

Panel on Future Directions of Multimedia Broadcasting Services for Mobile Terminals – 6th
Meeting Summary of Minutes

1. Date and Time

Thursday, December 20, 2007; 14:00 to 16:00

2. Location

Special Conference Room #3, 2nd Bldg. of the Central Common Government Office

3. Attendees

(1) Members (Japanese alphabetical order; honorifics omitted)

Reiko Akiike, Susumu Ito, Yumi Ogose, Shun'ichi Kita, Kazumi Kurokawa, Hiroshi Suzuki, Akira Negishi (chairperson), Hiroyuki Morikawa

(2) MIC Representatives

Kawachi (Deputy Director-General, Information and Communications Policy Bureau), Yoshida (Director, Broadcasting Policy Division), Oku (Director, Broadcasting Technology Division), Yoshida (Director, Terrestrial Broadcasting Division), Takeda (Director, Satellite and International Broadcasting Division), Fujishima (Director, Regional Broadcasting Division), Nagashio (Senior Planning Officer, Broadcasting Policy Division)

4. Agenda

(1) Presentations (Fifth Group)

- NTT DoCoMo, Inc.
- KDDI Corporation
- SoftBank Mobile Corp.
- Influential individuals in the field of business

(2) Supplementary Issues Regarding Study (Study on Frequency Allocation)

(3) Others

5. Meeting Summary

(1) Presentations (Fifth Group)

NTT DoCoMo, Inc., KDDI Corporation, SoftBank Mobile Corp. and influential individuals in the field of business (Mr. Kita, Member, and Mr. Tetsuya Kurasawa, Senior Researcher, The Japan Research Institute, Ltd.) each gave a presentation on the study items and their views on them, followed by a question and answer session and exchange of opinions.

1) NTT DoCoMo, Inc., KDDI Corporation and SoftBank Mobile Corp.

- These three companies each gave a presentation using Handouts 1 to 3.
- Q&A, Exchange of Opinions

Member: I'd like to ask NTT DoCoMo (hereinafter, "DoCoMo") two questions. The first one refers to your statement that it would present a big hurdle in terms of cost to support more than one technological system. We also hear, however, that if you could put everything on a single chip, there would be practically no difference in terms of price. Would you like to comment on this point? Second, you claim that the 905i Series is a "global mobile phone series." I'd like to hear your comments on this from the viewpoint of international competitiveness.

DoCoMo: First, we often hear from vendors that a single-chip design would reduce the cost of supporting multiple systems. Well, that would only be possible once the market had grown sufficiently large. In any new market, about 99% of the time, the game is over before the business cycle has been developed to a certain scale. It is technically possible to put everything on a single chip while supporting multiple systems. The question is, however, whether you could reach a stage where the market had grown to a reasonable size and the business cycle had been established. Before you reached that stage, the cost of putting everything on a single-chip would be very high in relative terms, which in turn would push up the cost of the terminals.

Today, mobile phone companies are advocating multi-system support as a means of market differentiation. However, getting such services accepted by the Japanese public in a multi-system framework would, I think, pose a great challenge, especially during the initial period of "taking root," so to speak.

As for international competitiveness, things are not so simple. Let's take FM radio as an example. Since different countries use different frequencies, you cannot listen to FM programs in every country with the same radio set, even with the same technology. You cannot provide a global service unless you solve the various problems arising from differences between countries in frequency bands, languages, business models, charging systems, and so on. It's true, however, that a technologically global system would be desirable in terms of component prices, which tend to fall as technology spreads globally.

Member: KDDI has stated that, "Even though the telecommunications industry and the broadcasting industry have not yet converged, customers are actually already moving toward convergence." For example, a customer watches a TV program, finds it quite

moving, and decides to conduct some research on the topic. This kind of story happens everywhere. It represents our version of “local production for local consumption,” so to speak.

