

Background and Objectives of “Initiatives toward Delivery of Medium-Term Targets”

In October 2014, DOCOMO announced three-year medium-term targets for the period from fiscal 2015 to fiscal 2017. Leveraging the results achieved to date, we will strive to overcome our management challenges and achieve growth through new initiatives in the “co-creation” of added value.

1 Before the Medium-Term Targets: Initiatives and Objectives Under the Medium-Term Vision 2015

For about three years prior to the announcement of the medium-term targets, DOCOMO implemented initiatives in accordance with the Medium-Term Vision 2015, which had the theme of “Becoming a Smart Life Partner.” In accordance with this vision, we worked to achieve a recovery in

competitiveness in the mobile telecommunications business and to open up new business areas. Specifically, we took steps to achieve growth through the implementation of four initiatives, and our growth drivers were the full-scale adoption of smartphones and the provision of LTE services.

Medium-Term Vision 2015 — Initiatives, indicators, targets, and results

Initiatives	Progress Indicators	Medium-Term Vision 2015 Targets	Fiscal 2014 Results
1. Increasing smartphone sales / Promoting LTE “Xi”	Number of smartphone subscriptions	40 million subscriptions	28.75 million subscriptions
	Number of LTE “Xi” subscriptions	30 million subscriptions	30.74 million subscriptions
2. Providing cloud-based services	Packet communications revenues	¥2.7 trillion	¥1.9 trillion
3. Evolving into an integrated service company with mobile services at its core	Revenues from new fields (Smart life business and Other businesses segments)	¥1 trillion	¥756.8 billion
4. Evolution of mobile network	LTE area coverage ratio	98% (end of fiscal 2014)	99%

“dmarket,” the pillar of our initiatives to expand revenues from new business areas, posted rapid growth in the scope of services and the number of subscriptions by the end of fiscal 2014. We also took steps to promote the use of LTE “Xi,” and have already achieved the target for the number of subscriptions as of the end of fiscal 2014. In this way,

initiatives to reinforce our competitiveness in the mobile communications business have been successful and customer satisfaction has increased. However, our progress on other indicators has been delayed due to such factors as intense competition with other companies and the strong popularity of feature phones.

2 Starting Point for Medium-Term Targets: Results and Challenges Under the Medium-Term Vision 2015

The status of progress toward the Medium-Term Vision 2015 targets does not contradict the appropriateness of the strategies themselves. Rather, the validity of our strategic direction is demonstrated by the improvement in operational indicators in the telecommunications business. [See pages 38-40](#) In addition, through the implementation of a variety of

initiatives, we are reinforcing our operational foundation and realizing a transition to a competitive stage upon which we can leverage our strengths. Moreover, in the face of intense competition, we have stepped up deliberations regarding management challenges and taken steps to prepare for the resolution of those challenges.

Achievements

Laying the foundation for a growth track

- Eliminating the gap between our product lineup and those of other companies through the introduction of the iPhone (September 2013)
- Securing family-unit subscriptions and working to stop the long-term decline in voice revenues through the introduction of the new billing plan (June 2014)
- Selling packages of mobile communications services and optical-fiber broadband services and further advancing sales of family-unit subscriptions through the introduction of “docomo Hikari” (March 2015)

Challenges

Establishing a growth track through a recovery in profits

- Working to increase telecommunications services revenues through the retention of existing customers, acquisition of new customers, and increases in packet communications revenues
- Realizing rigorous cost efficiencies through increased efficiency in capital expenditures and structural reforms
- Generating earnings from the utilization of DOCOMO’s “hidden assets”

3 Medium-Term Targets and New Initiatives

We are aiming to move to the next competitive stage by building on the foundation of the results and challenges of the Medium-Term Vision 2015. DOCOMO’s new medium-term targets for the three-year period from fiscal 2015 to fiscal 2017 are “early recovery in the telecommunications

business” and “generating value through co-creation.” Our strategies to achieve those targets are “reinforcing our competitiveness in telecommunications” and “co-creation with partners in the Smart life business and Other businesses segments.”

