Mobile Video Marketing and Strategy
3G Video – 30seconds or less

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Executive Summary

<User IT environment in Japan>

The mobile Internet and services provided over it are extremely popular in Japan. The country has the world's most advanced business environment for mobile application service in terms of bandwidths, handsets and aggressive user usage. The number of households with broadband access is increasing rapidly and the business environment for ubiquitous network service, networking houses and individuals, is poised for growth.

¶ 63% of Japanese have mobile phones, 89.5% of which have a browser function for accessing mobile Internet services (in the U.S.A., the figure is 15%) . Meanwhile, the proliferation of handsets featuring advanced functions, such as those with camera lenses and 3G handsets enable many users to enjoy streaming and other high value added application services..

¶ Japanese mobile users are aggressive consumers of paid contents, the market for which was worth 113 billion yen last fiscal year.

¶ Broadband access from home expanded rapidly last year when stiff competition between Yahoo BB and the NTT Group led to a significant drop in prices. As result, 25% of households now have broadband access.

<Industry structure>

Functions critical to success, such as contents aggregation and efficient fee collection for paid application contents services, are provided by telecom carriers, including NTT DoCoMo, KDDI and Vodafone for mobile application services and ISPs for broadband application services. Therefore, **to successfully launch new NW application services, it would be critical to forge alliances with these companies**.

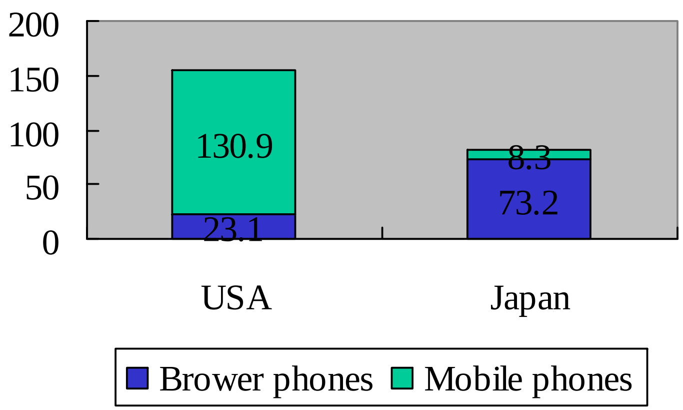
2. User IT environment in Japan

Mobile Internet Market Analysis-1

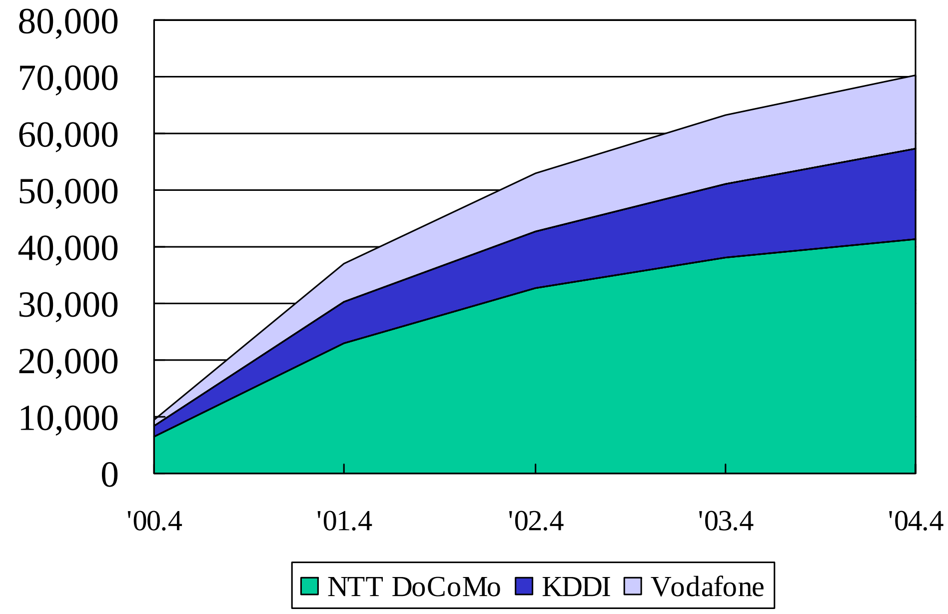
Browser phones have spread three times faster in Japan than in the US.

Penetration of mobile and browser phones*

Number of subscribers (% of browser phones)	154 million (15%)	81.5 million (89.8%)



Market share –browser phones*

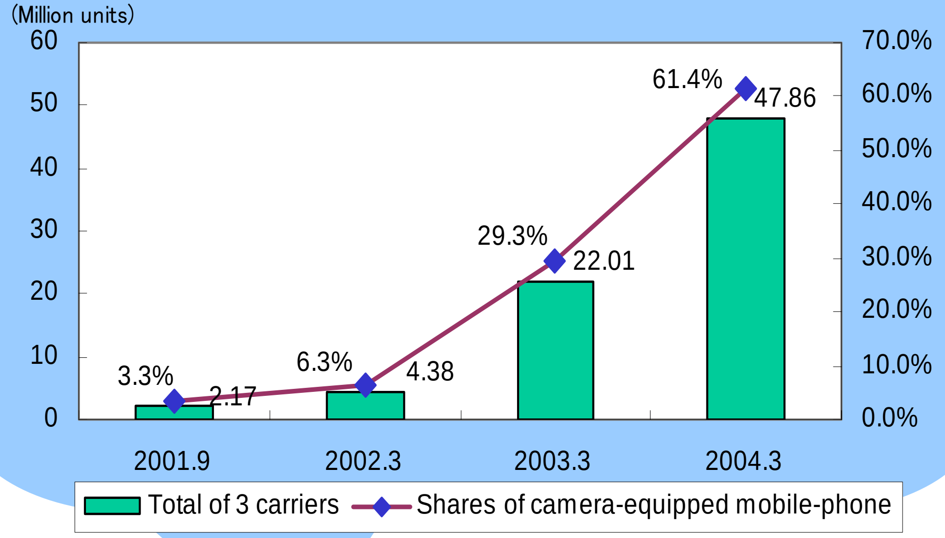


*Phones that enable users to access to the mobile Internet

Mobile Internet Market Analysis-2

Most handsets feature advanced functions, that enhance high-value added mobile application services, such as streaming.

