

NTT DOCOMO INC
Form 6-K
November 04, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November, 2016

Commission File Number: 001-31221

Total number of pages: 22

NTT DOCOMO, INC.

(Translation of registrant's name into English)

Sanno Park Tower 11-1, Nagata-cho 2-chome

Chiyoda-ku, Tokyo 100-6150

Japan

(Address of principal executive offices)

Edgar Filing: NTT DOCOMO INC - Form 6-K

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NTT DOCOMO, INC.

Date: November 4, 2016

By: /s/ KATSUYUKI TAKAGI

Katsuyuki Takagi

Head of Investor Relations

Information furnished in this form:

1. Report filed on November 4, 2016 with the Director of the Kanto Local Finance Bureau of Japan pursuant to the Financial Instruments and Exchange Act of Japan

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

MARCH 31, 2016 and SEPTEMBER 30, 2016

	Millions of yen	
	March 31, 2016	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 354,437	¥ 360,211
Short-term investments	5,872	100,976
Accounts receivable	237,040	193,243
Receivables held for sale	972,851	960,631
Credit card receivables	276,492	310,262
Other receivables	381,096	390,779
Allowance for doubtful accounts	(17,427)	(20,059)
Inventories	153,876	151,221
Deferred tax assets	107,058	78,132
Prepaid expenses and other current assets	108,898	124,460
Total current assets	2,580,193	2,649,856
Property, plant and equipment:		
Wireless telecommunications equipment	5,084,416	5,112,357
Buildings and structures	896,815	901,601
Tools, furniture and fixtures	468,800	467,275
Land	199,054	199,187
Construction in progress	190,261	202,436
Accumulated depreciation and amortization	(4,398,970)	(4,432,870)
Total property, plant and equipment, net	2,440,376	2,449,986
Non-current investments and other assets:		
Investments in affiliates	411,395	374,023
Marketable securities and other investments	182,905	174,101
Intangible assets, net	615,013	601,866
Goodwill	243,695	237,442
Other assets	479,103	472,249
Deferred tax assets	261,434	248,837
Total non-current investments and other assets	2,193,545	2,108,518
Total assets	¥ 7,214,114	¥ 7,208,360
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	¥ 200	¥ 200
Short-term borrowings	1,764	2,170
Accounts payable, trade	793,084	686,591
Accrued payroll	53,837	57,315
Accrued income taxes	165,332	124,167

Edgar Filing: NTT DOCOMO INC - Form 6-K

Other current liabilities	205,602	218,858
Total current liabilities	1,219,819	1,089,301
Long-term liabilities:		
Long-term debt (exclusive of current portion)	220,200	220,100
Accrued liabilities for point programs	75,182	68,672
Liability for employees' retirement benefits	201,604	206,225
Other long-term liabilities	137,983	140,553
Total long-term liabilities	634,969	635,550
Total liabilities	1,854,788	1,724,851
Redeemable noncontrolling interests	16,221	22,624
Equity:		
NTT DOCOMO, INC. shareholders' equity		
Common stock	949,680	949,680
Additional paid-in capital	330,482	327,512
Retained earnings	4,413,030	4,686,815
Accumulated other comprehensive income (loss)	14,888	(21,157)
Treasury stock	(405,832)	(515,014)
Total NTT DOCOMO, INC. shareholders' equity	5,302,248	5,427,836
Noncontrolling interests	40,857	33,049
Total equity	5,343,105	5,460,885
Commitments and contingencies		
Total liabilities and equity	¥ 7,214,114	¥ 7,208,360

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
SIX MONTHS ENDED SEPTEMBER 30, 2015 and 2016

