Annual Securities Report

(The 27th Fiscal Year)

NTT DOCOMO, INC.

This is an English translation of the Annual Securities Report of NTT DOCOMO, INC. and its subsidiaries ("DOCOMO," the "Company," "we," or "our Group"). This translation includes a translation of the audit report of KPMG AZSA LLC, DOCOMO's independent auditor, of the financial statements included in the original Japanese language Annual Securities Report. KPMG AZSA LLC has not audited and makes no warranty as to the accuracy or otherwise of the translation of the financial statements or other financial information included in this translation of the Annual Securities Report.

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[Company Name]	Kabushiki Kaisha NTT DOCOMO
[Company Name in English]	NTT DOCOMO, INC.
[Title and Name of Representative]	Kazuhiro Yoshizawa, Representative Director, President and Chief Executive Officer
[Address of Head Office]	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
[Telephone Number]	+81-3-5156-1111
[Contact Person]	Hideki Maeda, Senior Manager, General Affairs Department
[Nearest Contact Place]	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
[Telephone Number]	+81-3-5156-1111
[Contact Person]	Hideki Maeda, Senior Manager, General Affairs Department
[Place Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Section 1 The Company Information

Item 1. Overview of the Company

1. Key Management Indicators and Other Data

(1) Consolidated Management Indicators

U.S. GAAP (Millions of yen, unless otherwise stated)

Fiscal Year	23rd	24th	25th	26th	27th
Year Ended	March 2014	March 2015	March 2016	March 2017	March 2018
Operating revenues	4,461,203	4,383,397	4,527,084	4,584,552	4,769,409
Income before income taxes and equity in net income (losses) of affiliates	833,049	643,883	778,021	949,563	1,096,625
Net income attributable to NTT DOCOMO, INC.	464,729	410,093	548,378	652,538	744,542
Comprehensive income attributable to NTT DOCOMO, INC.	523,431	453,102	510,667	662,281	783,458
NTT DOCOMO, INC. shareholders' equity	5,643,366	5,380,072	5,302,248	5,530,629	5,680,409
Total assets	7,508,030	7,146,340	7,214,114	7,453,074	7,748,290
NTT DOCOMO, INC. shareholders' equity per share (yen)	1,360.91	1,386.09	1,409.94	1,492.91	1,580.88
Basic earnings per share attributable to NTT DOCOMO, INC. (yen)	112.07	101.55	141.30	175.12	201.73
Diluted earnings per share attributable to NTT DOCOMO, INC. (yen)	–	–	–	–	–
Shareholders' equity ratio (%)	75.2	75.3	73.5	74.2	73.3
ROE (%)	8.4	7.4	10.3	12.0	13.3
Price earnings ratio (times)	14.5	20.5	18.1	14.8	13.5
Cash flows from operating activities	1,000,642	962,977	1,209,131	1,312,418	1,511,540
Cash flows from investing activities	(703,580)	(651,194)	(375,251)	(943,094)	(718,372)
Cash flows from financing activities	(269,793)	(734,257)	(583,608)	(433,097)	(690,406)
Cash and cash equivalents at end of year	526,920	105,553	354,437	289,610	392,749
Number of employees [Separately, average number of temporary employees] (persons)	24,860 [11,393]	25,680 [11,732]	26,129 [11,759]	26,734 [10,447]	27,464 [9,515]

Notes: 1. Operating revenues do not include consumption taxes, etc.

2. NTT DOCOMO, INC. shareholders' equity per share and basic earnings per share attributable to NTT DOCOMO, INC. are calculated based on the number of issued shares less the number of treasury stock.

3. Diluted earnings per share attributable to NTT DOCOMO, INC. are not stated, as there are no potential shares with dilutive effects.
4. The number of employees does not include seconded personnel from consolidated companies to other companies, but does include seconded personnel from other companies to consolidated companies.

(2) Non-Consolidated Management Indicators and Other Data of NTT DOCOMO, INC.

Japanese GAAP (Millions of yen, unless otherwise stated)

Fiscal Year	23rd	24th	25th	26th	27th
Year Ended	March 2014	March 2015	March 2016	March 2017	March 2018
Operating revenues	4,432,980	4,285,456	4,461,505	4,588,579	4,807,129
Recurring profit	899,287	608,186	750,261	937,816	969,361
Net income	483,232	359,339	461,006	629,165	847,735
Common stock	949,679	949,679	949,679	949,679	949,679
Total number of issued shares (shares)	4,365,000,000	4,085,772,000	3,958,543,000	3,899,563,000	3,782,299,000
Net assets	5,471,898	5,167,944	4,988,846	5,222,663	5,416,930
Total assets	7,077,373	6,664,791	6,595,645	6,829,897	7,138,999
Net assets per share (yen)	1,319.56	1,331.44	1,326.60	1,409.78	1,507.55
Dividends per share [Of the above, interim dividends per share] (yen)	60 [30]	65 [30]	70 [35]	80 [40]	100 [50]
Earnings per share (yen)	116.53	88.99	118.79	168.85	229.68
Diluted earnings per share (yen)	–	–	–	–	–
Equity ratio (%)	77.3	77.5	75.6	76.5	75.9
ROE (%)	9.0	6.8	9.1	12.3	15.9
Price earnings ratio (times)	14.0	23.4	21.5	15.4	11.8
Payout ratio (%)	51.5	73.0	58.9	47.4	43.5
Number of employees (persons)	10,973	7,344	7,616	7,609	7,767

Notes:
1. Operating revenues do not include consumption taxes, etc.
2. Net assets per share and earnings per share are calculated based on the total number of issued shares less the number of treasury stock.
3. Diluted earnings per share is not stated, as no potential shares such as bonds with subscription rights to shares were issued.
4. The number of employees does not include seconded personnel from NTT DOCOMO, INC. to other companies, but does include seconded personnel from other companies to NTT DOCOMO, INC.

2. History

NTT DOCOMO, INC. (the "Company") was established in August 1991 as NTT Mobile Communications Planning Co., Ltd., based on the government's policy in March 1990 to split off the mobile communications business of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT). The primary changes in the Company and the NTT DOCOMO group ("DOCOMO") that have occurred since then are as follows:

Date	History
August 1991	NTT Mobile Communications Planning Co., Ltd. was established through an investment by NTT.
November 1991	Regional Mobile Communications Planning Co., Ltd. companies (Hokkaido, Tohoku, Tokai, Hokuriku, Kansai, Chugoku, Shikoku, and Kyushu) were established (hereinafter, the "eight Regional Planning Companies").
April 1992	Changed the corporate name to NTT Mobile Communications Network, Inc.
July 1992	Took over operations of the mobile telecommunications business (mobile phones, car phones, pagers, maritime telephones, and aircraft public phones) from NTT.
April 1993	The eight Regional Planning Companies changed their corporate names to Regional Mobile Communications Network, Inc. companies (hereinafter, the "eight Regional DOCOMO Companies").
July 1993	Transferred operations of the mobile telecommunications business (mobile phones, car phones, and pagers) in each region to the eight Regional DOCOMO Companies.
October 1993	Merged with NTT Central Mobile Communications, Inc.; simultaneously, the eight Regional DOCOMO Companies merged with the regional Mobile Communications, Inc. companies.
October 1998	Listed on the First Section of the Tokyo Stock Exchange.
December 1998	Took over operations of the PHS business from NTT Central Personal Communications Network, Inc.; simultaneously, the eight Regional DOCOMO Companies took over operations of the PHS business of the regional Personal Communications Network, Inc. companies.
April 2000	Changed the corporate name to NTT DoCoMo, Inc.; the corporate names of the eight Regional DOCOMO Companies were changed accordingly.
March 2002	Listed on the London Stock Exchange and New York Stock Exchange.
July 2008	Merged with the eight Regional DOCOMO Companies.
October 2013	Changed the corporate name to NTT DOCOMO, INC.
March 2014	Delisted from the London Stock Exchange.

Note: The Company delisted from the New York Stock Exchange in April 2018.

3. Description of Business

(1) Business Outline

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

The Company, its 108 subsidiaries and 22 affiliates constitute DOCOMO and operate its business.

Information regarding the segments of DOCOMO and the corporate position of each group company is as follows:

[Segment Information]

Name of Business Segment	Main Business Areas	Main Affiliated Companies
Telecommunications business	Mobile phone (LTE(Xi) and FOMA) services, optical-fiber broadband services, satellite communications services, international services and equipment sales related to those services	The Company DOCOMO CS, Inc. (9 companies in Japan) DOCOMO Support, Inc. DOCOMO Systems, Inc. DOCOMO Technology, Inc. DOCOMO PACIFIC, INC.
Smart life business	Services offered through "dmarket" portal such as distribution of video, music and electronic books, finance/payment services, shopping services and other services to support our customers' lives	The Company DOCOMO CS, Inc. (9 companies in Japan) DOCOMO Support, Inc. DOCOMO Systems, Inc. DOCOMO Technology, Inc. ABC Cooking Studio Co., Ltd. OAK LAWN MARKETING, INC. Tower Records Japan Inc. D2C Inc. DOCOMO ANIME STORE, INC. DOCOMO InsightMarketing, INC. docomo Healthcare, Inc. Nihon Ultmarc INC. MAGASeek Corporation
Other businesses	Mobile device protection service, commissioned business of development, sales and maintenance of systems, other services	The Company DOCOMO CS, Inc. (9 companies in Japan) DOCOMO Support, Inc. DOCOMO Systems, Inc. DOCOMO Technology, Inc. DOCOMO Datacom, Inc. DCM Reinsurance Company, Inc. DOCOMO Digital Limited DOCOMO Innovations, Inc.

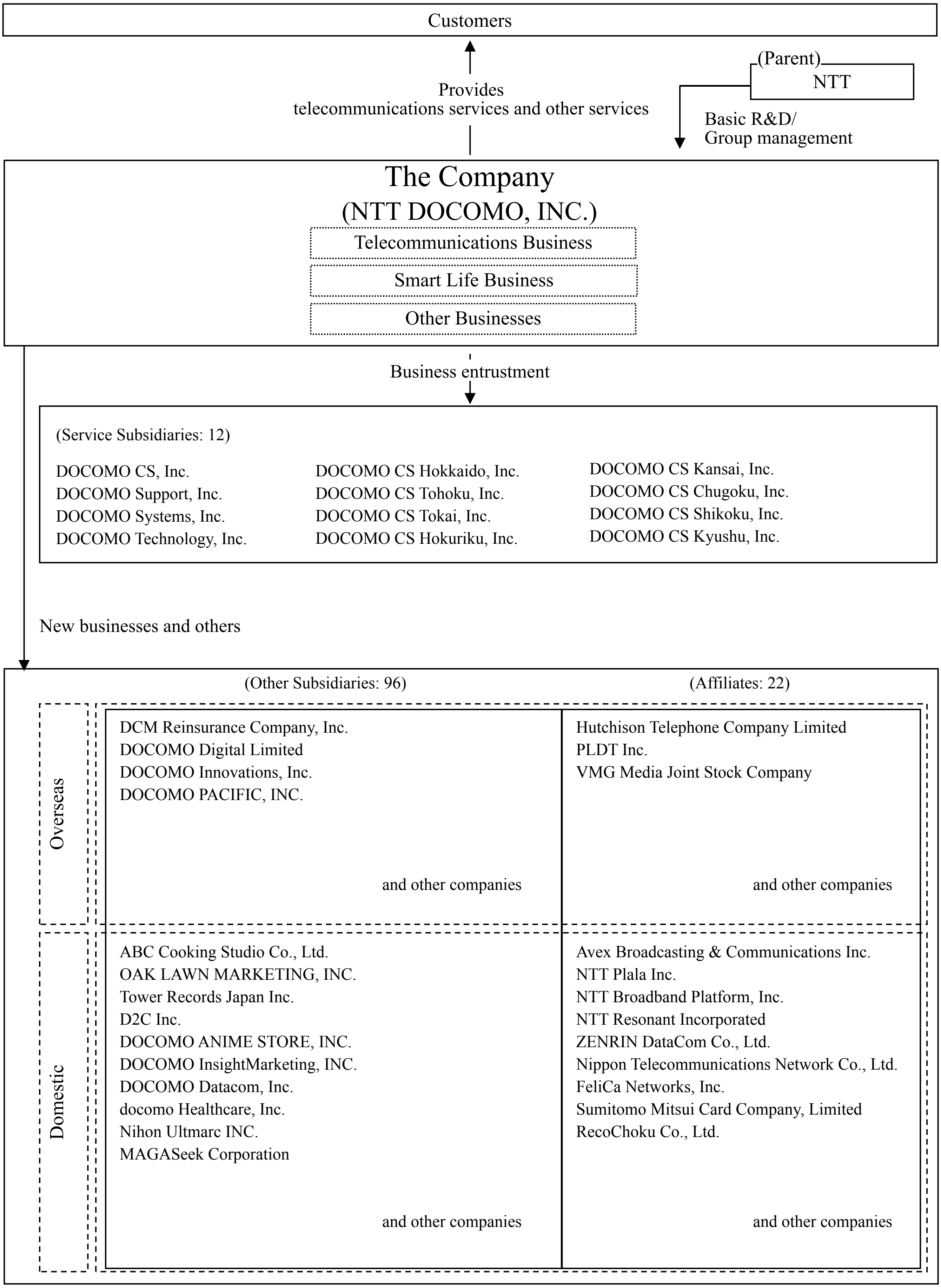
[Position of Each Company]

1) The Company engages in telecommunications, smart life and other businesses in Japan.

2) The 12 service subsidiaries are independently established as separate companies in the interest of efficiency and specialization of work, and undertake part of or provide support for the Company’s operations.

3) The 96 other subsidiaries and 22 affiliates comprise companies whose purpose is to develop new businesses in Japan and overseas.

The following chart summarizes the description on the previous pages:



(As of March 31, 2018)

(2) Legal Provisions Pertaining to the Business

The Company is a telecommunications carrier that has obtained registration from the Minister for Internal Affairs and Communications, in accordance with the Telecommunications Business Act. It has also received approval for the right to use land, etc. pursuant to the Telecommunications Business Act, and licenses, etc. in accordance with the Radio Act, in order to conduct the business.

Furthermore, as a telecommunications carrier that installs Category II designated telecommunications facilities, the Company is subject to the application of the prohibited acts provisions set forth in the Telecommunications Business Act, and is required to notify and announce interconnection tariffs.

An overview of the legal provisions pertaining to the business is set forth below.

(a) Telecommunications Business Act

1) Any telecommunications carrier shall, when a natural disaster, accident or any other emergency occurs or is likely to occur, give priority to communications on matters that are necessary for disaster prevention or relief efforts, for the securing of transportation, communications or electric power supply, or for the maintenance of public order. The same shall apply to other communications that are specified by an Ordinance of the Ministry of Internal Affairs and Communications to be performed urgently for the public interest. (Article 8, Paragraph 1)

   Where any telecommunications carrier interconnects its telecommunications facilities with other telecommunications carriers' telecommunications facilities in order to cooperate with each other to ensure that the telecommunications set forth in Article 8, Paragraph 1 (hereinafter referred to as "essential communications") are smoothly conducted, it shall, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, take necessary measures, including the conclusion of an arrangement for preferential treatment of essential communications. (Article 8, Paragraph 3)

2) Any person who intends to operate a telecommunications business shall obtain registration from the Minister for Internal Affairs and Communications in cases where the scale of telecommunications circuit facilities installed by the person and the scope of areas where the telecommunications circuit facilities are installed exceed the standards specified by an Ordinance of the Ministry of Internal Affairs and Communications. (Article 9)

   The registration stipulated in Article 9 shall cease to be active if certain conditions specified in the Telecommunications Business Act occur and if such registration is not renewed. (Article 12-2, Paragraph 1)

3) When any person who has obtained registration as stipulated in 2) above intends to change the service areas or the outline of telecommunications facilities, the person shall obtain registration of the change from the Minister for Internal Affairs and Communications. (Article 13)

4) Where any person who has obtained registration falls under any of the following items, the Minister for Internal Affairs and Communications may revoke the registration. (Article 14)
   (i) If the person who has obtained the registration violates the Telecommunications Business Act or any order or disposition made under the Act, and is found to impair the public interest
   (ii) If the person has obtained registration or registration of a change through dishonest means
   (iii) If the person falls under any of the specified grounds for refusal of registration

5) In the event of a merger, etc. of a telecommunications carrier, the juridical person, etc. surviving after the merger shall succeed to the status of the telecommunications carrier. (Article 17, Paragraph 1)

6) When a telecommunications carrier suspends or abolishes its telecommunications business in whole or in part, it shall notify the Minister for Internal Affairs and Communications to that effect without delay. In addition, when a telecommunications carrier intends to suspend or abolish its telecommunications business in whole or in part, it shall fully inform the users of the telecommunications business to be suspended and abolished to that effect, except in certain cases specified by an Ordinance of the Ministry of Internal Affairs and Communications. (Article 18, Paragraphs 1 and 3)

7) When any telecommunications carrier or any person entrusted with intermediation, etc. (an agency, etc. specified in Article 26 of the Telecommunications Business Act) intends to conclude a contract, or to conduct intermediation, etc. for concluding a contract for the provision of telecommunication services stipulated below, with a person who intends to receive telecommunication services (excluding a telecommunications carrier), they shall, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, explain to the person an outline of the charges and other terms and conditions for the provision of the telecommunication services.
   (i) Telecommunication services provided by using transmission-line facilities connected to mobile terminal facilities at one end or other telecommunications services, which the Minister for Internal Affairs and Communications designates as services that specifically require explanations to users in order to protect their interest, considering their contents, charges and other terms and conditions for the provision, scope of users and use conditions; and

(ii) In addition to telecommunication services stipulated in (i) of 7) above, other telecommunication services that the Minister for Internal Affairs and Communications designates as services that have non-negligible effects on the interests of users, considering their contents, charges and other terms and conditions for the provision, the scope of users and other conditions;
provided, however, that this shall not apply to the cases that are specified by an Ordinance of the Ministry of Internal Affairs and Communications as those in which, in consideration of the contents of the contract and other circumstances, it is found that even if the outline of the charges and other terms and conditions for service provision is not explained to the user, this does not compromise the protection of the interests of users. (Article 26, Paragraph 1)

8)-1 When a telecommunications carrier effects a contract for provision of telecommunication services as listed in (i) and (ii) of 7) above, the telecommunications carrier shall prepare a document and deliver it to the user (excluding telecommunications carriers), without delay and pursuant to the provisions of an Ordinance of the Ministry of Internal Affairs and Communications; provided, however, that this shall not apply in the cases that are specified by an Ordinance of the Ministry of Internal Affairs and Communications as those in which, in consideration of the contents of the contract and other circumstances, it is found that even if the document is not delivered to the user, this does not compromise the protection of the interests of users. (Article 26-2, Paragraph 1)

8)-2 With the consent of the user and pursuant to the provisions of Cabinet Order, in lieu of delivering the document under the provisions of 8)-1 above, a telecommunications carrier may provide the user with the particulars that are required to be stated in that document by means of an electronic data processing system or by any other means of information and communications technology specified by an Ordinance of the Ministry of Internal Affairs and Communications. In doing this, the telecommunications carrier is deemed to have delivered the document. (Article 26-2, Paragraph 2)

8)-3 Information items required to be included in a document, provided by a method stipulated in 8)-2 above (excluding methods specified by an Ordinance of the Ministry of Internal Affairs and Communications) in lieu of the delivery of the document pursuant to 8)-1 above, shall be deemed to be delivered to a user when such information items are recorded in a file stored on a computer employed by such user. (Article 26-2, Paragraph 3)

9)-1 Except as otherwise specified by an Ordinance of the Ministry of Internal Affairs and Communications, a user that has concluded a contract with a telecommunications carrier for the provision of telecommunication services stipulated in (i) of 7) above may cancel such contract in writing, during the period of eight days since the day on which the user received the document set forth in 8)-1 above (or, if the provision of such telecommunication services (limited to telecommunication services provided by using transmission-line facilities connected to mobile terminal facilities at one end, stipulated in (i) of 7) above) commences after the receipt date of the document, the commencement date of such telecommunication services) (or, if the telecommunications carrier or the person entrusted with intermediation, etc. misrepresents information on cancellation of such contract pursuant to this paragraph, in breach of the provisions in (i) of 11) below, and as a result of such false explanation, the user does not cancel such contract within such period pursuant to this paragraph, misconstruing that such explanation is correct, within eight days from the date when such user receives a document delivered by such telecommunications carrier that includes information that the user may cancel such contract pursuant to this paragraph as specified by an Ordinance of the Ministry of Internal Affairs and Communications). (Article 26-3, Paragraph 1)

9)-2 The cancellation of a contract for the provision of telecommunication services pursuant to 9)-1 above shall take effect when a document indicating that the contract for the provision of telecommunication services is cancelled is issued. (Article 26-3, Paragraph 2)

9)-3 The telecommunications carrier may not demand to the user any compensation or penalty for the cancellation of such contract for the provision of telecommunication services pursuant to 9)-1 above or payment or delivery of any other monies (including money and other property; the same shall apply in 9)-4); provided, however, that this shall not apply to the amount of money specified by an Ordinance of the Ministry of Internal Affairs and Communications as the amount of money payable by the user for services received in the period until the cancellation of that contract, or other amount of money payable by the user with regard to that contract. (Article 26-3, Paragraph 3)

9)-4 If a contract for the provision of telecommunication services becomes subject to a cancellation under 9)-1 above, the telecommunications carrier shall promptly return any monies received from the user in connection with such contract; provided, however, that this shall not apply to the amount of money specified by an Ordinance of the Ministry of Internal Affairs and Communications stipulated in the proviso to 9)-3 above, out of money, etc. received in connection with such contract. (Article 26-3, Paragraph 4)

9)-5 Any special provision that is contrary to the provisions of 9)-1 to 9)-4 above and disadvantageous to a user is void. (Article 26-3, Paragraph 5)

10) Any telecommunications carrier shall, properly and promptly, process complaints and inquiries from users with regard to the telecommunications carrier’s methods of conducting its business activities pertaining to the telecommunications services stipulated in (i) and (ii) of 7) above or with regard to the telecommunications

services as set forth in (i) and (ii) of 7) above, which are provided by the telecommunications carrier. (Article 27)

11) Telecommunications carriers and persons entrusted with intermediation, etc. shall not engage in the following conducts: (Article 27-2)
   (i) Intentionally fail to disclose or misrepresent material information about the contract for the provision of telecommunication services stipulated in (i) and (ii) of 7) above that would affect the decision of users; or
   (ii) Continue to solicit a person (excluding telecommunications carriers) for a contract for the provision of telecommunication services stipulated in (i) and (ii) of 7) above after the person who receives such solicitation manifests the intention not to conclude such contract (and/or a refusal to receive such solicitation thereafter) (excluding solicitations specified by an Ordinance of the Ministry of Internal Affairs and Communications as not being likely to compromise the protection of the interests of users).

12) In cases where a telecommunications carrier entrusts a person to conduct intermediation, etc. for concluding a contract for the provision of telecommunication services or for any other associated operations, the telecommunications carrier shall, pursuant to an Ordinance of the Ministry of Internal Affairs and Communications, provide to the person entrusted with intermediation, etc. guidance pertaining to such entrustment and take other measures necessary for ensuring proper and secure provision/conducting related to such entrustment. (Article 27-3)

13) Where the Minister for Internal Affairs and Communications finds that the business activities of a telecommunications carrier or a person entrusted with intermediation, etc. fall under certain grounds specified in the Telecommunications Business Act, the Minister may order the telecommunications carrier or the person entrusted with intermediation, etc. to improve the methods of conducting its business activities or take other measures within the limits necessary for ensuring the interests of users or the public interest. (Article 29)

14) Telecommunications carriers who install Category II designated telecommunications facilities (telecommunications facilities specified by the Minister for Internal Affairs and Communications as telecommunications facilities that shall be ensured to be interconnected appropriately and smoothly with other telecommunications carriers' telecommunications facilities pursuant to Article 34, Paragraph 1 of the Telecommunications Business Act) specified by the Minister for Internal Affairs and Communications pursuant to Article 30, Paragraph 1 of the Act shall not conduct the following acts: (Article 30, Paragraph 3)
   (i) Use or provide information related to any other telecommunications carrier and its users that is obtained through operations to connect to telecommunication facilities of such other telecommunications carriers for any other purpose than such operations; or
   (ii) Apply unreasonable preferential treatment or provide benefit in connection with its telecommunication services to another telecommunications carrier that is designated by the Minister for Internal Affairs and Communications and is a juridical person having a specified relationship (parent company, sister company, subsidiary, etc. of the telecommunications carrier as defined in Article 12-2, Paragraph 4, Item 1) with such telecommunication carrier.

   Where the Minister for Internal Affairs and Communications finds that an act committed by any telecommunications carrier who installs Category II designated telecommunications facilities specified by the Minister for Internal Affairs and Communications violates the above provisions, the Minister may order the telecommunications carrier to suspend or change the act. (Article 30, Paragraph 5)

15) Any telecommunications carrier who installs Category II designated telecommunications facilities specified by the Minister for Internal Affairs and Communications shall, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, keep accounts in accordance with the classification of accounts and other accounting procedures specified by an Ordinance of the Ministry of Internal Affairs and Communications, and announce the status of income and expenditure for its telecommunications services and other accounting matters specified by an Ordinance of the Ministry of Internal Affairs and Communications. (Article 30, Paragraph 6)

16) Any telecommunications carrier shall accept a request from another telecommunications carrier to interconnect the telecommunications facilities of the requesting telecommunications carrier with the telecommunications circuit facilities that the requested telecommunications carrier installs, except in the cases listed below: (Article 32)
   (i) Where the interconnection is likely to hinder telecommunications services from being smoothly provided
   (ii) Where the interconnection is likely to unreasonably harm the interests of the requested telecommunications carrier
   (iii) In addition to (i) and (ii) of 16) above, where there are justifiable grounds specified by an Ordinance of the Ministry of Internal Affairs and Communications

17) Any telecommunications carrier who installs Category II designated telecommunications facilities shall, with respect to the interconnection between the Category II designated telecommunications facilities and other telecommunications carriers' telecommunications facilities, establish interconnection tariffs concerning the amount of money that the telecommunications carrier who installs the Category II designated

telecommunications facilities shall receive and the terms and conditions of interconnection, and shall file, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, a notification with the Minister for Internal Affairs and Communications prior to implementation of the interconnection tariffs. The same shall also apply when it intends to change such interconnection tariffs. (Article 34, Paragraph 2)

Any telecommunications carrier who installs Category II designated telecommunications facilities shall announce the interconnection tariffs that it has notified. (Article 34, Paragraph 5)

18) Where the Minister for Internal Affairs and Communications finds that the interconnection tariffs notified by a telecommunications carrier who installs Category II designated telecommunications facilities fall under any of the following items, the Minister may order the telecommunications carrier who installs the Category II designated telecommunications facilities to change the interconnection tariff within a reasonable time limit designated by the Minister: (Article 34, Paragraph 3)
   (i) If technical conditions required at the standard interconnection points specified by an Ordinance of the Ministry of Internal Affairs and Communications are not specified properly and explicitly
   (ii) If the amount of money that the telecommunications carrier who installs Category II designated telecommunications facilities shall receive for respective function specified by an Ordinance of the Ministry of Internal Affairs and Communications is not specified properly and explicitly
   (iii) If matters related to the responsibilities of the telecommunications carrier who installs the Category II designated telecommunications facilities and of other telecommunications carriers who interconnect their telecommunications facilities with such facilities are not specified properly and explicitly
   (iv) If distinction of telecommunications carriers, according to which charges for telecommunications services are determined, is not specified properly and explicitly
   (v) In addition to (i) through (iv) of 18) above, if matters specified by an Ordinance of the Ministry of Internal Affairs and Communications as being necessary for smooth interconnection with Category II designated telecommunications facilities are not specified properly and explicitly
   (vi) If the amount of money that the telecommunications carrier who installs the Category II designated telecommunications facilities shall receive exceeds the amount of money calculated with the methods specified by an Ordinance of the Ministry of Internal Affairs and Communications as methods to calculate reasonable costs plus reasonable profits under efficient management
   (vii) If the terms and conditions of interconnection are disadvantageous in comparison with those applicable to cases where the telecommunications carrier interconnects its own telecommunications facilities with the Category II designated telecommunications facilities
   (viii) If the interconnection tariffs treat certain telecommunications carriers in an unfair and discriminatory manner
19) Any telecommunications carrier who installs Category II designated telecommunications facilities shall neither conclude nor amend an agreement with other telecommunications carriers on interconnection with the Category II designated telecommunications facilities that it installs, unless in accordance with the interconnection tariffs notified. (Article 34, Paragraph 4)
20) Any telecommunications carrier who installs Category II designated telecommunications facilities shall, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, keep accounts and announce status on income and expenditure concerning the interconnection based on the accounts and other matters specified by an Ordinance of the Ministry of Internal Affairs and Communications. (Article 34, Paragraph 6)
21) When a telecommunications carrier requests another telecommunications carrier to conclude an agreement on interconnection between the requested telecommunications carrier's telecommunications facilities and the requesting telecommunications carrier's telecommunications facilities, but the requested telecommunications carrier refuses to hold negotiations or such negotiations fail, with the result that the requesting telecommunications carrier files a petition, the Minister for Internal Affairs and Communications shall order the requested telecommunications carrier to start or restart such negotiations, except in cases where the Minister finds that such interconnection falls under the grounds listed in 16) above and other certain cases. (Article 35, Paragraph 1)
22) In addition to the cases set forth in 21) above, where a telecommunications carrier requests another telecommunications carrier to conclude an agreement on interconnection between the requested telecommunications carrier's telecommunications facilities and the requesting telecommunications carrier's telecommunications facilities, but the requested telecommunications carrier refuses to hold negotiations or such negotiations fail, with the result that the requesting telecommunications carrier files a petition, the Minister for Internal Affairs and Communications shall order the requested telecommunications carrier to start or restart such negotiations, if the Minister finds that such interconnection is particularly necessary and appropriate to promote the public interest, except in certain cases. (Article 35, Paragraph 2)
23) When negotiations between the parties on interconnection with the telecommunications facilities of a telecommunications carrier fail with regard to such agreement details as the amount of money to be received or paid by the parties and the terms and conditions of interconnection, the telecommunications carrier who installs telecommunications facilities to be interconnected with the telecommunications facilities may apply to

the Minister for Internal Affairs and Communications for an award, except in certain cases. (Article 35, Paragraph 3)

24) In addition to the cases set forth in 23) above, when an order to start or restart negotiations has been issued by the Minister for Internal Affairs and Communications pursuant to the provision of 21) or 22) above and negotiations between the parties fail with regard to such agreement details as the amount of money to be received or paid by the parties and the terms and conditions of interconnection, the party (or parties) may apply to the Minister for Internal Affairs and Communication for an award. (Article 35, Paragraph 4)

25) When a telecommunications carrier who installs Category I or Category II designated telecommunications facilities commences the provision of wholesale telecommunication services by using such facilities, such telecommunications carrier shall, as specified by an Ordinance of the Ministry of Internal Affairs and Communications, file a notification without delay to the Minister for Internal Affairs and Communications the commencement of such services and other information designated by an Ordinance of the Ministry of Internal Affairs and Communications. The same shall apply when making amendments to the notified information or abolishing the services. (Article 38-2)

26) When any telecommunications carrier intends to conclude, amend or abolish an agreement or contract on telecommunications activities, which includes important matters specified by an Ordinance of the Ministry of Internal Affairs and Communications, with foreign governments, or foreign nationals or foreign juridical persons, it shall obtain authorization from the Minister for Internal Affairs and Communications. (Article 40)

27) The support institution may, each fiscal year, collect contributions to be allocated to all or part of the cost required for the support activities from interconnecting telecommunications carriers, etc. Any interconnecting telecommunications carrier, etc. shall have the obligation to pay the contributions to the support institution. (Article 110, Paragraphs 1 and 4)

    * Support institution

    The Minister for Internal Affairs and Communications may, upon application, designate a general incorporated association or a general incorporated foundation, which is established to contribute to ensuring the provision of universal telecommunications services and which is found to conform to certain criteria with respect to the support activities, as the sole support institution in Japan. (Article 106)

    * Universal telecommunications services

    Universal telecommunications services refer to telecommunications services which are specified by an Ordinance of the Ministry of Internal Affairs and Communications as being indispensable to the lives of citizens and thereby shall be provided nationwide. (Article 7)

    * Eligible telecommunications carriers

    When the Minister for Internal Affairs and Communications has designated the support institution, the Minister may, upon application, designate a telecommunications carrier, who is providing universal telecommunications services and is found to conform to certain criteria, as an eligible telecommunications carrier. (Article 108, Paragraph 1)

    * Interconnecting telecommunications carriers, etc.

    Interconnecting telecommunications carriers, etc. refer to telecommunications carriers who interconnect with eligible telecommunications carriers or with telecommunications carriers who interconnect with eligible telecommunications carriers, or telecommunications carriers who receive wholesale telecommunications services from eligible telecommunications carriers or telecommunications carriers who interconnect with eligible telecommunications carriers, and whose scale of business exceeds the standards specified by a Cabinet Order. (Article 110, Paragraph 1)

    The Company is an interconnecting telecommunications carrier who interconnects with NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT EAST) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT WEST), which are eligible telecommunications carriers.

28) When a telecommunications carrier who operates a telecommunications business of providing telecommunications services by installing telecommunications circuit facilities or a person who intends to operate the telecommunications business intends to establish eligibility under the provision providing for use of land, it may file an application to obtain approval from the Minister for Internal Affairs and Communications for the telecommunications business in whole or in part. (Article 117)

29) Any person who falls under any of the following items may not obtain approval stipulated in 28) above: (Article 118)
    (i) Any person who has been sentenced to a fine or severer punishment pursuant to the provisions of this Act, the Cable Telecommunications Act or the Radio Act, if within a period of two years from the date on which the enforcement of such punishment has been completed or has become inapplicable
    (ii) Any person whose approval lost its effect due to revocation of the registration of telecommunications business, if within a period of two years from the date on which the approval lost its effect, or any person whose approval was revoked pursuant to the provision of (i) of 33) below, if within a period of two years from the date of revocation
    (iii) Any juridical person or association any of whose officers fall under either (i) or (ii) of 29) above

30) When any approved telecommunications carrier intends to change the matters of the service areas or the outline of telecommunications facilities, it shall obtain approval from the Minister for Internal Affairs and Communications. (Article 122)

31)-1 When a juridical person as an approved telecommunications carrier has completed a merger, etc., the juridical person, etc. surviving after the merger, etc. may succeed to the status of approved telecommunications carrier with the authorization of the Minister for Internal Affairs and Communications. (Article 123, Paragraph 3)

31)-2 When an approved telecommunications carrier has assigned its approved telecommunications business in whole, the assignee of the approved telecommunications business in whole may succeed to the status of approved telecommunications carrier with the authorization of the Minister for Internal Affairs and Communications. (Article 123, Paragraph 4)

32) When an approved telecommunications carrier suspends or abolishes its approved telecommunications business in whole or in part, it shall notify the Minister for Internal Affairs and Communications to that effect without delay. (Article 124)

33) The Minister for Internal Affairs and Communications may revoke the approval of an approved telecommunications carrier where it falls under any of the following items: (Article 126)

(i) If the approved telecommunications carrier falls under (i) or (iii) of 29) above

(ii) If the approved telecommunications carrier does not start its approved telecommunications business within the period designated pursuant to the provision providing for obligation to start business

(iii) In addition to the cases stipulated in (i) and (ii) of 33) above, where the approved telecommunications carrier violates this Act, or any order or disposition made under this Act, and is found to impair the public interest

(b) Radio Act

1) Any person who wishes to establish a radio station shall obtain a license from the Minister for Internal Affairs and Communications. (Article 4)
   There are certain foreign investment restrictions that are grounds for disqualification from obtaining a license. However, these are not applicable to radio stations established for the purpose of conducting telecommunications services.
2) Any person who wishes to obtain a radio station license shall submit an application to the Minister for Internal Affairs and Communications along with a document, on which the following matters are entered: (Article 6)
   (i) Purpose
   (ii) Necessity for establishing the radio station
   (iii) Person(s) with whom radio communications are conducted and communications subjects
   (iv) Location of radio equipment
   (v) Type of radio waves, and desirable frequency range and antenna power
   (vi) Desirable permitted operating hours
   (vii) Construction type and scheduled completion date of the construction of the radio equipment
   (viii) Expected date of commencement of operation
   (ix) Where a contract is made with the licensee(s), etc. of (an)other radio station(s) on measures necessary to prevent disturbance including interference, the details of the contract

   In addition, the following provisions are provided by Article 6, Paragraph 8.
   Any application for a radio station that falls under any of the following items and uses a frequency for which the Minister for Internal Affairs and Communications issues a public notice, shall be submitted within the period specified by the public notice of the Minister for Internal Affairs and Communications.
   (x) A mobile radio station established on land for the purpose of conducting telecommunications services
   (xi) A fixed radio station established on land for the purpose of conducting telecommunications services, which communicates with the radio station listed in (x) of 2) above
   (xii) An artificial satellite station established for the purpose of conducting telecommunications services
   (xiii) A basic broadcasting station

   These provisions are intended to avoid unregulated applications being made for radio station licenses provided to mobile communications businesses.
3) When receiving an application, the Minister for Internal Affairs and Communications shall examine without delay whether it conforms to all of the following items: (Article 7)
   (i) The conformity of the construction type to the technical regulations prescribed in Chapter III of the Radio Act
   (ii) The feasibility of frequency assignment
   (iii) In addition, conformity to the essential standards for the establishment of radio stations specified by an Ordinance of the Ministry of Internal Affairs and Communications

   In general, the Ministry of Internal Affairs and Communications consults with the Radio Regulatory Council in its deliberations concerning new business operators, frequency assignments to new systems, and other important matters, and grants licenses after obtaining the Council's recommendations.
4) When changing the person with whom radio communications are conducted, communications subjects or location of the radio equipment, or intending to carry out construction work to change the radio equipment, a licensee shall obtain the permission of the Minister for Internal Affairs and Communications in advance. (Article 17)
5) To facilitate applications for licenses, etc., the Minister for Internal Affairs and Communications shall prepare and offer for public perusal a list of available frequencies (the "Frequency Assignment Plan") and shall issue a public notice of the Frequency Assignment Plan. (Article 26)
   With respect to frequencies, the frequency bands that can be used by mobile phone services (LTE (Xi) services and FOMA services) and satellite mobile communications services are respectively prescribed in the Radio Equipment Regulations, an ordinance of the Ministry of Internal Affairs and Communications.

Note: The above details are based on the Telecommunications Business Act and the Radio Act as of March 31, 2018.

4. Status of Parent Company, Subsidiaries and Affiliates

As of March 31, 2018

Name	Address	Capital (Millions of yen, unless otherwise stated)	Main Business	Ratio of Voting Rights Holding/Held (%)	Description of Relationship
(Parent company) NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Chiyoda-ku, Tokyo	937,950	Basic research and development group management	66.64	Transactions related to basic research and development, and services for group management.
(Consolidated subsidiaries) DOCOMO CS, Inc.	Minato-ku, Tokyo	100	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 2 officers
DOCOMO Support, Inc.	Minato-ku, Tokyo	20	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of sales support. Concurrent appointments, etc.: 3 officers
DOCOMO Systems, Inc.	Minato-ku, Tokyo	11,382	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of system development. Concurrent appointments, etc.: 5 officers
DOCOMO Technology, Inc.	Minato-ku, Tokyo	100	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of research and development business. Concurrent appointments, etc.: 3 officers
DOCOMO CS Hokkaido, Inc.	Chuo-ku, Sapporo, Hokkaido Prefecture	20	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 2 officers
DOCOMO CS Tohoku, Inc.	Aoba-ku, Sendai, Miyagi Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support., Concurrent appointments, etc.: 1 officer
DOCOMO CS Tokai, Inc.	Higashi-ku, Nagoya, Aichi Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 3 officers

Name	Address	Capital (Millions of yen, unless otherwise stated)	Main Business	Ratio of Voting Rights Holding/Held (%)	Description of Relationship
DOCOMO CS Hokuriku, Inc.	Kanazawa, Ishikawa Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 1 officer
DOCOMO CS Kansai, Inc.	Kita-ku, Osaka, Osaka Prefecture	50	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 2 officers
DOCOMO CS Chugoku, Inc.	Naka-ku, Hiroshima, Hiroshima Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 3 officers
DOCOMO CS Shikoku, Inc.	Takamatsu, Kagawa Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 2 officers
DOCOMO CS Kyushu, Inc.	Chuo-ku, Fukuoka, Fukuoka Prefecture	30	Telecommunications business Smart life business Other businesses	100	Transactions including consignment of network construction and sales support. Concurrent appointments, etc.: 1 officer
ABC Cooking Studio Co., Ltd.	Chiyoda-ku, Tokyo	10	Smart life business	51.00	Engaged mainly in cooking classroom business in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 5 officers
OAK LAWN MARKETING, INC.	Higashi-ku, Nagoya, Aichi Prefecture	1,467	Smart life business	55.75	Engaged mainly in TV mail-order business in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 6 officers

Name	Address	Capital (Millions of yen, unless otherwise stated)	Main Business	Ratio of Voting Rights Holding/Held (%)	Description of Relationship
Tower Records Japan Inc.	Shibuya-ku, Tokyo	100	Smart life business	50.61	Engaged mainly in sales of music software, video software, and music-related merchandise in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 3 officers
D2C Inc.	Chuo-ku, Tokyo	3,480	Smart life business	51.00	Engaged mainly in production and operation of advertising through mobile content websites in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 5 officers
DOCOMO ANIME STORE, INC.	Chiyoda-ku, Tokyo	1,000	Smart life business	60.00	Engaged mainly in provision of anime video distribution services in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 5 officers
DOCOMO InsightMarketing, INC.	Minato-ku, Tokyo	950	Smart life business	51.00	Engaged mainly in mobile research and marketing support in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 4 officers
DOCOMO Datacom, Inc.	Bunkyo-ku, Tokyo	70	Other businesses	66.24 (38.90)	Transactions including consignment of systems development. Concurrent appointments, etc.: 2 officers
docomo Healthcare, Inc.	Shibuya-ku, Tokyo	1,300	Smart life business	66.00	Engaged mainly in provision of platforms for managing, using and sharing health-related data in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 5 officers

Name	Address	Capital (Millions of yen, unless otherwise stated)	Main Business	Ratio of Voting Rights Holding/Held (%)	Description of Relationship
Nihon Ultmarc INC.	Minato-ku, Tokyo	55	Smart life business	100	Engaged mainly in construction and sales of doctor and medical facility information database in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 7 officers
MAGASeek Corporation	Chiyoda-ku, Tokyo	1,156	Smart life business	75.00	Engaged mainly in fashion e-commerce business in the Company's Smart Life Business and Other Businesses. Concurrent appointments, etc.: 5 officers
DCM Reinsurance Company, Inc.	Honolulu, U.S.	700	Other businesses	100	Reinsurance operator in the Company's Smart Life Business and Other Businesses (overseas). Concurrent appointments, etc.: 3 officers
DOCOMO Digital Limited	London, U.K.	50 (thousand pounds)	Other businesses	100	Operator of platforms related to mobile content distribution and billing in the Company's Smart Life Business and Other Businesses (overseas). Concurrent appointments, etc.: 3 officers
DOCOMO Innovations, Inc.	Palo Alto, U.S.	110,378 (thousand US dollars)	Other businesses	100	Transactions including consignment of investment in and information-gathering on start-ups that develop promising technology in the Company's Smart Life Business and Other Businesses (overseas). Concurrent appointments, etc.: 2 officers
DOCOMO PACIFIC, INC.	Guam, U.S.	107,704 (thousand US dollars)	Telecommunications business	100 (100)	Operator of mobile telecommunications, cable TV and internet business in the Company's telecommunications business (overseas). Concurrent appointments, etc.: 2 officers
Other 82 subsidiaries	–	–	–	–	–

Name	Address	Capital (Millions of yen, unless otherwise stated)	Main Business	Ratio of Voting Rights Holding/Held (%)	Description of Relationship
(Equity method affiliates) Avex Broadcasting & Communications Inc.	Minato-ku, Tokyo	3,500	Mobile video distribution business	30.00	Concurrent appointments, etc.: 3 officers
NTT Plala Inc.	Toshima-ku, Tokyo	12,321	Video distribution service business Internet connection service business	33.33	Concurrent appointments, etc.: 3 officers
NTT Broadband Platform, Inc.	Chiyoda-ku, Tokyo	100	Wi-Fi network business	22.00	Concurrent appointments, etc.: 2 officers
NTT Resonant Incorporated	Minato-ku, Tokyo	7,184	Communications business Portal business	33.33	Concurrent appointments, etc.: 2 officers
ZENRIN DataCom Co., Ltd.	Minato-ku, Tokyo	2,283	Map business for mobile phones Net navigation business	18.09	Concurrent appointments, etc.: 2 officers
Nippon Telecommunications Network Co., Ltd.	Chiyoda-ku, Tokyo	495	Network services business	37.43	Concurrent appointments, etc.: 2 officers
FeliCa Networks, Inc.	Shinagawa-ku, Tokyo	6,285	Development and licensing of Mobile FeliCa IC chip	38.00	Concurrent appointments, etc.: 3 officers
Sumitomo Mitsui Card Company, Limited	Chuo-ku, Osaka, Osaka Prefecture	34,000	Credit card business	34.00	Concurrent appointments, etc.: 4 officers
RecoChoku Co., Ltd.	Shibuya-ku, Tokyo	170	Music distribution business	34.17	Concurrent appointments, etc.: 3 officers
Hutchison Telephone Company Limited	Hong Kong	1,258 (thousand Hong Kong dollars)	Mobile telecommunications business in Hong Kong and Macau	24.10 (24.10)	Concurrent appointments, etc.: 2 officers
PLDT Inc.	Manila, Philippines	1,603 (million pesos)	Fixed and mobile telecommunications business in the Philippines	8.56 [3.45]	Concurrent appointments, etc.: 1 officer
VMG Media Joint Stock Company	Hanoi, Vietnam	203,930 (million Vietnamese dong)	Development and operation of content applications and platforms in Vietnam	24.52	Concurrent appointments, etc.: 1 officer
Other 10 affiliates	–	–	–	–	–

Notes: 1. In the “Main Business” column, segment names are given for consolidated subsidiaries, and a description of main business is given for the parent company and equity method affiliates.

2. The figure in parentheses in the “Ratio of Voting Rights Holding/Held” column shows the ratio of the voting rights the Company indirectly holds, which are accounted for as the Company’s holding voting rights, and the figure in square brackets shows the ratio of the voting rights held by persons close to or who agree with the Company, which are not accounted for as the Company’s holding voting rights.

3. Of the above, one company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION, submits an Annual Securities Report.

5. Employees

(1) Consolidated Companies

As of March 31, 2018

Segment Name	Number of Employees	
Telecommunications business Smart life business Other businesses	25,078	[9,119]
Corporate (common)	2,386	[396]
Total	27,464	[9,515]

Notes: 1. The number of employees includes seconded personnel from other companies to consolidated companies (297 employees), but does not include seconded personnel from consolidated companies to other companies (146 employees).
The figure in square brackets indicates the average number of temporary employees per year, which is not included in the number of employees.
2. Segments are classified by "business" category, as various organizations at the Company and certain consolidated subsidiaries are involved in businesses in an integrated manner.
3. "Corporate (common)" includes the number of common staff employees in the General Affairs Group and Accounts and Finance Group, etc.

(2) NTT DOCOMO, INC.

As of March 31, 2018

Number of Employees	Average Age	Average Years of Service	Average Annual Salary (Thousands of yen)
7,767	40.2	17.3	8,737

Segment Name	Number of Employees
Telecommunications business Smart life business Other businesses	6,786
Corporate (common)	981
Total	7,767

Notes: 1. The number of employees includes seconded personnel from other companies to the Company (622 employees), but does not include seconded personnel from the Company to other companies (6,224 employees).
2. In calculating the average years of service, for employees who transferred from NTT and NTT group companies, and employees accepted from NTT Central Personal Communications Network, Inc. and the eight Regional DOCOMO Companies, years of service includes years at each of these companies. In the calculation, seconded personnel from other companies to the Company (622 employees) are not included.
3. Average annual salary includes bonuses and extra wages.
4. Segments are classified by "business" category, as various organizations at the Company are involved in businesses in an integrated manner.
5. "Corporate (common)" includes the number of common staff employees in the General Affairs Group and Accounts and Finance Group, etc.

(3) Labor Union

Labor-management relationships at DOCOMO are stable, and there are no significant matters to report.

Item 2. Overview of Business

1. Business Policy, Business Environment, Issues to Address, etc.

Guided by our corporate philosophy of "creating a new world of communications culture," we are striving to enhance and reinforce our core businesses based on the widespread expansion of LTE (Xi) services, while also providing services that are useful for customers' lives and businesses. In our endeavors to build a rich and vigorous society, the foundation of our management policy is the attainment of a high degree of trust and recognition from our shareholders and customers through the improvement of corporate value.

In Japan's telecommunications market, competition has intensified due to the government's pro-competition policy, the spread of low-cost smartphone services by MNO*1 sub-brands and MVNOs, new entrants from other industries into the MNO market and other factors. MNOs are working to expand and strengthen their customer base by reinforcing non-telecommunications business through various initiatives such as providing loyalty point programs and payment platforms. Competition beyond the conventional boundaries of the telecommunications business is shifting into high gear, as players accelerate collaboration, investment and alliances with other industries in pursuit of future growth through the use of new technologies such as artificial intelligence (AI), IoT*2 and drones, with a view to the transition to 5G network.

