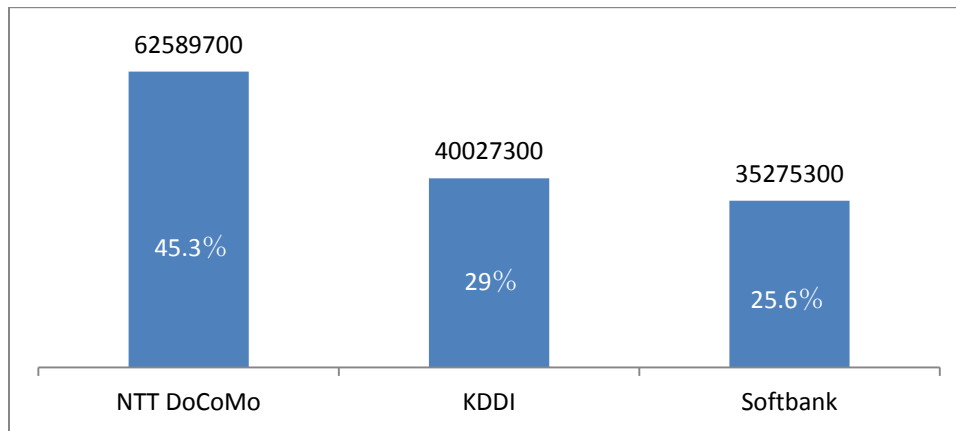


## Mobile/Telecom Industry Highlights (December 2013 - February, 2014)

### Mobile operator landscape

Total cellular subscription in the end of February 2014 in Japan was 137,892,300. Below is the per-carrier breakdown (and the net of subscriber increase during Dec 2013 – Feb 2014.)



**Figure 1: Mobile subscriptions of major telcos in February 2014 (Source: TCA)**

The market share above merely reflects each carrier's direct subscribers and do not count on subsidiaries (i.e. EMobile and Willcom under Softbank, UQ Communications under KDDI). Thus the actual market share of NTT DoCoMo is estimated around slightly above 40%.

All three carriers have added up late 7-digit subscribers during the quarter. However the churn out of NTT DoCoMo is not stopping.

	Dec-13		Jan-14		Feb-14	
	Net increase	Churn out	Net increase	Churn out	Net increase	Churn out
NTT DoCoMo	<b>279100</b>	<b>-51000</b>	140200	<b>-81000</b>	<b>267900</b>	<b>-48100</b>
KDDI	222600	<b>43300</b>	189900	<b>46900</b>	220500	<b>41600</b>
Softbank	224300	9400	<b>249900</b>	36000	266000	9000

**Figure 2 Net increase of major carriers between Dec 2013 – Feb 2014 (Source: TCA)**

At this timing, it has been reported that Ministry of Internal Affairs and Communications is considering allowing NTT Group to offer a bundled discount of fixed and mobile subscription service, which has been permitted to rivals KDDI and Softbank. KDDI has had a strong campaign of au Smart Value that discounts up to JPY1480 (USD14.5) from monthly subscription charge of each household member. More than 4.6 million subscribers (2.5 million households) have taken the service. NTT Group has been banned to present such offers to avoid monopoly; however, the

scheme is under reconsideration due to the decreased market share of NTT DoCoMo. This could have a significant impact on the competition.

### Mobile OTT communication

Internet giants are keen on embracing pervasive mobile over the top communication apps as has been symbolized by Facebook’s purchase of WhatsApp. In Japan, Rakuten, the largest e-commerce company acquired Viber for USD900 million. Rakuten hopes to leverage Viber’s potential reach of 280 million users worldwide along with its global expansion plan. Yahoo Japan and social game company DeNA also offers apps by investment and in-house app creation, respectively although their presence has not grown.

