■ Special Features 2

DOCOMO's Service Strategies in the Smartphone Era

DOCOMO's advantage in the rapidly expanding smartphone market is its major service platform *i-mode*. DOCOMO established a unique business model with *i-mode*, and is aiming to create a new ecosystem for smartphones as well.
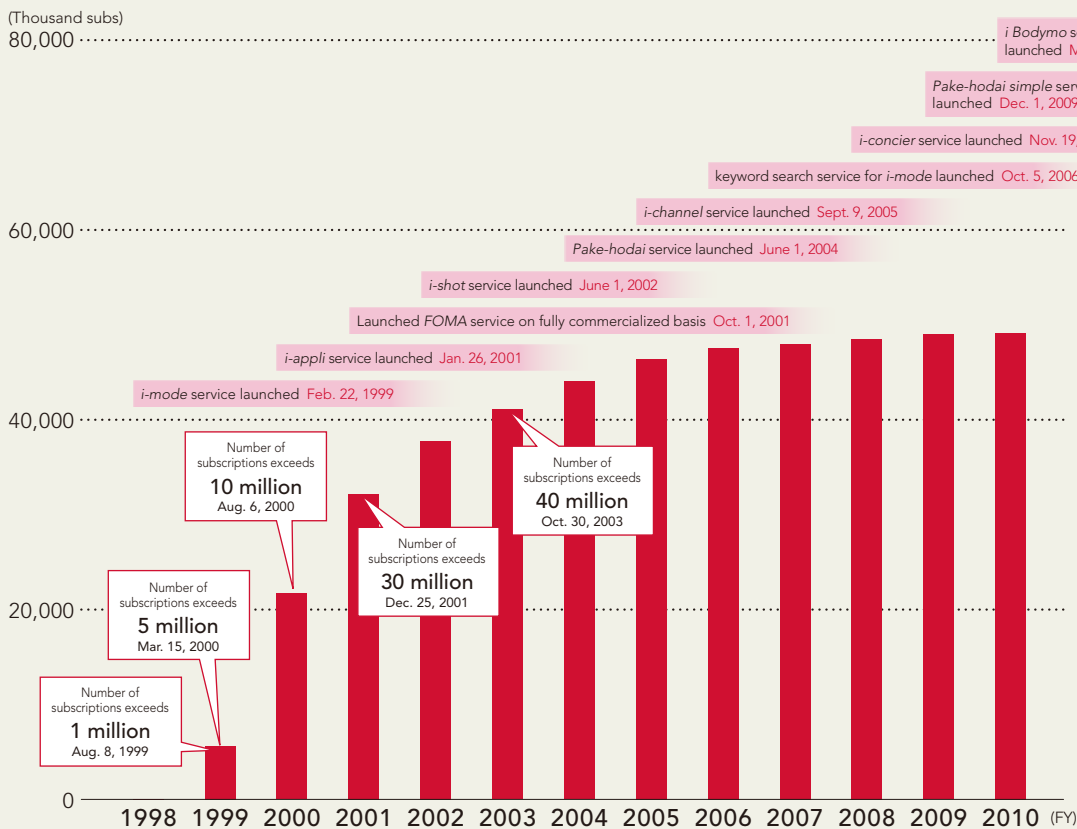
→ Services and Features Cultivated through *i-mode*

The *i-mode* service was launched in 1999, and has grown considerably over the past 12 years. The service boasts more than 23,000 compatible sites, 3,800 content providers and 48 million users. It is truly one of the world's leading platform for content distribution.

The independent evolution of *i-mode* and the establishment of an ecosystem built around DOCOMO was made possible by DOCOMO's unique and attractive services, such as *i-mode mail*, *i-channel* and *i-concier*, along with functions offering added value such as *Osaifu-Keitai, One-Seg* terrestrial digital television, and infrared communication. These high-quality services and functions unique to DOCOMO captured the hearts and imaginations of customers. Another major appeal of *i-mode* is its distinctive fee collection and billing system, in which DOCOMO collects the usage fees for applications ("apps") offered by various application and content providers, and combines these with monthly communication charges into a single bill.

i-mode Subscriptions

(Thousand subs)

- *i Bodymo* service launched May 21, 2010
- *Pake-hodai simple* service launched Dec. 1, 2009
- *i-concier* service launched Nov. 19, 2008
- keyword search service for *i-mode* launched Oct. 5, 2006
- *i-channel* service launched Sept. 9, 2005
- *Pake-hodai* service launched June 1, 2004
- *i-shot* service launched June 1, 2002
- Launched *FOMA* service on fully commercialized basis Oct. 1, 2001
- *i-appli* service launched Jan. 26, 2001
- *i-mode* service launched Feb. 22, 1999