Consolidated Statements of Income

	Millions of yen	
	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Operating revenues:		
Telecommunications services	¥ 1,382,307	¥ 1,474,493
Equipment sales	416,844	380,108
Other operating revenues	415,836	433,743
Total operating revenues	2,214,987	2,288,344
Operating expenses:		
Cost of services (exclusive of items shown separately below)	587,647	632,236
Cost of equipment sold (exclusive of items shown separately below)	386,337	364,123
Depreciation and amortization	297,107	220,538
Selling, general and administrative	481,322	485,850
Total operating expenses	1,752,413	1,702,747
Operating income	462,574	585,597
Other income (expense):		
Interest expense	(545)	(357)
Interest income	385	291
Other, net	(9,852)	(4,367)
Total other income (expense)	(10,012)	(4,433)
Income before income taxes and equity in net income (losses) of affiliates	452,562	581,164
Income taxes:		
Current	144,300	129,670
Deferred	(8,320)	49,025
Total income taxes	135,980	178,695
Income before equity in net income (losses) of affiliates	316,582	402,469
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	1,582	3,340
Net income	318,164	405,809

Edgar Filing: NTT DOCOMO INC - Form 6-K

Less: Net (income) loss attributable to noncontrolling interests (1,029) (402)

Net income attributable to NTT DOCOMO, INC. ¥ 317,135 ¥ **405,407**

Per share data

Weighted average common shares outstanding Basic and Diluted 3,881,483,821 **3,742,803,807**

Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. ¥ 81.70 ¥ **108.32**

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Net income	¥ 318,164	¥ 405,809
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	(7,037)	(5,316)
Unrealized gains (losses) on cash flow hedges, net of applicable taxes	(43)	(58)
Foreign currency translation adjustment, net of applicable taxes	(981)	(31,736)
Pension liability adjustment, net of applicable taxes	(233)	640
Total other comprehensive income (loss)	(8,294)	(36,470)
Comprehensive income	309,870	369,339
Less: Comprehensive (income) loss attributable to noncontrolling interests	(1,096)	23
Comprehensive income attributable to NTT DOCOMO, INC.	¥ 308,774	¥ 369,362

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015 and 2016

Consolidated Statements of Income

	Millions of yen	
	Three Months Ended September 30, 2015	Three Months Ended September 30, 2016
Operating revenues:		
Telecommunications services	¥ 707,053	¥ 744,784
Equipment sales	215,500	214,355
Other operating revenues	215,570	220,535
Total operating revenues	1,138,123	1,179,674
Operating expenses:		
Cost of services (exclusive of items shown separately below)	298,744	327,757
Cost of equipment sold (exclusive of items shown separately below)	210,806	209,146
Depreciation and amortization	151,535	110,823
Selling, general and administrative	249,860	245,642
Total operating expenses	910,945	893,368
Operating income	227,178	286,306
Other income (expense):		
Interest expense	(233)	(117)
Interest income	206	136
Other, net	(15,200)	(453)
Total other income (expense)	(15,227)	(434)
Income before income taxes and equity in net income (losses) of affiliates	211,951	285,872
Income taxes:		
Current	74,007	60,413
Deferred	(10,649)	28,634
Total income taxes	63,358	89,047
Income before equity in net income (losses) of affiliates	148,593	196,825
Equity in net income (losses) of affiliates (including impairment charges of investments in affiliates)	(38)	2,349
Net income	148,555	199,174

Edgar Filing: NTT DOCOMO INC - Form 6-K

Less: Net (income) loss attributable to noncontrolling interests (204) (621)

Net income attributable to NTT DOCOMO, INC. ¥ 148,351 ¥ **198,553**

Per share data

Weighted average common shares outstanding Basic and Diluted 3,881,483,812 **3,731,635,498**

Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. ¥ 38.22 ¥ **53.21**

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three Months Ended September 30, 2015	Three Months Ended September 30, 2016
Net income	¥ 148,555	¥ 199,174
Other comprehensive income (loss):		
Unrealized holding gains (losses) on available-for-sale securities, net of applicable taxes	(8,767)	6,505
Unrealized gains (losses) on cash flow hedges, net of applicable taxes	(20)	14
Foreign currency translation adjustment, net of applicable taxes	5,735	(23,631)
Pension liability adjustment, net of applicable taxes	(207)	499
Total other comprehensive income (loss)	(3,259)	(16,613)
Comprehensive income	145,296	182,561
Less: Comprehensive (income) loss attributable to noncontrolling interests	(239)	(401)
Comprehensive income attributable to NTT DOCOMO, INC.	¥ 145,057	¥ 182,160

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****SIX MONTHS ENDED SEPTEMBER 30, 2015 and 2016**