Share of camera-equipped mobile phones



	Number of subscribers			# of mobile Internet users	Handsets with each high value added function				
	Total	2G	3G		Camera lenses	Camcorder	Java/Brew software	GPS	Real sound player
NTT-DoCoMo	45,428,800	43,415,900	2,012,900	40,463,200	23,470,000		22,480,000		
KDDI	16,209,300	3,945,100	12,264,200	13,411,300	10,910,000	8,730,000	2,640,000	7,810,000	8,450,000
Vodafone	14,838,100	14,715,300	122,800	12,822,000	11,675,200	2,924,800	7,751,700		
total	76,476,200	62,076,300	14,399,900	66,696,500	46,055,200	11,654,800	32,871,700	7,810,000	8,450,000
NTT-Docomo	100%	96%	4%	89%	52%	0%	49%	0%	0%
KDDI	100%	24%	76%	83%	67%	54%	16%	48%	52%
Vodafone	100%	99%	1%	86%	79%	20%	52%	0%	0%
Total	100%	81%	19%	87%	60%	15%	43%	10%	11%

Penetration of handsets with high-end functions

Mobile Application Market Analysis-1

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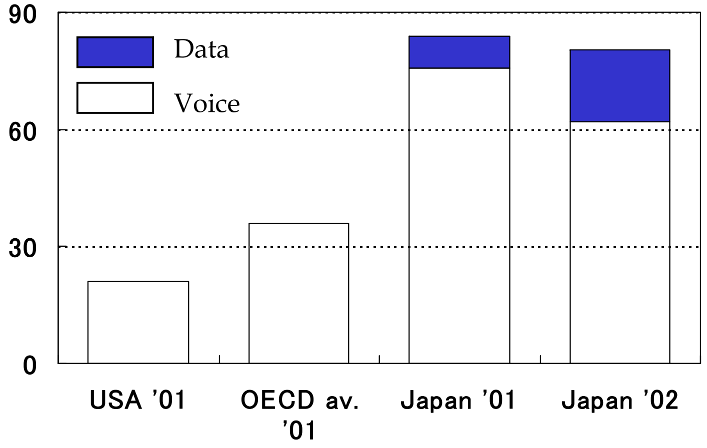
ARPU of mobile users – a comparison (USD)

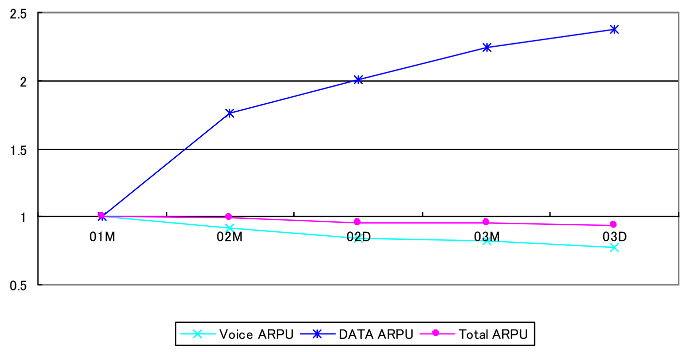


ARPU trends in Japan

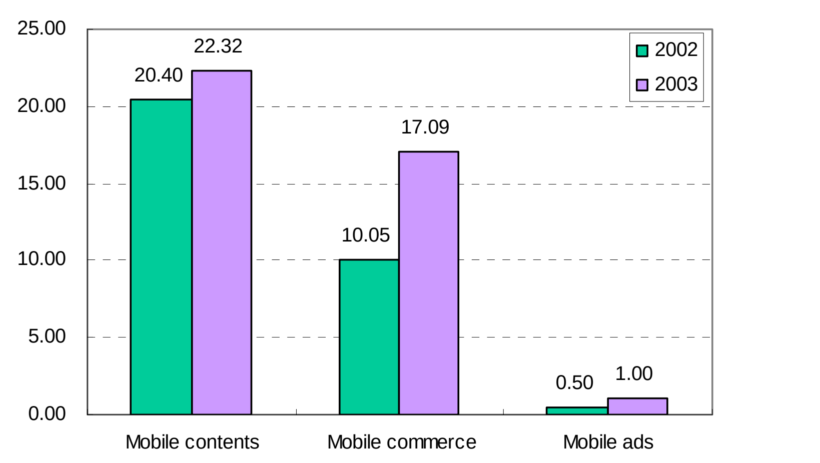
1=Total ARPU 8,270 yen

1=Voice ARPU 7,470 yen

1=Data ARPU 800 yen



Mobile application use is increasing rapidly, while voice use is saturated.



