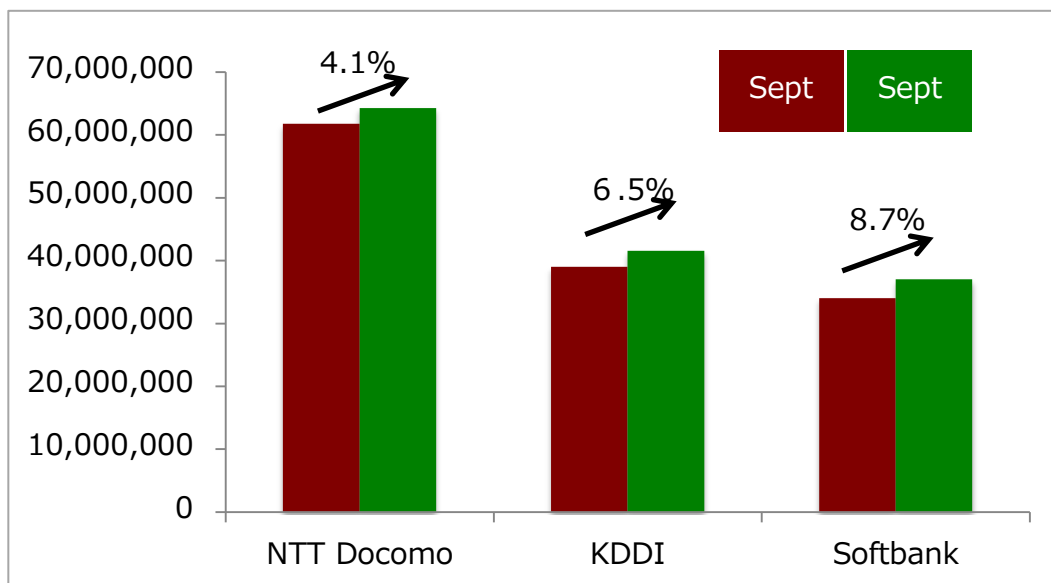


## Mobile/Telecom Industry Highlights (September 2014 - November 2014)

### Mobile operator landscape

The total number of cellular subscriptions in Japan at the end of September 2014 was 142,937,600. Below is a breakdown of subscribers per carrier and their growth rate from September 2013. KDDI and Softbank are persistently challenging the incumbent number 1 operator, NTT DoCoMo.

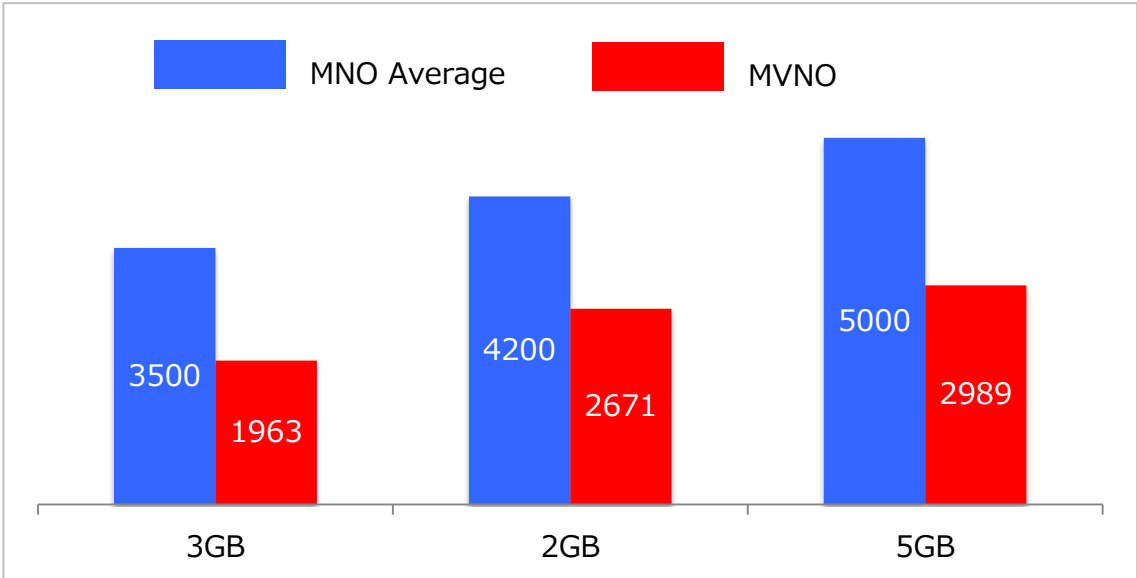


**Figure 1: The Subscriber Bases of Major Mobile Operators in September 2013 and September 2014 (Source: TCA)**

According to announcements in November, the expected annual sales profits of NTT DoCoMo, KDDI, and Softbank were JPY630 billion, JPY730 billion, and JPY900 billion, respectively.

## MVNOs taking off

Recently, Mobile Virtual Network Operators (MVNOs) have been introducing reasonably-priced plans. Japan has been relatively slow in MNVO take-up compared to European countries. In fact, Japan Communications, the first Japanese MVNO in the market, launched its PHS-based service in 2001 and its cellular-based service in 2008. However, it has only been in the last 12 months that a number of MVNOs have made impactful offers within the market. The graph below compares the average monthly data prices of SIM plans (with pay-as-you-go voice options) by five popular MVNOs with the data prices of typical contract plans by major mobile operators (MNOs) in Japan.