	Millions of yen	
	Six Months Ended September 30, 2015	Six Months Ended September 30, 2016
Cash flows from operating activities:		
Net income	¥ 318,164	¥ 405,809
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	297,107	220,538
Deferred taxes	(8,320)	49,025
Loss on sale or disposal of property, plant and equipment	11,685	14,785
Inventory write-downs	2,244	5,916
Impairment loss on marketable securities and other investments	448	2,043
Loss on sale of a subsidiary	13,117	
Equity in net (income) losses of affiliates (including impairment charges of investments in affiliates)	(1,582)	(3,340)
Dividends from affiliates	9,434	8,354
Changes in assets and liabilities:		
(Increase) / decrease in accounts receivable	53,872	42,588
(Increase) / decrease in receivables held for sale	(27,892)	12,220
(Increase) / decrease in credit card receivables	(10,515)	(18,317)
(Increase) / decrease in other receivables	(34,714)	(10,365)
Increase / (decrease) in allowance for doubtful accounts	1,852	2,670
(Increase) / decrease in inventories	(26,094)	(3,431)
(Increase) / decrease in prepaid expenses and other current assets	4,797	(19,632)
(Increase) / decrease in non-current receivables held for sale	3,793	23,675
Increase / (decrease) in accounts payable, trade	(85,060)	(40,657)
Increase / (decrease) in accrued income taxes	73,261	(41,105)
Increase / (decrease) in other current liabilities	19,933	11,566
Increase / (decrease) in accrued liabilities for point programs	(7,715)	(6,510)
Increase / (decrease) in liability for employees' retirement benefits	4,340	4,644
Increase / (decrease) in other long-term liabilities	4,573	7,054
Other, net	1,137	4,190
Net cash provided by operating activities	617,865	671,720
Cash flows from investing activities:		
Purchases of property, plant and equipment	(216,622)	(210,559)
Purchases of intangible and other assets	(92,593)	(112,859)
Purchases of non-current investments	(1,734)	(1,306)
Proceeds from sale of non-current investments	1,466	3,216
Purchases of short-term investments	(3,611)	(65,911)
Redemption of short-term investments	3,707	10,706
Short-term bailment for consumption to a related party		(40,000)
Other, net	(10,027)	(8,573)
Net cash used in investing activities	(319,414)	(425,286)
Cash flows from financing activities:		
Proceeds from short-term borrowings	144,841	12,543

Edgar Filing: NTT DOCOMO INC - Form 6-K

Repayment of short-term borrowings	(143,619)	(12,098)
Principal payments under capital lease obligations	(732)	(609)
Payments to acquire treasury stock	(0)	(109,182)
Dividends paid	(135,836)	(131,558)
Cash distributions to noncontrolling interests	(2,387)	(3,500)
Other, net	(1,499)	6,073
Net cash provided by (used in) financing activities	(139,232)	(238,331)
Effect of exchange rate changes on cash and cash equivalents	(173)	(2,329)
Net increase (decrease) in cash and cash equivalents	159,046	5,774
Cash and cash equivalents as of beginning of period	105,553	354,437
Cash and cash equivalents as of end of period	¥ 264,599	¥ 360,211
Supplemental disclosures of cash flow information:		
Cash received during the period for:		
Income tax refunds	¥ 7,774	¥ 662
Cash paid during the period for:		
Interest, net of amount capitalized	431	203
Income taxes	79,029	170,722

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of presentation:

The accompanying quarterly consolidated financial statements of NTT DOCOMO, INC. and its subsidiaries (DOCOMO) were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Certain disclosures required by U.S. GAAP have been omitted. Since DOCOMO 's American Depositary Shares were listed on the New York Stock Exchange in March 2002, DOCOMO has prepared its consolidated financial statements pursuant to the terminology, forms and preparation methods required in order to issue American Depositary Shares, which are registered with the Securities and Exchange Commission of the United States of America.

2. Summary of significant accounting and reporting policies:

(a) Reclassifications

Certain reclassifications have been made to the prior period 's consolidated financial statements to conform to the presentation used for the six months ended September 30, 2016.