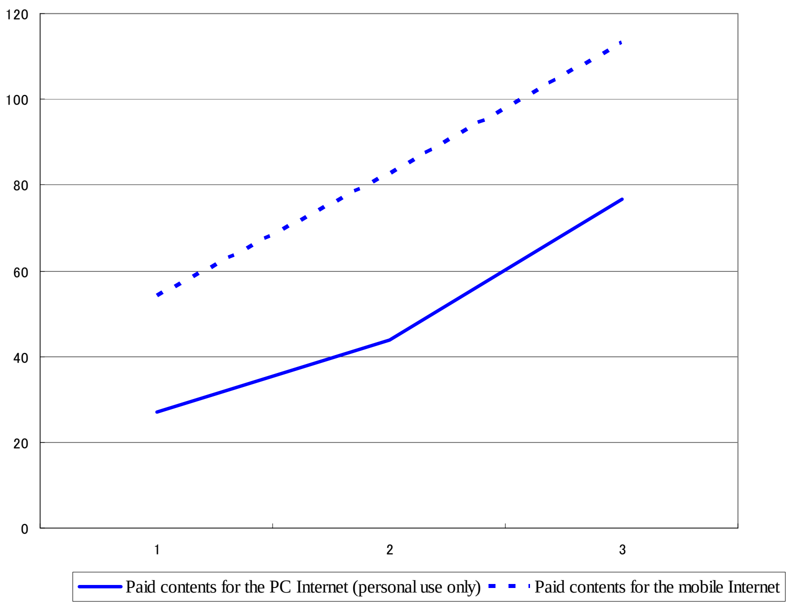
<u>Breakdown of the mobile application market</u>
(Billion yen)

Mobile Application Market Analysis -2

Japanese mobile users are aggressive consumers of paid contents.

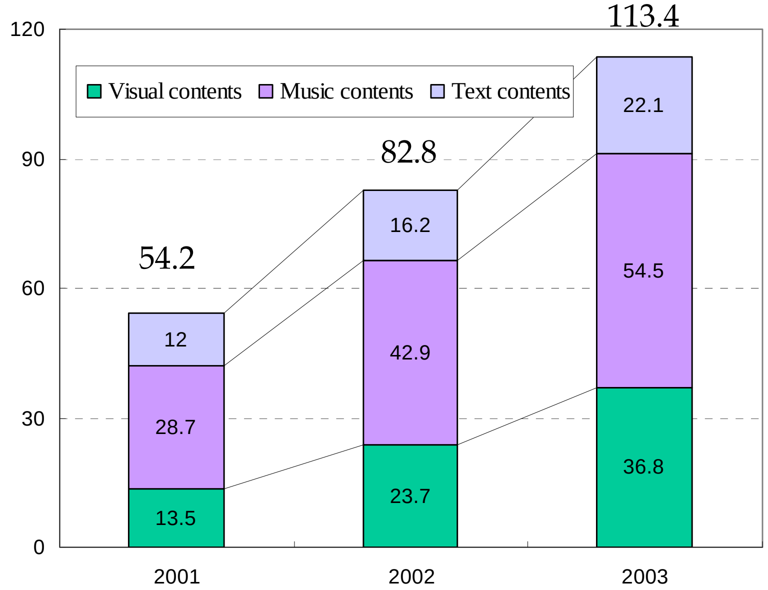
Growth of paid contents for the mobile and PC Internet

(Billion yen)



Breakdown of paid contents for the mobile Internet

(Billion yen)



Mobile Application Market Analysis-3

Users today pay between 100 and 300 yen per value added application and buy three applications on average. It is currently unclear whether they would pay more than 1000 for a single value added application.

Average usage of mobile applications

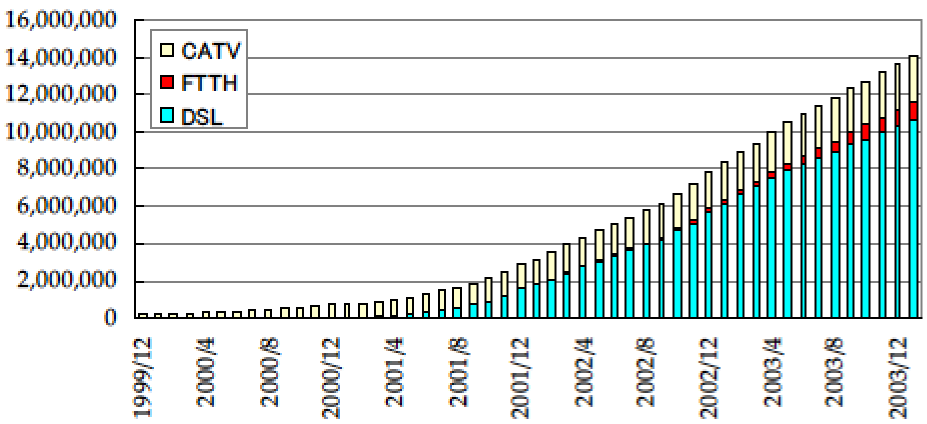
	Average charge (yen/ annual)	Usage rate	Market size (Billion Yen)
Movie	¥1,186	0.64%	0.6
TV	¥1,600	1.18%	1.5
Graphic	¥1,573	13.09%	16.4
Game	¥1,236	18.27%	18
Other appli	¥739	2.82%	1.7
Music	¥3,038	47.46%	54.4
Newspaper	¥1,357	5.00%	5.4
Magazine	¥1,000	0.73%	0.6
Book	¥775	0.36%	0.2
Cartoon	¥1,867	0.36%	0.5
Transportation	¥960	5.55%	4.2
Map / navigation	¥797	3.27%	2.1
Health	¥300	0.18%	0
Fortune-telling	¥1,075	1.64%	1.4
Pornography	¥1,167	0.27%	0.3
Other	¥2,192	3.36%	5.9
Total			113.2

The average payment for one contents is between 100 and 300 yen. This partially owes to the price cap guideline set by mobile telecom carriers, which changed from “up to 300 yen” to “up to 500 yen” (NTT DoCoMo), or “up to 3000 yen” (KDDI).