Amid this market environment, we developed and unveiled our Medium-Term Strategy 2020 "Declaration beyond" in April 2017 to realize a richer future with 5G network.

Medium Term Strategy 2020 "Declaration beyond"

Looking ahead to the year 2020 and beyond, we will aim to amaze and inspire our customers and create new values hand-in-hand with our partners by exceeding customers' expectations.

The word "beyond" reflects our will to transform ourselves to realize a richer future with 5G network. For our customers, we will offer enhanced benefits and convenience as well as value and inspiration, such as enjoyment, surprise, satisfaction and peace of mind, and realize the co-creation of new values through "+d" initiatives such as making contributions to industries, solving social issues and expanding our partners' businesses.

"Declaration beyond" outlines six declarations we have set for these initiatives.

By delivering three declarations intended for our customers and three for our partners, we will aim to reform our business structure, strengthen our business foundation by improving returns to our customers and investing in growth, and fuse and evolve various types of added value using 5G technology.

○ "Declaration beyond"

<Declaration 1: Market Leader>

We will aspire to become a market leader in delivering benefits and convenience through further convergence and evolution of services, billing plans and point programs.

<Declaration 2: Style Innovation>

Taking advantage of the distinctive properties of 5G, as well as technologies such as VR, AI and IoT, we will devise enjoyable and exciting new services that bring innovation to customers' various usage styles.

To achieve this goal, we will pursue nine challenges under the companywide "empower+d challenge" project.

<Declaration 3: Peace-of-Mind and Comfort Support>

Toward the goal of realizing services that ensure the peace of mind and satisfaction of customers, we will continue to evolve our customer touchpoints through the adoption of AI.

<Declaration 4: Industry Creation>

Leveraging the 5G network that enables high-speed, large-capacity and low-latency transmission and simultaneous connections with a massive number of devices, we will strive to broaden the business opportunities of our partners and drive advancements across all industries in Japan.

<Declaration 5: Solution Co-creation>

Aiming to bring about growth and social abundance to Japan, we will further accelerate our "+d" initiatives to solve social issues.

<Declaration 6: Partner Business Expansion>

By further expanding and evolving the business platforms built upon DOCOMO's assets, we will support our partners' businesses and promote measures to grow the flow of transactions.

*1 Abbreviation for Mobile Network Operator: A mobile telecommunications service provider that provides mobile telecommunications services through wireless stations that it establishes or operates itself.

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

FY2018 Priority Initiatives

We have positioned the fiscal year ending March 31, 2019 (FY2018) as a year to “deliver the fruits of ‘Declaration beyond’ to customers” and “start the transformation of our business foundation.” We will implement and promote “Declaration beyond” and build a new business foundation centered on our membership base.

1) Implementation and promotion of “Declaration beyond”

<Providing customers with greater value and excitement>

We will implement continuous returns to our customers and provide benefits and convenience tailored to individual customers by overhauling the “d POINT Club,” establishing the new “Basic Pack/Basic Share Pack” option, and other measures. We will also implement a business for style innovation using cutting-edge technologies, such as the full-fledged provision of AI agent services. We will also strive to evolve our customer touchpoints by launching AI-based inquiry support and other measures.

<Co-creating value with partners>

We will further promote the “docomo 5G Open Partner Program,” creating new usage scenarios with a broad range of partners so that 5G services are available when the deployment of 5G network takes place. We will establish and develop fact cases of the co-creation of solutions aimed at addressing social issues and regional vitalization. We will also promote partners’ business expansion through our open business platform.

2) Business innovation centered on our membership base

We will promote business innovation centered on our membership base, regardless of the presence or absence of mobile phone subscriptions. We will use digital marketing and AI agents to better understand individual customers and deepen our connections with them, providing greater value to all customers under our membership base.

In the fiscal year ending March 31, 2019, we will continue to do our utmost to improve customer service and ensure corporate sustainable development by continuously implementing and promoting “Declaration beyond,” and will carry out business operations with a view to increasing operating free cash flow and improving shareholder returns.

<<FY2018 Target>>

Item	FY2018 Target	<Reference> Toward 2020
Operating free cash flow*1	¥960.0 billion	Cash generation capability exceeding previous fiscal year continuously by realizing efficient investment activities in 5G and EBITDA growth
Shareholder returns	Annual Dividend*2 ¥110	Continuous increase in dividends and expeditious share repurchase

*1 Operating free cash flow = EBITDA - Capital Expenditures. The target was calculated based on International Financial Reporting Standards (IFRS).

*2 Dividend per share

Note: With regard to forward-looking statements in this section, please see also “II. Overview of Business, 2. Risks Relating to Our Business.”

2. Risks Relating to Our Business

Of the matters related to the status of business, accounting, and other information stated in this annual securities report, those matters that may have a material impact on decisions by investors are described below.

All statements in this annual securities report that are not historical facts, including forward-looking statements, are made solely on the basis of predictions, expectations, assumptions, plans, acknowledgements, estimates and the like, as of the filing date of this report based on information currently available to DOCOMO. In addition, some of the projected numbers are derived using certain assumptions (suppositions) that are indispensable for making such predictions, in addition to facts previously determined and recognized to be accurate. These statements, facts or assumptions (suppositions) may be objectively inaccurate or unrealized in the future due to factors including potential risks and uncertainties below. Any of these factors could adversely affect DOCOMO Group's business, financial results or financial position. Please note that potential risks and uncertainties are not limited to those listed below.

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

Our corporate group is exposed to intensifying competition from other businesses in the telecommunications industry caused by Mobile Number Portability, the development of appealing new handsets, new market entrants, mergers among other service providers and other factors. For example, other mobile communications operators have introduced new products such as handsets that keep up with the needs and tastes of customers, including handsets that support high-speed mobile communications services and music/video playback functions, and new services such as music/video distribution services and flat-rate services for voice communications and email, as well as installment sales methods for mobile phone handsets and other devices. If other businesses provide services that are more convenient or handsets that are more appealing to customers in the future, we may not be able to respond in a timely and appropriate manner. If we are unable to build a network having a certain area and quality within the anticipated period of time, while other service providers build mobile communications networks with an area and quality that exceeds ours, customer satisfaction with our network may decline.

At the same time, competition is intensifying as a result of the introduction of other new services and technologies, especially low-priced and flat-rate services, such as fixed-line or mobile IP phone services (including services that use applications that run on our smartphones or tablets), high-speed broadband Internet service, digital broadcasting, public wireless LAN using Wi-Fi and other means, free or low-priced services offered by OTT[*1] service providers, the provision of SIM cards, or a combination of these services.

In addition to competition from other businesses and technologies in the telecommunications industry, there are other factors that can intensify competition, such as saturation in the Japanese mobile communications market, and changes to business and market structures and the environment due to the expansion of areas of competition arising from the entry of competitors into the market, including MVNOs and competitors from other industries. In particular, there is an upward trend in the number of users choosing low-cost services provided by MVNOs. With the use of open platform devices like smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones. In addition, the wholesale optical-fiber access service offered by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ("NTT EAST") and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ("NTT WEST") enables a diverse group of market participants to provide services utilizing optical-fiber connections and bundle discounts for fixed-line and mobile telecommunications services, so it is possible that such businesses and others may eventually launch services that are more convenient for customers, and further intensify price competition. Further, mobile communications operators are actively entering and collaborating in other industries such as IoT, the smart-home market[*2], projects that utilize big data and AI, and FinTech projects[*3], and it is possible that the attractive services offered by our competitors will lead to a slump in customer satisfaction levels with us, and that price competition will intensify as mobile communications operators offer bundle discounts for packages that include services in other sectors.

In this market environment, the number of net new subscriptions we acquire may see accelerated decline in the future and may not reach the number we expect. Also, we may not be able to maintain existing subscriptions as customers migrate to other service providers due to increased competition. Furthermore, in order to capture new subscriptions and maintain existing subscriptions, there could be a greater-than-expected decline in ARPU and/or greater-than-expected costs. In order to provide highly diverse services and improve convenience for our customers in this challenging market environment, we have been revising various billing plans and discount services. These billing plans and discount services include the following: services offering fixed discounts set for different models of devices on monthly usage charges; the "Kake-hodai & Pake-aeru" billing plan that offers fixed rate domestic voice calls and quantities of packet network data to share among family members; the "Zutto DOCOMO Discount Plus" discount service for long-term users; the "docomo Hikari Pack" that offers a combination of the "docomo Hikari" service and smartphone/feature phone handsets; the "Simple Plan" billing plan for low volume users; the "Ultra Pack" designed for high data usage customers; the "docomo with" discount plan for customers who use a single handset for an extended period of time; and the "Basic Share Pack" and "Basic Pack" that apply four-level flat rates according to the customer's data usage volume. However, we cannot be certain that these revisions will enable us to acquire new subscriptions and maintain existing subscriptions. It is also possible that the subscription ratios for various billing plans and discount services or the trend in migration to flat-rate services may not be in line with our group's expectations, and our ARPU may decrease more than projected.

Furthermore, if market growth slows or the market shrinks, our ARPU may decrease even more than our forecast, or we may not be able to acquire new subscriptions or maintain the existing number of subscriptions at the level we expect.

In addition, in order to reinforce our managerial structure, we are promoting increased efficiency related to our network, sales and services, research and development, and handsets. The push toward greater efficiency, however, may not proceed as expected, and costs may not be optimized as anticipated due to intense competition from other businesses and changes in the market environment.

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

*1 Abbreviation for Over The Top: A business that does not own the communications infrastructure required for delivering its services and provides content distribution services using the communication infrastructures of other companies.
*2 A business that improves convenience and adds new value by controlling home appliances, equipment or other devices via Internet connections.
*3 A compound word from Finance & Technology: The integrated business area of finance and IT.

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

We view increases in revenue as an important factor in our future growth. We aim to increase revenue by, for instance, promoting the more widespread use of smartphone services and of LTE (Xi) services, as well as the expansion of the use of packet communications and other data communications in relation to such services. Moreover, we look to increase returns through Smart Life Business and Other Businesses as another important factor in future growth. However, a number of uncertainties may arise to prevent the development of these services and constrain our growth.

Furthermore, if market growth slows or the market shrinks, the services, forms of usage, and sales methods provided by us may not develop sufficiently which could affect our financial conditions and limit our growth.

In particular, we cannot be certain as to whether or not the following can be achieved:

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

and expansion of such services within budget;
- The services, forms of usage, and installment sales and other methods that we offer and plan to offer will be attractive to current and potential subscribers and there will be sufficient demand for such services;
- Manufacturers and content providers will steadily create and offer products including smartphones and feature phones, handsets compatible with services we provide, software such as the operating systems and applications necessary to encourage the use of smartphone services, as well as content in a timely fashion and at appropriate prices;
- Demand in the market for mobile handsets will be as we envision and, as a result, our handset procurement costs will be reduced, we will be able to offer our handsets at appropriate prices, and we will not hold excess inventory;
- Our current and future services, including (i) ISP services such as sp-mode and i-mode, (ii) billing plans and discounted services for use of voice and packet communications, (iii) artificial intelligent services like “my daiz,” (iv) the storage services like “d photo,” (v) the services on “dmarket” such as “dTV,” “dhits” and “dmagazine,” and (vi) “+d” initiatives, the convergence with various businesses, such as financial and payment services like “d CARD” and “docomo insurance,” commerce businesses run by OAK LAWN MARKETING, INC. and MAGASeek Corporation and life-related services run by docomo Health Care, Inc. and ABC Cooking Studio Co., Ltd. will be attractive to existing and potential subscribers and achieve continued or new growth;
- As the foundation of our company’s strategy and services, the increase in the number of smartphone users and the larger customer base resulting from “d POINTs” and “d ACCOUNT” will grow according to our business plans;
- The services provided by our corporate group, based on an open platform system, will not be surpassed by more competitive and sought after services provided by other service providers; and
- To expand services with improved data transmission speeds enabled by LTE/LTE-Advanced, the 5th generation mobile communication system (“5G”) which we are aiming to begin offering in the year 2020 as well as with other technologies, as planned.

If the development of our corporate group’s new services, forms of usage or sales methods is limited or if development costs are more than anticipated, or alternatively if we cannot secure and train the necessary human resources and manage the labor force as required to operate our business as we expect or on schedule, it may have a material adverse effect on our financial condition and results of operations.

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

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

- Request and guidelines concerning the optimization of benefits provided to help purchase smartphone handsets;
- Regulations to accelerate competition in the handset area, such as SIM unlocking regulations;
- Fair competition measures to promote the new entry of MVNOs and for them to provide lower-cost and more diverse services;
- Revision of the spectrum allocation system, such as the reallocation of the spectrum and the introduction of an auction system;
- Regulations that would prohibit or restrict the provision of discounted services by our corporate group premised on continuous usage term agreements, including cancellation charges;
- Regulations on the use of personal data;
- Measures to open up some segments of telecommunication platform functions, such as authentication and

billing, to other corporations;

- Regulations that could require us to open functions regarding our services, such as sp-mode and i-mode services, to platform providers, Internet service providers, content providers, and others;
- Regulations to prohibit or restrict certain content, transactions or mobile Internet services such as sp-mode or i-mode;
- Measures which would introduce new costs, such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;
- Regulations on the sale, promotion, pricing and others for “docomo Hikari” and other optical-fiber services realized by the wholesale services of NTT EAST and NTT WEST;
- Regulations to newly promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation);
- Review of the structure of the NTT group, which includes our corporate group;
- Measures connected to amendments to and the clarification of the legal interpretation of the Civil Code and the Consumer Contract Act that would restrict matters that our corporate group intends to implement, such as changes to contractual terms or terms of use and amendments to or the cancellation of services; and
- Other measures to promote competition that would restrict our corporate group’s business operations in the telecommunications industry, including the revision of the interconnection rules between operators.

In addition to the above proposed changes that may impact the mobile communications business, we may be affected by a variety of laws, regulations and systems inside and outside of Japan. Our corporate group has implemented measures directed toward reducing greenhouse gas emissions, including the deployment of low-power consumption devices and efficient power generators. However, with the introduction of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect on our financial condition and results of operations. Also, the financial condition and results of operations of our corporate group may be adversely affected by the increased expenses for maintaining and operating the facilities we require to provide our services on account of electricity rate increases due to high fuel prices.

In July 2010 the “Dodd–Frank Wall Street Reform and Consumer Protection Act” was signed into law in the U.S. Based on this, the U.S. Securities and Exchange Commission established rules in August 2012 requiring listed companies that use designated minerals in their products to disclose whether such minerals come from the Democratic Republic of the Congo and adjoining countries. The implementation of these rules could have an adverse effect on our financial condition and results of operations in the form of higher cost burdens arising from the expense of conducting the research needed for regulatory compliance or from an increase in the prices of materials that use such minerals.

Further still, our corporate group is pursuing “+d” initiatives to branch out into various businesses and areas of business through investments and collaborations. Therefore, we are vulnerable to the impact of laws, regulations and systems specific to new services, operations and areas of business, in addition to laws, regulations and systems applicable to the mobile communications business. If such laws, regulations or systems are implemented, they may work as constraints on our corporate group’s business operations, and this may have an adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

We are endeavoring to reinforce the network foundation in order to cope with future increases in smartphone traffic. If unforeseen circumstances should arise, such as communication interruptions due to a greater-than-anticipated increase in the number of subscribers and traffic volume and/or control signals per subscriber, and we are not able to address such problems sufficiently and in a timely manner, our ability to provide mobile communications services could be constrained or we could lose customers' trust, and as a result, we could lose subscribers to our competitors. At the same time, the cost of investing in equipment to address these issues could increase, and this could materially affect our financial condition and results of operations.

* The total volume of transmissions

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

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

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

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

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

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

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

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

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

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

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

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

- Harm or losses to customers due to defects in our products or services offered through an e-commerce business such as a home shopping service, or products and services offered on one of our platforms, such as "dmenu" or "dmarket."

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

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

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

The mobile phones used in connection with crimes such as billing fraud are most often rental mobile phones. To combat these misuses of our services, we have introduced various measures such as refusing to provide services to unscrupulous mobile phone rental companies that violate the Mobile Phone Improper Use Prevention Act, such as by not confirming the identity of the individual at the time of rental. However, in the event that criminal usage increases, mobile phones may be regarded as a societal problem, which may lead to an increase in cancellations of contracts. In addition, problems have arisen from the fact that subscribers were charged fees for packet communication at higher levels than they anticipated as a result of using mobile phones without fully recognizing the increased volume and frequency of the use of packet communications as our handsets and services became more sophisticated. There have also been problems with high charges due to the excessive use of paid content services, and problems due to an increasing amount of trouble and number of accidents caused by the use of smartphones or other mobile devices while driving, riding a bicycle or walking. Furthermore, there are currently a variety of discussions concerning such issues as the pros and cons of elementary and junior high schools students having mobile phones, the sufficiency and accuracy of our access restriction service to screen harmful web sites ("filtering service"), which applies generally to subscribers under 18 years of age in accordance with the Act on Establishment of Enhanced Environment for Youth's Safe and Secure Internet Use, and the increase in harm caused by the use of SNS by young people, as they increasingly have access to the Internet from their mobile phones. These issues may similarly damage our corporate image.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2018, NTT owned 66.64% of the voting rights of the Company. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications (currently the MIC) in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint directors. Currently, although we conduct our day-to-day operations independently of NTT and its other subsidiaries, certain important matters are discussed with, or reported to, NTT. As such, NTT could take actions that are in its best interests but may not be in the interests of our other shareholders.

3. Management's Analysis on the Company's Financial Condition, Results of Operations and Cash Flow Conditions

You should read the following discussions and analysis of our financial condition, results of operations and cash flow conditions together with other information included in this securities report.

The discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Descriptions pertaining to the future were made based on our judgment as of the day of submission of this securities report, and our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "2. Business Conditions (2) Risk Factors" and elsewhere in this report.

We analyze the following matters in the discussion under this item:

(1) Operating Results

1) Market Trends

2) Operating Results for the fiscal year ended March 31, 2018

3) Segment Information

4) Operating Trends and Prospects for the fiscal year ending March 31, 2019

5) Non-Consolidated Statement of Income for Mobile Communications Services of the Company

6) Conditions of Production, Order Received and Sales

7) Actions toward Realization of a Sustainable Society

(2) Liquidity and Cash Flow Conditions

1) Cash Requirements

2) Cash Flow Conditions

(3) Critical Accounting Policies and Estimates

(1) Operating Results

We are the largest cellular network operator in Japan with a total subscription of 76.37 million, which represented 45.3% of all cellular subscriptions in Japan as of March 31, 2018. We earn revenues and generate cash primarily by offering mobile communications services and mobile handset sales. In mobile communications services, which account for a majority of our revenues, we provide voice communication services as well as data communication services via our packet communications network. In addition to mobile communications services and mobile handset sales, we provide telecommunications services such as optical-fiber broadband services, satellite communications services and international services. To make "Smart Life" a reality, through our smart life business we provide services such as video and music distribution, electronic books and other services offered through our "dmarket" portal, finance/payment services, shopping services and various other services to support our customers' daily lives. We also provide "Mobile Device Protection Service," development, sales and maintenance of IT systems and others.

1) **Market Trends**

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

Market

According to an announcement by the Telecommunications Carriers Association, the mobile communications market in Japan saw a 5.71 million net increase in cellular subscriptions for the fiscal year ended March 31, 2018. The total number of cellular subscriptions in Japan grew to 168.44 million as of March 31, 2018, which represented a market penetration rate of approximately 133%. The growth prospect of new subscriptions to voice-enabled devices is expected to be limited given the rise in the penetration rate and decrease in future population. The recent increase in the total number of new subscriptions has been driven mainly by an increase in subscriptions achieved through stimulation of demand for secondary devices such as tablets and mobile Wi-Fi routers, the development of new markets such as embedded communication modules, and an increase in corporate subscriptions. Consequently, the annual growth rate of cellular subscriptions was 4.0% and 3.5% for the years ended March 31, 2017 and 2018, respectively.

As of March 31, 2018, cellular services were provided in Japan by three corporate groups of Mobile Network Operators ("MNOs")[*1], including us, and Mobile Virtual Network Operators ("MVNOs") that provide service by leasing communications facilities from MNOs. In addition to providing cellular services, mobile communications service providers also procure mobile phones and other communications devices compatible with their communications services from manufacturers, and subsequently sell them to agent resellers and other retailers for sale to subscribers. As for cellular services, all MNOs in Japan have introduced the LTE system, a mobile communications standard developed as an extension to the third-generation mobile communications ("3G") system, and the number of LTE subscribers, including users shifting from 3G, has been increasing rapidly. The total number of subscriptions to our LTE(Xi) service reached 50.10 million as of March 31, 2018, increasing sharply from 44.54 million as of March 31, 2017. We expect this trend of expanded subscriptions to our LTE(Xi) service to continue going forward.

In Japan's mobile phone market, data usage has been increasing owing to the expanded uptake of smartphones, the availability of various billing plans for packet access tailored to customers' diverse requirements and the proliferation of high-speed data services. Furthermore, new markets in such areas as content and applications for smartphones have expanded. Meanwhile, the competition among the mobile communications service providers has intensified due to the reduction of interconnection rates resulting from the Ministry of Internal Affairs and Communications' pro-competition policies and other factors, the expanded uptake of low-cost smartphone services offered by MVNOs, the deployment of sub-brands by other MNOs and the new entry in the MNO market by a player from a different industry. In addition, MNOs have employed various measures to reinforce their non-telecommunications business, such as offering a common point program or new payment platforms, in an effort to expand and strengthen their customer base. Therefore, the competition in Japan's mobile communications market is expected to remain fierce in the future.

In the domestic fixed-line communications market, NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (NTT East) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West) started the wholesale of fiber-optic services from February 2015. As this enabled not only telecommunication carriers but also a wide range of other players to provide services using optical-fiber connections, competition intensified even further transcending the traditional boundaries of the fixed-line telecommunications market. In March 2015, we launched our "docomo Hikari" optical-fiber broadband service and the "docomo Hikari Pack" fixed-mobile bundle package to offer new added value to customers. The total number of "docomo Hikari" subscriptions grew to 4.76 million as of March 31, 2018.

Competition beyond the conventional boundaries of the telecommunications business is shifting into high gear, as players accelerate collaboration, investment or alliance with other industries in pursuit of future growth through the use of new technologies such as Artificial Intelligence (AI), IoT*2 and drones, with a view to the transition to 5G.

Amid these changes in the market environment, we developed and unveiled our Medium-Term Strategy 2020 “Declaration beyond” in April 2017 with an ambition to realize a richer future with 5G. We positioned the fiscal year ended March 31, 2018 as the year to “Challenge to Evolve” by taking the first steps toward the realization of our Medium-Term Strategy 2020 “Declaration beyond.” We made efforts for the creation and evolution of services, the evolution of our businesses through the “+d” initiatives with partners to co-create new values, and the reinforcement and evolution of all our foundations.

*1 A business that provides mobile communications services by establishing and operating its own radio base stations for mobile communications services.
*2 Abbreviation for Internet of Things. A concept that describes a world in which everything is connected to the Internet, enabling remote control and management of devices, etc.

Technical developments/Services

The traffic carried by mobile communications networks has increased year after year in line with the expansion in the adoption of smartphones, tablets and data devices for PCs and the enrichment of content. To reinforce our network infrastructure, we have worked to strengthen our communication facilities and implemented measures to expand our network capacity primarily leveraging our “PREMIUM 4G,” a service that is based on the LTE-Advanced*1 technology that offers greater spectral efficiency, in order to provide customers with even more stable communications quality.

Aiming to start 5G services in the year 2020, we have been promoting the development of new services and content that take advantage of the unique properties of 5G network, i.e., high-speed and large-capacity transmission, low latency and massive device connectivity, in collaboration with a broad range of partners. In May 2017, we launched “5G trial sites” to provide a venue for customers to experience the 5G services. In February 2018, we commenced the “DOCOMO 5G Open Partner Program” to offer information pertaining to 5G technology and specifications as well as free-of-charge access to 5G technological verification environments.

In June 2014, amid intensifying price competition in the mobile communications market, to deliver a diverse range of advanced services and to improve the convenience of our subscribers, we began offering a billing scheme, “Kake-hodai & Pake-aeru,” to our subscribers. To further enhance the returns we offer to customers, in May 2017, we added a new basic plan, “Simple Plan,” for customers with limited voice usage who primarily use voice calls for communication among family members. In June 2017, we launched a new plan “docomo with” targeting customers who use a single handset for an extended period of time. Furthermore, in October 2017, as a measure to improve on our customer touchpoints, we started using text chat-based customer support tool on a trial basis in our “docomo Online Application” procedures.

In addition to the abovementioned measures aimed at enhancing our competitiveness in the telecommunications business, to strengthen and advance every foundation of our business, we have promoted business management pivoted on the “d POINT CLUB” membership and have strived to boost the usage and improve the convenience of our “d POINT” program by entering into an agreement in August 2017 with Matsumotokiyoshi Holdings Co., Ltd. for joint service provision and through other measures. As part of our efforts for service creation and evolution, in September 2017, we organized a “new sensory music live event” that provides a new viewing experience. To expand the adoption of IoT, we started working on the provision of an IoT platform to increase the efficiency of construction sites through LANDLOG Ltd., a joint venture that we established with Komatsu Ltd. and other companies. As for our initiatives that leverage AI, we started to openly provide our “AI Agent API” and launched in February 2018 the “AI Taxi” service that predicts the demand for taxi rides.

*1 An advanced mobile communications system standardized by 3GPP that maintains technical compatibility with LTE system.

Regulatory environment

We and other MNOs in Japan receive the allocation of radio spectrum from government entities and are subject to regulations under the Japanese Telecommunications Business Act, Radio Act and other applicable laws. Japan's mobile communications industry, in recent years, has seen significant progress in deregulation on many fronts. An amendment to the Telecommunications Business Act implemented in May 2016 greatly eased the prohibitions that had been applied only to NTT DOCOMO, INC. and such amendment permits NTT DOCOMO, INC. to cooperate freely with various partners in the same way other MNOs can. The amendments have also introduced new rules and revisions to existing rules that are intended to protect consumers. The consumer protection policies have applied to all communication businesses, not just us, and each communication business has been required to interact with consumers in accordance with such regulations. Further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent players in the mobile communications industry including us.

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

2) Operating Results for the fiscal year ended March 31, 2018

The following discussions include analysis of our operating results for the fiscal year ended March 31, 2018. The tables below describe selected data from our consolidated statements of income for the fiscal years ended March 31, 2018 and 2017:

Breakdown of Financial Information

	Millions of yen			
	Years ended March 31			
	2017	2018	Increase (Decrease)	Change (%)
Operating revenues:				
Telecommunications services	¥ 2,985,094	**¥ 3,137,870**	¥ 152,776	5.1 %
Mobile communications services revenues	2,843,962	**2,901,149**	57,187	2.0 %
- Voice revenues (1)	875,203	**951,697**	76,494	8.7 %
- Packet communications revenues	1,968,759	**1,949,452**	(19,307)	(1.0)%
Optical-fiber broadband service and other telecommunications services revenues	141,132	**236,721**	95,589	67.7 %
Equipment sales	719,161	**755,138**	35,977	5.0 %
Other operating revenues	880,297	**876,401**	(3,896)	(0.4)%
Total operating revenues	4,584,552	**4,769,409**	184,857	4.0 %
Operating expenses:				
Cost of services	1,335,457	**1,348,100**	12,643	0.9 %
Cost of equipment sold	792,145	**833,714**	41,569	5.2 %
Depreciation and amortization	452,341	**485,502**	33,161	7.3 %
Impairment loss	12,205	**12,088**	(117)	(1.0)%
Selling, general and administrative	1,047,666	**1,116,741**	69,075	6.6 %
Total operating expenses	3,639,814	**3,796,145**	156,331	4.3 %
Operating income	944,738	**973,264**	28,526	3.0 %
Other income (expense), net	4,825	**123,361**	118,536	—
Income before income taxes and equity in net income (losses) of affiliates	949,563	**1,096,625**	147,062	15.5 %
Income taxes	287,679	**337,775**	50,096	17.4 %
Income before equity in net income (losses) of affiliates	661,884	**758,850**	96,966	14.6 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(11,273)	**(12,229)**	(956)	(8.5)%
Net income	650,611	**746,621**	96,010	14.8 %
Less: Net (income) loss attributable to noncontrolling interests	1,927	**(2,079)**	(4,006)	—
Net income attributable to NTT DOCOMO, INC.	¥ 652,538	**¥ 744,542**	¥ 92,004	14.1 %

(1) Inclusive of circuit switched data communications

Analysis of operating results for the fiscal year ended March 31, 2018 and comparison with the prior fiscal year

Operating revenues for the fiscal year ended March 31, 2018 were ¥4,769.4 billion, an increase of ¥184.9 billion, or 4.0%, from ¥4,584.6 billion for the prior fiscal year. Telecommunications services revenues for the fiscal year ended March 31, 2018 were ¥3,137.9 billion, an increase of ¥152.8 billion, or 5.1%, compared to ¥2,985.1 billion for the prior fiscal year. Of these, mobile communications services revenues increased by ¥57.2 billion, or 2.0%, from ¥2,844.0 billion for the prior fiscal year, to ¥2,901.1 billion. Voice revenues increased by ¥76.5 billion, or 8.7%, to ¥951.7 billion from ¥875.2 billion for the prior fiscal year. The growth in voice revenues was due mainly to the revenue boosting effect associated with the reduction of "Monthly Support" discounts. "Monthly Support" is a program that provides up to 24 months of discounts from monthly service charges, in fixed amounts depending on device purchased, to subscribers using devices such as smartphones and tablets whose subscriptions satisfy certain conditions. Packet communications revenues for the fiscal year ended March 31, 2018 recorded a decrease of ¥19.3 billion, or 1.0%, to ¥1,949.5 billion from ¥1,968.8 billion for the prior fiscal year. This decline was mainly attributable to the negative revenue impact caused by the increased uptake of the "Simple Plan" and "docomo with" and other programs that were introduced as our customer return measures to lower their costs, which more than offset the positive revenue impact associated with increased smartphone usage, the heightened demand for a secondary mobile device as a result of our sales promotion efforts of tablets, and subscribers' migration to larger data buckets of our billing plan "Kake-hodai & Pake-aeru." The total number of LTE(Xi) service subscriptions as of March 31, 2018 grew to 50.10 million, and the total number of smartphones and tablets sold during the 12-month period through March 31, 2018 reached 15.49 million units.

Optical-fiber broadband services and other telecommunications services revenues for the fiscal year ended March 31, 2018 were ¥236.7 billion, an increase of ¥95.6 billion, or 67.7%, from ¥141.1 billion for the prior fiscal year. This increase was driven by the significant growth in the number of subscriptions to the "docomo Hikari" optical-fiber broadband service launched in March 2015.

As a result, voice ARPU for the fiscal year ended March 31, 2018 increased by ¥120, or 9.6%, to ¥1,370 from ¥1,250 for the prior fiscal year. Packet ARPU for the fiscal year ended March 31, 2018 was ¥2,970, down ¥20, or 0.7%, from ¥2,990 for the prior fiscal year. "docomo Hikari" ARPU for the fiscal year ended March 31, 2018 was ¥340, recording an increase of ¥150, or 78.9%, from ¥190 for the prior fiscal year, which was primarily due to an increase in optical fiber broadband service and other telecommunications services revenues as a result of an expansion in "docomo Hikari" subscriptions during the fiscal year ended March 31, 2018.

Equipment sales revenues increased by ¥36.0 billion, or 5.0%, to ¥755.1 billion for the fiscal year ended March 31, 2018 from ¥719.2 billion for the prior fiscal year, due mainly to the decrease in the amount of sales commissions and other charges deducted from equipment sales revenues as well as an increase in the total number of handsets sold to agent resellers.

Other operating revenues decreased by ¥3.9 billion, or 0.4%, from ¥880.3 billion for the prior fiscal year to ¥876.4 billion for the fiscal year ended March 31, 2018. The primary items comprising other operating revenues include revenues derived from shopping service, services to support our customers' daily lives, "Mobile Device Protection Service," services offered through our "dmarket" portal, credit services and revenues from group affiliates. The decrease was due mainly to a decrease in revenues from a subsidiary which began recording revenues on a net basis as a result of change in its business model, which more than offset the increased revenues from our "Mobile Device Protection Service" resulting from the expansion of contracts and the growth in total transaction amount handled by our credit services including "d CARD."

Operating expenses increased by ¥156.3 billion, or 4.3%, from ¥3,639.8 billion for the prior fiscal year to ¥3,796.1 billion for the fiscal year ended March 31, 2018.

Cost of services, which represents the expenses we incur directly in connection with providing our customers with telecommunications services and/or other services offered by our subsidiaries, increased by ¥12.6 billion, or 0.9%, from ¥1,335.5 billion for the prior fiscal year to ¥1,348.1billion for the fiscal year ended March 31, 2018, resulting from increased cost of services associated with the revenue growth of "docomo Hikari" and other services.

Cost of equipment sold, which arises mainly from our procurement of handsets for sale to agent resellers who then sells to our new or current subscribers, increased by ¥41.6 billion, or 5.2%, to ¥833.7 billion from ¥792.1 billion for the prior fiscal year primarily due to an increase in the proportion, as compared to the total number of handsets sold, of smartphones and tablets that carry a relatively high procurement cost per unit as well as an increase in the total number of handsets sold to agent resellers.

Depreciation and amortization expenses increased by ¥33.2 billion, or 7.3%, to ¥485.5 billion from ¥452.3 billion for the prior fiscal year, as a result of the investments made to accommodate the growth in traffic and to expand the area coverage of "PREMIUM 4G" service.

Impairment loss totaled ¥12.1 billion, posting a decline of ¥0.1 billion, or 1.0%, from ¥12.2 billion for the prior fiscal year. The impairment losses recorded in the fiscal years ended March 31, 2018 and 2017 were primarily due to the impairment of goodwill on reporting units related to our subsidiaries.

Selling, general and administrative expenses increased by ¥69.1 billion, or 6.6%, to ¥1,116.7 billion from ¥1,047.7 billion for the prior fiscal year. The primary components included in our selling, general and administrative expenses are expenses related to the acquisition of new subscribers and retention of current subscribers, which includes commissions paid to agent resellers and the expenses incurred in relation to our "dPOINT" customer loyalty program. The increase in selling, general and administrative expenses was due mainly to growth in expenses incurred in relation to our "d POINT" program.

As described above, operating expenses for the fiscal year ended March 31, 2018 recorded an increase over the prior fiscal year due to the growth in cost of services, cost of equipment sold, depreciation and amortization and selling, general and administrative expenses, which outweighed the decline in impairment loss.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2018 increased by ¥28.5 billion, or 3.0%, from ¥944.7 billion for the prior fiscal year to ¥973.3 billion. Our operating income margin dropped from 20.6% for the prior fiscal year to 20.4%.

Other income (expense) includes items such as interest expense, interest income, dividend income, foreign exchange gains and losses and other-than-temporary impairment losses and net realized gains (losses) on dispositions of marketable securities and other investments. We recognized ¥123.4 billion as other income, net for the fiscal year ended March 31, 2018, as compared to ¥4.8 billion in the prior fiscal year. The major factor behind this growth was the receipt and recognition in "Other income" of the arbitration award from Tata Sons Limited in India during the fiscal year ended March 31, 2018.

As a result of the foregoing, income before income taxes and equity in net income (losses) of affiliates increased by ¥147.1 billion, or 15.5%, to ¥1,096.6 billion for the fiscal year ended March 31, 2018 from ¥949.6 billion for the prior fiscal year.

Income taxes increased by ¥50.1 billion, or 17.4%, from ¥287.7 billion for the prior fiscal year to ¥337.8 billion for the fiscal year ended March 31, 2018. This was mainly due to the increase in income before income taxes and equity in net income (losses) of affiliates. The effective income tax rate for the fiscal years ended March 31, 2018 and 2017 was 30.8% and 30.3%, respectively.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates increased by ¥1.0 billion, or 8.5%, to ¥12.2 billion for the fiscal year ended March 31, 2018 from ¥11.3 billion for the prior fiscal year. The primary reason for the increase in equity in net losses of affiliates for the fiscal year ended March 31, 2018 was due to the increase in losses at Tata Teleservices Limited of India despite a reduction in the impairment loss on Hutchison Telephone Company Limited in Hong Kong.

As a result of the foregoing, we reported ¥744.5 billion in net income attributable to NTT DOCOMO, INC., representing an increase of ¥92.0 billion, or 14.1%, from ¥652.5 billion for the prior fiscal year.

Key Financial Consolidated Indicators and Operational Data

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2018 and 2017 are provided below:

(EBITDA and EBITDA margin)
EBITDA: Operating income + depreciation and amortization + loss on disposal of property, plant and equipment + impairment loss
EBITDA margin: EBITDA/operating revenues

	Billions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
a. EBITDA	1,463.4	**1,509.9**
Depreciation and amortization	(452.3)	**(485.5)**
Loss on disposal of property, plant and equipment	(54.2)	**(39.1)**
Impairment loss	(12.2)	**(12.1)**
Operating income	944.7	**973.3**
Other income (expense)	4.8	**123.4**
Income taxes	(287.7)	**(337.8)**
Equity in net income (losses) of affiliates	(11.3)	**(12.2)**
Less: Net (income) loss attributable to noncontrolling interests	1.9	**(2.1)**
b. Net income attributable to NTT DOCOMO, INC.	652.5	**744.5**
c. Operating revenues	4,584.6	**4,769.4**
EBITDA margin (=a/c)	31.9%	**31.7%**
Net income margin (=b/c)	14.2%	**15.6%**

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

Operating free cash flow

We have set the KPI, "Operating free cash flow" that are calculated after subtracting capital expenditures from EBITDA, as the target pursuing our business operation.

EBITDA for the fiscal year ended March 31, 2018 were ¥1,509.9 billion, an increase of ¥46.5 billion, or 3.2%, from ¥1,463.4 billion for the prior fiscal year. Capital expenditures for the fiscal year ended March 31, 2018 were ¥576.4 billion, a decrease of ¥20.7 billion, or 3.5%, from ¥597.1 billion for the prior fiscal year. As a result, operating free cash flow for the fiscal year ended March 31, 2018 were ¥933.5 billion,

For capital expenditures, please see (2) Liquidity and Cash Flow Conditions ①Cash Requirements *(a)Capital Expenditures* in this section.

ROE

ROE: Net income attributable to NTT DOCOMO, INC. / Shareholders' equity

	Billions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
a. Net income attributable to NTT DOCOMO, INC.	**652.5**	**744.5**
b. Shareholders' equity	**5,416.4**	**5,605.5**
ROE(=a/b)	**12.0%**	**13.3%**

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

Operational data

	Fiscal year ended March 31			
	2017	**2018**	**Increase (decrease)**	**Change (%)**
Cellular				
Subscriptions (thousands)	74,880	**76,370**	1,491	2.0 %
LTE(Xi) services	44,544	**50,097**	5,553	12.5 %
FOMA service	30,336	**26,273**	(4,062)	(13.4)%
(Including) "Kake-hodai & Pake-aeru"	37,066	**41,964**	4,899	13.2 %
Market share (%) (1)(2)	46.0	**45.3**	(0.7)	—
Units sold (thousands)	27,482	**25,460**	(2,022)	(7.4)%
LTE(Xi) New LTE subscription (3)	9,796	**10,039**	243	2.5 %
LTE(Xi) Change of subscription from FOMA	2,963	**3,207**	244	8.3 %
LTE(Xi) LTE (Xi) handset upgrade by LTE (Xi)	9,305	**10,201**	896	9.6 %
FOMA New FOMA subscriptions (3)	3,162	**1,190**	(1,971)	(62.4)%
FOMA Changes of subscription from Xi	63	**28**	(35)	(55.9)%
FOMA FOMA handset upgrade by FOMA	2,194	**795**	(1,399)	(63.8)%
Aggregate ARPU (yen/month/subscription) (4)	4,430	**4,680**	250	5.6 %
Voice ARPU (5)	1,250	**1,370**	120	9.6 %
Data ARPU	3,180	**3,310**	130	4.1 %
Packet ARPU	2,990	**2,970**	(20)	(0.7)%
"docomo Hikari" ARPU	190	**340**	150	78.9 %
MOU (minutes/month/subscription) (4) (6)	137	**136**	(1)	(0.7)%
Churn Rate (%) (2) (7)	0.59	**0.65**	0.05	—
(Including) Handset churn rate (%) (8)	0.47	**0.51**	0.04	—
"docomo Hikari" Subscriptions (thousands)	3,404	**4,762**	1,358	39.9 %

(1) Source for other cellular telecommunications operators: Data announced by Telecommunications Carriers Association
(2) Data are calculated including communication module services subscriptions.
(3) Number of new subscriptions represent new mobile subscriptions (including subscriptions to MVNO and communication module services).
(4) Data are calculated excluding revenues and subscriptions from communication module services, "Phone Number Storage," "Mail Address Storage," "docomo Business Transceiver," and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs.
(5) Inclusive of circuit switched data communications
(6) MOU (Minutes of Use): Average communication time per month per user
(7) Churn rate is calculated excluding the subscriptions and cancellations of subscriptions of MVNOs.
(8) Handset churn rate represents the churn rate in Basic Plans (excluding Data Plans and Device Plus), Xi/FOMA Billing Plans and Type Limit Value/Type Limit for smartphones and feature phones, etc.

Definition of ARPU (Average monthly Revenue Per Unit)
Aggregate ARPU: Voice ARPU + Packet ARPU + "docomo Hikari" ARPU
Voice ARPU: Voice ARPU Related Revenues (basic monthly charges, voice communication charges) / number of active users
Data ARPU: Packet ARPU + "docomo Hikari" ARPU
Packet ARPU: Packet ARPU 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 charges) / number of active users

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

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.

3) Segment Information

General

We report the individual results of our three business segments, which consists of telecommunications business, smart life business and other businesses.

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

Telecommunications business

	Millions of yen		
	Years ended March 31		
	2017	2018	Increase (Decrease) 2018 vs 2017
Segment operating revenues	¥ 3,711,156	**¥ 3,898,387**	¥ 187,231
Segment operating expenses	2,878,358	**3,065,619**	187,261
Segment operating income (loss)	¥ 832,798	**¥ 832,768**	¥ (30)

Operating revenues in the telecommunications business segment are mainly derived from telecommunications services and equipment sales. For the fiscal year ended March 31, 2018, operating revenues from our telecommunications business segment increased by ¥187.2 billion, or 5.0%, to ¥3,898.4 billion from ¥3,711.2 billion for the prior fiscal year. Telecommunications services revenues recorded an increase of ¥146.4 billion, or 5.0%, to ¥3,089.0 billion from ¥2,942.5 billion in the prior fiscal year. Mobile communications service revenues, a part of telecommunications services revenues consisting of voice revenues and packet communications revenues, grew by ¥52.1 billion, or 1.9%, to ¥2,854.6 billion in the fiscal year ended March 31, 2018 from ¥2,802.5 billion in the prior fiscal year. The increase in mobile communications services revenues in the telecommunications business was due primarily to the effects of negative impact from the "Monthly Support" discount program, expanded smartphone use and increased data (packet) usage of customers owning multiple mobile devices as a result of our sale promotion efforts of tablets and subscribers' migration to relatively higher-end rate plans of our billing plan "Kake-hodai & Pake-aeru," which more than offset the negative impact caused by the increase in the number of customers who can achieve savings by subscribing to the "Simple Plan" and "docomo with" program, which were launched as measures to provide returns to customers in the form of lower costs. In addition, optical-fiber broadband service and other telecommunications services revenues, which represent revenues from optical-fiber broadband service, satellite communications services, overseas cable television services and other sources, increased by ¥94.3 billion, or 67.3%, to ¥234.3 billion from ¥140.0 billion in the prior fiscal year. The principal reason for this increase was the significant growth in the number of subscriptions to our "docomo Hikari" optical-fiber broadband service, the total number of subscriptions of which reached 4.76 million as of March 31, 2018, an increase of 1.36 million, or 39.9%, as compared to 3.40 million subscriptions as of March 31, 2017. Revenues from equipment sales increased by ¥36.3 billion, or 5.1%, to ¥753.1 billion from ¥716.8 billion in the prior fiscal year, due to a drop in the amount of sales commissions and other charges deducted from the equipment sales revenues and an increase the total number of wholesale devices sold to agent resellers. Operating revenues of the telecommunications business segment represented 81.2% of the total segment operating revenues in the fiscal year ended March 31, 2018, as compared to 80.4% in the prior fiscal year. Operating expenses for the telecommunications business segment increased by ¥187.3 billion, or 6.5%, to ¥3,065.6 billion from ¥2,878.4 billion for the prior fiscal year. Other than the increase in expenses relating to our “d POINT” program such as “Renewal Points” and “docomo Child Raising Support Program,” “dPOINT”-related expenses, the rise in cost of equipment sold resulting from the increased proportion of smartphones and tablet devices carrying relative higher procurement costs and the growth in the total number of wholesale devices sold to agent sellers, the increase in depreciation and amortization expenses associated with the investments made to accommodate traffic growth and expand the coverage of “PREMIUM 4G” service, and the increase in communications network charges, which we pay for the usage of other operators’ networks or for access charges, in association with the expansion of our “docomo Hikari” optical-fiber broadband service, were the key factors that drove the growth in operating expenses for the telecommunications business segment. As a result of the foregoing, operating income from the telecommunications business segment for the fiscal year ended March 31, 2018 amounted to ¥832.8 billion, remaining unchanged from ¥832.8 billion for the prior fiscal year.

Analysis of the changes in revenues and expenses of our telecommunications business segment is also presented in the preceding section, “2) Operating Results for the fiscal year ended March 31, 2018” as well as “4) Operating Trends and Prospects for the fiscal year ending March 31, 2019” in the following section.

<<Key Topics>>

- Enhanced Customer Returns

  We continued our efforts to strengthen the returns we offer to customer and to stimulate the usage of smartphones through the implementation of various measures that address the diverse needs of customers mainly leveraging our “Kake-hodai & Pake-aeru” billing scheme.

  In May 2017, we launched the “Simple Plan,” a billing plan for customers with limited voice calling outside their family members, and “Ultra Share Pack 30,” which is designed for customers with high data usage.

  In June 2017, we introduced “docomo with” a billing plan targeting customers who use a single handset for an extended period of time. As a result of increasing the variety of handset models eligible for this plan and other measures, the total number of “docomo with” subscribers topped 1 million in December 2017.

  Furthermore, in March 2018, we launched the “Packet Pack Kaigai Option,” a service that enables subscribers to use data from their current data subscriptions (e.g., “Packet Pack”, etc.) when they travel overseas.

  As a result of these undertakings, the total number of subscriptions for the “Kake-hodai & Pake-aeru” billing scheme as of March 31, 2018 reached 41.96 million, recording an increase of 4.9 million from March 31, 2017. The number of smartphone and tablet users as of March 31, 2018 was 38.30 million.

- Strengthened Customer Touchpoints

  In an effort to enhance our support system for resolving customer problems, in September 2017, we introduced AI-based support for answering customer inquiries in the form of an automated voice response system of “docomo Information Center” to shorten waiting time for customers when they contact us for inquiries. Additionally, in October 2017, we commenced a customer support service via live chat in “docomo Online Application,” enabling operators to address customer troubles on the spot using text-based chats.

  Further, starting January 2018, we enhanced the “docomo Smartphone Classes” organized by docomo shops to dispel customers’ anxieties about smartphones and allow them to make full use of the devices. In addition to updating the curriculum, we increased the number of classes to make it easier for customers to participate.

- Actions to Expand Adoption of “docomo Hikari”

For customers who wish to use data both at home and outside without any worries about their data volume, in February 2018, we revised the "docomo Hikari bundle discount" that applies when smartphones and "docomo Hikari" are used as a set and increased the amount of the "docomo Hikari bundle discount" for the "Ultra Pack" options by a maximum of 500 yen per month.

In addition, we expanded the number of eligible partners under the "docomo Hikari Type C" rate plan, which allows subscribers to use the optical-fiber broadband and Internet access services offered by our partner cable TV operators as a set, to nine companies nationwide.

As a result of these initiatives and the various promotional campaigns we conducted, the total number of "docomo Hikari" subscriptions grew to 4.76 million as of March 31, 2018, posting a net increase of 1.36 million over the previous fiscal year.

- Actions for Reinforcement of Communication Network

  In an effort to reinforce our networks, we expanded the coverage of our "PREMIUM 4G" service to 1,637 cities across Japan as of March 31, 2018. In addition, in September 2017, we commenced a communication service that offers Japan's fastest maximum downlink speed of 788Mbps by further evolving transmission techniques. In October 2017, we launched a new carrier aggregation[*1] technique, "4CA," which aggregates four carrier frequencies.

  Through these measures, we have successfully created a high-speed communication environment that providers customers with comfortable network experience.

  We conducted surveys on effective data speeds adhering to the "Guidelines for the Effective Speed Measurement Method of Internet Connection Services Provided by Mobile Telecommunications Carriers and Information Providing Method, etc. for Users" defined by the Ministry of Internal Affairs and Communications. The results indicated that we achieved improvements in our download speed over the previous year. Our download speed[*2] was 182Mbps (up 64Mbps from the previous year) and our upload speed was 23Mbps (same as the previous year).