Number of subscriptions exceeds **10 million** Aug. 6, 2000

Number of subscriptions exceeds **40 million** Oct. 30, 2003

Number of subscriptions exceeds **30 million** Dec. 25, 2001

Number of subscriptions exceeds **5 million** Mar. 15, 2000

Number of subscriptions exceeds **1 million** Aug. 8, 1999

80,000 · · · 60,000 · · · 40,000 · · · 20,000 · · · 0

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 (FY)

→ New Business Opportunities

The smartphone market is growing worldwide, and demand for smartphones is also rising rapidly in Japan's mobile phone market. We aggressively launched 13 smartphones during fiscal 2010, with sales reaching 2.52 million units. Smartphone penetration is expected to expand further during fiscal 2011, with estimated unit sales of 6 million. As a result, smartphone subscriptions are expected to account for approximately 10% of total subscriptions.

The biggest advantage of smartphones is the variety of apps offered by apps and content providers that users can download and use in the same way they would with a PC. Apps for *i-mode* have tight restrictions on development due to security concerns. However, there are few such restrictions for smartphones, which use operating systems similar to PCs. Individuals can even develop their own apps and distribute them to the world through apps markets. This gives smartphone users access to a rich variety of apps developed throughout the world.

Another major advantage of smartphones is the ability to upgrade the operating system. Upgrading to a newer version of an operating system not only provides users with the latest functions, but also allows them to use apps and other features that were not possible with the previous version. An additional difference from *i-mode* handsets is that many smartphones are based on global specifications, which makes it easier to keep production costs low.

However, a critical issue arose in that users who bought smartphones designed according to global specifications were no longer able to utilize the unique features and value-added services DOCOMO provides with *i-mode*. Smartphone users were also unable to use *i-mode*-style fee collection services to purchase apps, which they must buy with a credit card.

DOCOMO considers its main challenge to be providing its unique features and value-added services for smartphones, and differentiating itself from competing telecommunications operators. To avoid the risk of becoming a "dumb pipe" (when a telecommunications operator becomes unable to offer users with any value other than service on infrastructure), something that many telecommunications operators fear, DOCOMO is responding by offering the unique functions and value-added services it has cultivated through *i-mode* on smartphones as well.

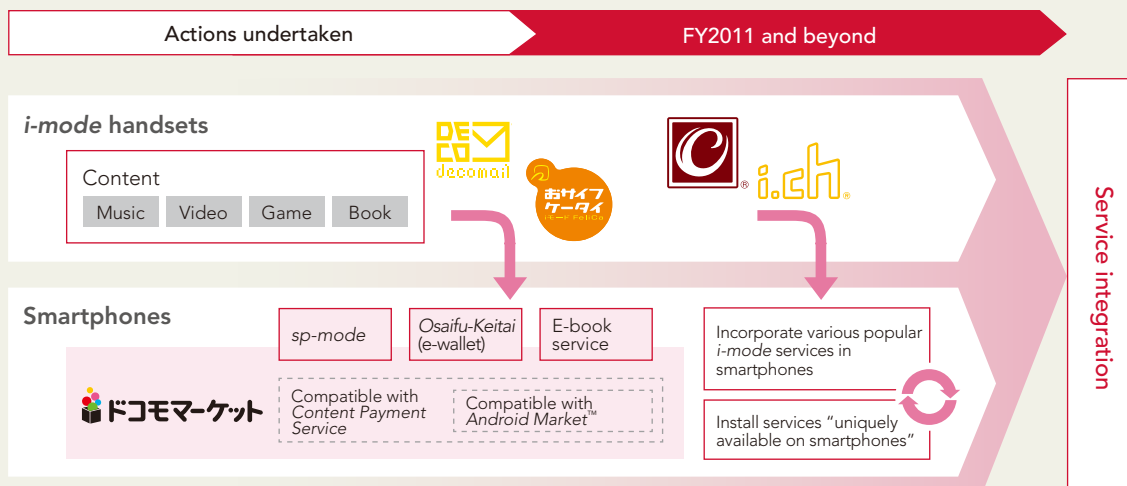# → DOCOMO's Unique Service Strategies

Our biggest advantage is the ecosystem we have built on the *i-mode* platform. We plan to retain the openness inherent in smartphones, while also providing the attractive functions and services unique to DOCOMO.