(b) Change in Accounting Procedures for Consolidated Quarterly Financial Results

Change in depreciation method

Previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation. Data traffic has recently grown due to increased use of smartphones. As a way of addressing the rising data traffic, DOCOMO provides LTE-Advanced services, using the carrier aggregation technology which enables higher speeds and capacities for the LTE services. With the introduction of the carrier aggregation technology, DOCOMO is able to use its frequencies more efficiently, bringing stability to DOCOMO 's operation of its wireless telecommunications equipment. As a result, DOCOMO believes that the straight-line depreciation method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated. The effect of the change in the depreciation method is recognized prospectively as a change in the accounting estimate pursuant to the Financial Accounting Standards Board (FASB) Accounting Standards Codification 250, Accounting Changes and Error Corrections.

The change in depreciation method caused a decrease in Depreciation and amortization by ¥69,430 million and ¥36,049 million for the six months ended September 30, 2016 and for the three months ended September 30, 2016, respectively. Net income attributable to NTT DOCOMO, INC. increased by ¥47,490 million and ¥24,657 million for the six months ended September 30, 2016 and for the three months ended September 30, 2016, respectively. Basic and Diluted earnings per share attributable to NTT DOCOMO, INC. increased by ¥12.69 and ¥6.61 for the six months ended September 30, 2016 and for the three months ended September 30, 2016, respectively.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

(c) Recently issued accounting standards

Revenue from Contracts with Customers

On May 28, 2014, the FASB 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 FASB also issued ASU 2016-08 Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU2016-10 Identifying Performance Obligations and Licensing and ASU2016-12 Narrow-Scope Improvements and Practical Expedients in March, April and May 2016, respectively, to partially amend ASU 2014-09.

On August 12, 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date, and deferred the effective date of ASU 2014-09 by one year. Consequently, the standard is expected to take effect for DOCOMO on April 1, 2018. Early adoption of the standard as of April 1, 2017 would also be permitted.

DOCOMO has not yet selected a transition method and is currently evaluating the effect that the ASU will have on DOCOMO s consolidated financial statements and related disclosures.

Recognition and Measurement of Financial Assets and Financial Liabilities

On January 5, 2016, the FASB issued ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities, which significantly changes the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The new standard is effective for DOCOMO on April 1, 2018. DOCOMO is currently evaluating the effect of adopting the ASU.

Lease

On February 25, 2016, the FASB issued ASU 2016-02 Lease, which requires all lessees to recognize the right-of-use asset and lease liability, principally. The new standard is effective for DOCOMO on April 1, 2019. DOCOMO is currently evaluating the effect of adopting the ASU.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

3. Equity:

(a) Dividends

The Companies Act of Japan (the Companies Act) provides that (i) dividends of earnings require approval at a general meeting of shareholders, (ii) interim cash dividends can be distributed upon the approval of the Board of Directors, if the articles of incorporation provide for such interim cash dividends and (iii) an amount equal to 10% of the decrease in retained earnings, as a result of a dividend payment, shall be contributed to a legal reserve that can be funded up to an amount equal to 25% of capital stock. The legal reserve is available for distribution upon approval of the shareholders. In accordance with (ii) above, a provision in NTT DOCOMO, INC. s articles of incorporation stipulates that NTT DOCOMO, INC. may, pursuant to a resolution of the Board of Directors, pay interim dividends with a record date as of September 30th of the relevant year.

In the general meeting of shareholders held on June 16, 2016, the shareholders approved cash dividends of ¥131,622 million or ¥35 per share, payable to shareholders of record as of March 31, 2016, which were declared by the Board of Directors on April 28, 2016. The source of such dividends was Retained earnings. NTT DOCOMO, INC. started paying the dividends on June 17, 2016.

On October 28 2016, the Board of Directors declared interim cash dividends of ¥148,810 million or ¥40 per share, payable to shareholders of record as of September 30, 2016. The source of such dividends will be Retained earnings. NTT DOCOMO, INC. plans to start paying the interim cash dividends on November 22, 2016.

(b) Issued shares and treasury stock

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

On January 29, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may repurchase up to 220,000,000 outstanding shares of its common stock for an amount in total not exceeding ¥500,000 million from February 1, 2016 through December 31, 2016.

