounted for using the equity method
Marketable securities and other investments	199,478	235,863	(83)	435,257		Securities and other financial assets
Intangible assets, net	599,147	—	(1,023)	598,124	B	Intangible assets
Goodwill	224,264	—	(151,817)	72,448	A	Goodwill
Other assets	—	—	276,282	276,282	E	Contract costs
Other assets	478,503	(235,863)	(133,123)	109,516	C,E	Other non-current assets
Deferred tax assets	228,832	—	(22,026)	206,806	A,B, C,E, F,G	Deferred tax assets
Total non-current investments and other assets	2,115,114	2,596,030	(73,048)	4,638,095		Total non-current assets
Total assets	7,748,290	—	(93,351)	7,654,938		Total assets

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
LIABILITIES						LIABILITIES
Current liabilities:						Current liabilities
Current portion of long-term debt	110,000	1,632	(403)	111,230		Short-term borrowings
Short-term borrowings	1,632	(1,632)	—	—		
Accounts payable, trade	888,722	21,984	252	910,958		Trade and other payables
Accrued payroll	60,574	(60,574)	—	—		
	—	12,238	15,809	28,047		Other financial liabilities
Accrued income taxes	155,037	—	(11)	155,026		Accrued income taxes
	—	90,344	125,136	215,480	E	Contract liabilities
	—	1,426	36,492	37,919	E	Provisions
Other current liabilities	278,193	(65,418)	(24,477)	188,298	E,F	Other current liabilities
Total current liabilities	1,494,158	—	152,799	1,646,957		Total current liabilities
Long-term liabilities:						Non-current liabilities
Long-term debt (exclusive of current portion)	50,000	—	—	50,000		Long-term debt
	—	1,530	7,923	9,453		Other financial liabilities
Accrued liabilities for point programs	99,305	10,452	(100,682)	9,075	E	Provisions
Liability for employees' retirement benefits	202,663	—	4,129	206,792	C	Defined benefit liabilities
	—	—	29,587	29,587	E	Contract liabilities
Other long-term liabilities	166,584	(11,982)	(143,755)	10,847	E	Other non-current liabilities
Total long-term liabilities	518,552	—	(202,798)	315,754		Total non-current liabilities
Total liabilities	2,012,710	—	(50,000)	1,962,710		Total liabilities
Redeemable noncontrolling interests	23,436	—	(23,436)	—		
EQUITY						EQUITY
NTT DOCOMO, INC. shareholders' equity						Equity attributable to shareholders of NTT DOCOMO, INC.
Common stock, without a stated value	949,680	—	—	949,680		Common stock
Additional paid-in capital	326,356	—	(173,241)	153,115	A	Additional paid-in capital
Retained earnings	4,789,229	—	119,143	4,908,373	A,B,C,D,E,F,G	Retained earnings
Accumulated other comprehensive income (loss)	63,547	—	38,795	102,342	A,C,D,G	Other components of equity
Treasury stock	(448,403)	—	—	(448,403)		Treasury stock
Total NTT DOCOMO, INC. shareholders' equity	5,680,409	—	(15,303)	5,665,107		Total equity attributable to shareholders of NTT DOCOMO, INC.
Noncontrolling interests	31,735	—	(4,614)	27,121		Noncontrolling interests
Total equity	5,712,144	—	(19,916)	5,692,228		Total equity
Total liabilities and equity	7,748,290	—	(93,351)	7,654,938		Total liabilities and equity

Reconciliation of comprehensive income for the fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)
Consolidated Statement of Profit or Loss