*1: A technology that enhances the communication speed by aggregating multiple carrier frequencies.
*2: Median value (Android + iOS)

Smart life business

	Millions of yen		
	Years ended March 31		
	2017	2018	Increase (Decrease) 2018 vs 2017
Segment operating revenues	¥ 501,918	¥ **466,737**	¥ (35,181)
Segment operating expenses	443,999	**403,825**	(40,174)
Segment operating income (loss)	¥ 57,919	¥ **62,912**	¥ 4,993

For the fiscal year ended March 31, 2018, operating revenues from the smart life business segment decreased by ¥35.2 billion, or 7.0%, to ¥466.7 billion from ¥501.9 billion in the prior fiscal year. The key factor that lead to this decline was the decrease in revenues from a subsidiary which began recording revenues from April 1, 2017 in net amounts to reflect the change of its business model. The decrease in revenues resulting from this change outweighed the increase in revenues from our finance/payment services and other services. Operating revenues of the smart life business segment represented 9.7% of the total segment operating revenues in the fiscal year ended March 31, 2018 and 10.9% in the prior fiscal year. Operating expenses of the smart life business segment decreased by ¥40.2 billion, or 9.0%, from ¥444.0 billion in the prior fiscal year to ¥403.8 billion in the fiscal year ended March 31, 2018, due mainly to a decline in expenses attributable to a subsidiary as a result of the change in its business model described above, as well as a decrease in expenses due to our increased efficiency in sales. This decrease in expenses was greater than the increase in expenses associated with the various initiatives we employed to propel future growth. As a result, the operating income of the smart life business segment in the fiscal year ended March 31, 2018 amounted to ¥62.9 billion, improving by ¥5.0 billion, or 8.6%, from ¥57.9 billion in the prior fiscal year.

<<Key Topics>>

- Improved Convenience of "d POINTs"

  For the smart life business segment, we improved the convenience of "d POINTs" by expanding the brands and websites where "d POINTs" can be earned and used.

  In August 2017, we reached an agreement regarding a business alliance with Matsumotokiyoshi Holding Co., Ltd. to jointly provide new services, with a view to improving convenience and services for customers of Matsumotokiyoshi Holdings Co., Ltd. and "d POINT CLUB." As one of the measures based on the business alliance, "d Payment" was made available at Matsumotokiyoshi online stores in February 2018. In June 2017, we also enabled the use of "d POINTs" at participating stores in Guam, as one of our efforts under the "docomo Smart Island Project."

  As a result of these undertakings, as of March 31, 2018, the total number of "d POINT CLUB" members reached 65.60 million, the total number of "d POINT CARD" registrants* reached 22.32 million, and the total number of partners participating in the "d POINTs" program reached 217.

  *: The number of users who can earn and use "d POINTs" at participating stores by registering their personal information.

- Initiatives to Expand Services Toward Realization of Smart Life

  We worked to expand "dmarket" services to allow a wide range of customers to enjoy these services.

  In August 2017, we started offering "d enjoypass," which enables customers to receive special discounts on various services in categories including leisure, hot springs, beauty, lifestyle, accommodations and gourmet. In September 2017, we introduced "d job," which allows users to retrieve a range of job information via a smartphone or other devices. In November 2017, we launched “d car share,” through which customers can use a single “d account” to choose a car that best fits their purpose, location or date of use from various services such as car-sharing, rent-a-car services and privately-owned cars. In addition, in January 2018, we began providing “dTV channel,” a video service that offers easy, unlimited access to 31 specialty channels including movies, drama, animation and hobbies on a smartphone or other devices. At the same time, we commenced sales of “docomo TV terminal,” a set-top box with which customers can view all our video services on a home television.

Furthermore, the number of subscriptions to “DAZN for docomo” sports live streaming service topped 1 million in March 2018. In addition to various contents for “DAZN for docomo,” we set up “DAZN for docomo SPORTS LOUNGE” for a limited time, where visitors were able to experience our vision of sports entertainment for the future.

Additionally, we have changed the name of Osusume Pack,” which enables subscribers to use our three services “Sugotoku-Contents,” “i-concier” and “Cloud Storage Option Plus 50GB” at discounted prices, to “Ichioshi Pack” from February 2018 renewing its service content by increasing the benefits and privileges provided to its subscribers.

- Actions for Proliferation of “d CARD”
  The total members* of our credit card service “d CARD” as of March 31, 2018 grew to 18.93 million, posting an increase of 1.26 million from March 31, 2017, owing mainly to our promotional campaign for acquisition of new “d CARD” members. Among them, the total number of “d CARD GOLD” members topped 3 million in September 2017. The total amount of transactions processed with our finance/payment services reached ¥3,171.9 billion for the fiscal year ended March, 31, 2018, an increase of ¥564.5 billion from the previous fiscal year.

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

Other businesses

	Millions of yen		
	Years ended March 31		
	2017	2018	Increase (Decrease) 2018 vs 2017
Segment operating revenues	¥ 400,400	¥ 436,495	¥ 36,095
Segment operating expenses	346,379	358,911	12,532
Segment operating income (loss)	¥ 54,021	¥ 77,584	¥ 23,563

Operating revenues from other businesses segment increased by ¥36.1 billion, or 9.0%, from ¥400.4 billion in the prior fiscal year to ¥436.5 billion for the fiscal year ended March 31, 2018. The principal reasons for this increase included the growth in the number of "Mobile Device Protection Service" subscriptions and the expansion of revenues from IoT business-related services. Operating revenues of the other businesses segment represented 9.1% of total of segment operating revenues in the fiscal year ended March 31, 2018 and 8.7% in the prior fiscal year. Operating expenses from other businesses segment increased by ¥12.5 billion, or 3.6%, from ¥346.4 billion in the prior fiscal year to ¥358.9 billion, due mainly to a decrease in expenses achieved through cost efficiency improvement initiatives, despite a rise in expenses associated with IoT businesses. Consequently, operating income from the other businesses segment for the fiscal year ended March 31, 2018 increased by ¥23.6 billion, or 43.6% to ¥77.6 billion from ¥54.0 billion for the prior fiscal year.

<<Key Topics>>

- "Top Gun" Sales Approach

  We have been promoting what is called the "Top Gun" sales approach, in which we aim to solve customer's issues through a three-party collaboration among our R&D unit, Corporate Sales & Marketing team and customers/partners. As one of the successful cases under this approach, we launched in October 2017 "Location Net," a service that enables uses to monitor children and elderly people or track the location of business equipment, etc., by attaching a dedicated tag compatible with the BLE short-range wireless technology to persons and objects.

- AI-based Initiatives

  We have been actively pursuing practical applications of AI-based services. In April 2017, together with ZENRIN Co., Ltd and our affiliated company ZENRIN DataCom Co., Ltd., we began offering a voice agent service for automobiles, "AI infotainment" that takes advantage of various AI techniques such as "natural dialogue*1," "behavior prediction*1" and "advanced information search*1." In February 2018, we launched "AI Taxi," a service that forecasts future demand for taxi rides through "real-time travel demand prediction technology*1" which employs AI and spatial statistics that utilize the cellular network mechanism (the real-time version of mobile spatial statistics*2.)

  *1: A constituent technology of "corevo," NTT Group's AI technologies or system that use this technology.
  *2: Population statistics using information that indicates the sizes of groups of people by area or by attribute, without including any information that could identify specific customers.

- Program for Supporting Business Startups

  We made investments in startup companies that own various technologies and expertise in areas including drones, security, home delivery and storage services, and e-book platform development, with the aim of supporting and strengthening collaboration with startups that possess innovative technologies and groundbreaking business models in a range of fields. For example, in November 2017, we invested in PRENAV, INC. (hereinafter, "PRENAV"), a

U.S.-based developer of commercial-use drones for infrastructure inspection and have started using PRENAV's drone solutions to inspect our wireless base stations and other facilities.

Furthermore, in October 2017, we established the DOCOMO Innovation Fund II, L.P. with NTT FINANCE CORPORATION to strengthen support for and collaboration with startup companies with the aim of realizing our Medium-Term Strategy 2020 "Declaration beyond."

- Expansion of IoT Initiatives

  In an effort to expand IoT, in October 2017, we began offering new billing schemes, "IoT Plan" and "IoT Plan HS," to meet the diverse needs and usage patterns of customers. In addition, we started working to provide an IoT platform to increase the efficiency of work at construction sites through LANDLOG Ltd., which we established jointly with Komatsu Ltd. and other companies. We also introduced "LoRaWAN*," an IoT network service using LPWA (Low Power Wide Area) telecommunications technology that enables long-range communications with multiple devices with low power consumption.

  *: A wide-area network using "LoRa," an LPWA standard.

4) Operating Trends and Prospects for the fiscal year ending March 31, 2019

This section describes our operating trends from the perspectives of revenues and expenses as well as the prospects for the fiscal year ending March 31, 2019. With the goal of improving the international comparability of financial information in capital markets, among other reasons, we decided to adopt International Financial Reporting Standards (IFRS) in place of U.S. Generally Accepted Accounting Principles (U.S. GAAP), beginning with the fiscal year ending March 31, 2019. Accordingly, the prospects for the fiscal year ending March 31, 2019 are prepared based on IFRS. The most significant impacts associated with the transition from U.S. GAAP to IFRS are resulted from the accounting treatment change relating to IFRS 15 "Revenue from Contracts with Customers." However, even in the case where Accounting Standard Update 2014-09 "Revenue from Contracts with Customers" announced by the Financial Accounting Standards Board ("ASU2014-09") was applied to the projections based on U.S.GAAP, we believe that there would be no significant differences of those impacts between IFRS 15 and ASU 2014-09. See below for more details.

Operating Revenues

Telecommunications Services

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

Toward the goal of increasing the number of subscriptions, it is important to acquire new subscriptions and retain existing customers. Although it is difficult to expect a significant increase in the number of new subscriptions given the high cellular penetration rate, we need to meet demand for various types of communication devices and services, such as smartphones, tablets, wearable devices and Wi-Fi routers. Demand for higher transmission speeds has also been mounting in line with the expansion of data usage resulting from the proliferation of smartphones. Responding to these new demands in the market, we have actively worked to promote the sales of smartphones and expand the LTE network, with the aim of growing the user base of our LTE(Xi) service. As a result, the total number of LTE(Xi) service subscriptions as of March 31, 2018 reached 50.10 million, recording an increase of 12.5% compared to the number as of March 31, 2017.

Our subscription churn rate is an important performance indicator for us to achieve our important goal of curbing contract terminations and retaining our current subscriptions. The churn has an impact on our number of subscriptions and particularly affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our income by decreasing the average amount of revenues we are able to collect from each subscriber or by increasing our expenses. In an effort to improve our competitive strength, we introduced the "Kake-hodai & Pake-aeru" billing scheme in June 2014 and commenced an optical-fiber broadband service "docomo Hikari" in March 2015 while concurrently launching the "docomo Hikari Pack" bundle discount program. We believe that such efforts, along with other factors, including network improvements achieved through offering LTE services and attractive, high-performance devices (handsets), have enabled us to maintain our subscription churn rate at very low levels, namely, 0.59% for the fiscal year ended March 31, 2017 and 0.65% for the fiscal year ended March 31, 2018. Going forward, we plan to employ measures aimed at lowering the churn rate by adding new rate options to our billing plan, securing subscribers through bundle offers with the "docomo Hikari" service and differentiating ourselves from our competitors by expanding our network and enriching our services.

As a result of these initiatives, the total number of our subscriptions as of March 31, 2018 increased by 2.0% compared to the level for the prior fiscal year. We believe the total number of our subscriptions will continue to increase during the fiscal year ending March 31, 2019 as we strive to cultivate new market demand and take proactive measures to promote the sales of smartphones and expand the LTE and LTE-Advanced networks, with the aim of expanding the user base of our LTE(Xi) service.

Our mobile communications services revenues recorded a 2.0% year-on-year increase in the fiscal year ended March 31, 2018 due primarily to the reduced impact from the "Monthly Support" discount program, expanded smartphone use and the effects of increased data (packet) usage of customers owning multiple mobile devices as a result of our sales promotion efforts of tablets and subscribers' migration to relatively higher-end rate plans of our "Kake-hodai & Pake-aeru" billing scheme, which more than offset the negative impact of the increase in the number of customers subscribing to the "Simple Plan" and "docomo with," which were introduced to provide returns to customers by lowering their costs. For the fiscal year ending March 31, 2019, while we expect to achieve revenue growth from expanded smartphone use and increased usage by customers owning multiple mobile devices as a result of our sales promotion efforts of tablet and migration of subscribers to higher-end rate plans, because of the projected expansion of the negative revenue impact from stepped up customer return measures and the change of accounting treatment of "d POINT"-related expenses starting from the fiscal year ending March 31, 2019 (in which a large proportion of "d POINT"-related expenses will be recognized as deduction from revenues instead of being recorded as selling, general and administrative expenses), mobile communications service revenues are projected to record a decrease compared to the prior fiscal year.

The "Kake-hodai & Pake-aeru" billing scheme has enjoyed favorable reviews since its launch in June 2014, with the number of subscribers using the plan rising to 41.96 million as of March 31, 2018. In the early days after launch, the "Kake-hodai & Pake-aeru" billing scheme had caused a negative effect on revenues as subscribers who found it beneficial to switch to the scheme grew at a faster pace than anticipated. However, this negative revenue impact subsequently moderated, as the decline in voice revenues leveled off due to the slowdown in the pace of migration by subscribers who benefit from switching to the scheme and the packet revenue-boosting effect achieved through our efforts to migrate subscribers to the higher-end plans of the billing scheme. In the fiscal years ended March 31, 2017 and 2018, although the positive revenue impact from active migration of subscribers to higher-end plans with higher monthly rates expanded, the customer return measures we employed to reduce the costs to our customers had a negative effect on our revenues. In the fiscal year ending March 31, 2019, we expect that the negative revenue impact caused by the initiatives aimed at enhancing returns to our customers by providing lower cost of services will outweigh the positive impact caused by subscribers' migration to higher-end plans.

To respond to the diverse need of customers, we are working on further improvement of the "Kake-hodai & Pake-aeru" billing scheme by introducing in May 2018 the "Basic Share Pack" and "Basic Pack," our new four-tier data plans that apply the most optimal bucket based on the actual data consumption of customers, and the "Zutto DOCOMO Discount Plus" program, which offers customers with benefits in the form of either direct monetary discounts or "d POINTs" worth 1.2-times the value of monetary discount. Although these measures are expected to cause negative impact on revenues in the fiscal year ending March 31, 2019, we believe we can absorb such impact through our cost efficiency improvement measures as well as the reduced mobile subscription cancellations resulting from the strong customer retention effects of these measures.

Optical-fiber broadband service and other telecommunications services revenues represent revenues from optical-fiber broadband service, satellite mobile communications services, overseas cable television services and other telecommunications services. In March 2015, we launched "docomo Hikari" service (our optical-fiber broadband service that enables high-speed access at speeds of up to 1Gbps) and "docomo Hikari Pack," a bundle package that allows users to use "docomo Hikari" and smartphones/docomo feature phones services at affordable rates. By offering new added value through the convergence of fixed-line and mobile communications services, we expect to not only secure revenues from monthly optical-fiber broadband service charges but also to acquire new subscriptions to our mobile phone services and prevent cancellations. Because of the expanded uptake of "docomo Hikari" achieved as a result of implementing various promotional measures, the optical-fiber broadband service and other telecommunications services revenues for the fiscal year ended March 31, 2018 grew by 67.7% compared to the prior fiscal year. We expect continued increase in optical-fiber broadband service and other telecommunications services revenues in the fiscal year ending March 31, 2019, as the number of "docomo Hikari" optical-fiber broadband service subscriptions is projected to grow further.

We use the average monthly revenue per unit or ARPU as a performance indicator to measure average monthly revenues per subscription. We believe that our ARPU figures provide certain level of useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. For the fiscal year ended March 31, 2018, ARPU consisted of Voice ARPU, Packet ARPU and "docomo Hikari" ARPU. However, from the fiscal year ending March 31, 2019, the composition of ARPU has been changed to Mobile ARPU and "docomo Hikari" ARPU because we considered that ARPU split into voice and packet components no longer represents our customers' actual usage behavior of services, given the various customer return measures we have provided to customers through the enrichment of rate plans that affect our mobile communications services revenues. For Mobile ARPU, after a period of growth in recent years driven by the expanded use of smartphones, heightened demand for a secondary mobile device as a result of our sales promotion of tablets and our efforts to migrate customers to higher-end plans with higher monthly rates, we forecast a decrease in the fiscal year ending March 31, 2019 due mainly to the increased negative revenue impact from stepped up customer return measures to reduce their costs. "docomo Hikari" ARPU, on the other hand, is projected to increase in the fiscal year ending March 31, 2019 because we expect the number of "docomo Hikari" optical-fiber broadband service subscriptions to grow further. Consequently, because the growth of "docomo Hikari" ARPU is estimated to be larger than the decline in Mobile ARPU, we expect to see an increase in ARPU in the fiscal year ending March 31, 2019.

Equipment Sales Revenues

We purchase handsets compatible with our mobile communications services from handset manufacturers, and then sell those handsets mainly to agent resellers for sale to our subscribers.

When a subscriber purchases a handset from agent resellers, the option to pay in installments is made available to the subscriber. If a subscriber chooses to pay in installments, under the agreement entered into among the subscriber, the agent resellers and us, we provide funds by paying for the purchased handset to the agent resellers and include the installment charge for the purchased handset in the monthly bill for network usage for the installment payment term. This agreement is separate from the mobile communications service contract entered into between the subscriber and us, or the equipment sales contract concluded between the agent reseller and subscriber. Because the revenues from equipment sales are recognized upon the delivery of handsets to agent resellers, cash collection of the installments receivable for the purchased handset from subscribers does not have an impact on any of our revenues, including equipment sales revenues.

We account for a portion of the sales commissions that we pay to agent resellers and incentives offered to subscribers as a reduction in equipment sales revenues. In the fiscal year ended March 31, 2018, due to a reduction in the amount of sales commissions and other costs to be deducted from equipment sales revenues and an increase in the total number of wholesale devices sold to agent resellers, our equipment sales revenues increased by 5.0% compared to the previous fiscal year.

In the fiscal year ending March 31, 2019, despite the projected decrease in the number of wholesale devices sold to agent resellers, we forecast an increase in equipment sales revenues due mainly to a reduction in the amount of sales commissions and other costs to be deducted from equipment sales revenues.

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

Other Operating Revenues

The primary items comprising other operating revenues include the revenues from our smart life business and other businesses such as "Mobile Device Protection Service," "dmarket" and credit services. We set a goal to expand our smart life business and other businesses through alliances with various companies. During the fiscal year ending March 31, 2019, we will continue working toward the goal of expanding revenues from our smart life business and other businesses.

"Mobile Device Protection Service" is a service that covers handset issues such as loss and water exposure and delivers a replacement handset of the same model and color as the original one directly to the customer with a simple telephone call. This service also covers handset repair costs and is available for a monthly fee prescribed for each handset model. The revenues generated from this service have been growing in line with the increase in its subscription count. We will continually strive to expand its user base in the fiscal year ending March 31, 2019.

In the fiscal year ended March 31, 2011, we launched our "dmarket" content marketplace. "dmarket" resides on a cloud infrastructure, and through this marketplace we offer a rich variety of digital contents including videos, music and electronic books as well as a wide array of physical merchandise such as groceries and other daily goods. The marketplace comprises a number of stores, such as "dTV" (a distribution platform for movies, TV series, etc.), "danime store" (a distribution platform for animations), "dhits" (a music distribution service), "dmagazine" (a magazine distribution service), "dgourmet" (service providing information concerning recipes and food), "dhealthcare" (health support service) and "dliving" (a package of various helpful serviced for everyday life). During the fiscal year ended March 31, 2018, we continued to add new sevices to our "dmarket" portal, including the launch in August 2017 of "d enjoy pass" (a package that offers special discounts on services in various categories), in September 2017 of "djob"(a service enabling users to retrieve a wide variety of job information), in November 2017 of "dcar share" (a service that allows uses to choose and hire a car most suited for the purpose, location and date of use) and in January 2018 of "dTV channel"(an online video service offering unlimited access to 31 specialty channels). Meanwhile, we also worked to offer more compelling contents through each "dmarket" store. We aim to further expand the revenues we receive through "dmarket" going forward.

The amount of transactions handled by our credit services such as "d CARD" has increased constantly over the years, and our revenues from credit services have grown accordingly. We believe that this trend is likely to continue in the fiscal year ending March 31, 2019.

Despite the increase in revenues generated as a result of the measures described above, other operating revenues for the fiscal year ended March 31, 2018 decreased by 0.4% compared to the prior fiscal year, due mainly to the change of accounting treatment at a subsidiary which began to recognize revenues and expenses in net amounts to align with the change of business model. We project other operating revenues for the fiscal year ending March 31, 2019 to increase over previous fiscal year as a result of the abovementioned initiatives.

Accordingly, we expect that the operating revenues will grow in the fiscal year ending March 31, 2019.

Operating Expenses

Cost of Services

Cost of services represents the expenses we incur directly in connection with providing our customers with communications services and/or other services offered by our subsidiaries. Cost of services includes the costs for usage of other operators' networks, maintenance of equipment or facilities, payroll for employees dedicated to the operations and maintenance of our communications networks and insurance costs related to "Mobile Device Protection Service." Cost of services accounted for 35.5% of our total operating expenses for the fiscal year ended March 31, 2018. Major components of cost of services include facility maintenance expenses, which are incurred to maintain our network facilities, and communication network charges, which we pay for the usage of other operators' networks or for access charges, accounting for 24.0% and 28.9% of the total cost of services, respectively, for the fiscal year ended March 31, 2018. The amount of our communication network charges is dependent on the rates set by other operators. Cost of services for the fiscal year ended March 31, 2018 increased by 0.9% from the prior fiscal year. This was primarily due to an increase in costs associated with the increase in revenues from "docomo Hikari" optical-fiber broadband service, etc. As we expect this trend to sustain in the fiscal year ending March 31, 2019, cost of services is expected to continue to rise in that fiscal year.

Cost of Equipment Sold

Cost of equipment sold arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, which is basically dependent on the number of handsets sold to agent resellers and the purchase price per handset. Cost of equipment sold represented 22.0% of our operating expenses for the fiscal year ended March 31, 2018. The cost of equipment sold for the fiscal year ended March 31, 2018 increased by 5.2% compared to the prior fiscal year, primarily due to a rise in the proportion, as compared to the total number of handsets sold, of smartphones and tablets that carry relatively high purchase price per unit, and an increase in the total number of handsets sold to agent resellers. For the fiscal year ending March 31, 2019, cost of equipment sold is also expected to decline from the fiscal year ended March 31, 2018 due to an increase in the proportion of smartphones and tablets carrying relatively lower purchase price per unit and a reduction in the total number of handsets sold to agent resellers.

Depreciation and Amortization Expenses

Depreciation and amortization expenses accounted for 12.8% of our operating expenses for the fiscal year ended March 31, 2018. Due to the capital investments made in the past to accommodate the growth of traffic and expand the area coverage of "PREMIUM 4G" service and other factors, depreciation and amortization expenses for the fiscal year ended March 31, 2018 recorded an increase of 7.3% over the prior fiscal year. For the fiscal year ending March 31, 2019, we project a decline in depreciation and amortization expenses as we will continue to pursue further efficiency improvements leveraging technical developments, etc. to reduce our capital expenditures. For details concerning our capital expenditures, please refer to "Capital Expenditures" in the following section.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represented 29.4% of our total operating expenses for the fiscal year ended March 31, 2018. The primary components included in our selling, general and administrative expenses are those related to acquisition of new subscribers and retention of current subscribers, the most significant of which is commissions paid to agent resellers. While some of these commissions are linked to sales activities such as new subscriptions and handset upgrades, others result from non-sales activities such as processing of billing plan changes and handset repairs. A portion of the sales activities-linked commissions paid to agent resellers is recognized as a deduction from equipment sales, while the rest of the commissions, both sales activities-linked and non-sales activities-linked is recognized as selling, general and administrative expenses. The expenses incurred in relation to “d POINT” program, handset repair and other after-sales support to customers are also included in selling, general and administrative expenses. Our total selling, general and administrative expenses for the fiscal year ended March 31, 2018 increased by 6.6% from the prior fiscal year due to a growth in expenses related to “d POINT” program and other factors. We expect our selling, general and administrative expenses for the fiscal year ending March 31, 2019 to decline because of the change in the accounting treatment of expenses related to “d POINT” program in which a large proportion of the expenses will be deducted from revenues instead of being incurred as selling, general and administrative expenses.

Consequently, because of the projected growth in cost of services, despite the decreases forecast for depreciation and amortization and selling, general and administrative expenses, we expect operating expenses for the fiscal year ending March 31, 2019 to increase compared to the fiscal year ended March 31, 2018.

As a result of the foregoing, we expect operating income for the fiscal year ending March 31, 2019 to record a year-on-year increase over the fiscal year ended March 31, 2018 despite the projected rise in operating expenses, because operating revenues are expected to grow at a faster pace.

Information concerning market trends other than the descriptions above are also provided in sections other than this section “3. Management’s Analysis on the Company’s Financial Condition, Results of Operations and Cash Flow Conditions”

5) Non-Consolidated Statement of Income for the Mobile Communications Services of the Company

The non-consolidated statement of income for the Company's mobile communications services for the 27th fiscal term ended March 31, 2018 is provided below in compliance with Article 5 of Telecommunications Business Accounting Rules, Articles 2 and 3 of its supplementary provisions and other accounting procedures specified by Ordinance No. 232 of the Ministry of Internal Affairs and Communication of 2004.

Because the income statement of mobile communications services is based on non-consolidated accounts of the Company, the numbers therein do not match with the segment results contained in "(1) Operating Results 3) Segment Information."

1. Non-consolidated Statement of Income for Mobile Communications Services

(From April 1, 2017 to March 31, 2018) (Unit: Millions of yen)

Type of service			Operating revenues	Operating expenses	Operating income
Mobile communications services	Voice transmission service	Mobile phone	975,405	655,790	319,615
		Other mobile communication	4,048	6,112	△2,063
		Subtotal	979,454	661,902	317,551
	Data transmission service	Mobile phone	2,080,893	1,451,663	629,230
		Other mobile communication	6,506	2,219	4,286
		Subtotal	2,087,400	1,453,882	633,517
	Subtotal		3,066,854	2,115,785	951,069
Telecommunications services other than mobile communications services			249,702	230,018	19,684
Total			3,316,556	2,345,803	970,753

Notes:

1. Basis of preparation of income statement for mobile communications services

The income statement for mobile communications services herein is prepared in accordance with the Telecommunications Business Accounting Rules of 1985 (Ordinance No. 26 of former Ministry of Posts and Telecommunications). The income statement for mobile communications services is created for submission to the Minister of Internal Affairs and Communications.

2. Allocation criteria of revenue and expenses relating to telecommunications services

The revenue and expenses relating to telecommunications services has been allocated in compliance with the criteria specified in Table 2 attached to Article 15 of Telecommunications Business Accounting Rules and other appropriate criteria in accordance with the procedures for submission to the Minister of Internal Affairs and Communications as set forth under the Telecommunications Business Accounting Rules and Article 3 of its supplementary provisions.

6) Conditions of Production, Orders Received and Sales

As we operate telecommunications business and other businesses that are difficult to be described under the categorization of production and orders received, we do not present the size of production or orders received for each segment in monetary amounts or quantity. Accordingly, the conditions of production, order received and sales are presented in association with the segment results under "(1) Operating Results 3) Segment Information."

7) Actions toward Realization of a Sustainable Society

We aspire to help realize a society where people can live with security, safety comfort and affluence across national and regional boarders and across generations.

We will aim to improve the services we offer to customers and achieve sustainable growth by fulfilling our corporate social responsibility (CSR) focusing on two fronts: (i) "Innovative DOCOMO" under which we aim to solve various social issues through our "social value co-creation", an initiative that we plan to pursue jointly with partners for creation of new services and businesses, and (ii) "Responsible DOCOMO" to thoroughly ensure fair, transparent and ethical business operations as a foundation for the creation of such values.

In July 2017, we unveiled our Mid-Term CSR Target toward 2020 which serves as the new guidelines for our CSR activities. Under the clear directions and targets set forth in the plan, we will strive to create a richer future looking ahead to the year 2020 and beyond.

We were selected as a component of the DJSI World Index of the Dow Jones Sustainability Indices (DJSI), which are the global indices for ESG[*1] investment, and three indices[*2] adopted for ESG investment by the Government Pension Investment Fund (GPIF). In addition, we were ranked first place overall in the Fiscal 2018 Toyo Keizai CSR Corporate Ranking, rated five stars in the NIKKEI Smart Work survey, which is the top-rated category, and received an award in the innovation department of the NIKKEI Smart Work Awards 2018.

*1: An investment method that is named after and focuses on the three elements of "Environment," "Social" and "Governance."
*2: "FTSE Blossom Japan Index," "MSCI Japan ESG Select Leaders Index" and "MSCI Japan Empowering Women Index."

<Innovative DOCOMO>

- Launch of "MieruRusuden" and Functional Enhancement of "Mierudenwa"

  We started offering the "MieruRusuden," a service that converts spoken messages left on the "Voice Mail Service" into text and displays them on a smartphone.

  We also enhanced the functions of "Mierudenwa," a service currently offered on a trial basis for customers with hearing difficulties that automatically converts and displays a caller's spoken words into text in real time and began offering an "input-to-speech" function that converts text input into spoken words. In addition, "Mierudenwa" was recognized among the "Good Design Best 100" at Good Design Award 2017.

<Responsible DOCOMO>

- Actions for Disaster Response and Preparedness

  During the Torrential Rains of July 2017 in northern Kyushu, we worked to quickly restore communication services through measures such as deploying mobile base station vehicles and sending portable base stations by helicopter. We also carried out efforts including lending satellite mobile phones to local governments and other entities and providing free battery-charging services to support those affected by the disaster, in addition to setting up a charity website and making donations.

  In May 2017, with the aim of speedily restoring services during disasters regardless of ground conditions, we conducted a verification experiment on a “drone relay station” in Naganohara Town, Agatsuma County, Gunma Prefecture, and successfully provided coverage using test frequencies.

- Participation in the Tokyo 2020 Medal Project

  We have participated in the “Tokyo 2020 Medal Project: Toward an Innovative Future for All,” a project to create medals for the Tokyo 2020 Olympic and Paralympic games from used mobile phones and other compact home appliances, sponsored by the Tokyo Organizing Committee of the Olympic and Paralympic Games, and started collecting used mobile phones and other devices at nationwide docomo Shops, etc.

- Continued Efforts in “Smartphone and Mobile Phone Safety Class” and “DOCOMO Hearty Lecture”

  Our “Smartphone and Mobile Phone Safety Classes” enlighten participants on the rules and manners of using smartphones and mobile phones, as well as how to respond to troubles that may arise with their use. In the fiscal year ended March 31, 2018, we held a total of approximately 7,900 sessions attended by approximately 1.356 million people, with a cumulative participation of over 10 million people since these courses were started. We also engaged in initiatives such as holding our “Smartphone and Mobile Phone Safety Class” jointly with the “Cyber Class” held by the Metropolitan Police Department in September 2017.

  We also organized 99 sessions of our “DOCOMO Hearty Lecture” for people with disabilities, introducing convenient features and usage tips for smartphones and other mobile devices. The lecture had a participation of a total of approximately 1,000 people.

- Mobile Communication Fund Activities

  The Mobile Communication Fund (MCF) is a non-profit organization established by the Company with the aim to support research activities. In the fiscal year ended March 31, 2018, the Fund continued its sponsorship of the “DOCOMO Mobile Science Award” given to outstanding research and dissertations relating to mobile communications technologies. The MCF presented an Award of Excellence (with ¥6.00 million in prize money) in each of the following divisions: Advanced Technology, Basic Science and Social Science. The Fund also provided scholarship totaling ¥56.76 million to 40 international students from Asia and provided subsidies totaling ¥34.64 million to 59 different civic activities undertaken for the health and development of children and for the support of children facing financial hardship.

(2) Liquidity and Cash Flow Conditions

① Cash Requirements

Our cash requirements for the fiscal year ending March 31, 2019 include cash needed to pay agent resellers to provide funds under the installment payment scheme, to expand our network, to invest in other facilities, to make repayments for interest bearing liabilities and other contractual obligations and to pay for strategic investments, acquisitions, joint ventures or other investments aimed at capturing business opportunities. We believe that cash generated from our operating activities, future borrowings from banks and other financial institutions or future offerings of debt or equity securities in the capital markets will provide sufficient financial resources to meet our currently anticipated capital and other expenditure requirements and to satisfy our debt service requirements. We believe we have enough financing ability supported by our high creditworthiness resulting from our stable financial performance and strong financial standing. Also, our management is of the opinion that the working capital is sufficient for our present requirements. When we determine the necessity for external financing, we take into consideration the amount of cash demand, timing of payments, available reserves of cash and cash equivalents, and expected cash flows from operations. If we determine that demand for cash exceeds the amount of available reserves of cash and cash equivalents and expected cash flows from operations, we plan on obtaining external financing through borrowing or the issuance of debt or equity securities. Additional debt, equity or other financing may be required if we underestimate our capital or other expenditure requirements, or overestimate our future cash flows. There can be no assurance that such external financing will be available on commercially acceptable terms or in a timely manner.

(a) Capital Expenditures

The telecommunications industry in general is highly capital intensive because significant capital expenditures are required for the construction of the telecommunications network. Our capital requirements for our networks are determined by the nature of facility or equipment, the timing of its installation, the nature and the area of coverage desired, the number of subscribers served in the area and the expected volume of traffic. They are also influenced by the number of base stations required in the service area, the number of radio channels in the base stations and the switching equipment required. Capital expenditures are also required for information technology and servers for internet-related services. In recent years, the volume of traffic generated by smartphone users has shown a constant increase due to enrichment of content, invention and provision of new services and other factors. Accordingly, we are required to respond to the growth in demand for higher transmission speeds and a surge of traffic.

In the fiscal year ended March 31, 2018, we made progress in building a robust network pursing "further comfort of access" to realize a high-quality communication environment. Aiming to build a network that allows customers to more comfortably use our services, we increased the number of base stations compatible with our "PREMIUM 4G " to 108,300 stations as of March 31, 2018 from 67,900 stations as of March 31, 2017. Also, in an effort to further improve the area coverage of our LTE service, we increased the total number of LTE-enabled base stations to 185,000 as of March 31, 2018 from 161,900 as of March 31, 2017.

Total capital expenditures for the fiscal years ended March 31, 2018 and 2017 were ¥576.4 billion and ¥597.1 billion, respectively. Our capital expenditures for the fiscal year ended March 31, 2018 recorded a decline of ¥20.7 billion, or 3.5%, compared to the prior fiscal year as a result of pursuing cost efficiency improvements for the telecommunications network toward the goal of further strengthening our management foundation, and efforts to reduce our equipment procurement costs and to enhance the efficiency of the construction of telecommunications facilities. In addition, in order to improve the efficiency of our network operations in the future, we aggressively integrated and expanded the capacity of our facilities through the introduction of high-performance equipment. For the fiscal year ended March 31, 2018, 94.7% of capital expenditures were used for the telecommunications business, 2.9% for the smart life business, and 2.4% for other businesses. By comparison, in the prior fiscal year 96.5% of capital expenditures were used for the telecommunications business, 2.4% for the smart life business, and 1.1% for other businesses.

Our total capital expenditures for the fiscal year ending March 31, 2019 are estimated to decrease to ¥570.0 billion, as a result of our ongoing efforts to improve capital investment efficiency aimed at cost reduction even as we proceed with investments intended to secure competitive advantage in network quality through accommodating growth in data traffic and expanding coverage of our "PREMIUM 4G" service as well as securing competitive strength through adoption of advanced technologies and other means. Of this figure, approximately, 94.4% will be appropriated for use in the telecommunications business, approximately 3.5% for the smart life business, and approximately 2.1% for other businesses.

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

(b) Long-term Debt and other Contractual Obligations

As of March 31, 2018, we had ¥160.0 billion in outstanding long-term debt including the current portion, compared to ¥220.3 billion as of March 31, 2017. We repaid ¥60.3 billion and ¥0.2 billion in long-term debt in the years ended March 31, 2018 and 2017, respectively. Of our long-term debt outstanding as of March 31, 2018, ¥160.0 billion was in bonds due from the fiscal year ending March 31, 2019 to 2024 with a weighted average coupon rate of 1.5% per annum. As of March 31, 2018, we and our long-term debt obligations were rated by rating agencies as shown in the table below. Such ratings were issued by the rating agencies upon our request. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretion. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

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

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

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

		Millions of yen			
		Payments Due by Period			
Category of Obligations	**Total**	**1 year or less**	**1-3 years**	**3-5 years**	**After 5 years**
Long-Term Debt					
Bonds	**¥ 160,000**	¥ 110,000	¥ —	¥ —	¥ 50,000
Loans	—	—	—	—	—
Interest Payments on Long-Term Debt	**3,057**	1,415	730	730	182
Capital Leases	**2,725**	934	1,189	572	30
Operating Leases	**71,410**	14,620	23,111	14,339	19,340
Other Contractual Obligations[1]	**219,083**	125,931	52,292	40,860	—
Total	**¥ 456,275**	¥ 252,900	¥77,322	¥ 56,501	¥ 69,552

(1) The amount of contractual obligations which is immaterial in amount or uncertain in time of payment is not included in "Other Contractual Obligations" in the above table. We expect to contribute an amount of ¥2,526 million to the NTT Corporate Defined Benefit Pension Plan in the fiscal year ending March 31, 2019. Please also refer to Note 17 to our consolidated financial statements.

"Other Contractual Obligations" principally consisted of commitments to purchase property, plant and equipment for our cellular network, commitments to purchase inventories, mainly handsets, and commitments to purchase services. As of March 31, 2018, we had committed ¥36.7 billion for property, plant and equipment, ¥25.5 billion for inventories and ¥156.9 billion for other purchase commitments (which included commitments for the use of leased lines of ¥102.0 billion). The amounts of "Other Contractual Obligations" are estimates calculated based on given assumptions and do not represent our entire anticipated purchases in the future. Apart from the above purchase commitments, we purchase products and services as needed and we expect to make significant capital expenditures and/or inventories purchase on an ongoing basis for our LTE networks expansion, smartphone sales increase and for other purposes. Also, we consider potential opportunities for entry to new areas of business, merger and acquisitions, establishment of joint ventures, strategic investments or other arrangements primarily in Telecommunications business as needed. Currently, we have no contingent liabilities related to litigation or guarantees that could have a materially adverse effect on our financial position.

② Cash Flow Conditions

The following table sets forth certain information about our cash flows during the years ended March 31, 2018 and 2017.

	Millions of yen	
	Years ended March 31	
	2017	**2018**
Net cash provided by operating activities	¥ 1,312,418	**¥ 1,511,540**
Net cash used in investing activities	(943,094)	**(718,372)**
Net cash used in financing activities	(433,097)	**(690,406)**
Net increase (decrease) in cash and cash equivalents	(64,827)	**103,139**
Cash and cash equivalents at beginning of year	354,437	**289,610**
Cash and cash equivalents at end of year	¥ 289,610	**¥ 392,749**

Analysis of cash flows for the fiscal year ended March 31, 2018 and comparison with the prior fiscal year

For the fiscal year ended March 31, 2018, net cash provided by operating activities was ¥1,511.5 billion, an increase of ¥199.1 billion, or 15.2%, from the prior fiscal year. This was due mainly to the receipt of the arbitration award from Tata Sons Limited.

Net cash used in investing activities for the fiscal year ended March 31, 2018 was ¥718.4 billion, a decrease of ¥224.7 billion, or 23.8%, from the prior fiscal year. This was due mainly to an increase in cash inflows of proceeds from redemption of short-term bailment for consumption to a related party, which more than offset an increase in cash outflows for short-term bailments for consumption to a related party .

Net cash used in financing activities for the fiscal year ended March 31, 2018 was ¥690.4 billion, an increase of ¥257.3 billion, or 59.4%, from the prior fiscal year. This was due mainly to an increase in cash outflows for payments to acquire treasury stock and payments of cash dividends.

As a result of the foregoing, the balance of cash and cash equivalents was ¥392.7 billion as of March 31, 2018, an increase of ¥103.1 billion, or 35.6%, from the prior fiscal year end. The balance of investments with original maturities of longer than three months, which were made to manage a part of our cash efficiently, was ¥370.6 billion as of March 31, 2018, compared to ¥301.1 billion as of March 31, 2017.

Prospect of cash flows for the fiscal year ending March 31, 2019

As for our sources of cash for the fiscal year ending March 31, 2019, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year due to a lack of receipt of arbitration award as in the fiscal year ended March 31, 2018, and a projected increase in cash outflows for payment of income tax and other public dues. Our net cash flow used in investing activities for the fiscal year ending March 31, 2019 is expected to be approximately ¥570.0 billion due to capital expenditures and other items. We do not include any items other than capital expenditures and other reasonably expected items in our forecast of net cash flows in investing activities, as it is difficult to estimate impacts of such items on cash flows in investing activities in advance.

(3) Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires our management to make estimates about expected future cash flows and other matters that affect the amounts reported in our financial statements in accordance with accounting policies established by our management. Note 3 to our consolidated financial statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting policies are particularly sensitive because of their significance to our reported results and because of the possibility that future events may differ significantly from the conditions and assumptions underlying the estimates used and judgments relating thereto made by our management in preparing our financial statements. Our management has discussed the selection and development of the accounting estimates and the following disclosure regarding the critical accounting policies with our independent registered public accounting firm as well as our audit & supervisory board members. The audit & supervisory board members attend meetings of the board of directors and certain executive meetings to express their opinion and are under a statutory duty to audit the administration of our affairs by our directors and to audit our financial statements. Our critical accounting policies are as follows.

(a) Depreciation of property, plant and equipment, internal use software and other intangible assets

The values of our property, plant and equipment, such as the base stations, antennas, switching centers and transmission lines used by our telecommunications business, our internal-use software and our other intangible assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives based on the determined depreciation method. We determine the estimated useful lives of property, plant and equipment, internal-use software and other intangible assets and determine the method of depreciation in order to determine the amount of depreciation and amortization expenses to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2018 and 2017 were ¥485.5 billion and ¥452.3 billion, respectively. We determine the useful lives of our assets at the time the assets are acquired and base our determinations on expected usage, experience with similar assets, established laws and regulations as well as taking into account anticipated technological or other changes. The estimated useful lives of our wireless telecommunications equipment are generally 9 to 16 years. The estimated useful life of our internal-use software is up to 7 years. If technological or other changes occur more rapidly or in a different form than anticipated, new laws or regulations are enacted, or the intended usage changes, the useful lives assigned to these assets may need to be shortened. We determine the depreciation method that most adequately reflects the pattern of consumption of the benefits generated from the assets in the future, taking into consideration changes caused by various factors such as technological innovations and other impacts from external and internal environments. If the pattern of consumption of benefits generated from the assets is different from that of the depreciation method initially determined, a need to change the depreciation method may arise, which may result in recognition of additional depreciation and amortization expenses or losses in future periods.

In the fiscal year ended March 31, 2018, the reviews performed on the useful lives of our property, plant and equipment, internal-use software and other intangible assets did not cause any significant impact on our operating results or financial position.

(b) Impairment of long-lived assets

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

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

When we determine that the carrying amount of specific assets may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. If the carrying value of the assets exceeds the sum of the expected undiscounted future net cash flows, we record an impairment loss based on the fair values of the assets. Such fair values may be based on established markets, independent appraisals and valuations or discounted cash flows. If actual market and operating conditions under which assets are used are less favorable or subscriber numbers are less than those projected by management, either of which results in loss of cash flows, additional impairment charges for assets not previously written-off may be required. For the fiscal years ended March 31, 2018 and 2017, the impact from impairment of long-lived assets on our financial results was insignificant.

(c) Impairment of goodwill and unamortizable intangible assets

The majority of our goodwill was recognized when we purchased all the remaining non-controlling interests in our eight regional subsidiaries through share exchanges and made those subsidiaries wholly owned in November 2002. In addition, we have acquired majority equity stakes in a number of companies for the purpose of expanding into smart life business and other businesses, and the recognition of these majority investments also resulted in an increase of goodwill. Consequently, the carrying amount of goodwill as of March 31, 2018 was ¥224.3 billion. The carrying amount of unamortizable intangible assets as of March 31, 2018 was ¥30.9 billion.

We perform an impairment test of goodwill and unamortizable intangible assets recognized as a result of business combinations at the same time every year, usually as of March 31, when an event or circumstances occurs that would imply impairment. We apply a two-step test when assessing goodwill for impairment by reporting unit either at the operating segment level or one level below such segment. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). Fair value of the reporting unit is determined primarily through the discounted cash flow method. If the carrying value of the reporting unit exceeds its fair value, an indication of goodwill impairment exists for the reporting unit and we perform the second step of the impairment test (measurement). Under the second step, based on a comparison of the fair value and carrying value of the reporting unit's goodwill, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the fair value of that goodwill. For the impairment test of unamortizable intangible assets, we compare the fair value and carrying value of the unamortizable intangible assets, and recognize impairment loss for any excess of the carrying amount over the fair value of the applicable intangible asset. In determining the fair value, we estimate the future cash flows that are expected to be generated by the applicable reporting unit, based on the business plan and other factors of the reporting unit subject to impairment test of goodwill or indefinite-lived intangible assets. If different estimates or assumptions are used in determining the discounted present value of future cash flows, it could result in different fair value of goodwill, and may require additional impairment charges to be recognized in the future.

As of March 31, 2018 and 2017, the most significant amount of recorded goodwill resided in the telecommunications business in Japan reporting unit, which is included in our telecommunications business segment. This reporting unit has recorded goodwill of ¥127.3 billion and has passed the first step of the impairment test by a substantial margin. The fair value of the remaining goodwill which resides in other reporting units also exceeds the net carrying amount by a significant margin or was not considered significant as of March 31, 2018 and 2017. Fair values of the reporting unit have primarily been estimated using the discounted cash flow method which is based upon the future business plan. The future business plan is supported by the historical operating results and our most recent views of our long-term outlook. However, if operating income were to decline significantly in the future due to unforeseen events, it would adversely affect the estimated fair value of the reporting unit.

The amount of goodwill impairment charges for the fiscal years ended March 31, 2018 and 2017 were ¥8.9 billion and ¥10.0 billion, respectively, mainly resulted from reporting units related to our subsidiaries. The fair value of this reporting unit was measured using the discounted cash flow method in combination with a market approach.

(d) Impairment of investments

We have made investments in certain domestic and foreign entities. These investments are accounted for under the equity method, cost method, or at fair value as appropriate based on various conditions such as ownership percentages, exercisable influence over the investments and marketability of the investments. In the past, we experienced material impairments in the value of our investments in equity method affiliates that were included in “Equity in net income (losses) of affiliates” in our consolidated statements of income and comprehensive income for relevant years. It is possible that we could experience similar impairments with respect to our “Investments in affiliates” and “Marketable securities and other investments” again in the future. We may also experience material gains or losses on the sale of our investments. As of March 31, 2018, the total carrying value of “Investments in affiliates” was ¥384.9 billion, while the total carrying value for investments in “Marketable securities and other investments” was ¥199.5 billion. Our major investee companies are Sumitomo Mitsui Card Co., Ltd. and PLDT Inc. which is incorporated in the Philippines: our investments in these companies were classified as “Investments in affiliates” as of March 31, 2018.

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

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

In performing our evaluations, we utilize various information including discounted cash flow valuations, independent valuations and, if available, quoted market values. Determination of recoverable amounts sometimes requires estimates involving results of operations and financial position of the investee, changes in technology, capital expenditures, market growth and share, discount factors and terminal values. In the event we determine as a result of such evaluations that there are other than temporary declines in value of investment below its carrying value, we record an impairment charge. Such write-down to fair value establishes a new cost basis in the carrying amount of the investment. The impairment charge of "Investment in affiliates" is included in "Equity in net income (losses) of affiliates" while the impairment charge of "Marketable securities and other investments" is reflected in "Other income (expense)" in our consolidated statements of income. For the years ended March 31, 2018 and 2017, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates.

The amount of impairment charges on "Investments in affiliates" for the fiscal years ended March 31, 2018 and 2017 was ¥2.6 billion and ¥23.9 billion, respectively, including Hutchison Telephone Company Limited, which is incorporated in Hong Kong. In estimating the investment value of those equity method investees, we used the weighted average cost of capital of 7.3% and 7.9% for the fiscal years ended March 31, 2018 and 2017, respectively, as a significant unobservable input.

We recorded impairment charges on certain investments which were classified as "Marketable securities and other investments" due to other-than-temporary decline in value. The amount of impairment charges on "Marketable securities and other investments" was inconsequential for the years ended March 31, 2018 and 2017, respectively.

While we believe that the estimated fair values of each of our investments in affiliates as of March 31, 2018 subsequent to the recording of the impairment charges are equal to or exceed the related carrying values on an individual basis, circumstances in which the value of an investment is below its carrying amount or changes in the estimated realizable value can require additional impairment charges to be recognized in the future.