Now, many of the arguments today are along the lines of, “It doesn’t make sense to have a discussion at this time, when we can’t find a good business model and can’t find anybody who wants to start such a business,” or “We are thinking of expanding our services along the lines of broadcasting as it is today.” I’m afraid we are not heading toward combining new ideas in telecommunications and broadcasting. At the previous meeting, I said that if you broadcast from the center of Tokyo, the content would have little to do with the residents of its suburbs such as Omiya, Hachioji, or Machida; in that respect, it would make no difference if you were in Osaka or Kyushu. I have been wondering whether you would be able to come up with a new business model for services that would allow communication in the suburbs, which would be more like local production for local consumption, and which would be based on an attractive technology without suffering congestion.

Currently, the situation seems to be that you start with broadcasting and then are converged into telecommunications, and in this scenario, everybody seems to be trying to blend telecommunications and broadcasting by themselves. I envision the exact opposite scenario, where you start with telecommunications and then are converged into broadcasting; for example, you encounter a program that is delivered only in a certain geographical area through telecommunication and then you shift to broadcasting to pick it up.

Elements of success are in place and there is potential for success. Therefore, I would like to see something beyond the common notion that only business models based on economies of scale have any chance of success.

In this regard, what KDDI told us today sounds very interesting. However, I feel that in reality, things will be moving in a different direction from my ideal. Anyway, no matter how small the business model may be, if it is adopted in 1,000 places across Japan, you might get an idea of the conditions on the new supply side.

I heard SoftBank say that there are no business models of this nature and it is almost impossible to do business in more than one area. I believe, however, that thinking of how to go one step beyond this level is not vastly different from thinking from a global point of view. Employing a mechanism that embraces success even with a small market and picking up information that has never been covered before is exactly what Recruit is doing with *Hot Pepper*.

So, would such a mechanism that would promote the convergence of broadcasting and

telecommunications be feasible as a business model?

KDDI: What we talked about today is indeed a typical example of convergence happening among users, even while there appears to be no connection. We think this may well happen not only in nationwide broadcasting but also in local broadcasting. However, whether it will succeed as a business is quite a different story.

We can also consider the opposite direction: programs are broadcast and then received by telecommunications. Today's mobile phone is a kind of media terminal. It offers broadcasting notification, whereby it notifies the user of the time a broadcast program from a portal site starts. Thus, triggered by telecommunications, you would first go to the TV and then come back to work through telecommunications. Such a kind of convergence is conceivable.

DoCoMo: Actually, we often receive a request from a content provider or a show enterprise to send one-segment broadcasts only to the venue of the show during an event in the form of a local community broadcast. In such contexts, we believe there will be a lot of content limited to specific geographical areas.

While we are on this topic, just a few minutes ago KDDI mentioned network congestion resulting from excessive access as one of the challenges associated with the convergence between broadcasting and telecommunications. There are actually two types of such congestion. One is the congestion occurring around the center server as a result of a large volume of traffic coming in from all over the country in a short span of time. The other is the congestion that occurs in a local area when many people, far exceeding the capacity, or the maximum number of callers assumed for that area in normal situations, start simultaneously downloading streaming content or the like. The equipment handling telecom transactions in that area simply cannot process such a large load. So, community broadcasting aimed at limited local areas is expected to resolve congestion of the second type.

SoftBank Mobile: We too are studying the problem. For example, we are simultaneously transmitting rich content images nationwide, using a multimedia system. Also, as its local variant, we are considering a multicast system called MBMS, which we hope will play a significant role in seamlessly connecting the 3G mobile phone to broadcasting.

While accepting the importance of multimedia-based nationwide broadcasting, we also recognize the importance of exercising meticulous care in addressing the needs of local areas.

Member: SoftBank Mobile has stated, in its presentation on the areas to be covered by broadcasting, “One should not expect multimedia broadcasting to play the role of public services, such as broadcasting emergency warnings.” At previous meetings of this Panel, however, several people emphasized public service roles. What do you think on this point?

SoftBank Mobile: Regarding this point, we take a business perspective. There should be a fair business environment, which should be based on competition in many respects. In this context, the notion of “public service only” may not be the goal. We firmly expect the principle of competition to be realized in multimedia broadcasting.