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

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

	Number of issued shares	Number of treasury stock
As of March 31, 2015	4,085,772,000	204,288,145
Acquisition of treasury stock through purchase of less-than-one-unit shares		43
As of September 30, 2015	4,085,772,000	204,288,188
Acquisition of treasury stock based on the resolution of the Board of Directors		120,867,062
Retirement of treasury stock	(127,229,000)	(127,229,000)
As of March 31, 2016	3,958,543,000	197,926,250
Acquisition of treasury stock based on the resolution of the Board of Directors		40,361,000
Acquisition of treasury stock through purchase of less-than-one-unit shares		100
As of September 30, 2016	3,958,543,000	238,287,350

On February 5, 2016, the Board of Directors resolved that NTT DOCOMO, INC. may acquire up to 137,578,616 outstanding shares of its common stock by way of tender offer at an amount in total not exceeding ¥350,000 million from February 8, 2016 through March 7, 2016. Based on this resolution, NTT DOCOMO, INC. repurchased 120,867,062 shares of its common stock for a total purchase price of ¥307,486 million between February 2016 and March 2016.

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

Based on this resolution, NTT DOCOMO, INC. repurchased 9,021,000 shares of its common stock at ¥24,433 million using the ToSTNeT-3 on May 18, 2016, and has also repurchased 31,340,000 shares of its common stock for a total purchase price of ¥84,749 million by way of market purchases in accordance with the discretionary dealing contract as of September 30, 2016. NTT DOCOMO, INC. also repurchased 2,006,600 shares of its common stock for a total purchase price of ¥5,113 million by way of market purchases in accordance with the discretionary dealing contract during October 2016.

The aggregate number and price of shares repurchased from our parent company, NIPPON TELEGRAPH AND TELEPHONE CORPORATION, were 117,924,500 shares and ¥300,000 million for the fiscal year ended March 31, 2016. NTT DOCOMO, INC. did not repurchase any shares from NIPPON TELEGRAPH AND TELEPHONE CORPORATION for the six months ended September 30, 2016.

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

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

On March 25, 2016, the Board of Directors resolved that NTT DOCOMO, INC. would retire 127,229,000 shares held as treasury stock on March 31, 2016 and the share retirement on March 31, 2016 resulted in decreases of Retained earnings by ¥260,872 million.

The aggregate number and price of shares repurchased for the six months ended September 30, 2015 and 2016 were as follows:

	Share/Millions of yen	
	Six months	
	ended September 30, 2015	Six months ended September 30, 2016
Aggregate number of shares repurchased	43	40,361,100
Aggregate price of shares repurchased	¥ 0	¥ 109,182

The aggregate number and price of shares repurchased for the three months ended September 30, 2015 and 2016 were as follows:

	Share/Millions of yen	
	Three months	
	ended September 30, 2015	ended September 30, 2016
Aggregate number of shares repurchased		20,272,500
Aggregate price of shares repurchased	¥	¥ 54,540

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)****(c) Accumulated other comprehensive income (loss)****Changes in accumulated other comprehensive income (loss)**

Changes in accumulated other comprehensive income (loss), net of applicable taxes, for the six months ended September 30, 2015 and 2016 were as follows:

	Millions of yen					Total
	Six months ended September 30, 2015					
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of March 31, 2015	¥ 67,620	¥ (101)	¥ 16,871	¥ (31,791)	¥	52,599
Other comprehensive income (loss) before reclassifications	(6,729)	(60)	(718)	(582)		(8,089)
Amounts reclassified from accumulated other comprehensive income (loss)	(308)	17	(263)	349		(205)
Other comprehensive income (loss)	(7,037)	(43)	(981)	(233)		(8,294)
Less: other comprehensive (income) loss attributable to noncontrolling interests	(6)		(61)			(67)
Balance as of September 30, 2015	¥ 60,577	¥ (144)	¥ 15,829	¥ (32,024)	¥	44,238