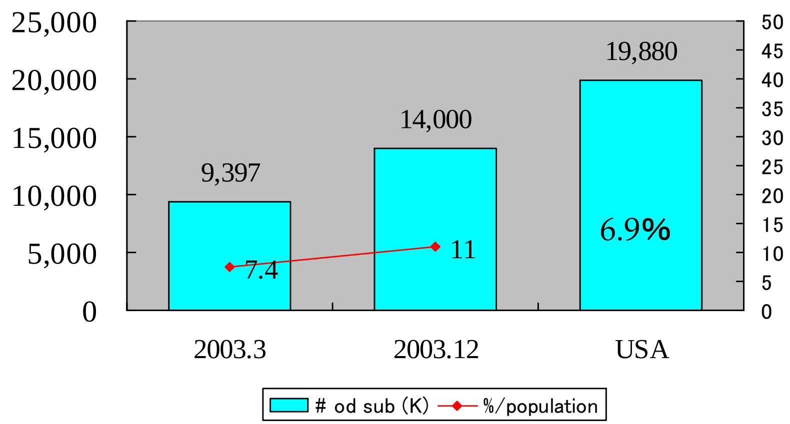
Broadband Market Analysis

33% of Internet users in Japan have broadband access from their homes.

Trend in broadband subscription in Japan



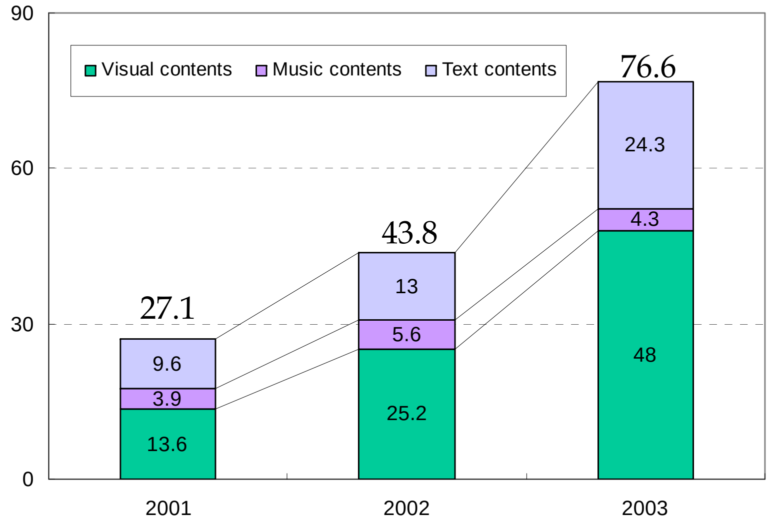
Penetration against population



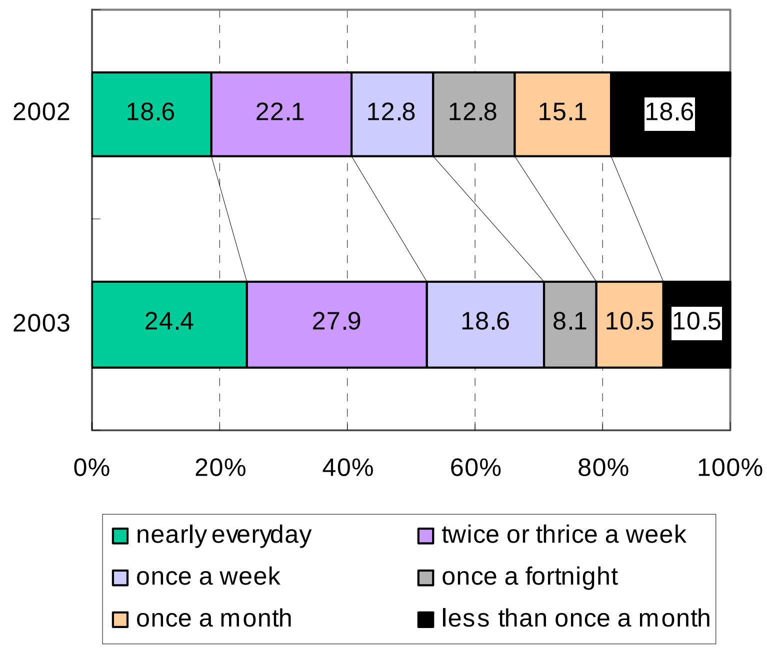
Broadband Application Market Analysis -1

Broadband users have begun buying visual contents, especially streaming service, more frequently.

Paid contents for the PC Internet
(Billion yen)



Purchase frequency of streaming service
(Billion yen)



Broadband Application Market Analysis-2

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Average monthly payment for broadband application service is between 200 and 1000 yen.