Initiatives for delivery of medium-term targets



Moving forward, we will draw on the results and challenges of the past three years to make progress in “reinforcing our competitiveness in telecommunications.” We will continue and step up our implementation of initiatives and work to ensure that we achieve the target of “operating income of ¥820.0 billion or more in fiscal 2017.”

The “co-creation with partners in the Smart life business and Other businesses segments” is a new initiative towards the challenge of utilizing and generating profits from DOCOMO’s business assets. To that end, we have announced our intention to transform ourselves from a “value creation company” to a “value co-creation company.”

What Is a Value Co-creation Company?

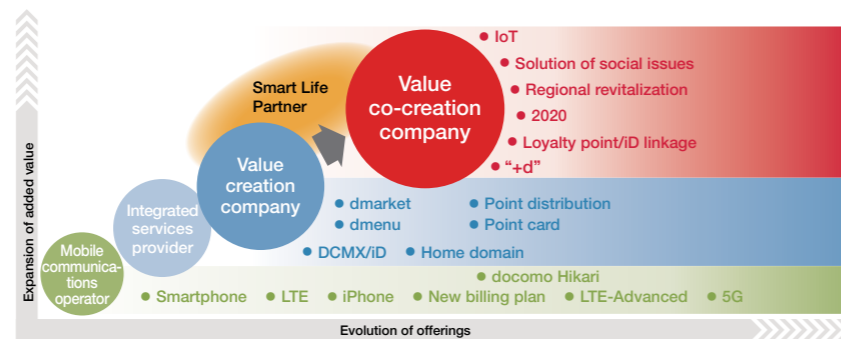
DOCOMO has announced its commitment to advancing beyond the “creation” of added value to the “co-creation” of added value. Specifically what types of added value will be created? What is the meaning of “co-create”? And how will DOCOMO leverage its strengths in “generating value through co-creation”? In this section, Hiroyasu Asami, Executive Vice President and Managing Director of Corporate Strategy & Planning Department, who has been on the frontlines of the generation of services and has called for “value co-creation,” answers these questions.

Q Why is DOCOMO aiming to be a “value co-creation company”? From the viewpoint of increases in corporate value, which are demanded by shareholders and investors, what will be achieved by a “value co-creation company”?

A Our objective is to secure opportunities to increase our operational scale in ways that we could not accomplish on our own, as well as opportunities to create services in genres that are new for DOCOMO. To that end, we will engage in partnerships and collaborations. Smartphones have been widely adopted and customer needs are diversifying. In this setting, we want to provide new value through partnerships and to

realize new added value as a Smart Life Partner. “Value co-creation” will contribute to the growth of the Group’s businesses and to increases in our corporate value. In fiscal 2017, the year for the medium-term targets, “value co-creation” should make a contribution to the achievement of operating income of more than ¥100.0 billion in the Smart life business and Other businesses segments.

Transformation into a “value co-creation company” through collaboration



Hiroyasu Asami
Executive Vice President
Managing Director of
Corporate Strategy &
Planning Department

Q Specifically, what will DOCOMO accomplish through partnerships and collaborations?

A Through collaboration leveraging the use of the diverse assets cultivated by DOCOMO in the telecommunications business and the assets of our partners, we will provide new added value to customers. We call these initiatives “+d.”

A good example is our collaboration with Lawson, Inc., a major convenience store chain, announced in May 2015.

