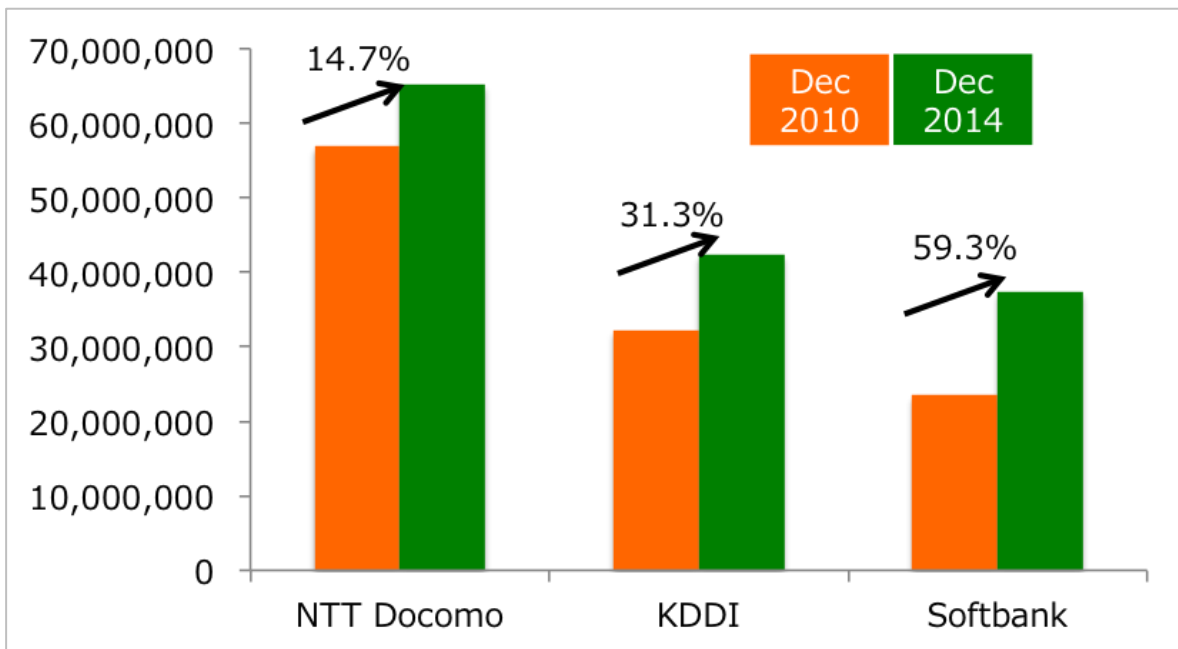


## Mobile/Telecom Industry Highlights (December 2014 - February 2015)

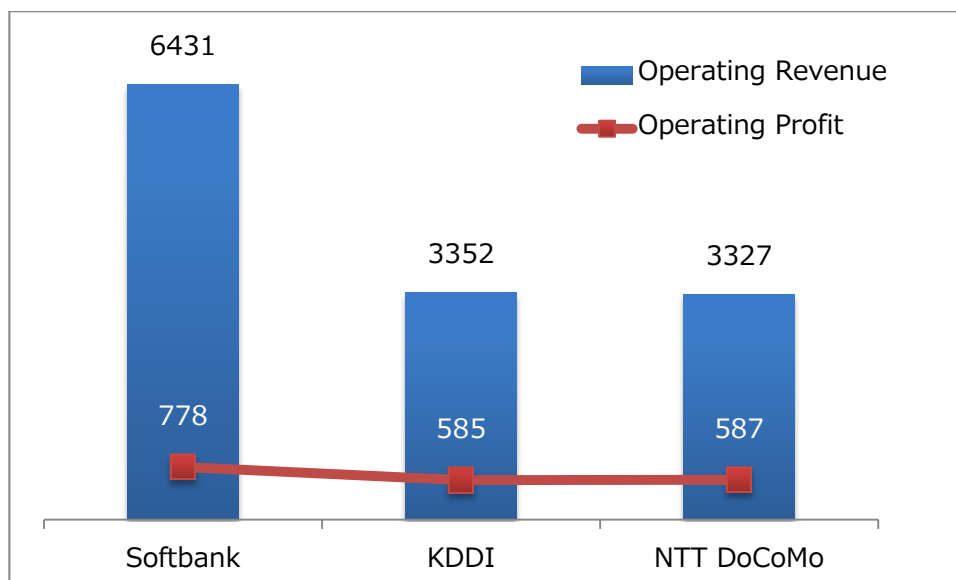
### Mobile operator landscape

The total number of cellular subscriptions in Japan at the end of December 2014 was 145,043,600. The graph below shows the rate of growth in subscriber numbers for the major mobile operators in Japan. While NTT DoCoMo still holds the number one position, the challengers KDDI and Softbank have significantly increased their subscriber bases as a result of ambitious marketing and promotional campaigns.



**Figure 1: The Subscriber bases of major mobile operators in Japan**  
(Source: TCA)

In terms of revenue, however, DoCoMo is suffering. According the results announced by mobile operators for the nine months of the fiscal year ending March 2015, Softbank has taken the lead position, with DoCoMo relegated to third place. This was largely due to price reductions and reduced revenues from voice call services.