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
Operating revenues:						Operating revenues
Telecommunications services	3,137,870	—	(45,131)	3,092,739	E	Telecommunications services
Equipment sales	755,138	—	34,707	789,845	E	Equipment sales
Other operating revenues	876,401	5,397	(2,113)	879,685	E	Other operating revenues
Total operating revenues	4,769,409	5,397	(12,537)	4,762,269		Total operating revenues
Operating expenses:						Operating expenses
Cost of services	1,348,100	(1,348,100)	—	—		
Cost of equipment sold	833,714	(833,714)	—	—		
Depreciation and amortization	485,502	(485,502)	—	—		
Impairment loss	12,088	(12,088)	—	—		
Selling, general and administrative	1,116,741	(1,116,741)	—	—		
	—	289,142	(1,027)	288,115	C	Personnel expenses
	—	2,556,889	(25,632)	2,531,257	B,E,F	Cost of equipment sold and services, and other expenses
	—	485,502	1,048	486,550	B,E	Depreciation and amortization
	—	12,088	(256)	11,833		Impairment loss
	—	389,586	804	390,390	E	Communication network charges
	—	66,833	331	67,163	B,E	Loss on disposal of property, plant and equipment and intangible assets
Total operating expenses	3,796,145	3,895	(24,732)	3,775,309		Total operating expenses
Operating income	973,264	1,502	12,194	986,960		Operating profit
Other income (expense):						
Interest expense	(63)	(33,342)	26,848	(6,557)	B	Finance costs
Interest income	499	7,120	1,577	9,196		Finance income
Income from arbitration award	147,646	—	—	147,646		Income from arbitration award
Other, net	(24,721)	24,721	—	—		
	—	(12,229)	16,675	4,446	D,G	Share of profits (losses) on equity method investments
	—	1,084,397	57,294	1,141,690	B,C,D,E,F,G	Profit before taxes
Income before income taxes and equity in net income (losses) of affiliates	1,096,625	(1,096,625)	—	—		
Income taxes:						
Current	282,055	(282,055)	—	—		
Deferred	55,720	(55,720)	—	—		
Total income taxes	337,775	(337,775)	—	—		
		337,775	11,458	349,234		Income taxes
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(12,229)	12,229	—	—		
Net income	746,621	—	45,836	792,456		Profit
						Profit attributable to:
Net income attributable to NTT DOCOMO, INC	744,542	—	46,288	790,830		Shareholders of NTT DOCOMO, INC
Net income attributable to noncontrolling interests	2,079	—	(452)	1,626		Noncontrolling interests

Consolidated Statement of Comprehensive Income

(Millions of yen)

Items presented under U.S. GAAP	U.S. GAAP	Reclassification	Difference in recognition and measurement	IFRS	Notes	Items presented under IFRS
Net income	746,621	—	45,836	792,456		Profit
Other comprehensive income (loss):						Other comprehensive income (net of taxes)
						Items that will not to be reclassified to profit or loss
	—	—	1,227	1,227		Remeasurements of defined benefit plans
	—	—	(216)	(216)	G	Share of other comprehensive income of investments accounted for using the equity method
	—	—	1,011	1,011		Total of items that will not to be reclassified to profit or loss
						Items that may be reclassified subsequently to profit or loss
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	11,319	—	(9,414)	1,904		Unrealized holding gains (losses) on available-for-sale securities
Unrealized gains (losses) on cash flow hedges, net of applicable taxes	(36)	—	36	—		
Foreign currency translation adjustment, net of applicable taxes	25,455	—	(29,458)	(4,003)	D	Foreign exchange translation differences
Pension liability adjustment, net of applicable taxes	2,309	—	(2,309)	—		
	—	—	12,850	12,850	G	Share of other comprehensive income of investments accounted for using the equity method
	—	—	10,751	10,751		Total of items that may be reclassified subsequently to profit or loss
Total other comprehensive income (loss)	39,047	—	(27,285)	11,762		Total other comprehensive income (net of taxes)
Comprehensive income	785,668	—	18,551	804,218		Comprehensive income

(4) Notes on reclassification

a. Separate presentation of financial assets and financial liabilities

Under IFRS, other financial assets and other financial liabilities are presented separately pursuant to its presentation rules.

b. Presentation of operating expenses

Whereas “operating expenses” were presented based on the cost function method under U.S. GAAP, they are presented based on the nature of expense method under IFRS.

(5) Notes on difference in recognition and measurement

Major items involved in reconciliation of retained earnings are as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
Retained earnings under U.S. GAAP	¥ 4,656,139	¥ 4,789,229
A. Business combinations and equity method investments	11,555	11,555
B. Property, plant and equipment, and intangible assets	(33,847)	(33,355)
C. Employee benefits	(41,215)	(39,040)
D. Cumulative translation differences	(14,031)	12,875
E. Revenue	154,083	160,114
F. Levies	(20,608)	(19,951)
G. Associates	17,682	29,817
Other	(1,771)	(2,872)
Total difference in recognition and measurement	71,847	119,143
Retained earnings under IFRS	¥ 4,727,986	¥ 4,908,373

Major items involved in reconciliation of income before income taxes are as follows.