(e) Accrued liabilities for point programs

We offer "docomo Points Service," which provides points to customers based on the usage of cellular and other services. These points may be exchanged for benefits such as payments on our products. On December 1, 2015, we began offering "d POINT Service," which provides individual customers with points that may be earned through, among others, mobile phone usage, making payments with "d CARD" or "DCMX" credit cards, or purchasing goods or services at our partner stores. These points may be exchanged for payments on our products and mobile phone charges, and payments at our partner stores. Individual customers may continue using "d POINTs" subsequent to the cancellation of our mobile telecommunications service contract. All "docomo Points" granted to individual customers from April 1, 2015 through November 30, 2015 were automatically transferred to "d POINTs," and we no longer grant "docomo Points" to any individual customer after December 1, 2015. "docomo Points" granted to individual customers prior to March 31, 2015 were converted to "d POINTs" on May 10, 2017 and remain valid through May 31, 2018. We record "Accrued liabilities for point programs" relating to the points that customers earn. We separately estimate the accrued liabilities for "d POINTs" and those for "docomo Points." The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2018 and 2017 was ¥121.6 billion and ¥105.4 billion, respectively. Point program expense for the years ended March 31, 2018 and 2017 was ¥119.4 billion and ¥94.3 billion, respectively.

In measuring our accrued liabilities for "d POINTs" that will be valid for four years from the date the points are granted and "docomo Points" granted to individual customers, which were converted to "d POINTs" on May 10, 2017, we do not estimate the point utilization rate since we do not have sufficient historical experience to estimate the point utilization rate. Reversal of expenses or allowances may be required in the event where estimate of point utilization rate become available as sufficient historical experience become evident.

In measuring our accrued liabilities for "d POINTs" other than the above and "docomo Points" granted to corporate customers, we estimate factors such as the point utilization rate based on our historical experiences. Higher-than-estimated utilization rate could result in the need for recognizing additional expenses or accrued liabilities in the future. In determining the accrued liabilities for point programs as of March 31, 2018, the impact of one percent rise in the point utilization rate on accrued liabilities was insignificant when all the other factors were held constant.

(f) Pension liabilities

We sponsor a non-contributory defined benefit pension plan which covers almost all our employees. Previously, we had adopted defined benefit pension plans as our non-contributory defined benefit pension plan, however, effective on and after April 1, 2014, we introduced defined contribution pension plans. NTT DOCOMO, INC.'s defined benefit pension plan continues to remain for the pension benefits earned up to March 31, 2014.

We also participate in the NTT Corporate Defined Benefit Pension Plan ("NTT CDBP"), a contributory defined benefit welfare pension plan sponsored by NTT group.

Calculation of the amount of pension cost and liabilities for retirement allowances requires us to make various judgments and assumptions including the discount rate, expected long-term rate of return on plan assets, long-term rate of salary increases and expected remaining service lives of our plan participants. We believe that the most significant of these assumptions in the calculations are the discount rate and the expected long-term rate of return on plan assets. We determine an appropriate discount rate based on current market interest rates on high-quality, fixed income debt securities that are currently available and expected to be available during the period to maturity of the pension benefits. In determining the expected long-term rate of return on plan assets, we consider the current and projected asset allocations, as well as expected long-term investment returns and risks for each category of the plan assets based on analysis of historical performances. The rates are reviewed annually and we review our assumptions in a timely manner when an event occurs that would have significant influence on the rates or the investment environment changes dramatically.

The discount rates applied in determination of the projected benefit obligations as of March 31, 2018 and 2017, and expected long-term rates of return on plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Years ended March 31	
	2017	2018
Non-contributory defined benefit pension plan		
Discount rate	0.7%	**0.6%**
Expected long-term rate of return on plan assets	2.0%	**1.0%**
Actual return on plan assets	Approximately 3%	**Approximately 4%**
NTT CDBP		
Discount rate	0.7%	**0.6%**
Expected long-term rate of return on plan assets	2.5%	**1.9%**
Actual return on plan assets	Approximately 3%	**Approximately 4%**

The amount of projected benefit obligations of our non-contributory defined benefit pension plan as of March 31, 2018 and 2017 was ¥225.4 billion and ¥220.6 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2018 and 2017, based on actuarial computations which covered only our employees' participation, was ¥157.6 billion and ¥150.6 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the greater of the projected benefit obligation and the fair value of plan assets are amortized from "Accumulated other comprehensive income (loss)" over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our non-contributory defined benefit pension plan and the NTT CDBP as of March 31, 2018 to the change in the discount rate or the expected long-term rate of return on plan assets, while holding other assumptions constant.

	Billions of yen		
Change in Assumptions	**Change in projected benefit obligation**	**Change in pension cost, before applicable taxes**	**Accumulated other comprehensive income (loss), net of applicable taxes**
Non-contributory defined benefit pension plan			
0.5% increase/decrease in discount rate	(8.9)/9.3	0.7/(0.7)	6.6/(6.8)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.5)/0.5	—
NTT CDBP			
0.5% increase/decrease in discount rate	(17.0)/19.1	0.1/(0.0)	11.7/(13.1)
0.5% increase/decrease in expected long-term rate of return on plan assets	—	(0.5)/0.4	—

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

(g) Revenue recognition

We defer upfront activation fees and recognize them as revenues over the expected term of a subscription. Related direct cost to the extent of the activation fees amount are also being deferred and amortized over the same period. The reported amounts of revenue and cost of services are affected by the level of activation fees, related direct cost and the estimated length of the subscription period over which such fees and cost are amortized. Factors that affect our estimate of the subscription period over which such fees and cost are amortized include subscriber churn rate and newly introduced or anticipated competitive products, services and technology. The current amortization periods are based on an analysis of historical trends and our experiences. For the years ended March 31, 2018 and 2017, we recognized as revenues deferred activation fees of ¥38.3 billion and ¥34.2 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2018 and 2017, remaining unrecognized deferred activation fees were ¥145.2 billion and ¥126.5 billion, respectively.

4. Material Contracts for Management of the Company

- Agreements regarding basic research and development and group management conducted by NTT

  The Company and NTT have concluded agreements on the content of services and benefits provided by NTT to the Company, and compensation for such services and benefits, with respect to basic research and development and group management conducted by NTT.

- Agreements for billing and collection operations of charges including for telecommunications service with NTT FINANCE CORPORATION

  We have entered into a basic agreement for billing and collection operations of charges including for telecommunications service, as well as a receivables assignment agreement pursuant to that agreement, with NTT FINANCE CORPORATION ("NTT Finance"). Under these agreements we have assigned the receivables associated with our communications services to NTT Finance.

5. Research and Development Activities

In order to provide the 5G network and develop businesses such as AI, IoT and drones, etc., we have been working on R&D for communication networks, devices and services. We also have been proactively working on open innovation with external companies to create new value through initiatives including the "docomo R&D Open House" held in November 2017 to exhibit our efforts related to technologies such as 5G, AI and IoT.

<<Technology Put to Practical Use During the Fiscal Year Ended March 31, 2018>>

○ Low Power Consumption Technology for IoT (eDRX/eTAU)

In order to reduce IoT devices' power consumption, we developed a function that makes it possible to extend the communication cycle and lengthen the sleep state while the device is on standby, and to optimize the transmission timing of position registration signals and reduce the processing count.

○ Product Shelf Image Recognition

Using our AI technology, we developed a product shelf image recognition engine* that can analyze the state of product displays on shelves in retail stores such as supermarkets and convenience stores in real time using photos taken by smartphones, etc.

* A constituent technology of "corevo," NTT Group's AI technologies

<<Technology Developments to be Implemented>>

○ Initiatives for 5G network

- Initiatives toward 5G network commercialization

  Using the results of R&D related to 5G network, including demonstration tests on various 5G wireless technologies, we contributed to the formulation of the first 5G NR (New Radio) specifications by the 3GPP, the organization that formulates standards for mobile communications systems.

- New sensory experience events

  In September and November 2017 and March 2018, we provided "new sensory music live events," which used a range of image technologies such as head-mounted displays, 3D hologram displays and holographic image projection technology to offer a new type of entertainment experience, giving viewers the sense of a live performance taking place before their eyes even while they are at a separate place from the actual venue.

- Initiatives toward creating usage scenes with our partners

  In May 2017, we launched, in wide-ranged collaboration with our partners, the "5G trial site," where we create various services and businesses leveraging 5G technology and allow customers to experience such services. As one of the results, we conducted verification experiments*1 aimed at remote control of construction and mining machinery using 5G network. Furthermore, we carried out verification tests*2 aimed at remote diagnosis as part of the "Comprehensive Verification Tests Aimed at Creating New Markets through the Realization of 5G" led by the Ministry of Internal Affairs and Communications. In order to further broaden these initiatives, in February 2018 we started the "docomo 5G Open Partner Program," which provides information about 5G technology and specifications and a 5G technology testing environment at no charge.

  *1 Conducted jointly with Komatsu, Ltd.
  *2 Conducted jointly with Wakayama Prefecture and Wakayama Medical University

- A new sensory experience in projection mapping

  At YOYOGI CANDLE 2020, an event held in October and November 2017 to mark the 1,000-days point before the Tokyo 2020 Olympic/Paralympic games, a performance given by athletes on the venue stage was projected onto the outside wall of NTT DOCOMO Yoyogi Building in real time, using 5G network to provide real-time transmission of spatial information.

○ Initiatives Related to AI

- Promotion of "docomo AI Agent Open Partner Initiative"

  Our newly developed "AI Agent API," an artificial intelligence (AI) application programming interface (API), will be at the core of a new AI agent service that will bring innovation to customer lifestyles. We are promoting the "docomo AI Agent Open Partner Initiative" to facilitate joint development of new ways of providing services through a service-agnostic and device-agnostic speech interface.

- AI-based congestion prediction

  In December 2017, we began demonstration tests of traffic congestion forecasting on the Tokyo Bay Aqua-Line Highway through "AI-based congestion prediction*1" using population statistics based on mobile phone network systems (real-time version of mobile spatial statistics)*2 and past traffic records held by East Nippon Expressway Company Limited.

  *1 A constituent technology of "corevo," NTT Group's AI technologies
  *2 Population statistics using information that indicates the sizes of groups of people by area or by attribute, without including any information that could identify specific customers

○ Initiatives Related to IoT and Devices

- Launch of drone platform

  In February 2018, we developed the drone platform "docomo sky," a total-support platform for drone operations, for companies that provide services using drones, and began offering it on a trial basis in March 2018.

- Mirainoie Project

  In June 2017, we began the "Mirainoie Project*1," which studies and promotes future houses that use AI and IoT to remind residents of their living conditions, etc. through visualization of their lifestyle, and to create and promote a comfortable interior environment. As one of the project initiatives, in December 2017 we launched verification trials*2 of lifestyle monitoring using an IoT smart home in Yokohama City.

  *1 Implemented jointly with Yokohama City and and factory, inc.
  *2 Implemented jointly with Yokohama City, and factory, inc., Sotetsu Group and FUJITSU CONNECTED TECHNOLOGIES LIMITED.

As a result of the above, total research and development costs for the fiscal year ended March 31, 2018 increased by 10.5% from the previous fiscal year to ¥91.8 billion.

DOCOMO's research and development activities include activities conducted across multiple segments, and are not shown in relation to each segment.

Item 3. Status of Equipment

1. Overview of Capital Expenditures, etc.

The principal capital expenditures implemented during the fiscal year ended March 31, 2018 are summarized below. Capital expenditures include investments related to the acquisition of intangible assets.

○ 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 69,700 stations as of March 31, 2017 to 108,300 stations as of March 31, 2018. In addition, in pursuit of further coverage improvement of our LTE service, we increased the total number of LTE base stations from 161,900 as of March 31, 2017 to 185,000 as of March 31, 2018.

○ 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 aggressively 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.

As a result of the above measures, the total capital expenditures for the fiscal year ended March 31, 2018 decreased by 3.5% from the previous fiscal year to ¥576.4 billion.

Capital expenditures by segment are as follows:

(Billions of yen)

Segment name	Details of capital expenditures	**Year ended March 31, 2018**
Telecommunications business	● Expansion and improvement of LTE facilities and transmission line facilities, etc. ● Maintenance and improvement of information systems	**546.0**
Smart life business	● Expansion and improvement of "dmarket," finance/payment and life-related services, etc.	**16.6**
Other businesses	● Expansion and improvement of services for corporate customers, etc.	**13.8**
Total	–	**576.4**

Notes: 1. Capital expenditures include investments related to the acquisition of intangible assets.
2. The above amounts do not include consumption taxes, etc.

2. Major Facilities

NTT DOCOMO, INC. (As of March 31, 2018)

(Millions of yen, unless otherwise stated)

Office (Location)	Segment Name	Land		Building	Machinery and Equipment	Antenna Facilities	Tele-communica-tions Line Facilities
		Area (m^2)	Value				
Headquarters (Chiyoda-ku, Tokyo)	Telecommunications business Smart life business Other businesses	(1,751,673) 662,164 [4,645]	100,616	133,814	472,959	129,421	5,321
Hokkaido Regional Office (Chuo-ku, Sapporo, Hokkaido Prefecture)	Same as the above	(1,701,383) 444,460 [3,417]	4,685	12,308	49,348	32,762	2,582
Tohoku Regional Office (Aoba-ku, Sendai, Miyagi Prefecture)	Same as the above	(1,642,606) 529,989 [1,669]	14,681	20,835	72,690	66,649	3,654
Tokai Regional Office (Higashi-ku, Nagoya, Aichi Prefecture)	Same as the above	(983,908) 111,889 [2,434]	6,819	17,900	122,223	65,579	1,895
Hokuriku Regional Office (Kanazawa, Ishikawa Prefecture)	Same as the above	(95,155) 86,654 [3,537]	5,675	6,599	22,476	13,429	1,051
Kansai Regional Office (Kita-ku, Osaka, Osaka Prefecture)	Same as the above	(1,108,727) 409,246 [4,306]	16,529	36,512	167,044	69,404	1,684
Chugoku Regional Office (Naka-ku, Hiroshima, Hiroshima Prefecture)	Same as the above	(827,176) 600,946 [902]	12,000	15,410	57,495	45,207	2,129
Shikoku Regional Office (Takamatsu, Kagawa Prefecture)	Same as the above	(418,998) 288,928 [657]	9,333	12,292	33,687	19,739	1,465
Kyushu Regional Office (Chuo-ku, Fukuoka, Fukuoka Prefecture)	Same as the above	(1,086,393) 655,224 [786]	26,145	26,141	113,719	95,569	8,756
Total		(9,616,023) 3,789,504 [22,356]	196,488	281,815	1,111,645	537,762	28,540

(Millions of yen, unless otherwise stated)

Office (Location)	Pipe and Hand Holes	Structures	Other Machinery and Equipment	Vehicles	Tools, Furniture and Fixtures	Lease Assets	Intangible Assets	Total Invested Capital	Number of Employees (Persons)
Headquarters (Chiyoda-ku, Tokyo)	3,612	16,114	2,085	341	57,671	204	481,358	1,403,522	5,754
Hokkaido Regional Office (Chuo-ku, Sapporo, Hokkaido Prefecture)	1,428	1,481	9	0	133	105	1,686	106,533	183
Tohoku Regional Office (Aoba-ku, Sendai, Miyagi Prefecture)	1,164	16,968	5	0	200	16	9,451	206,319	195
Tokai Regional Office (Higashi-ku, Nagoya, Aichi Prefecture)	1,042	5,956	81	95	253	6	5,748	227,602	285
Hokuriku Regional Office (Kanazawa, Ishikawa Prefecture)	203	720	52	33	72	6	1,830	52,151	122
Kansai Regional Office (Kita-ku, Osaka, Osaka Prefecture)	1,478	10,777	57	17	483	39	14,708	318,737	579
Chugoku Regional Office (Naka-ku, Hiroshima, Hiroshima Prefecture)	574	2,042	29	189	338	22	16,308	151,749	188
Shikoku Regional Office (Takamatsu, Kagawa Prefecture)	673	2,341	0	0	353	14	9,535	89,438	147
Kyushu Regional Office (Chuo-ku, Fukuoka, Fukuoka Prefecture)	3,761	10,784	23	19	355	19	19,276	304,573	314
Total	13,940	67,188	2,344	698	59,863	435	559,905	2,860,628	7,767

Notes:
1. The figure in parentheses shows the area of land leased from entities other than consolidated companies, which is not included in the area of land of the Company.
2. The figure in square brackets shows the area of land leased to entities other than consolidated companies, which is included in the area of land of the Company.
3. The amount of total invested capital is the carrying amount of property, plant and equipment and intangible assets, and does not include construction in progress and production costs pertaining to unfinished software.

3. Planned Additions, Retirements, etc. of Facilities

Under the facility plans for the fiscal year ending March 31, 2019, we will implement facility expansion to cater to increasing data traffic, toward the realization of a network that can offer “greater comfort of access” to our customers. In line with these facility plans and to promote efficiency, we plan to invest ¥570.0 billion in capital expenditures.

The details of planned major capital expenditures are as follows:

(Billions of yen)

Segment name	Details of capital expenditures	Year ending March 31, 2019 (Planned amount)
Telecommunications business	● Expansion and improvement of LTE facilities and transmission line facilities, etc. ● Maintenance and improvement of information systems	538.0
Smart life business	● Expansion and improvement of “dmarket,” finance/payment and life-related services, etc.	20.0
Other businesses	● Expansion and improvement of services for corporate customers, etc.	12.0
Total	–	570.0

Notes: 1. Necessary funds will be covered by the Company’s own funds.
2. Except for disposal for ordinary facility renewal, there are no plans for disposal of major facilities.
3. Capital expenditures include investments related to the acquisition of intangible assets.
4. The above amounts do not include consumption taxes, etc.
5. With regard to forward-looking statements in this section, please see also “II. Overview of Business, 2. Risks Relating to Our Business.”
6. The above amounts were based on International Financial Reporting Standards (IFRS).

Item 4. Status of NTT DOCOMO, INC.

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

1) Total number of shares

As of March 31, 2018

Class	Total number of shares authorized to be issued (Shares)
Common stock	17,460,000,000
Total	17,460,000,000

2) Issued shares

Class	Number of issued shares as of March 31, 2018 (Shares)	Number of issued shares as of the date of submission (June 20, 2018) (Shares)	Name of stock exchange on which the company is listed or name of authorized financial instruments firms association with which the Company is registered	Description
Common stock	3,782,299,000	3,782,299,000	First Section of Tokyo Stock Exchange	The number of shares constituting one unit: 100 shares
Total	3,782,299,000	3,782,299,000	–	–

Note: The Company filed an application for delisting from the New York Stock Exchange (“NYSE”) on April 2, 2018, and effective April 13, 2018, it delisted from the NYSE.

(2) Status of Subscription Rights to Shares, etc.

1) Details of stock option plans

Not applicable

2) Details of rights plan

Not applicable

3) Status of other subscription rights to shares, etc.

Not applicable

(3) Exercise Status of Moving Strike Bonds with Subscription Rights to Shares, etc.

Not applicable

(4) Changes in Total Number of Issued Shares and Common Stock, etc.

Date	Total Number of Issued Shares (Shares)		Common Stock (Millions of yen)		Capital Legal Reserve (Millions of yen)	
	Increase (Decrease)	Balance	Increase (Decrease)	Balance	Increase (Decrease)	Balance
October 1, 2013 (Note 1)	4,321,350,000	4,365,000,000	–	949,679	–	292,385
March 31, 2015 (Note 2)	(279,228,000)	4,085,772,000	–	949,679	–	292,385
March 31, 2016 (Note 2)	(127,229,000)	3,958,543,000	–	949,679	–	292,385
March 31, 2017 (Note 2)	(58,980,000)	3,899,563,000	–	949,679	–	292,385
March 30, 2018 (Note 2)	(117,264,000)	3,782,299,000	–	949,679	–	292,385

Notes: 1. The increase in the total number of issued shares is due to a stock split (100:1).
2. The decrease in the total number of issued shares is due to the cancellation of treasury stock.

(5) Shareholding by Shareholder Category

As of March 31, 2018

Category	Shares (One Unit = 100 Shares)								
	Government and Municipalities	Financial Institutions	Financial Instruments Business Operators	Other Corporations	Foreign corporations, etc.		Individuals and Others	Total	Less-than-one Unit Shares (Shares)
					Non-individuals	Individuals			
Number of shareholders	8	294	40	1,901	988	187	283,678	287,096	–
Number of shares held (units)	442	3,797,675	666,887	24,314,513	4,862,883	911	4,179,004	37,822,315	67,500
Percentage of ownership (%)	0.00	10.04	1.76	64.29	12.86	0.00	11.05	100	–

Notes: 1. "The number of shares held" in the "Other Corporations" column includes 388 units of shares held under the name of Japan Securities Depository Center, Incorporated.
2. "Individuals and Others" include 1,891,144 units (189,114,487 shares) of treasury stock.

(6) Principal Shareholders

As of March 31, 2018

Shareholders	Address	Number of Shares Held (Shares)	Percentage of Total Issued Shares (Excluding Treasury Stock) (%)
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	2,394,485,400	66.64
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	81,940,900	2.28
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	68,059,300	1.89
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	30,943,565	0.86
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	27,760,800	0.77
JP Morgan Securities Japan Co., Ltd.	7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	25,595,188	0.71
JP MORGAN CHASE BANK 380072 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (15-1, Konan 2-chome, Minato-ku, Tokyo)	25,477,127	0.71
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	C/O THE BANK OF NEW YORK MELLON 101 BARCLAYS STREET, 22ND FLOOR WEST, NEW YORK, NY10286 U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	23,672,667	0.66
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	23,211,300	0.65
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	22,516,800	0.63
Total	–	2,723,663,047	75.80

Notes:
1. The Company’s treasury stock (189,114,487 shares held) is not included in the above table.
2. The shares held by THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT), JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT), the said bank (TRUST ACCOUNT 5), the said bank (TRUST ACCOUNT 9) and the said bank (TRUST ACCOUNT 7) are the shares entrusted to these banks for trust business (such as securities investment trust). The breakdown of these shares is 76,188,100 shares under the management of investment trusts, 16,026,000 shares under the management of pension trusts, and 131,275,000 shares under the management of other trusts.
3. STATE STREET BANK WEST CLIENT – TREATY 505234 and JP MORGAN CHASE BANK 380072 take custody and administration of the shares held mainly by overseas institutional investors, and they are nominees of the said institutional investors.
4. THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS is a nominee of THE BANK OF NEW YORK MELLON, which is a depositary bank for ADRs (American Depositary Receipts).
5. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

(7) Voting Rights

1) Issued shares

As of March 31, 2018

Class	Number of Shares	Number of Voting Rights	Description
Non-voting shares	–	–	–
Share with restricted voting rights (treasury stock, etc.)	–	–	–
Share with restricted voting rights (others)	–	–	–
Shares with full voting rights (treasury stock, etc.)	(Shares held by the Company) Common stock: 189,114,400	–	–
Shares with full voting rights (others)	Common stock: 3,593,117,100	35,931,171	–
Less-than-one-unit shares	Common stock: 67,500	–	–
Total number of issued shares	Common stock: 3,782,299,000	–	–
Voting rights of all shareholders	–	35,931,171	–

Note: Shares with full voting rights (others) include 38,800 shares held under the name of Japan Securities Depository Center, Incorporated.
The figure in the "Number of Voting Rights" column includes 388 voting rights related to the shares with full voting rights held under the name of Japan Securities Depository Center, Incorporated.

2) Treasury stock, etc.

As of March 31, 2018

Shareholder		Number of Shares Held (Shares)			Percentage of Total Issued Shares (%)
Name	Address	Under Its Own Name	Under Others' Name	Total	
NTT DOCOMO, INC.	11-1, Nagata-cho 2-chome Chiyoda-ku, Tokyo	189,114,400	–	189,114,400	5.00
Total	–	189,114,400	–	189,114,400	5.00

2. Status of Acquisition, etc. of Treasury Stock

[Class of shares, etc.] Acquisition of common stock which falls under Article 155, Items 3 and 7 of the Companies Act

(1) Status of Acquisition by Resolution of the General Meeting of Shareholders

Not applicable

(2) Status of Acquisition by Resolution of the Board of Directors Meeting

Category	Number of Shares (Shares)	Total Value (Yen)
Resolution of the Board of Directors meeting (October 26, 2017) (Acquisition period: from October 27, 2017 through March 31, 2018)	120,000,000	300,000,000,000
Treasury stock acquired before the fiscal year ended March 31, 2018	–	–
Treasury stock acquired during the fiscal year ended March 31, 2018	111,400,937	299,999,956,647
Total number and total value of remaining shares to be acquired by the resolution	8,599,063	43,353
Unexercised rate as of the end of the fiscal year ended March 31, 2018 (%)	7.2	0.0
Treasury stock acquired during the current period	–	–
Unexercised rate as of the filing date (%)	7.2	0.0

Notes: 1. At the Board of Directors meeting held on December 11, 2017, it was resolved that the Company may acquire its common stock through a tender offer.
Details of the tender offer is as follows:
Period of the tender offer, etc.: From December 12, 2017 through January 15, 2018
Price: ¥2,681 per share of common stock
Planned number of shares to repurchase: 93,248,787 shares
Date of commencement of the settlement: February 6, 2018
2. At the Board of Directors meeting held on December 11, 2017, it was resolved that the Company may acquire its common stock through repurchases on the market.
3. The number of shares of treasury stock acquired during the current period does not include the number of shares acquired from June 1, 2018 through the filing date of this Annual Securities Report.

(3) Acquisitions Not Based on Resolution of the General Meeting of Shareholders or the Board of Directors Meeting

Category	Number of Shares (Shares)	Total Value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2018	83	236,732
Treasury stock acquired during the current period	–	–

Note: The number of shares of treasury stock acquired during the current period does not include the number of shares due to the purchase of less-than-one-unit shares from June 1, 2018 through the filing date of this Annual Securities Report.

(4) Disposals or Holding of Acquired Treasury Stock

Category	Year ended March 31, 2018		Current Period	
	Number of Shares (Shares)	Total Amount of Disposal (Yen)	Number of Shares (Shares)	Total Amount of Disposal (Yen)
Acquired treasury stock for which persons to subscribe are solicited	–	–	–	–
Acquired treasury stock cancelled	117,264,000	278,039,979,840	–	–
Acquired treasury stock transferred in association with merger, equity swap or company split	–	–	–	–
Others (-)	–	–	–	–
Treasury stock held	189,114,487	–	189,114,487	–

Note: The number of shares of treasury stock held during the current period does not include the number of shares due to the acquisition of shares, purchase of less-than-one-unit shares or demand for sale from June 1, 2018 through the filing date of this Annual Securities Report.

3. Dividend Policy

The Company believes that providing adequate returns to shareholders is one of the most important issues in corporate management, while raising corporate value through the growth and expansion of our businesses. The Company's dividend policy is to provide stable and continuous dividend payments, while taking into consideration its consolidated business results, financial condition, and payout ratio. Based on the provisions of Article 454, Paragraph 5 of the Companies Act, the Company stipulates in the Articles of Incorporation that it can pay an interim dividend, with September 30 each year as the record date, through a resolution of the Board of Directors. Accordingly, the Company pays dividends from surplus twice each year (i.e., interim dividends and year-end dividends). The payment of interim dividends and year-end dividends from surplus are to be resolved at the Board of Directors and the general meeting of shareholders, respectively.

For the fiscal year ended March 31, 2018, the Company paid a dividend of ¥100 per share (comprising an interim dividend of ¥50 and a year-end dividend of ¥50).

The Company will allocate its internal reserves to research and development efforts, capital expenditures, strategic investments and other areas for the purpose of generating innovative technologies, offering attractive services, and expanding its business domains.

Dividends from surplus whose record date falls within the fiscal year ended March 31, 2018 are as follows:

Resolution	Total Cash Dividends Paid (Millions of yen)	Cash Dividends Per Share (Yen)
The Board of Directors meeting on October 26, 2017	185,229	50
The general meeting of shareholders on June 19, 2018	179,659	50

4. Changes in Share Prices

(1) Highest and Lowest Share Prices for the Past Five Fiscal Years

Fiscal Year	23rd	24th	25th	26th	27th
Year Ended	March 2014	March 2015	March 2016	March 2017	March 2018
Highest (yen)	167,000 *1,756	2,252.5	2,888	2,946	2,907.5
Lowest (yen)	135,800 *1,506	1,515	1,961	2,361	2,501.5

Notes: 1. Highest and lowest share prices are quoted from the First Section of the Tokyo Stock Exchange.

2. A 100:1 stock split was carried out on October 1, 2013, based on a resolution at a meeting of the Board of Directors held on April 26, 2013.

* indicates highest and lowest share prices after the rights-off due to the stock split.

(2) Highest and Lowest Share Prices for the Past Six Months

Month	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
Highest (yen)	2,783	2,907.5	2,907	2,763.5	2,778.0	2,785.0
Lowest (yen)	2,554	2,739.5	2,658.5	2,650	2,597.5	2,647.5

Note: Highest and lowest share prices are quoted from the First Section of the Tokyo Stock Exchange.

5. Information about Officers

17 men and 2 women (Ratio of female officers: 10.5%)

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
President and Chief Executive Officer Representative Member of the Board of Directors		Kazuhiro Yoshizawa	June 21, 1955	Apr. 1979	Entered NTT Public Corporation	*1	29,300
				Jun. 2007	Senior Vice President, General Manager of Corporate Sales and Marketing Department II of the Company		
				Jun. 2011	Senior Vice President, General Manager of Human Resources Management Department, Member of the Board of Directors of the Company		
				Jun. 2012	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Mobile Society Research Institute, Member of the Board of Directors of the Company		
				Jul. 2013	Executive Vice President, General Manager of Corporate Strategy and Planning Department, General Manager of Structural Reform Office, Responsible for Mobile Society Research Institute, Member of the Board of Directors of the Company		
				Jun. 2014	Senior Executive Vice President, Responsible for Technology, Devices and Information Strategy, Representative Member of the Board of Directors of the Company		
				Jun. 2016	President and Chief Executive Officer, Representative Member of the Board of Directors of the Company (To the present)		
Senior Executive Vice President Representative Member of the Board of Directors	Responsible for Technology, Devices and Information Strategy	Hiroyasu Asami	September 8, 1956	Apr. 1980	Entered NTT Public Corporation	*1	15,600
				Jun. 2009	Senior Vice President, General Manager of Consumer Services Department of the Company		
				Apr. 2011	Senior Vice President, General Manager of Smart Communication Services Department of the Company		
				Jun. 2012	Senior Vice President, General Manager of Smart Communication Services Department, Engages in Multimedia of the Company		
				Mar. 2013	Executive Vice President, Responsible for Multimedia Services of the Company		
				Jul. 2013	Executive Vice President, Executive General Manager of Smart-life Business Division of the Company		
				Jun. 2014	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Member of the Board of Directors of the Company		
				Jun. 2015	Executive Vice President, General Manager of Corporate Strategy and Planning Department, Responsible for Broadband Business, Member of the Board of Directors of the Company		
				Jun. 2016	Senior Executive Vice President, Responsible for Technology, Devices, Network, Information Strategy and Preparation for 2020, Representative Member of the Board of Directors of the Company		
				Jun. 2017	Senior Executive Vice President, Responsible for Technology, Devices, Information Strategy and Preparation for 2020, Representative Member of the Board of Directors of the Company		
				Jun. 2018	Senior Executive Vice President, Responsible for Technology, Devices and Information Strategy, Representative Member of the Board of Directors of the Company (To the present)		

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Senior Executive Vice President Representative Member of the Board of Directors	Executive General Manager of Sales and Marketing Division Responsible for Global business, Corporate and Broadband Business	Hiroshi Tsujigami	September 8, 1958	Apr. 1983 Jul. 2007 Jun. 2008 Jun. 2012 Jun. 2012 Jun. 2016 Jun. 2017 Jun. 2018	Entered NTT Public Corporation General Manager of Business Management Corporate Strategy Planning Department of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) Outside Member of the Board of Directors of the Company Senior Vice President of Corporate Strategy Planning, Member of the Board of Directors of NTT Member of the Board of Directors of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (“NTT EAST”) Executive Vice President, Executive General Manager of Sales and Marketing Division, Member of the Board of Directors of the Company Executive Vice President, Executive General Manager of Sales and Marketing Division, Responsible for Broadband Business, Member of the Board of Directors of the Company Senior Executive Vice President, Executive General Manager of Sales and Marketing Division, Responsible for Global business, Corporate and Broadband Business, Representative Member of the Board of Directors of the Company (To the present)	*1	4,900
Executive Vice President Member of the Board of Directors	Executive General Manager of Corporate Sales and Marketing Division and General Manager of TOHOKU Reconstruction Support Office	Kouji Furukawa	July 31, 1960	Apr. 1984 Jul. 2005 Jun. 2008 Jun. 2012 Jun. 2013 Jun. 2016	Entered NTT Public Corporation Senior Manager of Human Resources Management Department of the Company General Manager of Carrier and Regulatory Affairs Office of the Company General Manager of Corporate Sales and Marketing Department I of the Company Senior Vice President, General Manager of Corporate Sales and Marketing Department I of the Company Executive Vice President, Executive General Manager of Corporate Sales and Marketing Division and General Manager of TOHOKU Reconstruction Support Office, Member of the Board of Directors of the Company (To the present)	*1	6,900
Executive Vice President Member of the Board of Directors	Executive General Manager of R&D Innovation Division	Hiroshi Nakamura	April 4, 1962	Apr. 1987 Oct. 2006 Jul. 2010 Jun. 2014 Oct. 2014 Jun. 2017	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) Senior Manager of Core Network Development Department of the Company General Manager of Core Network Development Department of the Company Senior Vice President, General Manager of Core Network Development Department of the Company Senior Vice President, General Manager of R&D Strategy Department of the Company Executive Vice President, Executive General Manager of R&D Innovation Division, Member of the Board of Directors of the Company (To the present)	*1	10,000

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Executive Vice President Member of the Board of Directors	Executive General Manager of Network Division and General Manager of Network Department	Hozumi Tamura	December 12, 1962	Apr. 1987 Jun. 2012 Jul. 2013 Jun. 2014 Jun. 2017 Jul. 2017	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) General Manager of Procurement and Supply Department of the Company General Manager of Smart-life Planning Department of the Company Senior Vice President, General Manager of Smart-life Planning Department of the Company Executive Vice President, General Manager of Network Department, Responsible for Network, Member of the Board of Directors of the Company Executive Vice President, Executive General Manager of Network Division and General Manager of Network Department, Member of the Board of Directors of the Company (To the present)	*1	8,300
Executive Vice President Member of the Board of Directors	General Manager of Corporate Strategy & Planning Department Responsible for Mobile Society Research Institute and Preparation for 2020	Seiji Maruyama	April 20, 1961	Apr. 1985 Jul. 2008 Jun. 2010 Jun. 2014 Jun. 2016 Jun. 2018	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) Senior Manager of Human Resources Management Department of the Company General Manager of Product Department of the Company Senior Vice President, General Manager of Product Department of the Company Senior Vice President, General Manager of Human Resources Management Department, Member of the Board of Directors of the Company Executive Vice President, General Manager of Corporate Strategy & Planning Department, Responsible for Mobile Society Research Institute and Preparation for 2020, Member of the Board of Directors of the Company (To the present)	*1	8,500
Executive Vice President Member of the Board of Directors	General Manager of Accounts and Finance Department Responsible for Finance and Business Alliance	Osamu Hirokado	July 14, 1962	Apr. 1985 Jul. 2008 Jun. 2012 Jun. 2014 Jun. 2017 Jun. 2018	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”) General Manager of Investor Relations Department of the Company General Manager of Public Relations Department and Deputy General Manager of Mobile Society Research Institute of the Company Senior Vice President, Executive General Manager of Shikoku Regional Office of the Company Senior Vice President, General Manager of Frontline Support Department of the Company Executive Vice President, General Manager of Accounts and Finance Department, Responsible for Finance and Business Alliance, Member of the Board of Directors of the Company (To the present)	*1	6,600

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Executive Vice President Member of the Board of Directors	General Manager of Human Resources Management Department	Shigeto Torizuka	October 26, 1962	Apr. 1986 Jul. 2011 Jun. 2013 Jun. 2015 Jun. 2017 Jun. 2018 Jun. 2018	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") General Manager of Niigata Branch of the Company General Manager of Sales Promotion Department of the Company Senior Vice President, General Manager of Sales Promotion Department of the Company Senior Vice President, General Manager of Tokyo Branch of the Company Executive Vice President, General Manager of Human Resources Management Department, Member of the Board of Directors of the Company (To the present) President and Chief Executive Officer, Representative Member of the Board of Directors of DOCOMO PlusHearty, Inc. (To the present)	*1	4,500
Executive Vice President Member of the Board of Directors	Executive General Manager of Smart-life Business Division	Kenichi Mori	June 23, 1963	Apr. 1988 Jul. 2009 May 2014 Jun. 2015 Jun. 2016 Jun. 2018	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") Senior Manager of Corporate Strategy and Planning Department of the Company General Manager of Kanagawa Branch of the Company Senior Vice President, General Manager of Kanagawa Branch of the Company Senior Vice President, General Manager of Product Department of the Company Executive Vice President, Executive General Manager of Smart-life Business Division, Member of the Board of Directors of the Company (To the present)	*1	4,800
Senior Vice President Member of the Board of Directors	General Manager of General Affairs Department and General Manager of Improvement Action Office	Tooru Atarashi	March 17, 1963	Apr. 1988 Jul. 2009 Jul. 2012 Jul. 2013 Jun. 2016 Jun. 2018	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") General Manager of Planning and Accounts and Finance Department of Shikoku Regional Office of the Company Senior Manager of Credit Card Business Division of the Company Senior Manager of Financial Business Department of the Company General Manager of General Affairs Department and General Manager of Improvement Action Office of the Company Senior Vice President, General Manager of General Affairs Department and General Manager of Improvement Action Office, Member of the Board of Directors of the Company (To the present)	*1	4,000
Outside Member of the Board of Directors		Teruyasu Murakami	October 15, 1945	Apr. 1968 Apr. 2001 Apr. 2002 Jun. 2008 Apr. 2012 Jun. 2013	Entered Nomura Research Institute, Ltd. ("NRI") Representative Director, Executive Managing Director, Member of the Board of NRI Chief Corporate Counselor of NRI Outside Director of Benesse Holdings, Inc. Director of Research Institute for Industrial Strategy (To the present) Outside Member of the Board of Directors of the Company (To the present)	*1	7,100

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Outside Member of the Board of Directors		Noriko Endo	May 6, 1968	Jun. 1994 Apr. 2004 Apr. 2006 Sep. 2013 Apr. 2015 Apr. 2015 Jun. 2016	Entered DIAMOND, Inc. Concurrently serve as Director of Kyushu University Tokyo Office Deputy Editor of Diamond Weekly, DIAMOND, Inc. Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo (To the present) Project Professor, Graduate School of Media and Governance, Keio University (To the present) Adjunct Researcher, Environmental Research Institute, Waseda University Outside Member of the Board of Directors of the Company (To the present)	*1	1,800
Member of the Board of Directors		Shinichiro Ueno	June 21, 1966	Apr. 1991 Oct. 2004 Jul. 2009 Jul. 2009 Jul. 2012 Jul. 2015 Jun. 2016	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT") Senior Manager of Corporate Strategy Planning Department of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ("NTT EAST") General Manager of Plant Department, Kanagawa Branch, Senior Manager of Wide-Area Network Center, Network Business Headquarters of NTT EAST Member of the Board of Directors of NTT East-Kanagawa, Inc. Senior Manager of Technology Planning Department of NTT Vice President of R&D Planning Research and Development Planning Department of NTT (To the present) Member of the Board of Directors of the Company (To the present)	*1	1,000
Full-time Audit & Supervisory Board Member		Shoji Suto	March 4, 1957	Apr. 1980 Jun. 2008 Jun. 2009 Jul. 2009 Jun. 2010 Jun. 2011 Jun. 2014 Jul. 2014 Jun. 2015 Jun. 2017	Entered NTT Public Corporation Senior Vice President, General Manager of Sales Promotion Department of the Company Executive Vice President, Executive General Manager of Marketing Business Department, Member of the Board of Directors of DOCOMO Business Net Inc. Executive Vice President, Executive General Manager of Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc. Executive Vice President, Executive General Manager of Corporate Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc. Senior Vice President, Executive General Manager of Shikoku Regional Office of the Company Executive Vice President, Responsible for Consumer Sales and Branches in Kanto and Koshinetsu areas, Member of the Board of Directors of the Company Executive Vice President, Responsible for Consumer Sales, Member of the Board of Directors of the Company Senior Executive Vice President, Member of the Board of Directors of DOCOMO CS Inc. Full-time Audit & Supervisory Board Member of the Company (To the present)	*2	14,200

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Full-time Audit & Supervisory Board Member		Toshimune Okihara	August 29, 1954	Apr. 1979 Jun. 2006 Aug. 2006 Jun. 2010 Jun. 2011 Jun. 2014	Entered NTT Public Corporation Senior Vice President, General Manager of System Engineering Department, Member of the Board of Directors of NTT Communications Corporation ("NTT Com") Senior Vice President, General Manager of System Engineering Department, Enterprise Sales Division, Member of the Board of Directors of NTT Com Executive Vice President, General Manager of System Engineering Department, Enterprise Sales Division, Member of the Board of Directors of NTT Com President and Chief Executive Officer, Member of the Board of Directors of NTT Com Technology Corporation (currently NTT Com Solutions Corporation) Full-time Outside Audit & Supervisory Board Member of the Company (To the present)	*3	5,800
Full-time Audit & Supervisory Board Member		Hironobu Sagae	March 3, 1959	Apr. 1981 Jul. 2008 Jun. 2011 Jun. 2012 Jun. 2014 Jun. 2016 Jun. 2017	Entered NTT Public Corporation General Manager of Human Resources Management Department of NTT DATA Corporation Senior Vice President, General Manager of Accounts and Finance Department, General manager of Human Resources Management Department, Member of the Board of Directors of NTT DATA Corporation Senior Vice President, General Manager of Accounts and Finance Department, Member of the Board of Directors of NTT DATA Corporation Executive Vice President, General Manager of Accounts and Finance Department, Member of the Board of Directors of NTT DATA Corporation President, Member of the Board of Directors of NTT DATA MANAGEMENT SERVICE Corporation Full-time Outside Audit & Supervisory Board Member of the Company (To the present)	*4	1,000
Full-time Audit & Supervisory Board Member		Mikio Kajikawa	March 23, 1959	Apr. 1982 Jun. 2013 Jul. 2014 Jun. 2016 Dec. 2017 Jun. 2018	Entered the Ministry of Finance Senior Deputy Director-General of the International Bureau of the Ministry of Finance Executive Director of the International Monetary Fund (IMF) Director-General of the Customs and Tariff Bureau of the Ministry of Finance Advisor of Tokio Marine & Nichido Fire Insurance Co., Ltd. Full-time Outside Audit & Supervisory Board Member of the Company (To the present)	*5	1,000

Position	Responsibilities	Name	Date of Birth	History		Term of Office	Number of Company Shares Owned (Shares)
Outside Audit & Supervisory Board Member		Eiko Tsujiyama	December 11, 1947	Aug. 1980	Assistant Professor, Humanities Department, Ibaraki University	*3	4,200
				Apr. 1985	Assistant Professor, Faculty of Economics, Musashi University, Musashi Academy of the Nezu Foundation		
				Apr. 1991	Professor, Faculty of Economics, Musashi University, Musashi Academy of the Nezu Foundation		
				Apr. 2003	Professor, Graduate School of Commerce (currently Faculty of Commerce), Waseda University		
				Jun. 2008	Outside Corporate Auditor of Mitsubishi Corporation		
				Jun. 2010	Outside Director of ORIX Corporation (To the present)		
				May 2011	Outside Corporate Auditor of Lawson, Inc. (To the present)		
				Jun. 2011	Outside Audit & Supervisory Board Member of the Company (To the present)		
				Jun. 2012	Outside Audit & Supervisory Board Member of Shiseido Company, Limited (To the present)		
				Apr. 2018	Professor emeritus, Waseda University (To the present)		
Total							139,500

*1 The term of office is until the conclusion of the ordinary general meeting of shareholders concerning the last fiscal year ending within two years after the election at the 27th Ordinary General Meeting of Shareholders held on June 19, 2018.
*2 The term of office is until the conclusion of the ordinary general meeting of shareholders concerning the last fiscal year ending within three years after the election at the 26th Ordinary General Meeting of Shareholders held on June 20, 2017.
*3 The term of office is until the conclusion of the ordinary general meeting of shareholders concerning the last fiscal year ending within four years after the election at the 24th Ordinary General Meeting of Shareholders held on June 18, 2015.
*4 The term of office is until the conclusion of the ordinary general meeting of shareholders concerning the last fiscal year ending within two years after the election at the 26th Ordinary General Meeting of Shareholders held on June 20, 2017.
*5 The term of office is until the conclusion of the ordinary general meeting of shareholders concerning the last fiscal year ending within one year after the election at the 27th Ordinary General Meeting of Shareholders held on June 19, 2018.

Notes: 1. Directors Teruyasu Murakami and Noriko Endo are outside directors.
2. Audit & Supervisory Board Members Toshimune Okihara, Hironobu Sagae, Mikio Kajikawa and Eiko Tsujiyama are outside audit & supervisory board members.
3. Since the name of Shoji Suto includes a letter other than the letters that can be used under the provisions of "Points to be Considered regarding Special Provisions, etc. for Procedures by Use of Electronic Data Processing System for Disclosure" and "Filing Documents Specifications" (Planning and Coordination Bureau, Financial Services Agency), such letter is substituted by a letter that can be used on the electronic disclosure system (EDINET).

6. The State of Corporate Governance, etc.

(1) The State of Corporate Governance

1) Corporate governance structure

<<Overview of corporate governance structure and reasons for adoption thereof>>

We recognize that to maximize corporate value while meeting the expectations of our various stakeholders including our shareholders, customers, employees, partners and local communities. It is essential that we ensure the effective function of corporate governance through the reinforcement of the governance structure in line with the objectives of each principle of the Corporate Governance Code.

Under this philosophy, we have adopted a corporate governance structure consisting of the Board of Directors, Audit & Supervisory Board Members and the Audit & Supervisory Board, aiming both to realize consistent and stable business operations and to bolster auditing and governance functions, while striving to boost management speed. In regard to our core telecommunications businesses, we recognize that mobile phones have come to play a vital role as social infrastructure in line with market expansion for these products. Accordingly, this structure reflects a desire for Directors to play a key role in important business execution matters from the standpoint of realizing consistent and stable business operations through the effective utilization of management resources. From the perspective of ensuring sound and efficient management, this configuration also reflects a desire for a structure in which Directors who concurrently serve as executive officers supervise each other for their respective actions, while Audit & Supervisory Board Members perform audits of overall management.

Similarly, we appoint independent outside directors and independent outside audit & supervisory board members, with a view to further enhancing monitoring and audit functions. In addition, we have introduced the executive officer system to clearly delineate the roles of business execution and monitoring, and to better reinforce business execution functions. This system enables speedier responsiveness to changes in the operating environment.

Further, the transfer of part of the decision-making authority in business execution of the Board of Directors to representative directors and senior vice presidents, etc. enables responsible senior vice presidents, etc. to conduct flexible business execution. Furthermore, approximately half of the directors serve concurrently as senior vice presidents so that mutual supervision among directors in business execution functions effectively to strengthen the management monitoring functions.

As to the compositions of the boards, etc., the Board of Directors comprises 14 members (13 men and 1 woman), the Audit & Supervisory Board comprises 5 members (4 men and 1 woman), and there are 29 executive officers (26 men and 3 women, of whom 8 are concurrently serving as directors).

The Board of Directors, in principle, meets once a month and renders decisions on important management matters. Extraordinary meetings are convened as necessary. The Board of Directors also receives status reports as needed from directors, serving concurrently as executive officers responsible for business execution, thereby monitoring management.

For decision-making on important matters related to business execution, the Company has established the Management Committee, which consists of the representative director, president and chief executive officer, senior executive vice presidents, members of the Board of Directors, executive vice presidents and full-time audit & supervisory board members, etc. The Management Committee meets, in principle, once a week, with extraordinary meetings convened as necessary, to facilitate flexible, swift decision making by the representative director, president and chief executive officer.

<<Analysis and evaluation of the effectiveness of the Board of Directors>>

With the aim of achieving sustainable enhancement of its corporate value, the Company conducts an analysis and evaluation of the effectiveness of the Board of Directors in an ongoing effort to make improvements by identifying issues or points to be improved with respect to the responsibilities, operation, composition, etc., of the Board of Directors.