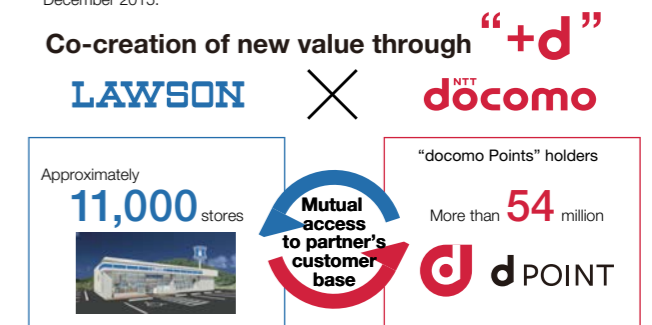
The DOCOMO assets that hold the key to this initiative are “DCMX/iD,” which offer simple cashless payment, and our loyalty program under which DOCOMO issues points¹ to customers. Previously, points were issued only to subscribers to DOCOMO communications services or other services, and the use of those points was mainly limited to goods and services provided by DOCOMO, such as for the cost of purchasing a mobile phone and for “dmarket.” Following this collaboration, the scope for the use of these points will be expanded, and from December 2015 it will be possible to receive points and to use points for payment when shopping at Lawson stores. In addition, customers will also be able to use the points received for shopping for monthly mobile phone usage charges, the cost of purchasing a mobile phone, and “dmarket.” We expect the “+d” initiative with Lawson to enable customers to directly experience benefits, simplicity, and fun.

This “+d” initiative could also be called the “opening up” of DOCOMO assets. By opening up the loyalty program, which is a DOCOMO asset, we are expanding the scope of usage possibilities and making it much easier for our customers to

use their points. In addition, Lawson can expect an increase in store visits by customers who have DOCOMO points. By activating the flow of commercial transactions through the use of points, we will strive to expand usage of “DCMX/iD” as well as “dmarket” and of other services.

Collaboration between a loyalty program and a convenience store operator will provide benefits to customers and will contribute to growth in the business of both DOCOMO and Lawson. This is one example of the collaborative initiatives that DOCOMO pursues as a “value co-creation company.”

¹ Currently “docomo Points.” The name will be changed to “d POINTs” from December 2015.



Q In regard to the creation of new services through “+d”, what other initiatives will DOCOMO implement?

A A good example is “OHANAS²,” which we developed jointly with TOMY Company, Ltd., a major toy manufacturer. OHANAS, which is scheduled

for launch by TOMY in fall 2015, is a cloud-type communication toy in the motif of a sheep. TOMY has strengths in the development and marketing of toys, while DOCOMO has natural-language processing technologies developed through “Shabette-Concier.” Through collaboration, the two partners created a toy that has a friendly appearance and convenient size and can communicate naturally, as if it were conversing with a member of the family.

In addition, aiming to “resolve social issues,” which is a major theme of “+d,” we are advancing collaboration with municipalities in the fields of agriculture, education, and medicine. Working with frontline partners having a strong understanding of the current situation, such as municipalities, is an effective method to address specific issues. By establishing successful examples of these initiatives, we can

expect an increase in the scale of our activities, such as developing initiatives with other municipalities.

² Website: <http://www.takaratomy.co.jp/products/omnibot/ohanas/>



OHANAS © TOMY

Q In addition to the loyalty point program and technologies, what other DOCOMO assets do you expect to be utilized in “+d”?

A One of our notable assets is our billing and settlement platform. In Japan, almost all subscribers to mobile communications services use a post-paid system, and accordingly, DOCOMO has a system for billing and settlement³ between the Company and customers. From the viewpoint of a partner, our base of over 65 million customers and our billing and settlement platform are extremely attractive assets.

If we open up the assets that we created for our own services and work in collaboration with partners, it will lead to differentiation in the market not only for DOCOMO but also for our partners, as well as to an increase in the added value that we co-create. This is the new value that will be generated by “+d.”

³ See page 42, Finance/Payment Services.

Q What indicator will be used to evaluate the growth and progress of “+d”?

A I believe it will be the business “transaction volume.” In communications, we are conducting B2C business, where we provide products and services and receive payments from subscribers, who are our customers. Accordingly, to a considerable extent business equals sales. However, “+d” will be B2B2C business, where we are working with partners to create new

businesses or expand the distribution of points. In that context, it is difficult to evaluate the growth in our own business by looking at sales. It may be easier to understand with an example from the credit card business, where the entire flow of commercial transactions handled through a credit card service is a more appropriate indicator of business growth than the amount of the charges recorded as revenues.