	Millions of yen	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	
Income before income taxes under U.S. GAAP	¥	1,084,397
A. Business combinations and equity method investments		—
B. Property, plant and equipment, and intangible assets		718
C. Employee benefits		1,382
D. Cumulative translation differences		45,224
E. Revenue		9,152
F. Levies		1,046
G. Associates		1,253
Other		(1,481)
Total difference in recognition and measurement		57,294
Profit before taxes under IFRS	¥	1,141,690

A. Business combinations and equity method investments

Additional acquisition of noncontrolling equity interests in a subsidiary that occurred prior to March 31, 2009 was accounted for using the acquisition method under U.S. GAAP. Under the acquisition method, the acquisition cost was allocated to identifiable assets acquired and liabilities assumed, which were measured based on the estimated fair value, with the excess of the acquisition cost over the net assets acquired recognized as goodwill. Under IFRS, changes in a parent's ownership interest in a subsidiary that do not result in a loss of the parent's control over the subsidiary are accounted for as capital transactions.

In addition, under U.S. GAAP, when an investment became an equity-accounted investee in stages, the previously held interest was accounted for using the equity method retroactively. Under IFRS, when an investment became an equity-accounted investee in stages, it was initially measured as the sum of the consideration paid for the additional interest and the fair value of the previously held interest. The equity method did not apply retrospectively to the previous interests.

Moreover, under U.S. GAAP, noncontrolling interests in an acquiree are measured at fair value at the time of business combination. Under IFRS, DOCOMO can select on a transaction-by-transaction basis to measure the noncontrolling interests in an acquiree either at fair value, or at the proportionate share in the identifiable net assets of the acquiree.

The impact of this change is as follows.

	Millions of yen			
	Transition date (April 1, 2017)		March 31, 2018	
(Consolidated statement of financial position)				
Goodwill	¥	(127,883)	¥	(127,883)
Investments accounted for using the equity method		2,250		2,250
Deferred tax assets		(18,238)		(18,238)
Additional paid-in capital		156,523		156,523
Other components of equity		(1,097)		(1,097)
Adjustment to retained earnings	¥	11,555	¥	11,555

B. Property, plant and equipment, and intangible assets

With respect to some items of property, plant and equipment, DOCOMO applies the voluntary exemption that allows the use of the assets' fair values as of the date of transition to IFRS, as the deemed costs. As of the date of transition to IFRS, the previous carrying amount of those property, plant and equipment measured at deemed costs was ¥87,577 million, while the fair value of those assets was ¥42,518 million.

Borrowing costs directly attributable to the acquisition, construction or production of property, plant and equipment and intangible assets were capitalized as assets under U.S. GAAP. Only those of which, that are associated with those assets that meet qualifying assets under IFRS were capitalized.

Furthermore, part of research and development expenditures that were expensed under U.S. GAAP are recognized as assets in the condensed consolidated statement of financial position as they meet the criteria for capitalization under IFRS, and amortized by the straight line method over their estimated useful lives.

The impact of this change is as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
(Consolidated statement of financial position)		
Property, plant and equipment	¥ (48,068)	¥ (48,237)
Intangible assets	(1,272)	(386)
Deferred tax assets	15,493	15,268
Adjustment to retained earnings	¥ (33,847)	¥ (33,355)

	Millions of yen	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	
(Consolidated statement of profit or loss)		
Cost of equipment sold and services, and other expenses	¥ 2,468	
Depreciation and amortization	873	
Loss on disposal of property, plant and equipment and intangible assets	(70)	
Finance costs	(2,553)	
Adjustment to profit before tax	¥ 718	

C. Employee benefits

Under U.S. GAAP, service cost, interest cost and expected return on plan assets associated with post-retirement benefits under the defined benefit plans were recognized as profit or loss. Actuarial gain or loss and past service cost arising from the defined benefit plans were recognized in other comprehensive income, and then they were recognized in profit or loss as components of net periodic pension cost over a certain future period.

Under IFRS, on the other hand, current service cost and past service cost under the defined benefit plans are recognized as profit or loss, while net interest cost is recognized in profit or loss at an amount calculated by multiplying the net defined benefit liabilities (assets) by discount rates. Remeasurement of the net defined benefit liabilities (assets) is recognized as other comprehensive income, which, upon its occurrence, is transferred directly from other components of equity to retained earnings, without going through profit or loss. Remeasurement comprises actuarial gains (losses) associated with the defined benefit obligations and returns associated with plan assets (excluding interest incomes associated with plan assets).