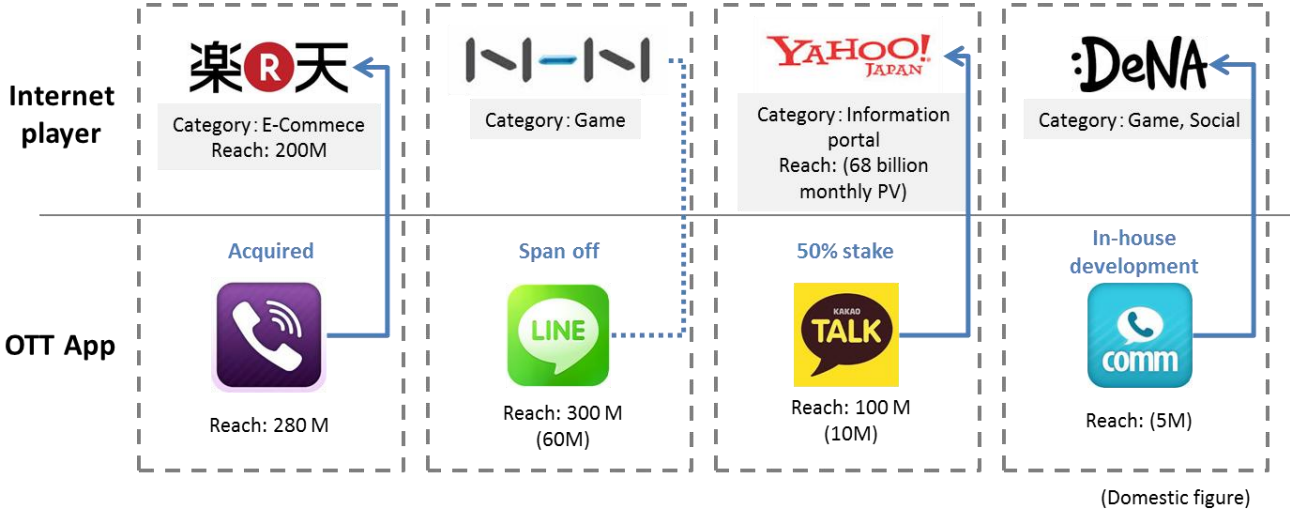


Figure 3: OTT Mobile competition in Japan

As the communication functionality per se, LINE is the most preferred tool with 60 million domestic users. The company has shown a strong result with JPY34.3 billion (USD336 million.) 60% of the revenue came from game in-app purchase, 20% from premium stamp sales, and the rest was derived from business accounts and sponsored stamps. In February, the company unveiled three new service lines:

- LINE CALL; premium call out plans to mobile and fix numbers
- LINE Business Connect: APIs of business accounts for companies to send customized messages
- LINE Creators’ Market: a marketplace of stamps by designers

## Mobile devices

Apple has taken the outstanding option of Japan's smartphone market. Popularity of iPhone has not waned. In February 2014, top three smartphones were iPhone 5s 16GB from three carriers. On the Android side, E-Mobile (subsidiary of Softbank Mobile) began selling Nexus 5, however the model is seen an early adopters' gadget.

1	iPhone 5s (16G)	11	P-01F (Panasonic)	21	iPhone 5s (64G)
2	iPhone 5s (16G)	12	iPhone 5s (64G)	22	Nexus 5 (LG)
3	iPhone 5s (16G)	13	Kids Keitai (Huawei)	23	Arrows NX (Fujitsu)
4	iPhone 5s (32G)	14	iPhone 5s (16G)	24	mamorino3 (Kyocera)
5	iPhone 5s (32G)	15	Aquos Phone ZETA (Sharp)	25	Pantone Waterproof (Kyocera)
6	iPhone 5s (32G)	16	Xperia Z1 (Sony)	26	Aquos Phone Xx Mini (Sharp)
7	Xperia Z1 (Sony)	17	iPhone 5s (16G)	27	iPhone 5s (64G)
8	Mimamori keitai 3 (ZTE)	18	Aquos Phone Xx (Sharp)	28	N-01F (NEC Casio)
9	Xperia Z1 (Sony)	19	isal LGL (LG)	<b>29</b>	<b>Rakurakuphone Basic3 (Fujitsu)</b>
10	Granita (Kyocera)	20	SH-03 (Sharp)	30	Arrows Z (Fujitsu)

**Table 1: Mobile phones sales ranking in Feb 2014 (original source: BNC ranking)**

Among the popular phones sold in the market, there is a notable feature phone. Rakuraku (easy) Phone Basic 3 is a long term seller since April 2011, designed specifically for senior users. In addition to large fonts, buttons, displays, it has the following features:

- **Quick concierge:** single push of the hard button will enable users to talk with the call center to ask questions (how to send email, control talk volume, register friends' numbers...)
- **Usage report:** the phone automatically sends the usage of phones (e.g. number of steps, number of flips, remaining battery, use of camera) to up to five people to give up to date status of the user
- **Quick voicemail:** enables users to leave voicemail to registered users
- **Auto sound tuning:** the high sound of the voice calls is automatically adjusted according to the age of the users

With these highly usable services and designs, more than 20 million units of the series have been sold.



Figure 4: Rakuraku Phone Basic 3 (Image by Fujitsu)

## Mobile Apps

According to App Annie, Japan has become the largest app market (in sales) of App Store and Play Market in Oct 2012-Oct2013 period, passing the US. This has been achieved with a combination of NTT DoCoMo's iPhone adoption and the nature of mobile users in Japan who are used to paying for premium services since the feature phone era.

Almost the same best sales app titles are lined up in App Store and Play Market. As has been the case, these are games based on freemium models except for LINE which has lucrative stamp sales.

Google Play Market			Apple App Store				
1	Puzzle and Drugons	Free	Game	1	Puzzle and Drugons	Free	Game
2	Quiz RPG	Free	Game	2	Quiz RPG	Free	Game
3	LINE Pokopang	Free	Game	3	LINE:Disney	Free	Game
4	Dragon Quest Monsters	Free	Game	4	Monster Strike	Free	Game
5	LINE	Free	Communication	5	PuyoPuyo Quest	Free	Game
6	Monster Strike	Free	Game	6	Tsuri Sta	Free	Game
7	Gunzei RPG	Free	Game	7	Sengoku Enbm	Free	Game
8	Sengoku Enbm	Free	Game	8	Pro Baseball Pride	Free	Game
9	Brave Frontier	Free	Game	9	LINE	Free	Communication
10	Pro Baseball Pride	Free	Game	10	LINE Pokopang	Free	Game

Figure 5: Application stores' top sales chart in February 2014 (source: RainbowApps)

## Sources/References:

### Mobile Operator Landscape

- [Telecommunications Carriers Association](#) (TCA)
- [NTT Deregulation](#)

### Mobile OTT Communication Apps

- [LINE](#)
- [LINE](#)

### Mobile Devices

- [BCN Ranking](#)
- [Fujitsu](#)

### Mobile Apps

- [Smartphone Report](#)
- [RainbowApps](#)
- [The Verge](#)

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