Average usage of broadband applications

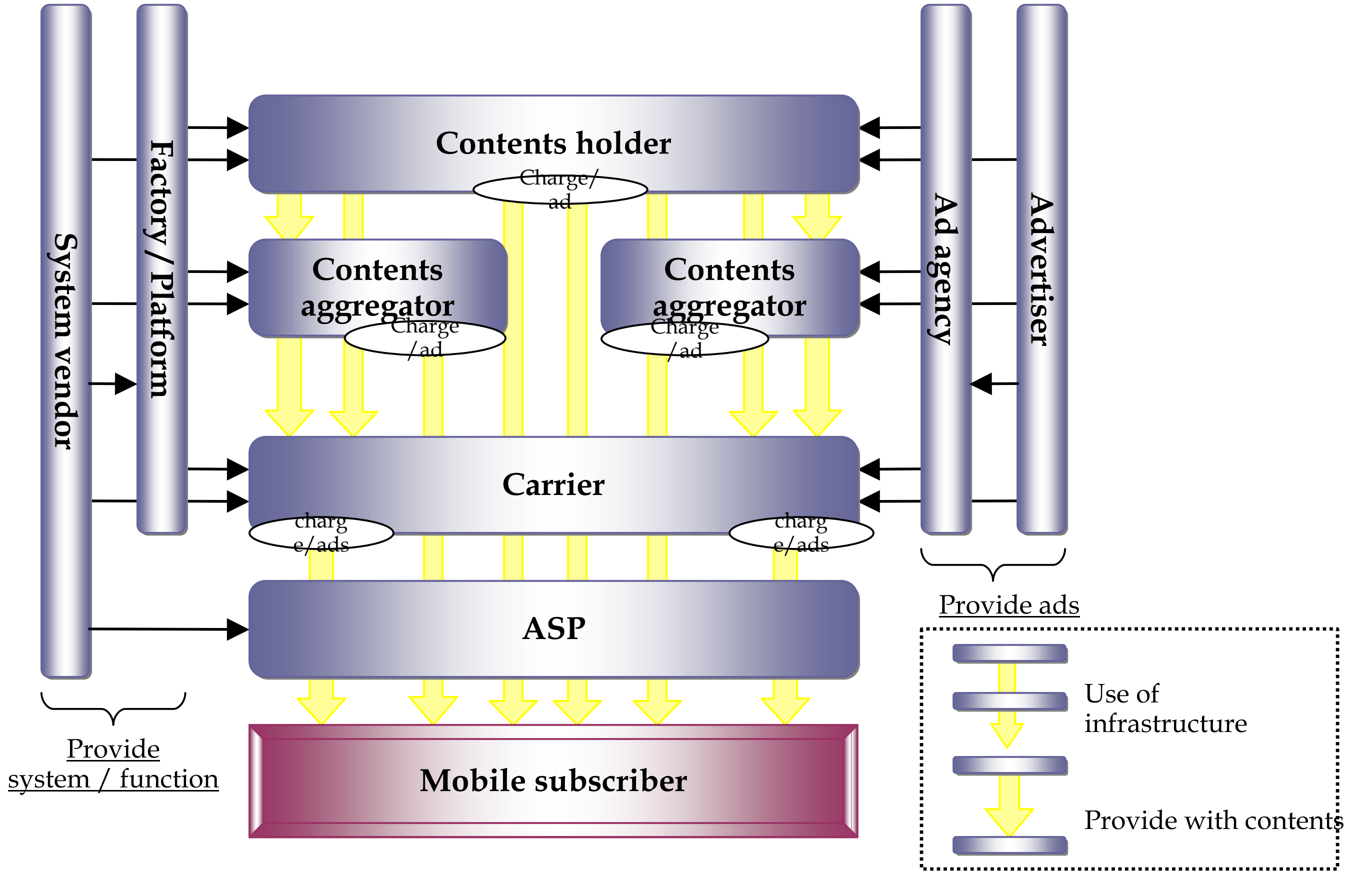
	Average charge (Yen/Annual)	Usage rate	Market size (Billion Yen)
Movie	¥2,959	2.01%	3.66
TV	¥3,869	1.27%	3.01
Graphic	¥2,846	0.97%	1.69
Game	¥8,328	5.14%	26.3
Music	¥1,959	3.58%	4.31
Newspaper	¥5,533	0.89%	3.04
Magazine	¥10,223	0.89%	5.62
Book	¥6,581	2.46%	9.95
Cartoon	¥3,503	0.52%	1.12
Transportation	¥3,400	0.22%	0.47
Map / navigation	¥2,836	1.27%	2.21
Health	¥4,600	0.37%	1.05
Fortune-telling	¥1,350	1.04%	0.87
Pornography	¥12,687	1.71%	13.4
Total			76.7

BB users are used to 'Free Contents' internet, so payment for BB contents is smaller than for mobile.

3. Industry Structure of IT (Mobile / Broadband Internet) industry

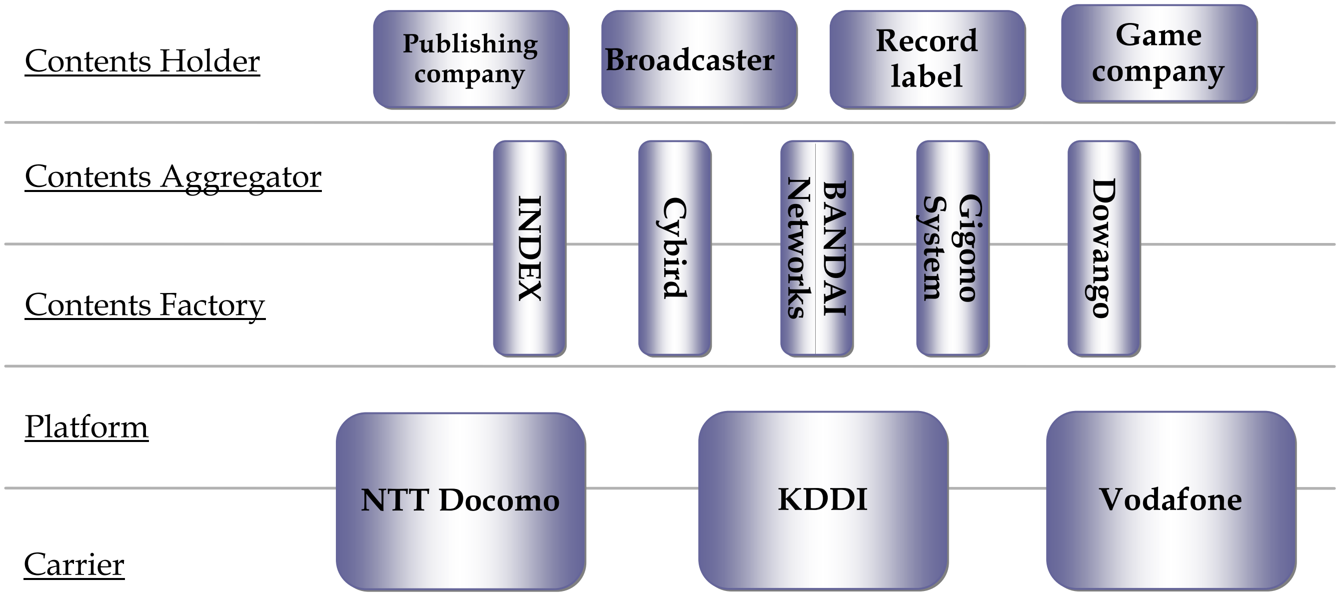
Structure of the Mobile Market

In the mobile industry, telecom carriers play a key role in terms of contents aggregation and fee collection.