The impact of this change is as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
(Consolidated statement of financial position)		
Deferred tax assets	¥ 1,496	¥ 1,306
Defined benefit liabilities	(4,765)	(4,161)
Other components of equity	(37,946)	(36,186)
Adjustment to retained earnings	¥ (41,215)	¥ (39,040)
	Millions of yen	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	
(Consolidated statement of profit or loss)		
Personnel expenses	¥ 1,382	
Adjustment to profit before taxes	¥ 1,382	

D. Cumulative translation differences

On the application of IFRS, DOCOMO has applied the exemption under IFRS 1 regarding the cumulative translation differences, and thereby elected to deem the cumulative translation differences to be zero at the transition date and, are recognized in retained earnings.

As a result, the cumulative foreign currency translation differences of ¥18,148 million as part of other components of equity at the transition date were wholly transferred to “retained earnings.”

In addition, DOCOMO received an arbitration award from Tata Sons Limited (“Tata Sons”) on October 31, 2017, while transferring, at the same time, all of the shares in Tata Teleservices Limited (“TTSL”) held by DOCOMO to Tata Sons as well as a company designated by Tata Sons. Upon the aforementioned share transfer, DOCOMO discontinued applying the equity method. DOCOMO recorded, pursuant to U.S. GAAP, equity in net losses of affiliates of ¥15,383 million in the consolidated statements of income for the fiscal year ended March 31, 2018, prior to the share transfer, and loss on the transfer of investment in an affiliate of ¥29,841 million associated with the reclassification adjustments of foreign currency translation adjustment in other income (expense) included in “Other, net” on the consolidated statements of income for the fiscal year ended March 31, 2018. Under IFRS, however, since DOCOMO has elected to deem the cumulative translation differences to be zero at the transition date, no share of profit (loss) on equity method investments and the loss on the transfer of investment in TTSL has arisen under equity method accounting.

E. Revenue

Under U.S. GAAP, costs to obtain and fulfill a contract in the telecommunications business were capitalized to the extent of the related non-recurring upfront activation fees incurred and amortized over the average expected period of subscription. Under IFRS, however, such costs are capitalized with no limit to the extent that meets the criteria for capitalization. As a result, some sales commission and other charges, which were expensed under U.S. GAAP, are additionally capitalized. The points that are granted to customers commensurate with the usage of services provided by DOCOMO, were recognized as provisions under U.S. GAAP. Under IFRS, however, part of the consideration for the services is recognized as contract liabilities when the points are granted to customers, and the revenue is recognized at the time when the points are used.

Non-recurring upfront activation fee in the telecommunications business was deferred, and was recognized as revenue by type of service over the average expected period of subscription under U.S. GAAP. Under IFRS, non-recurring upfront activation fee received in return for material rights renewals is deferred as a “contract liability” in the condensed consolidated statement of financial position and is recognized as revenue over a period during which DOCOMO provides customers with material rights.

The impact of this change is as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
(Consolidated statement of financial position)		
Other current assets	¥ (15,533)	¥ (17,981)
Contract costs	268,018	276,282
Deferred tax assets	(70,015)	(73,167)
Other non-current assets	(107,406)	(117,566)
Contract liabilities (current)	(109,685)	(125,136)
Provisions (current)	(32,461)	(34,955)
Other current liabilities	18,102	25,618
Contract liabilities (non-current)	(18,955)	(29,587)
Provisions (non-current)	108,068	121,450
Other non-current liabilities	113,950	135,156
Adjustment to retained earnings	¥ 154,083	¥ 160,114

	Millions of yen	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	
(Consolidated statement of profit or loss)		
Operating revenues	¥ (20,476)	
Cost of equipment sold and services, and other expenses	32,368	
Depreciation and amortization	(1,655)	
Communication network charges	(828)	
Loss on disposal of property, plant and equipment and intangible assets	(257)	
Adjustment to profit before taxes	¥ 9,152	

F. Levies

Under U.S. GAAP, expenditure of levies such as real estate tax was expensed over the relevant accounting period. Under IFRS, however, the amount of the expenditure is recognized as an expense in full at the time when payment obligation arises.