	Millions of yen					Total
	Six months ended September 30, 2016					
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of March 31, 2016	¥ 61,624	¥ (218)	¥ 6,281	¥ (52,799)	¥	14,888
Other comprehensive income (loss) before reclassifications	(4,332)	(82)	(31,813)	(531)		(36,758)
Amounts reclassified from accumulated other comprehensive income (loss)	(984)	24	77	1,171		288
Other comprehensive income (loss)	(5,316)	(58)	(31,736)	640		(36,470)
Less: other comprehensive (income) loss attributable to noncontrolling interests	5		420			425
Balance as of September 30, 2016	¥ 56,313	¥ (276)	¥ (25,035)	¥ (52,159)	¥	(21,157)

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Changes in accumulated other comprehensive income (loss), net of applicable taxes, for the three months ended September 30, 2015 and 2016 were as follows:

	Millions of yen					Total
	Three months ended September 30, 2015					
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of June 30, 2015	¥ 69,350	¥ (124)	¥ 10,124	¥ (31,817)	¥	47,533
Other comprehensive income (loss) before reclassifications	(8,767)	(28)	5,998	(383)		(3,180)
Amounts reclassified from accumulated other comprehensive income (loss)		8	(263)	176		(79)
Other comprehensive income (loss)	(8,767)	(20)	5,735	(207)		(3,259)
Less: other comprehensive (income) loss attributable to noncontrolling interests	(6)		(30)			(36)
Balance as of September 30, 2015	¥ 60,577	¥ (144)	¥ 15,829	¥ (32,024)	¥	44,238
	Millions of yen					Total
	Three months ended September 30, 2016					
	Unrealized holding gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Foreign currency translation adjustment	Pension liability adjustment		
Balance as of June 30, 2016	¥ 49,806	¥ (290)	¥ (1,622)	¥ (52,658)	¥	(4,764)
Other comprehensive income (loss) before reclassifications	6,506	1	(23,708)	(88)		(17,289)
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	13	77	587		676
Other comprehensive income (loss)	6,505	14	(23,631)	499		(16,613)
Less: other comprehensive (income) loss attributable to noncontrolling interests	2		218			220
Balance as of September 30, 2016	¥ 56,313	¥ (276)	¥ (25,035)	¥ (52,159)	¥	(21,157)

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

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

Amounts reclassified out of accumulated other comprehensive income (loss) to net income and affected line items in the consolidated statements of income for the six months ended September 30, 2015 and 2016 were as follows:

	Millions of yen		Affected line items in the consolidated statements of income
	Amounts reclassified out of accumulated other comprehensive income (loss)(*1)		
	Six months ended September 30, 2015	Six months ended September 30, 2016	
Unrealized holding gains (losses) on available-for-sale securities	¥ 219	¥ 1,373	Other, net of Other income (expense)
	249	62	Equity in net income (losses) of affiliates
	468	1,435	Pre-tax amount
	(160)	(451)	Tax benefit (expense)
	308	984	Net-of-tax amount
Unrealized gains (losses) on cash flow hedges	(25)	(35)	Equity in net income (losses) of affiliates
	(25)	(35)	Pre-tax amount
	8	11	Tax benefit (expense)
	(17)	(24)	Net-of-tax amount
Foreign currency translation adjustment	263		Other, net of Other income (expense)
		(111)	Equity in net income (losses) of affiliates
	263	(111)	Pre-tax amount
		34	Tax benefit (expense)
	263	(77)	Net-of-tax amount
Pension liability adjustment	(519)	(1,707)	(*2)
	(519)	(1,707)	Pre-tax amount
	170	536	Tax benefit (expense)
	(349)	(1,171)	Net-of-tax amount
Total reclassified amounts	¥ 205	¥ (288)	Net-of-tax amount

(*1) Amounts in parentheses indicate decreased effects on net income.

Edgar Filing: NTT DOCOMO INC - Form 6-K

(*2) Amounts reclassified out of pension liability adjustment are included in the computation of net periodic pension cost.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

Amounts reclassified out of accumulated other comprehensive income (loss) to net income and affected line items in the consolidated statements of income for the three months ended September 30, 2015 and 2016 were as follows:

