

Breathing Fresh Air into Film Industry

New Business Model Based on IT Ventures

Interviewer: Kanji TAKAMASU

After hitting its peak in the 1950s, the Japanese film industry remained in the doldrums for a long time. In recent years, however, it began to show a sign of recovery as the works of young directors, who came two generations after such great masters as Akira Kurosawa and Yasujiro Ozu, won prizes in the Cannes, Berlin and other European film festivals. Hiroki Ohwada, 45, is a young entrepreneur who launched IT ventures whose core business is a data center. He has just begun to adopt a new approach to the film industry, a field to which he was a total stranger. I asked him what he aimed to do by writing scripts himself and building a totally new business model for the film industry.

DREAM KID
we create future!

You are chairman of Broad Band Tower Inc. (BBT). What does BBT do?

Ohwada: In 1996, I started up IX (Internet exchange) with Hiroshi Fujiwara. It is an Internet exchange service with a data center at its core. Then, we expanded our business in the field of content. We named the new business Broad Band Tower, hoping to make it a presence like the Tokyo Tower, which is the center of the Japanese broadcasting business and which is known throughout the world. We opened a branch office in the Kansai region last year. Our latest annual sales amounted to ¥8.5 billion and we have now 80 employees.

I have always worked with the Internet. As our business grew, the share of business solutions has expanded. Therefore, I asked Toshihiko Yamato, who is well experienced in this

field, from Cisco Systems to become the chief executive officer (CEO) of BBT. Now, I am the chairman of BBT.

Why did you start up your venture business with IX?

Ohwada: When I graduated from university, I joined a consulting firm affiliated with the Japan Railways (JR) group and worked primarily with cable television. I graduated from the Faculty of Literature of Keio University. But, while working, I went back to Keio as a graduate student in its Faculty of Engineering to study the Internet in earnest. I met Hiroshi Fujiwara on a study tour. When Professor Jun Murai of Keio University, who is called the "father of the Japanese Internet," asked why someone doesn't start an IX, Hiroshi and I said: "Why don't we try ourselves?" So, we established Internet Research Institute in 1996. And in 2002 we expanded the business and established BBT.

Infrastructure and content have long been the two sides of a coin. When we look back upon why the Internet has spread so widely, we see that first the infrastructure (technology) was established, connecting the world in real time. Mail, scholastic material, Web and other contents were exchanged through this infrastructure, rapidly transforming the Internet from

use in special fields to general use. Infrastructure by itself is not sufficient, however. Unless content flows on it, the infrastructure will not be used. That is why I give equally great importance to content and infrastructure in managing our business, and why I separate my business areas into a computer platform and an e-commerce platform.

What is the relationship between BBT and the Dream Kid film business in which you are the producer?

Ohwada: The computer platform underpins the Internet infrastructure, centering on a data center, and various related services. The e-commerce platform, on the other hand, is responsible for the service of designing and distributing content for the Internet. In the latter field, our principal clients at present are firms in the fashion business.

