NTT DOCOMO INC
Form 20-F
June 27, 2014
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As filed with the Securities and Exchange Commission on June 27, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2014

OR

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

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 1-31221

Kabushiki Kaisha NTT DOCOMO

(Exact name of registrant as specified in its charter)

NTT DOCOMO, INC.

(Translation of registrant s name into English)

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

Shintaro Akimoto or Ayano Tamada, Investor Relations

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

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

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

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

Title of each class	**Name of each exchange on which registered**
Common Stock*	**New York Stock Exchange**

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

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2014, 4,146,760,100 shares of common stock were outstanding, comprised of 4,122,090,551 shares and 24,669,549 ADSs.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

* Not for trading, but only in connection with the listing of the American Depositary Shares.

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Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements such as forecasts of results of operations, management strategies, objectives and plans, forecasts of operational data such as the expected number of subscriptions, and the expected dividend payments. All forward-looking statements that are not historical facts are based on management s current plans, expectations, assumptions and estimates based on the information currently available. Some of the projected numbers in this report were derived using certain assumptions that were indispensable for making such projections in addition to historical facts. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. Potential risks and uncertainties include, without limitation, the following:

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

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

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

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

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

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

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

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

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

10.

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

11. Events and incidents caused by natural disasters, social infrastructure paralysis such as power shortages, the proliferation of harmful substances, terror or other destructive acts, the malfunctioning of equipment, software bugs, deliberate incidents induced by computer viruses, cyber-attacks, equipment misconfiguration, hacking, unauthorized access and other problems could cause failure in our networks,

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distribution channels, and/or other factors necessary for the provision of service, disrupting our ability to offer services to our subscribers and such incidents may adversely affect our credibility or corporate image, or lead to a reduction of revenues and/or increase of costs.

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

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

Our actual results could be materially different from and worse than as described in the forward-looking statements. Important risks and factors that could have a material impact on our actual results are set forth in Item 3.D. and elsewhere in this annual report.

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PART I

As used in this annual report, references to DOCOMO, the Company, we, our, our group and us are to NTT DOCOMO, INC. and its subsidiaries except as the context otherwise requires.

Fiscal year 2013 refers to our fiscal year ended March 31, 2014, and other fiscal years are referred to in a corresponding manner.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following tables include selected historical financial data as of and for each of the years ended March 31, 2010 through 2014. The data in the table is derived from our audited consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). The consolidated balance sheets for the years ended March 31, 2013 and 2014, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2012 through 2014, and notes thereto appear elsewhere in this annual report.

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Selected Financial Data

	2010	2011	2012	2013	2014
	Millions of yen, except per share data As of and for the year ended March 31,				
Income Statement Data					
Operating revenues:					
Mobile communications services (1)	¥ 3,456,544	¥ 3,354,634	¥ 3,326,493	¥ 3, 168,478	**¥ 2,955,788**
Equipment sales	507,495	477,404	498,889	758,093	**872,000**
Other operating revenues	320,365	392,235	414,621	543,551	**633,415**
Total	4,284,404	4,224,273	4,240,003	4,470,122	**4,461,203**
Operating expenses	3,450,159	3,379,544	3,365,543	3,632,942	**3,642,004**
Operating income	834,245	844,729	874,460	837,180	**819,199**
Other income (expense) (2)	1,912	(9,391)	2,498	(3,838)	**13,850**
Income before income taxes and equity in net income of affiliates (2)	836,157	835,338	876,958	833,342	**833,049**
Income taxes (2)	336,927	332,806	391,798	323,059	**307,979**
Income before equity in net income of affiliates (2)	499,230	502,532	485,160	510,283	**525,070**
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates) (2) (3)	(2,122)	(10,539)	(24,208)	(29,570)	**(69,117)**
Net Income (2)	497,108	491,993	460,952	480,713	**455,953**
Less: Net (income) loss attributable to noncontrolling interests	(2,327)	(1,508)	2,960	10,313	**8,776**
Net income attributable to NTT DOCOMO, INC. (2)	¥ 494,781	¥ 490,485	¥ 463,912	¥ 491,026	**¥ 464,729**
Per Share Data					
Basic and diluted earnings per share attributable to NTT DOCOMO, INC. (4)	¥ 118.64	¥ 117.97	¥ 111.87	¥ 118.41	**¥ 112.07**
Dividends declared and paid per share (4)	¥ 50	¥ 52	¥ 54	¥ 58	**¥ 60**
Dividends declared and paid per share (4)(5)	$ 0. 5353	$ 0.6283	$ 0.6553	$ 0. 6160	**$ 0. 5826**
Weighted average common shares Outstanding Basic and Diluted (shares) (4)	4,170,573,800	4,157,685,900	4,146,760,100	4,146,760,100	**4,146,760,100**
Balance Sheet Data					
Working capital (6)	¥ 872,816	¥ 1,032,131	¥ 1,204,258	¥ 1,105,642	**¥ 1,320,776**
Total property, plant and equipment, net	2,607,590	2,523,319	2,536,297	2,560,284	**2,557,766**
Total assets (2)	6,756,775	6,791,593	6,948,082	7,169,725	**7,508,030**
Total debt (7)	610,347	428,378	256,680	253,766	**230,346**
Total liabilities	2,094,329	1,913,999	1,839,311	1,759,160	**1,814,517**
Common stock	949,680	949,680	949,680	949,680	**949,680**
Total NTT DOCOMO, INC. shareholders equity (2)	4,635,877	4,850,436	5,062,527	5,368,475	**5,643,366**
Total Equity (2)	4,662,446	4,877,594	5,108,771	5,410,565	**5,678,644**
Other Financial Data					
Depreciation and amortization expenses and loss on sale or disposal of property, plant and equipment	733,881	720,999	708,838	732,084	**752,997**
Net cash provided by operating activities	1,182,818	1,287,037	1,110,559	932,405	**1,000,642**
Net cash used in investing activities	(1,163,926)	(455,370)	(974,585)	(701,934)	**(703,580)**
Net cash used in financing activities	(260,945)	(421,969)	(378,616)	(260,967)	**(269,793)**
Margins (percent of operating revenues):					

Operating income margin	19.5%	20.0%	20.6%	18.7%	**18.4%**
Margin of net income attributable to NTT DOCOMO, INC. [2]	11.5%	11.6%	10.9%	11.0%	**10.4%**

(1) With the introduction of Other operating revenues in the fiscal year ended March 31, 2013, some elements (revenues from content and other services) included in conventional Packet communications revenues for the fiscal year ended March 31,2010 to 2012 have been retroactively reclassified into Other operating revenues. The amounts of the reclassification for these years are 42.9 billion yen, 52.5 billion yen and 59.2 billion, respectively.

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

(3) Includes impairment of investments in affiliates. See Note 5 of Notes to Consolidated Financial Statements.

(4) As we conducted a 1:100 stock split with an effective date of October 1, 2013, Per Share Data for the fiscal years ended March 31, 2010 to 2014 are based on the number of shares after the stock split, respectively.

(5) The dividends per share were translated into U.S. dollars at the relevant record date.

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

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

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Exchange Rate Data

The following table shows the exchange rates for Japanese yen per $1.00 based upon the noon buying rate in New York City for cash transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York:

Fiscal Year ended March 31,	High *	Low *	Average **	Period-end
2010	98.76	86.12	92.49	93.40
2011	94.24	80.48	85.00	82.76
2012	82.41	76.34	78.86	82.41
2013	94.16	77.92	83.26	94.16
2014	105.25	97.52	100.46	102.98
Calendar Year 2013				
December	105.25	101.82	103.46	105.25
Calendar Year 2014				
January	104.87	102.20	103.76	102.28
February	102.71	101.11	102.13	102.08
March	103.38	101.36	102.34	102.98
April	103.94	101.43	102.46	102.14
May	102.34	101.26	101.77	101.77
June (through June 6, 2014)	102.69	102.30	102.47	102.50

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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D. Risk Factors
Risks Relating to Our Business

This annual report contains forward-looking statements such as forecasts of operating results, management strategies, objectives and plans, forecasts of operational data such as the expected number of subscription, and the expected dividend payments. All forward-looking statements that are not historical facts are based on management s current plans, expectations, assumptions and estimates based on the information currently available. Some of the projected numbers in this report were derived using certain assumptions that are indispensable for making such projections in addition to historical facts. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those contained in or suggested by any forward-looking statement. Potential risks and uncertainties include, without limitation, the following:

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

Mobile Number Portability (MNP), the development of appealing handsets, the entry of new service providers, mergers among other service providers and other factors are intensifying competition for our corporate group from other service providers in the telecommunications industry. For example, other mobile service providers have introduced handsets that keep up with the needs and desires of customers, including handsets that support high-speed services and music/video playback, new services such as music and video distribution services, and flat-rate services for voice communications and e-mail, as well as installment sales methods for devices. There are also providers that offer services related to the convergence of fixed and mobile services, such as aggregated point programs, services offering free calls between fixed-line and mobile phones and discounts for combining fixed line and mobile services, and if services that are highly convenient for customers are offered in the future, the Company, which is subject to regulatory constraints, may be limited in its ability to respond in a timely and suitable manner. Furthermore, if other providers offer handsets that are more appealing than our own handset lineup, we may be unable to respond in a timely and suitable manner. If we are unable to build a network having a certain area and quality within the anticipated period of time, while other service providers build mobile communications networks with an area and quality that exceeds ours, customer satisfaction with our network may decline.

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

In addition to competition from other service providers and technologies in the telecommunications industry, there are other factors increasing competition among mobile network operators, such as saturation in the Japanese mobile communications market, changes to business and market structures due to the expansion of the areas of competition arising from the entry of competitors in the market, including MVNOs*[2] and competitors from other industries, changes in the regulatory environment, and increased rate competition. With the use of open platform devices like smartphones and tablets becoming increasingly widespread, many businesses and others have entered the competition in service offerings on mobile phones, and it is possible that those businesses, etc. may eventually launch services that are more convenient for customers, and further intensify rate competition.

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In this market environment, the decline in the number of net new subscriptions we acquire may accelerate in the future and the number of net new subscriptions we acquire may not reach the number we expect. Also, we may not be able to maintain existing subscriptions as customers migrate to other service providers due to increased competition. Furthermore, in order to capture new subscriptions and maintain existing subscriptions, there could be a greater-than-expected decline in ARPU and/or greater-than-expected costs. In this fierce market environment, in order to provide advanced services and increase convenience to our customers, we have made various revisions, such as in rates and the provision of discounted services. For example, we introduced the flat-rate domestic voice service to our subscribers and the packet flat-rate services for Xi subscribers. We also introduced monthly support, which is a fixed amount discounted from monthly usage rates set for each equipment type. As additional new fee plans for flat-rate domestic voice services, on June 1, 2014 we also introduced Kake-hodai & Pake-aeru, which allows for the sharing of packet telecommunications data volume among family members or the same company or organization, Zutto DOCOMO Discount, a discount service for long-term customers, and U25 Ouen Discount a discount plan for customers 25 up to years of age. However, we cannot be certain that these rate revisions and discounted services will enable us to acquire new and maintain existing subscriptions. Also, the subscription ratio for various discount services or the trend in migration to flat-rate services may not be in line with the expectations of our corporate group, and our ARPU may decrease more than projected. Furthermore, if market growth slows or the market shrinks, ARPU may decrease even more than our forecast and we may not be able to capture new subscriptions or maintain the existing number of subscriptions at the level we expect. In addition, in order to reinforce our managerial structure, we are promoting increased efficiency related to our network, sales and services, research and development and narrowing our product line-up to concentrate resources. The push toward greater efficiency, however, may not proceed as expected, and costs may not be reduced as anticipated due to intense competition from other service providers and changes in the market environment.

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

*1 Abbreviation of Over The Top. A business that does not own the communications infrastructure required for delivering its services and that delivers content services using the communication infrastructure of other companies.

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

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

We view increases in revenue as an important factor in our future growth. We aim to increase revenue by, for instance, promoting the more widespread use of i-mode services, of smartphone services such as sp-mode, dmenu and dmarket, and of Xi services, as well as the expansion of the use of packet communications and other data communications in relation to such services and crowd services like Shabette-Concier and the like. Moreover, we look to increase returns through initiatives in new business areas based on the convergence of various businesses and services, such as media/content, finance/payment, commerce, medical/healthcare, Machine-to-Machine (M2M), environment/ecology and learning with the aim of realizing a smart life 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, content providers, and with stores that have installed equipment capable of handling e-wallet transactions;

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

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

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

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 incur excess inventory;

Our current and future services, including ISP services such as i-mode, sp-mode, fee plans and discounted services for use of voice and packet communications, intelligent services like Shabette-Concier, the storage services like photo collection, the services on dmarket such as dgame, dvideo and dshopping, and initiatives for new market creation through the convergence with various businesses, including financial and payment services like DCMX, media/content services like NOTTV, commerce businesses run by OAK LAWN MARKETING, INC. and Radishbo-ya Co., Ltd. and medical/healthcare services run by docomo Health Care, Inc. and Nihon Ultmarc Inc. 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 docomo ID 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;

To expand services with improved data communication speed enabled by LTE*[1]/LTE-Advanced*[2] and other technology as planned; and

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

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

*2 While maintaining technical compatibility with LTE, standardization to 3GPP, a more sophisticated mobile communication system, is progressing.

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

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

Regulations to accelerate competition in the handset area, such as SIM*[1] unlocking regulations;

Revision of the spectrum allocation system, such as reallocation of spectrum and introduction of an auction system;

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Measures to open up some segments of telecommunication platform functions such as authentication and payment collection to other corporations;

Rules that could require us to open functions regarding our services, such as i-mode and sp-mode services, to platform providers, Internet service providers, content providers, etc.;

Regulations to prohibit or restrict certain content, transactions or mobile Internet services such as i-mode or sp-mode;

Regulations that would prohibit or restrict the provision of discounted services by our corporate group premised on continuous usage term agreements, including cancellation charges like that for the Type Xi Ninen and the like;

Measures which would introduce new costs such as the designation of mobile phone communication as a universal service and other changes to the current universal service fund system;

Fair competition measures to promote new entry by MVNOs;

Introduction of new measures to promote competition based on a review of the designated telecommunications facilities system (dominant carrier regulation);

Review of the structure of the NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) group, which includes our group; and

Other measures, including the fair competition review system for promoting broadband dissemination directed toward us, NTT East and NTT West or the revision of the rules of access charge between operators to enhance competition that would restrict our business operations in the telecommunications industry.

In addition to the above proposed changes that may impact the mobile communications business, we may be impacted by a variety of laws, regulations, and systems inside and outside of Japan. For example, in response to an increase in the number of subscriptions or in the traffic volume*[2] per subscriber, we have proceeded with the enhancement of our telecommunications facilities in order to ensure and improve our service quality. As a result, we are using an increasing amount of electricity. Moreover, we are implementing measures directed towards reducing greenhouse gas emissions, including deployment of low-power consumption devices and efficient power generators. However, with the implementation of regulations and other measures aimed at reducing greenhouse gas emissions, our cost burdens may increase, and this may have an adverse effect on our financial condition and results of operations. Also, the financial condition and operating results of our corporate group may be adversely affected by the increased cost of maintaining and operating the facilities we require for providing our services on account of electricity cost increases due to high fuel prices. In July 2010 the Dodd Frank Wall Street Reform and Consumer Protection Act was signed into law in the U.S. Based on this, the US Securities and Exchange Commission established rules in August 2012 requiring listed companies that use designated minerals in their products to disclose whether such minerals come from the Democratic Republic of the Congo and adjoining countries. The implementation of these rules could have an adverse effect on our financial condition and operating results in the form of higher costs arising from expense of conducting the research needed for regulatory compliance or from an increase in the prices of materials that use such minerals.

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

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

*1 Abbreviation of Subscriber Identity Module. An IC card inserted into a handset on which subscriber information is recorded, used to identify user.
*2 The total volume of transmissions.

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

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

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

Even though our corporate group plans to establish specified base stations to use the allocated 700MHz band, if measures for acceleration (acceleration measures for termination) of the transfer of existing FPU* and specified radio microphones that are currently using this spectrum do not proceed as anticipated, our corporate group may not be able to operate the mobile communication network smoothly, service quality may decline, and additional expenses may arise.

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

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

We are endeavoring to reinforce the network foundation in order to cope with future increases in smartphone traffic. If unforeseen circumstances should arise, such as communication interruptions due to an increase in the number of subscribers and traffic 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 communication services could be constrained or we could lose customers trust, and as a result, we could lose subscribers to our competitors. At the same time, the cost of investing in equipment to address these issues could increase, and this could materially affect our financial condition and results of operations.

* Abbreviation for Field Pickup Unit. A wireless relay system used for TV broadcasting of sports, news, and the like.

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

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

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

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

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

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

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

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 new business fields outside of the mobile telecommunication business, such as media/content, finance/payment, commerce, medical/healthcare, M2M, environment/ecology, learning and the like, anticipated synergies may not be realized due to uncertain and unforeseeable ancillary factors, as we have little experience in such new fields of business, and these factors may have an impact on our strategy. Furthermore, losses may arise due to dissolution or divestiture of investments, alliances and collaborations.

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

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

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

- Malfunctions, defects or breakdowns in any of the various functions built into our handsets;
- Malfunctions, defects, or failures in the software and systems necessary for the services we provide;
- Malfunctions, defects, or failures in handsets or services originating from imperfection in services of other parties;
- Leaks or losses of information, e-money, reward points, or content due to malfunctions, defects, or failures in handsets, software, or systems or imperfection in services of other parties;
- Improper use of information, e-money, credit functions and reward points by third parties due to a loss or theft of handsets;
- Improper access or misuse of customer information/data stored on handsets or servers, such as usage histories and balances, by a third party;
- Inadequate and inappropriate management of e-money, credit functions, reward points, or other data by companies with which we make alliances or collaborate; or
- Harm or losses to customers due to defects in products or services offered through an e-commerce business such as a home shopping service, or products and services offered on one of our platforms, such as dmenu or dmarket.
- Harm or loss to customers due to imperfections in products and services in the new fields such as medical/healthcare, M2M, environment/ecology and learning that we provide as part of our effort to expand the new business fields.

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

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

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

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

In addition, problems have arisen from the fact that subscribers were charged fees for packet communication at higher levels than they anticipated as a result of using mobile phones without fully recognizing the increased volume and frequency of the use of packet communications as our handsets and services became more sophisticated. There have also been problems with high charges due to excessive use of paid content services, and problems due to an increasing amount of trouble and number of accidents caused by the use of mobile phones while driving, riding a bicycles or walking. Further, there are currently a variety of discussions concerning such issues as the pros and cons of elementary and junior high schools students having mobile phones, the sufficiency and accuracy of our access restriction service to screen harmful web sites (filtering service), which applies generally to subscribers under 20 years of age in accordance with the enactment of the Act on Establishment of Enhanced Environment for Youth s Safe and Secure Internet Use, and the increase in harm caused by the use of CGM* by young people, as they increasingly have access to the Internet from their mobile phones. These issues may similarly damage our corporate image.

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

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

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

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

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

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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 violation of intellectual property rights from others, we may be required to expend considerable time and expense to reach a resolution. If such claims are acknowledged, we may be liable to pay damages for infringement of the rights concerned, which may adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

Reports by the World Health Organization (WHO), other organizations and various media sources have suggested that radio wave emissions from mobile handsets and other wireless telecommunications devices may interfere with various electronic medical devices including hearing aids and pacemakers or may adversely affect the health of their users and others by causing cancer or other diseases. Concerns about the risk of wireless telecommunication devices adversely affecting the health of users could adversely affect our corporate image, financial condition and results of operations through increased cancellations by existing subscribers, reduced subscriber growth, reduced usage per subscriber and the introduction of new regulations or restrictions or litigation. The radio emissions from our cellular handsets and base stations comply with the electromagnetic safety guidelines of Japan and guidelines by the International Commission on Non-Ionizing Radiation Protection, which are endorsed by the WHO. The WHO has also stated that if the level of the radio emission from mobile devices is lower than the international guidelines, it would not affect the health of their users and others. Research and studies are ongoing and we are actively attempting to confirm the safety of wireless telecommunication, but there can be no assurance that further research and studies will demonstrate that there is no interrelation between radio wave emissions and health problems.

Furthermore, the Ministry of Internal Affairs and Communications and the Electromagnetic Compatibility Conference Japan have confirmed that some electronic medical devices are affected by the electromagnetic interference from cellular phones as well as other portable radio transmitters. We are working to ensure that our subscribers are sufficiently aware of these precautions when using cellular phones. There is a possibility that modifications to regulations and new regulations or restrictions could limit our ability to expand our market or our subscription base or otherwise adversely affect us.

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

As of March 31, 2014, NTT owned 66.65% of our outstanding voting shares. While being subject to the conditions for fair competition established by the Ministry of Posts and Telecommunications (MPT, currently the Ministry of Internal Affairs and Communications, or MIC) in April 1992, NTT retains the right to control our management as a majority shareholder, including the right to appoint directors. Currently, although we conduct our day-to-day operations independently of NTT and its other subsidiaries, certain important matters are discussed with, or reported to, NTT. As such, NTT could take actions that are in its best interests but may not be in the interests of our other shareholders.

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Risks Relating to the Shares and the ADSs

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

As of March 31, 2014, NTT owned 66.65% of our outstanding voting shares. Under Japanese law, NTT, like any other shareholder, generally is able to dispose of our shares freely on the Tokyo Stock Exchange or otherwise. Additionally, our board of directors is authorized to issue 13,095,000,000 additional shares generally without any shareholder approval. The sale or issuance or the potential for sale or issuance of such shares could have an adverse impact on the market price of our shares.

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

Each ADS represents the right to receive one share of common stock. Therefore, pursuant to the terms of the deposit agreement with our depositary, The Bank of New York Mellon, in order to withdraw any shares, a holder of ADSs must surrender for cancellation and withdrawal of shares using ADRs (each of which evidences 1ADSs). As a result, holders of ADSs will be unable to withdraw fractions of shares from the depositary or receive any cash settlement in lieu of withdrawal of fractions of shares. In addition, although the ADSs themselves may be transferred in any lots pursuant to the deposit agreement, the ability to trade the underlying shares may be limited.

Holders of ADRs have fewer rights than shareholders and have to act through the depositary to exercise those rights.

Holders of ADRs do not have the same rights as shareholders and accordingly cannot exercise rights of shareholders against us. The Bank of New York Mellon, as depositary, through its custodian agent, is the registered shareholder of the deposited shares underlying the ADSs, and therefore only it can exercise the rights of shareholders in connection with the deposited shares. In certain cases, we may not ask The Bank of New York Mellon to ask holders of ADSs for instructions as to how they wish their shares voted. Even if we ask The Bank of New York Mellon to ask holders of ADSs for such instructions, it may not be possible for The Bank of New York Mellon to obtain these instructions from ADS holders in time for The Bank of New York Mellon to vote in accordance with such instructions. The Bank of New York Mellon is only obliged to try, as far as practical, and subject to Japanese law and our Articles of Incorporation, to vote or have its agents vote the deposited shares as holders of ADSs instruct. In your capacity as an ADS holder, you will not be able to bring a derivative action, examine the accounting books and records of the Company, or exercise appraisal rights.

U.S. investors may have difficulty in serving process or enforcing a judgment against us or our directors, executive officers or audit & supervisory board members.

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

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

Our Articles of Incorporation, Regulations of the Board of Directors and the Companies Act of Japan (*Kaishaho*) govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors and officers fiduciary duties and liabilities, and shareholders rights under Japanese law

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may be different from those that would apply to a company incorporated in a jurisdiction within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States.

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

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

Our parent company is NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT), the holding company of NTT group. NTT group is one of the world s leading telecommunications operators. We were incorporated as a subsidiary of NTT in August 1991 and took over NTT s wireless telecommunication operations in July 1992. In July 1993, in accordance with the agreement between NTT and the Ministry of Posts and Telecommunications (MPT) (currently the Ministry of Internal Affairs and Communications, MIC,) we transferred wireless telecommunication operations (other than those in the *Kanto-Koshinetsu* region which remained with us) to our 8 regional subsidiaries. However, the other 8 regional subsidiaries were merged into our company as the surviving company in July 2008.

For a discussion of recent and current capital expenditures, please see Capital Expenditures in Item 5.B. We have had no recent significant divestitures or any significant divestitures currently being made.

B. Business Overview

1. Business Overview

We are a mobile telecommunications carrier belonging to the NTT group, for which NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) serves as the holding company. We currently provide mobile telephone services over our LTE and W-CDMA networks. We have approximately 63,105 thousand subscribers and a domestic market share of 43.8%.