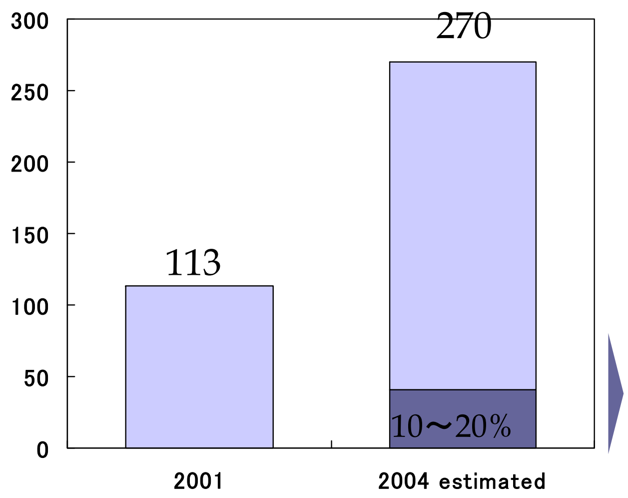
Major Players in Mobile Market

M&A is very becoming popular in contents provider industry, as major players are limited.



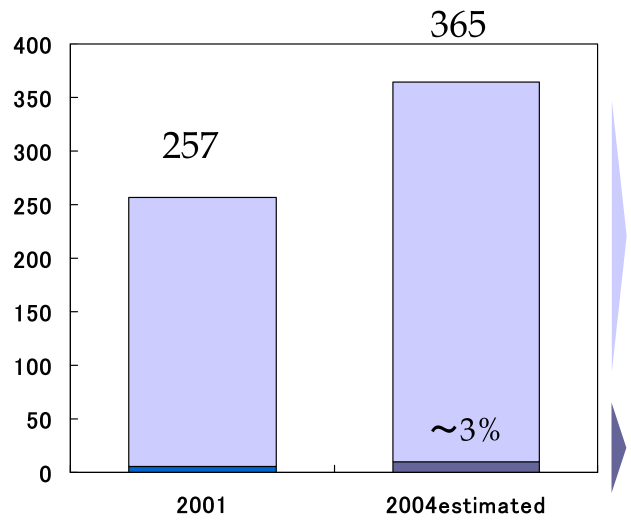
Home Security Market Analysis

Web camera market
(Billion yen)



For security use

Home security service market
(Billion yen)



High-end security service provided specialized security companies

Home security, self - protection type market

Mobile video application competitive analysis

Hitachi Security Service *View Web*

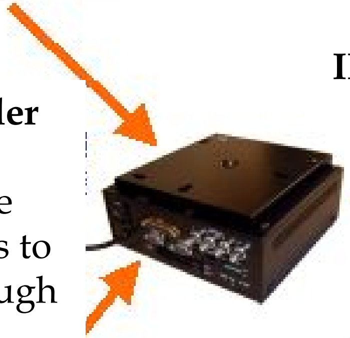
Various type of **CCD cameras**

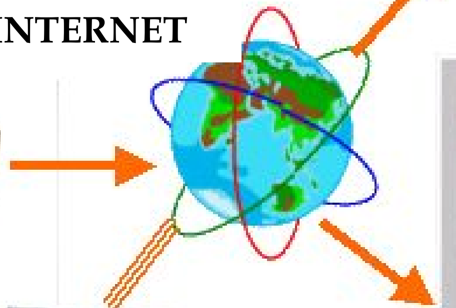
Users can access through PCs and the mobile phones as well.

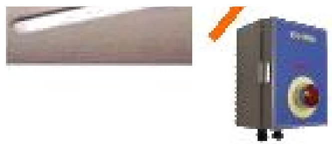
If there is an emergent information, it will be sent via an e-mail to users' cellar phone.

INTERNET

Visual Controller
Transfer visual data and encode them and access to View Web through the Internet