	Millions of yen		Affected line items in the consolidated statements of income
	Three months ended September 30, 2015	Three months ended September 30, 2016	
Unrealized holding gains (losses) on available-for-sale securities	¥	¥	1
			Equity in net income (losses) of affiliates
			1 Pre-tax amount
			(0) Tax benefit (expense)
			1 Net-of-tax amount
Unrealized gains (losses) on cash flow hedges	(12)	(19)	Equity in net income (losses) of affiliates
	(12)	(19)	Pre-tax amount
	4	6	Tax benefit (expense)
	(8)	(13)	Net-of-tax amount
Foreign currency translation adjustment	263		Other, net of Other income (expense)
		(111)	Equity in net income (losses) of affiliates
	263	(111)	Pre-tax amount
		34	Tax benefit (expense)
	263	(77)	Net-of-tax amount
Pension liability adjustment	(262)	(855)	(*2)
	(262)	(855)	Pre-tax amount
	86	268	Tax benefit (expense)
	(176)	(587)	Net-of-tax amount
Total reclassified amounts	¥ 79	¥ (676)	Net-of-tax amount

(*1) Amounts in parentheses indicate decreased effects on net income.

(*2) Amounts reclassified out of pension liability adjustment are included in the computation of net periodic pension cost.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

4. Segment information:

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

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

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

Accounting policies used to determine segment operating revenues and operating income (loss) are consistent with those used to prepare the consolidated financial statements in accordance with U.S. GAAP.

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)****Segment operating revenues:**

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Telecommunications business-		
External customers	¥ 1,806,391	¥ 1,856,239
Intersegment	617	384
Subtotal	1,807,008	1,856,623
Smart life business-		
External customers	240,533	243,488
Intersegment	5,778	6,880
Subtotal	246,311	250,368
Other businesses-		
External customers	168,063	188,617
Intersegment	5,453	4,788
Subtotal	173,516	193,405
Segment total	2,226,835	2,300,396
Elimination	(11,848)	(12,052)
Consolidated	¥ 2,214,987	¥ 2,288,344

	Millions of yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Telecommunications business-		
External customers	¥ 928,017	¥ 961,580
Intersegment	367	119
Subtotal	928,384	961,699
Smart life business-		
External customers	125,018	121,327
Intersegment	2,906	3,792
Subtotal	127,924	125,119
Other businesses-		
External customers	85,088	96,767
Intersegment	2,552	1,827

Edgar Filing: NTT DOCOMO INC - Form 6-K

Subtotal	87,640	98,594
Segment total	1,143,948	1,185,412
Elimination	(5,825)	(5,738)
Consolidated	¥ 1,138,123	¥ 1,179,674

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)****Segment operating income (loss):**

	Millions of yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Telecommunications business	¥ 420,169	¥ 524,737
Smart life business	33,441	36,975
Other businesses	8,964	23,885
Consolidated	¥ 462,574	¥ 585,597

	Millions of yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Telecommunications business	¥ 207,748	¥ 254,327
Smart life business	16,565	19,772
Other businesses	2,865	12,207
Consolidated	¥ 227,178	¥ 286,306

Segment operating income (loss) is segment operating revenues less segment operating expenses.

As indicated in Note 2. (b) Change in Accounting Procedures for Consolidated Quarterly Financial Results, previously, DOCOMO principally used the declining-balance method for calculating depreciation of property, plant, and equipment. Effective April 1, 2016, DOCOMO adopted the straight-line method of depreciation. As a result, compared with the depreciation method used prior to April 1, 2016, operating income for the Telecommunications business segment, Smart life business segment, and Other businesses segment for the six months ended September 30, 2016 increased by ¥69,329 million, ¥52 million and ¥49 million, respectively. Operating income for the Telecommunications business segment, Smart life business segment, and Other businesses segment for the three months ended September 30, 2016 increased by ¥35,978 million, ¥40 million and ¥31 million, respectively.

DOCOMO does not disclose geographical information because the amounts of operating revenues generated outside Japan are immaterial.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

5. Contingencies:

(a) Litigation

DOCOMO is involved in litigation and claims arising in the ordinary course of business. DOCOMO believes that none of the litigation or claims outstanding, pending or threatened against DOCOMO would have a materially adverse effect on DOCOMO's results of operations, financial position or cash flows.

