


# Value Creation



<b>Business segments</b>	 <b>Telecommunications Business</b>	
<b>Operating revenues</b>	<b>¥3,689.8 billion (82%)</b>	
<b>Operating income</b>	<b>¥708.9 billion (91%)</b>	
<b>Main services</b>	<b>Mobile communications services</b> <ul style="list-style-type: none"> <li>• LTE (Xi) services</li> <li>• FOMA services</li> <li>• International services</li> <li>• Sales of handset/equipment for each service</li> </ul> <p style="text-align: right;">etc.</p>	<b>Optical-fiber broadband service and other telecommunications services</b> <ul style="list-style-type: none"> <li>• Optical-fiber broadband service</li> <li>• Satellite communications services</li> </ul> <p style="text-align: right;">etc.</p>
<b>Main operational indicators</b>	Operating revenues and operating income margin Number of mobile phone subscriptions Net additions and churn rate	Total number of handsets sold ARPU and MOU Number of LTE base stations <div style="float: right; border-left: 1px solid black; padding-left: 5px; margin-top: 10px;"> <span style="background-color: #00728f; color: white; padding: 2px 5px;">P37</span> </div>

Note: The amounts in parentheses represent the percentage of total consolidated operating revenues and operating income, respectively.



♡ Smart Life Business and Other Businesses Segment

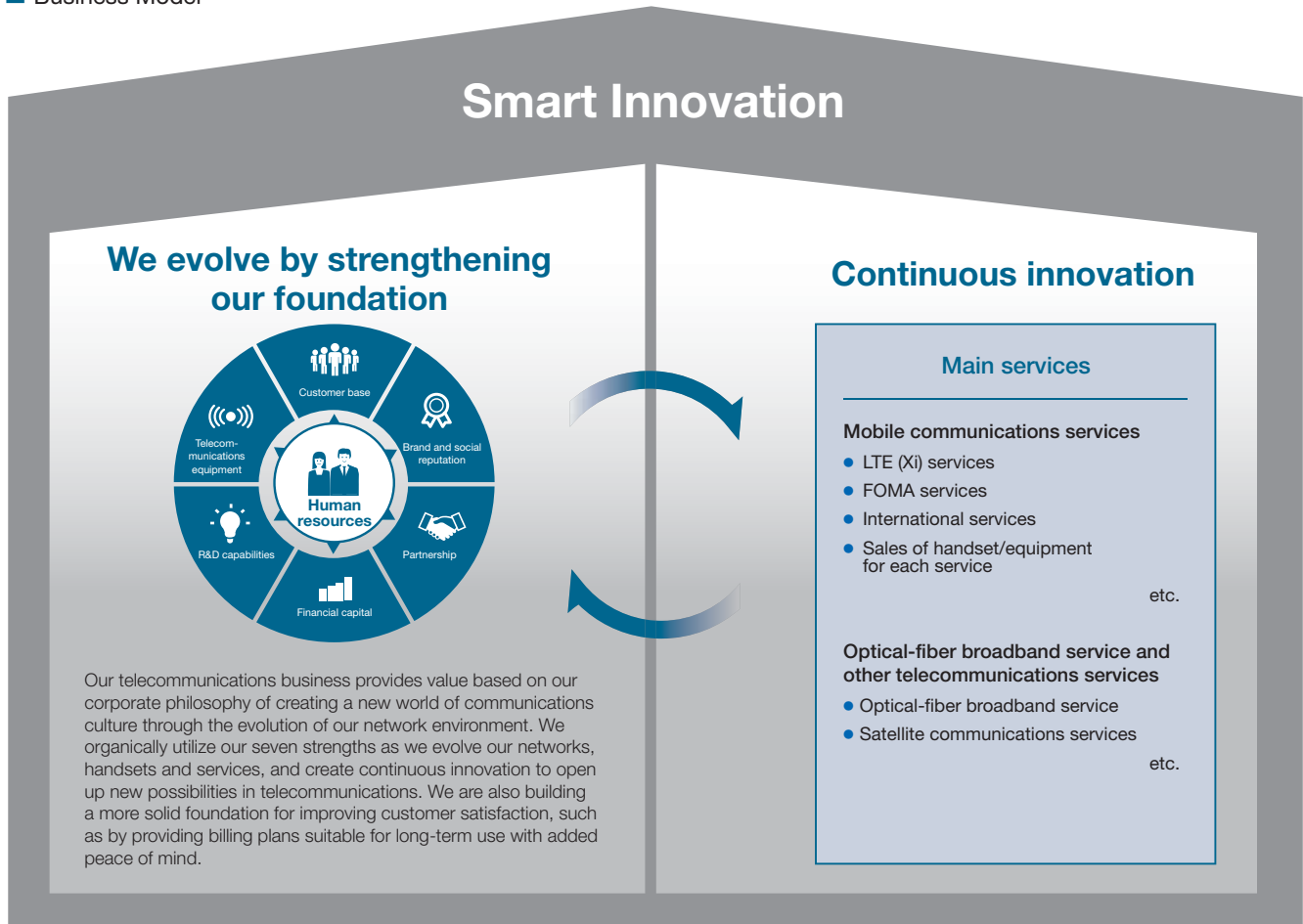
Smart life business			Other businesses
¥504.1 billion (11%)			¥359.3 billion (8%)
¥46.5 billion (6%)			¥27.7 billion (4%)
<b>Content services</b> <ul style="list-style-type: none"> <li>• “dmarket”</li> <li>• “Anshin Net Security”</li> <li>• “Sugotoku-Contents”</li> <li>• “Cloud Storage Options”</li> <li>etc.</li> </ul>	<b>Finance/Payment services</b> <ul style="list-style-type: none"> <li>• Credit service</li> <li>• Proxy bill collection</li> <li>• “docomo Mobile Payment”</li> <li>etc.</li> </ul>	<b>Group companies</b> <ul style="list-style-type: none"> <li>• OAK LAWN MARKETING, INC.</li> <li>• ABC Cooking Studio Co., Ltd.</li> <li>• docomo Healthcare, Inc.</li> <li>etc.</li> </ul>	<b>Enterprise solutions</b> <ul style="list-style-type: none"> <li>• Enterprise M2M</li> <li>• System development/sales/maintenance services etc.</li> </ul> <b>Support services for customers peace of mind</b> <ul style="list-style-type: none"> <li>• “Mobile Device Protection Service”</li> <li>• “Anshin Remote Support” etc.</li> </ul>