Together with our 194 subsidiaries and 35 affiliates, we conduct business as the NTT DOCOMO group. Our major subsidiaries and affiliates as of March 31, 2014 are listed below.

Name	Percentage Voting Interest
Service Subsidiaries[(1) (2)]: 25	
DOCOMO Business Net Inc.	100%
DOCOMO Engineering Chugoku Inc.	100%
DOCOMO Engineering Hokkaido Inc.	100%
DOCOMO Engineering Hokuriku Inc.	100%
DOCOMO Engineering Inc.	100%
DOCOMO Engineering Kansai Inc.	100%
DOCOMO Engineering Kyushu Inc.	100%
DOCOMO Engineering Shikoku Inc.	100%
DOCOMO Engineering Tohoku Inc.	100%
DOCOMO Engineering Tokai Inc.	100%
DOCOMO I Kyushu Inc.	100%
DOCOMO Mobile Inc.	100%
DOCOMO Mobile Media Kansai Inc.	100%
DOCOMO Service Chugoku Inc.	100%
DOCOMO Service Hokkaido Inc.	100%
DOCOMO Service Hokuriku Inc.	100%
DOCOMO Service Inc.	100%
DOCOMO Service Kansai Inc.	100%
DOCOMO Service Kyushu Inc.	100%
DOCOMO Service Shikoku Inc.	100%
DOCOMO Service Tohoku Inc.	100%
DOCOMO Service Tokai Inc.	100%
DOCOMO Support Inc.	100%
DOCOMO Systems, Inc.	100%
DOCOMO Technology, Inc.	100%
Other Subsidiaries: 169	
ABC HOLDINGS Co., Ltd.	51.0%
Buongiorno S.p.A.	100%
DOCOMO ANIME STORE, INC.	60.0%
DOCOMO Capital, Inc.	100%
DOCOMO.COM, INC.	100%
DOCOMO Communications Laboratories Europe GmbH	100%
docomo Healthcare, Inc.	66.0%
DOCOMO Innovations, Inc.	100%
DOCOMO interTouch Pte. Ltd.	100%
DOCOMO PACIFIC, INC.	100%
D2C Inc.	51.0%
MAGASeek Corporation	75.0%
MCV Guam Holding Corp.	100%
mmbi, Inc.	60.5%
net mobile AG	87.4%
Nihon Ultmarc Inc.	77.5%
NTT DOCOMO USA, Inc.	100%
OAK LAWN MARKETING, INC.	51.0%
PacketVideo Corporation	81.8%

Name	Percentage Voting Interest
Radishbo-ya Co., Ltd.	90.0%
Tower Records Japan Inc.	50.3%
and other subsidiaries	
Affiliates: 35	
Avex Broadcasting & Communications Inc.	30.0%
FeliCa Networks, Inc.	38.0%
Hutchison Telephone Company Limited.	24.1%
Nippon Telecommunications Network Co., Ltd.	37.4%
NTT Resonant Inc.	33.3%
Philippine Long Distance Telephone Company	8.6%
Robi Axiata Limited	8.4%
Sumitomo Mitsui Card Company, Limited.	34.0%
Tata Teleservices Limited (3)	26.5%
ZENRIN DataCom Co., Ltd.	18.1%
and other affiliates	

(1) These service subsidiaries provide operational services such as engineering and support services to NTT DOCOMO, INC.

(2) In efforts to further improve customer services provided locally, operational services which until now were provided by 25 subsidiaries with specific functions across Japan will be concentrated in 12 subsidiaries including DOCOMO CS, Inc. as of July 1, 2014.

(3) On April 25, 2014, DOCOMO s board of directors resolved to exercise its option to sell DOCOMO s entire stake (1,248,974,378 shares, or about 26.5% of outstanding shares) in Tata Teleservices Limited (TTSL) as soon as the conditions for such exercise are met.

Our reportable business segment is the mobile phone business and we also disclose result for all other businesses, which combines quantitatively insignificant operating segments together for disclosure. Operating revenues from the mobile phone business include those from mobile communications services, those from equipment sales for mobile devices and other operating revenues. Combined, this accounted for the greater part of our operating revenues for the fiscal year ended March 31, 2014. With regard to all other businesses, major examples of operating revenues sources are credit services, as well as sales by our subsidiaries, including home shopping services, music software sales, Internet access services for hotel facilities, and mobile advertising. We operate our business mainly in Japan, and do not generally experience significant seasonality.

Breakdown of Operating Revenues

	Millions of yen Year ended March 31, 2012	2013	2014
Mobile phone business	¥ 4,110,585	¥ 4,275,172	**¥ 4,235,897**
All other businesses	129,418	194,950	**225,306**

For more details of our business segment information, please see Operating and Financial Review and Prospects in Item 5.

Competitive Environment

In the mobile telecommunications market, besides the intense competition that we engage in with other Japanese telecommunications carriers due to active movement of subscribers using the Mobile Number Portability (MNP) system, we are also facing competition with new players offering a wide variety of Internet-based services that transcend the scope of traditional telecommunications businesses.

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There are presently 3 mobile network operators in Japan: DOCOMO, KDDI CORPORATION and its subsidiaries (KDDI group) and SoftBank Corp. and its subsidiaries (SOFTBANK group). As of March 31, 2014, we had a market share of 43.8%, KDDI group had a market share of 28.1% and SOFTBANK group had a market share of 28.1%.

As of March 31, 2014 we had approximately 63,105 thousand cellular subscribers, an increase of 1,569 thousand from the end of the previous fiscal year. Also, our cellular churn rate for March 2014 was 0.87%.

Although future growth of new subscribers for conventional voice use is expected to be limited as the penetration rate rises and the population declines, in recent years, the development of new markets for products such as smartphones, tablets, data cards and embedded communication modules, and rising numbers of subscribers due to an increase in corporate subscriptions, have helped drive growth in new subscriptions.

The number of cellular subscriptions for the fiscal years ended March 31, 2012, 2013 and 2014 are as follows:

	Thousands Year ended March 31,		
	2012	**2013**	**2014**
Cellular subscriptions (1)	60,129	61,536	**63,105**
Xi (LTE) subscriptions	2,225	11,566	**21,965**
FOMA (W-CDMA) subscriptions (1)	57,905	49,970	**41,140**
sp-mode subscriptions	9,586	18,285	**23,781**
i-mode subscriptions	42,321	32,688	**26,415**
Estimated market share of total subscriptions	46.9%	45.2%	**43.8%**
Subscription growth rate	3.7%	2.3%	**2.6%**
Average monthly churn rate (1) (2)	0.60%	0.82%	**0.87%**

(1) The number of cellular subscriptions and FOMA subscriptions includes communication module services subscriptions.
(2) In general, the term churn rate is defined as the percentage of customers who disconnect their service relative to the total subscription base. Our measurement of churn rates includes voluntary terminations in connection with handset upgrades or changes. The average monthly churn rate for each fiscal year is calculated by adding the number of cellular subscriber contract terminations in each month of that fiscal year and dividing that number by sum of the active cellular subscriptions* from April to March.

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

In the Japanese mobile communication market, new market opportunities, such as content and applications for mobile phones, are emerging while the usage of data communications is increasing in line with the increased use of smartphones and penetration of high-speed data communication services. Mobile network operators, including DOCOMO, are competing to maintain and obtain subscribers and to create new revenue sources, endeavoring to expand area coverage and increase the speed of their LTE networks, provide devices with special features such as various user interfaces and functions, implementing new billing measures, promoting handset sales, and provide added-value services.

In recent years, as smartphones and tablets have become more popular, there has been a growing movement among competitors to bundle mobile phone services with fixed-line communication services and to discount those charges. However, due to government regulations, we are prohibited from partnering exclusively within the NTT group, and similar services cannot be implemented. Meanwhile, we also plan to move ahead to offer attractive services combining fixed-line services and our mobile communications services in response to the announcement of Hikari Collaboration Model , which provides wholesaling fiber access services to other companies from NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in the future. Moreover, currently, the Ministry of Internal Affairs and Communications is undertaking a review of the government s data communications policy with a view to considering reform in competition policy, and intends to prepare a report by the end of 2014.

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Furthermore, competition in the network layer has intensified due to the increasing number of new MVNOs, with foreign companies also among them, in addition to existing mobile phone network operators. The arrival of global players, including Apple Inc., Google Inc., Amazon.com, Inc., and Facebook, Inc. has also accelerated the shift from the vertical integration model led by existing mobile phone network operators to a model of horizontal division and has given vigor to a new vertical integration model in which the key is the platform as well as operation system, terminal, content, application, and other upper layers.

As stated above, although our business environment is severe due to the market environment, regulations and changes in business model, we are endeavoring to strengthen our competitiveness based on the business strategy described below.

Business Strategy

We have been taking steps to reinforce our competitiveness in the mobile business by thoroughly improving our offerings and developing attractive services in our new business fields, based on our medium-term business plan: Medium-Term Vision 2015: Shaping a Smart Life.

In the fiscal year ended March 31, 2014, we strived to boost our comprehensive strengths by focusing on the four key areas of devices (handsets), network, services and billing plans and sales channel, with the goal of being chosen by a large number of customers and garnering their usage over a long period of time.

Furthermore, in order to propel the expansion of our new businesses going forward, we pursued collaboration and alliances with external partners to provide new services in various sectors such as healthcare and learning.

Meanwhile, to add momentum to the initiatives mentioned above, we strived to strengthen our managerial foundation through structural reforms, stepping up cost-cutting efforts and shifting management resources to new business fields.

Furthermore, in April 2014, we unveiled a new billing plan called Kake-hodai & Pake-aeru which offers unlimited domestic voice calls for a flat monthly rate and enables users to share their packet-data quota among family members, and introduced a new discount for young customers up to the age of 25 and discounts according to the number of years of use, with the goal of enabling customers to utilize our services at affordable rates for a long period of time by selecting a plan appropriate for their individual needs in different stages of life.

Going forward, we will continue our efforts to bring greater happiness to the lives of our customers and their families, and to society, with the goal of becoming a Partner for a Smart Life, chosen and patronized by customers for a long period of time.

2. Networks

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

LTE Development

In December 2010, we launched LTE (Long Term Evolution) service for data communications devices. In November 2011, we expanded the service to smartphones. We are utilizing our experience and expertise as a LTE service pioneer and expanding Quad-Band LTE, which makes maximum use of the four different spectrum bands we own. We are endeavoring to provide a high quality communications environment offering faster speeds and broader reach in future. In terms of expanding our service area, we had increased our base stations to 55,300 nationwide as of March 31,2014 (an increase of 30,900 stations compared to the number a year ago) surpassing our initial target of 50,000.

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In addition, to improve the communication quality in urban centers and other areas of high usage, we moved ahead with the installation of 6-sector base stations*2 that can handle the same capacity as six regular base stations with a single site.

We commenced high-speed service that offers a maximum download speed of 150Mbps*3 in Tokyo, Nagoya and Osaka metropolitan areas, while expanding the service areas of our maximum 112.5Mbps downlink speed service to all 47 prefectures of Japan.

During fiscal 2014, we also intend to provide high speed transmission services with a maximum reception speed of 225Mbps using LTE-Advanced carrier aggregation.

*1: The four spectrum bands of 800MHz, 1.5GHz, 1.7GHz and 2GHz are used for the provision of service. Service areas are constructed utilizing 2GHz and 800MHz bands for building coverage, the 1.5GHz band for delivering speed and the 1.7GHz for even faster transmission speeds in metropolitan areas.

*2: Base stations equipped with a technology that divides an area ordinarily covered by a single base station into six smaller sectors. This technology enables meticulous tuning based on the varying characteristics of each area.

*3: A communications speed measurement unit that represents what volume of data can be transmitted in one second. The bigger the number, the faster the communications speed.

Spectrum Use Status

The Ministry of Internal Affairs and Communications (MIC) has allocated a total bandwidth of approximately 400MHz as radio frequencies available for use for LTE/W-CDMA networks (2GHz, 1.7GHz, 1.5GHz, 900MHz, 800MHz, 700MHz and 2GHzTDD). Of this, we use 4 frequency bands 2GHz, 1.7GHz, 1.5GHz and 800MHz to operate our networks.

2GHz Band:

The 20MHz x 2 allocated in the 2GHz band is jointly used by our LTE and W-CDMA networks. A maximum 15MHz x 2 is used for our LTE network.

1.7GHx Band:

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

1.5GHz Band:

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

800MHz Band:

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

700MHz Band:

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

In addition, in order to respond to increased traffic we are seeking to allocate additional bands of spectrum such as 3.5GHz and 1.7GHz. As for the 3.5GHz band, at the public hearings on fourth-generation mobile communications systems that started in January 2014, besides explaining the usage methods for 3.5GHz if the band is allocated for us, we expressed the opinion that as many frequency bands as possible should be allocated to our company from the perspective of ensuring an equitable competitive environment.

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Strengthening of Network Foundation

For providing customers with a stable and comfortable communication environment, we moved ahead with the reinforcement of our network facilities to respond to the increase in data traffic resulting from the expanded adoption of smartphones. For example, we expanded the LTE network capacity, utilized transmission speed controls for data communication by especially heavy users for data communications and offloaded data to docomo Wi-Fi.

In addition, to prepare for possible large-scale disasters, such as an earthquake directly striking the Tokyo metropolitan area, we have taken various measures such as the dispersion of important communications facilities previously concentrated in the metropolitan area, securing emergency power sources, and making it possible to switch to power saving mode via remote control.

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

3. Products

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

As the needs of our customers increase further with the spreading popularity of smartphones, we have listened to our customers and steadily improved operability and convenience. In the fiscal year ended March 31, 2014, we introduced 27 smartphone models, 2 tablet models, 3 feature phone models and 2 data communication device models, and sold approximately 22,514 thousand units. Sales of each type of device are discussed below.

Smartphones/Tablets

In the fiscal year ended March 31, 2014, we aggressively worked to improve operability and convenience by expanding our lineup of handsets installed with quad core CPU and large capacity batteries. This was in addition to offering features especially popular with Japanese consumers, such as Osaifu-Keitai (Mobile Wallet), Full-Seg, One-Seg, waterproof and infrared capabilities, mainly for our Xi (LTE) compatible smartphone handsets and tablets.

As for smartphone handsets, in addition to global models popular overseas, such as the Xperia™ series and GALAXY series, where we focused on promoting a lineup of handsets with the catch phrases easy to use and easy to choose, we offered a range of attractive handsets with special features, such as the AQUOS series and ARROWS series. Along with handsets that are easy to operate, we also offered a diverse lineup of handsets that can be used with confidence, safety and convenience by a broad spectrum of customers. These include the Raku-Raku SMARTPHONE 2, a smartphone for seniors that supports applications like dmarket, the Smartphone for Junior 2, a smartphone for youngsters with various built-in functions that offer safety for children and peace of mind for their guardians, such as filters that block harmful sites and restrict late night use and excessive use. We also offered business smartphones with advanced security features for corporate use. In addition to handsets that are convenient to use, we expanded the lineup of handsets to meet the diverse needs of customers, including commencement of sales of the popular iPhone in September 2013.

As for tablets, we made efforts to expand this new market through sales of the 7-inch lightweight waterproof AQUOS PAD and the ARROWS Tab capable of a 150Mbps maximum download speed. In addition, we began to offer the iPad from June 2014.

As a result of the above, the number of smartphones and tablets sold was 13.78 million units, an increase of 0.49 million units over the number sold last term, reaching approximately 60% of total sales for the fiscal year ended March 31, 2014, significantly contributing to the expansion of the smartphone user base.

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Data Communications Devices

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

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

4. Services

In order to secure medium term growth in earnings by increasing the revenues from packet communications, we are endeavoring to increase the convenience of Xi (LTE) service, which is the basic service for smartphone users, and also enriched our dmarket portal that offers a wide variety of convenient content, and pursued collaboration and alliances with external partners to provide new services in various sectors such as healthcare and learning.

Mobile Services

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

As a result of our efforts to improve the contents and services for smartphones as well as expand the smartphone market, Xi service subscriptions rose to approximately 21,965 thousand as of March 31, 2014.

In addition, other main services among cell phone services include international services such as international calling service and international roaming service, public wireless LAN service docomo Wi-Fi, services for corporate customers such as Office Link, a service that allows mobile phones to be used as internal lines, Business Mopera Anshin Manager, which enables the unified control of corporate mobile phones, and a satellite cell phone service. A summary of the principal initiatives in other main services among cell phone services implemented during the fiscal year ended March 31, 2014, is provided below:

- We started offering a new one-day (24-hour) flat-rate data communications billing plan for customers traveling overseas, the Global 1day Pake service, which provides users with more inexpensive packet access defined for each country/region.

- We commenced LTE-based international roaming service that can be applied with Global 1day Pake and other billing plans, to enable high-speed data access using LTE connections even when traveling abroad.

- We started offering Business Plus, a package of cloud-based enterprise services including groupware*, network address book and attendance management and other features.

- We concluded a sales partnership agreement with Google Inc. and Densan System Co., Ltd., and have started to provide Google Apps for Business and Google Apps for Education for corporations and educational institutions.

*: Software designed to help improve the productivity of business operations. Groupware generally comes with email/schedule-sharing and other capabilities.

New Initiatives to Expand in New Business Fields

dmarket

We began to provide the dcreators, an online market where various handmade items, such as accessories, smartphone cases and interior accessories by individual creators, can be put up for sale or purchased.

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We commenced the d fashion, a fashion e-commerce site jointly with MAGASeek Corporation, a subsidiary of DOCOMO engaged in the mail order fashion business.

We introduced the dkids, an educational content service targeting families with infants, which can be accessed from a smartphone or tablet and which offers rich educational content that can be used safely.

In partnership with the JTB Corporation, we began to offer the dtravel, a travel service that offers comprehensive travel support, which covers from the support in making hotel reservations to the service provides sightseeing and gourmet dining information, to customers who are either planning a trip or already traveling.

We began to offer the ddelivery, a food delivery service that can be selected and ordered from approximately 20 different categories of menu, from over 9,500 stores nationwide, using a smartphone or tablet.

Other Initiatives

We commenced docomo Mail cloud-based email service, after renovating the conventional sp-mode mail service for smartphones in pursuit of improved ease of use. We also added a function that allows users to access their mobile phone mail address from PCs or other devices.

We enhanced the functionality of docomo ID, an account identification provided for user authentication, to enable the use of the same ID for services on multiple devices, and even enable customers who do not have a mobile phone subscription contract with DOCOMO to use dmarket and other services via various Internet-enabled devices.

Based on the concept of affordable and worry-free use, we introduced service packages to offer an assortment of services that enjoy good reviews by customers. As of March 31, 2014, the Osusume Pack, which bundles the Sugotoku-Contents and other recommended services that allow customers to utilize their smartphones in various convenient ways, garnered 2.92 million subscriptions, and the Anshin Pack, which combines the Mobile Phone Protection & Delivery and various other services designed to ensure worry-free use of smartphones, garnered 4.46 million subscriptions.

In cooperation with the University of Tokyo, we embarked on joint studies on flipped learning[*1] that take advantage of Japan s first Massive Open Online Course (MOOC).

As part of our endeavors to enrich our M2M[*2] offerings that can provide useful solutions for customers everyday activities, we started a new service called Petfit , which allows users to check their pet dog s health condition or location via smartphones or other devices using a tag with built-in communications capabilities.

We announced plans to commence in 2014 a service that utilizes smartphones and wearable devices to measure biometric data using hitoe[*3], a functional material capable of obtaining a person s biometric data such as heart rate and electrocardio-waveform when the person simply wears one of these devices.

Launched to strengthen expertise in service development, DOCOMO Innovation Village, a startup support program for venture companies and organizations with innovative service technologies, is now in its third year. During the third year, in addition to providing richer support content, the program will include the participation of Sony Mobile Communications as a supporting firm along with three NTT Group companies.

*1: A form of learning in which students learn basic content that had traditionally been taught in classrooms at home using online textbooks, and apply and practice the learning at school by going through what used to be homework with teachers.

*2: Abbreviation for Machine-to-Machine. A system that provides automatic communication between machines with built-in communications capability such as vehicles, vending machines and information appliances and the server or other network equipment.

*3: Developed and commercialized by Toray Industries, Inc. and NIPPON TELEGRAPH AND TELEPHONE CORPORATION

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Progress in Collaborations and Alliances

We aim to drive innovation and create new value through the convergence of mobile devices with various industries and services by collaborating with alliance partners, especially in fields that offer great synergy with our mobile business. The principal services in the eight new business fields are as described below.

Business fields	Principal services (alliance partners)
Media/Content	dvideo, dmusic, dhits, dbook, danime store, dgame, NOTTV (mmbi, Inc.), mobil advertisement (D2C Inc.) and other services
Finance/Payment	Mobile remittance and payment service, docomo kouza(Account) , One time and medical insurance services, docomo Insurance, Mobile credit services, iD , DCMX, Mobile Phone Protection and Delivery service and other services
Commerce	dshopping, dcreators, d fashion, dtravel, ddelivery, home shopping service (OAK LAV MARKETING, INC., MAGASeek Corporation and Radishbo-ya Co., Ltd.), music software sales (Tower Records Japan Inc.) and other services
Medical/Healthcare	Medical/Healthcare support services (docomo Healthcare, Inc., Nihon Ultmarc Inc.)
M2M	Otayori Photo Service , docomo DriveNet Navi, docomo DriveNet Info , Petfit and other services
Aggregation/Platform	Digital content delivery, financial and settlement platform services in Europe (net mobile AG, Buongiorno S.p.A., fine trade gmbh) and other services
Environment/Ecology	Environment sensor network, bicycle sharing and other services
Safety/Security/Learning	Smartphone Anshin Remote Support, Anshin Network Security, dkids, cooking school business (ABC HOLDINGS Co., Ltd.) and other services

In addition, please refer to Item 4.B-7 Investments and Alliances, which contains details of investments in new business fields.

5. Tariffs

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

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

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

Basic Monthly Charge for Voice Communication Service and Voice Communication Charges

Since we introduced smartphones that handled Xi (LTE) service in November 2011, we have offered an optional service that allows our Xi subscribers to make unlimited domestic telephone calls to DOCOMO subscription lines in addition to the ordinary fee plans that combine a monthly basic rate and telephone usage fee. In addition, since June 2014, we have offered a new billing plan, Kake-hodai, which enables all Kake-hodai plan subscribers to make nationwide voice calls for a flat monthly rate.

FOMA (W-CDMA) service subscribers contract for basic monthly rate plans, most of which include certain free communications. The telephone pay-as-you-go charge differs depending on the rate plan selected by the customer. In addition, as with Xi, we began to offer a new billing plan, Kake-hodai.

Data Communication Charges

We have two types of rate plans for our data services: pay-as-you-go services with no maximum charges and flat-rate services. As of March 31, 2014, 75.8% of total subscribers (excluding prepaid data plans) were on flat-rate plans.

Our Xi flat-rate plans are fixed limit data communications services and have data usage thresholds of 3GB or 7GB. If the threshold for data usage is exceeded, users can either pay an additional set fee for each 2GB of data or transmission speed is lowered to 128kbps until the end of that month.

Furthermore, we introduced flat-rate plans with lower than usual rates exclusively for smartphones used by seniors and youngsters, and in September 2013 we began to provide flat-rate data plans exclusively for the iPhone, thereby creating an environment where smartphones can be used by a broader range of customers.

In addition to these plans, from June 2014, we began to offer a new flat-rate data service called Pake-aeru, that enables Xi and FOMA customers to set and share monthly data quotas with family members and corporate users. By choosing one type of basic plans corresponding to Pake-aeru based on an estimate of monthly data quantity to be used by a family or the corporate users, the service enables division of the total data quantity among multiple contract lines.

Besides this, we are offering Zutto docomo Discount, a usage fee discount for long-term customers, and U25 Ouen Discount, a discount aimed at customers of age 25 or younger.

6. Sales and Marketing

Sales Channels

We sell our products and services through a vast sales network covering the entire country of Japan. The shops that deal with our products and services are operated by various distributors, and as of March 31, 2014, there were 2,406 docomo Shops nationwide. In addition to docomo Shops, there are general distributors that handle the products and services of multiple operators such as mass merchandisers of consumer electronics and other stores that also sell our products. As of March 31, 2014, the number of such shops was approximately 4,300 (excluding docomo Shops). In addition to the face-to-face channel, we have established online shopping and 10 call centers nationwide, and consider these channels to be important to improving convenience for our customers. For smartphones, which have gained in popularity, we have established exclusive call centers in three cities Tokyo, Osaka and Sendai and are enhancing the system for customer care.