(b) Guarantees

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

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

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

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)****6. Fair value measurements:**

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

Level 1 quoted prices in active markets for identical assets or liabilities

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability

Level 3 unobservable inputs for the asset or liability

DOCOMO also distinguishes assets and liabilities measured at fair value every period on a recurring basis from those measured on a nonrecurring basis in certain circumstances.

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

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

DOCOMO's assets and liabilities that were measured at fair value on a recurring basis at March 31, 2016 and September 30, 2016 were as follows:

	Millions of yen March 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 86,530	¥ 86,530	¥	¥
Equity securities (foreign)	83,947	83,947		
Debt securities (foreign)	5	5		
Total available-for-sale securities	170,482	170,482		
Derivatives				
Foreign exchange forward contracts	16		16	
Total derivatives	16		16	
Total	¥ 170,498	¥ 170,482	¥ 16	¥
Liabilities:				
Derivatives				
Foreign currency option contracts	¥ 2,415	¥	¥ 2,415	¥
Foreign exchange forward contracts	5		5	

Edgar Filing: NTT DOCOMO INC - Form 6-K

Total derivatives	2,420	2,420
Total	¥ 2,420 ¥	¥ 2,420 ¥

There were no transfers between Level 1 and Level 2.

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

	Millions of yen September 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Available-for-sale securities				
Equity securities (domestic)	¥ 80,110	¥ 80,110	¥	¥
Equity securities (foreign)	82,979	82,979		
Debt securities (foreign)	5	5		
Total available-for-sale securities	163,094	163,094		
Derivatives				
Foreign exchange forward contracts	0		0	
Total derivatives	0		0	
Total	¥ 163,094	¥ 163,094	¥ 0	¥
Liabilities:				
Derivatives				
Foreign currency option contracts	¥ 4,558	¥	¥ 4,558	¥
Foreign exchange forward contracts	1		1	
Total derivatives	4,559		4,559	
Total	¥ 4,559	¥	¥ 4,559	¥

There were no transfers between Level 1 and Level 2.

Available-for-sale securities

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

Derivatives

Derivative instruments are foreign currency option contracts and foreign exchange forward contracts, which are valued based on observable market data. Therefore, these derivatives are classified as Level 2.

Table of Contents**NTT DOCOMO, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)****(b) Assets and liabilities measured at fair value on a nonrecurring basis**

Certain assets and liabilities are measured at fair value on a nonrecurring basis in certain circumstances.

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

DOCOMO's assets that were measured at fair value on a nonrecurring basis for the six months ended September 30, 2015 and 2016 were as follows:

	Millions of yen					Gains (losses) (before taxes)
	Six months ended September 30, 2015					
	Total	Level 1	Level 2	Level 3		
Assets:						
Receivables held for sale	¥ 651,419	¥	¥ 651,419	¥	¥ (6,825)	

	Millions of yen					Gains (losses) (before taxes)
	Six months ended September 30, 2016					
	Total	Level 1	Level 2	Level 3		
Assets:						
Receivables held for sale	¥ 646,101	¥	¥ 646,101	¥	¥ (7,053)	

DOCOMO's assets that were measured at fair value on a nonrecurring basis for the three months ended September 30, 2015 and 2016 were as follows:

	Millions of yen					Gains (losses) (before taxes)
	Three months ended September 30, 2015					
	Total	Level 1	Level 2	Level 3		
Assets:						
Receivables held for sale	¥ 485,944	¥	¥ 485,944	¥	¥ (6,059)	

	Millions of yen					Gains (losses) (before taxes)
	Three months ended September 30, 2016					
	Total	Level 1	Level 2	Level 3		
Assets:						
Receivables held for sale	¥ 500,890	¥	¥ 500,890	¥	¥ (6,278)	

Edgar Filing: NTT DOCOMO INC - Form 6-K

Receivables held for sale

Receivables held for sale are measured at the lower of cost or fair value.

Receivables held for sale are classified as Level 2. DOCOMO measures the fair value of the receivables held for sale by discounting, at LIBOR-based discount rates, estimated future cash flows while taking into account factors such as default probabilities and loss severity of similar trade receivables.

Table of Contents

NTT DOCOMO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)

7. Subsequent event:

During October 2016, NTT DOCOMO, INC. repurchased its common stock. Related information is disclosed in Note 3 Equity.