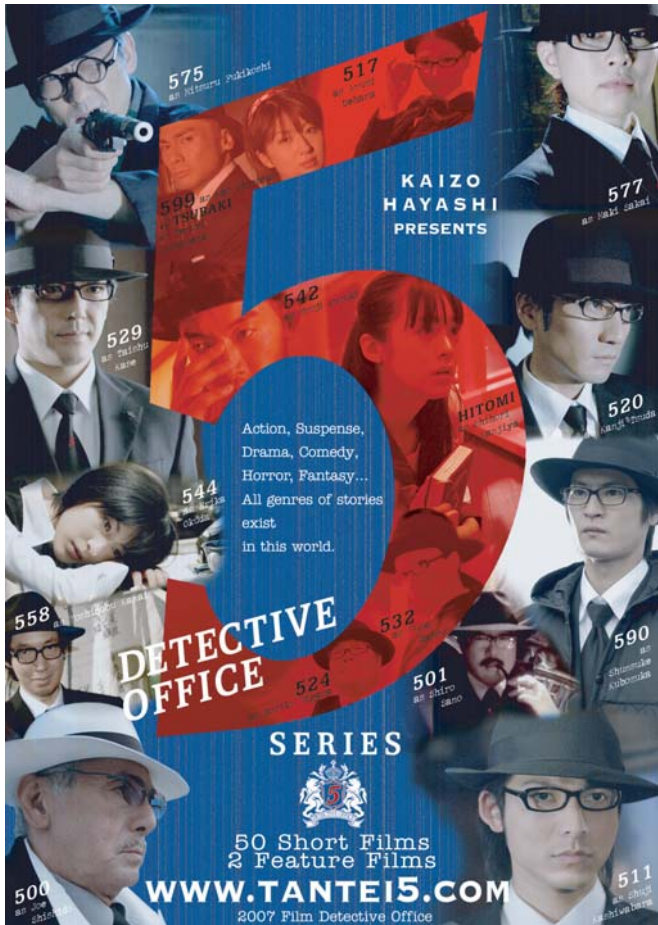
Dream Kid is the company I established in 2004 as my own company. It produces and distributes films. It is a partnership with Detective Picture Corp., which is managed by film director Kaizo Hayashi, to produce films set in private detective agencies in Japan. These are mostly works by Mr. Hayashi, and are distributed via the Internet. We also produce and sell DVDs of these films.

Mr. Hayashi has his office in a building which actually houses a real detective agency. He rents a studio on the premises of JFE, a Japanese steelmaker in Kawasaki City, which is adjacent to Tokyo, to make films. We produce films primarily from a series of more

Photo: JEF

Hiroki Ohwada, founder/producer, Dream Kid

Photo: "Film Detective Office Inc."



Detective Office 5 targets the global market from the beginning, distributing films on the Internet as well as selling their DVDs.

Photos: "2008 THE CODE PROJECT"



Photo: "Film Detective Office Inc. / Image Media Inc."

than 50 works set in Japanese detective agencies. When we talk about detective films, people in other countries tend to think of loud actions like in spy films, but Mr. Hayashi's works are very faithful to stories set in real Japanese detective agencies. He believes that solving a case is the work for the police. Therefore, the characteristic of his work is that through problems people bring to private detectives, he depicts Japanese people and society of today. In this sense, they are a group of short films and are quite different from ordinary works in the genre of detective films.

Could you describe your market?

Ohwada: From the very beginning, we have targeted the world market. We show our films in theaters, distribute

them on the Internet and sell their DVDs. Although our works are set in Japan, we put subtitles in Chinese, Korean and English. This business is still new, but we have already achieved concrete results in Taiwan. Last year, we produced 10,000 copies of our first DVD and have already sold 7,000 of them.

For the distribution of our films via the Internet, we have created a Website, using BBT's infrastructure.

We have the impression that Japanese films have finally begun to attract attention again. It seems that earlier the center of attention was films dealing with samurai, but today the films' theme has changed to families and daily lives of ordinary people.

Ohwada: There is no question that we are beginning to see excellent films. Some are winning prizes at various film festivals in Europe. But, as a business, we still have a long way to go. The Japanese film industry appears to be still looking inward and it has not been able to fully respond to changes taking place in the way the general public appreciates films.

What are its weaknesses?

Ohwada: No matter how excellent individual works are, there is no denying that when we take overseas markets into our sight, there is an absolute shortage of films. In the area of casting, the Japanese actors and actresses who have appeared in Hollywood films have won name recognition. But, it is too much

Photo: "2008 THE CODE PROJECT"

of a risk for film business people in other countries to show in theaters Japanese films that only feature actors and actresses who have not appeared in many films and whose names are not so recognizable. Films require enormous amounts of money for publicity and advertisement prior to their showing at theaters. This is another factor that discourages the distribution of Japanese films in other countries.

From a business perspective, the Japanese film industry still lags far behind that in South Korea, for example. In South Korea, in making TV dramas as well, people give a great deal of thought to overseas markets even when they are still in their planning stage. I believe that this is because they produce films always with overseas markets in mind since South Korea's domestic market is small.