Sales Methods

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

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

Customer Support

Customer Loyalty Program

As part of our efforts to provide enhanced customer services, we offer a customer loyalty program called docomo Premier Club. This reward program consists of a point accumulation service, complimentary services and after-sales services; depending on their monthly mobile phone usage, subscribers earn points, which can be applied to purchasing handsets, or exchanged for travel tickets, restaurant vouchers, etc.

By joining this program, members are entitled to services such as:

a discount on a battery pack or charger adapter with the use of the same FOMA handset for at least one year

After-sales support

As described below, we have continually worked to strengthen our after-sales support with the aim of further improving customer satisfaction:

Smartphone Anshin Remote Support service to provide customers with professional assistance concerning the operation or settings of smartphones or tablet devices from our call center staff who can monitor the handset operations from a remote location.

Area quality improvements based on proposals and methods for improvement tailored to circumstances, in response to specific requests for area improvement from customers.

Mobile Phone Protection & Delivery Service and Mobile Phone Protection & Delivery Service for iPhones provide comprehensive coverage for problems related to handsets, as follows.

- Direct delivery of the same model and same color mobile phone when a handset sustains water damage or is lost, simply by telephoning DOCOMO.
- Repairs at no charge for three years from the date of purchase when a malfunction covered under the warranty occurs (excluding iPhones).
- Repairs up to 5,000 yen for three years from the date of purchase when a breakage or malfunction not covered under the warranty occurs (excluding iPhones).

7. Investments and Alliances

We are making strategic investments in which we basically hold a majority share mainly in business fields with synergistic effects in the mobile business where we can anticipate further growth and an increase in added-value by taking advantage of the strengths and know-how of our company. In the fiscal year ended March 31, 2014, we made investments to increase operating revenues from new business fields to ¥1,000 billion by fiscal year 2015. In the fiscal year ended March 31, 2014, our main investments were as follows.

In addition, please refer the list in Item 4.B-1 Business Overview, which contains the name and voting interest of our subsidiaries and affiliates as of March 31, 2014.

In May 2013, we acquired an approximately 77.5% share of Nihon Ultmarc Inc., which operates the biggest medical database business in Japan, for approximately ¥2.6 billion, making it our subsidiary with the aim of creating new services that link consumers with medical care.

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In order to make a full-scale entry into the ITS/telematics* business, we have invested approximately ¥5 billion and formed an alliance with Pioneer Corporation, which is a leading company in car electronics, in May 2013. In December 2013, we began a new service called Docomo DriveNet Info, an information delivery service for drivers which provides useful information to users, such as traffic information and information of surrounding areas. By combining voice synthesizing technology and voice intent interpretation technology applied by our Shabette Concier and cloud-based navigation system developed for next-generation cars by Pioneer Corporation, information is generated in the cloud by just speaking into a smartphone.

In August 2013, we agreed to a business and capital alliance with Tokyo Broadcasting System Holdings, Inc. to provide entertainment events and movie content that can be more conveniently enjoyed using a smartphone. We acquired about 3.0% of the company s shares for approximately ¥7 billion.

In January 2014, we acquired a 51% interest in ABC HOLDINGS Co., Ltd., the holding company for ABC Cooking Studio Co., Ltd., and made it a subsidiary. ABC Cooking Studio is a company with which we have built up a cooperative relationship to date providing lifestyle guidance to customers in areas such as dining and cooking. We will further strengthen the cooperative relationship through convergence of the assets of ABC, which owns cookery schools and other cooking-related content, with our expertise in mobile, cloud and other technologies. This will promote the development of new services that connect the real with the digital world and link up the DOCOMO and ABC customer bases.

In March 2014, we established the mobidoors joint venture company (with DOCOMO investing: ¥220 million for a 55% stake) with RSUPPORT Co., Ltd. and OrangeOne Corporation to propose and sell remote support solutions to mobile network operators and mobile phone manufacturers outside Japan. The joint venture aims to develop the remote solutions market outside of Japan by leveraging RSUPPORT s technical expertise in development and remote support solutions, OrangeOne s know-how in system construction and maintenance, and DOCOMO s experience in providing remote customer support for smartphone users and its relationship with overseas mobile network operators and mobile phone manufacturers.

* ITS: Intelligent Transport System Telematics:
The provision of services to mobile objects such as vehicles utilizing communications.

Global Expansion

We make investments in and form partnerships with mobile operators and various players in different business domains with the long-term aim of strengthening our global competitiveness.

In regards to investments in mobile operators, we aim to achieve financial returns by strengthening the business foundations of our investment partners through supporting their businesses and to achieve synergies with our partners, such as through the joint deployment of new services and the joint development and procurement of handsets. In addition, through investment in various overseas companies in recent years, we have been making efforts to build a global open platform and promote various services that fully take into consideration the special characteristics of countries and regions. In the fiscal year ended March 2014, our main overseas investment projects were as follows.

In May 2013, we acquired all of the stock of MCV Guam Holding Corp., the largest cable television and Internet service provider in Guam and the Northern Mariana Islands, through a wholly owned holding company established in Guam by DOCOMO, for approximately ¥13.3 billion, with the purpose of strengthening the business foundations of DOCOMO PACIFIC, INC. by improving its competitiveness in the market.

In October 2013, through our subsidiary DOCOMO Deutschland GmbH, we acquired all shares in fine trade gmbh, a settlement service business for online product sales in Austria and made it a wholly owned subsidiary. With this acquisition, in addition to credit card and debit card settlement and

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settlement of operator charges for digital content provided by net mobile and Buongiorno S.p.A., we will expand our financing and settlement platform business in Europe by providing settlement services in fine trade s online product sales market.

8. Research and Development

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

In order to address technology innovations overseas, we have established research centers in the U.S., Germany and China. Together with DOCOMO Capital, Inc. and DOCOMO Innovations, Inc., we are also aligned with venture companies in North America for the purpose of investing in ventures that develop advanced and innovative technologies that can be applied to mobile communication services. Furthermore, we also conduct collaborative research with various universities within and outside Japan. In the collaborative research field, we have been involved in technological exchanges in connection with 4G and 5G mobile communication systems and other advanced research.

Recent development results are as follows:

Development of Handsets and Services

With the Xi service, we began to offer smartphones and mobile Wi-Fi routers compatible with Quad-Band LTE that supports downlink transmission at 150Mbps.

We began to offer a service that uses the cloud for docomo mail and the like. We developed and began to offer a docomo ID compatible service base and server management technology that shortens up to 50% the cloud service response time, with the aim of improving service usability.

While providing our own technologies used in our smartphones, including technologies such as text recognition and voice recognition as API[*1], we also established docomo Developer support, an API providing site that widely supports service developers, including development support tools like SDK[*2].

*1 An abbreviation for Application Programming Interface. An interface required for calling up a function or database when applications are developed.

*2 An abbreviation for Software Development Kit. It facilitates easier programming by developers.

Technical Developments to be Implemented

We are engaged in the development of VoLTE*, a voice service on the LTE network, which is 3GPP standardized.

We developed Smart Vertical MIMO, a wireless transmission technology aimed at LTE-Advanced, which is a 4th generation mobile communications standard. We conducted a successful outdoor traveling transmission test at an excess of 1.2Gbps with one base station antenna.

We initiated the development of intelligent glass, an application for eyeglass-type terminals which displays counterpart information stored in the Internet and allows users to move virtual icons displayed in their field of vision as if they are moving actual physical objects.

* An abbreviation for Voice over LTE. This is a voice IP service which leverages LTE technology.

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Future Technology Initiatives

With the goal of realizing ultra-high speed data transmissions at more than 10Gbps and 1,000-fold the capacity of existing LTE networks, we conducted research and development related to next generation mobile communications (5G).

We are engaged in research and development related to network virtualization that aims to increase the efficiency of network structure and operations. We have confirmed by experimentation that this technology can handle the complexity of large scale traffic concentration both economically and rapidly.

As a result of the above, the total research and development costs for the fiscal year ended March 31, 2014, decreased by 8.3% from the previous fiscal year to ¥102.0 billion.

9. Regulations

The MIC is the primary regulatory body with responsibility for the telecommunications industry in Japan. We and other mobile telecommunication service providers are regulated by the MIC primarily under the Telecommunications Business Act. We and other mobile telecommunication service providers are also subject to the Radio Act. We, however, are not subject to regulation under the Act on Nippon Telegraph and Telephone Corporation. etc.

The Telecommunications Business Act

Under the Telecommunications Business Act, we are subject to a registration requirement as telecommunications operators.

The following table summarizes some of the major current regulatory requirements applicable to telecommunications carriers under the Telecommunications Business Act:

	Regulation
a. Tariff settings, service offerings, etc.	Unregulated in principle (excluding universal service and certain designated telecommunication services).
	Accountability to users concerning outline of terms and conditions of telecommunications service and proper and swift processing of complaints and inquiries from the users are required.
b. Business improvement order	The Minister of MIC may order a telecommunications carrier to improve business activities to protect the interests of the public and users with regard to the secrecy of communications, unreasonably discriminatory treatment, ensuring important communications, tariff and other service conditions, etc.
c. Interconnection	Obligation, in principle, for interconnection with other telecommunications carriers that propose interconnection.
	In the event a telecommunications carrier does not accept entering into a consultation despite the other carrier s proposal to enter into an agreement to interconnect telecommunications facilities or if said consultation fails to come to an agreement, except for certain cases, the Minister of MIC may order such telecommunications carrier to start or resume consultation.

The Radio Act

The Radio Act was established to promote public welfare by ensuring the equitable and efficient utilization of radio waves. There are certain important provisions of the Radio Act applicable to us and other mobile phone service providers.

The Act states that the MIC must, in order to ensure convenience for those planning to build base station equipment, draw up and make available to the public a list of the frequencies that are available for allocation. Anyone who wishes to build base station equipment must submit an application form to the Minister of MIC together with documents in which required matters are stated, including the purpose of and reason for building base station equipment, the location of the facilities and its frequencies, and acquire a license. The Act also states that any telecommunications carrier who has obtained a license should obtain approval from the Minister of MIC in advance of any operational changes, such as a change in recipients of communications or the location of the facilities, or the intention to start any construction to modify the facilities.

Major Regulations and Guidelines

Category II-designated telecommunications facility system

Our telecommunications facilities have been designated as Category II-designated telecommunications facilities. Consequently, in interconnection with other telecommunications carriers, we are obligated to specify in advance fees to be obtained and terms of connection, etc. in the form of articles of agreement, and report these to the Minister of MIC and make them public. No agreements pertaining to the interconnection between Category II-designated telecommunications facilities and other telecommunications carriers may be entered into or amended without complying with those articles of agreement.

In June 2012, the Ordinance for Enforcement of the Telecommunications Business was revised. By this revision, the criteria for designating Category II telecommunications facilities were expanded to include those of carriers with a share of more than 10% (formerly 25%), and as a result SOFTBANK MOBILE was designated by the public notice of the MIC as a carrier of a Category II telecommunications facility in addition to KDDI and Okinawa Cellular in December 2012.

Method of Connection Charges Calculation

Regarding fees charged to the connecting carrier as a result of interconnection (connection charges), we are obligated to charge an amount consisting of appropriate costs plus a reasonable margin and accordingly need to calculate such an amount by the method specified in the Guideline relating to operation of the Category II-designated telecommunications facility system issued by the MIC, and submit the basis of the calculation to the MIC. We are also under an obligation to assemble and make public accounting information about the connection in accordance with the MIC Ordinance. The aforementioned Guideline was amended in March 2014, under which it is recommended to determine a provisional amount for packet connection charges payable by MVNOs by reference to reasonable and provisional amounts in lieu of the connection charges applicable in the previous year for the purpose of the improvement of MVNOs cash flows in the case where a substantial decrease in such amount is expected.

Regulations on the Prohibition of Anti-competitive Behavior

We are designated as a telecommunications carrier subject to the prohibition of anti-competitive behavior on the grounds that it is necessary to do so in consideration of the fact that our market share in terms of profits exceeds 25 percent, changes in this market share and other circumstances; and also, for the purpose of ensuring a fair environment of competition with other telecommunications carriers, we are accordingly prohibited from engaging in anti-competitive behavior such as:

- Use of information of other mobile network operators obtained from such other mobile operators through interconnection for other purposes;

Unduly favorable treatment of specific telecommunication carriers; and

Undue discipline imposed on or interference with other carriers, manufacturers or suppliers of telecommunications equipment. Currently, a discussion is open at the MIC in respect of the modality of the telecommunications policies with a view to the reform of the competition policies . Where appropriate, the reform of the prohibition of anti-competitive behavior will be considered and the report will be submitted by or around the end of 2014.

Obligation to provide MVNOs with telecommunications services

With a view toward a more dynamic mobile telecommunication market achieved by promoting new entry by MVNOs, the MIC has formulated Guidelines regarding the application of the Telecommunications Business Act and the Radio Act to MVNO. Under the Guidelines, whether wholesale telecommunications services are to be provided by a Mobile Network Operator (MNO) to an MVNO, or whether there will be an interconnection between an MNO and MVNO are matters, in principle, to be decided by consultations between the parties, and when an MNO has had a request for connection from an MVNO, unless it has grounds to refuse, it must comply with such request.

Introduction of BodySAR regulations

Bearing in mind the penetration of wireless devices used for purposes other than voice communications, such as smart phones, among others, and the penetration of devices with multiple forms of wireless mechanisms that transmit radio waves at the same time, the MIC introduced a system that provides for expansion of the permissible limit of the Specific Absorption Rate (SAR), which had previously been set mainly for the head area, to include almost the entire body in order to ensure the safety of these devices according to standardized international assessment methods (effective as of April 2014).

10. Relationship with NTT

NTT is our parent company and owned 66.65% of our voting rights as of March 31, 2014. The government of Japan, in the name of the Minister of Finance, owned 36.56% of the voting rights of NTT as of the same date. The government of Japan, acting through the MIC, also regulates the activities of NTT.

The NTT group is the largest provider of fixed-line and wireless voice, data, Internet and related telecommunications services in Japan and operates one of the largest telecommunications networks in the world. The NTT group s main business is providing nationwide telecommunications services including voice communication services, data communication services, leased circuit services, system integration services and other services. As a holding company, NTT is directly responsible for the overall strategy of the NTT group. NTT is also responsible for basic research and development for its group companies.

Although NTT owned 66.65% of our voting rights as of March 31, 2014, we conduct our day-to-day business operations independently of NTT and its other subsidiaries. All transactions between us and each of NTT and its subsidiaries and affiliates are conducted with fair and appropriate distance. In the year ended March 31, 2014, we had sales of ¥43,872 million to NTT and its subsidiaries and had cost of services, selling, general and administrative expenses and capital expenditures of ¥215,968 million, ¥198,288 million and ¥75,768 million, respectively, to NTT and its other subsidiaries, compared to sales of ¥42,777 million and cost of services, selling, general and administrative expenses and capital expenditures of ¥211,137 million, ¥198,935 million and ¥93,207 million, respectively, in the year ended March 31, 2013. We also had accounts receivable of ¥5,058 million from NTT and its subsidiaries and payables of ¥79,077 million to NTT and its subsidiaries as of March 31, 2014, compared to ¥9,164 million and ¥78,073 million as of March 31, 2013.

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In order to ensure fair competition in the mobile telecommunication business, the MPT (currently the MIC) in April 1992 established the following conditions of separation on NTT, which was then operating fixed line telephone services, and us, which remain applicable:

- To the extent possible, we must establish transmission lines for our network independent of NTT. In the event that we use NTT transmission lines, the terms and conditions for such use shall be the same as those for our competitors.

- NTT must not favor us in any transactions between NTT and us. The terms and conditions for our use of NTT utility poles, access to NTT s network, access to NTT research and development and similar matters should be the same as for our competitors.

- All former NTT employees transferred to us were required to be permanent employees, rather than being seconded from NTT.

- We were to plan to have our shares listed and NTT s ownership in us reduced approximately 5 years after incorporation.

- We must not engage in joint procurement with NTT so as not to use NTT s purchasing power with the objective of obtaining favorable treatment or pricing from its suppliers and manufacturers.

At the time of separation from NTT, all trademarks and service marks for our products developed by NTT, other than the NTT DoCoMo trademark, the DoCoMo trademark and the NTT DoCoMo service mark, were assigned to us. If NTT s ownership of our shares is substantially reduced, we may not be able to continue to use the trademarks and service marks that include NTT. Patents, utility model rights and design rights are shared equally with NTT. While certain rights to programs concerning wireless telecommunication systems were assigned by NTT to us, NTT owns the rights to other programs concerning wireless telecommunication systems and grants us licenses to use such rights. Since the separation, NTT and we have each retained rights resulting from our own research and development. When we desire to use NTT s technology, we are required to pay royalties equal to those other wireless telecommunication companies would pay for the use of such technology, and such technology is available equally to us and our competitors. We are also required to pay NTT certain basic research and development fees.

Although we operate independently of NTT, the following matters, among other things, relating to us are discussed directly with or reported to NTT: matters that are required to be voted on at shareholders meetings, including amendments to the Articles of Incorporation, mergers and consolidations, assignments and transfers of business, election and removal of directors and audit & supervisory board members, and appropriation of dividends from retained earnings; increases in share capital; investments, including international investments; loans and guarantees; and establishment of businesses plans. In addition, Mr. Takashi Nakamura, a full-time employee of NTT, serves part-time on our board of directors.

To date, with respect to the stake in us held by NTT, such documents as the Deregulation Committee 1998 report, the 2000 opinion of the Regulatory Reform Committee, and the government s Three-year Program for Promoting Regulatory Reform of 2001 have concluded that, from the perspective of promoting completion among NTT group companies, efforts should be made to further lower the stake. NTT has declared its view that its ownership of our shares does not have any adverse effects on fair competition and that it intends to maintain its ownership stake in us at 51% or above. Further, the Japanese government has not decided what action, if any, it will take with respect to NTT s ownership of our shares.

NTT has entered into agreements with each of DOCOMO, NTT East and NTT West and certain other subsidiaries that provide for NTT to receive compensation for performing basic research and development and for providing management and administrative services. NTT also receives dividends when dividends are declared by its subsidiaries, including DOCOMO.

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For information regarding certain transactions with NTT FINANCE CORPORATION, in which NTT and its subsidiaries collectively own 99.9% of the voting interest, see Item 7.B. Related Party Transactions and Note 13 of Notes to Consolidated Financial Statements Related Party Transactions.

11. Legal Proceedings

We have initiated normal actions relating to the collection of telecommunications charges and other legal proceedings in the ordinary course of business and are not involved in any litigation and have not been involved in other legal proceedings in the preceding 12 months from the date of this document that, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our financial position or profitability.

A. Organizational Structure

As of March 31, 2014, NTT, our parent company, was our largest shareholder and owned 66.65% of our outstanding voting shares. We are the largest wireless telecommunication services provider in Japan based on the number of subscriptions.

There are no subsidiaries that are considered to be significant as of March 31, 2014.

B. Property, Plant and Equipment

Our property includes buildings which contain wireless telecommunication equipment. As of March 31, 2014, we and our regional offices owned 3,731,032 square meters of land and 1,555,390 square meters of office space, buildings containing switching centers, company dormitories and warehouses throughout Japan. In addition, as of March 31, 2014, we leased 9,564,367 square meters of land mainly for base stations and transmission facilities.

We do not, directly or indirectly through a subsidiary, operate a coal or other mine subject to the U.S. Federal Mine Safety and Health Act of 1977.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

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

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

We will discuss the following matters in this Item 5:

A. Operating Results

- Overview

- Trends in the Mobile Communications Industry in Japan

Operating Results for the fiscal year ended March 31, 2014

A. Operating Results

Overview

We are the largest cellular network operator in Japan with a total subscription of 63.11 million, which represented 43.8% of all cellular subscriptions in Japan as of March 31, 2014. We earn revenues and generate cash primarily by offering mobile communications services and mobile handset sales. In mobile communications services, which account for the 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, our present business activities are credit services, home shopping services, music software sales, internet access services for hotels, mobile advertisement business and various other services.

In the mobile communications market, besides the intense competition that we engage in with other Japanese telecommunications carriers due to active movement of subscribers using the Mobile Number Portability (MNP) system, we are also facing competition with new players offering a wide variety of internet-based services that transcend the scope of traditional telecommunications business.

In this new competitive landscape, we have been taking steps to reinforce our competitiveness in the mobile business by thoroughly improving our offerings and developing attractive services in our new business fields based on our medium-term business plan: Medium-Term Vision 2015: Shaping a Smart Life.

In the fiscal year ended March 31, 2014, we strived to boost our comprehensive strengths by focusing on the four key areas of devices (handsets), network, services and billing plans and sales channels, with the goal of being chosen by a large number of customers and garnering their usage over a long period of time.

Further, in order to propel the expansion of our new businesses, we pursued collaboration and alliances with external partners to provide new services in such fields as healthcare and learning.

Meanwhile, to accelerate the initiatives mentioned above, we endeavored to strengthen our managerial foundation through structural reforms, stepping up cost-cutting efforts and shifting management resources to new business fields.

Furthermore, in April 2014, we unveiled a new billing structure that offers unlimited domestic voice calls for a flat monthly rate and enables users to share packet-data quota among family members, and introduced new discount packages that offer privileges to long-term users and young users of up to age 25, with the goal of allowing customers to utilize our services at affordable rates for a long period of time by selecting a plan appropriate for their individual needs in different stages of life.

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For the fiscal year ended March 31, 2014, operating revenues decreased by ¥8.9 billion from the previous fiscal year to ¥4,461.2 billion due mainly to a decrease in mobile communications services revenues of ¥212.7 billion as a result of the impacts of penetration of the Monthly Support discount program, despite increases in equipment sales and other operating revenues of ¥113.9 billion and ¥89.9 billion, respectively, driven by our active sales promotion of smartphones and the expansion of profit in our new business fields.

Operating expenses increased by ¥9.1 billion from the previous fiscal year to ¥3,642.0 billion due mainly to an increase in depreciation and amortization expense related to the upgrade of equipment for the Xi LTE (Long-Term Evolution) network and an increase in cost related to the expansion of new business revenues, despite our efforts to promote cost reduction with the goal of further strengthening our management structure.

As a consequence, operating income for the fiscal year ended March 31, 2014 was ¥819.2 billion, decreasing by ¥18.0 billion from the previous fiscal year and falling short of our earnings forecast of ¥840.0 billion. Net income attributable to NTT DOCOMO, INC. was ¥464.7 billion, posting a decrease of ¥26.3 billion from the previous fiscal year due to a ¥39.5 billion-decline of equity in net income (losses) of affiliates.

Going forward, we will continue to take measures that will further enrich the lives of our customers so we can be chosen by customers as their Partner for a Smart Life and receive their patronage for a long period of time.

Trends in the Mobile Communications Industry in Japan

In the section below, trends in the mobile communication industry in Japan are 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 and cellular network operators, the mobile communications market in Japan saw a 7.97 million net increase in cellular subscriptions for the fiscal year ended March 31, 2014. The total number of cellular subscriptions in Japan grew to 144.02 million as of March 31, 2014, which represented a market penetration rate of approximately 113%. 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 the increase of subscriptions achieved through the development of new markets such as smartphones, tablet devices, portable gaming consoles and embedded communication modules. Consequently, the annual growth rate of cellular subscriptions was 7.3%, 6.1% and 5.9% for the years ended March 31, 2012, 2013 and 2014, respectively.

As of March 31, 2014, cellular services were provided in Japan by three network operators and their group companies. In addition to providing cellular services, the network operators 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 network operators in Japan have introduced the LTE system, a mobile communications standard developed as an extension to the third-generation mobile communications (3G) system and LTE subscribers including users shifting from 3G have been increasing rapidly. The total number of subscriptions to our LTE service, which is provided under a service brand called Xi , reached 21.97 million as of March 31, 2014, increasing sharply from 11.57 million as of March 31, 2013. In addition, driven by an increase in subscribers to Xi services, the sales of smartphones have recorded a remarkable increase in recent years. During the fiscal year ended March 31, 2014, we sold a total of 13.78 million smartphone units, which accounted for over 60% of the total number of our annual device sales and approximately 80% of smartphone users enjoy Xi services. We expect this trend of expanded smartphone sales will continue going forward.

