

Message from Outside Director



Expectations and Proposals for NTT DOCOMO

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DOCOMO's Governance Structure

DOCOMO's corporate governance has a somewhat unique characteristic stemming from having a parent company in which the state owns a meaningful percentages of equity shares, and is also a majority shareholder of NTT DOCOMO. Because of this structure, it can be said that DOCOMO is applied with "two layers of governance." However, in my six-year tenure as an outside director, I have never seen the government nor the parent company exerting force directly on DOCOMO's decision making, and I believe DOCOMO's Board of Directors has been able to make decisions freely with their own managerial responsibility.

When I talk about DOCOMO's governance, I sometimes hear concerns that DOCOMO could be influenced by the comments made by the administration in office at the time. However, it is the state and not the administration in charge at the time that we are held accountable for concerning the management of the Company. Still, if rules or other matters are discussed at councils or other fora participated by third parties and are eventually adopted as laws or rules, we respect such decisions and take the lead in abiding by them. In this way, DOCOMO

fulfills its responsibilities to the state or the parent company.

Outside directors undertake a basic mission to represent the position of general shareholders. In the context of requiring businesses to deliver the highest level of managerial efficiency and adequate returns to shareholders, outside directors' role can be considered very similar to that of a parent organization.

Having said that, however, as an outside director, I always endeavor to collect information and stay vigilant in supervising the Company, so that, for example, in the parent company's basic R&D activities that are partly financed by DOCOMO, adequate allocation is given to wireless-related R&D programs avoiding a disproportionate concentration on only fixed-line technology. I hope this shows that "two layers of governance" at DOCOMO does not affect the free and open-minded activities of outside directors.

DOCOMO's Board of Directors is carefully designed to ensure that there are plenty interactive discussions between the outside directors and the executive team. In such circumstances, the outside director of DOCOMO voluntarily started in June 2016 to explain the latest situation of the activities undertaken by the Board at the annual general meeting

of shareholders, and outside directors deliver on the self-imposed task to make comments on all agendas that are viewed important by, or could potentially impact the interest of, general shareholders or other stakeholders. We strive to enhance the quality of, our managerial decision making by constantly checking on whether the Board of Directors is fulfilling its accountability through these practices.

Dr. Endo has become increasingly active in her engagement ever since joining the Board as our second outside director in June 2016. I believe we have seen truly animated discussions in our recent Board sessions, with members of the Audit & Supervisory Board making comments not only from the perspective of audits but also from the angle of corporate management, sharing their respective insights and experiences. In view of these engagements, in our Board appraisal we unanimously confirmed the effectiveness of DOCOMO's Board of Directors.

On the other hand, as a researcher of industrial strategy, I believe a deliberate scientific approach must be adopted to evaluate the relationship between formal reinforcement of governance and management quality of Japanese firms. The consensus view of researchers specializing in this field seems to be that "while there are some cases that suggest the existence of a correlation between reinforcement of the formal structure of governance and improvement of business performance, no evidence has been found to prove the causal relationship between the two," and unquestioningly pressing ahead with an idea that is not backed by solid evidence does not benefit shareholders either. We must avoid governance for governance's sake. While maintaining a position that we put proper governance in place to enhance our business management, we aim to keep an appropriate distance between the generally accepted governance framework and a governance structure suited for the current state of DOCOMO.

Management Participation Making Full Use of Own Insights

To improve the effectiveness of the Board, DOCOMO has introduced a system called the "after-school" system, in which all members of the Board take part in free and open-minded discussions on important managerial issues without being constrained by their respective positions. This system was established immediately after I first joined the Board as an outside director by the decision of the CEO back then, which was triggered by my comment pointing to "a lack of sufficient discussion by the Board to mobilize the corporate management resources to tackle smart life business despite its designation as a priority area for the entire organization, because the actual initiatives are undertaken only at individual department levels."

At the "after-school" system meetings, we actively discuss issues pertaining to "investments for the Company's future," including the creation of new businesses, R&D agenda and human resource development. This culture of attaching emphasis on "investments for the Company's future" affected many tangible results, including the formulation of "Top Gun" sales & marketing approach where members of the Corporate Sales and Marketing team and R&D unit join forces for solution development (see [P.43](#) for more details) and our new carrier development scheme "Junior Professional System" (see [P.68](#) for more details), and reinforcement of the "Senior Professional System" (see [P.68](#) for more details). DOCOMO is now pushing forward the transition into a business management pivoted on our membership base from the subscriber base in accordance with our Medium-Term Business Strategy. Investment in human resources is essential as people play a central role for the accomplishment of this transition.

The environment surrounding our business has changed dramatically after we unveiled our Medium-Term Strategy 2020 "Declaration beyond" in 2017. I highly appreciate that the Company kept the flag flying, steadily implementing various measures toward the realization of "Declaration beyond" despite the emergence of new factors such as the price revisions and market entry by a new player. I believe we will head for a new paradigm of autonomization* of the 2020s where AI, IoT, autonomous vehicles, service robots and many other things will be connected to the network. As we go through this change, it is important that we, for the short term, survive the severe competition in the telecommunications market, and for the longer

term, maintain or even further expand our market share in the world of next-generation autonomous communications while making necessary preparations to secure reasonable grounds in the service domains that will be deployed on platforms. What is required for DOCOMO at present is to develop close ties with businesses that are expected to utilize autonomous technologies. Our undertakings aimed at establishing partnerships with many businesses through our "+d" strategy and DOCOMO 5G Open Partner Program will serve as a very important foundation toward this goal. We must accelerate the initiatives for further value co-creation maintaining these relationships going forward. This can present both risks and opportunities for us depending on how properly we can manage this process.

* Autonomization: ICT systems that are designed to operate at a certain distance from the user and behave independently, as if they had a will of their own, for the purpose of providing advanced services to the environment and the user

For Our Sustainable Growth in the 2020s

In our past rollout of new services and businesses, DOCOMO often relied on the innovativeness of technology or our scale advantage in database or other assets. In addition, there were cases where we only made concentrated allocation of resources in the start-up phase and have not made sufficient efforts to continue and expand our managerial efforts to deliver sustainable innovation over the medium to long term.

In the report "Transition to the Smart Economy in the Age of Diminishing Workforce" published by the Japan Productivity Center last year under my chairpersonship, it is advocated that "full-fledged implementation of service innovation" is indispensable for the future of the Japanese economy, and Japan should also adopt insights from "serviceology" and "service design"—the idea of taking a scientific or an engineering approach to innovation based on a deep understanding on the essence of each service. I hope that DOCOMO will also scientifically support the visualization, structuration, optimization and implementation of a new service model for our customers. I also look forward that DOCOMO will take leadership for a sustainable and "full-fledged implementation of service innovation" by not only pursuing the expansion of scale but also making efforts to improve productivity tracking KPIs.



DOCOMO generated the highest amount of added value among the 1,400 publicly traded companies in the service sector in Japan (excluding holding companies) in FY2018. In fact, approximately 0.3% of Japan's GDP was produced by DOCOMO. Further, DOCOMO is not only large in its scale but also boasts very high productivity, and ranked No.2 in Japan in the total added value delivered per employee, i.e., an indicator that proves our superior labor productivity.

Despite these favorable results, our personnel expenses remained unchanged for the last several years and there is a significant difference between our R&D spending with that of GAFA. For DOCOMO to survive in the field of non-telecommunications services, we must appropriate higher amount of investments for the future. Striking a good balance between continued shareholder returns and "investments for the Company's future" requires a high-level management decision. An important role that I am required to fulfill as an outside Board member is to help the Company find the optimal avenue while continuing the dialogue with our shareholders.