We began with the launch in September 2010 of *sp-mode*, the ISP service for smartphones. With this service users are able to use the same email address they had used on *i-mode* on their smartphone. The *sp-mode* service also offers a settlement service for apps and content usage fees. This allows users to pay for their apps or content purchases together with their monthly charge for DOCOMO services.

Along with *sp-mode*, DOCOMO's winter 2010 products lineup includes smartphones that incorporate popular *i-mode* services and functions, such as *Osaifu-Keitai, One-Seg* terrestrial digital television, and infrared communication. We are also making preparations to allow smartphone users to access other *i-mode* services, such as *i-concier* and *i-channe*l.

In April 2010 we launched *docomo Market*, a portal site providing services just for smartphones. While the rich variety of apps available through *Android Market*™ and other sites is a major feature of smartphones, *docomo Market* carefully selects and presents appealing apps and content that tend to be buried in the vast selection available, and that are most likely to appeal to Japanese users. The *docomo Market* also offers original content from DOCOMO that allows users to enjoy their smartphones, and is part of our effort to help first-time smartphone users to use their smartphones in a simpler and more convenient way.

By making DOCOMO's unique services, as well as the services most needed in the Japan market available for smartphones, we are seeking to enhance customer convenience, and to build for smartphones the same kind of ecosystem DOCOMO has already developed for *i-mode*.

Actions undertaken	FY2011 and beyond

i-mode handsets

Content

| Music | Video | Game | Book |

Smartphones

sp-mode

Osaifu-Keitai (e-wallet)

E-book service

Incorporate various popular *i-mode* services in smartphones

Install services "uniquely available on smartphones"

ドコモマーケット

Compatible with *Content Payment Service*

Compatible with *Android Market*™

Service integration

Handset Development Focus Turns to Smartphones

Fiscal 2010 saw the full dawning of the smartphone era. Smartphones gained wide acceptance during the year, most notably among early adopters sensitive to the latest services and functions. For those of us in the Product Department, the year was one of tremendous changes. Along with steps to enhance DOCOMO's smartphone lineup, we rapidly shifted to a smartphone-centered development structure able to answer needs related to the latest services and functions.

With *i-mode* handsets, DOCOMO's approach was to draw up specifications covering every layer of the device, from hardware to the OS and applications, and create handsets optimal for the provision of DOCOMO services. But with smartphones, a separate global ecosystem has sprung up whereby handsets, operating in an open software environment, can install applications from around the world. This mechanism consequently allows users to access services through applications alone. For this reason, our fundamental principle in smartphone development now is to focus on developing the applications essential to making DOCOMO services possible, while utilizing hardware and operating systems in popular use worldwide. This stance has also allowed us to shorten the handset development term. One of the downsides of a customizable OS is that it makes upgrading to the latest version difficult. To cope with this, we intend to minimize OS customization with the exception of some services. What's more, if DOCOMO services can be offered solely through applications, this has the added advantage of making it possible for DOCOMO to deliver those services globally in the future.

In the past, because handsets had to be specifically customized to *i-mode* service specifications, adopting handsets released outside of Japan for domestic use was nearly impossible. By contrast, smartphones make DOCOMO services accessible by simply installing a service-providing application. This difference has made it easier to introduce handsets from foreign vendors to the domestic market. As a result, this trend is leading to a more robust lineup of DOCOMO handsets and lower handset procurement prices.

Seiji Maruyama
General Manager of the Product Department

On the other hand, the decision to opt for a smartphone presented a number of challenges. One example is compatibility with functions unique to Japan, like *Osaifu-Keitai* and *One-Seg* terrestrial digital television. But by working with handset makers to devise workarounds in the handset development process, we have developed specialized handsets that are not only compatible with these functions, but also permit unique features such as 3-D image viewing and have an ultra-slim form.

To encompass an even wider user base, we need to prepare handsets that will find users among senior citizens, housewives, high school girls, and other demographics. Along with being inventive in the use of color and design to this end, we must pay attention to ensuring outstanding freedom of use in ways tailored to people's preferences in Japan. The *docomo Palette UI*, a service slated for release in the summer of 2011, is one expression of this kind.

In a global ecosystem with a growing sea of rivals, delivering high-quality services is the key to success. For our part, we are committed to taking on cutting-edge technology, leveraging it for handset development that fully incorporates customer needs. Our goal is to make possible the provision of advanced, value-added services that only DOCOMO can offer.