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While the growth prospects for Japan s mobile phone market may be limited in terms of the number of subscriptions to devices used primarily for voice communication, data usage has been increasing owing to the expanded uptake of smartphones and growing adoption of flat-rate billing plans for packet access and high-speed data services, and new market opportunities are beginning to emerge in such areas as content and applications for mobile devices. Meanwhile, competition among network operators has intensified in recent years due to an increase in the number of subscriptions to MVNO[*1] services and the increase in the number of users switching operators using MNP system commenced in 2006. In addition, with the use of open platform devices like smartphones and tablets becoming increasingly widespread, OTT[*2] players, offer competitive services and thus the competition in the Japan s mobile communications market is expected to remain fierce. On the other hand, the societal demands on network operators to secure sufficient network capacity to accommodate the growing data traffic and construct a reliable network capable of providing stable communication services even in disasters have been mounting.

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

*2 Abbreviation of Over The Top. A business that does not own the communications infrastructure required for delivering their services and that delivers content services using the communication infrastructure of other companies,

Technical developments/Services

Innovations in internet technology may have a material impact on the mobile communications industry including ourselves. IP (Internet Protocol) telephony, which is a form of voice communications based on IP technology, has already become a popular means of communications in fixed-line services as a result of the broad penetration of local broadband access, and the use of applications that enable voice communication over IP technology on smartphones has also become prevalent. In addition, there are moves by some cellular operators to introduce voice IP service over LTE networks (VoLTE) and we also launched VoLTE service and released VoLTE convertible handsets for the fiscal year ending March 31, 2015. Because VoLTE offers greater spectral efficiency and superior voice quality, the adoption of VoLTE may expand in full scale in the mobile communications industry in the future.

Meanwhile, progress has been made in the development of convergence services, combining fixed-line and mobile communications with rise in the penetration of mobile phones and broadband services. This concept of fixed-mobile convergence was previously limited only to the provision of single-bill service for both fixed and mobile services or content/e-mail address sharing between the two networks. In recent years, however, our competitors have been stepping up their efforts to offer converged fixed and mobile services as smartphone penetration rises. We also plan to move ahead to offer attractive services combining fixed-line services and our mobile communications services in response to the announcement of Hikari Collaboration Model , which provides wholesaling fiber access services to other companies from NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in the future. The use of such convergence services may accelerate more extensively in line with further proliferation of smartphones.

Regulatory environment

We and other cellular network operators 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. While Japan s mobile communications industry, in recent years, has seen significant progress in deregulation on many fronts including tariff-related regulations, further changes in the regulatory environment could significantly affect the revenue structures and business models of incumbent cellular network operators including ourselves.

Thus, from the perspective of a saturated mobile communication market and change of business/market structure and regulatory environment caused by the expansion of a layer of competition including MVNO and new entrants from outside our industry, we expect that the competitive environment for the mobile communications market will remain intense.

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Operating Results for the fiscal year ended March 31, 2014

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2014. The tables below describe selected data from our consolidated statements of income for the fiscal years ended March 31, 2014 and 2013:

Breakdown of Financial Information

	Millions of yen Years ended March 31			
	2013	2014	Increase (Decrease)	Change (%)
Operating revenues:				
Mobile communications services	¥ 3,168,478	**¥ 2,955,788**	¥ (212,690)	(6.7)%
Voice revenues[1]	1,274,584	**1,065,196**	(209,388)	(16.4)%
Packet communications revenues	1,893,894	**1,890,592**	(3,302)	(0.2)%
Equipment sales	758,093	**872,000**	113,907	15.0 %
Other operating revenues	543,551	**633,415**	89,864	16.5 %
Total operating revenues	4,470,122	**4,461,203**	(8,919)	(0.2)%
Operating expenses:				
Cost of services	1,003,497	**1,059,619**	56,122	5.6 %
Cost of equipment sold	767,536	**785,209**	17,673	2.3 %
Depreciation and amortization	700,206	**718,694**	18,488	2.6 %
Selling, general and administrative	1,161,703	**1,078,482**	(83,221)	(7.2)%
Total operating expenses	3,632,942	**3,642,004**	9,062	0.2 %
Operating income	837,180	**819,199**	(17,981)	(2.1)%
Other income (expense), net	(3,838)	**13,850**	17,688	
Income before income taxes and equity in net income (losses) of affiliates	833,342	**833,049**	(293)	(0.0)%
Income taxes	323,059	**307,979**	(15,080)	(4.7)%
Income before equity in net income (losses) of affiliates	510,283	**525,070**	14,787	2.9 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(29,570)	**(69,117)**	(39,547)	(133.7)%
Net income	480,713	**455,953**	(24,760)	(5.2)%
Less: Net (income) loss attributable to noncontrolling interests	10,313	**8,776**	(1,537)	(14.9)%
Net income attributable to NTT DOCOMO, INC.	¥ 491,026	**¥ 464,729**	¥ (26,297)	(5.4)%

(1) Inclusive of circuit switched data communications

Analysis of operating results for the fiscal year ended March 31, 2014 and comparison with the prior fiscal year

Operating revenues for the fiscal year ended March 31, 2014, were ¥4,461.2 billion, a decrease of ¥8.9 billion or 0.2% from ¥4,470.1 billion for the prior fiscal year. Mobile communications services revenues were ¥2,955.8 billion, decreasing by ¥212.7 billion or 6.7% compared to ¥3,168.5 billion for the prior fiscal year. Consequently, the contribution of mobile communications services revenues to our total operating revenues for the fiscal year ended March 31, 2014 decreased to 66.3% from 70.9% for the prior fiscal year. The year-on-year decrease in mobile communications services revenues was primarily attributable to the impact from the Monthly

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Support discount program. Voice revenues decreased by ¥209.4 billion or 16.4% year on year to ¥1,065.2 billion from ¥1,274.6 billion for the prior fiscal year. The decline in voice revenues excluding the impact of the Monthly Support discounts was ¥80.3 billion. Packet communications revenues recorded a decrease of ¥3.3 billion or 0.2% to ¥1,890.6 billion from ¥1,893.9 billion for the previous fiscal year. When calculated without the Monthly Support discount impact, packet communications revenues posted a growth of ¥121.2 billion. The growth of packet communications revenues (excluding the impact of Monthly Support discounts) was driven mainly by the increase in Xi LTE service subscriptions and expanded data usage resulting from aggressive sales promotion of smartphones and other devices. The total number of Xi LTE service subscriptions as of March 31, 2014 grew to 21.97 million, and the total number of smartphones sold during the 12-month period through March 31, 2014 reached 13.78 million. However, because the increase in packet communications revenues was not sufficient to completely offset the negative revenue impact of the Monthly Support discount program, which expanded by ¥253.6 billion over the prior fiscal year, the mobile communications services revenues recorded a year-on-year decrease. As a result, the voice ARPU for the fiscal year ended March 31, 2014 dropped ¥360 or 20.8% to ¥1,370 from ¥1,730 for the prior fiscal year. The packet ARPU for the fiscal year ended March 31, 2014 was ¥2,640, down ¥50 or 1.9% from ¥2,690 for the prior fiscal year.

Equipment sales revenues increased by ¥113.9 billion or 15.0% to ¥872.0 billion for the fiscal year ended March 31, 2014 from ¥758.1 billion for the prior fiscal year, due primarily to a rise in sales price per-unit to resellers resulting from an increase in the ratio of the sales number of smartphones to the total as a result of commencement of sales of the popular iPhone[*1] in September 2013 in addition to the Android Smartphones that we already sold.

Other operating revenues increased by ¥89.9 billion or 16.5% from ¥543.6 billion for the prior fiscal year to ¥633.4 billion for the fiscal year ended March 31, 2014. The primary items comprising other operating revenues include sales revenues of consolidated subsidiaries, revenues derived from mobile phone protection-related services, from dmarket and credit services business revenues. The increase in other operating revenues was mainly driven by an increase in revenues derived from the growth of subscriptions to various dmarket services which resulted in a significant increase in revenues from dmarket when compared to the previous fiscal year. Full-year consolidations of sales revenues from Tower Records Japan Inc., and Buongiorno S.p.A. in Italy, subsidiaries that we acquired in July, 2012 in order to expand the new business fields, also contributed to this increase.

Operating expenses increased by ¥9.1 billion or 0.2% from ¥3,632.9 billion for the prior fiscal year to ¥3,642.0 billion for the fiscal year ended March 31, 2014.

Selling, general and administrative expenses decreased by ¥83.2 billion or 7.2% to ¥1,078.5 billion from ¥1,161.7 billion for 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 docomo Points Service customer loyalty program. Selling, general and administrative expenses decreased overall as a result of cost efficiency improvement efforts aimed at further strengthening our management structure. In addition, docomo Points Service -related expenses, decreased by ¥9.2 billion as a result of the changes made to the terms of the docomo Points Service , commissions paid to agent resellers decreased by ¥11.3 billion and an advertise expenses decreased by ¥8.9 billion, offsetting an increase of selling, general and administrative expenses which was driven primarily by consolidating full-year selling, general, and administrative expenses of Tower Records Japan Inc. and Buongiorno S.p.A. in Italy acquired in July 2012.

On the other hand, cost of services, which represents the expenses we incur directly in connection with providing our customers with mobile communications services and/or other services offered by our subsidiaries, increased by ¥56.1 billion or 5.6% from ¥1,003.5 billion for the prior fiscal year to ¥1,059.6 billion for the fiscal year ended March 31, 2014 resulting from the rise in expenses for the expansion of new businesses fields. Cost of equipment sold which arises mainly from our procurement of handsets for sale to our new or current subscribers through agent resellers, increased by ¥17.7 billion or 2.3% to ¥785.2 billion from ¥767.5 billion for the prior fiscal year primarily as a result of an increase in procurement cost per unit and the increase in the number of smartphones sold. Depreciation and amortization expenses increased by ¥18.5 billion or 2.6% to ¥718.7 billion from ¥700.2 billion for the prior fiscal year resulting from a significant increase in the number of installations of base stations to improve the coverage of our Xi LTE network and to reinforce our network facilities to accommodate the growth in data traffic.

As described above, the increases in cost of services, cost of equipment sold and depreciation and amortization expenses exceeded the decrease of selling, general and administrative expenses, which result in an increase of operating expenses.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2014 decreased by ¥18.0 billion or 2.1% from ¥837.2 billion for the prior fiscal year to ¥819.2 billion. Accordingly, the operating income margin dropped from 18.7% for the prior fiscal year to 18.4%.

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 ¥13.9 billion as other income, net for the fiscal year ended March 31, 2014, achieving an increase after recognizing other expense, net of ¥3.8 billion in the prior fiscal year. This was because other-than-temporary impairment loss on marketable securities and other investments decreased to ¥3.1 billion from ¥10.9 billion and foreign exchange losses, net of ¥0.9 billion changed to foreign exchange gains, net of ¥4.4 billion.

Income before income taxes and equity in net income (losses) of affiliates decreased by ¥0.3 billion to ¥833.0 billion for the fiscal year ended March 31, 2014 from ¥833.3 billion for the prior fiscal year.

Income taxes were ¥308.0 billion for the fiscal year ended March 31, 2014 and ¥323.1 billion for the fiscal year ended March 31, 2013, representing effective income tax rates of 37.0% and 38.8% for the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

For equity in net income (losses) of affiliates, our equity in the net losses of our affiliates increased by ¥39.5 billion or 133.7% to ¥69.1 billion for the fiscal year ended March 31, 2014 from ¥29.6 billion for the fiscal year ended March 31, 2013. For both the fiscal years, the equity in losses of some affiliates including TTSL was offsetting against the equity in income of other affiliates including PLDT. For the fiscal year ended March 31, 2014, the equity loss of TTSL increased from the previous year due mainly to an additional impairment charge of TTSL amounting ¥51.2 billion as a result of the growing business risk of mobile network operators including an increase in cost to maintain or acquire frequency spectrum due to a steep rise of an auction price of frequency spectrum in India, which resulted in that our estimate of future cash flows of TTSL were further revised downward and we concluded that the further decline in value was other than temporary. Its decline in value was ¥6.8 billion in the previous year. The other reason for the increase in the equity loss of TTSL was attributable to an increase in the net loss of TTSL due mainly to an increase in its financial burden which was partially offset by the decrease in operating losses resulting from TTSL s rationalization of the operation. See Critical Accounting Policies and Estimates Impairment of investments for further discussion and analysis of the impairment of TTSL and see summarized financial information of Investment in affiliates in the Note5. For the fiscal year ended March 31, 2014, the equity income of PLDT increased from the previous year resulting from the appreciation of Philippine Peso which was the local currency of PLDT against Japanese Yen in weighted average used for the conversion of income statement items into Japanese Yen throughout the fiscal year ended March 31, 2014 as compared with the previous year.

As a result of the foregoing, we reported ¥464.7 billion in net income attributable to NTT DOCOMO, INC., representing a decrease of ¥26.3 billion or 5.4% from ¥491.0 billion for the prior fiscal year.

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Key Performance Indicators

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2014 and 2013 are provided below:

	Years ended March 31			
	2013	**2014**	**Increase (Decrease)**	**Change (%)**
Cellular				
Subscriptions (thousands)	61,536	**63,105**	1,569	2.6 %
Xi services	11,566	**21,965**	10,399	89.9 %
FOMA services	49,970	**41,140**	(8,830)	(17.7)%
packet flat-rate services	38,704	**40,148**	1,444	3.7 %
sp-mode services	18,285	**23,781**	5,497	30.1 %
i-mode services	32,688	**26,415**	(6,273)	(19.2)%
Market Share (%) (1)(2)	45.2	**43.8**	(1.4)	
Aggregate ARPU (yen/month/subscription) (3)	4,840	**4,500**	(340)	(7.0)%
Voice ARPU (4)	1,730	**1,370**	(360)	(20.8)%
Packet ARPU	2,690	**2,640**	(50)	(1.9)%
Smart ARPU	420	**490**	70	16.7 %
MOU (minutes/month/subscription) (3)(5)	117	**106**	(11)	(9.4)%
Churn Rate (%) (2)	0.82	**0.87**	0.05	

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

Definition of ARPU

Aggregate ARPU:	Voice ARPU + Packet ARPU + Smart ARPU
Voice ARPU:	Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU:	Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions
Smart ARPU:	A part of other operating revenues (revenues from content, collection of charges, mobile phone insurance service, advertising and others) / number of active subscriptions

Number of active subscriptions used in ARPU calculations is as follows:

Sum of number of active subscriptions for each month* during the relevant period from April to March

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

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Operating Results for the fiscal year ended March 31, 2013

The following discussion includes analysis of our operating results for the fiscal year ended March 31, 2013. The tables below describe selected data from our consolidated statement of income for the fiscal years ended March 31, 2013 and 2012:

	Millions of yen Years ended March 31			
	2012	2013	Increase (Decrease)	Change (%)
Operating revenues:				
Mobile communications services	¥ 3,326,493	**¥ 3,168,478**	¥ (158,015)	(4.8)%
Voice revenues[1]	1,541,884	**1,274,584**	(267,300)	(17.3)%
Packet communications revenues	1,784,609	**1,893,894**	109,285	6.1 %
Equipment sales	498,889	**758,093**	259,204	52.0 %
Other operating revenues	414,621	**543,551**	128,930	31.1 %
Total operating revenues	4,240,003	**4,470,122**	230,119	5.4 %
Operating expenses:				
Cost of services	893,943	**1,003,497**	109,554	12.3 %
Cost of equipment sold	695,008	**767,536**	72,528	10.4 %
Depreciation and amortization	684,783	**700,206**	15,423	2.3 %
Selling, general and administrative	1,091,809	**1,161,703**	69,894	6.4 %
Total operating expenses	3,365,543	**3,632,942**	267,399	7.9 %
Operating income	874,460	**837,180**	(37,280)	(4.3)%
Other income (expense), net	2,498	**(3,838)**	(6,336)	
Income before income taxes and equity in net income (losses) of affiliates	876,958	**833,342**	(43,616)	(5.0)%
Income taxes	391,798	**323,059**	(68,739)	(17.5)%
Income before equity in net income (losses) of affiliates	485,160	**510,283**	25,123	5.2 %
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(24,208)	**(29,570)**	(5,362)	(22.1)%
Net income	460,952	**480,713**	19,761	4.3 %
Less: Net (income) loss attributable to noncontrolling interests	2,960	**10,313**	7,353	248.4 %
Net income attributable to NTT DOCOMO, INC.	¥ 463,912	**¥ 491,026**	¥ 27,114	5.8 %

(1) Inclusive of circuit switched data communications

Analysis of operating results for the fiscal year ended March 31, 2013 and comparison with the prior fiscal year

Our operating revenues for the fiscal year ended March 31, 2013 were ¥4,470.1 billion, an increase of ¥230.1 billion or 5.4% from ¥4,240.0 billion for the prior fiscal year. Mobile communications services revenues were ¥3,168.5 billion, decreasing by ¥158.0 billion or 4.8% compared to ¥3,326.5 billion for the prior fiscal year. Consequently, the contribution of mobile communications services revenues to our total operating revenues for the fiscal year ended March 31, 2013 decreased to 70.9% from 78.5% for the prior fiscal year. The year-on-year decrease in mobile communications services revenues was primarily attributable to the drop of voice revenues. The decline in mobile communications services revenues was the net result of the decrease in voice revenues (which dropped by ¥267.3 billion or 17.3% to ¥1,274.6 billion from ¥1,541.9

billion for the prior fiscal year), which was partially offset by the increase in packet communications revenues (which grew by ¥109.3 billion or 6.1% from ¥1,784.6 billion in the prior fiscal year to ¥1,893.9 billion). The primary factors behind the decline in voice revenues were the increase in the number of users subscribing to the Monthly Support discount services and decline in billable MOU. This resulted in a decrease in voice ARPU of ¥470 or 21.4% from ¥2,200 for the prior fiscal year to ¥1,730. The main reasons for the increase in packet ARPU included the impact of expanded data usage resulting from an increase of Xi LTE subscriptions and aggressive sales of smartphones. Because the data usage of Xi LTE and smartphone users is generally higher compared to that of conventional FOMA (3G) and i-mode handset users, the increase in the number of subscribers switching to a Xi LTE handset or a smartphone from a FOMA (3G) or i-mode handset tends to result in an expansion of packet revenues. The total number of Xi LTE subscriptions as of March 31, 2013 was 11.57 million, and the number of smartphones sold during the 12 months through March 31, 2013 was 13.29 million units. Consequently, packet ARPU for the fiscal year ended March 31, 2013 grew by ¥100 or 3.9% to ¥2,690 from ¥2,590 for the prior fiscal year.

Equipment sales revenues increased by ¥259.2 billion or 52.0% to ¥758.1 billion for the fiscal year ended March 31, 2013 from ¥498.9 billion for the prior fiscal year due to an increase in the number of handsets sold to agent resellers as a result of the aforementioned rise in total smartphone sales.

Other operating revenues increased by ¥128.9 billion or 31.1% from ¥414.6 billion for the prior fiscal year to ¥543.6 billion for the fiscal year ended March 31, 2013. The increase in other operating revenues was mainly driven by the increase in sales revenues of consolidated subsidiaries newly acquired for the purpose of the expansion of new business fields such as Radishbo-ya Co., Ltd in March 2012, Tower Records Japan Inc. and Buongiorno S.p.A. in July 2012 for the fiscal year ended March 31, 2013, and the growth of revenues from Mobile Phone Protection & Delivery service with increasing number of its subscriptions, which reached 37.48 million as of March 31, 2013.

Operating expenses increased by ¥267.4 billion or 7.9% from ¥3,365.5 billion for the prior fiscal year to ¥3,632.9 billion for the fiscal year ended March 31, 2013, despite our ongoing cost efficiency improvement efforts aimed at further strengthening our management structure. Cost of services increased by ¥109.6 billion or 12.3% from ¥893.9 billion for the prior fiscal year to ¥1,003.5 billion for the fiscal year ended March 31, 2013 resulting from the rise in expenses for the expansion of new businesses fields and a rise in insurance costs resulting from an increase of subscriptions to Mobile Phone Protection & Delivery Service. Cost of equipment sold also increased by ¥72.5 billion or 10.4% to ¥767.5 billion from ¥695.0 billion for the prior fiscal year primarily as a result of an increase in procurement cost per unit and the number of handsets sold to agent resellers. Depreciation and amortization expenses increased by ¥15.4 billion or 2.3% to ¥700.2 billion from ¥684.8 billion for the prior fiscal year resulting from capital investment primarily in network construction to improve Xi coverage and as a measure to enhance disaster preparedness. Selling, general and administrative expenses increased by ¥69.9 billion or 6.4% to ¥1,161.7 billion from ¥1,091.8 billion from the prior fiscal year mainly due to an increase in commissions paid to agent resellers caused by an increase in the number of purchase orders processed resulting from expanded smartphone sales and an increase of expenses attributed to the subsidiaries newly acquired during the year ended March 31, 2013, offsetting a decrease in docomo Points Service -related expenses resulting from the revisions made to the loyalty program in April 2011.

As a result of the foregoing, operating income for the fiscal year ended March 31, 2013 decreased by ¥37.3 billion or 4.3% from ¥874.5 billion for the prior fiscal year to ¥837.2 billion. Accordingly, the operating income margin dropped from 20.6% for the prior fiscal year to 18.7%.

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 ¥3.8 billion as other expense, net for the fiscal year ended March 31, 2013, compared to other income, net of ¥2.5 billion in the prior fiscal year due mainly to an increase in other-than-temporary impairment loss on marketable securities and other investments to ¥10.9 billion from ¥4.0 billion.

Income before income taxes and equity in net losses of affiliates decreased by ¥43.6 billion or 5.0% to ¥833.3 billion for the fiscal year ended March 31, 2013, from ¥877.0 billion for the prior fiscal year.

Income taxes were ¥323.1 billion for the fiscal year ended March 31, 2013 and ¥391.8 billion for the fiscal year ended March 31, 2012, representing effective income tax rates of 38.8% and 44.7% for the fiscal years

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ended March 31, 2013 and March 31, 2012, respectively. Income taxes decreased by ¥68.7 billion or 17.5% owing to the impact from the decrease in net deferred tax assets due to a decrease in enacted future corporate income tax rates, which was included in net income taxes for the prior fiscal year, and had no significant impact for the fiscal year ended March 31, 2013 resulting in a decrease in the actual effective income tax rate for the fiscal year ended March 31, 2013.

For equity in net losses of affiliates, we recognized our equity in the net losses of our affiliates of ¥29.6 billion for the fiscal year ended March 31, 2013 and ¥24.2 billion for the fiscal year ended March 31, 2012. This was due mainly to the recognition of impairment losses of some affiliates including TTSL, while the equity in losses of some affiliates including TTSL was offsetting against the equity in income of other affiliates including PLDT. For the fiscal year ended March 31, 2013, the equity loss of TTSL increased slightly from the previous year. While net loss of TTSL decreased resulting from an increase in operating revenues of TTSL from the previous year, which resulting in the decrease in the equity loss of TTSL, we recognized an impairment charge of ¥6.8 billion. Our estimated future cash flows of TTSL were adjusted downward as a result of the intensifying tariff competition among mobile network operators in India and our views of our long term outlook at that time and we concluded that the recoverable amount was significant below carrying value and this impairment was other than temporary. See Critical Accounting Policies and Estimates Impairment of Investments for further discussion and analysis of the impairment of TTSL and see summarized financial information of investment in affiliates in the Note 5. For the fiscal year ended March 31, 2013, the equity in income of PLDT increased from the previous year due mainly to the effect of a subsidiary newly acquired by PLDT in the fiscal year ended March 31, 2013.

As a result of the foregoing, we reported ¥491.0 billion in net income attributable to NTT DOCOMO, INC. for the fiscal year ended March 31, 2013, representing an increase of ¥27.1 billion or 5.8% from ¥463.9 billion for the prior fiscal year.