Operating revenues and operating income margin  
 Number of “dmarket” subscriptions  
 “dmarket” usage fees per user  
 Number of “d CARD” members

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## Business Model



### Providing value

Creating a new world of communications culture on one of Japan's largest telecommunications networks

Based on our corporate philosophy of creating a new world of communications culture, we contribute to achieving a vibrant and rich society through services useful to both business and our customers' lives, built around our core telecommunications business, which consists of mobile communications services including FOMA and LTE (Xi) services and optical-fiber broadband and other telecommunications services. Above all, we utilize our advantage of operating one of Japan's largest telecommunications networks, on which customers can experience breadth, speed and comfort, to contribute to the creation of a new world of communications culture.

### Meeting customer needs and achieving steady growth by improving satisfaction

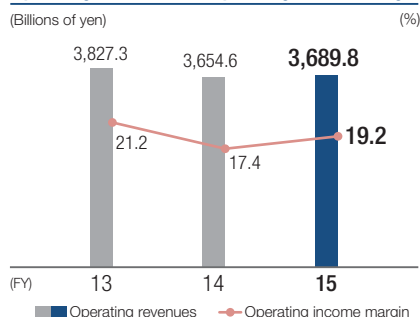
#### Enhancing the billing plan "Kake-hodai & Pake-aeru"

In September 2015, we started offering unlimited domestic voice calls of less than five minutes under the "Kake-hodai Light Plan." In addition, in March 2016 we made enhancements to better meet the needs of customers using less data communications. "Share Pack 5," our smallest data package, now enables families to share up to 5GB of data per month, and the "Kake-hodai Light Plan" can now be combined with smaller data packages.

These enhanced billing services enable customers to more freely select combinations of basic plans and share packets to suit their voice and data communications usage needs.