The impact of this change is as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
(Consolidated statement of financial position)		
Other current liabilities	(30,129)	(29,083)
Deferred tax assets	9,521	9,132
Adjustment to retained earnings	¥ (20,608)	¥ (19,951)

	Millions of yen	
	Fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)	
(Consolidated statement of profit or loss)		
Cost of equipment sold and services, and other expenses	¥ 1,046	
Adjustment to profit before taxes	¥ 1,046	

G. Associates

Under U.S. GAAP, deferred tax liabilities recognized for taxable temporary differences associated with investment in associates were measured based on the future reversal of the taxable temporary differences resulting from the sale of investments, whereas under IFRS, those are measured based on the most likely manner of future reversal, such as the distribution of dividends.

In addition, as the equity-accounted associates adopted IFRS 15, the equity of those associates is modified as a result.

The impact of this change is as follows.

	Millions of yen	
	Transition date (April 1, 2017)	March 31, 2018
(Consolidated statement of financial position)		
Investments accounted for using the equity method	¥ 4,369	¥ 4,368
Deferred tax assets	28,320	42,570
Other components of equity	(15,007)	(17,121)
Adjustment to retained earnings	¥ 17,682	¥ 29,817

	<u>Millions of yen</u>	
	<u>Fiscal year ended</u>	
	<u>March 31, 2018</u>	
	<u>(April 1, 2017 –</u>	
	<u>March 31, 2018)</u>	
(Consolidated statement of profit or loss)		
Share of profits (losses) on equity method investments	¥	1,253
Adjustment to profit before taxes	¥	1,253

(6) Significant adjustment to the consolidated statement of cash flows

Fiscal year ended March 31, 2018

Under IFRS, net cash provided by operating activities decreased by ¥12,940 million, net cash used in investing activities decreased by ¥12,840 million, and net cash used in financing activities increased by ¥362 million compared with the consolidated statements of cash flows prepared under U.S. GAAP. These changes were mainly due to the change in classification of receivables associated with finance services. Under IFRS, these receivables are classified in operating activities while they were classified in investing activities under U.S. GAAP.

4. Appendix

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

The reconciliations for the year ending March 31, 2020 (Forecasts) are provided to the extent available without unreasonable efforts.

i.EBITDA	Billions of yen		
	Year ending March 31, 2020 (Forecasts)	Year ended March 31, 2018	Year ended March 31, 2019
EBITDA	1,440.0	1,525.1	1,559.0
Depreciation and amortization	(587.0)	(486.6)	(470.9)
Loss on sale or disposal of property, plant and equipment	(23.0)	(39.7)	(41.6)
Impairment loss	—	(11.8)	(32.8)
Operating profit	830.0	987.0	1,013.6
a. Profit attributable to NTT DOCOMO, INC.	575.0	790.8	663.6
b. Operating revenues	4,580.0	4,762.3	4,840.8
Net profit margin (=a/b)	12.6%	16.6%	13.7%

EBITDA	1,440.0	1,525.1	1,559.0
Estimated impact of IFRS16	(100.0)	—	—
Adjusted EBITDA	1,340.0	1,525.1	1,559.0

ii.ROE	Billions of yen		
	Year ending March 31, 2020 (Forecasts)	Year ended March 31, 2018	Year ended March 31, 2019
a. Profit attributable to NTT DOCOMO, INC.	575.0	790.8	663.6
b. Shareholders' equity	5,330.4	5,577.9	5,518.5
ROE (=a/b)	10.8%	14.2%	12.0%

Note: Shareholders' equity = Two period ends average of NTT DOCOMO, INC. shareholders' equity

iii. Free cash flows

	Billions of yen		
	Year ending March 31, 2020 (Forecasts)	Year ended March 31, 2018	Year ended March 31, 2019
Net cash provided by operating activities	1,030.0	1,498.6	1,216.0
Net cash used in investing activities	(400.0)	(705.5)	(296.5)
Free cash flows	630.0	793.1	919.5
Changes in investments for cash management purposes	—	(69.7)	300.2
Free cash flows excluding changes in investments for cash management purposes*	630.0	862.8	619.4
Estimated impact of IFRS16	(100.0)	—	—
Free cash flows excluding changes in investments for cash management purposes and estimated impact of IFRS16	530.0	862.8	619.4

Note: * 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.

Net cash used in investing activities includes changes in investments for cash management purposes for the year ended March 31, 2018 and 2019. The effect of changes in investments for cash management purposes is not taken into account when we forecasted net cash used in investing activities for the year ending March 31, 2020 due to the difficulties in forecasting such effect.