<Evaluation method>

- “Directors’ Self-Assessment Questionnaire” completed by all directors and audit & supervisory board members (conducted in February to March 2018)

- Discussions based on the results of Directors' Self-Assessment Questionnaire during a meeting by the Corporate Governance Council, which consists of all members of the Board of Directors and the Audit & Supervisory Board (held in May 2018)

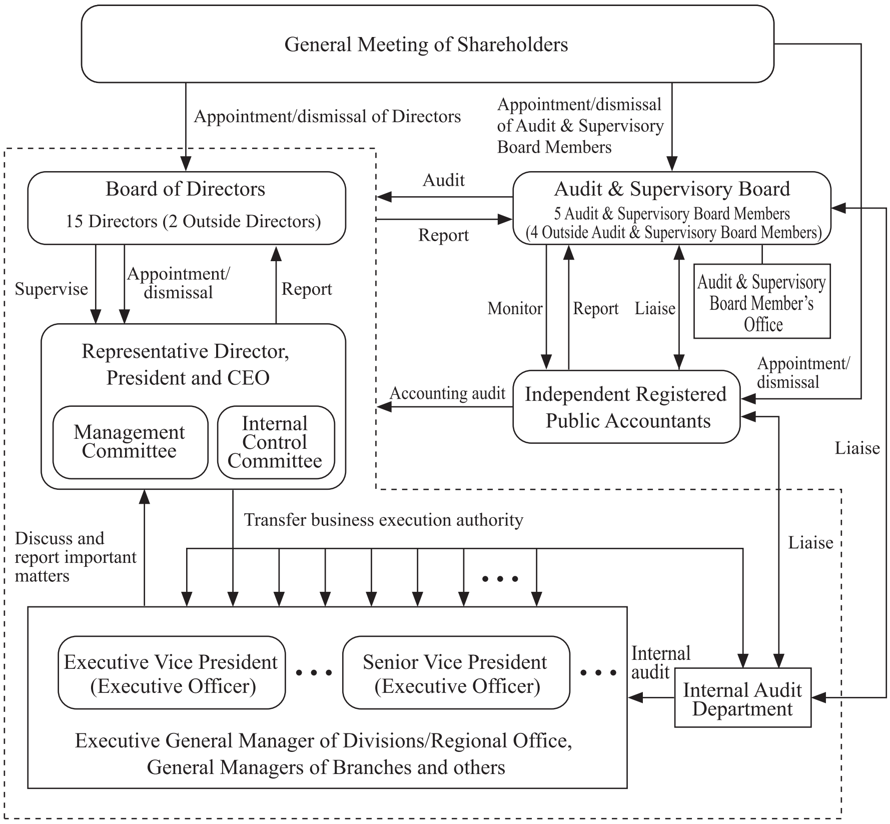
<Evaluation results and future operation policy>

We verified the effectiveness of the Board of Directors and the appropriateness of its responsibilities, operation, composition, etc.

In addition to confirming steady progress with regard to the periodic evaluation of efforts being taken to achieve the direction of the Company's corporate strategies, which was identified as an issue in the previous evaluation of the effectiveness of the Board of Directors, we have decided to develop more substantive governance functions based on the Company's characteristics in light of trends such as revisions to the Corporate Governance Code.

With the aim of achieving further enhancement of corporate value and promoting our Medium-Term Strategy 2020 "Declaration beyond" announced in April 2017 and "business operations centered on our membership base" announced in April 2018, the members of the Board of Directors will periodically evaluate the efforts being made to achieve these goals.

<<The Company's Corporate Governance System>>



<<Systems for ensuring the propriety of the Company's business activities and their operational status>>

A summary of the Board of Directors resolution concerning the development of a system to ensure the propriety of the Company's business activities (internal control system) is set forth below, along with an overview of the system's operational status.

<Basic stance on fortifying internal control systems>

- In fortifying the internal control systems, the Company aims to achieve legal compliance, management of loss risk and appropriate and efficient business operations and consider various measures, including regulations, organizational and structural improvement, formulation of action plans and the monitoring of activities.
- An internal control committee will be formed as an entity overseeing efforts to have the internal control systems function more efficiently. The committee will aim to fortify internal control systems from the cross-departmental perspective; upon assessing efficacy, necessary improvements will be carried out.
- Appropriate efforts will be made with regard to ensuring the reliability of the internal control systems, which will be involved with the financial reporting based on the U.S. Sarbanes-Oxley Act and the Financial Instruments and Exchange Act.
- The Board of Directors will approve the basic policy on fortifying internal control systems (the Basic Policy), receive regular reports on the progress of the initiative to fortify internal control systems, and oversee and monitor the internal control systems of the Company.
- As chief executive officer, the president and representative director will oversee the efforts to build the internal control systems based on the Basic Policy approved by board members.

<Fortifying structure relating to internal control systems>

- System to ensure that the performance of duties by directors and employees conform with laws and regulations and the Company's Articles of Incorporation
  We institute the "NTT DOCOMO Group Code of Ethics" and compliance-related regulations and create requisite systems for ethical and legal compliance. In addition, when preparing financial statements, officers responsible for finance, audit & supervisory board members, and independent auditors hold preliminary discussions of significant accounting policies, and for disclosure of company information including financial statements in a manner that conforms with securities-related laws and regulations, matters are decided at meetings of the Board of Directors after the necessary internal procedures pursuant to in-house regulations have been completed. Also, the Internal Audit Department conducts audits of the Company's overall business activities to ensure conformity with laws and regulations and in-house regulations.
- System for storage and maintenance of information relating to the performance of duties by directors
  Information relating to the performance of duties by directors is recorded and stored in accordance with rules stipulating the methods of storage and administration of documents and administrative information.
- Regulations and other systems relating to the management of loss risks
  Executive directors responsible for risk management periodically summarize information relating to risks in their organizations in accordance with rules concerning risk management, and the internal control committee made up of directors, senior vice presidents, and others identifies risks as necessary for companywide risk management, and decides management policy for identified risks to prevent risks from occurring and to take rapid countermeasures in the event that risks do occur.
- System to ensure that the performance of duties by directors is conducted efficiently
  The efficiency of the performance by directors of their duties is ensured by such means as decision-making rules based on internal regulations and the specification of powers relating to their duties, the formulation of medium-term management policies and business plans by the Board of Directors, and the establishment of committees composed of directors, senior vice presidents, and others.
- System to ensure the propriety of the business activities of the corporate group consisting of the Company, its parent company, and its subsidiaries
  (a) System for reporting matters concerning the execution of duties of directors, etc. of subsidiaries to the Company
    In accordance with the rules stipulating fundamental matters relating to the management of affiliated companies for the purpose of the comprehensive development and improvement of performance of DOCOMO, affiliated companies will consult with or report to the Company.

  (b) Regulations and other systems relating to the management of loss risks of subsidiaries
    Intrinsic risks in DOCOMO are managed in accordance with the rules concerning risk management, and risk management for DOCOMO companies is conducted according to their scale and business type.

  (c) System to ensure that the performance of duties by directors, etc. of subsidiaries is conducted efficiently
    DOCOMO companies establish decision-making rules and authority in duties according to their scale and business type, and consult or report on principal issues relating to the business operations of DOCOMO as a whole.

  (d) System to ensure that the performance of duties by directors, etc. and employees of subsidiaries conforms with laws and regulations and the Company's Articles of Incorporation
    We have established the "NTT DOCOMO Group Code of Ethics" as a uniform code of ethics for DOCOMO, and all DOCOMO companies strive to comply with this code of ethics. Furthermore, subsidiaries' officers are responsible for formulating and reporting the status of management systems of code of ethics, as well as for reporting to the Company when they identify a problematic situation involving a management executive, and the Company provides the necessary guidance on the appropriate response.

  (e) Other systems to ensure appropriate operations
    With respect to unusual transactions with the parent company, investigations are conducted by legal personnel and audits are conducted by audit & supervisory board members. Further, audits by the Internal Audit Department are directed to cover its subsidiaries, and whenever necessary they obtain and assess the results of the internal audits of those companies.

- System to ensure the effectiveness of audits by audit & supervisory board members
  (a) Matters relevant to employees assistance to the duties of audit & supervisory board members if their

assignment is requested

The Audit & Supervisory Board Member's Office is established as an organization dedicated to assisting the audit & supervisory board members with the performance of their duties, and specialist staff are assigned to it.

(b) Matters relevant to the independence of the employees in (a) above from directors

We provide the Audit & Supervisory Board with advance explanations concerning matters such as transfers and assessment of personnel who belong to the Audit & Supervisory Board Member's Office, and pay respectful attention to the board's opinions before acting on such matters.

(c) Matters relevant to ensuring the effectiveness of instructions of audit & supervisory board members to the employees in (a) above

Employees who belong to the Audit & Supervisory Board Member's Office exclusively follow the directions and commands of audit & supervisory board members.

(d) System for reporting to audit & supervisory board members by directors and employees

Directors, executive officers, and employees report promptly to the audit & supervisory board members and to the Audit & Supervisory Board concerning matters prescribed by laws and regulations as well as requested matters necessary for the performance by the audit & supervisory board members of their duties.

(e) System for reporting to the Company's audit & supervisory board members by subsidiaries' directors, audit & supervisory board members and other equivalent persons and employees, or persons who have received reports from such persons

The matters to be reported in (d) above shall include material information reported by DOCOMO companies.

(f) System to ensure that persons making reports in the above items (d) and (e) are not treated disadvantageously due to making the report

Persons who make reports in the above items (d) and (e) are not treated disadvantageously due to making the report.

(g) Matters relevant to procedures policy on the expense or debts arising from the execution such an advance payment or reimbursement of expenses arising from the execution of duties by audit & supervisory board members

Audit & supervisory board members may claim necessary expenses for the execution of their duties, and the Company must make the necessary payments based on such claims.

(h) Other systems for ensuring that auditing by audit & supervisory board members is conducted effectively

Representative directors and the Audit & Supervisory Board hold regular meetings and develop an auditing environment necessary for enabling the audit & supervisory board members to perform their duties. In addition, representative directors endeavor to establish a system enabling audit & supervisory board members to hold regular and occasional meetings with the Internal Audit Department and independent auditors.

- Operational status of internal control systems

(a) In order to ensure that the performance of duties by directors and employees conforms to laws and regulations and the Articles of Incorporation, meetings of the Compliance Promotion Committee are held to check decisions on initiatives made by management systems for ethical and legal compliance as well as to check on the status of the implementation of such initiatives. Furthermore, periodic training, education and monitoring are carried out for management executives and employees to foster awareness of ethical and legal compliance, and a compliance help desk has been established in an effort to prevent compliance violations.

(b) In order to store and manage the information related to duties of directors, we established rules for storage and management of written documents and management information. Furthermore, refer to "Efforts related to information security" for other details on the Company's efforts related to information security.

(c) As rules and other systems related to the management of the risk of loss, the Risk Management Principles were established to contribute to the appropriate and smooth management of the operations of the Company and DOCOMO companies, and in FY2017, two meetings of the Internal Control Committee based on the rules were held to identify the risks requiring management across the entire Company and establish management policies on these risks. Furthermore, the Internal Audit Department conducted audits on whether the management policies for each risk were being appropriately managed by each organization.

(d) In order to ensure the efficient execution of duties of directors, we arrange our organization to realize our management strategy to ensure duties are executed efficiently. In FY2017, we established the Network Division, FinTech Promotion Office, Sports & Live Business Promotion Office, Connected Car Business Promotion Office, Digital Marketing Promotion Office and Tokyo 2020 Promotion Office.

(e) In order to ensure the propriety of the business activities of the corporate group consisting of the Company, as well as its parent company and its subsidiaries, we receive the necessary consultation and reports from DOCOMO companies, and we provide guidance on the establishment and operation of internal control systems to subsidiaries. Furthermore, the Internal Audit Department conducts internal audits of select DOCOMO companies.

(f) In order to ensure that audit by audit & supervisory board members are conducted effectively, we make quarterly reports of financial condition of subsidiaries deemed to be important in terms of business to audit & supervisory board members, as well as these being reported at the meetings attended by the audit & supervisory board members. Also the results of internal audits for the Company and DOCOMO companies are reported to audit & supervisory board members on a monthly basis. Furthermore, the Internal Audit Department, the Accounts and Finance Department and the Accounting Auditor hold periodic tri-party meetings with audit & supervisory board members to encourage coordination.

- Efforts related to information security

The Company recognizing that proper information management is an important management issue, therefore declares the Information Security Policy is the Company's action policy for information security and will abide by the Information Security Policy and the separate Privacy Policy regarding our customers' personal information in order to ensure that customers are able to use the Company's services safely.

Information assets to which the Information Security Policy applies shall include information obtained or learned in the course of the Company's business activities, as well as all information owned by the Company for business purposes.

<<Overview of indemnity agreements>>

The Company has concluded agreements with Directors Teruyasu Murakami, Noriko Endo and Shinichiro Ueno and audit & supervisory board members to indemnify them for personal liability as provided in Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the same act. The compensation of liability is the minimum amount in accordance with Article 425, Paragraph 1 of the Companies Act.

2) Status of audits by the Audit & Supervisory Board and internal audits

The Audit & Supervisory Board holds meetings in principle once a month, and makes decisions about the auditing policy, plan and methodology, as well as other important matters related to audits. Based on the auditing policy and auditing plan decided by the Audit & Supervisory Board, the audit & supervisory board members appropriately conduct audits of the status of execution of duties by directors by attending the Board of Directors meetings and other important meetings, hearing reports from directors and others, examining important documents and other materials, and conducting onsite investigations at Headquarters, main business offices and subsidiaries, etc., and report to the Board of Directors on the status of implementation of audits. In addition, the audit & supervisory board members ensure the effectiveness of audits through close collaboration with the audit & supervisory board members at subsidiaries based on mutual understanding and exchanges of information. Audit & supervisory board member Hironobu Sagae has experience in corporate management and extensive knowledge pertaining to finance and accounting through his career in the Finance Department of NTT DATA Corporation. Audit & supervisory board member Eiko Tsujiyama has considerable knowledge pertaining to finance and accounting as a certified public accountant and based on her experience as a university professor and an outside director on corporate boards.

The Internal Audit Department conducts internal audits from a position independent of other business execution, with a structure comprising 45 members. Audits are conducted to ensure compliance with laws and regulations, the effectiveness and efficiency of operations, and the reliability of financial reporting, by verifying and evaluating the status of business operations at the departments of Headquarters, regional offices and branches, etc., based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 framework, with the aim of improving internal control. In addition to setting unified audit items for high-risk matters for our corporate group and performing audits at each group company, the Internal Audit Department also carries out audit quality reviews to enhance the quality of audits at group companies. As part of these efforts, the Internal Audit Department also evaluates the effectiveness of internal control related to financial reporting based on the U.S. Sarbanes-Oxley Act and the Financial Instruments and Exchange Act of Japan.

The audit & supervisory board members strive to strengthen collaboration with the independent auditor through timely exchanges of opinions, by receiving a report on the auditing plan, holding preliminary discussions regarding any significant changes in accounting policies for each quarterly fiscal period, receiving reports on the quarterly audit results, and attending audits by the independent auditor. They also receive explanations and make confirmation regarding the independent auditor’s audit quality system. In addition, the audit & supervisory board members receive reports from the Internal Audit Department regarding the plan and results of internal audits, and hold regular meetings in principle once a month to strengthen mutual collaboration by exchanging opinions on the status of implementation of internal audits.

In terms of relationship with the Internal Control Group, the audit & supervisory board members monitor and verify the establishment and status of the internal control systems, and give advice and instructions to the Internal Control Group as necessary. The Internal Audit Department also evaluates the effectiveness of the internal control systems and reports the results to the Board of Directors and the Internal Control Group. Based on these advice, instructions and reports, etc., the Internal Control Group makes improvements to the internal control systems as needed.

3) Outside directors and outside audit & supervisory board members

The Company has two outside directors and four outside audit & supervisory board members.

Based on Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc. (the “TSE”), the Company secures at least one independent director/auditor. When appointing outside directors and outside audit & supervisory board members designated as independent directors/auditors, the Company follows the criteria for determining independence stipulated by the TSE (III, 5, (3)-2 of the “Guidelines concerning Listed Company Compliance, etc.”), in addition to the independence criteria established by the Company. The Company has designated Outside Directors Teruyasu Murakami and Noriko Endo, and Outside Audit & Supervisory Board Members Mikio Kajikawa and Eiko Tsujiyama as independent directors/auditors based on the TSE provisions.

Outside Director Teruyasu Murakami was formerly a member of the Company’s Advisory Board. He has rich experience and insights pertaining to corporate management and information industry. He has been elected as an outside director due to the Company’s expectations that, in view of his excellent character and wealth of knowledge, he will contribute to strengthening the supervisory function over business execution and provide advice from a broad managerial perspective. The Company has no personal, capital or business relationships, or any other relationship of interest, with him* that could lead to conflicts of interest with general shareholders.

Outside Director Noriko Endo has rich experience and insights accumulated through her news gathering activities as an editor of an economic magazine and research on public policies. She has been elected as an outside director due to the Company’s expectations that, in view of her excellent character and wealth of knowledge, she will contribute to strengthening the supervisory function over business execution and provide broad and diverse advice from both a customer perspective and female perspective, and will be able to properly fulfill the role of an outside director. The Company has no personal, capital or business relationships, or any other relationship of interest, with her* that could lead to conflicts of interest with general shareholders.

Outside Audit & Supervisory Board Member Toshimune Okihara was formerly an employee of the Company's parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT"), and was a director or an employee of NTT's subsidiaries, NTT Communications Corporation ("NTT Com") and NTT Com Technology Corporation (currently NTT Com Solutions Corporation). He has experience in corporate management and has long been engaged in businesses pertaining to telecommunications. He has been elected as an outside audit & supervisory board member due to the Company's expectations that he will conduct audits based on his experience and knowledge. Please see "II. Overview of Business, 4. Material Contracts for Management of the Company" for material contracts between the Company and NTT, and 15. under Notes to Consolidated Financial Statements for transactions with NTT group companies. The NTT group companies may exchange personnel as necessary. Except for the above, the Company has no personal, capital or business relationships, or any other relationship of interest, with him* that could lead to conflicts of interest with general shareholders.

Outside Audit & Supervisory Board Member Hironobu Sagae was formerly an employee of the Company's parent company, NTT, and was a director or an employee of NTT's subsidiaries, NTT DATA Corporation, NTT DATA MANAGEMENT SERVICE Corporation, and R-Cubic corporation. He has experience in corporate management and has considerable knowledge pertaining to finance and accounting gained through his experience in the Finance Department of NTT DATA Corporation. He has been elected as an outside audit & supervisory board member due to the Company's expectations that he will conduct audits based on his experience and knowledge. Please see "II. Overview of Business, 4. Material Contracts for Management of the Company" for material contracts between the Company and NTT, and 15. under Notes to Consolidated Financial Statements for transactions with NTT group companies. The NTT group companies may exchange personnel as necessary. Except for the above, the Company has no personal, capital or business relationships, or any other relationship of interest, with him* that could lead to conflicts of interest with general shareholders.

Outside Audit & Supervisory Board Member Mikio Kajikawa had a long career in the Ministry of Finance, and has been elected as an outside audit & supervisory board member due to the Company's expectations that he will conduct audits based on his rich experience and insights as a specialist accumulated through his career experience, as well as properly carry out his duties as an outside audit & supervisory board member. The Company has no personal, capital or business relationships, or any other relationship of interest, with him* that could lead to conflicts of interest with general shareholders.

Outside Audit & Supervisory Board Member Eiko Tsujiyama serves concurrently as an outside corporate auditor at Lawson, Inc. The Company has a business relationship with Lawson, Inc., based on capital alliance and business alliance agreements. She has been elected as an outside audit & supervisory board member due to the Company's expectations that she will conduct audits from the perspective of her extensive knowledge pertaining to finance and accounting as a certified public accountant and accumulated through her years of experience as a university professor and an outside director on corporate boards. The Company has no personal, capital or business relationships, or any other relationship of interest, with her* that could lead to conflicts of interest with general shareholders.

In the statements of business relationships and other relationships of interest (including donations) between the Company and each outside director* and outside audit & supervisory board member*, the Company in principle omits the statement of a business relationship, etc. that do not require referral to the Company's Board of Directors, considering that it is unlikely that such relationship affects shareholders' decisions in their exercise of voting rights, and it is unlikely that such relationship could lead to conflicts of interest with general shareholders.

The outside audit & supervisory board members exchange opinions and make mutual collaboration with the independent auditor and the Internal Audit Department as stated in "2) Status of audits by the Audit & Supervisory Board and internal audits."

The outside directors receive reports from the audit & supervisory board members on the auditing plan, and receive reports from the Internal Audit Department regarding the results of evaluation of the effectiveness of the internal control systems. They also receive preliminary reports from the Internal Control Group on the formulation of the basic policy on fortifying internal control systems.

* Including companies where he/she is an officer or employee, or was an officer or employee.

4) Compensation for directors and audit & supervisory board members

<<Total compensation by position, breakdown of compensation, and number of recipients>>

(Millions of yen, unless otherwise stated)

Directors / Audit & Supervisory Board Members	Total Compensation	Total Compensation by Type				Number of Recipients (Persons)
		Base Salary	Stock Option	Bonus	Retirement Benefits	
Directors (excluding outside directors)	508	405	–	103	–	14
Audit & supervisory board members (excluding outside audit & supervisory board members)	30	30	–	–	–	2
Outside directors and outside audit & supervisory board members	126	126	–	–	–	7
Total	664	561	–	103	–	23

Notes: 1. Upper limits on compensation for directors and compensation for audit & supervisory board members were set at ¥600 million annually and at ¥150 million annually, respectively, at the 15th ordinary general meeting of shareholders held on June 20, 2006.

2. Directors include two directors who retired at the conclusion of the 26th ordinary general meeting of shareholders held on June 20, 2017.

3. Audit & supervisory board members include one audit & supervisory board member who retired at the conclusion of the 26th ordinary general meeting of shareholders held on June 20, 2017.

4. Outside directors and outside audit & supervisory board members include one outside audit & supervisory board member who retired at the conclusion of the 26th ordinary general meeting of shareholders held on June 20, 2017.

<<Compensation amount for directors and audit & supervisory board members, the policy on determining the calculation method, and the method of determination thereof>>

Compensation for directors is decided based on the following policies and procedures from the perspective of reflecting medium- to long-term business results of the Company.

1) Compensation for directors consists of a monthly salary and bonuses. The Company determines monthly salaries based on the scope of roles and responsibilities of each director, and bonuses by taking into account the Company's business results for the fiscal year ended March 31, 2018. In addition, starting from the fiscal year ended March 31, 2018, performance-based compensation was expanded, and a new stock-based compensation plan was introduced. Under this plan, when the Company's business performance exceeds a certain level, directors are paid an amount equivalent to the purchase of the Company's shares as part of their bonuses and required to contribute the amount to the Director Shareholding Association.
2) From the perspective of reflecting medium- to long-term business results, directors with executive authority over operations make monthly contributions of at least a certain amount, from their monthly cash salary, for the purchase of the Company's shares through the Director Shareholding Association, apart from the stock-based compensation mentioned above, and all purchased shares are held by the directors during their terms in office.
3) In order to ensure a high level of independence, the Company pays only monthly salaries as compensation for independent outside directors with no links to business results.
4) We explain the details of compensation of directors to the parent company and independent outside directors to receive appropriate advice prior to the meeting of the Board of Directors, where a decision is made on the amount within the limit approved at the general meeting of shareholders.

Compensation for audit & supervisory board members is determined through consultation with the members, and in order to ensure a high level of independence, only monthly salaries are paid with no links to business results.

5) Status of shareholdings

<<Equity securities held for purposes other than pure investments>>

Number of issues	61	
Total balance sheet amount	282,745	million yen

<<Category of shareholding, issue name, number of shares, balance sheet amounts and purpose of holding of equity securities held for purposes other than pure investments>>

(Year ended March 31, 2017)

Specified equity securities

Issue Name	Number of Shares (Shares)	Balance Sheet Amounts (Millions of yen)	Purpose of Holding
PLDT Inc.	31,330,155	114,841	Business alliance involving the Company's business
KT Corporation	22,711,035	50,512	Same as the above
Far EasTone Telecommunications Co., Ltd.	153,543,573	42,324	Same as the above
FamilyMart UNY Holdings Co., Ltd.	2,930,500	19,458	Same as the above
Lawson, Inc.	2,092,000	15,794	Same as the above
Nippon Television Holdings, Inc.	7,779,000	14,912	Same as the above
FUJI MEDIA HOLDINGS, INC.	7,700,000	11,827	Same as the above
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	5,713,000	11,357	Same as the above
PIONEER CORPORATION	25,773,100	5,695	Same as the above
Tata Teleservices (Maharashtra) Limited	229,856,926	2,843	Same as the above
KADOKAWA DWANGO CORPORATION	1,204,208	1,921	Same as the above
SKY Perfect JSAT Holdings Inc.	2,048,100	962	Same as the above
NTT DATA INTRAMART CORPORATION	500,000	651	Same as the above
FueTrek Co., Ltd.	568,000	567	Same as the above
neos corporation	1,020,000	464	Same as the above
Nippon BS Broadcasting Corporation	80,000	85	Same as the above
Aplix IP Holdings Corporation	137,500	61	Same as the above
BICCAMERA INC.	50,000	51	Same as the above

Notes:
1. The number of shares and balance sheet amount for PLDT Inc. include 8,533,253 shares and ¥30,788 million in the form of American Depositary Receipts ("ADRs").
   Philippine Long Distance Telephone Company changed its trade name to PLDT Inc. on July 29, 2016.
2. The number of shares and balance sheet amount for KT Corporation include 16,906,444 shares and ¥31,922 million in the form of ADRs.
3. FamilyMart Co., Ltd. changed its trade name to FamilyMart UNY Holdings Co., Ltd. on September 1, 2016, as a result of a merger with UNY Group Holdings Co., Ltd.

(Year ended March 31, 2018)

Specified equity securities

Issue Name	Number of Shares (Shares)	Balance Sheet Amounts (Millions of yen)	Purpose of Holding
PLDT Inc.	31,330,155	94,417	Business alliance involving the Company's business
Far EasTone Telecommunications Co., Ltd.	153,543,573	43,713	Same as the above
KT Corporation	22,711,035	40,582	Same as the above
FamilyMart UNY Holdings Co., Ltd.	2,930,500	26,257	Same as the above
Lawson, Inc.	2,092,000	15,167	Same as the above
Nippon Television Holdings, Inc.	7,779,000	14,663	Same as the above
FUJI MEDIA HOLDINGS, INC.	7,700,000	13,975	Same as the above
TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	5,713,000	12,894	Same as the above
PIONEER CORPORATION	25,773,100	4,536	Same as the above
PKSHA Technology Inc.	107,000	1,449	Same as the above
KADOKAWA DWANGO CORPORATION	1,204,208	1,335	Same as the above
NTT DATA INTRAMART CORPORATION	500,000	1,111	Same as the above
SKY Perfect JSAT Holdings Inc.	2,048,100	978	Same as the above
Oisix.daichi Inc.	500,000	864	Same as the above
neos corporation	1,020,000	408	Same as the above
FueTrek Co., Ltd.	568,000	382	Same as the above
Nippon BS Broadcasting Corporation	80,000	100	Same as the above
BICCAMERA INC.	50,000	83	Same as the above

Notes: 1. The number of shares and balance sheet amount for PLDT Inc. include 8,533,253 shares and ¥25,719 million in the form of ADRs.
2. The number of shares and balance sheet amount for KT Corporation include 16,906,444 shares and ¥24,607 million in the form of ADRs.

<<Equity securities held for the purpose of pure investment>>

None.

6) Status of accounting audit

Certified Public Accountants Kensuke Sodekawa, Kotetsu Nonaka and Masafumi Nakane of KPMG AZSA LLC performed accounting audits of the Company. The assistants engaged in the accounting audits of the Company comprised 81 certified public accountants and 87 others.

7) Number of directors

The Company stipulates in the Articles of Incorporation that it shall have not more than fifteen (15) members of the Board of Directors.

8) Requirements for resolution of election of directors

The Company stipulates in the Articles of Incorporation that members of the Board of Directors of the Company shall be elected by a resolution passed by a majority vote of the shareholders present at a general meeting of shareholders who shall hold voting rights representing in aggregate one-third (1/3) or more of the voting rights held by all shareholders having exercisable voting rights; and that the election of members of the Board of Directors may not be by way of cumulative voting.

9) Matters to be resolved by the general meeting of shareholders, which may be resolved by the Board of Directors

<<Repurchase of its own shares>>

The Company stipulates in the Articles of Incorporation that it may repurchase its own shares through market transactions, etc. by a resolution of the Board of Directors in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act in order to facilitate repurchase of its own shares.

<<Interim dividends>>

The Company stipulates in the Articles of Incorporation that it may, subject to a resolution of the Board of Directors, pay interim dividends in order to enhance opportunities for return of profits to shareholders.

<<Exemption from liabilities of directors and audit & supervisory board members>>

The Company stipulates in the Articles of Incorporation that, in order for directors and audit & supervisory board members to fulfill the roles expected of them in executing their duties, it may, pursuant to Article 426, Paragraph 1 of the Companies Act, exempt directors (including those who were members of the Board of Directors in the past) and audit & supervisory board members (including those who were audit & supervisory board members in the past) from damage compensation liabilities resulting from negligence of their duties to the extent permitted by laws and regulations by a resolution of the Board of Directors.

10) Changes to requirements for special resolutions at a general meeting of shareholders

The Company stipulates in the Articles of Incorporation that, to facilitate the smooth operation of the general meeting of shareholders, special resolutions pursuant to Article 309, Paragraph 2 of the Companies Act shall be adopted at the general meeting of shareholders with a quorum of one-third (1/3) or more of the voting rights of all shareholders having exercisable voting rights, by a vote of two-thirds (2/3) or more of the voting rights represented thereat.

(2) Audit Fees, etc.

1) Audit fees paid to Certified Public Accountants, etc.

(Millions of yen)

	Year ended March 31, 2017		**Year ended March 31, 2018**	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
NTT DOCOMO, INC.	700	113	**845**	**44**
Consolidated subsidiaries	207	–	**206**	**–**
Total	907	113	**1,051**	**44**

2) Other material fees

The Company and its major consolidated subsidiaries paid fees for audit and attestation services and fees for non-audit services to member firms of the KPMG network, including KPMG AZSA LLC, which is the Company's independent auditor.

Of these fees, fees for audit and attestation services paid to firms other than KPMG AZSA LLC were for audits of financial statements at overseas consolidated subsidiaries, etc., and total fees for the fiscal year ended March 31, 2017 and for the fiscal year ended March 31, 2018 amounted to ¥297 million and ¥365 million, respectively. Fees for non-audit services were mainly for tax return preparation and tax consultation for the Company and consolidated subsidiaries in Japan and overseas, and total fees for the fiscal year ended March 31, 2017 and for the fiscal year ended March 31, 2018 amounted to ¥35 million and ¥55 million, respectively.

3) Non-audit services rendered for the Company by Certified Public Accountants, etc.

Non-audit services rendered during the fiscal year ended March 31, 2017 and during the fiscal year ended March 31, 2018 were advisory services and other service relating to International Financial Reporting Standards.

4) Policy for determining audit fees

While there are no corresponding items, audit fees are determined in accordance with laws and regulations and with the approval of the Audit & Supervisory Board, taking into account the size and attributes of the Company and its consolidated subsidiaries, the number of days required for auditing and other factors.

Item5. Financial Information

1. Preparation method of the consolidated financial statements and the non-consolidated financial statements

(1) The consolidated financial statements of DOCOMO have been prepared in accordance with accounting terminology, forms and preparation methods required in order to issue American Depositary Shares, and in accordance with U.S. generally accepted accounting principles, pursuant to Article 95 of "Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of October 30, 1976).

Figures in DOCOMO's consolidated financial statements have been rounded to the nearest million yen.

(2) The non-consolidated financial statements of DOCOMO have been prepared in accordance with Article 2 of "Regulation on the Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59, 1963) , pursuant to this article and ordinance on Telecommunications Business Accounting (Ordinance of the Ministry of Posts and Telecommunications No. 26, 1985).

Figures in DOCOMO's non-consolidated financial statements have been rounded to the nearest million yen

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2017 to March 31, 2018 and the non-consolidated financial statements for the 27th fiscal year (from April 1, 2017 to March 31, 2018) were audited by KPMG AZSA LLC.

3. Particular efforts to secure the appropriateness of the consolidated financial statements

DOCOMO carries out special measures for ensuring the appropriateness of consolidated financial statements. Specifically, for the purpose of both ensuring that the DOCOMO has an appropriate grasp of the contents of Accounting Standards and related regulations, and properly preparing consolidated financial statements, DOCOMO is a member of the Financial Accounting Standards Foundation. In addition, DOCOMO considers whether to adopt new standards periodically and develops manuals and other means.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

		Millions of yen	
ASSETS		March 31, 2017	March 31, 2018
Current assets:			
Cash and cash equivalents	※3,4,15	¥ 289,610	¥ **392,749**
Short-term investments	※3		
Third parties		41,070	**627**
Related parties	※15	260,000	**370,000**
Accounts receivable			
Third parties		230,361	**231,712**
Related parties	※15	8,776	**11,972**
Receivables held for sale	※3,20	936,748	**901,483**
Credit card receivables	※22	347,557	**432,082**
Other receivables			
Third parties		62,926	**79,660**
Related parties	※15,22	335,916	**328,740**
Total accounts receivable, receivables held for sale, credit card receivables and other receivables		1,922,284	**1,985,649**
Less: Allowance for doubtful accounts	※3,22	(19,517)	**(24,899)**
Total accounts receivable, receivables held for sale, credit card receivables and other receivables, net		1,902,767	**1,960,750**
Inventories	※3,5	153,388	**187,402**
Deferred tax assets	※3,18	81,025	**—**
Prepaid expenses and other current assets			
Third parties		102,055	**120,158**
Related parties	※15	6,357	**5,460**
Total current assets		2,836,272	**3,037,146**
Property, plant and equipment:	※3		
Wireless telecommunications equipment		5,084,923	**5,133,128**
Buildings and structures		906,177	**917,216**
Tools, furniture and fixtures		441,513	**448,760**
Land		198,980	**199,202**
Construction in progress		204,413	**202,963**
Sub-total		6,836,006	**6,901,269**
Accumulated depreciation and amortization		(4,295,111)	**(4,305,239)**
Total property, plant and equipment, net		2,540,895	**2,596,030**
Non-current investments and other assets:			
Investments in affiliates	※3,6,20	373,758	**384,890**
Marketable securities and other investments	※3,7,20	198,650	**199,478**
Intangible assets, net	※3,8	608,776	**599,147**
Goodwill	※3,8	230,971	**224,264**
Other assets	※9		
Third parties		426,797	**472,609**
Related parties	※15	7,515	**5,894**
Deferred tax assets	※3,18	229,440	**228,832**
Total non-current investments and other assets		2,075,907	**2,115,114**
Total assets		¥ 7,453,074	¥ **7,748,290**

LIABILITIES AND EQUITY		Millions of yen March 31, 2017	Millions of yen March 31, 2018
Current liabilities:			
Current portion of long-term debt	※10,21	¥ 60,217	¥ **110,000**
Short-term borrowings	※10	1,623	**1,632**
Accounts payable, trade			
Third parties		612,349	**614,269**
Related parties	※15	241,189	**274,453**
Accrued payroll		59,187	**60,574**
Accrued income taxes		105,997	**155,037**
Other current liabilities			
Third parties	※3	188,092	**251,786**
Related parties		6,402	**26,407**
Total current liabilities		1,275,056	**1,494,158**
Long-term liabilities:			
Long-term debt (exclusive of current portion)	※10,21	160,040	**50,000**
Accrued liabilities for point programs	※3	94,639	**99,305**
Liability for employees’ retirement benefits	※3,17	193,985	**202,663**
Other long-term liabilities			
Third parties	※3	144,277	**165,555**
Related parties		989	**1,029**
Total long-term liabilities		593,930	**518,552**
Total liabilities		1,868,986	**2,012,710**
Redeemable noncontrolling interests	※3,11	22,942	**23,436**
Equity:	※12		
NTT DOCOMO, INC. shareholders’ equity			
Common stock, without a stated value-		949,680	**949,680**
Authorized shares			
17,460,000,000 shares as of March 31, 2017 and 2018			
Issued shares			
3,899,563,000 shares as of March 31, 2017			
3,782,299,000 shares as of March 31, 2018			
Outstanding shares			
3,704,585,533 shares as of March 31, 2017			
3,593,184,513 shares as of March 31, 2018			
Additional paid-in capital		326,621	**326,356**
Retained earnings		4,656,139	**4,789,229**
Accumulated other comprehensive income (loss)		24,631	**63,547**
Treasury stock		(426,442)	**(448,403)**
194,977,467 shares as of March 31, 2017			
189,114,487 shares as of March 31, 2018			
Total NTT DOCOMO, INC. shareholders’ equity		5,530,629	**5,680,409**
Noncontrolling interests		30,517	**31,735**
Total equity		5,561,146	**5,712,144**
Commitments and contingencies	※19		
Total liabilities and equity		¥ 7,453,074	¥ **7,748,290**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

		Millions of yen	
		March 31, 2017	March 31, 2018
Operating revenues:			
Telecommunications services			
Third parties		¥ 2,939,594	¥ **3,083,519**
Related parties	※15	45,500	**54,351**
Equipment sales			
Third parties		718,557	**754,683**
Related parties	※15	604	**455**
Other operating revenues			
Third parties		828,198	**809,661**
Related parties	※15	52,099	**66,740**
Total operating revenues		4,584,552	**4,769,409**
Operating expenses:			
Cost of services (exclusive of items shown separately below)			
Third parties		939,426	**900,355**
Related parties	※15	396,031	**447,745**
Cost of equipment sold (exclusive of items shown separately below)		792,145	**833,714**
Depreciation and amortization	※3,8	452,341	**485,502**
Impairment loss	※6,8,20	12,205	**12,088**
Selling, general and administrative	※3,13		
Third parties		872,829	**937,899**
Related parties	※15	174,837	**178,842**
Total operating expenses		3,639,814	**3,796,145**
Operating income		944,738	**973,264**
Other income (expense):			
Interest expense	※10	(277)	**(63)**
Interest income	※15	608	**499**
Income from arbitration award	※6	－	**147,646**
Other, net	※14	4,494	**(24,721)**
Total other income (expense)		4,825	**123,361**
Income before income taxes and equity in net income (losses) of affiliates		949,563	**1,096,625**
Income taxes:	※3,18		
Current		238,172	**282,055**
Deferred		49,507	**55,720**
Total income taxes		287,679	**337,775**
Income before equity in net income (losses) of affiliates		661,884	**758,850**
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	※6,20	(11,273)	**(12,229)**
Net income		650,611	**746,621**
Less: Net (income) loss attributable to noncontrolling interests		1,927	**(2,079)**
Net income attributable to NTT DOCOMO, INC.		¥ 652,538	¥ **744,542**
Per share data:			
Weighted average common shares outstanding – Basic and Diluted		3,726,266,553	**3,690,843,188**
Basic and Diluted earnings per share attributable to NTT DOCOMO, INC.	※3	¥ 175.12	¥ **201.73**

Consolidated Statements of Comprehensive Income

		Millions of yen	
		March 31, 2017	March 31, 2018
Net income		¥ 650,611	¥ **746,621**
Other comprehensive income (loss):	※12		
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes		12,821	**11,203**
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income		(1,082)	**116**
Unrealized gains (losses) on cash flow hedges, net of applicable taxes	※3	37	**(79)**
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income		48	**43**
Foreign currency translation adjustment, net of applicable taxes		(13,557)	**(1,555)**
Less: Reclassification of realized gains and losses, net of applicable taxes included in net income		582	**27,010**
Pension liability adjustment, net of applicable taxes			
Actuarial gains (losses) arising during period, net		8,313	**1,899**
Less: Amortization of prior service cost		(742)	**(357)**
Less: Amortization of actuarial gains and losses		3,105	**735**
Less: Amortization of transition obligation		33	**32**
Total other comprehensive income (loss)		9,558	**39,047**
Comprehensive income		660,169	**785,668**
Less: Comprehensive (income) loss attributable to noncontrolling interests		2,112	**(2,210)**
Comprehensive income attributable to NTT DOCOMO, INC.		¥ 662,281	¥ **783,458**

(3) Consolidated Statements of Changes in Equity

	Millions of yen							
	NTT DOCOMO, INC. shareholders' equity					Total NTT DOCOMO, INC. shareholders' equity	Noncontrolling interests	Total equity
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock			
Balance as of March 31, 2016	¥ 949,680	¥ 330,482	¥4,413,030	¥ 14,888	¥ (405,832)	¥ 5,302,248	¥ 40,857	¥5,343,105
Purchase of treasury stock					(149,607)	(149,607)		(149,607)
Retirement of treasury stock			(128,997)		128,997	−		−
Cash dividends declared to NTT DOCOMO, INC. shareholders ¥75 per share			(280,432)			(280,432)		(280,432)
Cash distributions to noncontrolling interests						−	(3,500)	(3,500)
Acquisition of new subsidiaries						−	49	49
Changes in interest in subsidiaries		(3,861)				(3,861)	(4,095)	(7,956)
Net income			652,538			652,538	(2,610)	649,928
Other comprehensive income (loss)				9,743		9,743	(184)	9,559
Balance as of March 31, 2017	¥ 949,680	¥ 326,621	¥4,656,139	¥ 24,631	¥ (426,442)	¥ 5,530,629	¥ 30,517	¥5,561,146
Purchase of treasury stock					**(300,000)**	**(300,000)**		**(300,000)**
Retirement of treasury stock			**(278,039)**		**278,039**	**−**		**−**
Cash dividends declared to NTT DOCOMO, INC. shareholders ¥90 per share			**(333,413)**			**(333,413)**		**(333,413)**
Cash distributions to noncontrolling interests						**−**	**(119)**	**(119)**
Acquisition of new subsidiaries						**−**	**2**	**2**
Changes in interest in subsidiaries		**(265)**				**(265)**	**(15)**	**(280)**
Net income			**744,542**			**744,542**	**1,219**	**745,761**
Other comprehensive income (loss)				**38,916**		**38,916**	**131**	**39,047**
Balance as of March 31, 2018	**¥ 949,680**	**¥ 326,356**	**¥4,789,229**	**¥ 63,547**	**¥ (448,403)**	**¥ 5,680,409**	**¥ 31,735**	**¥5,712,144**

* Changes in the redeemable noncontrolling interest are not included in the table.

(4) Consolidated Statements of Cash Flows

		Millions of yen	
		Year ended March 31, 2017	**Year ended March 31, 2018**
Cash flows from operating activities:			
Net income		¥ 650,611	**¥ 746,621**
Adjustments to reconcile net income to net cash provided by operating activities–			
Depreciation and amortization	※3,8	452,341	**485,502**
Deferred taxes	※18	49,507	**55,720**
Loss on sale or disposal of property, plant and equipment		54,160	**39,085**
Inventory write-downs	※3	11,043	**5,699**
Impairment loss	※8,20	12,205	**12,088**
Loss on transfer of investment in an affiliate	※6	-	**29,841**
Impairment loss on marketable securities and other investments	※14	2,305	**3,385**
Equity in net (income) losses of affiliates (including impairment charges of investments in affiliates)	※6,20	11,273	**12,229**
Dividends from affiliates		10,401	**10,943**
Changes in assets and liabilities:			
(Increase) / decrease in accounts receivable		(2,690)	**(5,772)**
(Increase) / decrease in receivables held for sale		36,103	**35,265**
(Increase) / decrease in credit card receivables		(34,410)	**(36,024)**
(Increase) / decrease in other receivables		(17,735)	**(9,588)**
Increase / (decrease) in allowance for doubtful accounts		7,240	**5,241**
(Increase) / decrease in inventories		(10,565)	**(40,005)**
(Increase) / decrease in prepaid expenses and other current assets		(767)	**(12,800)**
(Increase) / decrease in non-current receivables held for sale		57,626	**(21,582)**
Increase / (decrease) in accounts payable, trade		58,680	**16,280**
Increase / (decrease) in accrued income taxes		(59,290)	**49,042**
Increase / (decrease) in other current liabilities		(11,925)	**76,445**
Increase / (decrease) in accrued liabilities for point programs		19,457	**4,666**
Increase / (decrease) in liability for employees' retirement benefits		(7,608)	**9,039**
Increase / (decrease) in other long-term liabilities		9,804	**22,623**
Other, net		14,652	**17,597**
Net cash provided by operating activities		1,312,418	**1,511,540**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(450,826)	**(421,250)**
Purchases of intangible and other assets		(192,625)	**(201,998)**
Purchases of non-current investments		(2,155)	**(14,533)**
Proceeds from sale of non-current investments		6,452	**1,591**
Purchases of short-term investments		(156,779)	**(161,459)**
Redemption of short-term investments		121,572	**202,124**
Short-term bailment for consumption to a related party	※15	(380,000)	**(730,000)**
Proceeds from redemption of short-term bailment for consumption to a related party	※15	120,000	**620,000**
Other, net		(8,733)	**(12,847)**
Net cash used in investing activities		(943,094)	**(718,372)**
Cash flows from financing activities:			
Repayment of long-term debt		(200)	**(60,257)**
Proceeds from short-term borrowings	※10	25,094	**21,254**
Repayment of short-term borrowings	※10	(25,214)	**(21,254)**
Principal payments under capital lease obligations		(1,167)	**(1,152)**
Payments to acquire treasury stock	※12	(149,607)	**(300,000)**
Dividends paid		(280,527)	**(333,506)**
Cash distributions to noncontrolling interests		(3,500)	**(119)**
Other, net		2,024	**4,628**
Net cash used in financing activities		(433,097)	**(690,406)**
Effect of exchange rate changes on cash and cash equivalents		(1,054)	**377**
Net increase (decrease) in cash and cash equivalents		(64,827)	**103,139**
Cash and cash equivalents at beginning of year		354,437	**289,610**
Cash and cash equivalents at end of year	※4,15	¥ 289,610	**¥ 392,749**
Supplemental disclosures of cash flow information:			
Cash received during the fiscal year for:			
Income tax refunds		¥ 758	**¥ 222**
Cash paid during the fiscal year for:			
Interest, net of amount capitalized		46	**72**
Income taxes		297,765	**232,997**
Non-cash investing and financing activities:			
Assets acquired through capital lease obligations		1,138	**961**
Assets of wireless telecommunications equipment acquired through exchanges of similar equipment		6,581	**-**
Retirement of treasury stock	※12	128,997	**278,039**

Notes to Consolidated Financial Statements

1 Accounting principles, procedures and presentation of Consolidated Financial Statements

The accompanying quarterly consolidated financial statements of NTT DOCOMO, INC. and its subsidiaries ("DOCOMO") were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Since DOCOMO's American Depositary Shares ("ADSs") were listed on the New York Stock Exchange ("NYSE") in March 2002, DOCOMO has prepared its consolidated financial statements pursuant to the terminology, forms and preparation methods required in order to issue ADSs, which are registered with the Securities and Exchange Commission ("SEC") of the United States of America. Of accounting principles, procedures and presentation of Consolidated Financial Statements which DOCOMO adopts, the following items are important and different from accounting principles generally accepted in Japan.

(1) Presentation as to "Equity in net income (losses) of affiliates, net of applicable taxes"

"Equity in net income (losses) of affiliates, net of applicable taxes" is presented separately below "Income taxes."

(2) Receivables held for sale

Receivables which DOCOMO determines to sell are reclassified as receivables held for sale and are measured at the lower of cost or fair value.

(3) Goodwill or other intangible assets

DOCOMO does not amortize either goodwill or other intangible assets determined to have an indefinite useful life. However, goodwill and other intangible assets that have indefinite useful lives are tested annually for impairment at least.

(4) Certain commissions paid to agent resellers

Certain commissions paid to agent resellers which purchase equipment from DOCOMO for resale are reclassified as a reduction of revenue as to equipment sales. The reduction of revenue is recognized upon delivery of the equipment to such agent resellers, not when DOCOMO pays commissions.

(5) Employees' retirement benefit plans

Actuarial losses (gains) in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and prior service cost due to the changes of benefit plans, both of which are included in "Accumulated other comprehensive income (loss)," are amortized to earnings over the expected average remaining service period of employees on a straight-line basis. In addition, the differences between Japan GAAP and U.S.GAAP which derives from actuarial valuation are also adjusted.

(6) Compensated absences

Under certain circumstances, the unused balance of compensated absences is recognized as a liability on an accrual basis.

NTT DOCOMO, INC. has applied to SEC for delisting its ADSs from NYSE and deregistration from the SEC on April 2, 2018. Effective on April 13, 2018, NTT DOCOMO, INC. has delisted its ADSs from NYSE. Termination of registration of NTT DOCOMO, INC.'s ADSs with the SEC is expected to become effective on July 1, 2018.

2. Nature of operations:

DOCOMO is a joint stock corporation that was incorporated under the laws of Japan in August 1991 as the wireless telecommunications arm of NIPPON TELEGRAPH AND TELEPHONE CORPORATION ("NTT"). NTT, 32.39% of which is owned by the Japanese government, owns 63.31% of NTT DOCOMO, INC.'s issued stock and 66.64% of NTT DOCOMO, INC.'s voting stock outstanding as of March 31, 2018.

DOCOMO mainly provides its subscribers with mobile communications services such as LTE(Xi) services and FOMA services. In addition, DOCOMO sells handsets and related equipment primarily to agent resellers who in turn sell such equipment to subscribers.

3. Summary of significant accounting and reporting policies:

(1) Recently Adopted Accounting Standards

On November 20, 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17 "Balance Sheet Classification of Deferred Taxes." Effective April 1, 2017, DOCOMO adopted prospectively ASU 2015-17 "Balance Sheet Classification of Deferred Taxes." This ASU requires that all deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet.

(2) Significant accounting policies

Principles of consolidation—

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

DOCOMO also evaluates whether DOCOMO has a controlling financial interest in an entity through means other than voting rights and should consolidate the entity. For the fiscal years ended March 31, 2017 and 2018, DOCOMO had no significant variable interest entities to be consolidated or disclosed.