Key Performance Indicators

The underlying operational data for the above-mentioned financial results for the fiscal years ended March 31, 2013 and 2012 are provided below:

	Years ended March 31			
	2012	**2013**	**Increase (Decrease)**	**Change (%)**
Cellular				
Subscriptions (thousands)	60,129	**61,536**	1,407	2.3 %
Xi services	2,225	**11,566**	9,341	419.8 %
FOMA services	57,905	**49,970**	(7,935)	(13.7)%
packet flat-rate services	36,295	**38,704**	2,409	6.6 %
sp-mode services	9,586	**18,285**	8,698	90.7 %
i-mode services	42,321	**32,688**	(9,634)	(22.8)%
Market Share (%) (1)(2)	46.9	**45.2**	(1.7)	
Aggregate ARPU (yen/month/subscription) (3)	5,140	**4,840**	(300)	(5.8)%
Voice ARPU (4)	2,200	**1,730**	(470)	(21.4)%
Packet ARPU	2,590	**2,690**	100	3.9 %
Smart ARPU	350	**420**	70	20.0 %
MOU (minutes/month/subscription) (3)(5)	126	**117**	(9)	(7.1)%
Churn Rate (%) (2)	0.60	**0.82**	0.22	

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

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Definition of ARPU

Aggregate ARPU:	Voice ARPU + Packet ARPU + Smart ARPU
Voice ARPU:	Voice ARPU Related Revenues (basic monthly usage charges, voice communication charges) / number of active subscriptions
Packet ARPU:	Packet ARPU Related Revenues (basic monthly usage charges, packet communication charges) / number of active subscriptions
Smart ARPU:	A part of other operating revenues (revenues from content, collection of charges, mobile phone insurance service, advertising and others) / number of active subscriptions

Number of active subscriptions used in ARPU calculations is as follows:

Sum of number of active subscriptions for each month* during the relevant period from April to March

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

Segment Information

General

Our chief operating decision maker (CODM) is the board of directors. The CODM evaluates the performance and makes resource allocations of our segments based on the information derived from our internal management reports. We have five operating segments, which consist of mobile phone business, credit services business, home shopping services business, internet connection services business for hotel facilities and miscellaneous businesses. Due to its quantitative significance, only the mobile phone business qualifies as a reportable segment and therefore is disclosed as such. The remaining four operating segments are each quantitatively insignificant and therefore combined and disclosed as All other businesses.

Mobile phone business

For the fiscal year ended March 31, 2014, operating revenues from our mobile phone business segment decreased by ¥39.3 billion or 0.9% to ¥4,235.9 billion from ¥4,275.2 billion in the prior fiscal year. Mobile communications services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥212.7 billion or 6.7% to ¥2,955.8 billion for the fiscal year ended March 31, 2014 from ¥3,168.5 billion in the prior fiscal year. The year-on-year decrease in mobile communications services revenues was mainly attributable to a decrease in voice revenues and the impact from the Monthly Support discount program. Equipment sales revenues increased by ¥113.9 billion or 15.0% to ¥872.0 billion from ¥758.1 billion for the prior fiscal year due to a rise in the per-unit sales to resellers resulting from an increase in the ratio of the sales number of smartphones to the total. Revenues from our mobile phone business segment represented 94.9% and 95.6% of total operating revenues for the years ended March 31, 2014 and 2013, respectively. Operating expenses in our mobile phone business segment decreased slightly by ¥6.4 billion or 0.2% to ¥3,400.4 billion from ¥3,406.9 billion in the prior fiscal year, due mainly to a decrease in docomo Points Service -related expenses by ¥20.9 billion, as a result of the changes made to the terms of the docomo Points Service, offsetting an increase in depreciation and amortization expenses related to the upgrade of equipment for Xi LTE network. Operating income from our mobile phone business decreased by ¥32.9 billion or 3.8% to ¥835.5 billion compared to ¥868.3 billion in the prior fiscal year, due mainly to the decline of mobile communications services revenues.

For the fiscal year ended March 31, 2013, operating revenues from our mobile phone business segment increased by ¥164.6 billion or 4.0% to ¥4,275.2 billion from ¥4,110.6 billion in the prior fiscal year. Mobile communications services revenues, which are revenues from voice and packet communications of mobile phone services, decreased by ¥158.0 billion or 4.8% to ¥3,168.5 billion for the fiscal year ended March 31, 2013 from ¥3,326.5 billion in the prior fiscal year. Equipment sales revenues increased by ¥259.2 billion or 52.0% to ¥758.1 billion for the fiscal year ended March 31, 2013 from ¥498.9 billion for the prior fiscal year due to an increase in the number of handsets sold. Revenues from our mobile phone business segment represented 95.6% and 96.9% of total operating revenues for the years ended March 31, 2013 and 2012, respectively. Operating expenses in our mobile phone business segment increased by ¥182.6 billion or 5.7% to ¥3,406.9 billion from ¥3,224.2 billion in the prior fiscal year. This was mainly due to the growth in commissions paid to agent resellers caused by an

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increase in the number of purchase orders processed as a result of expanded smartphone sales and an increase of expenses in subsidiaries newly acquired including Buongiorno S.p.A. in July 2012, offsetting a reduction in docomo Points Service -related expenses resulting from the revisions made to the loyalty program. As a result, operating income from our mobile phone business decreased by ¥18.0 billion or 2.0% to ¥868.3 billion compared to ¥886.3 billion in the prior fiscal year.

Analysis of the changes in revenues and expenses of our mobile phone business segment is also presented in Operating Results for the fiscal year ended March 31, 2014, Operating Results for the fiscal year ended March 31, 2013 discussed above and Operating Trends and Prospects for the fiscal year ending March 31, 2015 in the following section.

All other businesses

Operating revenues from all other businesses increased by ¥30.4 billion or 15.6% from ¥195.0 billion in the prior fiscal year to ¥225.3 billion for the fiscal year ended March 31, 2014, which represented 5.1% of total operating revenues. Operating expenses from all other businesses increased by ¥15.5 billion or 6.8% from ¥226.1 billion in the prior fiscal year to ¥241.6 billion. The increase in operating revenues was driven primarily by consolidating full-year operating revenues from consolidated subsidiaries including Tower Records Japan Inc. acquired in July, 2012 and the increase in operating expenses was also due mainly to full-year impact of the acquisitions of our subsidiaries in the prior fiscal year, for the year ended March 31, 2014. Consequently, operating loss from all other businesses for the fiscal year ended March 31, 2014 decreased to ¥16.3 billion by ¥14.9 billion or 47.8% from ¥31.1 billion in the prior fiscal year.

Operating revenues from all other businesses increased by ¥65.5 billion or 50.6% from ¥129.4 billion in the prior fiscal year to ¥195.0 billion for the fiscal year ended March 31, 2013, which represented 4.4% of total operating revenues. Operating expenses from all other businesses increased by ¥84.8 billion or 60.0% from ¥141.3 billion in the prior fiscal year to ¥226.1 billion. The increase in operating revenues was mainly driven by the newly acquired subsidiaries including Tower Records Japan Inc. in July 2012 and consolidating full-year operating expenses of Radishbo-ya Co., Ltd acquired in March 2012. The increase in operating expenses was also mainly due to operating expenses of those newly acquired consolidated subsidiaries and full-year impact of the acquisition of our subsidiaries in the prior fiscal year. Consequently, operating loss from all other businesses for the fiscal year ended March 31, 2013 increased to ¥31.1 billion from ¥11.9 billion in the prior fiscal year.

Operating Trends and Prospects for the fiscal year ending March 31, 2015

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, 2015.

Operating Revenues

(1) Mobile Communications Services

Mobile communications services revenues 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 a new subscription and retain existing customers. Although it is difficult to expect a significant increase in the number of new subscriptions given the rise in cellular penetration rate, the demand for new types of communication devices and

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services, e.g., smartphones, tablet devices, Wi-Fi routers and embedded communication modules, has been increasing. 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 worked to promote the sales of smartphones and expand the Xi network, with the aim of expanding the user base of our Xi LTE service. As a result, the total number of Xi LTE service subscriptions as of March 31, 2014 increased by 89.9% compared to the number for the prior fiscal year.

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 in particular affects our number of net additional subscriptions for a given period. Efforts to reduce our churn rate through discount services and other customer incentive programs can increase our revenues by increasing our number of net additional subscriptions, but they can also have an adverse impact on our income by decreasing the average amount of revenues we are able to collect from each subscriber or by increasing our expenses. For the fiscal year ended March 31, 2014, we maintained our churn rate at a relatively low level of 0.87%, although it recorded an increase compared to 0.82% for the fiscal year ended March 31, 2013, and 0.60% for the fiscal year ended March 31, 2012. Going forward, we will employ measures aimed at lowering the churn rate by differentiating ourselves from our competitors, e.g., offering greater privileges to long-term users leveraging the introduction of a new billing plan, expanding our network and enriching our services.

In the fiscal year ended March 31, 2014, toward the goal of acquiring and retaining subscriptions, we strived to boost our comprehensive strengths by focusing on the four key areas of devices (handsets), network, services and billing plans and sales channels. As a result of these initiatives, the total number of our subscriptions as of March 31, 2014 grew by 2.6% 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, 2015 as we strive to cultivate new market demands and take proactive measures to promote the sales of smartphones and expand Xi network, aimed at expanding the user base of Xi LTE service.

The mobile communications services revenues recorded a year-on-year decline in the fiscal year ended March 31, 2014 due to the significant impact of the Monthly Support discount program. Monthly Support is a discount program that we introduced in 2011 to provide customers purchasing a smartphone, tablet or other product under certain subscription conditions with prescribed amount of discounts, which vary by each model, on their monthly phone bill for up to 24 months. Because most of the customers purchasing a smartphone or tablet, etc., have opted to use Monthly Support discounts, the total number of Monthly Support discounts subscriptions has been growing in line with the spread of smartphones and other applicable devices. This has been one of the principal factors driving the decline in mobile communications revenues in recent years, and this trend will likely continue during the fiscal year ending March 31, 2015.

Voice revenues of the mobile communications services revenues recorded a year-on-year decrease of 16.4% during the fiscal year ended March 31, 2014, after declining by 17.3% in the previous fiscal year. The primary reasons behind the drop in voice revenues included the increase in discounts resulting from the expanded uptake of Monthly Support discount program, an increase in the number of customers switching to billing plans with lower basic monthly charges, a decrease in billable MOU and the impact of reduced interconnection revenues. The downtrend of voice revenues is likely to continue in the fiscal year ending March 31, 2015.

Packet communications revenues of the mobile communications services revenues for the fiscal year ended March 31, 2014 decreased by 0.2% from the previous fiscal year due to the expanded negative impact caused by the widespread adoption of the Monthly Support discount program despite the growth in packet usage resulting from the growth of Xi LTE subscriptions and increase of smartphone/data plan users achieved through our active promotion of smartphones and other devices. On the other hand, packet communications revenues per smartphone user is high and the number of users of data dedicated equipment such as tablet devices continue to grow. Our packet revenues have expanded in line with the growth in the uptake of smartphones and tablet devices. We believe our packet communications revenues will increase as a result of our active endeavors to expand the user base of Xi LTE service and aggressive sales promotion of smartphones. The contribution of packet communications revenues to our mobile communications services revenues has increased every year and accounted for 64.0% of mobile communications services revenues for the fiscal year ended March 31, 2014, as compared to 59.8% and 53.6% for the years ended March 31, 2013 and 2012, respectively.

We use the average monthly revenue per unit or ARPU as a performance indicator to measure average monthly revenues per subscription and ARPU consists of Voice ARPU, Packet ARPU and Smart ARPU. We believe that our ARPU figures calculated in this way provide certain level of useful information to analyze the trend of monthly average usage of our subscribers over time and the impact of changes in our billing arrangements. The drop of Voice ARPU has accelerated in recent years due mainly to the impact from the expanded uptake of the aforementioned discount programs as well as the impact from the increase of data-only service subscriptions that do not accompany voice communication services.

(2) 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. As a result, we experienced a period where the cost of equipment sold continuously exceeded equipment sales revenues. However, because of a rise in sales price per unit to resellers and the increase in the number of smartphones sold, equipment sales revenues exceeded the cost of equipment sold for the fiscal year ended March 31, 2014. Revenues from equipment sales for the fiscal year ended March 31, 2014 increased by 15.0% compared to the prior fiscal year due mainly to the increase in the number of smartphones sold and a rise in the per-unit sales as a result of commencement of sales of the popular iPhone in September 2013 (in addition to Android Smartphones that we have dealt in so far) and the launch of dmarket and various other DOCOMO-proprietary services on the iPhone in an attempt to allow our users to utilize these services. We expect this growth trend will continue in the fiscal year ending March 31, 2015 as we project further increase in the total smartphone sales.

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.

(3) Other Operating Revenues

The primary items comprising other operating revenues include sales revenues of consolidated subsidiaries, revenues from mobile phone protection-related services, revenues derived from dmarket and credit services business revenues.

Sales revenues of consolidated subsidiaries include the revenues from home shopping service and other services provided through our consolidated subsidiaries. We set a goal to expand our revenues by addressing new business fields and worked toward their expansion through investments in subsidiaries and alliances. During the fiscal year ended March 31, 2014, we newly added Nihon Ultmarc, Inc., which operates Japan s largest medical database business, ABC HOLDINGS CO., Ltd., which offers cooking lessons and sells kitchen items, MCV Guam Holding Corp., the largest cable televisions and internet service provider in Guam and the Commonwealth of the Northern Mariana Islands and fine trade gmbh in Austria, which provides e-commerce trading solution with payment options to our list of wholly owned subsidiaries.

Mobile phone 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 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, 2015.

Furthermore, the revenues derived from dmarket one of our cloud-based services launched in the fiscal year ended March 31, 2011 have also expanded over the years. dmarket is a marketplace that resides on a cloud infrastructure, through which 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 necessaries. The marketplace comprises a number of stores, e.g., dvideo (distribution platform for videos, dramas, etc.), dhits (music distribution service), dgame (platform for provision of games) and dshopping (online shopping site handling physical goods). During the fiscal year ended March 31, 2014, we worked to offer even more compelling contents through each dmarket store. As a consequence, the combined subscriptions to dvideo, dhits, danime store and dkids that offer contents for a prescribed monthly subscription fee grew to 7.69 million, and revenues from dmarket increased significantly when compared to the previous fiscal year. The revenues provided through dmarket is projected to increase going forward.

We use Smart ARPU as a performance indicator as a performance indicator that is specifically designed to reflect revenues from new businesses fields. Smart ARPU for the fiscal year ended March 31, 2014 grew to ¥490 from ¥420 for the fiscal year ended March 31, 2013, driven by the expansion of new business fields and we expect the amount of Smart ARPU will continue to increase going forward.

As a result of the foregoing, other operating revenues for the fiscal year ended March 31, 2014 increased by 16.5%, compared to the prior fiscal year. Other operating revenues for the fiscal year ending March 31, 2015 are projected to record year-on-year gains resulting from an increase in revenues derived from dmarket and an expansion of revenues from our subsidiaries, compared to the fiscal year ended March 31, 2014.

Accordingly, we expect that the operating revenues will grow in the fiscal year ending March 31, 2015.

Operating Expenses

Cost of Services

Cost of services represents the expenses we incur directly in connection with providing our customers with mobile communications services and/or other services offered by our subsidiaries. Cost of services includes the costs for using of other operators networks, maintenance of equipment or facilities, payroll for employees dedicated to the operations and maintenance of our mobile communications networks, insurance costs related to mobile phone protection-related service and other service related costs of our subsidiaries. Cost of services accounted for 29.1% of our total operating expenses for the fiscal year ended March 31, 2014. 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 31.8% and 19.3% of the total cost of services, respectively, for the fiscal year ended March 31, 2014. 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, 2014 increased by 5.6% from the prior fiscal year. This was primarily due to an increase in costs associated with the growth of sales revenues of our consolidated subsidiaries acquired in order to expand the new business fields.

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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 21.6% of our operating expenses for the fiscal year ended March 31, 2014. The cost of equipment sold for the fiscal year ended March 31, 2014 increased by 2.3% compared to the prior fiscal year, primarily due to a rise in the per-unit cost of procurement caused by the roll-out of a handset lineup comprising a wide variety of feature-rich models in response to customers diverse requirements and the increase in the number of smartphones sold. As we plan to expand smartphone sales aggressively, cost of equipment sold is expected to rise further for the fiscal year ending March 31, 2015.

Depreciation and Amortization Expenses

Depreciation and amortization expenses accounted for 19.7% of our operating expenses for the fiscal year ended March 31, 2014. In the prior fiscal year ended March 31, 2013, although we strived to enhance our cost efficiency by streamlining our construction works, the outlays required to significantly increase the installations of base stations to improve the coverage of Xi LTE network and to reinforce our network facilities to accommodate the growth in data traffic resulted in a 2.6% year-on-year increase in depreciation and amortization expenses for the fiscal year ended March 31, 2014. In the fiscal year ending March 31, 2015, depreciation and amortization expenses is expected to decrease slightly because we will endeavor to enhance our cost efficiency through the integration of facilities/equipment and efficiency improvement of construction works and other measures. 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 29.6% of our total operating expenses for the fiscal year ended March 31, 2014. The primary components included in our selling, general and administrative expenses are expenses related to acquisition of new subscribers and retention of current subscribers, the most significant of which 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 commissions, both sales activities linked and non-sales activities linked, as selling, general and administrative expenses. The expenses incurred in relation to docomo Points Service customer loyalty program, handset repair and other after-sales support to customers are also included in selling, general and administrative expenses. Our total selling, general and administrative expenses for the fiscal year ended March 31, 2014 decreased by 7.2% from the prior fiscal year as a result of a reduction in docomo Points Service -related expenses resulting from the changes made to offering provision for a portion of docomo Points Service and our cost-cutting efforts. Our selling, general and administrative expenses for the fiscal year ending March 31, 2015 are expected to decrease as a result of the introduction of a new billing structure, various structural reform programs and other initiatives. As for selling expenses, the new business expenses that are linked with the growth of revenues from dmarket and other new business fields are also projected to record an increase.

Operating expenses for the fiscal year ending March 31, 2015 are therefore expected to increase compared to the fiscal year ended March 31, 2014 at a pace faster than the projected growth of operating revenues.

As a result of the foregoing, we expect operating income for the fiscal year ending March 31, 2015 to record a year-on-year decrease over the fiscal year ended March 31, 2014.

Information pertaining to the market trends other than the discussion above can also be found in other sections of this chapter, Operating and Financial Review and Prospects.

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B. Liquidity and Capital Resources

Cash Requirements

Our cash requirements for the fiscal year ending March 31, 2015 include cash needed to pay to the agent resellers to provide funds under the installment payment scheme, to expand our network, to invest in other facilities, to make repayments for interest bearing liabilities and other contractual obligations and to pay for strategic investments, acquisitions, joint ventures or other investments aimed for capturing business opportunities. We believe that cash generated from our operating activities, future borrowings from banks and other financial institutions or future offerings of debt or equity securities in the capital markets will provide sufficient financial resources to meet our currently anticipated capital and other expenditure requirements and to satisfy our debt service requirements. We believe we have enough financing ability supported by our high creditworthiness resulting from our stable financial performance and strong financial standing. Also, our management is of the opinion that the working capital is sufficient for our present requirements. When we determine the necessity for external financing, we take into consideration the amount of cash demand, timing of payments, available reserves of cash and cash equivalents and expected cash flows from operations. If we determine that demand for cash exceeds the amount of available reserves of cash and cash equivalents and expected cash flows from operations, we plan on obtaining external financing through borrowing or the issuance of debt or equity securities. Additional debt, equity or other financing may be required if we underestimate our capital or other expenditure requirements, or overestimate our future cash flows. There can be no assurance that such external financing will be available on commercially acceptable terms or in a timely manner.

Capital Expenditures

The wireless telecommunications industry in general is highly capital intensive because significant capital expenditures are required for the construction of the wireless telecommunications network. Our capital requirements for our networks are determined by the nature of facility or equipment, the timing of its 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 usage of data communications services has expanded remarkably as a result of a steady increase in the number of Xi LTE subscriptions, a rapid surge in the use of smartphones and other factors. Accordingly, we are required to respond to the rapid growth in demand for higher transmission speeds and a surge of traffic. We intend to implement a number of measures, including coverage expansion of Xi LTE services through the launch for Quad-Band LTE services that allows us to realize large capacity transmission for comfortable access through efficient utilization of four different spectrum bands. In addition, we also implement measures for traffic control against excessive network use, and data offloading through the use of Wi-Fi and other technologies.

During the fiscal year ended March 31, 2014, we added 30,900 base stations to our Xi LTE network to improve Xi LTE service coverage, growing the cumulative number of Xi LTE base stations to 55,300. In addition, we moved ahead with the installation of 6-sector base stations that realize capacity effectively worth six base stations with a single site in order to improve the communication quality in urban centers and other areas of high usage. With regard to speed enhancement of Xi LTE, we commenced high-speed service that offers maximum download speed of 150Mbps in Tokyo, Nagoya and Osaka metropolitan areas, while expanding the service areas of maximum 112.5Mbps download speed service to all 47 prefectures of Japan.

Total capital expenditures for the fiscal years ended March 31, 2014, 2013 and 2012 were ¥703.1 billion, ¥753.7 billion and ¥726.8 billion, respectively. Our capital expenditures for the fiscal year ended March 31, 2014 recorded a decrease of ¥50.5 billion or 6.7% compared to the prior fiscal year. This was achieved as a result of efficiency of capital investment for general purpose including internal IT system during the fiscal year ended March 31, 2014. And we had an extra capital expenditure for sophistication in our network infrastructure for the prior fiscal year and had no impact for the fiscal year ended March 31, 2014. We controlled to save our capital

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expenditure through integration and capacity expansion of our equipment and facilities and our ongoing efforts toward improving capital investment efficiency such as through the reduction of procurement costs and devising efficient construction processes.

For the fiscal year ended March 31, 2014, 55.2% of capital expenditures were used for construction of the Xi LTE network, 9.0% for construction of the FOMA network, 18.6% for the installation of servers and other cellular facilities and equipment and 17.2% for general capital expenditures such as an internal IT system. By comparison, in the prior fiscal year, 29.0 % of capital expenditures were used for construction of the Xi LTE network, 26.8% for construction of the FOMA network, 24.6% for the installation of servers and other cellular facilities and equipment and 19.6 % for general capital expenditures including an internal IT system.

Our total capital expenditures for the fiscal year ending March 31, 2015 are estimated to decrease to ¥690.0 billion, as a result of our ongoing efforts to improve capital investment efficiency aimed at cost reduction even as we concentrate resources on LTE rolling out an additional 40,000 LTE base stations within the fiscal year ending March 31, 2015 for the purpose of building the strongest LTE service area coverage. Of this ¥690.0 billion, approximately, 67% will be appropriated for the Xi LTE network, 3% for the FOMA network, 12% for servers and other cellular facilities and equipment and 18% for general capital expenditures such as an internal IT system.

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

Long-term Debt and other Contractual Obligations

As of March 31, 2014, we had ¥220.9 billion in outstanding long-term debt including the current portion, primarily in corporate bonds and loans from financial institutions, compared to ¥241.5 billion as of the end of the prior fiscal year. We redeemed ¥70.0 billion of unsecured corporate bonds and afresh issued ¥ 50.0 billion unsecured corporate bonds in order to appropriate the decrease in cash due to the redemption during the fiscal year ended March 31, 2014. We redeemed ¥60.0 billion of unsecured corporate bonds and afresh issued ¥ 60.0 billion unsecured corporate bonds in order to appropriate the decrease in cash due to the redemption during the fiscal year ended March 31, 2013. We repaid ¥75.0 billion, ¥82.2 billion and ¥171.9 billion of long-term debt in the years ended March 31, 2014, 2013 and 2012, respectively. Of our long-term debt outstanding as of March 31, 2014, ¥0.9 billion, including the current portion, was indebtedness to financial institutions, majority of which has fixed interest rates, with a weighted average interest rate of 1.0% per annum. The term of maturities is from the fiscal year ending March 31, 2014 through 2018. As of March 31, 2014, we also had ¥220.0 billion in bonds due from the fiscal year ending March 31, 2018 to 2024 with a weighted average coupon rate of 1.2% per annum. As of March 31, 2015, we and our long-term debt obligations were rated by rating agencies as shown in the table below. Such ratings were issued by the rating agencies upon our requests. Rating agencies are able to upgrade, downgrade, reserve or withdraw their credit ratings on us anytime at their discretions. The rating is not a market rating or recommendation to buy, hold or sell our shares or any financial obligations of us.

Rating agencies	Type of rating	Rating	Outlook
Moody s	Long-Term Obligation Rating	Aa2	Stable
Standard & Poor s	Long-Term Issuer Credit Rating	AA	Negative
Standard & Poor s	Long-Term Senior Unsecured Debt Rating	AA	
Japan Credit Rating Agency, Ltd.	Long-Term Senior Debt Rating	AAA	Stable
Rating and Investment Information, Inc	Issuer Rating	AA+	Stable

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

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

	Millions of yen				
	Payments Due by Period				
Category of Obligations	**Total**	**1 year or less**	**1-3 years**	**3-5 years**	**After 5 years**
Long-Term Debt					
Bonds	**¥ 220,000**	¥	¥	¥ 170,000	¥ 50,000
Loans	**851**	248	403	200	
Interest Payments on Long-Term Debt	**13,429**	2,595	5,186	4,005	1,643
Capital Leases	**4,560**	1,763	2,120	662	15
Operating Leases	**39,284**	9,306	13,402	7,818	8,758
Other Contractual Obligations	**747,731**	545,082	202,649		
Total	**¥ 1,025,855**	¥ 558,994	¥ 223,760	¥ 182,685	¥ 60,416

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

Other Contractual Obligations principally consisted of commitments to purchase property, plant and equipment for our cellular network, commitments to purchase inventories, mainly handsets, and commitments to purchase services. As of March 31, 2014, we had committed ¥45.1 billion for property, plant and equipment, ¥691.3 billion for inventories and ¥11.3 billion for other purchase commitments. 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 Xi 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 wireless communications businesses as needed. Currently, we have no contingent liabilities related to litigation or guarantees that could have a materially adverse effect on our financial position.