Member: Thank you very much for sharing with us several very intriguing cases today. I’m under the impression that what we can explain at this stage may be nothing more than the business models that can be seen today. This may be the limit we are unable to cross. In this regard, I’d like to ask two questions to each of the three companies here. First, at what point in time, i.e., the year two thousand and what, are you targeting your business models, and approximately what percentage of the goal do you think you can visualize at this point in time? Second, in pondering future business models, what is required at minimum for their foundation, and what should be left to the ingenuity of the business operators?

DoCoMo: Today we talked about how telecommunications companies will react when multimedia broadcasting is introduced. Things may be a little different if we assume that we ourselves will be operating the business. Anyway, keeping to the standpoint of a telecom company, I would say the business model we are now visualizing probably represents as little as less than 10% of the overall picture.

The reason is that, in Japan, people rarely watch multi-channel broadcasting, let alone on a small screen. Indeed, it’s a fact that many people are quite dissatisfied with 15 fps. On the other hand, on the production front, the mainstream strategy is to produce programs for large screens to match big-screen TV sets at home. It’s quite a challenge to view them intact on a small screen, and therefore we don’t consider it easy to expand the current business model as it is in this direction. So, we would say 10% in that context.

As to the second question, assuming that the receiver terminals will be our mobile phones, we cannot tell at what level we should discuss this issue at the moment, as long as we have no idea about the distance between us and the broadcasting operators. Our decision greatly depends upon whether we need to go further or whether we can absorb everything on the infrastructure side.

KDDI: If we may speak regarding the level we vaguely visualize at present, we would say it's about 30%.

As to the second question, from the standpoint of a telecommunications company that is going to deal with multimedia broadcasting, challenges in terms of the business model include charging and authentication. These are not difficult in legal terms: we believe a solution can be easily found.

Other questions include what kind of business can be created when a broadcaster wholesales services to a telecom company. Also, in such an event, whether or not the telecom company will be positioned as a broadcaster. Furthermore, where will a telecom company be positioned if it conducts business by leasing a frequency band from a broadcaster? These are the questions we are most interested in. Particularly, we are concerned with the second and third questions, which are crucial to whether or not we can actually run a business. Since it does not seem very easy to sort these issues out within the current legal framework, we sincerely hope they will eventually be sorted out, with everything taken into account. Then we think there will be great potential for business success.

SoftBank Mobile: We are generally confident, so we think we can visualize about 100% of the picture, but then the next day we see a new development. Today, one-segment is very popular, but several years ago, nobody imagined it would become so popular. We liken multimedia broadcasting to one-segment: it is the kind of business that will make a sudden breakthrough one day. So, while it's difficult to express what we can see in concrete figures, we are striving for 100% every day.

As for the second question, we at SoftBank Mobile would very much like to expect the Government to handle the standardization of technology so as to establish a global standard, if possible. We as a private company have been trying hard to reduce the cost of entering new business fields by inviting overseas mobile phone vendors to Japan, but find it difficult to do so with just a new Japanese original technology. In this context, we are hoping this technology will become a global standard.

In addition, we would like to ask the Government to develop a system that would encourage competition based on market principles.

Member: With regard to international standards, can you tell me specifically what you mean by a Japanese original technology and a global standard?

SoftBank Mobile: It is more desirable, we think, to build a system that players all over the world find easy to join, than to let Japanese manufacturers develop their own new technologies. Therefore, we sincerely ask the Government to develop a system that is designed not just for doing business in Japan.

Member: Usually, when we consider a global standard system, there should be a definition somewhere to the effect that it must be recognized as a standard by the ITU or a similar organization. Listening to what you have said, I am a little confused as to who calls a standard a “global” standard, and on what grounds.

SoftBank Mobile: We would very much like to discuss this in depth at a later point, but for the moment, we would like it to be treated as just a future topic on the agenda.