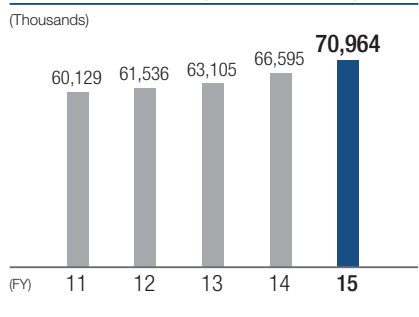
■ Review of Indicators

**Operating revenues and operating income margin**



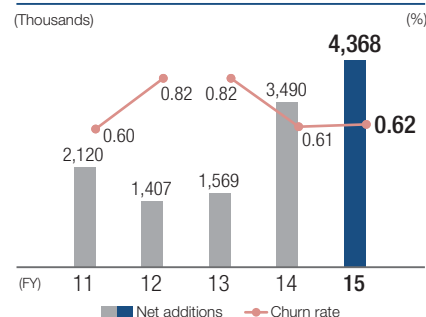
Due to the recovery of ARPU from increased demand for second devices such as tablets, as well as more users migrating to higher-end billing services, and expansion of "docomo Hikari" subscriptions, operating revenues increased 1.0% year on year to ¥3,689.8 billion. Operating income increased 11.4% year on year to ¥708.9 billion, due to reduced sales-related expenses and network-related expenses following cost efficiency initiatives.

**Number of mobile phone subscriptions**



Mobile phone subscriptions increased 4.37 million year on year to 70.96 million. LTE (Xi) subscriptions totaled 38.68 million. Smartphone and tablet subscriptions increased 14.5% year on year to 32.91 million, with the proportion of smartphone and tablet subscriptions among the total number of subscriptions rising from 43.2% at the end of March 2015 to 46.4%.

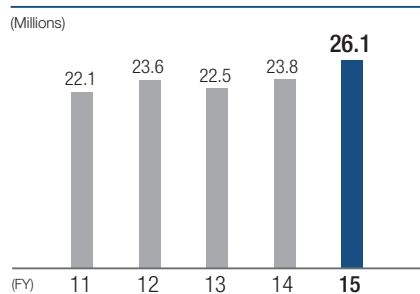
**Net additions and churn rate\***



Net additions increased 0.88 million year on year to 4.37 million subscriptions. This was due to increased demand for second devices such as tablets, an increase in new mobile subscriptions accompanied by the expansion of "docomo Hikari" subscriptions and the improvement in MNP. The churn rate was basically unchanged at 0.62% compared with 0.61% at the end of the previous fiscal year.

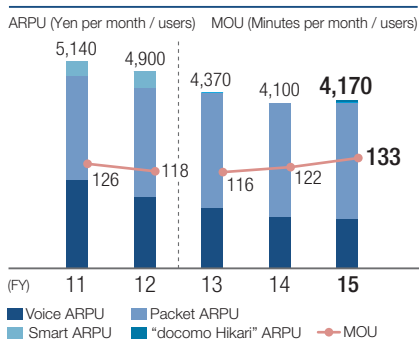
\* The definition of churn rate changed from fiscal 2015, and MVNO subscriptions and cancellation numbers are no longer included. Accordingly, the figures for fiscal 2013 and fiscal 2014 have been adjusted.

**Total number of handsets sold**



The number of handsets sold increased 9.7% year on year to 26.06 million units. Smartphone sales increased 6% year on year to 15.44 million units. Of this total, tablet sales increased 27% to 2.18 million units.

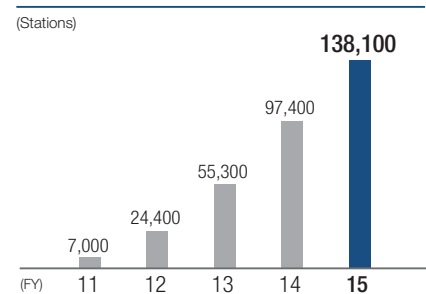
**ARPU and MOU\***



Aggregate ARPU increased ¥70 year on year to ¥4,170 from ¥4,100 due to increased demand for second devices and the expansion of "docomo Hikari" subscriptions. Breaking this down, voice ARPU decreased 5.5% year on year to ¥1,210, and data ARPU increased 5.0% to ¥2,960. MOU increased 9.0% to 133 minutes.

\* The method of calculating ARPU and MOU changed from fiscal 2015. Accordingly, the ARPU and MOU figures for fiscal 2013 and 2014 have been adjusted.

**Number of LTE base stations**



As of the end of fiscal 2015, the number of LTE base stations increased 42% year on year to 138,100 stations, more than the 130,000 stations in the original plan. Of these, 22,800 were base stations supporting the PREMIUM 4G format.