Sources of Cash

The following table sets forth certain information about our cash flows during the years ended March 31, 2014, 2013 and 2012:

	Millions of yen		
	Years ended March 31		
	2012	**2013**	**2014**
Net cash provided by operating activities	¥ 1,110,559	¥ 932,405	**¥ 1,000,642**
Net cash used in investing activities	(974,585)	(701,934)	**(703,580)**
Net cash used in financing activities	(378,616)	(260,967)	**(269,793)**
Net increase (decrease) in cash and cash equivalents	(243,473)	(28,404)	**33,246**
Cash and cash equivalents at beginning of year	765,551	522,078	**493,674**
Cash and cash equivalents at end of year	¥ 522,078	¥ 493,674	**¥ 526,920**

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Analysis of cash flows for the fiscal year ended March 31, 2014 and comparison with the prior fiscal year

For the fiscal year ended March 31, 2014, net cash provided by operating activities was ¥1,000.6 billion, an increase of ¥68.2 billion or 7.3% from the prior fiscal year, due mainly to an increase in cash inflows from customers in relation to the collection of installment receivables for customers handset purchases under the installment method, a decrease of commissions paid to resellers and a decrease of corporate tax payments.

Net cash used in investing activities was ¥703.6 billion, an increase of ¥1.6 billion or 0.2% from the prior fiscal year. This was due mainly to a decrease in cash inflows resulting from the redemption of short-term investments for cash management purpose, despite a decrease in purchases of property, plant and equipment as a result of efficient network construction, a decrease in cash outflows from purchases of short-term investments and a decrease in cash outflows resulting from purchases of long-term bailment for consumption to a related party.

Net cash used in financing activities was ¥269.8 billion, an increase of ¥8.8 billion or 3.4% from the prior fiscal year, due mainly to an increase in cash outflows resulting from repayments of short-term borrowings and dividends paid.

The balance of cash and cash equivalents was ¥526.9 billion as of March 31, 2014, an increase of ¥33.2 billion or 6.7% 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 ¥259.6 billion as of March 31, 2014, compared to ¥281.8 billion as of March 31, 2013.

Analysis of cash flows for the fiscal year ended March 31, 2013 and comparison with the prior fiscal year

For the fiscal year ended March 31, 2013, net cash provided by operating activities was ¥932.4 billion, a decrease of ¥178.2 billion or 16.0% from the prior fiscal year, mainly because of an increase of cash outflows in relation to advance payments to agent resellers, which was partially offset by an increase of cash inflows from subscribers in relation to collections of installment receivables for subscribers handset purchases. This was the result of an increase in equipment sales as well as an increase of subscribers who purchase new handsets under the 12 months or 24 months installment payment scheme rather than making a lump sum payment. Net cash used in investing activities was ¥701.9 billion, a decrease of ¥272.7 billion or 28.0% from the prior fiscal year. This was due mainly to a decrease in purchases of short-term investments of more than three months for cash management purposes. Net cash used in financing activities was ¥261.0 billion, a decrease of ¥117.6 billion or 31.1% from the prior fiscal year. This was due mainly to a decrease of ¥89.7 billion in repayment of long-term debt. The balance of cash and cash equivalents was ¥493.7 billion as of March 31, 2013, a decrease of ¥28.4 billion or 5.4% 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 ¥281.8 billion as of March 31, 2013, compared to ¥381.5 billion as of March 31, 2012.

Prospect of cash flows for the fiscal year ending March 31, 2015

As for our sources of cash for the fiscal year ending March 31, 2015, we currently expect our net cash flows from operating activities to decrease from the prior fiscal year mainly because of the projected increase in corporate tax and other payments, despite an increase in cash inflows resulting from customers in relation to the collection of installment receivables for customers handset purchases under the installment method. Our net cash flow used in investing activities for the fiscal year ending March 31, 2015 is expected to be approximately ¥690.0 billion. 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 at this point.

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C. Research and Development

Our research and development activities include development of new products and services, research and development related to LTE, 4G mobile communications systems or LTE-Advanced and next generation mobile communications (5G) aimed at the construction of economical network and the reinforcement of our mobile business, the construction of infrastructure for the provision of new services toward the expansion of new businesses and basic research aimed for driving innovation. Research and development costs are charged to expenses as incurred. We incurred ¥102.0 billion, ¥111.3 billion and ¥108.5 billion and as research and development expenses for the years ended March 31, 2014, 2013 and 2012, respectively.

D. Trend Information

Information pertaining to the trends other than the discussion on the below can also be found in Operating Trends and Prospects for the fiscal year ending March 31 2015 .

Issues Facing DOCOMO and Management s Responses to Those Issues

Under the slogan of becoming a Partner for a Smart Life, we have moved ahead with the initiatives aimed at improving our competitiveness in the mobile phone business and accelerating the expansion of new business fields.

In the fiscal year ended March 31, 2014, we enriched our dmarket portal that offers a wide variety of convenient content and pursued collaboration and alliances with external partners to provide new services in various sectors such as healthcare and learning. Also, to add momentum to these initiatives, we strived to strengthen our managerial foundation through structural reforms, stepping up cost-cutting efforts and shifting management resources to new business fields.

In the fiscal year ending March 31, 2015, we will work to enhance our comprehensive strengths by further accelerating our existing efforts primarily in the four areas of devices (handsets), networks, services and billing plans and sales channels.

As part of our actions for devices, we will endeavor to expand the number of smartphone users even further and promote the use of a second mobile device, e.g., a mobile phone plus a tablet, toward the goal of achieving further increase in packet revenues.

In the area of networks, we will concentrate resources on LTE for the purpose of building the strongest area coverage through the deployment of Quad-Band LTE network, rolling out an additional 40,000 LTE base stations within the fiscal year ending March 31, 2015. We plan to launch VoLTE service in the summer of 2014 to offer enhanced voice quality. Furthermore, the verification trial of LTE-Advanced is also scheduled to begin in the fiscal year ending March 31, 2015, with the aim of commencing its commercial service at an early date.

As for services, we will work to add more variety to dmarket to make the market place even more attractive, and aim to grow its subscriber base to 10 million as quickly as possible. Leveraging the relationship we have constructed with overseas carriers hitherto, we will pursue revenue expansion opportunities abroad by deploying the new services cultivated in Japan in overseas markets. With the goal of achieving ¥1 trillion in revenues from new business fields in the fiscal year ending March 31, 2016.

With respect to billing plans and sales channels, in June 2014, we will launch a new billing plan called Kake-hodai & Pake-aeru, which offers unlimited domestic voice calls for a flat monthly rate and enables users to share packet-data quota among family members and introduced a new discount for young customers up to the age of 25 and discounts according to the number of years of use. We will also brush up our sales channel including call centers and other customer interfaces that are sources of strength for DOCOMO and will endeavor to facilitate the uptake of the new billing plan.

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Through these initiatives, we will strive to expand our smartphone user base, boost packet usage and lower the churn rate so as to put the mobile phone business on a new growth track, while taking the lead in service differentiation toward the expansion of our new business revenues and income.

In order to establish a growth track, we will also aim to achieve significant cost efficiency improvement by properly controlling the Monthly Support discounts, sales expenses, network costs and other expenditures.

Meanwhile, we will also work to reinforce our management foundation through structure reforms. In addition to the actions aimed at improving our operational efficiency and speeding up our decision-making process, we will implement a group structure reform effective July 1, 2014 to further improve customer services by creating an organization comprising a group of specialists with deep-rooted ties with the community, while shifting resources to areas (new companies and business fields) strengthened by the slimming down of branches.

Considering shareholder returns as one of the most important issues in our corporate management, we will endeavor to continue stable dividend payments while taking into consideration our consolidated financial results and consolidated dividend payout ratio.

Decision to exercise option for sale of stake in TTSL

On April 25, 2014, our board of directors resolved to exercise an option for the sale of our entire stake (1,248,974,378 shares, or approximately 26.5% of outstanding shares) in TTSL, our affiliate accounted for by the equity method, as soon as the conditions for such exercise are met.

Under the shareholders agreement (the Agreement), concluded by TTSL, Tata Sons Limited and us, when we entered into a business alliance with TTSL in March 2009, we shall have a right to require that our TTSL shares be acquired for 50% of the acquisition price, which amounts to 72.5 billion Indian rupees (or ¥126.2 billion*) or a fair value, whichever is higher, in the event that TTSL fails to achieve certain specified performance targets by March 31, 2014.

The above-mentioned right became exercisable on May 30, 2014 and we plan to exercise the above-mentioned right and expect to sell our TTSL shares in accordance with the Agreement. It is uncertain how the option will be performed, however, and we are not able to predict how events will unfold. An estimate of this financial effect cannot be made due to these uncertainties. We may recognize a gain or loss upon disposition of TTSL shares or if the transaction as described above is not carried out.

* 1 rupee = ¥1.74 as of May 31, 2014

E. Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Please refer to Item 5.B.

G. Critical Accounting Policies and Estimates, and Recently issued Accounting Standards

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 2 to our consolidated financial statements includes a summary of the significant accounting policies used in the preparation of our consolidated financial statements. Certain accounting policies are particularly sensitive because of their significance to our

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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 public accountants 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.

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

The values of our property, plant and equipment, such as the base stations, antennas, switching centers and transmission lines used by our cellular business, our internal-use software and our other intangible assets are recorded in our financial statements at acquisition or development cost and depreciated or amortized over their estimated useful lives. We estimate the useful lives of property, plant and equipment, internal-use software and other intangible assets in order to determine the amount of depreciation and amortization expenses to be recorded in each fiscal year. Our total depreciation and amortization expenses for the years ended March 31, 2014, 2013 and 2012 were ¥718.7 billion, ¥700.2 and ¥684.8 billion, respectively. We determine the useful lives of our assets at the time the assets are acquired and base our determinations on expected usage, experience with similar assets, established laws and regulations as well as taking into account anticipated technological or other changes. The estimated useful lives of our wireless telecommunications equipment are generally set at from 8 to 16 years. The estimated useful life of our internal-use software is set up to 5 years. If technological or other changes occur more rapidly or in a different form than anticipated, new laws or regulations are enacted, or the intended usage changes, the useful lives assigned to these assets may need to be shortened, resulting in recognition of additional depreciation and amortization expenses or losses in future periods. In the fiscal years ended March 31, 2014, 2013 and 2012, changes to the estimated useful lives of certain property, plant and equipment, internal-use software and other intangible assets did not have a material impact on our operating results or financial positions.

Impairment of long-lived assets

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

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

When we determine that the carrying amount of specific assets may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of

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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, 2014, 2013 and 2012, we recognized impairment loss for a certain long-lived assets, of which the impact of the impairment on our financial results was insignificant.

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 in recent years for the purpose of expanding into new business fields, and the recognition of these majority investments resulted in an increase of goodwill. Consequently, the carrying amount of goodwill as of March 31, 2014 was ¥262.5 billion. The carrying amount of indefinite intangible assets as of March 31, 2014 was ¥13.5 billion.

We perform annually, usually as of March 31, and if an event or circumstances occurs that would imply impairment, an impairment test of goodwill and intangible assets that have indefinite useful lives (hereinafter indefinite intangible assets) recognized as a result of business combinations. 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 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 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 indefinite intangible assets, we compare the fair value and carrying value of the indefinite 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 intangible assets. If different estimates or assumptions are used in determining the discounted present value of future cash flows, it could result in different appraisal of goodwill, and may require additional impairment charges to be recognized in the future.

The most significant amount of recorded goodwill resides in the mobile business in Japan reporting unit, which is included in our mobile business segment. This reporting unit has recorded goodwill of ¥133.5 billion and has passed the first step of the impairment test by a substantial margin for the years ended March 31, 2014, 2013 and 2012. 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. 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 now unforeseen events, it would adversely affect the estimated fair value of the reporting unit.

We did not recognize any goodwill impairment for the fiscal year ended March 31, 2014. The amount of goodwill impairment charges for the fiscal year ended March 31, 2013 was ¥7.3 billion. In the fiscal year ended March 31, 2012, because of the rapid adverse change in its business environment, we recognized a ¥6.3 billion of goodwill impairment charge for its PacketVideo Corporation reporting unit. The fair value of this reporting unit was measured using the discounted cash flow method in combination with a market approach.

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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, 2014, the total carrying value of Investments in affiliates was ¥424.5 billion, while the total carrying value for investments in Marketable securities and other investments was ¥171.9 billion. Our major investee companies are Sumitomo Mitsui Card Co., Ltd., TTSL (Tata Teleservices Limited) of India and PLDT (Philippine Long Distance Telephone Company) of the Philippines and these are classified as Investments in affiliates as of March 31, 2014.

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, 2014 and 2013, we recorded impairment charges accompanying other than temporary declines in the values of certain investee affiliates.

The amounts of impairment charges on Investments in affiliates for the fiscal year ended March 31, 2014 and 2013 were ¥51.3 billion and ¥25.9 billion, including TTSL respectively. In estimating the investment value of those equity method investees, we used the weighted average cost of capital of 12.6% mainly for the fiscal year ended March 31, 2014 and 11.3% to 15.9% for the fiscal year ended March 31, 2013 as a significant unobservable input.

We reviewed the business outlook of TTSL in order to determine if the value of the investment in TTSL has suffered a decline that was other than temporary because of the recent economic and financial environment

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surrounding its industry. During the fiscal year ended March 31, 2013, our estimated future cash flows of TTSL were adjusted downward as a result of the intensifying tariff competition among mobile network operators in India and our views of our long term outlook at that time and we concluded that the recoverable amount was significantly below carrying value and that this impairment was other than temporary. Consequently, we recognized an impairment charge of ¥6.8 billion. During the fiscal year ended March 31, 2014, our estimate of future cash flows of TTSL were further revised downward as a result of the growing business risk of mobile network operators in India, including an increase in the cost of maintaining or acquiring frequency spectrum due to a steep rise of the auction price of frequency spectrum in India. Reflecting growing business risk and recent operating results of TTSL, the weighted average cost of capital increased to 12.6%, which was applied to these revised estimated cash flows and we concluded that the further decline in value was other than temporary. Consequently, we recognized an additional impairment charge of ¥51.2 billion. As described in D Trend Information of Operating and Financial Review and Prospects , we plan to dispose of our entire investment in TTSL. We may recognize a gain or loss upon disposition of our TTSL shares or if the transaction as previously described above is not be carried out.

The impact of the impairment charges on our results of operations and financial position for the fiscal year ended March 31, 2012 was inconsequential.

We recorded impairment charges on certain investments which were classified as Marketable securities and other investments. The amount of impairment charges on Marketable securities and other investments was ¥3.1 billion, ¥10.9 billion and ¥4.0 billion for the years ended March 31, 2014, 2013 and 2012 respectively.

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

Accrued liabilities for point programs

We offer docomo Points Service, which provides benefits, including discounts on handset, to customers in exchange for points that we grant customers based on the usage of cellular and other services and record Accrued liabilities for point programs relating to the points that customers earn. The total amount of accrued liabilities for point programs recognized as short-term and long-term liabilities as of March 31, 2014 and 2013 was ¥116.4 billion and ¥144.0 billion, respectively. Point program expense for the years ended March 31, 2014, 2013 and 2012 was ¥70.8 billion, ¥74.7 billion and ¥95.8 billion, respectively.

In determining the accrued liabilities for point programs, we estimate such factors as the point utilization rate reflecting the forfeitures by, among other things, cancellation of subscription. Higher-than-estimated utilization rate could result in the need for recognizing additional expenses or accrued liabilities in the future. In determining the accrued liabilities for point programs as of March 31, 2014, one percent raise in point utilization rate would result in an additional accrual of approximately ¥1.4 billion, if all the other factors are held constant.

Pension liabilities

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

Calculation of the amount of pension cost and liabilities for retirement allowances requires us to make various judgments and assumptions including the discount rate, expected long-term rate of return on plan assets, long-term rate of salary increases and expected remaining service lives of our plan participants. We believe that the most significant of these assumptions in the calculations are the discount rate and the expected long-term rate of return on plan assets. We determine an appropriate discount rate based on current market interest rates on

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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, 2014 and 2013, and expected long-term rates of return on plan assets for the years ended March 31, 2014 and 2013 were as follows:

	Years ended March 31	
	2013	**2014**
Contract-type corporate pension plan		
Discount rate	1.5%	**1.4%**
Expected long-term rate of return on plan assets	2.0%	**2.0%**
Actual return on plan assets	Approximately 9%	**Approximately 9%**
NTT CDBP		
Discount rate	1.5%	**1.4%**
Expected long-term rate of return on plan assets	2.5%	**2.5%**
Actual return on plan assets	Approximately 12%	**Approximately 10%**

The amount of projected benefit obligations of our contract-type corporate pension plan as of March 31, 2014 and 2013 was ¥206.1 billion and ¥214.8 billion, respectively. The amount of projected benefit obligations of the NTT CDBP as of March 31, 2014 and 2013, based on actuarial computations which covered only DOCOMO employees participation, was ¥116.9 billion and ¥116.9 billion, respectively. The amount is subject to a substantial change due to differences in actual performance or changes in assumptions. In conjunction with the differences between estimates and the actual benefit obligations, net losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized from Accumulated other comprehensive income (loss) over the expected average remaining service life of employees in accordance with U.S. GAAP.

The following table shows the sensitivity of our contract-type corporate pension plan and the NTT CDBP as of March 31, 2014 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**
Contract-type corporate pension plan			
0.5% increase/decrease in discount rate	(90) / 95	3 / (3)	60 / (63)
0.5% increase/decrease in expected long-term rate of return on plan assets		(5) / 4	
NTT CDBP			
0.5% increase/decrease in discount rate	(110) / 121	2 / (1)	76 / (75)
0.5% increase/decrease in expected long-term rate of return on plan assets		(4) / 3	

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

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Revenue recognition

We defer upfront activation fees and recognize them as revenues over the expected term of a subscription. Related direct cost to the extent of the activation fee amount are also being deferred and amortized over the same period. The reported amounts of revenue and cost of services are affected by the level of activation fees, related direct cost and the estimated length of the subscription period over which such fees and cost are amortized. Factors that affect our estimate of the subscription period over which such fees and cost are amortized include subscriber churn rate and newly introduced or anticipated competitive products, services and technology. The current amortization periods are based on an analysis of historical trends and our experiences. For the years ended March 31, 2014, 2013 and 2012, we recognized as revenues deferred activation fees of ¥16.3 billion, ¥29.6 billion and ¥14.0 billion, respectively, as well as corresponding amounts of related deferred cost. As of March 31, 2014 and 2013, remaining unrecognized deferred activation fees were ¥72.7 billion and ¥95.1 billion, respectively.

Recently issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (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 new standard is effective for us on April 1, 2017. Early adoption is not permitted.

We are evaluating the effect that the ASU will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have it determined the effect of the standard on our ongoing financial reporting.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors, Corporate Executives and Audit & Supervisory Board Members

Our board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation specify the number of directors as not more than 15. Directors are elected at a general meeting of shareholders from among those candidates nominated by the board of directors. The candidates may also be nominated by shareholders. The normal term of office of directors is 2 years, although they may serve any number of consecutive terms. The board of directors elects from among directors one or more representative directors, who have the authority individually to represent us. From among directors, the board of directors also elects the president and may elect a chairman and one or more senior executive vice presidents and executive vice presidents.

We have an audit & supervisory board as an organization that is independent from the board of directors. The audit & supervisory board audits execution of duties by directors and carries out accounting audits. Our Articles of Incorporation provide for not more than 5 audit & supervisory board members. Under the Companies Act of Japan, the audit & supervisory board is composed of all of our audit & supervisory board members. Audit & supervisory board members, more than half of whom must be from outside our company, are elected at a general meeting of shareholders from among those candidates nominated by the board of directors with the prior consent of our audit & supervisory board. The candidates may also be nominated by shareholders. The audit & supervisory board may, by its resolution, request that the board of directors submit to a general meeting of shareholders an item of business concerning election of audit & supervisory board members and/or proposed candidates of audit & supervisory board members. The normal term of office of an audit & supervisory board member is 4 years, although they may serve any number of consecutive terms. Audit & supervisory board members are under a statutory duty to audit the administration of our affairs by our directors, to audit our

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financial statements and business reports submitted by our directors to the general meetings of shareholders and to report to the shareholders the results of investigations regarding any actions by our directors that are unreasonable or which are in violation or breach of laws, ordinances or the Articles of Incorporation of our company. They are obliged to attend meetings of the board of directors and to express their opinions if they deem necessary, but they are not entitled to vote. It is a statutory duty for the audit & supervisory board to prepare an audit report and for identified audit & supervisory board members to submit it to identified directors each year. An audit & supervisory board member may note his or her opinion in the audit report if his or her opinion is different from the opinion expressed in the audit report. The audit & supervisory board is empowered to decide audit policy, the methods of examination of our affairs and financial position and other matters concerning the execution of the audit & supervisory board members work duties.

In addition to audit & supervisory board members, we must appoint independent public accountants who have statutory duties to examine the financial statements to be submitted by the board of directors to the general meetings of shareholders, reporting thereon to the audit & supervisory board and the directors, and examining the financial statements to be filed with the director of the Kanto Local Finance Bureau of Japan. Since our incorporation, KPMG AZSA LLC, has acted as our independent public accountant.

We introduced an executive officer system in 2005 with the aim of clarifying the board s managerial supervision function and further enhancing its business execution functions.

The following table sets forth our board of directors and audit & supervisory board members as of June 27, 2014 and certain other information.

Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned [1]	Date Current Terms Ends	Initial Appointment Date
Member of the Board of Directors:						
Kaoru Kato [2] (May 20, 1951)	President and Chief Executive Officer	April 1977	Entered NTT Public Corporation	27,800	June 2016	June 2008
		July 2007	Executive Vice President, Managing Director of Corporate Strategy Planning Department of NTT DoCoMo Kansai, Inc.			
		June 2008	Executive Vice President, Managing Director of Corporate Strategy and Planning Department of the Company			
		April 2009	Executive Vice President, Managing Director of Corporate Strategy and Planning Department and Managing Director of Mobile Society Research Institute of the Company			
		July 2009	Executive Vice President, Managing Director of Corporate Strategy and Planning Department of the Company			
		June 2012	President and Chief Executive Officer of the Company			

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned [1]	Date Current Terms Ends	Initial Appointment Date
Kazuhiro Yoshizawa [2] (Jun. 21, 1955)	Senior Executive Vice President, Chief Information Officer, Chief Information security Officer and Chief Privacy Officer/ Responsible for Technology, Device and Information strategy	April 1979	Entered NTT Public Corporation	16,000	June 2016	June 2011
		June 2007	Senior Vice President, Managing Director of Corporate Marketing Department II of the Company			
		June 2011	Senior Vice President, Managing Director of Human Resources Management Department of the Company			
		June 2012	Executive Vice President, Managing Director of Corporate Strategy & Planning Department and Responsible for Mobile Society Research Institute of the Company			
		July 2013	Executive Vice President, Managing Director of Corporate Strategy & Planning Department, Managing Director of Structural Reform Office and Responsible for Mobile Society Research Institute of the Company			
		June 2014	Senior Executive Vice President, Chief Information Officer, Chief Information security Officer and Chief Privacy Officer, Responsible for Technology, Device and Information strategy of the Company			
Yoshikiyo Sakai [2] (Oct. 10, 1956)	Senior Executive Vice President/ Responsible for Consumer business, Marketing, Global business and Corporate	April 1980	Entered NTT Public Corporation	6,400	June 2016	June 2014
		June 2005	Managing Director of Investor Relations Department of the Company			
		July 2008	Managing Director of Public Relations Department of the Company			
		June 2009	Senior Vice President, Managing Director of Public Relations Department of the Company			
		June 2012	Senior Vice President, Director of Finance and Accounting Department, Member of the Board of Directors of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)			
		June 2014	Senior Executive Vice President, Responsible for Consumer business, Marketing, Global business and Corporate of the Company			
Akira Terasaki [2] (Jan. 20, 1952)	Senior Executive Vice President/ Responsible for Corporate business, Improvement of business operations and CSR	April 1976	Entered Ministry of Posts and Telecommunications	1,000	June 2016	June 2014
		July 2008	Vice-Minister for Policy Coordination, Ministry of Internal Affairs and Communications			
		July 2010	Special Advisor to the Ministry of Internal Affairs and Communications			
		October 2010	Professor, Graduate School of Science and Engineering, Tokyo Institute of Technology (To the present)			
		July 2011	Advisor, Nomura Research Institute, Ltd.			
		June 2014	Senior Executive Vice President, Responsible for Corporate business, Improvement of business operations and CSR of the Company.			