Member: So, as I understand it, DoCoMo suggests that we focus on just one technology if possible; KDDI suggests that we have the freedom of choice between a number of different technologies; and SoftBank does not think it necessary to limit our choice to just one technology. In short, the problem seems to be the extremely high cost of starting up business if we are to limit our choice to just one technology. Don't KDDI and SoftBank consider this to be a problem? Or, do they think the problem is small enough to be solved within a business model? I would like to pose these questions to KDDI and SoftBank.

KDDI: We accept that starting up business is extremely costly. However, even if there is more than one technology, the services as well as terminals will be widely used if they can gain acceptance by users. Take one-segment, for example. Initially it did not pick up quickly because the chip was very expensive; however, today we are enjoying a very favorable spiral, with its price falling to about one quarter.

Therefore, from the user's standpoint of considering what kinds of services are available with what kinds of technologies, we believe that as long as the system is acceptable to users, the price will gradually flatten out over the years, even if it may be a little high at the start.

SoftBank Mobile: We are more or less of the same opinion as KDDI on this point. With this kind of system, we think one should consider recovering the investment cost over a very long period of time, rather than focusing on the initial costs. We expect the prices to come down through competition. In this regard, we would rather expect the Government to provide an environment which encourages new entry into the field, so that competition

will bring down prices. In the future, with the further advancement of semiconductor technology, it may become feasible to put more than one technology onto a single chip; therefore, we do not think it a good idea to limit the scope.

DoCoMo: Let us present our view on this point. The answer to the question of whether it would be better to limit the choice to one technology or to allow for multiple choices depends on where the telecom company is positioned. With only one choice available, it is difficult for a company wishing to expand its market share to differentiate itself in terms of services and terminals. Therefore, our discussion should focus not just on whether it is better to limit the choice to one or to allow for multiple choices or on which way will lead to a reduction in cost, but rather on how to provide services that users really expect, without being influenced by the preferences of the companies competing against each other for a bigger share.

2) Influential individuals in the field of business (Mr. Kita, Member, and Mr. Tetsuya Kurasawa, Senior Researcher, The Japan Research Institute, Ltd.)

- These individuals each gave a presentation using Handouts 4 and 5.
- Q&A, Exchange of Opinions

Member: A company called Recruit was seriously looking for a new market that did not exist until a few years ago and came up with a local information magazine called *Hot Pepper*. Initially, nobody took it seriously or even imagined that an area like Hachioji or Sagamihara could publish *Hot Pepper*. When some people were planning to publish a magazine and wondering whether they could sell 100,000 copies nation-wide, a mere two or three individuals in a local area created *Hot Pepper*, which has since grown to be a kind of media for that area. The mechanism behind it is easy to understand: it is produced individually, area by area, but to be successful, the area should be as big as Sagamihara City; Hashimoto, which is just a part of Sagamihara, is not big enough.

If we can create about 1,000 such places in Japan, it can be copied in other cities in Asia, I think. Now, if we were to expand this idea to the global level, it might establish a new business model, or a new kind of media originating from Japan. In the past, magazines have been playing this role. *R25* may differ in content between Tokyo and Osaka. Within each local area, a place that is particularly favored and generating a lot of attraction may come up with such publications in a timely fashion.

Such publications have been paper-based so far. Now, here is a question for Mr. Kurasawa. Today, when there are no sources in local areas sending out information, do

you think it is possible to develop a mechanism whereby local people create something based on motion pictures that can be viewed only in real time?

Mr. Kurasawa, Senior Researcher, The Japan Research Institute, Ltd.: If the radio industry today could be resurrected by a surgical operation, what you have said would be just the way to go. In this regard, we need to closely study how the people at Recruit do it with *Hot Pepper*, namely, what remuneration system they employ, how long their actual working hours are, how many people are involved, and what kinds of jobs they actually do. The way they do things at Recruit is worlds apart from the way the mass media operates, including today's major portal sites, especially the way they collect money. Simply put, if you can accept the idea of reducing salaries to one-third while doubling the working hours, then you can realize the business model of *Hot Pepper*.

(2) Supplementary Issues Regarding Study (Study on Frequency Allocation)

The Secretariat presented the above using "Study on Allocation of Frequencies for Multimedia Broadcasting" (Handout 6).