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**Net additions and MNP continue to improve**

In fiscal 2015, net additions increased 1.3 times year on year, part of a continuous growth trend. Growing demand for second devices, especially tablets, has led to the expansion of net additions. In addition, new acquisitions resulting from the provision of set fees with "docomo Hikari" as well as the promotion of family-unit usage through the billing plan "Kake-hodai & Pake-aeru" resulted in improvements in net additions. Port-outs via MNP have also improved, with a reduction of about 70% year on year. Churn rate remained at a low level and was basically unchanged from the previous fiscal year.

**Enhanced lineup in response to customer needs**

Number of handsets sold, which is the total of new sales of smartphones and feature phones as well as contract/model changes, modules and sales by MVNOs,<sup>1</sup> increased 9.7% year on year. We have worked to make our handset lineup more attractive, such as by introducing the iPhone 6s and iPhone 6s Plus,<sup>2</sup> as well as 2015 summer model and 2015-2016 winter/spring model Android smartphones and tablets. We believe that these sales results reflect our response to the diverse needs of customers.

Notes: 1. Mobile Virtual Network Operator: A business that borrows the communication infrastructure of other companies to provide services.  
2. iPhone is a trademark of Apple Inc. The iPhone trademark is used under a license by AIPHONE CO., LTD.

## Ongoing recovery of ARPU and MOU

From fiscal 2015, we have newly defined ARPU so that this indicator measures our efforts to increase telecommunications services revenues. Demand for tablets and Wi-Fi routers, etc. has been growing and more users have multiple contracts. To better reflect this trend, we have redefined ARPU in terms of “per person” instead of “per contract.” Also, in accordance with the launch of our optical-fiber broadband service, we added “docomo Hikari ARPU” to our “voice ARPU” and “packet ARPU” indicators. In regard to the smart life business and other businesses segment, we excluded revenue from this segment from ARPU calculations, because we aim to expand revenue from customers who do not have a DOCOMO mobile phone subscription.

Under the new definition, total ARPU in fiscal 2015 was ¥4,170, a year-on-year increase of ¥70. Breaking this down, although voice ARPU fell ¥70 year on year, packet ARPU increased by ¥90 and “docomo Hikari” ARPU increased by ¥50.

Average minutes of use per user per month (MOU) increased 9.0% (representing 11 minutes) year on year.

### i. Definition of ARPU and MOU

#### a. ARPU (Average monthly Revenue Per Unit):

Average monthly revenue per unit, or ARPU, is used to measure average monthly operating revenues attributable to designated services on a per user basis. ARPU is calculated by dividing telecommunications services revenues (excluding certain revenues) by the number of active users to our wireless services in the relevant periods, as shown below under “ARPU Calculation Method.” We believe that our ARPU figures provide useful information to analyze the average usage per user and the impacts of changes in our billing arrangements. The revenue items included in the numerators of our ARPU figures are based on our U.S. GAAP results of operations.

#### b. MOU (Minutes of Use): Average monthly communication time per user.

### ii. ARPU Calculation Methods

Aggregate ARPU = Voice ARPU + Packet ARPU + “docomo Hikari” ARPU

- Voice ARPU: Voice ARPU Related Revenues (basic monthly charges, voice communication charges) / Number of active users
- Packet ARPU: Packet ARPU Related Revenues (basic monthly charges, packet communication charges) / Number of active users
- “docomo Hikari” ARPU: “docomo Hikari”-related revenues (basic monthly charges, voice communication charges) / Number of active users

In addition, the sum of Packet ARPU and “docomo Hikari” ARPU is referred to as Data ARPU.

### iii. Active Users Calculation Method

Sum of number of active users for each month (number of users at the end of previous month + number of users at the end of current month) / 2 during the relevant period

Notes: 1. The number of “users” used to calculate ARPU and MOU is the total number of subscriptions, excluding the subscriptions listed below:

- Subscriptions of communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver” and wholesale telecommunication services and interconnecting telecommunications facilities that are provided to MVNOs; and
  - Data Plan subscriptions in the case where the customer contracting for such subscription in his/her name also has a subscription for “Xi” or “FOMA” services in his/her name
2. Revenues from communication module services, “Phone Number Storage,” “Mail Address Storage,” “docomo Business Transceiver” and wholesale telecommunications services and interconnecting telecommunications facilities that are provided to MVNOs are not included in the ARPU calculation.

## Growth by expanding our partner network and providing new services

In our “docomo Hikari” optical-fiber broadband service, the number of Internet provider partners has expanded from an initial 14 companies to 23 companies as of March 31, 2016.