**Figure 2: The operating revenue and profit of Japanese mobile operators in millions of yen (Source: operators)**

## **Second brand strategy**

As Mobile Virtual Network Operators (MVNO) gain traction, mobile network operators are working on developing their second brands. According to MM Research Institute, the number of MVNO subscribers had increased to 19.3 million by September 2014, compared to the March 2014 figure of 14.8 million.

In addition to Broadband Wireless Access (BWA) services, inexpensive SIM plans provided by independent service providers are increasingly popular, having gained 2.3 million subscribers by September 2014.

In the midst of all this, KDDI Value Enabler (a subsidiary of KDDI) has announced “UQ Mobile”, a service which utilizes KDDI’s LTE network and WiMAX (BWA) as an MVNO. Data only plans start from JPY980/month for 2GB high speed data (up to 150Mbps), with an unlimited data plan also available for JPY1980/month and providing a throttled speed of up to 300Kbps. For an extra JPY700 voice communication with no free voice minutes can be enabled. These plans are subject to a 12-month commitment, with a penalty of JPY9800 for ending the contract during this period. These services constitute an active endeavor on the part of KDDI to capture cost sensitive light users.

	Voice	2GB Data	Total	Remark
UQ Mobile	700	1680	2380	JPY20/30sec of voice call
au (KDDI)	2700	3500	6200	Unlimited voice call

**Table 1: A comparison of 2GB data plans (source: UQ Mobile, KDDI)**

In order to clearly distinguish the service from its primary “au” brand, KDDI will sell the UQ Mobile service at electric appliance stores or via an online store, but not at regular au carrier shops.

NTT DoCoMo has also announced that it is considering a second brand in the form of an MVNO. Although the details are yet to be released, this is expected to accelerate competition within the marketplace for more affordable plans.

## Mobile devices

Apple's popularity in the Japanese marketplace remains robust, while its rival Samsung lags behind despite a strong global presence. According to a BNC ranking, six of the top 10 best selling mobile phones in January 2015 in Japan were of the iPhone series. Trailing the iPhone line is another high end offering, the Xperia series by Sony. It is notable that Samsung's Galaxy smartphones have disappeared entirely from the Japanese top-30 list (below).

1	iPhone 6 - 64GB	11	iPhone 5s - 16GB	21	AQUOS ZETA
2	iPhone 6 - 64GB	12	Granita (Kyocera)	22	AQUOS CrYSTAL
3	Xperia Z3 Compact	13	iPhone 6 - 16GB	23	Rakuraku Phone Basic4
4	iPhone 6 - 16GB	14	iPhone 6 Plus - 64GB	24	Arrows NX
5	iPhone 6 - 16GB	15	ZenFone 5 16GB	25	Pantone Waterproof
6	iPhone 6 - 64GB	16	Xperia Z3	26	iPhone 6 Plus - 128GB
7	Xperia Z3	17	iPhone 6 Plus - 64GB	27	Ascend G6
8	iPhone 5s - 16GB	18	Nexus 5	28	ZenFone 5 32GB
9	Dingo (Kyocera)	19	P-01G	29	Color Life 4 (Panasonic)
10	Xperia Z3	20	<i>mamorino3</i>	29	iPhone 6 Plus - 64GB

**Table 2: Japanese Mobile Phone Sales Rankings in January 2015**  
(original source: BNC ranking)

The ranking above is indicative of two phenomena:

- **Affordable Android smartphones are emerging.** This reflects the traction of inexpensive SIM plans by MVNOs, which tend to bundle an affordable Android smartphone into SIM plans, with Ascend G6 by Huawei and ZenFone 5 by ASUS as typical examples. These devices are also sold independently.
- **Feature Phones are still significant.** It is important to note that feature phones attract a large cluster of customers in Japan. The penetration of smartphones in Japan in 2014 was 53.5%, with more than 1/4 of smartphone customers sticking with feature phones, according to the Ministry of Internal Affairs and Communications. Although they are not in the top 10 list, certain models such as Granita and Pantone (by Kyocera) have been making their presence known. In order to capitalize on the popularity of such devices, NTT DoCoMo and KDDI have released several feature phones as new winter 2014 and spring 2015 models.

## Internet of Things

A number of mobile operators are trying to become platform providers for the Internet of Things. According to IDC, there were 557 million IoT devices in Japan in 2014, and the market continues to expand.

- In December 2014, KDDI introduced its “KDDI M2M Cloud Service,” a one-stop service suite for businesses that require a packaged M2M service. The service allows businesses to avoid the burden of building a secured network and program for data collection, storing and reporting. They can start with a single module at a monthly operating cost of JPY2000.
- Yahoo! JAPAN and Y Mobile (subsidiaries of Softbank) announced they would open a platform for IoT device manufactures. Not only the APIs of Yahoo! JAPAN, but also ones from third party internet players, will be available. Y Mobile offers the communication network.

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### Mobile Operator Landscape

- [Telecommunications Carriers Association](#) (TCA)
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- [Softbank](#)
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### Mobile Devices

- [BCN Ranking](#) (Japanese)

- [Ministry of Internal Affairs and Communication](#) (Japanese)

#### Internet of Things

- [IoT Market – SB Creative](#) (Japanese)
- [KDDI M2M Cloud Service](#) (Japanese)
- [Yahoo! JAPAN](#) (Japanese)