This stance is evident in the fact that "Legend" (the tale of King Tamdok and four guardian Gods), a TV drama series broadcast by NHK television in Japan, reportedly was produced at a cost of ¥8 billion, an extraordinary amount of money for the production of a TV drama series. A Tokyo theater showed this series, which was still being aired, and it proved astoundingly popular, with people forming long queues in front of the theater. Coupon tickets for 24 installments are said to have sold briskly. This is one piece of the evidence that the stereotypes about TV dramas we watch at home and about films we see in theaters are already things of the past. We can say that the industry in South Korea has responded to this change very quickly. And I believe the success of South Korean dramas and films in Japan has greatly deepened the Japanese understanding of that country.

You are writing film scripts as well as producing films, right?

Ohwada: I majored in psychology at university. I am very fond of novels and films to start with. So far, I have written scripts for three films. I wrote the scripts for "Just Do It," "Jump!" and one of the 50 works in the "Detective Office 5" series, "Baishu o Soshi Seyo" (Stop the Buyout). You can see all of these films on the Internet. My favorite author is

Haruki Murakami and if I were to name my favorite film director, it would be Shunji Iwai, a Japanese image creator who is very enthusiastic about cultivating new visual expressions and distribution via Websites.

You have successfully started up two venture businesses and now you are tackling a new venture. Few people have done this. What kind of difficulties have you experienced?

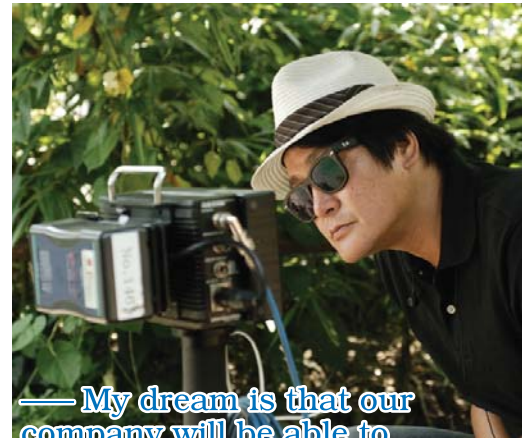
Ohwada: I feel very strongly that the business climate is quite different between Japan and the United States. I feel that the Japanese business community is very conservative when it comes to dealing with new businesses and products. For example, the success of Juniper Networks, which has developed a product superior to Cisco Systems' router in terms of performance, is beyond imagination here in Japan. It appears that in the United States, you readily find buyers of your new products who approach you solely on the basis of their comparative performances. When I started up IX, someone asked me, "Will your company still exist a hundred years from now?"

Another difficulty was obtaining people, though it was not just me who has faced this problem. When we develop or use some technology to start up a company, the role of a chief financial officer (CFO) becomes very important as we enter the process of maintaining and expanding it. However, a person with abundant experience who can become a core member of the management team, such as CFO, is rather reluctant to join a venture business. Also, there are not enough venture capitalists who are well-versed in technology.

Japanese venture businesses, on the other hand, do not have the concept of "exit" as their counterparts in the United States do. I have never heard a Japanese venture business person say, "I wish Microsoft would buy my company."

What do you plan to do from now on and what are your goals?

Ohwada: At present, the e-commerce platform accounts for less than 10% of our total sales. I hope to raise this ratio



— My dream is that our company will be able to provide a hub for cultural exchanges.

to approximately 25% in a few years. This means expanding the fashion platform and distribution platform businesses, which support the content business.

Although I am not sticking to films in particular, I believe films, or visual images, have a very important element as a means of cultural exchange. If BBT can become a hub for the cultures of the world by taking advantage of its infrastructure, I believe it will be able to become a worthwhile business.

Could you tell me about your hopes and dreams?

Ohwada: I hope to make it possible for the people of the world to avail themselves of (and to view) the cultures and ways of thinking of the countries that they have never been to via visual images (films, for example). Knowing the cultures of countries one does not know will reduce wars in the long run. To realize this objective, I believe it is necessary to make circles of content providers who share this philosophy. My dream is that our company will be able to provide a hub for cultural exchanges, including the provision of its infrastructure. This will take more time than succeeding in an ordinary IT business, but I would like to make it my lifework. **JS**

Kanji Takamasu is an editor and biographer. He is also a senior advisor to the foreign news editor of The New York Times.