As a result, our customers have a wider range of providers to choose from, with more customers able to use their current provider when transferring from the FLET’S Hikari service. In addition, to meet the needs of customers, we have started offering new billing services, such as “docomo Hikari Mini” (enabling use of telecommunications speeds up to 100Mbps under a two-stage flat-rate plan) and “docomo Hikari Business Wi-Fi” (a cloud-based Wi-Fi service offering extra support for enterprise customers). As a result, total applications as of March 31, 2016 exceeded 1.8 million, with a total of 1.57 million subscriptions. In addition, total applications in June 2016 topped 2.0 million.

## Steady expansion of telecommunications infrastructure

Development of the telecommunications environment is one of the most important factors determining customer satisfaction. Specifically, we are continuously working to enhance our LTE network. During the past year we expanded the PREMIUM 4G network area, covering 976 cities nationwide as March 31, 2016. We have also taken advantage of new technologies such as carrier aggregation<sup>1</sup> to offer communications services with reception speeds up to 300Mbps in 644 cities nationwide as of March 31, 2016. In addition, maximum reception speeds of up to 375Mbps, the fastest in Japan, have been available in several areas since June 2016.

1. Carrier aggregation: A technique for improving telecommunications speed by bundling multiple frequency bands.

## Further improving customer satisfaction

We place emphasis on customer satisfaction as an indicator of our efforts to further strengthen competitiveness. In fiscal 2015, we were awarded first place for overall satisfaction in the 2015 Japan Mobile Phone Service Satisfaction Study.<sup>2</sup> In addition, we were highly evaluated for communications quality and area coverage in the 2015 survey of mobile phones and smartphones for personal use conducted by Nikkei BP Consulting, winning first place for smartphone satisfaction. We believe that various activities have led to an improvement in overall customer satisfaction. At DOCOMO shops, we have taken initiatives to reduce waiting time, and have made drastic reforms in our staff training system to enhance service levels of all store staff. In other areas, our call centers have worked to improve response rates, and we have enhanced online support services.

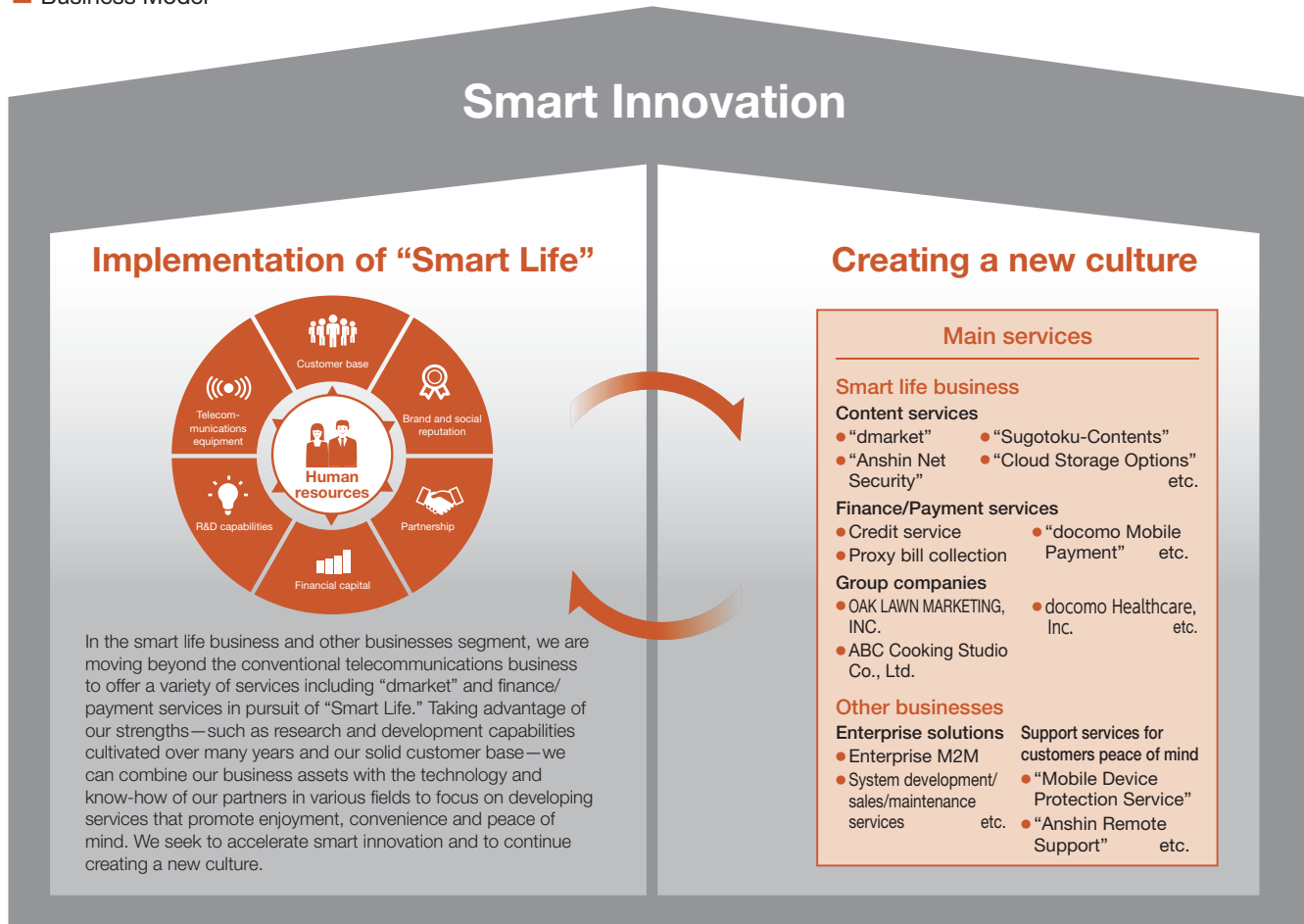
2. The 2015 Japan Mobile Phone Service Satisfaction Study conducted by J.D. Power. The results of the 2015 survey (conducted in July 2015) reflected responses obtained from a total of 31,200 mobile phone users in Japan. (japan.jdpower.com)