Q DOCOMO is aiming to be a “value co-creation company.” Does this mean that in the future the Company will move away from its foundation in the communications business?

A Our aim in striving to be a “value co-creation company” is not to change ourselves from a communications company into something else but rather to step-up business development initiatives that effectively utilize the business assets that we have cultivated in the communications business. Through “+d,” our goal is to open up points of entry for the use of DOCOMO services by customers in areas other than communications services.

Examples include growth in the use of “dmarket” prompted by an increase in the scope of use of loyalty points and the use of DOCOMO's billing and settlement system when customers purchase services provided by partners. DOCOMO is recognized among customers for mobile communications, but the point of entry for the use of DOCOMO services by customers has expanded to areas other than mobile communications.

We have already introduced customer management through “docomo ID⁴,” and “dmarket” and certain other services are offered on a carrier-free basis. In other words,

we are ready to provide a wide range of services to all customers, including those who do not have a DOCOMO communications subscription.

Moving forward, we will strive to provide services to a broad array of customers and have them directly experience DOCOMO's strengths, thereby securing new communications subscribers. Stepped-up initiatives will also contribute to the communications business.

⁴ ID needed to confirm a person's identity when using the services for smartphones and PCs provided by DOCOMO or sites compatible with “docomo Login.” We have realized “carrier free,” under which services are available even without a communications subscription, as well as “device free,” “OS free,” and “network free.” Plans call for the name to be changed to “dACCOUNT” in December 2015.



The Path to and beyond the Medium-Term Targets

Vol. 1

“dmarket” to Date, and Coordination with “+d”

Yoshiaki Maeda
Managing Director of
Consumer Business Department

Providing Services Ourselves, Achieving Continued Usage

To realize our vision of becoming a Smart Life Partner, we are directly offering customers a lineup of products through “dmarket,” which can be enjoyed on smartphones and tablets. This lineup extends from digital content to merchandise. The reason why we focus on providing services ourselves is that we want to draw on the accumulation of knowledge related to the actual activities and reactions of our customers. In this way, we will strive to continually enhance the quality of services and encourage repeated use.



To expand our customer base in the Internet business, the challenge that we faced was to broaden the types of services and simultaneously increase the amount of content and product items. DOCOMO has built strong relationships with partners who are indispensable for the management of each store, such as record companies for our music store and publishing companies for magazines.

These relationships offer benefits for DOCOMO and partner companies. In this way, we have overcome this challenge.

Another important task is the personalization of services in accordance with customer needs and preferences. Specifically, we will address this challenge by anticipating needs based on such factors as past usage and by leveraging the function of recommending appropriate goods and services. When we understand our customers, we can provide services that satisfy them. Improvements in customer satisfaction not only contribute to gains in the number of subscriptions but also lead to efficient growth in profits.

As a result of these initiatives, the percentage of customers who visit more than one of the 13 stores while using “dmarket” has increased. As of the end of March 2015, there were about 11.88 million subscribers to monthly billable services, and the total “dmarket” transaction volume had grown to ¥72.8 billion.

Increasing Recognition through Synergies with “+d”

In contrast to “dmarket,” which is a B2C business, “+d” is a B2B2C business; however, the two businesses share the same concept. Collaboration with partners is the foundation for the creation of value for both services. “+d” aims to increase the value of services by using DOCOMO's assets, and in the same way “dmarket” will enhance services by using the asset comprising the “accumulation of knowledge regarding customer reactions and activities.”

We believe that after the full-scale implementation of “+d” initiatives, synergies between “dmarket” and “+d”

will steadily take effect. We consider the expansion of the point ecosystem and the DOCOMO ID to be growth opportunities for “dmarket.” We will further enhance the appeal of “dmarket” so that it becomes a place where customers use accumulated “DOCOMO Points.” In addition, when we make “+d” the focus of attention, we expect that it will be an opportunity to promote all of our services to customers who are not subscribers to DOCOMO telecommunications services.