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Name (Date of Birth)	Position/ Responsibility	History, Positions, Responsibilities and Principal Concurrent Positions		Shares Owned (1)	Date Current Terms Ends	Initial Appointment Date
Seizo Onoe (3) (May 12, 1957)	Executive Vice President, Chief Technical Officer/ Managing Director of R&D Center	April 1982 December 2005 July 2006 June 2008 July 2008 June 2012	Entered NTT Public Corporation Managing Director of IP Radio Network Development Department and Managing Director of Radio System Development Department of the Company Managing Director of Radio Access Network Development Department of the Company Senior Vice President, Managing Director of R&D Strategy Department and Managing Director of Radio Access Network Development Department of the Company Senior Vice President, Managing Director of R&D Strategy Department of the Company Executive Vice President, Chief Technical Officer, Managing Director of R&D Center of the Company (Effective from July 1, 2014) Executive Vice President, Chief Technical Officer, Managing Director of R&D Innovation Division	15,200	June 2016	June 2012
Hirotaka Sato (3) (Nov.18, 1958)	Executive Vice President, Chief Financial Officer/ Managing Director of Accounts and Finance Department, Responsible for Finance and Business alliance	April 1982 June 2005 July 2008 June 2011 June 2012 June 2014	Entered NTT Public Corporation Senior Director of Accounts and Finance Department of the Company Vice President of Finance and Accounting Department of NIPPON TELEGRPH AND TELEPHONE CORPORATION (NTT) Senior Vice President, Managing Director of Corporate Marketing Department I of the Company Senior Vice President, Managing Director of Accounts and Finance Department of the Company Executive Vice President, Chief Financial Officer, Managing Director of Accounts and Finance Department, Responsible for Finance and Business alliance of the Company	11,400	June 2016	June 2012
Kazuhiro Takagi (3) (Jun. 29, 1956)	Executive Vice President/ Managing Director of Corporate Marketing Division and Managing Director of TOHOKU Reconstruction Support Office, Responsible for Corporate sales	April 1982 May 2002 July 2005 July 2008 June 2012 June 2014	Entered NTT Public Corporation Senior Director of Procurement and Supply Department of the Company Senior Director of Human Resources Management Department of the Company Managing Director of Frontier Services Department of the Company Senior Vice President, Managing Director of Human Resources Management Department of the Company Executive Vice President, Managing Director of Corporate Marketing Division and Managing Director of TOHOKU Reconstruction Support Office, Responsible for Corporate sales	6,800	June 2016	June 2012

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned (1)	Date Current Terms Ends	Initial Appointment Date
Hiroyasu Asami (3) (Sep. 8, 1956)	Executive Vice President/ Managing Director of Corporate Strategy & Planning Department	April 1980	Entered NTT Public Corporation	9,800	June 2016	June 2014
		April 2011	Senior Vice President, Managing Director of Smart Communication Services Department of the Company			
		June 2012	Senior Vice President, Managing Director of Smart Communication Services Department, Engages in Multimedia of the Company			
		March 2013	Executive Vice President, Responsible for Multimedia Services of the Company			
		July 2013	Executive Vice President, Managing Director of Smart-life Business Division of the Company			
		June 2014	Executive Vice President, Managing Director of Corporate Strategy & Planning Department of the Company			
Shoji Suto (3) (Mar. 4, 1957)	Executive Vice President/ Responsible for Consumer sales and Branches in Kanto and Koshinetsu areas	April 1980	Entered NTT Public Corporation	9,100	June 2016	June 2014
		June 2009	Executive Vice President, Managing Director of Marketing Business Department, Member of the Board of Directors of DOCOMO Business Net Inc.			
		July 2009	Executive Vice President, Managing Director of Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc.			
		June 2010	Executive Vice President, Managing Director of Corporate Marketing Division, Member of the Board of Directors of DOCOMO Business Net Inc.			
		June 2011	Senior Vice President, Managing Director of Shikoku Regional Office of the Company			
		June 2014	Executive Vice President, Responsible for Consumer sales and Branches in Kanto and Koshinetsu areas (Effective from July 1, 2014) Executive Vice President, Responsible for Consumer sales			
Kiyohiro Omatsuzawa (3) (Jun. 22, 1957)	Executive Vice President/ Managing director of Network Department, Responsible for Network and Preparation for 2020	April 1981	Entered NTT Public Corporation	13,000	June 2016	June 2014
		June 2006	Managing Director of Radio Access Network Engineering Department of the Company			
		July 2009	Managing Director of Procurement and Supply Department and Member of Corporate Strategy and Planning Department of the Company			
		June 2010	Senior Vice President, Managing Director of Procurement and Supply Department of the Company			
		June 2012	Senior Vice President, Managing Director of Chugoku Regional Office of the Company			
		June 2014	Executive Vice President, Managing director of Network Department, Responsible for Network and Preparation for 2020 of the Company			

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned (1)	Date Current Terms Ends	Initial Appointment Date
Toshiki Nakayama (3) (Jan. 29, 1958)	Executive Vice President/ Managing Director of Smart-life Business Division and Managing Director of Smart-life Solutions Department	April 1981	Entered NTT Public Corporation	4,100	June 2016	June 2014
		June 2008	Vice President of Strategic Business Development Division of NIPPON TELEGRPH AND TELEPHONE CORPORATION (NTT)			
		June 2011	Senior Vice President of Strategic Business Development Division of NTT			
		June 2012	Senior Vice President, Managing Director of Frontier Services Department of the Company			
		July 2013	Senior Vice President, Managing Director of Smart-life Solutions Department of the Company			
		January 2014	(Concurrent position) Representative Director and President of ABC HOLDINGS Co., Ltd. (To the present)			
			(Concurrent position) Representative Director and Senior Executive Vice President of ABC Cooking Studio Co. Ltd. (To the present)			
		June 2014	Executive Vice President, Managing Director of Smart-life Business Division and Managing Director of Smart-life Solutions Department			
Hajime Kii (3) (Apr. 20, 1960)	Senior Vice President/ Managing Director of Human Resources Management Department	April 1983	Entered NTT Public Corporation	4,100	June 2016	June 2014
		July 2007	General Manager of Mobility Design Business Group of the Company			
		July 2008	Deputy Managing Director of Global Business Division of the Company			
		June 2010	Managing Director of Global Business Division of the Company			
		June 2012	Senior Vice President, Managing Director of Global Business Division of the Company			
		June 2014	Senior Vice President, Managing Director of Human Resources Management Department (Principal Concurrent Positions) Member of the Board of Tata Teleservices Limited (India)			
Makoto Tani (3) (November 2, 1961)	Senior Vice President/ Managing Director of General Affairs Department and Managing Director of Improvement Action Office	April 1984	Entered NTT Public Corporation	2,200	June 2016	June 2014
		July 2006	Senior Manager of Department V and Vice President of Business Process Reform Office, Department V of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)			
		June 2007	Vice President of General Affairs Department of NTT			
		October 2009	Vice President of President s Office, General Affairs Department of NTT			
		August 2013	Senior Vice President, Managing Director of Corporate Marketing Department II of the Company			
		June 2014	Senior Vice President, Managing Director of General Affairs Department and Managing Director of Improvement Action Office			

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned [1]	Date Current Terms Ends	Initial Appointment Date
Teruyasu Murakami [4][7] (Oct 15, 1945)		April 1968	Entered Nomura Research Institute, Ltd. (NRI)	5,500	June 2016	June 2013
		April 2001	Representative Director, Executive Managing Director, Member of the Board of NRI			
		April 2002	Chief Corporate Counselor of NRI			
		June 2008	Independent Director of Benesse Holdings, Inc.			
		April 2012	Director of Research Institute for Industrial Strategy (To the present)			
		June 2013	Member of the Board of Directors of the Company (Principal concurrent positions)			
			Director of Research Institute for Industrial Strategy			
Takashi Nakamura [4] (May 15, 1964)		April 1987	Entered NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT)	1,000	June 2016	June 2013
		January 1999	Manager of Department IV, NTT-Holding Provisional Headquarters of NTT			
		October 2002	Senior Manager of Department IV of NTT			
		April 2005	Senior Manager of Accounts and Finance Department of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West)			
		July 2008	Senior Manager of Personnel Department of NTT West			
		July 2011	Senior Manager of Finance and Accounting Department of NTT (To the present)			
		June 2013	Member of the Board of Directors of the Company			
			(Principal concurrent positions)			
			Senior Manager of Finance and Accounting Department of NTT			
Audit & Supervisory Board Member:						
Tooru Kobayashi [5] (Aug. 8, 1952)	Audit & Supervisory Board Member	April 1976	Entered NTT Public Corporation	15,900	June 2016	June 2014
		July 2008	Executive Vice President, Managing Director of Tokai Regional Office of the Company			
		June 2011	Representative Director and Executive Vice President, Member of the Board of Directors of Sumitomo Mitsui Card Co. Ltd. (SMCC)			
		April 2012	Representative Director and Senior Executive Vice President, Member of the Board of Directors of SMCC			
		June 2013	President and Chief Executive Officer, Member of the Board of Directors of DOCOMO Service, Inc.			
		June 2014	Audit & Supervisory Board Member of the Company			

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned (1)	Date Current Terms Ends	Initial Appointment Date
Haruo Morosawa (5)(6)(7) (Dec. 27, 1950)	Audit & Supervisory Board Member	April 1974	Entered Board of Audit of Japan	7,100	June 2015	June 2011
		December 2000	Deputy Director-General, Secretariat of General Executive Bureau, Board of Audit of Japan			
		December 2004	Director General of 1st Bureau, Board of Audit of Japan			
		April 2009	Deputy Secretary General of General Executive Bureau, Board of Audit of Japan			
		April 2010	Member of the West Block Bidding Inspection Commission of Japan Railway Construction, Transport and Technology Agency			
		June 2011	Audit & Supervisory Board Member of the Company			
Naoto Shiotsuka (5)(6) (Jul. 15, 1952)	Audit & Supervisory Board Member	April 1977	Entered NTT Public Corporation	2,700	June 2015	June 2013
		June 2005	Senior Vice President, Senior Executive Manager of Finance Department of NTT DATA			
		June 2007	Director and Senior Vice President, Senior Executive Manager of Finance Department (Chief Financial Officer) of NTT DATA			
		June 2009	Director and Executive Vice President, Senior Executive Manager of Finance Department (Chief Financial Officer), In charge of CSR of NTT DATA			
		June 2011	President and Chief Executive Officer, NTT DATA MANAGEMENT SERVICE Corporation			
		June 2013	Audit & Supervisory Board Member of the Company			
Toshimune Okihara (5)(6) (Aug. 29, 1954)	Audit & Supervisory Board Member	April 1979	Entered NTT Public Corporation	1,000	June 2015	June 2014
		June 2006	Senior Vice President, General Manager of System Engineering Department, Member of the Board of Directors of NTT Communications Corporation (NTT Com)			
		August 2006	Senior Vice President, General Manager of System Engineering Department, Enterprise Sales Division Member, Member of the Board of Directors of NTT Com			
		June 2010	Executive Vice President, General Manager of System Engineering Department, Enterprise Sales Division, Member of the Board of Directors of NTT Com			
		June 2011	President and Chief Executive Officer, Member of the Board of Directors of NTT Com Technology Corporation			
		June 2014	Audit & Supervisory Board Member of the Company			

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Name (Date of Birth)	Position/ Responsibility		History, Positions, Responsibilities and Principal Concurrent Positions	Shares Owned [1]	Date Current Terms Ends	Initial Appointment Date
Eiko Tsujiyama [6] [7]	Audit & Supervisory Board Member	August 1980	Assistant Professor, Humanities Department, Ibaraki University	2,200	June 2015	June 2011
(Dec. 11, 1947)		April 1985	Assistant Professor, Faculty of Economics, Musashi University			
		April 1991	Professor, Faculty of Economics, Musashi University			
		April 2003	Professor of Accounting Faculty of Business & Commerce, Waseda University (To the present)			
		June 2011	Audit & Supervisory Board Member of the Company			
			(Principal concurrent positions)			
			Professor of Accounting Faculty of Business & Commerce, Waseda University			
			Outside Audit & Supervisory Board Member of Mitsubishi Corporation			
			Outside Director of ORIX Corporation			
			Outside Audit & Supervisory Board Member of LAWSON, INC.			
			Outside Audit & Supervisory Board Member of Shiseido Company, Limited			

(1) DOCOMO shares owned as of May 31, 2014
(2) Representative director
(3) Concurrently serves as an executive officer
(4) Outside director as provided in Article 2, Item 15 of the Companies Act
(5) Full-time audit & supervisory board member
(6) Outside audit & supervisory board member as provided in Article 2, Item 16 of the Companies Act
(7) Independent director/audit & supervisory board member under the Security Listing Regulations of the Tokyo Stock Exchange regulations

The following table shows information about our executive officers as of June 27, 2014, including their positions and responsibilities.

Name	Position	Responsibility
Kiyohito Nagata	Executive Vice President	Managing Director of Kansai Regional Office
Syohei Sakaguchi	Senior Vice President	Managing Director of Hokkaido Regional Office
Koji Aoyama	Senior Vice President	Managing Director of Tohoku Regional Office
Kei Irie	Senior Vice President	Managing Director of Tokai Regional Office
Ichiro Nishino	Senior Vice President	Managing Director of Hokuriku Regional Office
Yohji Maruyama	Senior Vice President	Managing Director of Chugoku Regional Office
Osamu Hirokado	Senior Vice President	Managing Director of Shikoku Regional Office
Kazunori Yamamoto	Senior Vice President	Managing Director of Kyusyu Regional Office
Tomohisa Ueno	Senior Vice President	General Manager, Shinjuku Branch (Effective from July 1, 2014) General Manager, Tokyo Branch

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Name	Position	Responsibility
Minoru Etoh	Senior Vice President	Managing Director of R&D Strategy Department
Hiroshi Nakamura	Senior Vice President	Managing Director of Core Network Development Department
Seiji Maruyama	Senior Vice President	Managing Director of Product Department
Ken Yoshizaki	Senior Vice President	Managing Director of Financial Business Department
Hozumi Tamura	Senior Vice President	Managing Director of Smart-life Planning Department
Morikazu Takahashi	Senior Vice President	Deputy Managing Director of Corporate Marketing Division
Kouji Furukawa	Senior Vice President	Managing Director of Corporate Marketing Department I
Mitoshi Hirokane	Senior Vice President	Managing Director of Information Security Department
Kyoji Murakami	Senior Vice President	Senior Executive Vice President, docomo Healthcare, Inc. Engages in: Medical /Healthcare Business Promotion

Note: Directors who concurrently serve as an executive officer are not included in the above list.

B. Compensation

The aggregate compensation to the directors and audit & supervisory board members during the year ended March 31, 2014 was as follows:

	Millions of yen						
		Breakdown of Compensation					
Position	Total Compensation	Base Salary	Stock Option	Bonus	Retirement Bonus	Number of Persons
Director*	¥ 488	¥ 394		¥ 93		13
Audit & supervisory board member**	¥ 60	¥ 60				3
Outside Director/Audit & supervisory board member	¥ 71	¥ 71				5
Total	¥ 619	¥ 525		¥ 93		21

(Notes)

1. Upper limits on compensation to directors and audit & supervisory board members were set at ¥600 million annually for directors and ¥150 million annually for audit & supervisory board members at the 15th ordinary general meeting of shareholders held on June 20, 2006.
2. Director includes 1 director who retired at the end of the 22nd ordinary general meeting of shareholders held on June 18, 2013.
3. Audit & supervisory board member includes 1 audit & supervisory board member who retired at the end of the 22nd ordinary general meeting of shareholders held on June 18, 2013.
4. Outside Director/Audit & supervisory board member includes 1 outside audit & supervisory board member who retired at the end of the 22nd ordinary general meeting of shareholders held on June 18, 2013.

* Excluding Outside Director

** Excluding Outside Audit & supervisory board member

C. Board Practices

Information required by this item is set forth in Items 6.A. and 6.B. of this annual report. We do not have any contracts with directors or audit & supervisory board members providing for severance benefits upon termination of employment.

In order to enable our directors (including former directors) and audit & supervisory board members (including former audit & supervisory board members) to fully perform the roles expected of them in the execution of their work duties, we are permitted, pursuant to the Companies Act and our Articles of Incorporation, to release directors and audit & supervisory board members from liability for damages resulting from neglect of duties, with such release to be made by resolution of the board of directors, and to be within the range permitted by law. Further, we can conclude agreements with outside directors and auditors limiting their liability for damages resulting from neglect of duties. However, the liability limit pursuant to these agreements is the amount stipulated by law.

D. Employees

As of March 31, 2014, DOCOMO and its subsidiaries had 24,860 employees representing an increase of 970 employees since March 31, 2013. As of March 31, 2013, 2012 and 2011 we had 23,890, 23,289 and 22,954 employees, respectively. The average number of temporary employees for the year ended March 31, 2014 was 11,393.

Of our 24,860 employees on March 31, 2014, 2,551 were staff in departments such as human resources, general affairs, management planning, accounting and finance, while the rest were engaged in business operations, such as sales, research and development and related matters. Also, as of March 31, 2014, 2,240 employees were working at overseas consolidated subsidiaries.

We consider our level of remuneration, non-wage benefits, including our employee share ownership program, working conditions and other allowances, including lump-sum payments and annuities to employees upon retirement, to be generally competitive with those offered in Japan by other large enterprises. We have an extensive training program for new employees. To increase incentives, the NTT group has implemented a bonus plan based on overall business performance and personal results. The general retirement age has been 60.

Most of our non-management employees are members of ALL NTT WORKERS UNION OF JAPAN. We consider our relationship with such unions to be excellent. We have never had a strike.

E. Share Ownership

Information required by this item is set forth in Item 6.A. of this annual report and below. We have not granted stock options to any of our directors or audit & supervisory board members and we do not currently have any stock option plans approved pursuant to which they may be granted shares or stock options.

As of May 31, 2014, our directors and audit & supervisory board members owned 162,300 of our shares. Currently, all of our full-time directors and audit & supervisory board members participate in a director stock purchase plan, pursuant to which a plan administrator makes open market purchases of shares for the accounts of participating directors on a monthly basis.

Certain of our employees and certain other of our subsidiaries employees participate in an employee stock purchase plan, pursuant to which a plan administrator makes open market purchases of our shares for the accounts of participating employees on a monthly basis. Such purchases are made out of amounts deducted from each participating employee s salary. In addition, if the employee chooses to participate in an optional benefit plan, we contribute a maximum of ¥80 for each ¥1,000 contributed by the employee.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2014, NTT owned 2,764,000,000 shares, or 66.65% of our outstanding voting shares and 63.32% of our total issued shares. To the best of our knowledge, no other shareholder beneficially owned more than 5% of the outstanding shares (excluding treasury shares). The Japanese government, in the name of the Minister of Finance, owned 36.56% of the voting rights of NTT as of the same date. NTT does not have any special voting rights. For more information regarding our relationship with NTT, see Item 4.B-10 Relationship with NTT.

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There was no change in NTT s share ownership of our total issued shares in the fiscal year ended March 31, 2012, 2013 and 2014.

The ownership and distribution of the shares by category of shareholders according to our register of shareholders and register of beneficial shareholders as of March 31, 2014 were as follows:

Category	Number of Shareholders	Number of Shares Held	Issued Voting Shares
Japanese financial institutions	252	345,650,695	7.92
Japanese securities companies	60	76,156,249	1.74
Other Japanese corporations	2,127	2,816,942,036	64.54
Foreign corporations and individuals	951	607,330,993	13.91
Japanese individuals, treasury shares and others	324,428	518,920,027	11.89
Total	327,818	4,365,000,000	100

According to The Bank of New York Mellon, depositary for our ADSs, as of March 31, 2014, 24,669,549 shares of our common stock were held in the form of 24,669,549 ADRs. According to our register of shareholders, as of March 31, 2014, there were 327,818 holders of common stock of record worldwide. As of March 31, 2014, there were 224 record holders of our common stock with addresses in the United States, whose shareholdings represented approximately 5.0% of the issued common stock on that date. Because some of these ADSs and shares were held by brokers or other nominees, the number of record holders with addresses in the United States may be fewer than the number of beneficial owners in the United States.

None of our shares of common stock entitles the holder to any preferential voting rights.

We know of no arrangements the operation of which may at a later time result in a change of control.

B. Related Party Transactions

We have entered into a number of different types of transactions with NTT, its other subsidiaries and its affiliated companies in the ordinary course of business. For information regarding our relationship with NTT, see Item 4.B-10 Relationship with NTT.

With NTT FINANCE CORPORATION (NTT FINANCE), we have also entered into contracts for bailments of cash for consumption and a contract regarding the transfer of receivables based on a basic contract regarding the transfer of billing claims and account receivables relating to the company s mobile communications services, installment receivables for subscribers equipment purchases and others. NTT and its subsidiaries collectively own 99.9% of the voting interest in NTT FINANCE as of March 31, 2014. For information regarding our transactions with NTT FINANCE, see Note 13 of Notes to Consolidated Financial Statements Related Party Transactions.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Financial Statements

The information required by this item is set forth beginning on page F-2 of this annual report.

Legal or Arbitration Proceedings

The information on legal or arbitration proceedings required by this item is set forth in Item 4.B-11 Legal Proceedings of this annual report.

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Dividend Policy

We believe that providing returns to shareholders is one of the most important issues in corporate management while at the same time we are making efforts to strengthen our financial position and maintain internal reserves. We aim to continue stable dividend payments taking into account our consolidated financial results and the operating environment, with the goal to continue to pay regular dividends.

We expect to pay an annual dividend of ¥60 per share for the year ending March 31, 2015, which will consist of a ¥30 interim dividend and a ¥30 year-end dividend.

B. Significant Changes

Except as otherwise disclosed herein, there has been no significant change in our financial position since March 31, 2014, the date of our last audited financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

Price Ranges of Shares

Since October 1998, our shares have been listed on the First Section of the Tokyo Stock Exchange (TSE). On June 6, 2014, the closing sale price of our shares on the TSE was ¥1,719 per share. Our shares are also quoted and traded through the New York Stock Exchange (NYSE). The following table lists the reported high and low sale prices of our shares on the TSE, highs and lows of Tokyo Stock Price Index (TOPIX) and Nikkei Stock Average for the periods indicated:

	TSE [1] (Japanese yen)		TOPIX (Points)		Nikkei Stock Average (Japanese yen)	
Fiscal Year ended March 31,	**High**	**Low**	**High**	**Low**	**High**	**Low**
2010	1,504	1,275	987.27	778.21	11,147.62	8,084.62
2011	1,590	1,280	1,001.77	725.90	11,408.17	8,227.63
2012	1,518	1,336	879.48	703.88	10,255.15	8,135.79
2013	1,497	1,119	1,061.75	692.18	12,650.26	8,238.96
1st Quarter	1,383	1,233	863.23	692.18	10,190.35	8,238.96
2nd Quarter	1,372	1,260	781.94	703.31	9,288.53	8,328.02
3rd Quarter	1,274	1,119	861.57	710.32	10,433.63	8,488.14
4th Quarter	1,497	1,260	1,061.75	862.62	12,650.26	10,398.61
2014	1,756	1,358	1,308.08	971.33	16,320.22	11,805.78
1st Quarter	1,666	1,358	1,289.77	971.33	15,942.60	11,805.78
2nd Quarter	1,670	1,473	1,232.02	1,103.94	14,953.29	13,188.14
3rd Quarter	1,730	1,506	1,302.87	1,138.75	16,320.22	13,748.94
4th Quarter	1,756	1,530	1,308.08	1,139.27	16,164.01	13,995.86
Calendar Year 2013						
December	1,730	1,608	1,302.87	1,222.20	16,320.22	15,112.54
Calendar Year 2014						
January	1,756	1,631	1,308.08	1,211.22	16,164.01	14,764.57
February	1,706	1,530	1,234.54	1,139.27	15,094.54	13,995.86
March	1,697	1,540	1,241.88	1,145.90	15,312.60	14,203.21
April	1,652	1,515	1,223.26	1,121.50	15,164.39	13,885.11
May	1,698	1,608	1,205.60	1,143.63	14,744.16	13,964.43
June (through June 6, 2014)	1,739	1,692	1,238.89	1,210.82	15,144.34	14,777.51

(1) As we conducted a 1:100 stock split with an effective date of October 1, 2013, figures provided for TSE are adjusted accordingly.