# Smart Life Business and Other Businesses Segment

## ■ Business Model



## ■ Providing value

By creating new value, we contribute to realizing a rich society

Under our brand slogan of “The new of today, the norm of tomorrow,” we are working to expand our telecommunications business and strengthen our smart life business and other businesses segment as the dual foundations of our business operations. In the smart life business and other businesses segment, in order to continue to meet the needs of our customers, we are driving the evolution of open collaboration with various partners and promoting “+d” initiatives that provide new added value to our customers. By utilizing our business assets, which include payment infrastructure, “d POINT” and “d CARD,” we provide value, convenience and enjoyment to customers.

## ■ Smart Life Business

### ■ “dmarket”

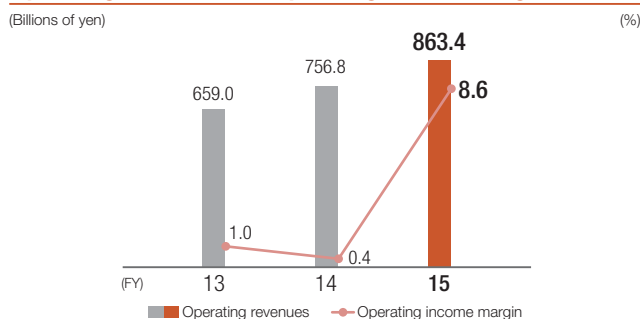
Providing new value by expanding “dmarket”

“dmarket” is a service that conveniently provides a variety of content and products from entertainment to shopping. We have been working to introduce new services, enhance content and expand subscriber numbers to have a broad range of customers use “dmarket” services.

In May 2015, we launched “dgourmet” as a new “dmarket” service. Customers can access cooking lessons, recipes, restaurant information, and discount coupons for use at restaurants nationwide. For “dmagazine,” which allows users unlimited reading access to more than 160 popular magazines in a variety of genres, we have added browser viewing on personal computers in addition to smartphones

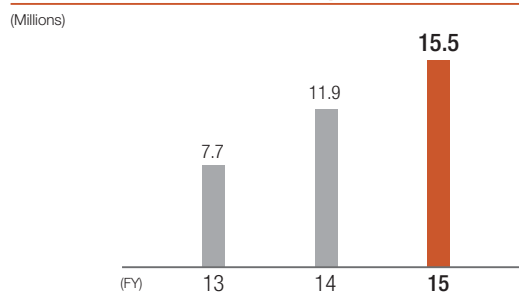
## Review of Indicators

### Operating revenues and operating income margin



Operating revenues increased 14.1% year on year to ¥863.4 billion. This was due to expanded revenue from our content services in “dmarket,” expanded transaction volume for the finance/payment services of “d CARD,” as well as shopping services offered by group companies, and the increase in “Mobile Device Protection Service” subscriptions and service revenue related to the IoT business. Due to this growth in revenue, operating income totaled ¥74.2 billion, an increase of ¥71.2 billion.