The Path to and beyond the Medium-Term Targets



Innovation that Leverages DOCOMO's Unique View of the Future

Minoru Etoh
Senior Vice President
Managing Director of
Innovation Management
Department



Objectives of the Innovation Management Department

DOCOMO started operations in 1992, and from that time until today, the Company has been a pioneer in the provision of mobile communications technologies and the services that utilize those technologies. To foster innovation with our technological capabilities, a powerful asset, we need a deep knowledge of technology, insight into the market, and business sense that finds opportunities in collaborations with other companies. Accordingly, in October 2014, DOCOMO established the Innovation Management Department.

business construction and creation. Telecommunications services are DOCOMO's business foundation, and for DOCOMO the stable, reliable operation of our telecommunications network is the "ground floor." Innovation, meanwhile, is the creation of businesses on the "upper floor." In the Innovation Management Department, we are gathering human resources who can investigate and discover challenges, link them to new businesses, and connect the dots to put everything together. We want to foster decisive innovation while working in collaboration with external partners.

I think of management as a "two-story building" of

Fostering Innovation through Partnerships

Our theme is open innovation. We will open up the technologies that we have accumulated, work together with start-up companies and other partners, and create new value. With this approach, we expect to get on course toward the Companywide strategy of being a "value co-creation company" through "+d," thereby gaining momentum.

have the potential to change the world. For IoT, the development and standardization of platforms for communications modules will be the principal battlefield, while for AI the accumulation of IP related to core systems will determine the business trend. To remain an innovative company that can address these changes and the business opportunities that they generate, we will strive to advance open innovation at DOCOMO.

Over the medium to long term, the advance of IoT and the adoption of services using artificial intelligence

Innovation in mobile communications technologies

Decades	1980s	1990s	2000s	2010s	2020s		
Principal new services		DoPa	i-mode	Osaifu-Keitai	i-concier	Shabette-Concier	dmarket
Types of communication	Voice-centered	Voice + data	High speed data		Super speed data		
Telecommunication generations	1st	2nd	3rd	3.5th	3.9th	4th	5th
Telecommunications system	Analog system	PDC	W-CDMA	HSPA	LTE	LTE-Advanced	Next-generation mobile telecommunications
Maximum speed		28.8kbps	384kbps	14Mbps	150Mbps	3Gbps	10Gbps or more

The Path to and beyond the Medium-Term Targets



Becoming the Norm of Tomorrow

Nobutaka Aotani
Managing Director of
Advertising &
Promotion Department



Ideas Included in DOCOMO's New Brand Slogan

In June 2015, DOCOMO announced its new brand slogan—"The new of today, the norm of tomorrow." Our previous slogan was focused on personal communications, such as mobile phones, but in the future, networks will incorporate a wide range of items, including in the field of industry, and communications will move beyond the scope of the "personal." On the other hand, even when technology progresses further, we want the value that DOCOMO provides to customers and society to be readily usable by anyone, without feeling that it is backed up by complex, advanced technologies. Our new slogan reflects these ideas.

held with multiple employees, including the president. What came up in those discussions is that we want people to notice once again that DOCOMO is a leading company that enables future lifestyles. In the midst of intense competition with other companies, perhaps DOCOMO's characteristic dynamic approach in the provision of pioneering, innovative services has become less visible. We asked ourselves once again about DOCOMO's value—our ability to provide to customers services that are not only new but also create true abundance. After gathering this type of feedback, we created the new brand slogan.

In devising the new brand slogan, discussions were

Increasing Corporate Value through the Resolution of Social Issues

Information and communication technology (ICT) holds the potential to create new value in a growing number of fields, such as health and medicine, agriculture, and education. A major theme of the new initiatives toward delivery of medium-term targets is the resolution of

social issues in these fields through our services. By drawing out the latent potential of ICT and providing value that can only be created by a leading company, we will work to further increase DOCOMO's corporate value in the years ahead.

DOCOMO's future vision