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Since March 2002, our American Depositary Shares have been listed on the NYSE. On June 6, 2014, the closing sale price of American Depositary Shares on the NYSE was $16.84 per share. The following table lists the reported high and low sale prices of our American Depositary Shares on the NYSE for the periods indicated:

	NYSE (U.S. dollars)	
Fiscal Year ended March 31,	**High**	**Low**
2010	16.49	13.11
2011	19.23	14.47
2012	19.55	16.56
2013	17.49	13.81
1st Quarter	17.15	15.49
2nd Quarter	17.49	16.16
3rd Quarter	16.36	13.81
4th Quarter	15.80	14.40
2014	16.74	14.58
1st Quarter	16.58	14.58
2nd Quarter	16.74	14.95
3rd Quarter	16.51	15.64
4th Quarter	16.86	15.12
Calendar Year 2013		
December	16.51	15.88
Calendar Year 2014		
January	16.86	15.87
February	16.68	15.12
March	16.51	15.14
April	16.12	15.02
May	16.76	15.88
June (through June 6, 2014)	16.93	16.61

In addition, we delisted from the London Stock Exchange (listed in March 2002) in March 10, 2014.

B. Plan of Distribution

Not applicable.

C. Markets

See Item 9.A. of this annual report for information on the markets on which our common stock is listed or quoted.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

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F. Expenses of the Issue
Not applicable.

Item 10. Additional Information

A. Share Capital
Not applicable.

B. Memorandum and Articles of Association
1. Objects and Purposes in Our Articles of Incorporation

Article 2 of our Articles of Incorporation, which are attached as an exhibit to this annual report, state our purposes, which include engaging in the telecommunications business, other businesses related to the operation of a wireless telecommunication services provider and non-related businesses.

2. Provisions Regarding Our Directors

There is no provision in our Articles of Incorporation as to a director s power to vote on a proposal, arrangement or contract in which a director is materially interested, but, under the Companies Act, a director is required to refrain from voting on such matters at meetings of the board of directors.

The Companies Act provides that compensation for directors is fixed by resolution of a general meeting of shareholders of a company. Within the upper limit approved by the shareholders meeting, the board of directors will determine the amount of compensation for each director. The board of directors may, by its resolution, leave such decision to the discretion of the Company s president.

The Companies Act provides that the incurrence by a company of a significant loan from a third party should be approved by a resolution of the Company s board of directors. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our directors under the Companies Act or our Articles of Incorporation.

There is no requirement concerning the number of shares one individual must hold in order to qualify him or her as a director of NTT DOCOMO, INC. under the Companies Act or our Articles of Incorporation.

3. Holding of Our Shares by Foreign Investors

There are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on our shares imposed by the Companies Act or our Articles of Incorporation or our other constituent documents.

4. Rights of Our Shareholders

The following section contains certain information relating to the shares, including summaries of certain provisions of our Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations.

General
At present, our authorized share capital is 17,460,000,000 shares with no par value of which 4,365,000,000 shares have been issued. All issued shares are fully paid and non-assessable.

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On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Act on Book-Entry of Company Bonds, Shares, etc. of Japan (including the cabinet order and ministerial ordinances promulgated thereunder; the Act on Book-Entry), and since then the shares of all Japanese companies listed on any Japanese financial instruments exchange, including our shares, have become subject to this new system. On the same day, all existing shares were dematerialized and all existing share certificates for such shares became null and void. At present, the Japan Securities Depository Center, Incorporated (JASDEC) is the sole institution that is designated by the relevant authorities as a book-entry transfer institution which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Act on Book-Entry, under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, such person must have an account at an account management institution unless such person has an account directly at JASDEC. Account management institutions are, in general, financial instruments firms engaged in type 1 financial instruments business (i.e., securities brokers/dealers), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Act on Book-Entry.

Under the Act on Book-Entry, any transfer of shares is effected through book entry, and title to the shares passes to the transferee at the time when the number of the shares to be transferred is, by an application for book entry, recorded in the transferee s account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares recorded in such account.

Under the Companies Act and the Act on Book-Entry, in order to assert shareholders rights against us, a shareholder must have its name and address registered in the register of shareholders, except in limited circumstances. Although, in general, holders of an account with shares recorded are to be registered in the register of shareholders on the basis of information notified by JASDEC to us at certain prescribed time, in order to exercise minority shareholders rights (other than those for which the record dates are fixed) against us, a holder of an account with shares needs to make an application though an account management institution to JASDEC, which will then give a notice of the name and address of such holder, the number of shares held by such holder and other requisite information to us, and to exercise rights within 4 weeks from such notice.

The registered beneficial holder of deposited shares underlying the ADSs is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders rights against us.

Dividends

Dividends on our shares are generally distributed in proportion to the number of shares owned by each shareholder.

In Japan, the ex-dividend date and the record date for any dividend precede the date of determination of the amount of the dividend to be paid. Generally, the ex-dividend date is 2 business days prior to the record date.

Under the Companies Act, we are permitted to make distributions of surplus to our shareholders any number of times per fiscal year pursuant to resolutions of our general meeting of shareholders, subject to certain limitations described below. Distributions of surplus are required, in principle, to be authorized by a resolution of the general meeting of shareholders. In an exception to the above rule, we are permitted to make distributions of surplus in cash to our shareholders by board resolution once per fiscal year if our Articles of Incorporation so provide. Currently, our Articles of Incorporation so provide. This exception is intended to make it possible to distribute an interim dividend.

We are also permitted to make distributions of surplus pursuant to a board resolution if certain requirements under the Companies Act are met, including that our Articles of Incorporation provide that the board of directors may determine to distribute surplus. Currently, our Articles of Incorporation do not so provide. Accordingly, distributions of our surplus must be approved by a general meeting of shareholders.

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Distributions of surplus may be made in cash or in-kind in proportion to the number of shares held by each shareholder. If a distribution of surplus is to be made in-kind, we may, pursuant to a general meeting of shareholders resolution, or as the case may be, a board resolution, grant our shareholders a right to require us to make the distribution in cash instead of in-kind. If no such right is granted, the relevant distribution must be approved by a special resolution of a general meeting of shareholders (see Voting Rights). Currently, we do not have any concrete plan to make a distribution of surplus in-kind.

Under the Companies Act, when we make a distribution of surplus, we must set aside in our additional paid-in capital or legal reserves an amount equal to one-tenth of the amount of surplus so distributed, until the sum of our additional paid-in capital and legal reserves reaches one-quarter of our stated capital as required by an ordinance of the Ministry of Justice.

Under the Companies Act, we may distribute any dividends up to the amount of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, on an unconsolidated basis, as of the effective date of such distribution, if our net assets are not less than ¥3,000,000:

(a) the amount of surplus, as described below;

(b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the amount of the current net income for such period described in the profit and loss statement included in the extraordinary financial statements and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;

(c) the book value of our treasury stock;

(d) in the event that we disposed of treasury stock after the end of the previous fiscal year, the amount of consideration that we received for such treasury stock;

(e) in the event of that which is described in (b) in this paragraph, the aggregate amount of current net loss for such period described in the profit and loss statement included in the extraordinary financial statements; and

(f) the aggregate amount of accounts provided for in an ordinance of the Ministry of Justice.

For the purposes of this section, the amount of surplus is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below, on an unconsolidated basis:

I. the total amount of (x) assets and (y) the book value of treasury stock less the total amount of (i) liabilities, (ii) stated capital, (iii) additional paid-in capital, (iv) legal reserve and (v) certain other amounts set forth in an ordinance of the Ministry of Justice;

II. in the event that we disposed of treasury stock after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

III. in the event that we reduced our stated capital after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital and/or the legal reserve (if any);

IV. in the event that additional paid-in capital and/or legal reserves were reduced after the end of the previous fiscal year, the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

V. in the event that we canceled treasury stock after the end of the previous fiscal year, the book value of such treasury stock;

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VI. in the event that we distributed dividends after the end of the previous fiscal year, the aggregate of the following amounts:

a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders for their exercise of the right to receive dividends in cash instead of dividends in kind;

b. the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and

c. the aggregate amount of cash paid to shareholders holding fewer shares that was required in order to receive dividends in kind;

VII. the aggregate amounts of a. through d. below, less e. and f. below:

a. in the event that the amount of surplus was reduced and transferred to additional paid-in capital, the legal reserve and/or stated capital after the end of the previous fiscal year, the amount so reduced;

b. in the event that we distributed dividends after the end of the previous fiscal year, the amount set aside in additional paid-in capital and/or legal reserve;

c. in the event that we disposed of treasury stock in the process of (x) a merger in which we succeeded all rights and obligations of a merged company, (y) a corporate split in which we succeeded all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

d. in the event that we reduced the amount of surplus in the process of a corporate split (including absorption-type corporate split and incorporation-type corporate split) in which we became a split company after the end of the previous fiscal year, the amount so reduced;

e. in the event that we made (x) a merger in which we succeeded all rights and obligations of a merged company, (y) a corporate split in which we succeeded all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the aggregate amount of (i) the amount of our capital surplus after such merger, corporate split or share exchange, less the amount of our capital surplus before such merger, corporate split or share exchange, and (ii) the amount of our retained earnings after such merger, corporate split or share exchange, less the amount of our retained earnings before such merger, corporate split or share exchange; and

f. in the event that the amount of capital surplus increased in accordance with the provisions of an ordinance of the Ministry of Justice after the end of the previous fiscal year, such increased amount.

Under the Companies Act, we will be permitted to prepare non-consolidated extraordinary financial statements consisting of a balance sheet as of any date subsequent to the end of the previous fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. If we prepare such extraordinary financial statements, special provisions may apply to the calculation of distributable amount.

We plan to make distributions of surplus twice per fiscal year, if possible. The record date for annual dividends is March 31 and the record date for interim dividends is September 30. Under the Act on Book-Entry, holders of account with shares recorded as of the respective record dates are deemed to be registered in the register of shareholders as of such record dates on the basis of information notified by JASDEC to us.

For information as to Japanese taxes on dividends, see Taxation Japanese Taxation below.

Capital and Reserves

An increase in our authorized share capital is only possible pursuant to an amendment of our articles of incorporation.

The entire paid-in amount of new shares is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of such paid-in amount as additional paid-in capital. We may at any time reduce the whole or any part of our additional paid-in capital and legal reserve or transfer them to stated capital by resolution of a general meeting of shareholders.

Stock Splits

We may at any time split our issued shares into a greater number of shares by resolution of the board of directors. So long as the shares are our only class of issued shares, we may increase the number of authorized shares in the same ratio as that of any stock split by amending our Articles of Incorporation, which amendment may be effected by board resolution without shareholder s approval.

Under the Act on Book-Entry, we must give notice to JASDEC regarding a stock split at least 2 weeks prior to the relevant record date. On the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions or at JASDEC will be increased in accordance with the applicable ratio.

Consolidation of Shares

Generally, we may consolidate shares into a smaller number of shares by a special resolution of a general meeting of shareholders. A company that conducts a consolidation of shares is required by the Companies Act to give public notice to its shareholders in order to inform them of the ratio and effective date of the consolidation of shares.

Under the Act on Book-Entry, we must give notice to JASDEC regarding a consolidation of shares at least 2 weeks prior to the relevant record date. On the effective date of the consolidation of shares, the number of shares recorded in all accounts held by our shareholders at account management institutions or at JASDEC will be decreased in accordance with the applicable ratio.

Unit Share System

Effective from October 1, 2013, the unit share system has been introduced pursuant to the amendments to our articles of incorporation that were approved by a resolution of the board of directors of April 26, 2013 and 100 shares constitute one unit of shares. Under the unit share system, shareholders have, at general meetings of shareholders, one vote for each unit of shares held by them, and shares constituting less than a full unit carry no voting rights. Our articles of incorporation provide that holders of shares constituting less than a full unit do not have shareholder rights, except for those specified in the Companies Act or an ordinance of the Ministry of Justice which include rights (i) to receive dividends, (ii) to receive cash or other assets in the case of a consolidation or split of shares, share exchange (*kabushiki-kokan*), share transfer (*kabushiki-iten*), or merger and (iii) to be allotted rights to subscribe for new shares and stock acquisition rights for free when such rights are granted to shareholders. Holders of shares constituting less than a full unit may at any time request that we purchase such shares constituting less than a full unit at their market price in accordance with our share handling regulations. In addition, holders of shares constituting less than a full unit may require that we sell them such number of shares, that, when combined with the number of shares already held by such holder, constitute a whole unit of shares; provided that we be obliged to comply with such request only when there is a sufficient number of treasury shares to accommodate such request. As prescribed in the share handling regulations, such requests must be made through an account management institution and JASDEC pursuant to the rules set by JASDEC without going through the notification procedure required for the exercise of shareholders rights to which shareholders

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are entitled regardless of record dates. The board of directors may reduce the number of shares constituting one unit or cease to use the unit share system by amendments to the articles of incorporation without shareholders approval even though amendments to the articles of incorporation generally require a special resolution adopted at the general meeting of shareholders.

Under the new book-entry transfer system described above, shares constituting less than a full unit are transferable. Under the rules of the Japanese financial instruments exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese financial instruments exchanges.

General Meeting of Shareholders

The ordinary general meeting of our shareholders is usually held in June of each fiscal year in Tokyo. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a shareholders meeting stating the purpose thereof and a summary of the matters to be acted upon must be dispatched to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her mailing address or standing proxy in Japan) at least 2 weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is March 31.

Under the Companies Act and our Articles of Incorporation, any shareholder of record as of the relevant record date who is holding 300 or more voting rights or 1 percent or more of the total number of voting rights for 6 months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a written request to our director at least 8 weeks prior to the date of such meeting. To the contrary, under the Act on Book-Entry, such shareholder is not required to be registered in the register of shareholders when exercising the right of proposal, but such shareholder is required to make an application though an account management institution to JASDEC, which will then give us notice of the name and address of such shareholder, the number of shares held by such shareholder and other requisite information, and to exercise the right of proposal within 4 weeks from such notice.

Voting Rights

Generally, a holder of our shares is entitled to one vote for each one unit of shares (100 shares). Except as otherwise provided in law and our Articles of Incorporation, a resolution can be adopted at a meeting of shareholders by shareholders holding a majority of our shares having voting rights represented at such meeting. Shareholders may also exercise their voting rights through proxies, provided that a proxy is one of our shareholders or that in the case of a shareholder being a government or a juridical person, its proxy may be its employee. Shareholders who intend to be absent from the shareholders meeting may exercise their voting rights in writing or by electronic means. The Companies Act and our Articles of Incorporation provide that the quorum for appointment of directors and audit & supervisory board members shall not be less than one-third of the total number of the voting rights represented at the meeting. Our Articles of Incorporation provide that shares may not be voted cumulatively for the appointment of directors.

Under the Companies Act and our Articles of Incorporation, certain corporate actions must be approved by a special resolution of our meeting of shareholders, when the quorum is one-third of the total number of shares having voting rights and the approval of the holders of not less than two-thirds of our shares having voting rights represented at the meeting is required. Examples of corporate actions that require a special resolution are:

- any amendment of our articles of incorporation (except for amendments that may be authorized solely by the board of directors under the Companies Act);

- a reduction of stated capital (except for a reduction of stated capital for the purpose of replenishing capital deficiencies at the day of the ordinary general meeting);

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a distribution by us of surplus in-kind, if we do not grant shareholders the right to require us to effect the distribution in cash, instead of in-kind;

a dissolution or a merger, subject to a certain exception under which a shareholders resolution is not required;

the transfer of the whole or an important part of the business, except for the transfer of an important part of the business in which the book value of transferred assets does not exceed 20% of that of the Company s total assets;

the taking over of the whole of the business of any other corporation;

a share exchange or share transfer for the purpose of establishing a parent and wholly owned subsidiary relationship, subject to a certain exception under which a shareholders resolution is not required;

a company split, subject to a certain exception under which a shareholders resolution is not required;

the offering of shares at a specially favorable price and any offering of stock acquisition rights or bonds with stock acquisition rights at a specially favorable price or in a specially favorable condition to any persons other than shareholders; and

any purchase of the Company s own shares from a certain person.

The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders. With respect to voting by holders of ADSs, please see Exhibit 1 of the Registration Statement on Form F-6 (File No. 333-134940) filed on September 16, 2013.

Liquidation Rights

In the event of our liquidation, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among the shareholders in proportion to the respective number of shares which they hold.

Issue of Additional Shares and Pre-emptive Rights

Shareholders have no pre-emptive rights. Authorized but unissued shares may be issued at such times and upon such terms as the board of directors determines, by its resolution subject to the limitations as to the offering of shares at a specially favorable price mentioned above. Under the Companies Act, the board of directors may, however, determine to grant shareholders subscription rights in connection with a particular issue of shares. Any such subscription rights must be granted on uniform terms to all shareholders on a *pro rata* basis. In addition, we are required to notify each shareholder of certain matters regarding such subscription rights, as well as the date by which shareholders need to exercise such rights.

We may issue stock acquisition rights or bonds with stock acquisition rights in relation to which stock acquisition rights are non-separable. Except where the issue of stock acquisition rights would be on specially favorable terms or price, the issue of stock acquisition rights or of bonds with stock acquisition rights may be authorized by a resolution of the board of directors. Upon exercise of the stock acquisition rights, the holder of such rights may, subject to the terms and conditions thereof, either acquire shares by paying the applicable exercise price or, if so determined by a resolution of the board of directors, by making a substitute payment, such as having bonds redeemed without payment to the holder in lieu of the exercise price.

Dilution

It is possible that, in the future, market conditions and other factors might make subscription rights allocated to shareholders desirable at a subscription price substantially below their current market price, in which case shareholders who do not exercise and are unable otherwise to realize the full value of their subscription rights will suffer dilution of their equity interest in us. As of March 31, 2014, we have not issued stock acquisition rights or bond with stock acquisition rights.

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Report to Shareholders

We furnish to our shareholders notices of shareholders meetings, annual business reports, including non-consolidated and consolidated financial reports, and notices of resolutions adopted at the shareholders meetings, in Japanese and English translation. Such notices as described above may be given by electronic means to those shareholders who have agreed to such method of notice.

Record Date

In addition to the record dates for an ordinary general meeting of shareholders and annual and interim dividends which are provided for in our Articles of Incorporation, by a resolution of the board of directors and after giving at least 2 weeks prior public notice, we may at any time set a record date in order to determine shareholders who are entitled to certain rights pertaining to the shares.

Under the Act on Book-Entry, we are required to give notice of each record date to JASDEC at least 2 weeks prior to such record date. JASDEC is required to promptly give us notice of the names and addresses of all of our shareholders of record, the numbers of shares held by them and other relevant information as of such record date.

Repurchase of our Own Shares

Under the Companies Act, we are generally required to obtain authorization for any acquisition of our own shares by means of:

(i) a resolution at a general meeting of shareholders;

(ii) a resolution of the board of directors if the acquisition is in accordance with our Articles of Incorporation; or

(iii) a resolution of the board of directors if the acquisition is to purchase our shares from a subsidiary.

We may only dispose of shares we may so acquire in accordance with the procedures applicable to a new share issuance under the Companies Act.

Upon due authorization, we may acquire our own shares:

- in the case of (i) and (ii) above:
  - through the stock exchanges on which the shares are listed or the over-the-counter markets on which the shares are traded; or
  - by way of tender offer;
- in the case of (i) above, from a specific person, but only if our shareholders approve this acquisition by special resolution; and
- in the case of (iii) above, from the subsidiary.

In the event we are to acquire our own shares from a specific person other than a subsidiary at the price which exceeds market price, each other shareholder may request us to acquire the shares held by such shareholder as well.

Acquisitions described in (i) and (ii) above must satisfy certain other requirements, including that the total amount of the purchase price may not exceed the distributable amount.

Shareholders of Unknown Location

We are not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in our register of shareholders or at the address otherwise notified to us continuously for 5 years or more.

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In addition, we may dispose of the shares at the then market price of the shares and hold or deposit the proceeds for such shareholder, the location of which is unknown, (i) notices to the shareholders fails to arrive continuously for 5 years or more at the registered address of the shareholder in our register of shareholders or at the address otherwise notified to us, and (ii) the shareholder fails to receive dividends on the shares continuously for 5 years or more at the address registered in our register of shareholders or at the address otherwise notified to us.

American Depositary Receipts

The current ADS/share ratio is one ADS per each share of common stock.

For further information regarding our American Depositary Receipt program, please refer to Exhibit 1 of the Registration Statement on Form F-6 (File No.333-134940) filed on September 16, 2013.

* We changed the ratio of ADS to underlying shares in accordance with the stock split effectuated on October 1, 2013, where each of our common shares were split at a ratio of 1:100 as of the effective date.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Act of Japan and its related regulations require any person who has become, solely or jointly, a holder of more than 5% of the total issued shares of a company that is listed on any Japanese financial instruments exchange, to file a report with the director of the competent Local Finance Bureau of the Ministry of Finance within 5 business days from the date of becoming such holder. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in the holding or of any change specified in the ordinance in material matters set out in any previously-filed reports. For this purpose, shares issuable upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by the holder and the issuer s total issued shares. Copies of each report must also be furnished to the issuer of the shares and to all Japanese financial instruments exchanges on which the shares are listed. These reports are made available for public inspection.

Daily Price Fluctuation Limits under Japanese Financial Instruments Exchange Rules

Share prices on Japanese financial instruments exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges set daily price limits, which limit the maximum range of fluctuation within a single trading day. Daily price limits are set according to the previous day s closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

On June 6, 2014, the closing price of our shares on the Tokyo Stock Exchange was ¥1,719 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥1,500 and ¥2,000 per share, as well as the daily price limit if our per share price were to rise to between ¥2,000 and ¥3,000, or fall to between ¥1,000 and ¥1,500.

Selected Daily Price Limits

Previous Day s Closing Price or Special Quote				Maximum Daily Price Movement
Over	¥ 1,000	Less than	¥ 1,500	¥ 300
Over	1,500	Less than	2,000	400
Over	2,000	Less than	3,000	500

For a history of the trading price of our shares on the Tokyo Stock Exchange, see Item 9.A.

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C. Material Contracts

We have not entered into any material contracts (which would present any significant impact on our financial condition), other than in the ordinary course of business.

D. Exchange Controls

There are no laws, decrees, regulations or other legislation which materially affect our ability to import or export capital for our use or our ability to pay dividends to nonresident holders of our shares.

E. Taxation

1. United States Federal Income Taxation

This section describes the material United States federal income tax consequences of owning shares or ADSs. It applies to you only if you are a U.S. holder (as defined below) and hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds shares or ADSs as part of a straddle or a hedging or a conversion transaction;
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention Between the Government of the United States of America and the Government of the Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the Treaty). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of The Bank of New York Mellon as depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in shares or ADSs.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

For purposes of United States federal income taxation, you are treated as a U.S. holder if 1) you are a beneficial owner of shares or ADSs and 2) you are, for United States federal income tax purposes:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances.

2. Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company rules discussed below, if you are a U.S. holder, the gross amount of any dividend paid by us out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates of 15% applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. For a U.S. holder who is subject to the highest income tax rate, 20% is the applicable tax rate instead of the preferential rates of 15%. Dividends paid by us with respect to our shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of shares, or the depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. In general, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a nontaxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain. However we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your United States federal income tax liability. To the extent a refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax that is refundable will not be eligible for credit against your United States federal income tax liability. Please see Japanese Taxation , below, for the procedures for obtaining a reduced rate of withholding under the Treaty or a tax refund. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. Dividends will generally be income from sources outside the United States and will, depending on your circumstances, generally be either passive or general income for purposes of computing the foreign tax credit allowable to you.

Distributions of additional shares to you with respect to shares or ADSs that are made as part of a *pro rata* distribution to all of our shareholders generally will not be subject to United States federal income tax. Your basis in the new shares or ADSs received will be determined by allocating your basis in the shares or ADSs you held at the time of the distribution between the new shares or ADSs and the shares or ADSs you held at the time of the distribution based on their relative fair market values on the date of the distribution.

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Taxation of Capital Gains

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for the United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.