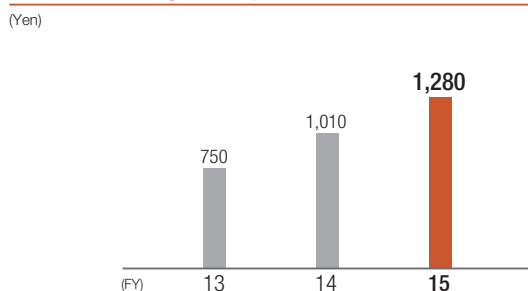
### Number of “dmarket” subscriptions



As a result of the launch of the new “d gourmet” service and enhancement of other “dmarket” content such as “dTV,” “danime store,” “dhits,” “dkids,” and “dmagazine,” the number of subscribers expanded to 15.54 million as of the end of March 2016.

Note: Monthly billed services only

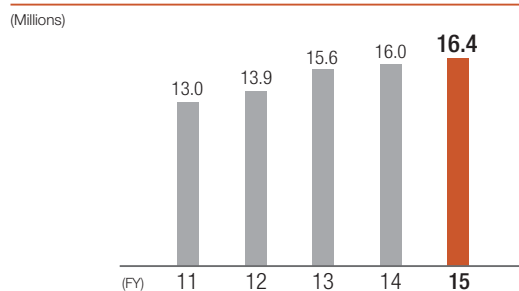
### “dmarket” usage fees per user



Due to the introduction of new services and the enhancement of content for each service, usage fees per user in fiscal 2015 increased ¥270 year on year to ¥1,280 from ¥1,010.

Note: These values represent the total number of “dmarket” users in each quarter divided by the total number of unique monthly users for the quarter. Amounts exclude tax.

### Number of “d CARD” members



The number of “d CARD” members has been steadily expanding and totaled 16.43 million as of March 31, 2016, an increase of 440,000 members from the previous fiscal year end.

Notes: 1. Total of “d CARD” and “d CARD mini” members  
2. Name changed from “DCMX” to “d CARD” in December 2015

and tablets. For “dTV,” among the largest in Japan in terms of the number of titles and members, customers can now watch video content on a large-screen TV using a designated terminal. In this way, we are expanding services in addition to enhancing content.

We have also successfully increased “dmarket” usage fees per user with services such as “dshopping” and “ddelivery,” making efforts to enhance services and digital content for use in a wide range of lifestyle options, including daily necessities, consumer electronics, food delivery services, clothing and travel. We will continue to strengthen

content services, further enhance the foundation for “dmarket” and accelerate our efforts to expand business.

## “d POINT” and “d CARD”

### Offering more value and convenience with our new “d POINT” and “d CARD” services

In December 2015, we launched our new point service “d POINT.” An evolution of our “docomo Points” that accumulate through monthly mobile phone usage charges and other payments, “d POINTs” can be earned and used when shopping at participating neighborhood stores or online.

In conjunction with the service launch, we issued a dedicated card “d POINT CARD.” Our “DCMX” credit service has also been renewed as “d CARD.” Because the “d CARD” has “iD” and “d POINT” functions built into the card, users are able to save “d POINTS” for better discounts.

## ■ “d ACCOUNT”

### Renamed from “docomo ID,” and expanding our customer base

In December 2015, we renamed the previous “docomo ID” “d ACCOUNT.” This account handles identity authentication, which enables users to take advantage of a variety of services provided by DOCOMO, including email and “dmarket” services. Using “d ACCOUNT,” customers without subscriptions to DOCOMO can also use our services—effectively, a “carrier-free” format. We have also achieved “network-free” and “device-free” services that function on multiple devices regardless of telecommunication lines, as well as “OS-free” services, which function regardless of handset operating system. By converting our customer management from mobile phone number to “d ACCOUNT,” we enable our customers to accumulate and use points and services regardless of carrier. By providing a wider variety of services to customers, we are able to expand our customer base.