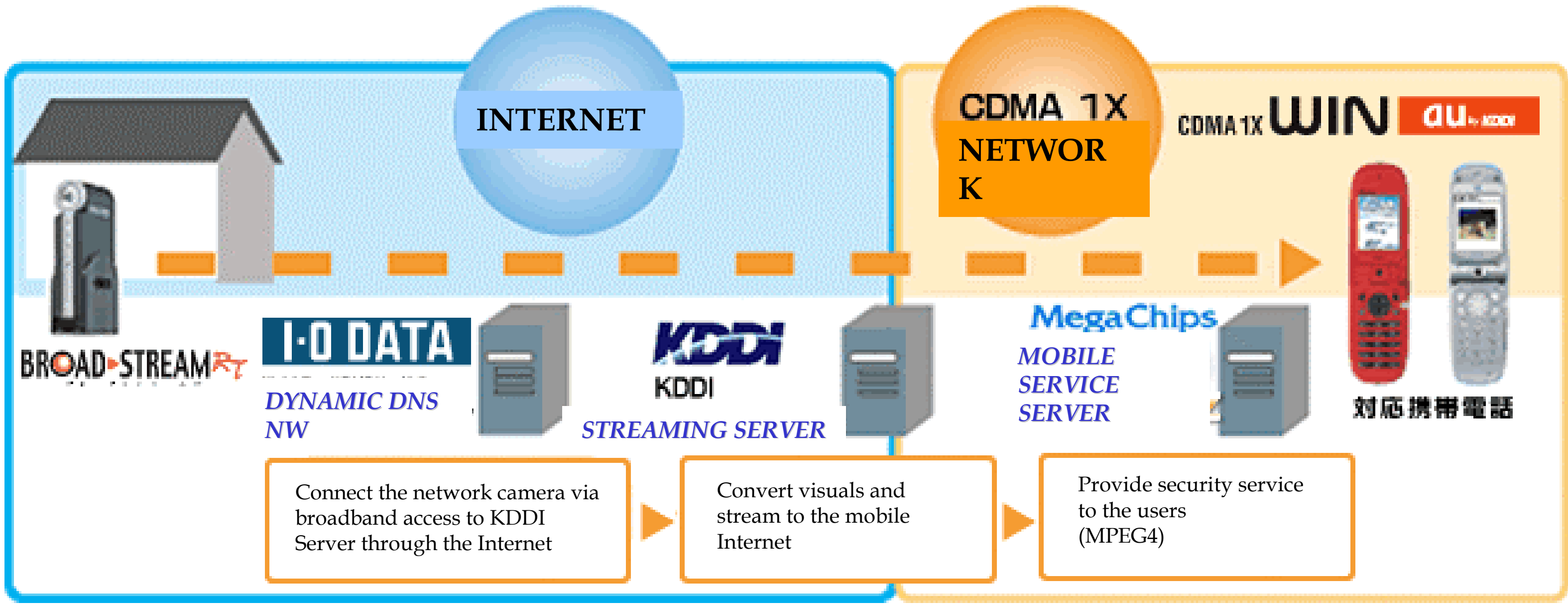




Emergency button or gas sensors

View Web Server
storages and optimizes JPEG visual data

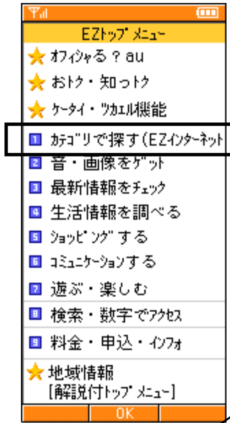
KDDI *CommonEZ*



http://www.camon-ez.jp/

Mobile video application competitive analysis

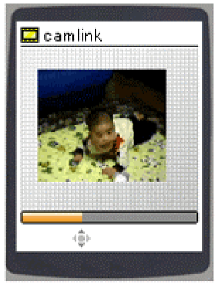
KDDI *CommonEZ*-continued



→ 辞書･便利ツール → 辞書･便利ツール → ケータイモニタリングサービス – CAMon EZ

TOP画面

メニュー画面

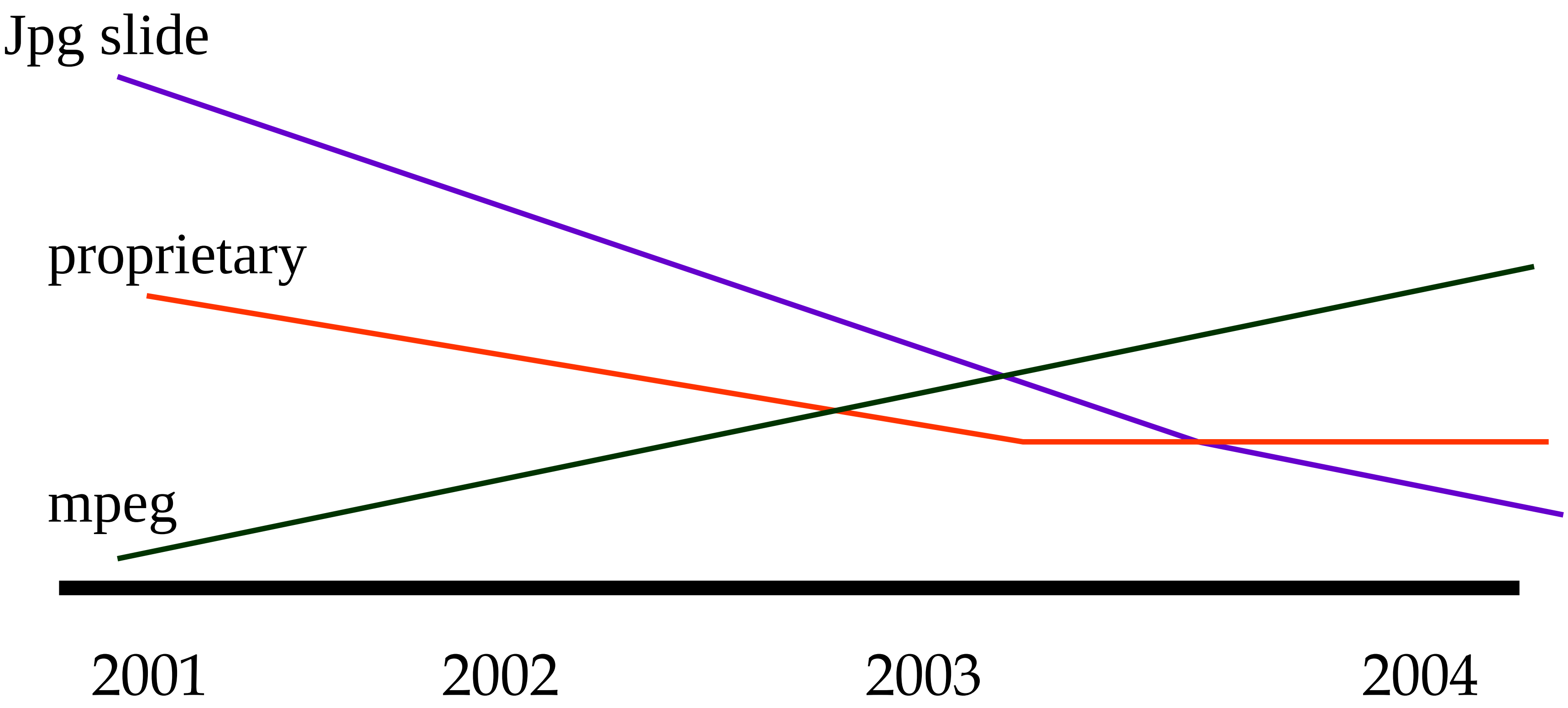


ストリーミング画面

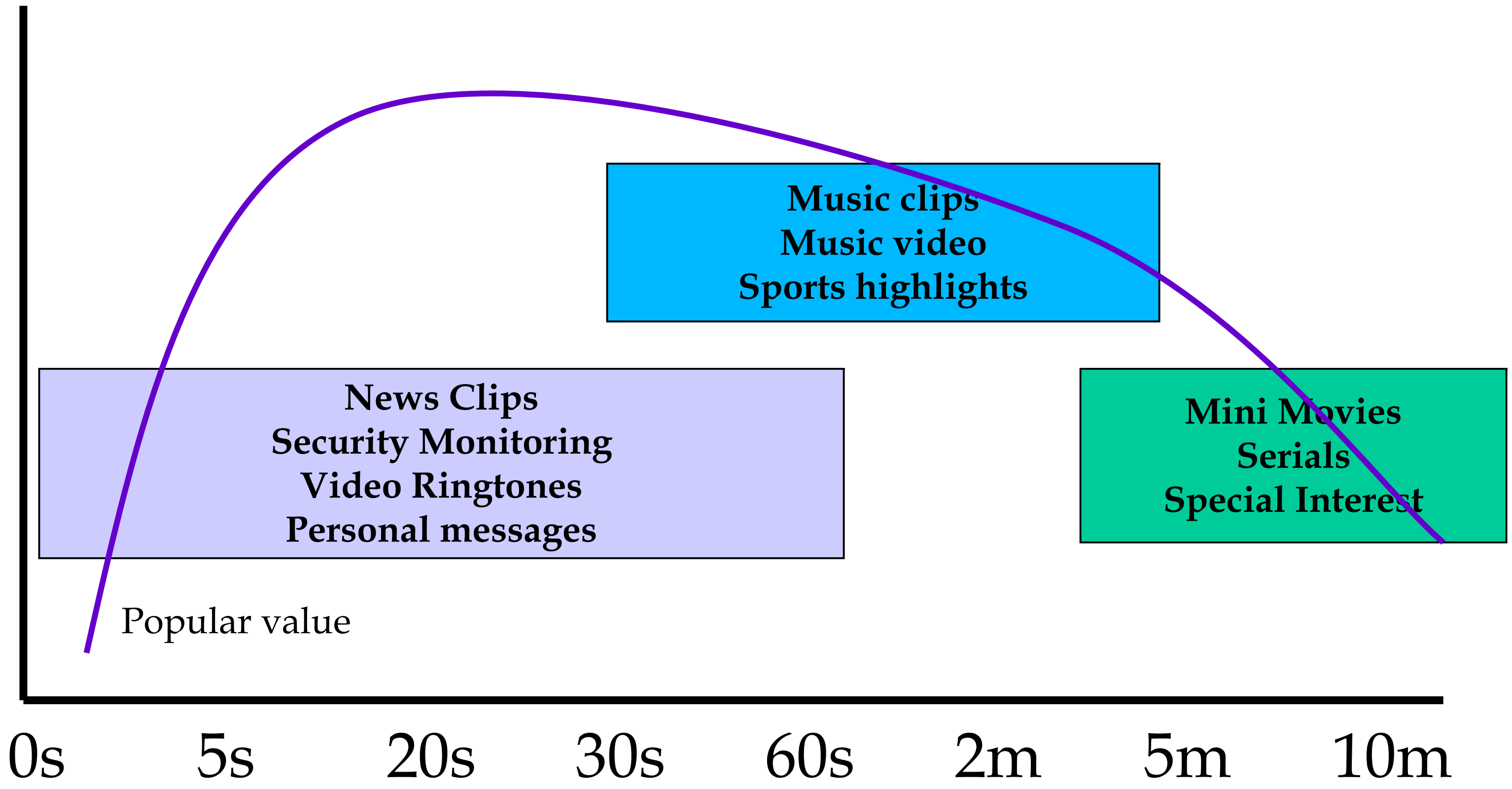
Price Plan

Service menu	Monthly charge	Note
Personal course	1,995yen (inc. VAT) ※2,940yne (inc. VAT) from 2005.1	Only one user can access and see
Family course	5,250yen (inc. VAT)	Up to 5 users can access and see

Mobile Video Services Timeline



Mobile Video Value



- Higher bit rate
  - Faster access to short contents
  - Higher quality for longer
- Lower consumer cost
  - Flat rate or bulk packet charging
  - Higher adoption = lower cost
- Standardized
  - Best use CODECS
  - Cross platform convergence

The Players in Video Services

Bandwidth Efficiency

Processing Efficiency

Good video quality at 2.5G network specs does exist!

TruVideo at 20 kbps

MPEG-4 at 50 kbps

1. Most handsets have color screens (900m+)
2. Many handsets have Java (250m+)
3. Fewer handsets have Brew or Symbian (50m+)
4. Growing number with embedded video (50m +)

JAVA Mobile Video	**TruVideo, oPlayo, 1KTV, RealMobile**
BREW Mobile Video	**TruVideo, oPlayo (native), Logitech**
Symbian Mobile Video	**TruVideo, oPlayo, REAL, ETI**
Embedded Mobile Video	**iMotion, EZMovie, NOA,Packet Video**

1. High value, low cost contents ala 'Chaku Movie'
2. Consider 'visual radio' applications in Java
3. Personal content
   1. Security monitoring
   2. Greeting and messages
   3. VBlogs
4. Interactive video 'gamelike' applications
   1. Dating applications
   2. RPG applications
   3. Video 'backed' applications

About FreeVerse Partners

FreeVerse Partners

Free Verse Partners is a team of professionals structured with partners who have high business skills, wide business experience and network. We respect our clients' diverse needs by utilizing our internal and external management resources.

Business Consulting

Business Incubation

Solution Provisoning

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