Use of estimates—

The preparation of DOCOMO's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. DOCOMO has identified the following areas where it believes estimates and assumptions are particularly critical to the consolidated financial statements. These are depreciation of property, plant and equipment, internal use software and other intangible assets, impairment of goodwill and unamortizable intangible assets, impairment of long-lived assets, impairment of investments, accrued liabilities for point programs, liability for employees' retirement benefits and revenue recognition.

Cash and cash equivalents—

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

Short-term investments—

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

Receivables held for sale—

The accounts receivable for DOCOMO's telecommunications services, installment receivables for subscribers' equipment purchases and others ("receivables for telecommunications services") which DOCOMO decides to sell are reclassified to "Receivables held for sale" and "Other assets" in the consolidated balance sheets.

Receivables held for sale are measured at the lower of cost or fair value and the amount by which cost exceeding fair value was ¥6,492 million and ¥6,320 million for the fiscal years ended March 31, 2017 and 2018, respectively, and the amount exceeding fair value was recorded as a valuation allowance in "Allowance for doubtful accounts" and "Other assets" in the consolidated balance sheets.

In addition, the aggregated amount of losses on sales of "receivables for telecommunications services" and adjustments to record the receivables held for sale at the lower of cost or fair value was ¥60,827 million and ¥57,687 million for the fiscal years ended March 31, 2017 and 2018, respectively, and was recorded as "Selling, general and administrative" expenses in the consolidated statements of income. The fair value of receivables held for sale is measured based on the estimated future discounted cash flows.

Allowance for doubtful accounts—

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

Inventories—

Inventories are stated at the lower of cost or market. The cost of equipment sold is determined by the first-in, first-out method. Inventories consist primarily of handsets and accessories. DOCOMO evaluates its inventory mainly for obsolescence on a periodic basis and records valuation adjustments as required. DOCOMO recognized losses on write-downs for the fiscal years ended March 31, 2017 and 2018 resulting in losses totaling ¥11,043 million and ¥5,699 million, respectively, which were included in "Cost of equipment sold" in the consolidated statements of income.

Property, plant and equipment—

Property, plant and equipment are stated at cost and include interest cost incurred during construction, as discussed below in "Capitalized interest." Property, plant and equipment under capital leases are stated at the present value of minimum lease payments.

Depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets. Useful lives are determined at the time the asset is acquired and are based on its expected use, past experience with similar assets and anticipated technological or other changes. If technological or other changes occur more or less rapidly or in a different form than anticipated or the intended use changes, the useful lives assigned to these assets are adjusted as appropriate. Property, plant and equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

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

Major wireless telecommunications equipment	9 to 16 years
Steel towers and poles for antenna equipment	30 to 40 years
Reinforced concrete buildings	42 to 56 years
Tools, furniture and fixtures	4 to 15 years

Depreciation and amortization expenses of property, plant and equipment for the fiscal years ended March 31, 2017 and 2018 were ¥284,542 million and ¥314,734 million, respectively.

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

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

Capitalized interest—

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

Investments in affiliates—

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

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

Marketable securities and other investments—

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

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

Debt securities held by DOCOMO, which DOCOMO has the positive intent and ability to hold to maturity, are classified as held-to-maturity, and the other debt securities that may be sold before maturity are classified as available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost. Available-for-sale debt securities are carried at fair value with unrealized holding gains or losses, net of applicable taxes, included in "Accumulated other comprehensive income (loss)." Realized gains and losses are determined using the first-in, first-out cost method and are reflected in earnings. Highly liquid debt securities with original maturities of 3 months or less at the date of purchase are recorded as "Cash and cash equivalents," while debt securities that are not recorded as "Cash and cash equivalents" with remaining maturities of 1 year or less at the end of fiscal year are recorded as "Short-term investments" in the consolidated balance sheets.

DOCOMO did not hold or transact any trading securities during the fiscal years ended March 31, 2017 and 2018.

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

Goodwill and other intangible assets—

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

DOCOMO does not amortize either goodwill, including investor level goodwill related to the investments accounted for under the equity method, or other intangible assets determined to have an indefinite useful life. However, (1) goodwill, except those related to equity method investments, and (2) other intangible assets that have indefinite useful lives are tested annually for impairment mainly as of March 31 and the assets are also tested between the annual tests if an event or circumstances occurs that would imply impairment.

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

As of March 31, 2017 and 2018, the most significant amount of recorded goodwill resides in the telecommunications business in Japan reporting unit, which is included in DOCOMO's telecommunications business segment. This reporting unit has recorded goodwill of ¥127,272 million and has passed the first step of the impairment tests by a substantial margin. The fair value of the remaining goodwill which resides in other reporting units also exceeds the net carrying amount by a significant margin or is not considered significant as of March 31, 2017 and 2018. Fair values have primarily been estimated using the discounted cash flow method which is based upon the future business plan. The future business plan is supported by the historical operating results and DOCOMO's most recent views of the mid to long-term outlook. However, if operating income were to decline significantly in the future due to now unforeseen events, it would adversely affect the estimated fair value of the reporting unit.

For the goodwill impairment losses recorded during the fiscal years ended March 31, 2017 and 2018, see Note 8 "Goodwill and other intangible assets."

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

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

DOCOMO capitalizes the cost of internal-use software which has a useful life in excess of 1 year. Subsequent costs for additions, modifications or upgrades to internal-use software are capitalized only to the extent that the software is able to perform a task it previously did not perform. Software acquired to be used in manufacture of handsets is capitalized if the technological feasibility of the handset to be ultimately marketed has been established at the time of acquisition. Software maintenance and training costs are expensed as incurred. Capitalized software costs are amortized over periods up to 7 years.

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

Impairment of long-lived assets—

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

Hedging activities—

DOCOMO uses derivative instruments, including interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts, and other financial instruments in order to manage its exposure to fluctuations in interest rates and foreign exchange rates. DOCOMO does not hold or issue derivative instruments for trading purposes. These financial instruments are effective in meeting the risk reduction objectives of DOCOMO by generating either transaction gains or losses which offset transaction gains or losses of the hedged items or cash flows which offset the cash flows related to the underlying position in respect of amount and timing.

All derivative instruments are recorded in the consolidated balance sheets at fair value. The recorded fair values of derivative instruments represent the amounts that DOCOMO would receive or pay to terminate the contracts at each fiscal year end. For derivative instruments that qualify as fair value hedge instruments, the changes in fair value of the derivative instruments are recognized in earnings, which offset the changes in fair value of the related hedged assets or liabilities that are also recognized in earnings of the period. For derivative instruments that qualify as cash flow hedge instruments, the changes in fair value of the derivative instruments are initially recorded in “Accumulated other comprehensive income (loss)” and reclassified into earnings when the relevant hedged transaction is realized. For derivative instruments that do not qualify as hedging instruments, the changes in fair value of the derivative instruments are recognized in earnings.

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

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

Claim reserves—

DOCOMO provides customers with an option to purchase “Mobile Device Protection Service,” which represents a comprehensive coverage program for damages or losses incurred to mobile handsets.

Since July 2015, DOCOMO has partially self-insured for future claims. The liability associated with the self-insurance consists of the reserve for the reported claims but not paid and an estimated reserve for the claims incurred but not reported.

Based on DOCOMO’s historical experience and the nature of the service, it is expected that a customer would generally make a claim immediately after occurrence of a claim incident. Accordingly, the estimated amount of reserve for the claims incurred but not reported is immaterial. The amount of claim for the reported claims but not paid is also immaterial. DOCOMO has recorded these reserves in “Other current liabilities” in the consolidated balance sheet.

Accrued liabilities for point programs—

DOCOMO offers “docomo Points Service,” which provides points to customers based on the usage of cellular and other services. These points may be exchanged for benefits such as payments on DOCOMO’s products.

On December 1, 2015, DOCOMO began offering “d POINT Service,” which provides individual customers with points that may be earned through, among others, mobile phone usage, making payments with “d CARD” or “DCMX” credit cards, or purchasing goods or services at DOCOMO’s partner stores. These points may be exchanged for payments on DOCOMO’s products and mobile phone charges, and payments at DOCOMO’s partner stores. Individual customers may continue using “d POINTs” subsequent to the cancellation of DOCOMO’s mobile telecommunications service contract. All “docomo Points” granted to individual customers from April 1, 2015 through November 30, 2015 were automatically transferred to “d POINTs,” and DOCOMO no longer grants “docomo Points” to any individual customer after December 1, 2015. “docomo Points” granted to individual customers prior to March 31, 2015 were converted to “d POINTs” on May 10, 2017, and remain valid through May 31, 2018.

DOCOMO records “Accrued liabilities for point programs” relating to the points that customers earn. DOCOMO separately estimates the accrued liabilities for “d POINTs” and those for “docomo Points.”

In measuring DOCOMO's accrued liabilities for "d POINTs" that will be valid for 4 years from the date the points are granted and "docomo Points" granted to individual customers, which were converted to "d POINTs" on May 10, 2017, DOCOMO does not estimate the point utilization rate since DOCOMO does not have sufficient historical experience to estimate the point utilization rate.

In measuring DOCOMO's accrued liabilities for "d POINTs" other than the above and "docomo Points" granted to corporate customers, DOCOMO estimates factors such as the point utilization rate based on DOCOMO's historical experience.

Employees' retirement benefit plans—

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

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

Redeemable noncontrolling interests—

A portion of noncontrolling interests of subsidiaries can be put to DOCOMO upon certain events. As redemption of the noncontrolling interests is not solely in the control of DOCOMO, it is considered as "Redeemable noncontrolling interests" and presented in between Liabilities and Equity in the consolidated balance sheets.

For the fiscal years ended March 31, 2017 and 2018, DOCOMO believes that subsequent fair value adjustment of redeemable noncontrolling interests is not required because these are not currently redeemable or it is not probable that these will become redeemable. DOCOMO will reassess the probability of redemption annually.

Revenue recognition—

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

DOCOMO sets its mobile communications services rates in accordance with the Japanese Telecommunications Business Act and government guidelines, which currently allow wireless telecommunications operators to set their own tariffs without government approval. Mobile communications service revenues primarily consist of basic monthly charges, airtime charges and fees for activation. Basic monthly charges and airtime charges are recognized as revenues at the time the service is provided to the subscribers. Some of DOCOMO's monthly billing plans generally include a certain amount of allowances (free minutes and/or packets), and the amount of the allowances used is subtracted from total usage in calculating the airtime revenue from a subscriber for the month. DOCOMO offers billing arrangements called "Zutto Kurikoshi" and "Packet Kurikoshi," in which unused allowances are automatically carried over.

"Zutto Kurikoshi" is a billing arrangement, in which the unused allowances of the monthly free minutes and/or packets are automatically and indefinitely carried over up to the upper limit set by each billing plan. Out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following months. DOCOMO did not have sufficient historical evidence to reasonably estimate unused allowances that will be utilized in the following months. Hence DOCOMO deducted and deferred amounts allocated to unused allowances from revenues, which did not exceed the upper limit set by each billing plan. For the fiscal year ended March 31, 2018, out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used in the following months. The deferred revenues are recognized as revenues in accordance with an actual use of the allowances in the following months.

"Packet Kurikoshi" is a billing arrangement, in which the unused allowances of the monthly packet data which can be used without speed cap are automatically carried over for up to the following month. For the fiscal year ended March 31, 2018, out of the unused allowance in a month, DOCOMO defers the revenues based on the portion which is estimated to be used prior to expiration. As for the portion which is estimated to expire, DOCOMO recognizes the revenue attributable to such expiring portion of unused allowances ratably as the remaining allowances are utilized, in addition to the revenue recognized when subscribers utilize data transmissions. The deferred revenues are recognized as revenues in the next month.

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

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

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

DOCOMO has provided an optical-fiber broadband service, "docomo Hikari," by utilizing the wholesale optical-fiber access service of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, subsidiaries of NTT. With the commencement of this service, DOCOMO introduced a billing arrangement, "docomo Hikari Pack," which enables "docomo Hikari" subscribers who also subscribe specific monthly packet communications plan to receive discounted charges.

DOCOMO sells "docomo Hikari" service and packet communications plan service offered in a bundled arrangement, as well as separately. Therefore, each service has a standalone selling price. The total arrangement consideration for "docomo Hikari Pack" is allocated to "optical-fiber broadband service and other telecommunications services" and "packet communications plan service" based on the relative selling prices of the services and each service is separately recognized as revenue at the time each service is provided to the subscribers.

In addition to the above, DOCOMO sells a variety of goods and digital media contents, such as video and music distribution, electronic books and other services offered through DOCOMO's "dmarket" portal, and renders services such as "Mobile Device Protection Service," of which revenues are included in "Other operating revenues" in the consolidated statements of income.

DOCOMO recognizes the related revenues when the following criteria are met. Persuasive evidence of an arrangement or contract exists, delivery has occurred or service has been rendered, the selling price is fixed and collection is reasonably assured.

In addition, DOCOMO evaluates whether it is appropriate to record the gross amount of the revenues and related costs for those goods and services by considering a number of factors, including, but not limited to, whether DOCOMO is the primary obligor under the arrangement or contract, has the inventory risk and has latitude in establishing prices. As DOCOMO generally is the primary obligor with the inventory risk, latitude in establishing prices and/or credit risks, the related revenues are presented on a gross basis.

For certain transactions on the "dmarket," DOCOMO is not considered the primary obligor, does not take or take little inventory risk, has no latitude in establishing prices and/or credit risk. DOCOMO is considered an agent for such transactions and related revenues are presented on a net basis.

The deferred revenue and deferred charges as of March 31, 2017 and 2018 were as follows:

		Millions of yen	
	Location	2017	2018
Current deferred revenue.........	Other current liabilities	¥ 78,453	¥ **98,539**
Long-term deferred revenue....	Other long-term liabilities	122,731	**141,029**
Current deferred charges.........	Prepaid expenses and other current assets	15,533	**17,981**
Long-term deferred charges....	Other assets	110,967	**127,264**

Selling, general and administrative expenses—

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

Income taxes—

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced, using a valuation allowance, to an amount more likely than not to be realized. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

DOCOMO recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are reflected in the fiscal year in which the change in judgment occurs. DOCOMO has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as a part of income tax expense in the consolidated statements of income.

Earnings per share attributable to NTT DOCOMO, INC.—

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

DOCOMO did not issue dilutive securities during the fiscal years ended March 31, 2017 and 2018, and therefore there is no difference between basic and diluted earnings per share attributable to NTT DOCOMO, INC.

Foreign currency translation—

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

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

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

(3) Reclassifications

Certain reclassifications have been made to the prior periods' consolidated financial statements to conform to the presentation used for the fiscal year ended March 31, 2018.

(4) Recently Issued Accounting Standards

Revenue from Contracts with Customers—

On May 28, 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)," which requires an entity to recognize the amount to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective.

The FASB also issued ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ASU 2016-10 "Identifying Performance Obligations and Licensing," ASU 2016-12 "Narrow-Scope Improvements and Practical Expedients," ASU 2016-20 "Technical Corrections and Improvements to Topic 606," and ASU 2017-05 "Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" in March, April, May and December 2016, and February 2017, respectively, to partially amend ASU 2014-09.

On August 12, 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," and deferred the effective date of the ASU by one year. Consequently, the standard is expected to take effect for DOCOMO on April 1, 2018.

The two permitted transition methods under the new standard are the full retrospective method, or the modified retrospective method. Under the full retrospective method, all periods presented will be updated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to the reporting period will be recorded to retained earnings at the beginning of the initial reporting period. Under the modified retrospective approach, the current reporting period will be updated to conform to the new standard and a cumulative adjustment for effects of applying the new standard to periods prior to the reporting period that includes the date of initial application is recorded to retained earnings as of the date of initial application, and also incremental disclosures related to the amount affected by the application of this new standard are required. If DOCOMO decides to adopt modified retrospective method to all contracts, DOCOMO expects that retained earnings will increase approximately by ¥ 161 billion, net of applicable tax as of April 1, 2018. DOCOMO believes that the most significant impacts may include the following items:

- The standard requires the recognition of incremental costs of obtaining and direct costs of fulfilling contracts with customers as assets. Accordingly, DOCOMO expects that part of the sales commissions and other charges that have previously been treated as expenses as incurred will be recognized as contract assets, which will be amortized over the estimated average period of the subscription for each service. If DOCOMO decides to adopt modified retrospective method to all contracts, contract cost will be capitalized approximately at ¥276 billion as of April 1, 2018.

- The standard requires that if customers are granted by an entity the option to acquire additional goods or services at a discount by a contract agreed between the customer and the entity, the entity shall identify this option as a separate performance obligation upon granting such option as a part of the consideration of the transaction being recognized as contract liabilities, and recognize revenue when the additional good or service is transferred at a discount to the customer or when such option expires. Accordingly, DOCOMO expects that in relation to "docomo POINTs" and "d POINTs" which have traditionally been recorded as accrued liabilities, DOCOMO will recognize a part of the considerations for the transaction of mobile communications and other services as contract liabilities at the time when the points are granted to the customer, related contract liability is reduced and the revenue is recognized when the points are used for the additional good or service at a discount or when the points expire. For the fiscal year ended March 31, 2018, the amount of expenses for point programs under the existing standards was ¥119,399 million, which was included in "Selling, general and administrative" in DOCOMO's consolidated statements of income.

DOCOMO established a team for the new standard to change DOCOMO's systems and set up reporting processes and internal controls.

Recognition and Measurement of Financial Assets and Financial Liabilities－

On January 5, 2016, the FASB issued ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities," which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU 2016-01 does not affect the accounting for investments that would otherwise be consolidated or accounted for under the equity method. The new standard also affects the recognition of changes in fair value of financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The new standard is effective for DOCOMO on April 1, 2018. If DOCOMO adopts the ASU, DOCOMO expects that retained earnings will increase by ¥84.6 billion, net of applicable tax.

Lease－

On February 25, 2016, the FASB issued ASU 2016-02 "Lease," which requires all lessees to recognize the right-of-use asset and lease liability, principally. The new standard is effective for DOCOMO on April 1, 2019. DOCOMO estimates that the right-of-use assets and lease liabilities related mainly to leases agreements related to offices and land for the installation of telecommunications equipment will be recognized.

Simplifying the Test for Goodwill Impairment－

On January 26, 2017, the FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment," which eliminates Step 2 from the goodwill impairment test. Instead, the amendments in this update require that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments in this update are effective for DOCOMO on April 1, 2020. DOCOMO is currently evaluating the effect of adopting the ASU.

4. Cash and cash equivalents:

"Cash and cash equivalents" as of March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Cash	¥ 102,167	¥ **191,502**
Certificates of deposit	10,000	**—**
Commercial paper	236	**194**
Bailment for consumption	177,207	**201,053**
Total	¥ 289,610	¥ **392,749**

The commercial paper as of March 31, 2017 and 2018 was classified as available-for-sale securities, fair value of which approximates their amortized amounts.

Information regarding "Bailment for consumption" is disclosed in Note 15 "Related party transactions."

5. Inventories:

"Inventories" as of March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Finished goods	¥ 148,720	¥ **183,323**
Materials and supplies	4,668	**4,079**
Total	¥ 153,388	¥ **187,402**

6. Investments in affiliates:

Sumitomo Mitsui Card Company, Limited.—

Sumitomo Mitsui Card Company, Limited. ("Sumitomo Mitsui Card") is a credit card operator in Japan and a privately held company.

As of March 31, 2017 and 2018, DOCOMO held 34% of the outstanding common shares of Sumitomo Mitsui Card. DOCOMO entered into an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services which use mobile phones compatible with the "Osaifu-Keitai" (wallet-phone) service.

PLDT Inc.—

PLDT Inc. ("PLDT") is a telecommunication operator in the Philippines and a public company listed on the Philippine Stock Exchange and the New York Stock Exchange.

DOCOMO held approximately 15% of PLDT's outstanding common shares and approximately 9% of voting interest in PLDT as of March 31, 2017 and 2018. The ratio of outstanding common shares and voting interest in PLDT held by DOCOMO as of March 31, 2017 and 2018 are disproportionate because PLDT issued voting preferred stock in October, 2012.

DOCOMO applies the equity method of accounting for the investment in PLDT, as DOCOMO has the ability to exercise significant influence over PLDT given DOCOMO's board representation and the right to exercise the voting rights associated with the ownership interest collectively held by DOCOMO and NTT Communications Corporation ("NTT Com"), which held approximately 6% of PLDT's outstanding common shares and approximately 3% of voting interest in PLDT as of March 31, 2017 and 2018, in accordance with an agreement between PLDT and its major shareholders, including NTT Com and DOCOMO.

DOCOMO's carrying amount of its investment in PLDT was ¥112,592 million and ¥107,734 million as of March 31, 2017 and 2018, respectively. The aggregate market price of the PLDT shares owned by DOCOMO was ¥114,841 million and ¥94,418 million as of March 31, 2017and 2018, respectively.

Tata Teleservices Limited—

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

Until October 31 2017, DOCOMO had held approximately 21.6% of the outstanding common shares of TTSL and accounted for the investment under the equity method.

Under the shareholders agreement (the "Agreement") entered into among TTSL, Tata Sons Limited ("Tata Sons") and DOCOMO when DOCOMO entered into a business alliance with TTSL in March 2009, DOCOMO shall have certain shareholder rights, including the right to require Tata Sons to find a suitable buyer for DOCOMO's entire stake (1,248,974,378 shares, or approximately 26.5% of outstanding shares) in TTSL for 50% of the DOCOMO's acquisition price, which amounts to 72.5 billion Indian rupees (or ¥127.6 billion[*1]), or at fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets by March 31, 2014. The right became exercisable on May 30, 2014, and DOCOMO exercised the right on July 7, 2014.

The obligation of Tata Sons under the Agreement was not fulfilled, although DOCOMO repeatedly held discussions with Tata Sons regarding the sale of DOCOMO's entire stake in TTSL pursuant to the Agreement. Accordingly, DOCOMO submitted a request for arbitration to the London Court of International Arbitration ("LCIA") on January 3, 2015.

DOCOMO received a binding arbitration award from the LCIA on June 23, 2016. The award ordered that Tata Sons pay damages to DOCOMO in the amount of approximately $1,172 million (or ¥132.6 billion[*2]) for Tata Sons' breach of the Agreement, upon DOCOMO's tender of its entire stake in TTSL to Tata Sons or its designee.

On July 8, 2016, DOCOMO submitted an application to the High Court in India ("the Court") requesting enforcement of the LCIA Award in India. On February 25, 2017, DOCOMO and Tata Sons submitted a joint application to the Court requesting that the Court declare the LCIA Award enforceable in India. On April 28, 2017, the Court delivered a court decision approving the joint application.

On October 31, 2017, DOCOMO received payment of an arbitration award*3 from Tata Sons in accordance with the Court decision. As a result of this transaction, DOCOMO recorded the award amount of ¥147,646 million as "Income from arbitration award" on its consolidated statement of income for the period ended March 31, 2018.

Concurrent with the receipt of the above award amount, all shares in TTSL held by DOCOMO were transferred to Tata Sons and those companies designated by Tata Sons. Upon the transfer of DOCOMO's shares in TTSL, DOCOMO discontinued the application of the equity method to the investment in TTSL. As a result, DOCOMO recorded ¥29,841 million of loss on transfer of investment in an affiliate, equal to the reclassification adjustments of foreign currency translation adjustments, in "Other, net" on its consolidated statement of income for the period ended March 31, 2018.

*1 1 rupee = ¥1.76 as of October 31, 2017

*2 $1 = ¥113.16 as of October 31, 2017

*3 The amount received included interest earned and other costs awarded.

Impairment—

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

DOCOMO determined that there were other-than-temporary declines in values, of certain investments including Hutchison Telephone Company Limited ("HTCL") and recorded impairment charges aggregating ¥23,342 million, net of deferred income taxes of ¥578 million, for the fiscal year ended March 31, 2017 and aggregating ¥2,442 million, net of deferred income taxes of ¥119 million, for the fiscal year ended March 31, 2018 respectively. The impairment charges are included in "Equity in net income (losses) of affiliates, net of applicable taxes" in the accompanying consolidated statements of income.

DOCOMO believes that the estimated fair values of each of its investments in affiliates as of March 31, 2018 subsequent to the recording of the impairment charges are almost equal to or exceed the related carrying values on an individual basis.

Others—

All of the significant affiliates, except for PLDT, are privately held companies as of March 31, 2018.

DOCOMO's shares of undistributed earnings of its affiliates included in its consolidated retained earnings were ¥45,635 million and ¥49,239 million, as of March 31, 2017 and 2018, respectively. DOCOMO did not have significant business transactions with its affiliates except for Sumitomo Mitsui Card.

The total carrying value of DOCOMO's "Investments in affiliates" in the consolidated balance sheets as of March 31, 2017 and 2018 was greater by ¥200,551 million and ¥137,514 million, respectively, than its aggregate underlying equity in net assets of such affiliates as of the date of the most recent available financial statements of the investees. The differences mainly consist of investor level goodwill and fair value adjustments for amortizable intangible assets.

The following represents summarized financial information for DOCOMO's affiliates.

Balance sheet information	Millions of yen 2017
Current assets	¥ 1,661,042
Non-current assets	1,987,091
Current liabilities	1,595,153
Long-term liabilities	1,263,543
Equity	789,437
Noncontrolling interests	2,441

Operating information	Millions of yen 2017
Operating revenues	¥ 1,145,804
Operating income	97,844
Income from continuing operations	150,766
Net income	150,766
Net income attributable to shareholders' of the affiliates	151,656

Balance sheet information	Millions of yen 2018
Current assets	**¥ 1,749,641**
Non-current assets	**1,533,011**
Current liabilities	**1,445,274**
Long-term liabilities	**820,273**
Equity	**1,017,105**
Noncontrolling interests	**11,326**

Operating information	Millions of yen 2018
Operating revenues	**¥ 1,019,030**
Operating income	**22,296**
Income from continuing operations	**(21,377)**
Net income	**(21,377)**
Net income attributable to shareholders' of the affiliates	**(21,613)**

7. Marketable securities and other investments:

"Marketable securities and other investments" as of March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Marketable securities:		
Available-for-sale	¥ 179,659	¥ **178,734**
Other investments	18,991	**20,744**
Marketable securities and other investments (Non-current)	¥ 198,650	¥ **199,478**

The carrying amount and fair value of debt securities classified as available-for-sale included in "Marketable securities and other investments" as of March 31, 2017 and 2018, aggregated by maturities, were as follows:

	Millions of yen			
	2017		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Due after 1 year through 5 years	¥ 5	¥ 5	¥ **4**	¥ **4**
Due after 5 years through 10 years	—	—	—	—
Due after 10 years	—	—	—	—
Total	¥ 5	¥ 5	¥ **4**	¥ **4**

The cost, gross unrealized holding gains and losses and fair value as of March 31, 2017 and 2018, aggregated by type of available-for-sale securities included in "Marketable securities and other investments," were as follows:

	Millions of yen			
	2017			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥ 101,487	¥ 78,527	¥ 360	¥ 179,654
Debt securities	5	—	—	5

	Millions of yen			
	2018			
	Cost / Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Available-for-sale:				
Equity securities	¥ **98,710**	¥ **80,876**	¥ **856**	¥ **178,730**
Debt securities	**4**	—	—	**4**

The proceeds and gross realized gains (losses) from the sale of available-for-sale securities and other investments for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Proceeds	¥ 3,921	¥ **1,050**
Gross realized gains	3,158	**583**
Gross realized losses	(12)	**(19)**

The fair value of and gross unrealized holding losses on available-for-sale securities and cost method investments included in other investments as of March 31, 2017 and 2018, aggregated by investment category and length of time during which individual securities were in a continuous unrealized loss position, were as follows:

	Millions of yen					
	2017					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥ 3,307	¥ 360	¥ —	¥ —	¥ 3,307	¥ 360

	Millions of yen					
	2018					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Available-for-sale:						
Equity securities	¥ **6,280**	¥ **856**	¥ —	¥ —	¥ **6,280**	¥ **856**
Cost method investments	**142**	**489**	—	—	**142**	**489**

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

For long-term investments in various privately held companies for which there are no quoted market prices, DOCOMO does not estimate the fair value of such cost method investments unless DOCOMO identifies events or changes in circumstances that may have a significant adverse effect on the fair value of the investments.

The aggregate carrying amount of cost method investments included in other investments and the aggregate carrying amount of investments whose fair values were not evaluated for impairment as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Cost method investments included in other investments	¥ 18,957	¥ **20,613**
Including: Investments whose fair values were not evaluated for impairment	18,948	**19,954**

The amount of other-than-temporary impairment of "marketable securities and other investments" is disclosed in Note 14 "Other income (expense)."

8. Goodwill and other intangible assets:

Goodwill—

The majority of DOCOMO's goodwill was recognized when DOCOMO purchased all the remaining noncontrolling interests in its eight regional subsidiaries through share exchanges and made these subsidiaries wholly owned in November 2002.

The changes in the carrying amount of goodwill by each segment for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen			
	2017			
	Telecommunications business	Smart life business	Other businesses	Consolidated
Balance at beginning of year				
Gross goodwill	¥ 143,927	¥ 70,731	¥ 43,847	¥ 258,505
Accumulated impairment losses	—	(2,368)	(12,442)	(14,810)
	143,927	68,363	31,405	243,695
Goodwill impairment loss	(4,076)	(5,887)	—	(9,963)
Foreign currency translation adjustment	(846)	27	(1,942)	(2,761)
Balance at end of year				
Gross goodwill	143,081	70,758	41,905	255,744
Accumulated impairment losses	(4,076)	(8,255)	(12,442)	(24,773)
	¥ 139,005	¥ 62,503	¥ 29,463	¥ 230,971

	Millions of yen			
	2018			
	Telecommunications business	Smart life business	Other businesses	Consolidated
Balance at beginning of year				
Gross goodwill	**¥ 143,081**	**¥ 70,758**	**¥ 41,905**	**¥ 255,744**
Accumulated impairment losses	**(4,076)**	**(8,255)**	**(12,442)**	**(24,773)**
	139,005	**62,503**	**29,463**	**230,971**
Goodwill impairment loss	**(8,916)**	—	—	**(8,916)**
Foreign currency translation adjustment	**(418)**	**3**	**2,624**	**2,209**
Sales of consolidated subsidiary				
Gross goodwill	—	**(2,368)**	—	**(2,368)**
Accumulated impairment losses	—	**2,368**	—	**2,368**
Balance at end of year				
Gross goodwill	**142,663**	**68,393**	**44,529**	**255,585**
Accumulated impairment losses	**(12,992)**	**(5,887)**	**(12,442)**	**(31,321)**
	¥ 129,671	**¥ 62,506**	**¥ 32,087**	**¥ 224,264**

Segment information is disclosed in Note 16 "Segment reporting."

During the fiscal year ended March 31, 2017, because of the change in its business environment, DOCOMO recognized ¥4,076 million and ¥5,887 million goodwill impairment losses for reporting units in the telecommunications business segment and smart life business segment, respectively. The fair values of these reporting units were measured using the discounted cash flow method. The amounts of these impairment losses were included in "Impairment loss" of the consolidated statements of income.

During the fiscal year ended March 31, 2018, because of the change in its business environment, DOCOMO recognized ¥8,916 million goodwill impairment losses for reporting units in the telecommunications business segment. The fair value of the reporting unit was measured using the discounted cash flow method. The amounts of the impairment loss was included in "Impairment loss" of the consolidated statements of income.

Other intangible assets—

Other intangible assets, as of March 31, 2017 and 2018 comprised the following:

	Millions of yen		
	2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	¥ 1,093,449	¥ 831,067	¥ 262,382
Internal-use software	1,502,350	1,233,568	268,782
Software acquired to be used in manufacture of handsets	258,682	231,136	27,546
Rights to use telecommunications facilities of wireline operators	19,099	8,379	10,720
Other	39,597	29,793	9,804
Total amortizable intangible assets	¥ 2,913,177	¥ 2,333,943	¥ 579,234
Unamortizable intangible assets:			
Spectrum related assets			18,194
Trademarks and trade names			¥ 11,348
Total unamortizable intangible assets			¥ 29,542
Total			¥ 608,776

	Millions of yen		
	2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizable intangible assets:			
Software for telecommunications network	**¥ 1,153,790**	**¥ 903,564**	**¥ 250,226**
Internal-use software	**1,576,328**	**1,302,764**	**273,564**
Software acquired to be used in manufacture of handsets	**264,849**	**238,583**	**26,266**
Rights to use telecommunications facilities of wireline operators	**19,050**	**9,115**	**9,935**
Other	**39,276**	**31,059**	**8,217**
Total amortizable intangible assets	**¥ 3,053,293**	**¥ 2,485,085**	**¥ 568,208**
Unamortizable intangible assets:			
Spectrum related assets			**¥ 19,594**
Trademarks and trade names			**11,345**
Total unamortizable intangible assets			**¥ 30,939**
Total			**¥ 599,147**

The amount of amortizable intangible assets acquired during the fiscal year ended March 31, 2018 was ¥159,925 million, the main components of which were software for telecommunications network in the amount of ¥64,276 million and internal-use software in the amount of ¥85,852 million. The weighted-average amortization period of such software for telecommunications network and internal-use software is 7 years and 6 years, respectively.

Amortization of intangible assets for the fiscal years ended March 31, 2017 and 2018 was ¥167,799 million and ¥170,768 million, respectively. Estimated amortization of existing intangible assets for fiscal years ending March 31, 2018, 2019, 2020, 2021 and 2022 is ¥159,557 million, ¥124,286 million, ¥93,950million, ¥64,492 million and ¥39,365 million, respectively. The weighted-average amortization period of the intangible assets acquired during the fiscal year ended March 31, 2018 is 6 years.

The amount of unamortizable intangible assets acquired during the fiscal year ended March 31, 2018 was ¥1,410 million.

Spectrum related assets are related to the acquisition of 700MHz band that DOCOMO incurred for the former licensees to migrate from the 700MHz band to the other frequency spectrum based on the acceleration measures for termination of the Radio Act of Japan. As long as DOCOMO is in compliance with the regulations required by the Ministry of Internal Affairs and Communications, DOCOMO is able to renew and extend the 700MHz band license at a minimum cost. Therefore, it is determined that the spectrum related assets have indefinite useful lives. The weighted-average period from March 31, 2018 to the next renewal or extension is 4 years.

9. Other assets:

"Other assets" as of March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Deposits	¥ 86,507	¥ **91,487**
Deferred customer activation costs	110,967	**127,264**
Receivables held for sale (Non-current).	214,692	**236,274**
Allowance for doubtful accounts	(9,749)	**(4,371)**
Long-term prepaid expenses	10,713	**10,465**
Asset for employees' retirement benefits	9,166	**11,044**
Other	12,016	**6,340**
Total	¥ 434,312	¥ **478,503**

10. Short-term borrowings and long-term debt:

Short-term borrowings, excluding the current portion of long-term debt as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Short-term borrowings denominated in Japanese Yen:		
Unsecured short-term loans from financial institutions	¥ 1,500	¥ **1,500**
(Year ended March 31, 2017 - weighted-average rate per annum : 0.4% as of March 31, 2017)		
(Year ended March 31, 2018 - weighted-average rate per annum : 0.4% as of March 31, 2018)		
Short-term borrowings denominated in Euro:		
Unsecured short-term loans from financial institutions	123	**132**
(Year ended March 31, 2017 - weighted-average rate per annum :0.7% as of March 31, 2017)		
(Year ended March 31, 2018 - weighted-average rate per annum :0.7% as of March 31, 2018)		
Total short-term borrowings	¥ 1,623	¥ **1,632**

Long-term debt as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Debt denominated in Japanese Yen:		
Unsecured corporate bonds	¥ 220,000	¥ **160,000**
(Year ended March 31, 2017 - interest rates per annum : 0.2%-2.0%, due : years ending March 31, 2018-2024)		
(Year ended March 31, 2018 - interest rates per annum : 0.7%-2.0%, due : years ending March 31, 2019-2024)		
Unsecured indebtedness to financial institutions	257	—
(Year ended March 31, 2017 - interest rates per annum : 0.7%-1.4%, due : years ending March 31, 2018-2022)		
Sub-total	¥ 220,257	¥ **160,000**
Less: Current portion	(60,217)	**(110,000)**
Total long-term debt	¥ 160,040	¥ **50,000**

For the fiscal years ended March 31, 2017, DOCOMO did not redeem or issue corporate bonds. For the fiscal years ended March 31, 2018, DOCOMO redeemed corporate bonds at 60,000 million but did not issue corporate bonds.

Interest rates on DOCOMO's debts are mainly fixed. DOCOMO may use interest rate swap agreements, under which DOCOMO receives fixed rate interest payments and pays floating rate interest payments, to hedge the changes in fair value of certain debt as a part of its asset-liability management (ALM). Information relating to interest rate swap agreements is disclosed in Note 21 "Financial instruments." DOCOMO did not enter into any interest rate swaps agreements designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2017 and 2018. DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2017 and 2018.

Interest costs related to short-term borrowings and long-term debt for the fiscal years ended March 31, 2017 and 2018 totaled ¥2,636 million, ¥2,565 million, respectively. "Interest expense" in the consolidated statements of income excludes the amounts of capitalized interest.

The aggregate amounts of annual maturities of long-term debt as of March 31, 2018, were as follows:

Years ending March 31	Millions of yen
2019	110,000
2020	—
2021	—
2022	—
2023	—
Thereafter	50,000
Total	¥ 160,000

11. Redeemable noncontrolling interest

Changes in the redeemable noncontrolling interest for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Balance at beginning of year	¥ 16,221	**¥ 22,942**
Comprehensive income		
Net income	683	**860**
Other comprehensive income (loss)		
Foreign currency translation adjustment, net of applicable taxes	(1)	**(0)**
Changes in interest in subsidiaries	6,100	—
Cash distributions to redeemable noncontrolling interests	(61)	**(366)**
Balance at end of year	¥ 22,942	**¥ 23,436**

12. Equity:

(1) Dividends

The Companies Act of Japan (the “Companies Act”) provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the Board of Directors, if the articles of incorporation provide for such interim cash dividends and (iii) an amount equal to 10% of the decrease in retained earnings, as a result of a dividend payment, shall be contributed to a legal reserve that can be funded up to an amount equal to 25% of capital stock. The legal reserve is available for distribution upon approval of the shareholders.

The distributable amount available for the payments of dividends to shareholders as of March 31, 2018 was ¥4,125,407 million and was included in “Additional paid-in capital” and “Retained earnings.”

In the general meeting of shareholders held on June 19, 2018, the shareholders approved cash dividends of ¥179,659 million or ¥50 per share, payable to shareholders of record as of March 31, 2018, which were declared by the Board of Directors on April 27, 2018.

(2) Issued shares and treasury stock

With regard to the acquisition of treasury stock, Companies Act provides that (i) it can be executed according to a resolution of the general meeting of shareholders, and (ii) the acquisition of treasury stock through open market transactions can be done according to a resolution of the Board of Directors, if the articles of incorporation contain such a provision. In accordance with (ii) above, a provision in NTT DOCOMO, INC.’s articles of incorporation stipulates that NTT DOCOMO, INC. may repurchase treasury stock through open market transactions, by a resolution of the Board of Directors, for the purpose of improving capital efficiency and implementing flexible capital policies in accordance with the business environment.

The changes in the number of issued shares and treasury stock were as follows. NTT DOCOMO, INC. has not issued shares other than shares of its common stock.

	Number of issued shares	Number of treasury stock
As of March 31, 2016	3,958,543,000	197,926,250
Acquisition of treasury stock based on the resolution of the Board of Directors	—	56,031,000
Acquisition of treasury stock through purchase of less-than-one-unit shares	—	217
Retirement of treasury stock	(58,980,000)	(58,980,000)
As of March 31, 2017	3,899,563,000	194,977,467
Acquisition of treasury stock based on the resolution of the Board of Directors	—	**111,400,937**
Acquisition of treasury stock through purchase of less-than-one-unit shares	—	**83**
Retirement of treasury stock	**(117,264,000)**	**(117,264,000)**
As of March 31, 2018	**3,782,299,000**	**189,114,487**

On April 28, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 99,132,938 outstanding shares of its common stock by way of the Tokyo Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System ("ToSTNeT-3") and market purchases in accordance with the discretionary dealing contract, at an amount in total not exceeding ¥192,514 million from May 2, 2016 through December 31, 2016.

Based on this resolution, NTT DOCOMO, INC. repurchased 9,021,000 shares of its common stock at ¥24,433 million using the ToSTNeT-3 on May 18, 2016, and also repurchased 47,010,000 shares of its common stock for a total purchase price of ¥125,174 million by way of market purchases in accordance with the discretionary dealing contract as of December 31, 2016.

On October 26, 2017, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 120 million outstanding shares of its common stock for an amount in total not exceeding ¥300,000 million during the period from October 27, 2017 through March 31, 2018.

On December 11, 2017, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 93,248,787 outstanding shares of its common stock by way of tender offer at an amount in total not exceeding ¥250,000 million from December 12, 2017 through January15, 2018 and repurchased 75,678,037 shares of its common stock at ¥202,893 million. In addition, the Board of Directors also resolved that NTT DOCOMO, INC may acquire the shares of its common stock* by way of repurchases on Tokyo Stock Exchange for an amount in total not exceeding the amount* from the next business day of following the expiration of the tender offer through March 31, 2018. NTT DOCOMO, INC. acquired 35,722,900 shares of its common stock at ¥97,107 million by way of repurchases on the market.

The aggregate number of shares acquired from our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION, was 74,599,000 shares and the amount in total was ¥200,000 million for the fiscal year ended March 31, 2018.

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

* The number of shares remaining after subtracting the number of shares acquired by way of tender offer from the maximum limit and the amount remaining after subtracting the total amount used to repurchase the shares acquired by way of tender offer from the maximum limit.

The aggregate number and price of shares repurchased for the fiscal years ended March 31, 2017 and 2018 were as follows:

Years ended March 31	Shares	Millions of yen
2017	56,031,217	¥ 149,607
2018	**111,401,020**	**¥ 300,000**

Based on the resolution of the Board of Directors, NTT DOCOMO, INC. retired its own shares held as treasury stock as shown in the following table for the fiscal years ended March 31, 2017 and 2018.

Date of the resolution of the Board of Directors	Shares	Millions of yen
March 24, 2017	58,980,000	¥ 128,997
March 26, 2018	**117,264,000**	**¥ 278,039**

The Companies Act and related ordinance provide that in case the aggregate purchase price of the retired shares exceeds the balance of “Additional paid-in capital,” “Additional paid-in capital” shall be reduced to zero and the remaining balance shall be deducted from the balance of “Retained earnings” on non-consolidated balance sheet.

The share retirement for the fiscal years ended March 31, 2017 and 2018 resulted in decreases of “Retained earnings” by ¥128,997 million and ¥278,039 million, respectively, on the consolidated balance sheets in response to the treatment described above. There were no changes in the number of authorized shares.

(3) Accumulated other comprehensive income (loss)

Changes in accumulated other comprehensive income (loss) —

Changes in accumulated other comprehensive income (loss), net of applicable taxes, for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen				
	2017				
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment	Total
Balance as of March 31, 2016	¥ 61,624	¥ (218)	¥ 6,281	¥ (52,799)	¥ 14,888
Other comprehensive income (loss) before reclassifications	12,821	37	(13,557)	8,313	7,614
Amounts reclassified from accumulated other comprehensive income (loss)	(1,082)	48	582	2,396	1,944
Other comprehensive income (loss)	11,739	85	(12,975)	10,709	9,558
Less: other comprehensive (income) loss attributable to noncontrolling interests	(0)	—	185	—	185
Balance as of March 31, 2017	¥ 73,363	¥ (133)	¥ (6,509)	¥ (42,090)	¥ 24,631

	Millions of yen				
	2018				
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment	Total
Balance as of March 31, 2017	¥ 73,363	¥ (133)	¥ (6,509)	¥ (42,090)	¥ 24,631
Other comprehensive income (loss) before reclassifications	**11,203**	**(79)**	**(1,555)**	**1,899**	**11,468**
Amounts reclassified from accumulated other comprehensive income (loss)	**116**	**43**	**27,010**	**410**	**27,579**
Other comprehensive income (loss)	**11,319**	**(36)**	**25,455**	**2,309**	**39,047**
Less: other comprehensive (income) loss attributable to noncontrolling interests	**(109)**	—	**(22)**	—	**(131)**
Balance as of March 31, 2018	**¥ 84,573**	**¥ (169)**	**¥ 18,924**	**¥ (39,781)**	**¥ 63,547**

Reclassifications out of accumulated other comprehensive income (loss) to net income—

Amounts reclassified out of accumulated other comprehensive income (loss) to net income and affected line items in the consolidated statement of income for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		
	Amounts reclassified out of accumulated other comprehensive income (loss) (*1)		
	2017	2018	Affected line items in the consolidated statements of income
Unrealized holding gains (losses) on available-for-sale securities	¥ 1,553	¥ **(237)**	"Other, net" of "Other income (expense)"
	53	**73**	"Equity in net income (losses) of affiliates"
	1,606	**(164)**	Pre-tax amount
	(524)	**48**	Tax benefit (expense)
	1,082	**(116)**	Net-of-tax amount
Unrealized gains (losses) on cash flow hedges	(70)	**(63)**	"Equity in net income (losses) of affiliates"
	(70)	**(63)**	Pre-tax amount
	22	**20**	Tax benefit (expense)
	(48)	**(43)**	Net-of-tax amount
Foreign currency translation adjustment	—	**(29,841)**	"Other, net" of "Other income (expense)"
	(880)	**(15,383)**	"Equity in net income (losses) of affiliates"
	(880)	**(45,224)**	Pre-tax amount
	298	**18,214**	Tax benefit (expense)
	(582)	**(27,010)**	Net-of-tax amount
Pension liability adjustment	(3,492)	**(598)**	(*2)
	(3,492)	**(598)**	Pre-tax amount
	1,096	**188**	Tax benefit (expense)
	(2,396)	**(410)**	Net-of-tax amount
Total reclassified amounts	¥ (1,944)	¥ **(27,579)**	Net-of-tax amount

(*1) Amounts in parentheses indicate decreased effects on net income.
(*2) Amounts reclassified out of pension liability adjustment are included in the computation of net periodic pension cost. See Note 17 "Employees' retirement benefits" for additional details.

Tax effects on other comprehensive income (loss) —

Tax effects allocated to each component of other comprehensive income (loss), including amounts attributable to noncontrolling interests, for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen					
	2017					
		Pre-tax amount		Tax benefit / (expense)		Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities	¥	18,516	¥	(5,695)	¥	12,821
Less: Reclassification of realized gains and losses included in net income		(1,606)		524		(1,082)
Unrealized gains (losses) on cash flow hedges		54		(17)		37
Less: Reclassification of realized gains and losses included in net income		70		(22)		48
Foreign currency translation adjustment		(16,337)		2,780		(13,557)
Less: Reclassification of realized gains and losses included in net income		880		(298)		582
Pension liability adjustment						
Actuarial gains (losses) arising during period, net		12,150		(3,837)		8,313
Less: Amortization of prior service cost		(1,082)		340		(742)
Less: Amortization of actuarial gains and losses		4,526		(1,421)		3,105
Less: Amortization of transition obligation		48		(15)		33
Total other comprehensive income (loss)	¥	17,219	¥	(7,661)	¥	9,558

Unrealized holding gains on available-for-sale securities and foreign currency translation losses net of tax, attributable to noncontrolling interests were ¥0 million and ¥(185) million, respectively, for the fiscal year ended March 31, 2017.

	Millions of yen					
	2018					
		Pre-tax amount		Tax benefit / (expense)		Net-of-tax amount
Unrealized holding gains (losses) on available-for-sale securities	¥	**15,909**	¥	**(4,706)**	¥	**11,203**
Less: Reclassification of realized gains and losses included in net income		**164**		**(48)**		**116**
Unrealized gains (losses) on cash flow hedges		**(115)**		**36**		**(79)**
Less: Reclassification of realized gains and losses included in net income		**63**		**(20)**		**43**
Foreign currency translation adjustment		**(2,620)**		**1,065**		**(1,555)**
Less: Reclassification of realized gains and losses included in net income		**45,224**		**(18,214)**		**27,010**
Pension liability adjustment		**2,767**		**(868)**		
Actuarial gains (losses) arising during period, net						**1,899**
Less: Amortization of prior service cost		**(521)**		**164**		**(357)**
Less: Amortization of actuarial gains and losses		**1,072**		**(337)**		**735**
Less: Amortization of transition obligation		**47**		**(15)**		**32**
Total other comprehensive income (loss)	¥	**61,990**	¥	**(22,943)**	¥	**39,047**

Unrealized holding gains on available-for-sale securities and foreign currency translation gains, net of tax, attributable to noncontrolling interests were ¥109 million and ¥22 million, respectively, for the fiscal year ended March 31, 2018.

13. Research and development expenses and advertising expenses:

Research and development expenses—

Research and development costs are charged to expense as incurred. Research and development expenses are included primarily in "Selling, general and administrative" expenses and amounted to ¥83,050 million and ¥91,773 million for the fiscal years ended March 31, 2017 and 2018, respectively.

Advertising expenses—

Advertising costs are charged to expense as incurred. Advertising expenses are included primarily in "Selling, general and administrative" expenses and amounted to ¥62,531 million and ¥58,955 million for the fiscal years ended March 31,2017 and 2018, respectively.