**Figure 2: Average Monthly Data Prices of MNOs and MVNOs  
November 2014 (original data by operators)**

As the figure above shows, the data offers from MVNOs are less expensive than those from MNOs by 36 - 44%. In addition, the monthly contract price gap will be more significant since MNOs add JPY2700 for unlimited voice options, which are de facto options these days. We expect that the MVNOs will experience further market growth due to the following factors.

- **Mandatory SIM unlocking:** The Ministry of Internal Affairs and Communications has unveiled its policy to mandate MNOs to unlock devices from 2015. MVNOs will also be boosted by the fact that Apple has started selling unlocked iPhones in Apple Stores.
- **Entry into the market of strong distributors:** The MVNO market has experienced a large boost as a result of the participation of players with a strong market presence. Major players include Rakuten (the No.1 online commerce service provider,) Yamada Denki, Yodobashi Camera, and Bic Camera (nationwide chains of electronic appliance stores).
- **Data-centric usage:** MNOs recently revised their plans and began charging a flat rate for voice plans. This has resulted in adverse responses from users since the majority had already shifted to free over-the-top messaging and voice applications. On the other hand, MVNOs provide pay-as-you-go pricing for voice while emphasizing reasonable data prices.

## Mobile devices

The momentum of Apple is still strong in Japan. iPhones took 17 of the top 30 best-selling mobile phone positions in October 2014.

1	iPhone 6 - 64GB	11	iPhone 5s - 16GB	21	Xperia ZL2 (Sony)
2	iPhone 6 - 16GB	12	Granita (Kyocera)	22	Stream S (Huawei)
3	iPhone 6 - 64GB	13	iPhone 6 - 16GB	23	Aquos Crystal (Sharp)
4	iPhone 6 - 16GB	14	iPhone 6 - 128GB	24	iPhone 5s - 32GB
5	iPhone 6 - 128GB	15	iPhone 5s - 32GB	25	iPhone 6 Plus - 16GB
6	iPhone 6 - 64GB	16	Xperia Z3 (Sony)	26	P-01F (Panasonic)
7	iPhone 5s - 16GB	17	Xperia A2 (Sony)	27	Nexus 5 (LG)
8	iPhone 6 - 128GB	18	iPhone 6 Plus - 128GB	28	Aquos Serie (Sharp)
9	Dingo (Kyocera)	19	iPhone 6 Plus - 128GB	29	Color Life 4 (Panasonic)
10	Xperia Z3 (Sony)	20	Galaxy S5 (Samsung)	30	iPhone 6 Plus - 64GB

**Table 1: Mobile Phone Sales Rankings in October 2014**

**(original source: BNC ranking)**

Stream S by Huawei has appeared at the 22nd seat at the table. It is notable to see a relatively lower-cost smartphone gradually penetrating into the Japanese market. In other words, this could indicate the end of the smartphone specifications war, with the market being shaped by two groups - iconic, fashionable (notably Apple) devices, and others that are cheaper but of reasonable quality. The smartphone penetration rate in Japan is still around 50%. So, there is still space left in the Japanese market for ambitious manufacturers such as Xiaomi from China.

## Mobile Apps (News apps)

News applications are big in the Japanese mobile applications market these days. Not only the major newspaper and news portal apps but also independent news apps are increasingly popular.

The recent buzzwords pertaining to news apps are “curation” and “personalization.” Here are the popular independent players:

- **Gnousy:** A pioneer among curated news applications. The genius of the app lies in its proprietary algorithm, which analyzes users’ social network profiles (Facebook and Twitter) as well as the articles they have previously read for better future recommendations. The company was established by data mining engineers from Tokyo University and has raised JPY2.4 billion (USD21 million.)
- **Antenna:** Another information curation app based on personal interest. The application focuses more on unique articles than traditional news content, and enables readers to clip their favorite articles so that they are able to create personalized online magazines. The developer company has raised JPY2.0 billion (USD17 million.)
- **Smart News:** Like Gnousy, this app offers various types of news, but does not focus on personalization. The core differentiator of the application is the Smart Mode, which scans and displays texts from the original sources so that it can provide lighter content to be read offline. The company has raised JPY3.4 billion (USD30 million.)

- **News Pick:** This new application has been very popular despite its late entrance into the market. Along with headlines and summaries of articles, readers are able to see comments by power users including tech celebrities. This lends a strong viral effect to the content.

The main revenue sources of these applications are advertisements and sponsored articles. However, Grouse recently announced its vision to become a platformer through partnerships with businesses, including entertainment, coupon, travel, shopping, and recruiting businesses. The company aims to close deals with 500 partners within a year.

## Sources/References:

### Mobile Operator Landscape

- [Telecommunications Carriers Association](#) (TCA)
- [NTT DoCoMo IR](#)
- [KDDI IR](#)
- [Softbank IR](#)

### MVNO taking off

- [Biglobe LTE](#) (Japanese)
- [Rakuten Mobile](#) (Japanese)
- [U-mobile](#) (Japanese)
- [BIC SIM](#) (Japanese)
- [b-mobile](#) (Japanese)

- [mineo](#) (Japanese)
- [Softbank](#) (Japanese)
- [KDDI](#)
- [NTT DoCoMo](#)

#### Mobile Devices

- [BCN Ranking](#)

#### Mobile Apps

- [Gnousy](#) (Japanese)
- [Antenna](#) (Japanese)
- [Smart News](#)
- [News Pick](#) (Japanese)