## Other Businesses

### ■ Enterprise solutions

#### Focus on IoT business and expanding services

Aiming to promote further usage within the IoT business, we have started providing the “LTE Ubiquitous Plan” within Japan, enabling the use of telecommunications modules on

LTE lines. We have also started providing solutions that utilize eSIM. For example, when overseas in Brazil, customers can benefit from eSIM technology by switching from a DOCOMO phone number to a Vivo telephone number without replacing the SIM card. Our collaboration with Vivo is a first for a Japanese telecommunications company to provide solutions using eSIM with an overseas service provider. Once incorporated into the export products of Japanese manufacturers, we expect these solutions to be utilized for remote information services, such as managing operational status, running diagnostic maintenance and preventing theft.

### ■ Peace-of-mind support

#### Expanding services to accompany the increase in smartphone users

In other businesses, in conjunction with the expansion of smartphone use, revenues are also growing for peace-of-mind support services, such as the “Mobile Device Protection Service” (which offers compensation in the unlikely event of handset trouble), “AppleCare+,” and “Anshin Remote Support,” which enables remote operators to assist smartphone users. Moreover, our “Anshin Pack,” bundled with our security service “Anshin Net Security,” reached 14.51 million subscribers by the end of fiscal 2015, ensuring that in addition to convenience, we also deliver peace of mind as a service.

### ■ Launch of “dHealth Care Pack”

From April 2016, we started providing services to support the total health of our customers. We provide 4 health-related services and 14 applications (as of July 2016). Applications include “Karada-no-Tokei WM,” which supports better timing for meals, sleep and exercise to build an ideal body; “Karada-no-Kimochi” health management for women; “Runtastic for docomo” enabling full-fledged training; and the newly developed “Aruite-Otoku,” which enables users to earn “d POINTS” just by walking with a smartphone. These services offer broad support for a variety of personal health-related goals ranging from daily walks to full fitness training.



## dHealth Care Pack



## Column

## “+d” New Value Co-Creation Initiatives

We have embarked on a new initiative, called “+d,” to create new value in collaboration with various external partners. Principal “+d” initiatives undertaken during the fiscal year ended March 31, 2016 are summarized in the table below:

Category	Alliance partner	Objectives
Agriculture	Niigata City, Niigata Prefecture, Vegetalia, Inc., Water Cell Inc.	Verification trial on an innovative rice production management system
Education	Koga City, Ibaraki Prefecture	Educational ICT solution based on LTE-enabled tablets
Health/Medicine	Maibara City, Shiga Prefecture, RENAISSANCE, INC.	Provision of “Children Health Promotion Program”
	RENAISSANCE, INC.	Provision of healthcare services using wearable devices
	Tokyu Sports OASIS, Inc.	Launch of new health support service, “OASIS LINK”
Insurance	Nippon Life Insurance Company	Marketing support business for sales of life insurance policies
IoT	GE Energy Japan, Inc.	Collaboration on rollout of GE’s industrial routers in Japan
	NIPPON SYSTEMWARE CO., LTD.	Provision of IoT cloud service for enterprises
	Omachi City and Tenryu Village, Nagano Prefecture	Provision of “oranotablet” life-support service for the elderly
	Sansan, Inc.	Provision of business card management services for enterprises
	TOMY Company, Ltd.	Joint development of communication toy “OHaNAS”
Retail	Laox Co., Ltd.	Delivery of new services targeting foreign travelers to Japan
	Lawson, Inc.	Mutual customer referral leveraging point program
	McDonald’s Company (Japan), Ltd.	Mutual customer referral leveraging point program
	Takashimaya Company, Limited	Mutual customer referral leveraging point program
Social	Facebook, Inc.	Functional collaboration with “dmarket”
Transportation	Japan Airlines Co., Ltd.	Mutual customer referral leveraging point program
	Panasonic Corporation	Verification trial for expansion of bicycle sharing business

### MM Research Institute Awards 2016

In the MM Research Institute Awards 2016 announced on June 15, 2016, DOCOMO’s “+d” was awarded the Grand Prize for a product or service that contributed most to the development of the ICT industry. DOCOMO was recognized for its efforts to resolve social issues in collaboration with partners in a variety of fields. Efforts included the creation of new services and businesses and the revitalization of industries and regions using DOCOMO’s business assets that encompass telecommunications networks, customer base, secure payment systems and referral mechanisms.