14. Other income (expense):

Other income (expense) included in "Other, net" in the consolidated statements of income for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Net realized gains (losses) on dispositions of marketable securities and other investments	¥ 3,146	¥ **564**
Other-than-temporary impairment loss on marketable securities and other investments	(2,305)	**(3,385)**
Loss on transfer of investment in an affiliate	—	**(29,841)**
Foreign exchange gains (losses), net	(2,715)	**1,277**
Dividends income	4,615	**4,952**
Penalties and compensation for damages	1,237	**2,417**
Other, net	516	**(705)**
Total	¥ 4,494	¥ **(24,721)**

15. Related party transactions:

DOCOMO is majority-owned by NTT, which is a holding company for more than 1,000 companies comprising the NTT group.

DOCOMO has entered into a number of different types of transactions with NTT, its subsidiaries and affiliates in the ordinary course of business. DOCOMO's transactions with NTT group companies include purchases of wireline telecommunications services (i.e. for DOCOMO's offices and operations facilities) based on actual usage, leasing of various telecommunications facilities and sales of DOCOMO's various wireless telecommunications services. During the fiscal years ended March 31, 2017 and 2018, DOCOMO purchased capital equipment from NTT group companies in the amount of ¥60,668 million and ¥62,502 million, respectively**.** In addition, for the fiscal year ended March 31, 2018 purchase commitment with NTT group includes the one for the leased line solutions which amounts to 102,000 million. The information related to the purchase commitment with other related parties is disclosed in Note 19 "Commitments and contingencies."

NTT DOCOMO, INC. repurchased its common stock from NTT during the fiscal years ended March 31, 2018. No shares were repurchased from NTT during the fiscal year ended March 31, 2017. Information regarding the acquisition of treasury stock is disclosed in Note 12 "Equity."

NTT and its subsidiaries collectively own 100% of the voting interests in NTT FINANCE CORPORATION ("NTT FINANCE"), of which DOCOMO owns 2.92% as of March 31, 2017. Accordingly, NTT FINANCE is a related party of DOCOMO. DOCOMO has carried out the following transactions with NTT FINANCE.

DOCOMO has entered into contracts for bailments of cash for consumption with NTT FINANCE for cash management purposes. Under the terms of the contracts, excess cash generated at DOCOMO is bailed to NTT FINANCE and NTT FINANCE manages the funds on behalf of DOCOMO. DOCOMO can withdraw the funds upon its demand and receives relevant interest from NTT FINANCE. The funds are accounted for as "Cash and cash equivalents," "Short-term investments," or "Other assets" depending on the initial contract periods.

The balance of bailments was ¥437,207 million as of March 31, 2017. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥177,207 million and "Short-term investments" of ¥260,000 million in the consolidated balance sheet as of March 31, 2017. The contracts had remaining terms to maturity ranging less than 3 months with an average interest rate of 0.05% per annum as of March 31, 2017.

The balance of bailments was ¥571,053 million as of March 31, 2018. The assets related to the contracts were recorded as "Cash and cash equivalents" of ¥201,053 million and "Short-term investments" of ¥370,000 million in the consolidated balance sheet as of March 31, 2018. The contracts had remaining terms to maturity ranging less than 5 months with an average interest rate of 0.05% per annum as of March 31, 2018.

The average balances of the contracts for bailments that expired during the fiscal years ended March 31, 2017 and 2018 were ¥225,908 million and ¥470,270 million, respectively. The amount of interest derived from the contracts was recorded as "Interest income" of ¥63 million and ¥189 million in the consolidated statements of income for the fiscal years ended March 31, 2017 and 2018, respectively.

In May, 2012, DOCOMO and NTT FINANCE entered into a basic contract regarding the transfer of DOCOMO's "receivables for telecommunications services" for the convenience of DOCOMO's customers. In June, 2012, DOCOMO and NTT FINANCE entered into an individual contract regarding the transfers of receivables.

Under the contracts, "receivables for telecommunications services" which DOCOMO decides to sell are reclassified to receivables held for sale and are sold to NTT FINANCE at fair value on a monthly basis. By the end of the month following the month of sale, the entire amount sold is paid to DOCOMO by NTT FINANCE. DOCOMO has no further involvement with the receivables sold.

For the fiscal year ended March 31, 2017, the amount of "receivables for telecommunications services" that DOCOMO sold to NTT FINANCE was ¥4,439,214 million and the aggregated amount of losses on sales of receivables and adjustments to recognize the receivables held for sale at the lower of cost or fair value was ¥60,827 million and was included in "Selling, general and administrative" expenses in the consolidated statement of income. The amount DOCOMO has not collected from NTT FINANCE, as of March 31, 2017, was ¥299,467 million and was included in "Other receivables" in its consolidated balance sheet.

For the fiscal year ended March 31, 2018, the amount of “receivables for telecommunications services” that DOCOMO sold to NTT FINANCE was ¥4,631,073 million and the aggregated amount of losses on sales of receivables and adjustments to recognize the receivables held for sale at the lower of cost or fair value was ¥57,687 million and was included in “Selling, general and administrative” expenses in the consolidated statement of income. The amount DOCOMO has not collected from NTT FINANCE, as of March 31, 2018, was ¥309,403 million and was included in “Other receivables” in its consolidated balance sheet.

DOCOMO has an agreement with Sumitomo Mitsui Card, Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation to jointly promote credit transaction services, as described in Note 6 “Investments in affiliates.”

Under the agreement described above, DOCOMO paid Sumitomo Mitsui Card for consideration of which Sumitomo Mitsui Card paid in advance on behalf of NTT DOCOMO, INC. related to credit card transactions. The amounts of payables related to the transactions as of March 31, 2017 and 2018 were ¥109,303 million and ¥147,224 million, respectively, which were included in “Accounts payable, trade” in its consolidated balance sheets.

The amounts DOCOMO received from Sumitomo Mitsui Card as commissions of the credit card transactions for the fiscal years ended March 31, 2017 and 2018 were ¥28,804 million and ¥35,381 million, respectively, which were included in “Other operating revenues” in the consolidated statements of income. The amounts of receivables related to the transactions as of March 31, 2017 and 2018 were ¥1,319 million and ¥2,055 million, respectively, which were included in “Other receivables” in its consolidated balance sheets.

16. Segment reporting:

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 video and music distribution, electronic books and other services offered through DOCOMO's "dmarket" portal, as well as finance/payment services, shopping services and various other services to support our customers' daily lives. The other businesses primarily includes "Mobile Device Protection Service," as well as development, sales and maintenance of IT systems.

Accounting policies used to determine segment operating revenues and operating income (loss) are consistent with those used to prepare the consolidated financial statements in accordance with U.S. GAAP.

Assets by segment are not included in the management reports which are reported to the CODM, however, they are disclosed herein only to provide additional information. The "Corporate" row in the tables below is included to reflect the recorded amounts of common assets which are not allocated to any segments, and assets in "Corporate" primarily include cash and cash equivalents, securities and investments in affiliates. DOCOMO allocates amounts of assets and related depreciation and amortization expenses to common assets, such as buildings for telecommunications purposes and common facilities, on a systematic and rational basis based on the proportionate amount of network assets to each segment.

Segment operating revenues:

Years Ended March 31	Millions of yen 2017	2018
Telecommunications business-		
External customers	¥ 3,709,947	¥ **3,896,839**
Intersegment	1,209	**1,548**
Subtotal	3,711,156	**3,898,387**
Smart life business-		
External customers	486,547	**448,645**
Intersegment	15,371	**18,092**
Subtotal	501,918	**466,737**
Other businesses-		
External customers	388,058	**423,925**
Intersegment	12,342	**12,570**
Subtotal	400,400	**436,495**
Segment total	4,613,474	**4,801,619**
Elimination	(28,922)	**(32,210)**
Consolidated	¥ 4,584,552	¥ **4,769,409**

Segment operating income (loss):

Years Ended March 31	Millions of yen 2017	2018
Segment operating income (loss) -		
Telecommunications business	¥ 832,798	¥ **832,768**
Smart life business	57,919	**62,912**
Other businesses	54,021	**77,584**
Consolidated operating income	944,738	**973,264**
Other income (expenses)	4,825	**123,361**
Income before income taxes and equity in net income (losses) of affiliates	¥ 949,563	¥ **1,096,625**

Segment assets:

As of March 31	Millions of yen 2017	2018
Segment assets -		
Telecommunications business	¥ 5,243,470	¥ **5,319,663**
Smart life business	677,182	**763,982**
Other businesses	258,531	**302,707**
Segment total	6,179,183	**6,386,352**
Elimination	(1,381)	**(1,610)**
Corporate	1,275,272	**1,363,548**
Consolidated	¥ 7,453,074	¥ **7,748,290**

Other Significant items:

Years Ended March 31	Millions of yen 2017	2018
Depreciation and amortization-		
Telecommunications business	¥ 418,669	¥ **449,737**
Smart life business	16,190	**16,160**
Other businesses	17,482	**19,605**
Consolidated	¥ 452,341	¥ **485,502**

Years Ended March 31	Millions of yen 2017	2018
Capital expenditures-		
Telecommunications business	¥ 576,151	¥ **545,984**
Smart life business	14,391	**16,617**
Other businesses	6,536	**13,811**
Consolidated	¥ 597,078	¥ **576,412**

Years Ended March 31	Millions of yen 2017	2018
Point program expenses-		
Telecommunications business	¥ 82,302	¥ **103,241**
Smart life business	14,063	**19,431**
Other businesses	60	**131**
Segment total	96,425	**122,803**
Elimination	(2,134)	**(3,404)**
Consolidated	¥ 94,291	¥ **119,399**

Years Ended March 31	Millions of yen 2017	2018
Impairment losses of goodwill and unamortizable intangible assets-		
Telecommunications business	¥ 4,076	¥ **8,916**
Smart life business	7,538	—
Other businesses	—	—
Consolidated	¥ 11,614	¥ **8,916**

Years Ended March 31	Millions of yen 2017	2018
Impairment loss of long-lived assets-		
Telecommunications business	¥ —	¥ —
Smart life business	—	**1,659**
Other businesses	591	**1,513**
Consolidated	¥ 591	¥ **3,172**

Segment operating income (loss) is segment operating revenues less segment operating expenses.

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

There were no sales and operating revenue from transactions with a single external customer amounting to 10% or more of DOCOMO's revenues for the fiscal years ended March 31, 2017 and 2018.

Operating revenues from products and services were as follows:

Years ended March 31	Millions of yen 2017	Millions of yen 2018
Telecommunications services	¥ 2,985,094	¥ **3,137,870**
Mobile communications services revenues	2,843,962	**2,901,149**
-Voice revenues	875,203	**951,697**
- Packet communications revenues	1,968,759	**1,949,452**
Optical-fiber broadband service and other telecommunications services revenues	141,132	**236,721**
Equipment sales	719,161	**755,138**
Other operating revenues	880,297	**876,401**
Total operating revenues	¥ 4,584,552	¥ **4,769,409**

17. Employees' retirement benefits:

Lump-sum severance, defined benefit pension plans and defined contribution pension plans—

Employees whose services with DOCOMO are terminated are normally entitled to lump-sum severance and pension benefits based on internal labor regulations. The amounts are determined by a combination of factors such as the employee's salary eligibility, length of service and other conditions. The pension benefit is covered by the contract-type corporate pension plans, which are the non-contributory defined benefit pension plans for the pension benefit earned up to March 31, 2014, and the defined contribution pension plans sponsored by DOCOMO for the pension benefit earned on and after April 1, 2014.

The following table presents reconciliations and changes in the lump-sum severance and contract-type corporate pension plans' projected benefit obligations and fair value of plan assets for the fiscal years ended March 31, 2017 and 2018. DOCOMO uses a measurement date of March 31.

	Millions of yen	
	2017	2018
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 226,933	¥ **220,640**
Service cost	9,501	**9,038**
Interest cost	1,123	**1,496**
Actuarial (gain) loss	(4,494)	**2,774**
Transfer of liability from contract-type corporate pension plans of the NTT group	253	**929**
Change in the scope of consolidation	—	**(378)**
Benefit payments	(12,676)	**(9,068)**
Projected benefit obligation, end of year	¥ 220,640	¥ **225,431**
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 97,309	¥ **96,523**
Actual return on plan assets	2,709	**3,861**
Employer contributions	61	**23**
Transfer of plan assets from contract-type corporate pension plans of the NTT group	44	**234**
Benefit payments	(3,600)	**(3,861)**
Fair value of plan assets, end of year	¥ 96,523	¥ **96,780**
As of March 31:		
Funded status	¥ (124,117)	¥ **(128,651)**

The amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Liability for employees' retirement benefits	¥ (133,283)	¥ **(139,695)**
Asset for employees' retirement benefits	9,166	**11,044**
Net amount recognized	¥ (124,117)	¥ **(128,651)**

Asset for employees' retirement benefits is included in "Other assets" in the consolidated balance sheets.

Amounts recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Actuarial gains (losses), net	¥ (37,103)	¥ **(35,801)**
Prior service cost, net	(184)	**(181)**
Transition obligation	(355)	**(308)**
Total	¥ (37,642)	¥ **(36,290)**

The accumulated benefit obligation was ¥220,639 million and ¥225,431 million as of March 31, 2017 and 2018, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥ 218,942	¥ **223,615**
Fair value of plan assets	94,534	**94,661**
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥ 218,941	¥ **223,614**
Fair value of plan assets	94,534	**94,661**

The net periodic pension cost for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Service cost	¥ 9,501	¥ **9,038**
Interest cost on projected benefit obligation	1,123	**1,496**
Expected return on plan assets	(1,915)	**(965)**
Amortization of prior service cost	(558)	**3**
Amortization of actuarial gains and losses	1,649	**1,180**
Amortization of transition obligation	48	**47**
Net periodic pension cost	¥ 9,848	¥ **10,799**

Other changes in plan assets and benefit obligations recognized in "Accumulated other comprehensive income (loss)" for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Other changes in plan assets and benefit obligations:		
Actuarial (gains) losses arising during period, net	¥ (5,288)	¥ **(122)**
Amortization of prior service cost	558	**(3)**
Amortization of actuarial gains and losses	(1,649)	**(1,180)**
Amortization of transition obligation	(48)	**(47)**
Total recognized in "Accumulated other comprehensive income (loss)"	¥ (6,427)	¥ **(1,352)**

Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)" was ¥3,421 million and ¥9,447 million for the fiscal years ended March 31, 2017 and 2018, respectively.

The amount of actuarial losses, transition obligation and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net pension cost during the fiscal year ending March 31, 2019 is ¥1,178 million, ¥47 million and ¥228 million, respectively.

The assumptions used in determination of the projected benefit obligations as of March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	0.7%	**0.6%**

The assumptions used in determination of the net periodic pension cost for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	0.5%	**0.7%**
Expected long-term rate of return on plan assets	2.0	**1.0**

DOCOMO does not use the long-term rate of salary increases in estimating the projected benefit obligations and the net periodic pension cost, considering the policies of lump-sum severance and the contract type corporate pension plans.

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

The following table presents the fair values of DOCOMO's pension plan assets as of March 31, 2017 and 2018. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 "Fair value measurements."

	Millions of yen							
	2017							
	Total		Level 1		Level 2		Level 3	
Cash and cash equivalents	¥	2,168	¥	2,168	¥	—	¥	—
Debt securities								
Japanese government bonds/local government bonds		37,237		36,215		1,022		—
Domestic corporate bonds		4,972		—		4,972		—
Equity securities								
Domestic stocks		4,334		4,334		—		—
Foreign stocks		1,730		1,730		—		—
Life insurance company general accounts		13,217		—		13,217		—
Other		902		—		—		902
Sub-total	¥	64,560	¥	44,447	¥	19,211	¥	902
Assets measured at net asset value								
Securities investment trust beneficiary certificates								
Domestic debt securities	¥	2,701						
Domestic equity securities		803						
Foreign equity securities		268						
Pooled funds		28,191						
Total	¥	96,523						

	Millions of yen							
	2018							
	Total		Level 1		Level 2		Level 3	
Cash and cash equivalents	¥	**9,491**	¥	**9,491**	¥	—	¥	—
Debt securities								
Japanese government bonds/local government bonds		**28,496**		**27,782**		**714**		—
Domestic corporate bonds		**5,377**		—		**5,377**		—
Equity securities								
Domestic stocks		**4,211**		**4,211**		—		—
Foreign stocks		**2,129**		**2,129**		—		—
Life insurance company general accounts		**12,808**		—		**12,808**		—
Other		**25**		—		**0**		**25**
Sub-total	¥	**62,537**	¥	**43,613**	¥	**18,899**	¥	**25**
Assets measured at net asset value								
Securities investment trust beneficiary certificates								
Domestic debt securities	¥	**2,332**						
Domestic equity securities		**1,248**						
Foreign equity securities		**369**						
Pooled funds		**30,294**						
Total	¥	**96,780**						

Cash and cash equivalents

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

Debt securities

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

Equity securities

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

Life insurance company general accounts

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

Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured at net asset value using inputs derived principally from observable market data provided by financial institutions.

Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Fair values of pooled funds are measured at net asset value calculated by the trust operator.

Other

Other mainly includes fund of hedge funds. Fair value measured by inputs derived from unobservable data is classified as Level 3.

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

The lump-sum severance and the contract-type corporate pension plans' policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, DOCOMO selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. DOCOMO then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, DOCOMO will review the asset allocation as necessary. The target ratio in March 2018 was: domestic bonds, 65.0%; domestic stocks, 10.0%; foreign stocks, 5.0%; and life insurance company general accounts, 20.0%.

As of March 31, 2017 and 2018, securities owned by DOCOMO as its plan assets included the stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥203 million (0.2% of total plan assets) and ¥237 million (0.2% of total plan assets), respectively.

The benefit payments, which reflect expected future service, are expected to be as follows:

Years ending March 31		Millions of yen
2019	¥	12,990
2020		11,904
2021		11,889
2022		12,492
2023		16,545
2024-2028		65,044

Defined contribution pension plan

DOCOMO recognized ¥2,948 million and ¥3,040 million of retirement benefit expenses related to DOCOMO's defined contribution benefit plan in the fiscal years ended March 31, 2017 and 2018, respectively.

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

DOCOMO participates in the national welfare pension plan ("National Plan") and a contributory defined benefit pension plan sponsored by the NTT group (NTT Kigyou-Nenkin-Kikin or NTT Corporate Defined Benefit Pension Plan, "NTT CDBP"). The National Plan is a government-regulated social welfare pension plan under the Japanese Employees' Pension Insurance Act and both NTT group and its employees provide contributions to such plan every year. The National Plan is considered a multi-employer plan and contributions to such plan are recognized as expenses when they are required for the period. The total amount of contributions by DOCOMO was ¥17,272million and ¥17,549 million for the fiscal years ended March 31, 2017 and 2018, respectively. In addition, the National Plan is a social welfare pension scheme, and because the information required by its accounting standards is limited, additional quantitative information relating to participation in the multi-employer plan is not disclosed.

Both NTT group, including DOCOMO, and its employees make contributions to the NTT CDBP to supplement the pension benefits to which the employees are entitled under the National Plan. The NTT CDBP is regulated under the Defined-Benefit Corporate Pension Act. The NTT CDBP is considered a defined benefit pension plan. The participation by DOCOMO in the NTT CDBP is accounted for as a single employer plan. The number of DOCOMO's employees covered by the NTT CDBP as of March 31, 2017 and 2018 represented approximately 13.5% and 14.0% of the total members, respectively.

The following table presents reconciliations and changes in the NTT CDBP's projected benefit obligation and fair value of plan assets for the fiscal years ended March 31, 2017 and 2018. The amount in the table is based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP. The funded status was recognized as "Liability for employees' retirement benefits" in the consolidated balance sheets as of March 31, 2017 and 2018.

	Millions of yen	
	2017	2018
Change in benefit obligations:		
Projected benefit obligation, beginning of year	¥ 153,606	**¥ 150,644**
Service cost	6,436	**6,101**
Interest cost	757	**1,037**
Actuarial (gain) loss	(7,936)	**1,659**
Internal adjustment due to transfer of employees within the NTT group	257	**485**
Other	101	**(53)**
Benefit payments	(2,577)	**(2,274)**
Projected benefit obligation, end of year	¥ 150,644	**¥ 157,599**
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	¥ 86,524	**¥ 89,942**
Actual return on plan assets	2,746	**3,676**
Employer contributions	2,501	**2,560**
Employee contributions	492	**477**
Internal adjustment due to transfer of employees within the NTT group	155	**303**
Other	101	**(53)**
Benefit payments	(2,577)	**(2,274)**
Fair value of plan assets, end of year	¥ 89,942	**¥ 94,631**
As of March 31:		
Funded status	¥ (60,702)	**¥ (62,968)**

Amounts recognized in "Accumulated other comprehensive income (loss)" as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Actuarial gains (losses), net	¥ (30,027)	¥ **(28,232)**
Prior service cost, net	3,400	**2,876**
Total	¥ (26,627)	¥ **(25,356)**

The accumulated benefit obligation for the NTT CDBP regarding DOCOMO employees was ¥113,958 million and ¥119,834 million as of March 31, 2017 and 2018, respectively.

The projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets in the pension plans with the projected or accumulated benefit obligation in excess of the plan assets as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Plans with projected benefit obligation in excess of plan assets:		
Projected benefit obligation	¥ 150,644	¥ **157,599**
Fair value of plan assets	89,942	**94,631**
Plans with accumulated benefit obligation in excess of plan assets:		
Accumulated benefit obligation	¥ 113,699	¥ **119,506**
Fair value of plan assets	89,663	**94,276**

The net periodic pension cost for the NTT CDBP regarding DOCOMO employees for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Service cost	¥ 6,436	¥ **6,101**
Interest cost on projected benefit obligation	757	**1,037**
Expected return on plan assets	(2,140)	**(1,731)**
Amortization of prior service cost	(524)	**(524)**
Amortization of actuarial gains and losses	2,453	**1,509**
Contribution from employees	(492)	**(477)**
Net periodic pension cost	¥ 6,490	¥ **5,915**

Other changes in plan assets and benefit obligations of the NTT CDBP regarding DOCOMO employees recognized in "Accumulated other comprehensive income (loss)" for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Other changes in plan assets and benefit obligations:		
Actuarial (gains) losses arising during period, net	¥ (8,542)	¥ **(286)**
Amortization of prior service cost	524	**524**
Amortization of actuarial gains and losses	(2,453)	**(1,509)**
Total recognized in "Accumulated other comprehensive income (loss)"	¥ (10,471)	¥ **(1,271)**

Total recognized in net periodic pension cost and "Accumulated other comprehensive income (loss)" was ¥(3,981) million and ¥4,644 million for the fiscal years ended March 31, 2017 and 2018, respectively.

The amount of actuarial losses and prior service cost, which are expected to be amortized and reclassified from "Accumulated other comprehensive income (loss)" to net periodic pension cost during the fiscal year ending March 31, 2019 is ¥1,313 million and ¥(524) million, respectively.

The assumptions used in determining the NTT CDBP's projected benefit obligations, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, as of March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	0.7%	**0.6%**
Long-term rate of salary increases	3.4	**3.4**

The assumptions used in determining the net periodic pension cost, based on actuarial computations which covered only DOCOMO employees' participation in the NTT CDBP, for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	0.5%	**0.7%**
Long-term rate of salary increases	3.4	**3.4**
Expected long-term rate of return on plan assets	2.5	**1.9**

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

The following table presents the fair values of NTT CDBP's pension plan assets as of March 31, 2017 and 2018. Descriptions of fair value hierarchy and the inputs used in measuring fair value are presented in Note 20 "Fair value measurements."

	Millions of yen			
	2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 1,596	¥ 1,596	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds	28,842	27,651	1,191	—
Domestic corporate bonds	7,715	—	7,715	—
Foreign government bonds	2,614	2,196	418	—
Foreign corporate bonds	57	51	6	—
Equity securities				
Domestic stocks	9,142	9,142	—	—
Foreign stocks	4,869	4,869	—	—
Life insurance company general accounts	10,690	—	10,690	—
Other	102	—	—	102
Sub-total	¥ 65,627	¥ 45,505	¥ 20,020	¥ 102
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities	¥ 8,690			
Domestic equity securities	5,489			
Foreign debt securities	1,978			
Foreign equity securities	1,434			
Pooled funds	6,724			
Total	¥ 89,942			

	Millions of yen			
	2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	¥ 4,093	¥ 4,093	¥ —	¥ —
Debt securities				
Japanese government bonds/local government bonds	27,442	26,442	1,000	—
Domestic corporate bonds	8,554	—	8,554	—
Foreign government bonds	2,803	1,116	1,687	—
Foreign corporate bonds	124	54	70	—
Equity securities				
Domestic stocks	9,780	9,780	0	—
Foreign stocks	5,080	5,080	—	—
Life insurance company general accounts	11,131	—	11,131	—
Other	86	—	0	86
Sub-total	¥ 69,093	¥ 46,565	¥ 22,442	¥ 86
Assets measured at net asset value				
Securities investment trust beneficiary certificates				
Domestic debt securities	¥ 8,726			
Domestic equity securities	5,906			
Foreign debt securities	2,205			
Foreign equity securities	1,501			
Pooled funds	7,200			
Total	¥ 94,631			

Cash and cash equivalents

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

Debt securities

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

Equity securities

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

Life insurance company general accounts

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

Securities investment trust beneficiary certificates

Securities investment trust beneficiary certificates include bond investment trusts and foreign stock investment trusts. Fair values of securities investment trust beneficiary certificates are measured at net asset value using inputs derived principally from observable market data provided by financial institutions.

Pooled funds

Pooled funds include government bonds, local government bonds, domestic stocks and foreign stocks. Fair values of pooled funds are measured at net asset value calculated by the trust operator.

Other

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

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

The NTT CDBP's policy toward plan asset management is formulated with the ultimate objective of ensuring the steady disbursement of pension benefits in future periods. The long-term objective of asset management, therefore, is to secure the total profits deemed necessary to ensure the financial soundness of the plan assets. To achieve this, the NTT CDBP selects various investments and takes into consideration their expected returns and risks and the correlation among the investments. The NTT CDBP then sets a target allocation ratio for the plan assets and endeavors to maintain that ratio. The target ratio is formulated from a mid to long-term perspective and reviewed annually. In the event that the investment environment changes dramatically, the NTT CDBP will review the asset allocation as necessary. The weighted average target ratio in March 2018 was: domestic bonds, 54.9%; domestic stocks, 15.1%; foreign bonds, 6.4%; foreign stocks, 10.8%; and life insurance company general accounts, 12.8%.

As of March 31, 2018, domestic stock owned by the NTT CDBP as its plan assets included common stock of NTT and the NTT group companies listed in Japan including DOCOMO in the amount of ¥4,375 million (0.4% of total plan assets) and ¥4,680 million (0.4% of total plan assets), respectively.

DOCOMO expects to contribute ¥2,526 million to the NTT CDBP in the fiscal year ending March 31, 2019.

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

Years ending March 31	Millions of yen
2019	¥ 2,132
2020	2,243
2021	2,338
2022	2,419
2023	2,407
2024-2028	12,626

18. Income taxes:

Total income taxes for the fiscal years ended March 31, 2017 and 2018 comprised the following:

	Millions of yen	
	2017	2018
Income taxes-current	¥ 238,172	¥ **282,055**
Income taxes-deferred		
Changes in deferred tax assets related to net operating loss carryforwards	26,669	**(374)**
Changes in deferred tax assets and liabilities related to investments in affiliates	1,376	**76,458**
Changes in deferred tax assets and liabilities related to property, plant and equipment and intangible assets	32,458	**4,496**
Other	(10,996)	**(24,860)**
Total income taxes-deferred	49,507	**55,720**
Other comprehensive income (loss)	7,661	**22,943**
Total income taxes	¥ 295,340	¥ **360,718**

For the fiscal years ended March 31, 2017 and 2018, NTT DOCOMO, INC. and its domestic subsidiaries were subject to a National Corporate Tax of 23.4%, a Corporate Inhabitant Tax of approximately 5% and a deductible Corporate Enterprise Tax and Special Local Corporate Tax of approximately 5%, respectively. The rate of the Corporate Inhabitant Tax and Corporate Enterprise Tax differs depending on the municipality.

The aggregate statutory income tax rates for the fiscal years ended March 31, 2017 and 2018 were 31.6%. The actual effective income tax rates for the fiscal years ended March 31, 2017 and 2018 were 30.3% and 30.8%, respectively.

The current income tax expenses related to income from arbitration award from Tata Sons and the current income tax benefits related to the transfer of DOCOMO's shares in TTSL are recorded in "Income taxes – current" and the related deferred income tax expenses are included in the "Changes in deferred tax assets and liabilities related to investments in affiliates" and "Other comprehensive income (loss)" in the above table of total income taxes.

During the fiscal year ended March 31, 2017, DOCOMO terminated the multimedia broadcasting business for mobile devices, and DOCOMO absorbed these subsidiaries, resulting in the utilization of such subsidiaries' net operating carryforwards. The current income tax benefits related to the utilization of net operating carryforwards are recorded in "Income taxes – current" and the related deferred income tax expenses are included in the "Changes in deferred tax assets related to net operating loss carryforwards" in the above table of total income taxes.

DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment with the exception of buildings, which are depreciated on a straight-line basis. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation for all property, plant, and equipment for financial reporting purposes. The change in the depreciation method resulted in the decrease in the deferred tax assets for temporary differences of property, plant, and equipment, which is included in the "Changes in deferred tax assets and liabilities related to property, plant and equipment and intangible assets" in the table above.

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

	2017	2018
Statutory income tax rate	31.6%	**31.6%**
Expenses not deductible for tax purposes	0.2	**0.2**
Research and other credits	(0.5)	**(0.4)**
Tax credits of investment in productivity improvement facilities	(1.8)	—

Excess of the tax basis over the amount for financial reporting of investment in a subsidiary	(0.6)	**(0.2)**
Change in valuation allowance	0.1	**0.1**
Effect of outside basis differences of equity method investment	0.3	**(0.1)**
Goodwill impairment loss	0.3	**0.1**
Other	0.7	**(0.5)**
Actual effective income tax rate	30.3%	**30.8%**

According to the Japanese Corporate Tax Law, a company may elect to apply for either deductible special depreciation or tax credits for investments in productivity improvement facilities. DOCOMO elected to apply for the tax credit for the investments of these eligible investments. While the tax credit from investments in productivity improvement facilities amounted to ¥17,328 million for NTT DOCOMO, INC and its domestic subsidiaries for the fiscal years ended March 31, 2017, for the fiscal years ended March 31, 2018, DOCOMO did not recognize the entire tax benefit from this investment tax credit as a reduction to current income tax expense since the law is no longer effective. Under the Japanese Corporate Tax Law, the investment tax credit does not reduce any tax basis of the related assets. Accordingly, DOCOMO recognized the entire tax benefit from this investment tax credit as a reduction to current income tax expense based on the Flow-Through Method. There was no unused investment tax credit as of March 31, 2017 and 2018.

Deferred income taxes primarily result from temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	**2018**
Deferred tax assets:		
Liability for employees' retirement benefits	¥ 58,362	**¥ 62,678**
Property, plant and equipment and intangible assets	57,222	**52,684**
Accrued liabilities for point programs	35,820	**41,234**
Receivables held for sale	19,581	**24,278**
Marketable securities and other investments	21,733	**21,591**
Investments in affiliates	109,062	**17,496**
Operating loss carryforwards	16,078	**13,812**
Compensated absences	10,934	**10,983**
Allowance for doubtful accounts	8,063	**7,617**
Accrued enterprise tax	5,024	**7,368**
Deferred revenues regarding "Zutto Kurikoshi" and "Packet Kurikoshi"	9,235	**6,147**
Accrued bonus	5,558	**5,879**
Commission payable to sales agent	3,415	**5,201**
Inventories	7,007	**4,926**
Other	17,163	**26,311**
Sub-total deferred tax assets	¥ 384,257	**¥ 308,205**
Less: Valuation allowance	(17,631)	**(13,851)**
Total deferred tax assets	¥ 366,626	**¥ 294,354**
Deferred tax liabilities:		
Investments in affiliates	¥ 31,012	**¥ 36,605**
Unrealized holding gains on available-for-sale securities	25,772	**26,584**
Identifiable intangible assets	4,321	**3,988**
Other	4,100	**4,081**
Total deferred tax liabilities	¥ 65,205	**¥ 71,258**
Net deferred tax assets	¥ 301,421	**¥ 223,096**

The components of net deferred tax assets included in the consolidated balance sheets as of March 31, 2017 and 2018 were as follows:

	Millions of yen			
	2017		2018	
Deferred tax assets (Current assets)	¥	81,025	¥	—
Deferred tax assets (Non-current investments and other assets)		229,440		**228,832**
Other current liabilities		(55)		—
Other long-term liabilities		(8,989)		**(5,736)**
Total	¥	301,421	¥	**223,096**

As of March 31, 2018, certain subsidiaries of DOCOMO had operating loss carryforwards for tax purposes of ¥70,116 million, which may be used as a deduction in determining taxable income in future periods. The period available to offset future taxable income varies in each tax jurisdiction as follows:

	Millions of yen	
	2018	
Within 5 years	¥	**5,339**
6 to 20 years		**42,378**
Indefinite periods		**22,399**
Total	¥	**70,116**

In assessing the realizability of deferred tax assets, DOCOMO considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. DOCOMO considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax-planning strategies in making this assessment. The realizability of substantially all of DOCOMO's deferred tax assets is dependent upon the generation of future book income and DOCOMO anticipates continuing to generate substantial book income.

The net changes in the total valuation allowance were a decrease of ¥41 million for the fiscal year ended March 31, 2017, and a decrease of ¥3,780 million for the fiscal year ended March 31, 2018, respectively. DOCOMO believes that it is more likely than not that the deferred tax assets less valuation allowances of certain subsidiaries will be realized; however, that assessment could change in the near term if estimates of future taxable income during the carryforward period are reduced.

As of and for the fiscal years ended March 31, 2017 and 2018, DOCOMO had no material unrecognized tax benefits. DOCOMO does not believe that there will be any significant increases or decreases in liabilities for unrecognized tax benefits within the next 12 months. The total amounts of interest and penalties related to unrecognized tax benefits for the fiscal years ended March 31, 2017 and 2018 are immaterial.

DOCOMO mainly files income tax returns in Japan. DOCOMO is no longer subject to regular income tax examination by the tax authority for and before the fiscal year ended March 31, 2017.

DOCOMO does not disclose amounts applicable to foreign income taxes separately because amounts applicable to foreign income from continuing operations and to foreign income taxes are immaterial.

Other taxes—

The consumption tax rate for all taxable goods and services, with minor exceptions, was 8% for the fiscal years ended March 31, 2017 and 2018. Consumption tax payable or receivable is determined based on consumption taxes levied on operating revenues offset by consumption taxes directly incurred by DOCOMO when purchasing goods and services.

19. Commitments and contingencies:

(a) Leases

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

Assets covered under capital leases as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
Class of property	**2017**	**2018**
Machinery, vehicles and equipment	¥ 4,801	¥ **4,273**
Less: Accumulated depreciation and amortization	(2,839)	**(2,148)**
Total	¥ 1,962	¥ **2,125**

Future minimum lease payments by year under capital leases together with the present value of the net minimum lease payments as of March 31, 2018 were as follows:

Years ending March 31	Millions of yen
2019	¥ 934
2020	683
2021	506
2022	383
2023	189
Thereafter	30
Total minimum lease payments	2,725
Less: Amount representing interest	(78)
Present value of net minimum lease payments	2,647
Less: Amounts representing estimated executory costs	(360)
Net minimum lease payments	2,287
Less: Current obligation	(760)
Long-term capital lease obligations	¥ 1,527

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

The minimum lease payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of March 31, 2018 were as follows:

Years ending March 31	Millions of yen
2019	¥ 14,620
2020	12,796
2021	10,315
2022	8,841
2023	5,498
Thereafter	19,340
Total minimum lease payments	¥ 71,410

Total rental expense for all operating leases except those with terms of 1 month or less that were not renewed for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen	
	2017	2018
Rental expense	¥ 77,696	¥ **83,189**

(b) Litigation

DOCOMO is involved in litigation and claims arising in the ordinary course of business. DOCOMO believes that none of the litigation or claims outstanding, pending or threatened against DOCOMO would have a material adverse effect on DOCOMO's results of operations, financial position or cash flows.

(c) Purchase commitments

DOCOMO has entered into various contracts for the purchase of property, plant and equipment, inventories (primarily handsets) and services. Commitments outstanding as of March 31, 2018 were ¥36,693 million (of which ¥5,431 million are with related parties) for property, plant and equipment, ¥25,537 million (of which none are with related parties) for inventories and ¥156,853 million (of which ¥125,291 million are with related parties) for the other purchase commitments,of which ¥102,000 million (of which ¥102,000 million are with related parties) are for the leased line solutions.

The amounts of purchase commitments are estimates calculated based on given assumptions and do not represent DOCOMO's entire anticipated purchases in the future.

(d) Loan commitments

DOCOMO provides the cash advance service which accompanies credit cards issued by DOCOMO. Total outstanding credit lines related to loan commitments of the cash advance service as of March 31, 2017 and 2018 were ¥156,709 million and ¥175,906 million, respectively.

Credit lines are not necessarily executed to the maximum amount because these contracts contain a clause to lower the credit lines if there are reasonable grounds.

(e) Guarantees

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

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

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

20. Fair value measurements:

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

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

DOCOMO also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a nonrecurring basis in certain circumstances.

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

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2017 and 2018 were as follows:

	Millions of yen			
	2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 83,974	¥ 83,974	¥ —	¥ —
Equity securities (foreign)	95,680	95,680	—	—
Debt securities (foreign)	5	5	—	—
Total available-for-sale securities	179,659	179,659	—	—
Derivatives				
Foreign exchange forward contracts	¥ 0	¥ —	¥ 0	¥ —
Total derivatives	0	—	0	—
Total	¥ 179,659	¥ 179,659	¥ 0	¥ —
Liabilities:				
Derivatives				
Foreign currency option contracts	¥ 1,336	¥ —	¥ 1,336	¥ —
Foreign exchange forward contracts	11	—	11	—
Total derivatives	1,347	—	1,347	—
Total	¥ 1,347	¥ —	¥ 1,347	¥ —

	Millions of yen			
	2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 94,433	¥ 94,433	¥ —	¥ —
Equity securities (foreign)	84,297	84,297	—	—
Debt securities (foreign)	4	4	—	—
Total available-for-sale securities	178,734	178,734	—	—
Derivatives				
Foreign exchange forward contracts	¥ 0	¥ —	¥ 0	¥ —
Total derivatives	0	—	0	—
Total	¥ 178,734	¥ 178,734	¥ 0	¥ —
Liabilities:				
Derivatives				
Foreign currency option contracts	¥ 843	¥ —	¥ 843	¥ —
Foreign exchange forward contracts	2	—	2	—
Total derivatives	845	—	845	—
Total	¥ 845	¥ —	¥ 845	¥ —

There were no transfers between Level 1 and Level 2.

Available-for-sale securities

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

Derivatives

Derivative instruments represent foreign currency option contracts and foreign exchange forward contracts, which are valued based on observable market data, and are classified as Level 2. The valuation of such derivatives is periodically validated using observable market data, such as exchange rates.

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

Certain assets and liabilities are measured at fair value on a nonrecurring basis in certain circumstances.

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

DOCOMO uses valuation methods such as a discounted cash flow method and market approach techniques in order to determine the fair value of its assets and liabilities classified as Level 3. DOCOMO selects a valuation method which best reflects the nature, characteristics, and risks of each asset and liability, and also determines the unobservable inputs using the best and most relevant data available. DOCOMO verifies the appropriateness of valuation methods and unobservable inputs, and may use third-party pricing information to evaluate the appropriateness of DOCOMO's valuation during the verification processes.

DOCOMO's assets that were measured at fair value on a nonrecurring basis for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of yen				
	2017				
	Total	Level 1	Level 2	Level 3	Gains (losses) (before taxes)
Assets:					
Receivables held for sale	¥ 875,429	¥ —	¥ 875,429	¥ —	¥ (7,063)
Investments in affiliates	30,078	1,703	—	28,375	(23,920)
Goodwill and unamortizable intangible assets	45,947	—	—	45,947	(11,614)
Long-lived assets	—	—	—	—	(591)

Receivables held for sale

Receivables held for sale are measured at the lower of cost or fair value.

Receivables held for sale are classified as Level 2. DOCOMO measures the fair value of the receivables held for sale by discounting, at LIBOR-based discount rates, estimated future cash flows while taking into account factors such as default probabilities and loss severity of similar trade receivables.

Investments in affiliates

The fair value of investments in affiliates, including HTCL, is measured based on discounted cash flow method using unobservable inputs. Therefore, they are classified as Level 3.

Goodwill and unamortizable intangible assets

The fair values of the reporting units are measured based on discounted cash flow method using unobservable inputs and are classified as Level 3. The fair values of the overseas telecommunication reporting unit in the telecommunication business segment and a reporting unit in the smart life business segment were lower than their carrying values, resulting in the measurement of their implied fair values of goodwill classified as Level 3.

The fair value of unamortizable intangible asset in the smart life segment in Level 3 is zero since the related future cash flows expected to be generated would be immaterial.

	Millions of yen									
	2018									
	Total		Level 1		Level 2		Level 3		Gains (losses) (before taxes)	
Assets:										
Receivables held for sale	¥	916,945	¥	—	¥	916,945	¥	—	¥	(6,051)
Investment in affiliates		16,443		—		—		16,443	¥	(2,561)
Goodwill and unamortizable intangible assets		2,399		—		—		2,399		(8,916)
Long-lived assets		—		—		—		—		(3,172)

Receivables held for sale

Receivables held for sale are measured at the lower of cost or fair value.

Receivables held for sale are classified as Level 2. DOCOMO measures the fair value of the receivables held for sale by discounting, at LIBOR-based discount rates, estimated future cash flows while taking into account factors such as default probabilities and loss severity of similar trade receivables.

Investments in affiliates

The fair value of investments in affiliates, including HTCL, is measured based on discounted cash flow method using unobservable inputs. Therefore, they are classified as Level 3.

Goodwill and unamortizable intangible assets

The fair value of the reporting units is measured based on discounted cash flow method using unobservable inputs and is classified as Level 3. The fair value of the oversea telecommunication reporting unit in the telecommunication business segment is immaterial, and the implied fair value of goodwill in Level 3 is zero.

Long-lived assets

The fair value of the long-lived assets is measured based on the discounted cash flow method. Since the future cash flows expected to be generated by such assets would be negative, the fair value in Level 3 is zero.

	Millions of yen				
	2017				
	Fair value		Valuation technique	Significant Unobservable input	Input value
Assets:					
Investments in affiliates	¥	26,552	Discounted cash flow method	Weighted average cost of capital	7.9%
Goodwill and unamortizable intangible assets	¥	45,947	Discounted cash flow method	Weighted average cost of capital	3.0-8.6%

	Millions of yen			
	2018			
	Fair value	Valuation technique	Significant Unobservable input	Input value
Assets:				
Investments in affiliates	**¥ 16,086**	**Discounted cash flow method**	**Weighted average cost of capital**	**7.3%**
Goodwill and unamortizable intangible assets	**¥ 2,399**	**Discounted cash flow method**	**Weighted average cost of capital**	**8.5%**

21. Financial instruments:

(1) Risk management

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

(2) Concentration of credit risk

As of March 31, 2017 and 2018, the amount of other receivables resulting from the sale of receivables to NTT FINANCE was ¥299,467 million and ¥309,403 million, respectively. As of March 31, 2017 and 2018, the amount of receivables held for sale was ¥1,144,948 million and ¥1,131,437 million, respectively.

Information regarding the transaction with NTT FINANCE is disclosed in Note 15 "Related party transactions."

(3) Fair value of financial instruments

Financial instruments—

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

Long-term debt including current portion—

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

The carrying amount and the estimated fair value of long-term debt including current portion as of March 31, 2017 and 2018 were as follows. The fair value is valued and validated periodically based on observable market data. Therefore, it is classified as Level 2.

Millions of yen			
2017		2018	
Carrying amount	Fair value	Carrying amount	Fair value
¥ 220,257	¥ 225,325	**¥ 160,000**	**¥ 162,710**

Derivative instruments—

(i) Fair value hedge

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

DOCOMO was not a counterparty to any interest rate swap agreements designated as instruments hedging the changes in fair value as of March 31, 2017 and 2018 and did not enter into any interest rate swap agreements designated as instruments hedging the changes in fair value for the fiscal years ended March 31, 2017 and 2018.

(ii) Derivatives not designated as hedging instruments

DOCOMO had interest rate swap agreements, foreign exchange forward contracts, non-deliverable forward contracts (NDF) and foreign currency option contracts to hedge the risk of fluctuations in interest rates and foreign exchange rates. DOCOMO did not designate such derivative instruments as hedging instruments.

The contract amounts as of March 31, 2017 and 2018 were as follows:

	Millions of yen	
Instruments	**2017**	**2018**
Foreign exchange forward contracts	¥ 1,503	¥ **128**
Foreign currency option contracts	28,937	**11,538**
Total	¥ 30,440	¥ **11,666**

(ⅲ) The effect on the consolidated balance sheets

The locations and fair values of the derivative instruments as of March 31, 2017 and 2018, recorded in the consolidated balance sheets, were as follows:

Asset derivatives

		Millions of yen	
Instruments	**Locations**	**2017**	**2018**
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Prepaid expenses and other current assets	¥ 0	¥ **0**
Total		¥ 0	¥ **0**

Liability derivatives

		Millions of yen	
Instruments	**Locations**	**2017**	**2018**
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other current liabilities	¥ 11	¥ **2**
Foreign currency option contracts........	Other current liabilities	112	**119**
	Other long-term liabilities	1,224	**724**
Total		¥ 1,347	¥ **845**

The fair values of derivative instruments were valued and validated periodically based on observable market data and represent the amount that DOCOMO could have settled with the counterparties to terminate the contracts outstanding as of March 31, 2017 and 2018.

(ⅳ) The effect on the consolidated statements of income

The locations and gain (loss) amounts of the derivative instruments for the fiscal years ended March 31, 2017 and 2018, recognized in the consolidated statements of income, were as follows:

Amount of gain (loss) recognized in income on derivative

Instruments	Locations	Millions of yen 2017	2018
Derivatives not designated as hedging instruments			
Foreign exchange forward contracts	Other, net*	¥ 29	¥ **(665)**
Non-deliverable forward contracts (NDF) ...	Other, net*	32	**(8)**
Foreign currency option contracts	Other, net*	(609)	**(97)**
Total		¥ (548)	¥ **(770)**

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

(ⅴ) Contingent features in derivatives

As of March 31, 2018, DOCOMO had no derivative instruments with credit-risk-related contingent features.

Other –

Information regarding investments in affiliates and marketable securities and other investments is disclosed in Note 6 "Investments in affiliates" and Note 7 "Marketable securities and other investments," respectively.

22. Financing receivables:

DOCOMO has financing receivables including installment receivables, credit card receivables and receivables due to transfers. Installment receivables arise from providing funds for the subscribers' handset purchase from agent resellers. Credit card receivables arise from usage of credit services by the customers. Receivables due to transfers arise from sales of DOCOMO's "receivables for telecommunications services" to NTT FINANCE. These receivables generally do not bear interest.

When entering into installment payment, credit card contracts or the contract regarding transfers of receivables with NTT FINANCE, DOCOMO performs credit checks and manages the credit exposure thereafter by monitoring payment delays. The amounts per transaction for handset purchases and credit card usage are generally low and the billing cycle is also short at generally one month. Therefore, DOCOMO is able to maintain accurate past due information on a timely basis. Most of the customers utilize automated payment systems through financial institutions to pay for the outstanding credit card balances, which mitigates the risk of uncollected receivables significantly. In relation to receivables due to transfers, the billing cycle is also short at generally two months and therefore, DOCOMO is also able to maintain accurate past due information on a timely basis and the risk of uncollected receivables is mitigated. Because of the nature of the business and its effective credit control system, DOCOMO believes that a credit risk in its credit services is low. As a result, historical losses of installment receivables and credit card receivables have not been significant and there have been no historical losses on receivables due to transfers.

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

Financing receivables and related allowance for doubtful accounts as of March 31, 2017 and 2018 were as follows. Installment receivables and related allowance for doubtful accounts are included in "Other" column, since these amounts are immaterial.

	Millions of yen			
	2017			
	Credit card receivables	Receivables due to transfers	Other	Total
Allowance for doubtful accounts:				
Balance as of March 31, 2016	¥ 10,075	¥ —	¥ 3,839	¥ 13,914
Provision	12,670	—	5,364	18,034
Charge-offs	(10,075)	—	(175)	(10,250)
Balance as of March 31, 2017	¥ 12,670	¥ —	¥ 9,028	¥ 21,698
Ending balance: collectively evaluated for impairment	12,670	—	54	12,724
Ending balance: individually evaluated for impairment	—	—	8,974	8,974
Financing receivables:				
Balance as of March 31, 2017	¥ 347,557	¥ 299,467	¥ 18,451	¥ 665,475
Ending balance: collectively evaluated for impairment	347,557	299,467	9,472	656,496
Ending balance: individually evaluated for impairment	—	—	8,979	8,979

The cost of installment receivables and credit card receivables which were sold for the fiscal year ended March 31, 2017 were ¥794,248 million and ¥42,159 million, respectively. The balance of receivables held for sale as of March 31, 2017 which was reclassified from installment receivables and credit card receivables were ¥827,144 million and ¥3,404 million, respectively.

	Millions of yen			
	2018			
	Credit card receivables	Receivables due to transfers	Other	Total
Allowance for doubtful accounts:				
Balance as of March 31, 2017	¥ 12,670	¥ —	¥ 9,028	¥ 21,698
Provision	17,499	—	(1,177)	16,322
Charge-offs	(12,670)	—	(4,088)	(16,758)
Balance as of March 31, 2018	¥ 17,499	¥ —	¥ 3,763	¥ 21,262
Ending balance: collectively evaluated for impairment	17,499	—	65	17,564
Ending balance: individually evaluated for impairment	—	—	3,698	3,698
Financing receivables:				
Balance as of March 31, 2018	¥ 432,082	¥ 309,403	¥ 14,457	¥ 755,942
Ending balance: collectively evaluated for impairment	432,082	309,403	10,754	752,239
Ending balance: individually evaluated for impairment	—	—	3,703	3,703

The cost of installment receivables and credit card receivables which were sold for the fiscal year ended March 31, 2018 were ¥720,924 million and ¥39,192 million, respectively. The balance of receivables held for sale as of March 31, 2018 which was reclassified from installment receivables and credit card receivables were ¥797,911 million and ¥3,127 million, respectively.

【 Consolidated Supplementary Schedules】

【Schedule of bonds】

The information as to bonds is disclosed in Note10.

【Schedule of borrowings】

The information as to borrowings is disclosed in Note10.

【Schedule of asset retirement obligations】

Schedule of asset retirement obligations is omitted since the amount of asset retirement obligations is less than 1% of total liability and equity at the beginning and ending of the fiscal year 2018.

【Schedules of valuation allowances】

	Millions of yen			
	Balance as of beginning of year	**Addition**	**Deductions***	**Balance as of end of year**
2018				
Allowance for doubtful accounts	**¥ 22,774**	**¥ 5,768**	**¥ (5,592)**	**¥ 22,950**

* The decrease in allowance for doubtful accounts due to being written off and cash colleciton.

	Millions of yen			
	Balance as of beginning of year	**Addition**	**Deductions***	**Balance as of end of year**
2018				
Valuation allowance for receivables held for sale	**¥ 6,492**	**¥ 6,127**	**¥ (6,299)**	**¥ 6,320**

*The decrease in valuation allowance for receivables held for sale due to sale of receivables held for sale.

	Millions of yen					
		Addition		**Deductions**		
	Balance as of beginning of year	**Charged to expenses**	**Foreign currency translation adjustment**	**Credited to expenses***	**others**	**Balance as of end of year**
2018						
Valuation allowance for deferred tax assets	**¥ 17,631**	**¥ 102**	**¥ 127**	**¥ (3,556)**	**(453)**	**¥ 13,851**

*The credit to expenses includes the change in income tax rates due to US tax reform.

(2) Others

(Millions of yen, unless otherwise stated)

	Three Months Ended June 30, 2017	Six Months Ended September 30, 2017	Nine Months Ended December 31, 2017	Fiscal Year Ended - March 31, 2018
Operating revenues	1,136,696	2,300,131	3,595,679	4,769,409
Income before income taxes and equity in net income (losses) of affiliates	281,846	554,506	957,994	1,096,625
Net income attributable to NTT DOCOMO, INC.	189,939	373,911	654,288	744,542
Basic earnings per share attributable to NTT DOCOMO, INC. (yen)	51.27	100.93	176.62	201.73

	Q1 April 1, 2017 - June 30, 2017	Q2 April 1, 2017 - September 30, 2017	Q3 October1, 2017 - December 31, 2017	Q4 January 1, 2018 - March 31, 2018
Diluted earnings per share attributable to NTT DOCOMO, INC. (yen)	51.27	49.66	75.68	24.73

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

① Non-Consolidated Balance Sheets

	Millions of yen			
		March 31, 2017		**March 31, 2018**
ASSETS				
Property, plant and equipment and intangible assets:				
Property, plant and equipment and intangible assets for telecommunications businesses				
Property, plant and equipment				
Machinery and equipment	¥	3,602,654	¥	**3,605,641**
Accumulated depreciation and amortization		(2,547,637)		**(2,493,996)**
Machinery and equipment, net		1,055,016		**1,111,645**
Antenna facilities		1,239,268		**1,256,423**
Accumulated depreciation and amortization		(699,510)		**(718,661)**
Antenna facilities, net		539,758		**537,762**
Telecommunications line facilities		118,665		**120,979**
Accumulated depreciation and amortization		(89,288)		**(92,438)**
Telecommunications line facilities, net		29,376		**28,540**
Pipe and hand holes		27,530		**28,326**
Accumulated depreciation and amortization		(13,726)		**(14,386)**
Pipe and hand holes, net		13,803		**13,940**
Buildings		660,103		**665,845**
Accumulated depreciation and amortization		(365,717)		**(384,029)**
Buildings, net		294,385		**281,815**
Structures		220,173		**222,198**
Accumulated depreciation and amortization		(148,495)		**(155,010)**
Structures, net		71,678		**67,188**
Other machinery and equipment		15,195		**12,961**
Accumulated depreciation and amortization		(12,526)		**(10,616)**
Other machinery and equipment, net		2,669		**2,344**
Vehicles		2,296		**2,555**
Accumulated depreciation and amortization		(1,703)		**(1,857)**
Vehicles, net		593		**698**
Tools, furniture and fixtures		366,684		**366,431**
Accumulated depreciation and amortization		(300,951)		**(306,568)**
Tools, furniture and fixtures, net		65,732		**59,863**
Land		196,266		**196,488**
Lease assets		864		**841**
Accumulated depreciation and amortization		(393)		**(405)**
Lease assets, net		471		**435**
Construction in progress		171,955		**169,149**
Total property, plant and equipment		2,441,707		**2,469,872**

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Intangible assets		
Rights to use utility facilities	11,590	**10,687**
Software	496,382	**487,114**
Patents	119	**69**
Leasehold rights	57,369	**57,393**
Lease assets	22	**4**
Other intangible assets	26,784	**29,369**
Total intangible assets	592,269	**584,639**
Total property, plant and equipment and intangible assets for telecommunications businesses	*1 3,033,976	***1 3,054,511**
Investments and other assets		
Investment securities	311,326	**290,608**
Shares of affiliated companies	325,668	**298,706**
Other investments in affiliated companies	6,831	**9,022**
Contributions in affiliated companies	5,267	**5,131**
Long-term loan receivable	17	—
Long-term loan receivable in affiliated companies	18,260	**18,153**
Long-term prepaid expenses	26,910	**34,139**
Long-term accounts receivable, other	215,337	**225,798**
Deferred tax assets	110,291	**112,080**
Other investments and other assets	108,045	**117,310**
Allowance for doubtful accounts	(6,302)	**(597)**
Total investments and other assets	1,121,655	**1,110,351**
Total property, plant and equipment and intangible assets	4,155,632	**4,164,863**
Current assets:		
Cash and bank deposits	50,632	**118,216**
Accounts receivable, trade	*2 532,091	***2 566,027**
Accounts receivable, other	*2 1,354,670	***2 1,390,080**
Securities	20,000	—
Inventories and supplies	165,593	**203,492**
Advances	6,376	**8,763**
Prepaid expenses	36,121	**36,541**
Deposits	437,207	**571,053**
Deferred tax assets	53,739	**61,414**
Other current assets	*2 37,054	***2 42,086**
Allowance for doubtful accounts	(19,219)	**(23,542)**
Total current assets	2,674,265	**2,974,135**
Total assets	¥ 6,829,897	**¥ 7,138,999**

	Millions of yen	
	March 31, 2017	**March 31, 2018**
LIABILITIES		
Long-term liabilities:		
Bonds	¥ 160,000	¥ **50,000**
Lease obligations	352	**297**
Liability for employees' retirement benefits	152,308	**156,146**
Accrued liabilities for point programs	107,456	**127,492**
Provision for loss on business withdrawal	2,153	**1,811**
Asset retirement obligations	3,213	**3,289**
Other long-term liabilities	4,124	**5,635**
Total long-term liabilities	429,608	**344,672**
Current liabilities:		
Accounts payable, trade	*2 287,020	*2 **287,846**
Lease obligations	217	**182**
Accounts payable, other	*2,*3 580,679	*2,*3 **626,835**
Accrued expenses	11,925	**12,606**
Current portion of non-current liabilities	60,000	**110,000**
Accrued income taxes	96,344	**144,778**
Advances received	35,526	**52,922**
Deposits received	*2,*3 81,916	*2,*3 **102,127**
Provision for loss on business withdrawal	1,077	**927**
Asset retirement obligations	704	**641**
Other current liabilities	22,212	**38,530**
Total current liabilities	1,177,625	**1,377,396**
Total liabilities	1,607,233	**1,722,068**
NET ASSETS		
NTT DOCOMO, INC. shareholders' equity:		
Common stock	949,679	**949,679**
Capital surplus		
Capital legal reserve	292,385	**292,385**
Total capital surplus	292,385	**292,385**
Earned surplus		
Earned legal reserve	4,099	**4,099**
Other retained surplus		
Accelerated depreciation reserve	21	**4**
General reserve	358,000	**358,000**
Earned surplus brought forward	3,979,505	**4,215,805**
Total earned surplus	4,341,626	**4,577,909**
Treasury stock	(426,442)	**(448,402)**
Total NTT DOCOMO, INC. shareholders' equity	5,157,248	**5,371,571**
Valuation and translation adjustments:		
Net unrealized holding gains or losses on securities	65,415	**45,359**
Total valuation and translation adjustments	65,415	**45,359**
Total net assets	5,222,663	**5,416,930**
Total liabilities and net assets	¥ 6,829,897	¥ **7,138,999**

② Non-Consolidated Statements of Income

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Recurring profits and losses		
Operating revenues and expenses		
Telecommunications businesses		
Operating revenues:		
Voice transmission services	¥ 872,521	**¥ 967,539**
Data transmission services	2,247,239	**2,288,106**
Other	52,976	**60,911**
Total operating revenues	3,172,737	**3,316,556**
Operating expenses:		
Sales expenses	858,196	**897,396**
Facility maintenance expenses	334,615	**330,582**
General expenses	44,255	**47,216**
Administrative expenses	54,086	**56,766**
Research expenses	57,261	**65,022**
Depreciation and amortization	420,709	**451,158**
Loss on disposal of property, plant and equipment and intangible assets	66,382	**61,944**
Communication network charges	327,300	**387,997**
Taxes and public dues	49,347	**47,719**
Total operating expenses	2,212,155	**2,345,803**
Operating income from telecommunications businesses	960,581	**970,753**
Supplementary businesses		
Operating revenues	1,415,842	**1,490,572**
Operating expenses	1,460,542	**1,542,647**
Operating income (losses) from supplementary businesses	(44,699)	**(52,074)**
Operating income	915,882	**918,678**
Non-operating revenues:		
Interest income	534	**523**
Interest income-securities	341	**126**
Dividend income	*1 21,833	***1 45,169**
Rental income	*1 7,527	***1 7,274**
Miscellaneous income	7,078	**9,703**
Total non-operating revenues	37,315	**62,797**
Non-operating expenses:		
Interest expense	26	**37**
Interest expense-bonds	2,590	**2,566**
Foreign exchange losses	1,979	**–**
Write-down of investment securities	–	**3,163**
Loss on debt forgiveness of an affiliated company	*2 –	***2 2,816**
Miscellaneous expenses	10,785	**3,530**
Total non-operating expenses	15,381	**12,114**
Recurring profit	937,816	**969,361**

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Extraordinary profit:		
Gain on reversal of allowance for loss on business withdrawal	3,889	**–**
Income from arbitration award	*3 –	*3 **147,646**
Total extraordinary profit	3,889	**147,646**
Extraordinary loss:		
Write-down of investment in affiliated companies	*4 14,965	*4 **35,459**
Write-down of investment securities	71,912	**–**
Total extraordinary loss	86,878	**35,459**
Income before income taxes	854,828	**1,081,548**
Income taxes-current	205,600	**244,300**
Income taxes-deferred	20,062	**(10,487)**
Total income taxes	225,662	**233,812**
Net income	¥ 629,165	**¥ 847,735**

Schedule of Operating Expenses from Telecommunications Businesses

	Millions of yen					
	Year ended March 31, 2017			**Year ended March 31, 2018**		
	Business expenses	Administrative expenses	Total	Business expenses	Administrative expenses	Total
Personnel expenses	54,469	9,338	63,807	**61,479**	**10,450**	**71,930**
Non-personnel expenses	1,237,137	44,748	1,281,885	**1,275,419**	**46,316**	**1,321,735**
Material and parts expenses	101	0	101	**137**	**–**	**137**
Supplies expenses	26,870	856	27,726	**26,310**	**896**	**27,207**
Rental expenses	46,296	6,939	53,235	**47,666**	**7,425**	**55,091**
Insurance expenses	6	165	171	**8**	**192**	**201**
Utilities expenses	42,321	1,333	43,654	**45,229**	**1,336**	**46,566**
Repair expenses	1,955	523	2,479	**2,426**	**674**	**3,100**
Transportation expenses	1,485	422	1,907	**1,694**	**460**	**2,155**
Telecommunications and transportation expenses	4,994	634	5,628	**6,152**	**583**	**6,735**
Advertising expenses	30,557	123	30,681	**26,257**	**1,354**	**27,612**
Entertainment expenses	3,695	92	3,788	**3,071**	**111**	**3,182**
Welfare expenses	420	3,896	4,316	**208**	**3,713**	**3,921**
Operations consignment expenses	390,674	16,400	407,075	**405,155**	**18,730**	**423,885**
Miscellaneous expenses	687,756	13,361	701,118	**711,101**	**10,836**	**721,937**
Business consignment expenses	3,042	–	3,042	**3,278**	**–**	**3,278**
Bad debt expenses	(320)	–	(320)	**40**	**–**	**40**
Subtotal	1,294,328	54,086	1,348,415	**1,340,217**	**56,766**	**1,396,984**
Depreciation and amortization			420,709			**451,158**
Loss on disposal of property, plant and equipment and intangible assets			66,382			**61,944**
Communication network charges			327,300			**387,997**
Taxes and public dues			49,347			**47,719**
Total			2,212,155			**2,345,803**

Notes: 1. “Business expenses” represent “sales expenses,” “facility maintenance expenses,” “general expenses” and “research expenses” less “administrative expenses.”

2. “Personnel expenses” include retirement benefit expenses of ¥(4,498) million for the fiscal year ended March 31, 2017 and ¥4,536 million for the fiscal year ended March 31, 2018.

3. “Miscellaneous expenses” includes commissions paid to sales agent, and also include provision for accrued liabilities for point programs of ¥17,349 million for the fiscal year ended March 31, 2017 and ¥(3,040) million for the fiscal year ended March 31, 2018.

4. “Bad debt expenses” include provision for allowance for doubtful accounts of ¥(320) million for the fiscal year ended March 31, 2017 and ¥37 million for the fiscal year ended March 31, 2018.

③ Non-Consolidated Statements of Changes in Net Assets

(Year ended March 31, 2017)

	Millions of yen					
	Shareholders' equity					
		Capital surplus		Earned surplus		
					Other earned surplus	
	Common stock	Capital legal reserve	Total capital surplus	Earned legal reserve	Accelerated depreciation reserve	General reserve
Balance as of April 1, 2016	949,679	292,385	292,385	4,099	48	358,000
Changes during the annual period						
Reversal of accelerated depreciation reserve					(27)	
Dividends from surplus						
Net income						
Purchase of treasury stock						
Retirement of treasury stock						
Net changes other than shareholders' equity						
The total amount of changes during the annual period	–	–	–	–	(27)	–
Balance as of March 31, 2017	949,679	292,385	292,385	4,099	21	358,000

	Millions of yen						
	Shareholders' equity				Valuation and translation adjustments		
	Earned surplus						
	Other earned surplus						
	Earned surplus brought forward	Total earned surplus	Treasury stock	Total shareholders' equity	Net unrealized holding gains or losses on securities	Total valuation and translation adjustments	Total net assets
Balance as of April 1, 2016	3,759,741	4,121,889	(405,832)	4,958,122	30,724	30,724	4,988,846
Changes during the annual period							
Reversal of accelerated depreciation reserve	27	–		–			–
Dividends from surplus	(280,431)	(280,431)		(280,431)			(280,431)
Net income	629,165	629,165		629,165			629,165
Purchase of treasury stock			(149,607)	(149,607)			(149,607)
Retirement of treasury stock	(128,996)	(128,996)	128,996	–			–
Net changes other than shareholders' equity					34,691	34,691	34,691
The total amount of changes during the annual period	219,764	219,736	(20,610)	199,126	34,691	34,691	233,817
Balance as of March 31, 2017	3,979,505	4,341,626	(426,442)	5,157,248	65,415	65,415	5,222,663

(Year ended March 31, 2018)

	Millions of yen					
	Shareholders' equity					
		Capital surplus		Earned surplus		
					Other earned surplus	
	Common stock	Capital legal reserve	Total capital surplus	Earned legal reserve	Accelerated depreciation reserve	General reserve
Balance as of April 1, 2017	949,679	292,385	292,385	4,099	21	358,000
Changes during the annual period						
Reversal of accelerated depreciation reserve					(16)	
Dividends from surplus						
Net income						
Purchase of treasury stock						
Retirement of treasury stock						
Net changes other than shareholders' equity						
The total amount of changes during the annual period	–	–	–	–	(16)	–
Balance as of March 31, 2018	949,679	292,385	292,385	4,099	4	358,000

	Millions of yen						
	Shareholders' equity				Valuation and translation adjustments		
	Earned surplus						
	Other earned surplus						
	Earned surplus brought forward	Total earned surplus	Treasury stock	Total shareholders' equity	Net unrealized holding gains or losses on securities	Total valuation and translation adjustments	Total net assets
Balance as of April 1, 2017	3,979,505	4,341,626	(426,442)	5,157,248	65,415	65,415	5,222,663
Changes during the annual period							
Reversal of accelerated depreciation reserve	16	–		–			–
Dividends from surplus	(333,412)	(333,412)		(333,412)			(333,412)
Net income	847,735	847,735		847,735			847,735
Purchase of treasury stock			(300,000)	(300,000)			(300,000)
Retirement of treasury stock	(278,039)	(278,039)	278,039	–			–
Net changes other than shareholders' equity					(20,056)	(20,056)	(20,056)
The total amount of changes during the annual period	236,299	236,283	(21,960)	214,322	(20,056)	(20,056)	194,266
Balance as of March 31, 2018	4,215,805	4,577,909	(448,402)	5,371,571	45,359	45,359	5,416,930

Notes

i. Significant Accounting Policies

1. Valuation standards and valuation methods of securities

(1) Held-to-maturity securities

Held-to-maturity securities are stated at amortized cost, which is determined by the interest method.

(2) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost, which is determined by the moving average method.

(3) Available-for-sale securities

Available-for-sale securities whose fair value is readily determinable are stated at fair value as of the end of the fiscal year. The holding gains and losses, net of applicable deferred tax assets/liabilities, are directly reported as a separate component of net assets instead of being reflected in earnings. The cost of securities sold is determined by the moving-average method with the exception of the cost of debt securities sold, which is determined by the first-in, first-out method.

Available-for-sale securities whose fair value is not readily determinable are stated at moving-average cost.

2. Valuation standards of derivatives and other financial instruments

Derivatives are stated at fair value.

3. Valuation standards and valuation methods of inventories

Inventories are stated at cost. The cost of terminal equipment to be sold is determined by the first-in, first-out method. The cost of other inventories is determined by the specific identification method. The amount of inventories in the non-consolidated balance sheet is reduced based on a decrease of profitability.

4. Depreciation and amortization methods of property, plant and equipment and intangible assets

(1) Property, plant and equipment (except for lease assets)

Depreciation of property, plant and equipment is computed by the straight-line method based on their estimated useful lives. The residual values of the assets are determined based on the historical expenses.

(2) Intangible assets (except for lease assets)

Amortization of intangible assets is computed by the straight-line method based on their estimated useful lives.

Internal-use software is amortized over the internal useful life (7 years or less) on a straight-line basis.

(3) Lease assets

Financial leases other than those deemed to transfer ownership of properties to lessees

Amortization of lease assets is computed by the straight-line method.

The useful lives of the assets are determined by the term of leases and the residual values of the assets equal to zero.

5. Translation standards of foreign currency denominated assets and liabilities

Foreign currency monetary assets and liabilities are translated into Japanese yen at the current spot rate at the end of the fiscal year and the subsequent translation gains or losses are reflected in earnings.

6. Accounting for allowances

(1) Allowance for doubtful accounts

NTT DOCOMO, INC. provides allowance for doubtful accounts principally in an amount computed based on the historical bad debt ratio during a certain reference period and the estimated uncollectible amount based on the analysis of certain individual accounts including claims in bankruptcy.

(2) Liability for employees' retirement benefits

In order to provide for employees' retirement benefits, NTT DOCOMO, INC. accrues the liability as of the end of the fiscal year in an amount calculated based on the estimated projected benefit obligation and plan assets at the end of the fiscal year.

① In calculating projected benefit obligations, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

② Actuarial losses (gains) are recognized as incurred at the end of the fiscal year.

Prior service cost is amortized on a straight-line basis over the average remaining service periods of employees at the time of occurrence.

(3) Accrued liabilities for point programs

The costs of awards under the point programs called "d POINT Service" and "docomo Points Service" that are reasonably estimated to be redeemed by the customers in the future based on historical data are accounted for as "Accrued liabilities for point programs."

(4) Provision for loss on business withdrawal

The loss resulting from the withdrawal of the multimedia broadcasting business for mobile devices that are reasonably estimated to occur for the fiscal year ending March 31, 2019 and beyond, are accounted for as "Provision for loss on business withdrawal.

7. Consumption taxes

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

ii. Change in Presentation

(Non-consolidated balance sheet)

The costs of awards under the point programs called “d POINT Service” and “docomo Points Service” and costs of handset repair service for NTT DOCOMO, INC.’s subscribers to mobile telecommunications services that were reasonably estimated to be redeemed by the customers in the future based on historical data were accounted for as “Accrued liabilities for loyalty programs” for the fiscal year ended March 31, 2017. For the fiscal year ended March 31, 2018 the costs of awards under the point programs that are reasonably estimated to be redeemed by the customers in the future based on historical data are accounted for as “Accrued liabilities for point programs” since the costs of handset repair service became substantially immaterial. In order to reflect this change in presentation, the financial statements for the fiscal year ended March 31, 2017 were reclassified.

As a result, ¥107,456 million presented as “Accrued liabilities for loyalty programs” under “Long-term liabilities” on the non-consolidated balance sheet for the fiscal year ended March 31, 2017 was reclassified as ¥107,456 million of “Accrued liabilities for point programs.”

(Non-consolidated statement of income)

“Provision for doubtful accounts” and “Bad debt expenses for an affiliated company” which were presented separately under “Non-operating expenses” for the fiscal year ended March 31, 2017 are included in ”Miscellaneous expenses” for the fiscal year ended March 31, 2018 because those amounts became relatively immaterial.

In order to reflect this change in presentation, the financial statements for the fiscal year ended March 31, 2017 were reclassified.

As a result, ¥5,609 million presented as “Provision for doubtful accounts,” ¥3,401 million presented as “Bad debt expenses for an affiliated company” and ¥1,773 million presented as “Miscellaneous expenses” under “Non-operating expenses” on the non-consolidated statement of income for the fiscal year ended March 31, 2017 were reclassified as ¥10,785 million of “Miscellaneous expenses.”

iii. Notes to Non-Consolidated Balance Sheets

*1 Property, plant and equipment and intangible assets for telecommunications businesses include those used in supplementary businesses, because these amounts are not material.

*2 Accounts receivable from and payable to affiliated companies

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Short-term accounts receivable	¥ 47,340	¥ **49,168**
Short-term accounts payable	256,596	**309,822**

*3 Assets and liabilities relating to affiliated companies whose amounts exceed one percent of total assets or a combined total of liabilities and net assets of the Company are as follows:

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Accounts payable, other	¥ 177,144	¥ **212,764**
Deposits received	73,844	**93,366**

4 Loan commitments

(1) The Company conducts cash advance services accompanying the credit card business. Outstanding credit lines, etc. relating to loan commitments for the services were as follows:

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Total loan commitments	¥ 166,242	¥ **186,727**
Outstanding credit lines	9,533	**10,821**
Difference	¥ 156,709	¥ **175,905**

Credit lines are not necessarily executed to the full amount because these contracts contain a clause to lower the credit lines if there are reasonable grounds.

(2) The Company enters into revolving credit loan agreements and other agreements with certain consolidated subsidiaries. Outstanding credit lines and other information relating to loan commitments of the agreements and other agreements were as follows:

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Total loan commitments	¥ 76,442	¥ **73,689**
Outstanding credit lines	14,878	**13,247**
Difference	¥ 61,564	¥ **60,441**

iv. Notes to Non-Consolidated Statements of Income

*1 Non-operating revenues of affiliated companies whose amounts exceed ten percent of total non-operating revenues of the Company are as follows:

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Dividend income	¥ 12,011	**¥ 36,743**
Rental income	6,293	**6,061**

*2 Non-operating expenses of affiliated companies whose amounts exceed ten percent of the total non-operating expenses of the Company are as follows:

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Miscellaneous expenses	¥ 3,401	**¥ 480**
Loss on debt forgiveness of an affiliated company	–	**2,816**

The expenses are related to loans receivable, etc. from a subsidiary, mmbi, Inc. for fiscal year ended March 31, 2017, and a subsidiary, Packet Video.Corporation for fiscal year March 31, 2018.

*3 Extraordinary profit: Tata Teleservices Limited

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Income from arbitration award	¥ –	**¥ 147,646**

This arbitration award received from Tata Sons Limited ("Tata Sons") in accordance with a binding arbitration award from the London Court of International Arbitration as to no fulfillment of obligation by Tata Sons regarding execution of an option for sale of stake in Tata Teleservices Limited ("TTSL") pursuant to the shareholders agreement among TTSL, Tata Sons and the Company.

*4 Write-down of investment in affiliated companies is mainly related to losses on impairment of investments in the following affiliated companies.

	Millions of yen	
	Year ended March 31, 2017	**Year ended March 31, 2018**
Tecworld Limited	¥ –	**¥ 16,785**
Tata Sons Limited	12,106	**–**

v. Notes to Non-Consolidated Statements of Changes in Net Assets

Year ended March 31, 2017

1. The class and number of the treasury stock

Class of shares	Number of shares as of April 1, 2016	Increase during the year ended March 31, 2017	Decrease during the year ended March 31, 2017	Number of shares as of March 31, 2017
Shares of common stock of the Company	197,926,250	56,031,217	58,980,000	194,977,467

Note: An increase in treasury stock of 56,031,217 shares resulted from repurchases of the shares through market purchases and compulsory acquisition of less-than-one-unit shares upon request.
A decrease in treasury stock of 58,980,000 shares resulted from the retirement of treasury stock.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Date of record	Date of payment
The general meeting of shareholders on June 16, 2016	Shares of common stock of the Company	131,621	35	March 31, 2016	June 17, 2016
The Board of Directors' meeting on October 28, 2016	Shares of common stock of the Company	148,810	40	September 30, 2016	November 22, 2016

(2) Cash dividends declared for the fiscal year ended March 31, 2017 and to be paid during the next fiscal year

Resolution	Class of shares	Total cash dividends declared (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Date of record	Date of payment
The general meeting of shareholders on June 20, 2017	Shares of common stock of the Company	148,183	Retained earnings	40	March 31, 2017	June 21, 2017

Year ended March 31, 2018

1. The class and number of the treasury stock

Class of shares	Number of shares as of April 1, 2017	Increase during the year ended March 31, 2018	Decrease during the year ended March 31, 2018	Number of shares as of March 31, 2018
Shares of common stock of the Company	194,977,467	111,401,020	117,264,000	189,114,487

Note: An increase in treasury stock of 111,401,020 shares resulted from repurchases of the shares through market purchases, tender offer and compulsory acquisition of less-than-one-unit shares upon request.
A decrease in treasury stock of 117,264,000 shares resulted from the retirement of treasury stock.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividends paid (Millions of yen)	Cash dividends per share (Yen)	Date of record	Date of payment
The general meeting of shareholders on June 20, 2017	Shares of common stock of the Company	148,183	40	March 31, 2017	June 21, 2017
The Board of Directors meeting on October 26, 2017	Shares of common stock of the Company	185,229	50	September 30, 2017	November 21, 2017

(2) Cash dividends declared for the fiscal year ended March 31, 2018 and to be paid during the next fiscal year

Resolution	Class of shares	Total cash dividends declared (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Date of record	Date of payment
The general meeting of shareholders on June 19, 2018	Shares of common stock of the Company	179,659	Retained earnings	50	March 31, 2018	June 20, 2018

vi. Securities

Investments in subsidiaries and affiliates

March 31, 2017

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Shares of affiliated companies	1,246	1,873	627

March 31, 2018

(Millions of yen)

	Balance sheet amount	Fair value	Difference
Shares of affiliated companies	1,246	2,024	777

Note: Balance sheet amounts of shares of subsidiaries and affiliates whose fair values cannot be reliably determined

	Millions of yen	
	March 31, 2017	**March 31, 2018**
Shares of subsidiaries	¥ 208,011	**¥ 172,862**
Shares of affiliated companies....................	116,411	**124,597**

The above shares have not been included in "investments in subsidiaries and affiliates," as their fair values are not reliably determinable due to them not having a quoted market price and since future cash flows cannot be estimated.

vii.Tax Effect Accounting

1. Main factors for recognizing deferred tax assets and deferred tax liabilities

	Millions of yen			
	March 31, 2017		**March 31, 2018**	
Deferred tax assets				
Liability for employees' retirement benefits	¥	46,575	**¥**	**47,749**
Accrued liabilities for point programs		32,860		**38,987**
Depreciation and amortization		41,164		**34,881**
Write-down of investment securities		39,918		**29,690**
Write-down of investment in affiliated companies		98,227		**25,144**
Commissions paid to agent resellers		19,091		**23,643**
Allowance for doubtful accounts		7,937		**7,381**
Accrued enterprise tax		5,175		**6,837**
"Zutto Kurikoshi" services and "Packet Kurikoshi" services		9,004		**5,986**
Others		19,587		**24,836**
Deferred tax assets subtotal		319,542		**245,140**
Valuation allowance		(136,814)		**(51,154)**
Total deferred tax assets		182,727		**193,986**
Deferred tax liabilities				
Net unrealized holding gains or losses on available-for-sale securities		(17,367)		**(18,390)**
Prepaid pension cost		(542)		**(1,193)**
Retirement expenses corresponding to asset retirement obligations		(234)		**(262)**
Accelerated depreciation reserve		(9)		**(1)**
Others		(543)		**(642)**
Total deferred tax liabilities		(18,697)		**(20,491)**
Net deferred tax assets (liabilities)	¥	164,030	**¥**	**173,494**

2. Major components of difference between statutory effective tax rate and actual effective tax rate

	March 31, 2017	**March 31, 2018**
Statutory effective tax rate....................................	30.8%	**30.8%**
(Reconciliation)		
Donations not deductible for tax purposes.......	2.5%	**0.1%**
Increase in valuation allowance	0.1%	**(8.0)%**
Permanent non-taxable items such as dividend income	(0.4)%	**(1.0)%**
Research and development tax credits	(0.5)%	**(0.4)%**
Tax credits associated with tax incentive to promote capital investment that may lead to productivity improvement	(2.0)%	—
Effect of merger of subsidiaries	(4.5)%	—
Others	0.4%	**0.1%**
Actual effective tax rate.......................................	26.4%	**21.6%**

xiii.Per Share Information

	Yen			
	Year ended March 31, 2017		**Year ended March 31, 2018**	
Net assets per share	¥	1,409.78	**¥**	**1,507.55**
Earnings per share		168.85		**229.68**

Notes: 1. Diluted earnings per share is not stated, as no dilutive shares such as bonds with subscription rights to shares were issued.

2. The basis for calculation is as follows.

1. Net assets per share

	Millions of yen, unless otherwise stated			
	March 31, 2017		**March 31, 2018**	
Total net assets	¥	5,222,663	**¥**	**5,416,930**
Amounts to be deducted from total net assets		–		**–**
Net assets at the end of the year related to common stock		5,222,663		**5,416,930**
Number of common stock at the end of the year used to calculate net assets per share (shares)		3,704,585,533		**3,593,184,513**

2. Earnings per share

	Millions of yen, unless otherwise stated			
	Year ended March 31, 2017		**Year ended March 31, 2018**	
Net income	¥	629,165	**¥**	**847,735**
Amounts not attributable to common shareholders		–		**–**
Net income relating to common stock		629,165		**847,735**
Number of weighted average common stock outstanding (shares)		3,726,266,553		**3,690,843,188**

4) Supplementary schedules (from April 1, 2017 to March 31, 2018)

The supplementary schedules of the Company are prepared pursuant to the provision of Article 122, Item 6 of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.

Schedule of Property, plant and equipment and other non-current assets

(Millions of yen)

Assets	Balance as of April 1, 2017	Increase during the year ended March 31, 2018	Decrease during the year ended March 31, 2018	Balance as of March 31, 2018	Accumulated depreciation/amortization	Depreciation/ amortization the year ended March 31, 2018	Net balance as of March 31, 2018	Remarks
Property, plant and equipment								
Machinery and equipment	3,602,654	308,500	305,512	3,605,641	2,493,996	200,451	1,111,645	
Antenna facilities	1,239,268	44,972	27,817	1,256,423	718,661	42,227	537,762	
Telecommunications line facilities	118,665	4,080	1,767	120,979	92,438	4,439	28,540	
Pipe and hand holes	27,530	1,027	230	28,326	14,386	785	13,940	
Building	660,103	9,389	3,647	665,845	384,029	20,786	281,815	
Structures	220,173	3,350	1,325	222,198	155,010	7,640	67,188	
Other machinery and equipment	15,195	587	2,821	12,961	10,616	854	2,344	
Vehicles	2,296	304	44	2,555	1,857	189	698	
Tools, furniture and fixtures	366,684	24,354	24,608	366,431	306,568	23,263	59,863	
Land	196,266	442	220	196,488	–	–	196,488	
Lease assets	864	159	182	841	405	175	435	
Construction in progress	171,955	395,800	398,607	169,149	–	–	169,149	
Total property, plant and equipment	6,621,658	792,970	766,786	6,647,843	4,177,970	300,814	2,469,872	
Intangible assets								
Rights to use utility facilities	22,588	222	267	22,543	11,856	990	10,687	
Software	2,511,627	148,855	22,160	2,638,322	2,151,208	154,082	487,114	
Patents	520	–	–	520	450	49	69	
Leasehold rights	57,369	382	358	57,393	–	–	57,393	
Lease assets	56	1	39	18	13	6	4	
Other intangible assets	100,049	149,451	146,228	103,271	73,902	668	29,369	
Total intangible assets	2,692,211	298,912	169,054	2,822,069	2,237,430	155,798	584,639	
Long-term prepaid expenses	26,910	15,941	8,712	34,139	–	–	34,139	

Notes: 1. Major changes in property, plant and equipment are as follows.

(1) Major increases

Machinery and equipment:	Base station facilities..	207,464
	Base load power supply equipment	26,154
Construction in progress:	Construction of telecommunications facilities..........	364,317

(2) Major decreases

Machinery and equipment:	Base station facilities..	193,762
	Cable transmission facilities	31,036

2. Major changes in intangible assets are as follows.

(1) Major increases

Software:	Software for telecommunications	63,212

	Software for internal use	52,899
Other intangible assets:	Construction in progress associated with software ...	149,198

(2) Major decreases

Other intangible assets:	Construction in progress associated with software ...	146,151

3. Since long-term prepaid expenses are not assets subject to amortization but are allocation of expenses over periods, information of accumulated depreciation/amortization is omitted.

Schedule of securities

			Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Remarks
Equity	Name				
	Investment securities	PLDT Inc.	31,330,155	94,417	Available-for-sale securities (Note 1)
		Far EasTone Telecommunications Co., Ltd.	153,543,573	43,713	Available-for-sale securities
		KT Corporation	22,711,035	40,582	Available-for-sale securities (Note 2)
		FamilyMart UNY Holdings Co., Ltd.	2,930,500	26,257	Available-for-sale securities
		Lawson, Inc.	2,092,000	15,167	Available-for-sale securities
		Nippon Television Holdings, Inc.	7,779,000	14,663	Available-for-sale securities
		FUJI MEDIA HOLDINGS, INC.	7,700,000	13,975	Available-for-sale securities
		TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	5,713,000	12,894	Available-for-sale securities
		PIONEER CORPORATION	25,773,100	4,536	Available-for-sale securities
		Robi Axiata Limited	297,299,960	3,939	Available-for-sale securities
		PKSHA Technology Inc. and 50 other issues	13,502,785.68	12,597	Available-for-sale securities
	Total		570,375,108.68	282,745	
Bond	Name		Total face value (Millions of yen)	Balance sheet amounts (Millions of yen)	Remarks
	Investment securities	Philippine government security Series 10-55	4	4	Available-for-sale securities
	Total		4	4	
Others	Type and name		Number of invested units, etc. (Units)	Balance sheet amounts (Millions of yen)	Remarks
	Investment securities	LONGREACH CAPITAL PARTNERS 1, L.P. and 5 other issues	20	7,858	Available-for-sale securities (Note 3)
	Total		20	7,858	

Notes: 1. The number of shares and balance sheet amount for PLDT Inc. include 8,533,253 shares and ¥25,719 million in the form of American Depositary Receipts (“ADRs”).

2. The number of shares and balance sheet amount for KT Corporation include 16,906,444 shares and ¥24,607 million in the form of ADRs.

3. These are securities as stipulated in Article 2, Paragraph 2, Item 5 of the Financial Instruments and Exchange Act.

Schedule of provisions

(Millions of yen)

Item	Balance as of April 1, 2017	Increase during the year ended March 31, 2018	Decrease during the year ended March 31, 2018		Balance as of March 31, 2018	Remarks
			For specified use	Other		
Allowance for doubtful accounts	25,522	23,967	12,167	13,182	24,139	The amount in the “Other” of “Decrease during the fiscal year ended March 31, 2018” is a reversal due to revaluation.
Liability for employees’ retirement benefits	152,308	12,108	8,270	–	156,146	–
Accrued liabilities for point programs	107,456	68,134	37,397	10,700	127,492	The amount in the “Other” of “Decrease during the fiscal year ended March 31, 2018” is a decrease due to expiration/cancellation of docomo POINTs. Effectively, the fiscal year ended March 31, 2018, “Accrued liabilities for loyalty programs” presented for the fiscal year ended March 31, 2017 are presented as “Accrued liabilities for point programs.” As a result, the amount of “Accrued liabilities for loyalty programs” was reclassified as that of “Accrued liabilities for point programs.” Detail information is described in “iii. Change in Presentation” under Notes to Non-Consolidated Financial Statements.
Provision for loss on business withdrawal	3,230	–	491	–	2,738	–

(2) Details of major assets and liabilities

Statement is omitted, as the Company is preparing the consolidated financial statements.

(3) Others

None.

Item 6. Overview of Operational Procedures for Shares of NTT DOCOMO, INC.

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	June
Date of record	March 31
Record date of dividends from surplus	September 30 (Interim dividend) March 31 (Year-end dividend)
The number of shares per unit	100 shares
Purchase of less-than-one unit shares or demand for sale	
Handling office	(Special account) Mitsubishi UFJ Trust and Banking Corporation, Securities Agency Division 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	(Special account) Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Place of agency	—
Commission for purchase or sale	Free of charge
Method of public notice	The method of public notice of the Company shall be electronic public notice; provided, however, that when electronic public notice cannot be used due to an accident or other unavoidable reason, public notices shall be given in the Nihon Keizai Shimbun.
Benefits for shareholders	None.

Notes: It is prescribed in the Articles of Incorporation that the Company's shareholders may not exercise rights, other than the following, with respect to less-than-one unit shares that they hold.

1. The rights listed in the items of Article 189, Paragraph 2 of the Companies Act
2. The right to claim pursuant to provisions of Article 166, Paragraph 1 of the Companies Act
3. The right to receive an allotment of shares to be offered and an allotment of share acquisition rights to be offered according to the number of shares owned by the shareholders
4. The right to make a claim for sale of less-than-one unit shares

Item 7. Reference Information on NTT DOCOMO, INC.

1. Information on Parent Company and Other Companies of NTT DOCOMO, INC.

The Company does not have the Parent Company and other companies prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of the fiscal year ended March 31, 2018 until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Shelf registration statement and the attachments			Filed on March 26, 2018 to the Director, Kanto Local Finance Bureau
(2) Annual Securities Report, the attachments and confirmation	The 26th Fiscal Year	From April 1, 2016 to March 31, 2017	Filed on June 21, 2017 to the Director, Kanto Local Finance Bureau
(3) Internal Control Report and the attachments			Filed on June 21, 2017 to the Director, Kanto Local Finance Bureau
(4) Quarterly Securities Report and confirmation	(The First Quarter for the 27th Fiscal Year)	From April 1, 2017 to June 30, 2017	Filed on August 2, 2017 to the Director, Kanto Local Finance Bureau
	(The Second Quarter for the 27th Fiscal Year)	From July 1, 2017 to September 30, 2017	Filed on November 1, 2017 to the Director, Kanto Local Finance Bureau
	(The Third Quarter for the 27th Fiscal Year)	From October 1, 2017 to December 31, 2017	Filed on February 5, 2018 to the Director, Kanto Local Finance Bureau
(5) Extraordinary Securities Report The Extraordinary Securities Report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs			Filed on June 21, 2017 to the Director, Kanto Local Finance Bureau
The Extraordinary Securities Report pursuant to Article 19, Paragraph 2, Item 12 (Matters which have remarkable impacts on the financial position, the results of operations, and cash flows), of the Cabinet Office Ordinance on Disclosure of Corporate Affairs			Filed on November 1, 2017 to the Director, Kanto Local Finance Bureau
(6) Share Buyback Report			Filed on November 7, 2017, December 7, 2017, January 12, 2018, February 5, 2018, March 6, 2018 and April 9, 2018 to the Director, Kanto Local Finance Bureau

Section 2 Information about Company which Provides Guarantee to NTT DOCOMO, INC.

None.

Note: Names of companies and products mentioned in this Annual Securities Report are trademarks or registered trademarks of their respective companies.

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 19, 2018

To the Board of Directors of
NTT DOCOMO, INC.

KPMG AZSA LLC

Kensuke Sodekawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kotetsu Nonaka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Nakane (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of NTT DOCOMO, INC. and its consolidated subsidiaries provided in the "Financial Information" section in NTT DOCOMO, INC.'s Annual Securities Report, which comprise the consolidated balance sheet as at March 31, 2018 and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to consolidated financial statements and the consolidated supplementary schedules, in accordance with Article 193-2, Paragraph1 of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles pursuant to the Article 95 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NTT DOCOMO, INC. and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with U.S.generally accepted accounting principles.

Internal Control Audit

Opinion on Internal Control Over Financial Reporting

We also have audited NTT DOCOMO, INC.'s internal control over financial reporting as at March 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, in accordance with Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan.

In our opinion, NTT DOCOMO, INC. maintained, in all material respects, effective internal control over financial reporting as at March 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinion

NTT DOCOMO, INC.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Internal Control Report. Our responsibility is to independently express an opinion on NTT DOCOMO, INC.'s internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to NTT DOCOMO, INC. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with auditing standards for internal control over financial reporting prescribed by the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Major Differences with Auditing Standards for Internal Control over Financial Reporting Generally Accepted in Japan

We conducted our audit of internal control over financial reporting in accordance with the PCAOB auditing standards. Major differences between the PCAOB auditing standards and the auditing standards for internal control over financial reporting generally accepted in Japan are as follows:

1. An auditor is required to express an audit opinion on the Report of Management on Internal Control Over Financial Reporting prepared by a company's management under the auditing standards generally accepted in Japan, while we are required to express an audit opinion on the internal control over financial reporting under the standards of the PCAOB.
2. In accordance with the standards of the PCAOB, our audit of internal control over financial reporting only covers internal controls for preparation of consolidated financial statements provided in the "Financial Information" section, and does not cover internal controls only relevant to non-consolidated financial statements or internal controls relevant to disclosure items which could have material effects on reliability of the financial statements.
3. In accordance with the standards of the PCAOB, our audit of internal control over financial reporting does not cover internal controls over financial reporting of affiliated companies accounted for under the equity method.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Reader of Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting</u>:

The Independent Auditor's Report on the Finacnial Statements and Internal Control Over Financial Reporting herein is the English translation of the Independent Auditor's Report on Financial Statements and Internal Control Over Financial Reporting as required by the Financial Instruments and Exchange Act of Japan.

Independent Auditor's Report on the Non-Consolidated Financial Statements

June 19, 2018

To the Board of Directors of
NTT DOCOMO, INC.

KPMG AZSA LLC

Kensuke Sodekawa (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kotetsu Nonaka (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Masafumi Nakane (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying non-consolidated financial statements of NTT DOCOMO, INC. provided in the "Financial Information" section in NTT DOCOMO, INC.'s Annual Securies Report, which comprise the non-consolidated balance sheet as at March 31, 2018 and the non-consolidated statement of income and statement of changes in net assets for the year then ended, and significant accounting policies and other explanatory information and the supplementary schedules, in accordance with Article 193-2, Paragraph1 of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of NTT DOCOMO, INC. as at March 31, 2018, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Companywhich should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report on the Non-Consolidated Financial Statements:
The Independent Auditor's Report on the Non-Consolidated Financial Statements herein is the English translation of the Independent Auditor's Report on the Non-Consolidated Financial Statements as required by the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2018
[Company Name]	Kabushiki Kaisha NTT DOCOMO
[Company Name in English]	NTT DOCOMO, INC.
[Title and Name of Representative]	Kazuhiro Yoshizawa, Representative Director, President and Chief Executive Officer
[Title and Name of Chief Financial Officer]	Osamu Hirokado, Executive Vice President
[Address of Head Office]	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
[Place Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Basic Framework of the Internal Control Involved with the Financial Reporting

Management of NTT DOCOMO, INC. (the “Company”) is responsible for establishing and maintaining the internal control involved with the financial reporting as stipulated in SEC Rule 13a-15(f) of the U.S. Securities Exchange Act of 1934. The Company’s internal control involved with the financial reporting is a process designed to provide reasonable assurance regarding reliability of the financial reporting and preparation of the financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

However, due to inherent limitations to internal controls, the internal control involved with the financial reporting may not prevent or detect misstatements. In addition, prediction of the effectiveness evaluation of the internal control over the future periods entails a risk that the control becomes inappropriate due to a change in circumstances or a risk that the degree of compliance with policies and procedures will be deteriorated.

2. Scope of Evaluation, Record Date and Evaluation Procedures

Management of the Company used the criteria defined in 2013 Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of the internal control involved with the financial reporting as of March 31, 2018.

3. Evaluation Results

Based on the evaluation, management of the Company concluded that the Company’s internal control involved with the financial reporting as of March 31, 2018 was effective.

Independent Registered Public Accounting Firm of the Company, KPMG AZSA LLC, has issued an audit report on the Company’s internal control involved with the financial reporting as of March 31, 2018.

4. Supplementary Information

This Internal Control Report is prepared in compliance with the terminology, forms and preparation method of the internal control report required in the U.S.

Major differences from the case where it was prepared in accordance with the evaluation criteria for the internal control involved with the financial reporting that is generally accepted in Japan are as follows.

- The scope of financial reporting is the consolidated financial statements, and does not include the internal control related only to non-consolidated financial statements or the internal control involved with the disclosure information and others that materially affects reliability of the financial statements included in items other than financial information.
- The scope of evaluation on a consolidated basis does not include the internal control of equity method affiliates.

5. Special Notes

Since the Company registers the American Depositary Receipts (ADRs) with the U.S. Securities and Exchange Commission (SEC), it prepared this Internal Control Report in accordance with the terminology, forms and preparation method of the internal control report required in the U.S. However, the Company has applied to the SEC for delisting its ADR from the New York Stock Exchange and deregistration from the SEC on April 2, 2018, and the termination of registration is expected to become effective on July 1, 2018.

In addition, on April 13, 2018, the Company applied to the SEC for the termination of reporting obligation under the U.S. Securities Exchange Act, and the reporting obligation will be terminated on July 12, 2018.

[Cover]

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	June 20, 2018
[Company Name]	Kabushiki Kaisha NTT DOCOMO
[Company Name in English]	NTT DOCOMO, INC.
[Title and Name of Representative]	Kazuhiro Yoshizawa, Representative Director, President and Chief Executive Officer
[Title and Name of Chief Financial Officer]	Osamu Hirokado, Executive Vice President
[Address of Head Office]	11-1, Nagata-cho 2-chome, Chiyoda-ku, Tokyo
[Place Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Appropriateness of Contents in the Annual Securities Report

Kazuhiro Yoshizawa, Representative Director, President and Chief Executive Officer of the Company, and Osamu Hirokado, Chief Financial Officer, confirmed that the content in the Company's Annual Securities Report for the 27th Fiscal Year (from April 1, 2017 to March 31, 2018) was appropriately stated in accordance with the Financial Instruments and Exchange Act and related laws and regulations.

2. Special Notes

There are no significant matters to report regarding the confirmation.